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MALAWI GOVERNMENT

ANNUAL ECONOMIC REPORT 2023

Ministry of Finance and Economic Affairs

ANNUAL ECONOMIC REPORT 2023

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THE WORLD ECONOMIC OUTLOOK

1.1 World Output

Global Economic growth slowed down from 6.2 percent in 2021 to 3.4 percent in 2022 due to slowdowns in both advanced and emerging and developing economies. Global growth is projected to further slow down to 2.9 percent in 2023 and pick up to 3.1 percent in 2024. This is mainly on account of lockdowns in China due to the resurgence of COVID-19, new global health concerns, the property market crisis in China, tight global financial conditions associated with tight monetary policy, and the ongoing Russia-Ukraine war (IMF World Economic Outlook, 2023).

1.1.1 World Output Developments in 2022

World Economic growth decreased from 6.2 percent in 2021 to 3.4 percent in 2022, reflecting economic, geopolitical, and ecological changes. Advanced economies' growth slowed down to 2.7 percent in 2022 from 5.4 percent in 2021. The United States and the Euro Area have experienced a significant slowdown in growth, with the US declining from 5.9 percent in 2021 to 2.0 percent in 2022 and Euro Area declining from 5.3 percent in 2021 to 3.5 percent in 2022. This is primarily caused by a decrease in real disposable income impacting consumer demand, high interest rates, and the impact of the war in Ukraine; particularly, for economies heavily dependent on energy from Russia.

Growth for the Emerging Markets and Developing Economies decreased from 6.7 percent in 2021 to 3.9 percent in 2022. In Emerging and Developing Asia growth slowed down to 4.3 percent in 2022 from 7.4 percent in 2021. This decline is attributed to China's growth slowing to 3.0 percent in 2022 from 8.4 percent in 2021,a phenomenon caused by COVID-19 outbreaks, lockdowns, and a worsening property market crisis. Growth in Emerging and Developing Europe decreased to 0.7 percent in 2022 from 6.9 percent in 2021. This is on account of the impact of the war in Ukraine and international sanctions targeting Russia to end hostilities.

1.1.2 World Output Prospects for 2023 and 2024

The global economy is forecasted to grow by 2.9 percent in 2023, a decline from the 3.4 percent growth in 2022. This is due to the monetary policy stance in response to rising inflation, the ongoing impact of the war in Ukraine, the continuing effects of pandemic-related lockdowns and supply chain disruptions. In 2024, global growth is expected to grow from 2.9 percent in 2023 to 3.1 percent in 2024.

The US economy is projected to grow from 2.0 percent in 2022 to 1.4 percent in 2023. The Euro Area however, is expected to decline from 3.5 percent in 2022 to 0.7 percent in 2023. Nevertheless, the growth in Emerging and Developing Economies is anticipated to slightly increase from 3.9 percent in 2022 to 4.0 percent in 2023.

TABLE 1.1: WORLD OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2021	2022*	2023*	2024*
World Output	**6.2**	**3.4**	**2.9**	**3.1**
Sub-Saharan Africa	**4.7**	**3.8**	**3.8**	**4.1**
Advanced Economies	**5.4**	**2.7**	**1.2**	**1.4**
United States	5.9	2.0	1.4	1.0
Euro Area	5.3	3.5	0.7	0.6
Japan	2.1	1.4	1.8	0.9
United Kingdom	7.6	4.1	-0.6	0.9
Canada	5.0	3.5	1.5	1.5
Emerging Market and Developing Economies	**6.7**	**3.9**	**4.0**	**4.2**
Emerging and Developing Asia	7.4	4.3	5.3	5.2
China	8.4	3.0	5.2	4.5
India	8.7	6.8	6.1	6.8
Emerging and Developing Europe	6.9	0.7	1.5	2.6
Latin America and the Caribbean	7.0	3.9	1.8	2.1
Middle East and Central Asia	4.5	5.3	3.2	3.7

Source: IMF World Economic Outlook January 2023.
* Projections.

1.2 Regional Output

1.2.1 Regional Output Developments in 2022

Sub-Sahara African countries registered a slowdown in economic growth from 4.7 percent in 2021 to 3.8 percent in 2022. This is due to lower growth of trading partners, tighter financial and monetary conditions, and a decline in the commodity terms of trade. South Africa's economic growth declined from 4.9 percent in 2021 to 2.6 percent in 2022 due to the energy crisis and a weak global economy. Tanzania and Zambia's growth declined from 4.9 percent and 4.6 percent in 2021 to 4.5 percent and 2.9 percent in 2022, respectively. Exceptionally, Mozambique showed an increase in growth from 2.3 percent in 2021 to 3.7 percent in 2022.

TABLE 1.2: REGIONAL OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2021	2022*	2023*
**Sub-Saharan Africa ** **	**4.7**	**3.8**	**3.8**
Ethiopia	6.3	3.8	5.3
Kenya	7.5	5.3	5.1
Uganda	6.7	4.4	5.9
Nigeria **	3.6	3.0	3.2
South Africa **	4.9	2.6	1.2
Tanzania	4.9	4.5	5.2
Zambia	4.6	2.9	4.0
Mozambique	2.3	3.7	4.9
Zimbabwe	7.2	3.0	2.8

Source: IMF World Economic Outlook October 2022.
** Updated with the IMF World Economic Outlook January 2023
* Projections.

1.2.1 Regional Output Prospects for 2023

The economic outlook in Sub-Saharan Region is expected to remain moderate at 3.8 percent in 2023 on an account of improvements in terms of trade and supply chain conditions. However, while some countries in the region such as Tanzania, Zambia, and Mozambique are expected to register high growth rates, South Africa’s growth is expected to slow down from 2.6 percent in 2022 to 1.2 percent in 2023. This is due to weaker external demand, power shortages, and structural constraints.

1.3 Inflation and World Commodity Prices

1.3.1 Inflation and World Commodity Prices in 2022

Headline inflation increased significantly in advanced economies to 7.3 percent in 2022 from 3.1 percent in 2021. In emerging markets and developing economies, it increased to 9.9 percent in 2022 from 5.9 percent in 2021. Similarly, Sub-Sahara Africa also experienced an increase in inflation, with rates rising to 14.2 percent in 2022 from 11.1 percent in 2021. This is due to volatility in global commodity prices particularly food and energy prices.

TABLE 1.3: CONSUMER PRICES (ANNUAL PERCENTAGE CHANGE)

	2021	2022*	2023*
Consumer Price Growth			
Advanced Economies	3.1	7.3	4.6
Emerging Markets and Developing Economies	5.9	9.9	8.1
Sub-Saharan Africa	11.1	14.2	8.6

Source: IMF World Economic Outlook January 2023.
* Projections.

1.3.2 Inflation and World Commodity Price Prospects for 2023

Global inflation is set to fall from 8.8 percent in 2022 (annual average) to 6.6 percent in 2023 reflecting declining international fuel and nonfuel commodity prices due to weakened global demand and the cooling effects of contractionary monetary policy on underlying (core) inflation. Inflation in advanced economies is projected to drop to 4.6 percent in 2023 from 7.3 percent in 2022 while in emerging markets it is projected to drop to 8.1 percent in 2023 from 9.9 percent in 2022. In Sub-Saharan Africa, consumer price growth is expected to decrease gradually to 8.6 percent in 2023 from 14.2 percent in 2022.

1.4 Global Financial Sector

1.4.1 Global Financial Sector Developments in 2022

Global financial conditions have significantly tightened in 2022 as central banks worldwide have raised the policy rates to tame inflation and maintain price stability. This has led to a more restrictive monetary policy stance globally with many central banks increasing the pace of normalization to address rising inflation and currency pressures exacerbated by higher rates in the US and other countries. The tightening of policy has been observed in both advanced economies and emerging markets. In contrast to the tighter global financial conditions, China has seen some easing of conditions as policymakers have provided additional support to address the rising costs of corporate credit borrowing stemming from issues among property developers and a weakening economic outlook.

1.4.2 Global Financial Sector Prospects for 2023

Global financial conditions are assumed to remain tight in 2023, as uncertainty around inflation, the ongoing conflict in Ukraine, and potential supply chain disruptions continue to increase. Looking ahead, global GDP growth is projected to decline in 2023 and the potential risks to this growth are expected to remain negative. Central banks are likely to maintain a restrictive monetary policy to manage inflationary pressures.

1.5 International Trade

1.5.1 International Trade Developments in 2022

International trade significantly decreased to 4.3 percent in 2022 from 10.1 percent in 2021 mainly due to the decline in global output growth and supply chain disruptions. Furthermore, the slowdown in economic growth in China has also resulted in a decline in global trade growth and international commodity prices. Annual growth in imports for advanced economies decreased to 6.0 percent in 2022 from 9.5 percent in 2021. Emerging markets and developing economies also experienced a decline in both imports and exports.

Global current account balances increased in 2022, largely due to the impact of the pandemic and the increase in commodity prices linked to the war in Ukraine. The war has led to higher balances for oil-exporting countries and lower balances for oil-importing countries. It has also had significant economic consequences in Europe, including higher energy costs, weakened consumer confidence, and slowed manufacturing due to ongoing supply chain disruptions and increased input costs.

TABLE 1.4: WORLD TRADE (ANNUAL PERCENTAGE CHANGE)

	2021	2022*	2023*
World Trade Volume (Goods and Services)	**10.1**	**4.3**	**2.5**
Imports			
Advanced Economies	9.5	6.0	2.0
Emerging Markets and Developing Economies	11.8	2.4	3.0
Exports			
Advanced Economies	8.7	4.2	2.5
Emerging Markets and Developing Economies	11.8	3.3	2.9

Source: IMF World Economic Outlook October 2022.
* Projections.

1.5.2 International Trade Prospects for 2023

The volume of world trade is projected to decline to 2.5 percent in 2023 from 4.3 percent in 2021, primarily due to a projected decrease in global economic growth. Weak domestic demand is anticipated in both advanced economies and emerging markets. Growth in export in both advanced economies and emerging markets is expected to decline to 2.5 and 2.9 percent respectively in 2023. Imports are projected to grow by 2.0 and 3.0 percent respectively for advanced economies and emerging markets in 2023.

Chapter 2

MACROECONOMIC PERFORMANCE IN 2022 AND PROSPECT FOR 2023

2.1 GDP Performance and Forecast

GDP growth in 2022 was estimated at 1.2 percent; a recession from the 4.6 percent registered in 2021. Adverse weather conditions affected the 2021/22 agriculture growing season resulting in less production compared to the previous year. Devastating cyclones also left the country in a humanitarian crisis and damaged public infrastructure; including power-generating stations, roads and bridges. Kapichira Power Station which supplies 130 Megawatts to the national grid was damaged causing erratic power supply in 2022. The Russia-Ukraine War worsened an already injured economy and its impact is expected to be felt in the long term. The war disrupted the international supply of commodities (of which Malawi is also a beneficiary) Theses include oil, gas, grain, pharmaceuticals, and fertilizers which are hugely provided by Russia and Ukraine. This resulted in increased oil prices, congested supply chains, and commodity shortages.

Additionally, Malawi experienced a foreign exchange crisis such that the Reserve Bank of Malawi devalued the Malawi Kwacha by 25 percent in May 2022. This resulted in a rise in inflation, disruption in productivity and business operations within the country. The rising cost of imports negatively affected most sectors of the economy such as Manufacturing, Wholesale and Retail, and Transportation as these sectors depend on imports as inputs and final products. Furthermore, extreme fuel shortages between August and November 2022 also negatively affected national productivity.

Despite these challenging conditions, the economy still registered positive growth in 2022 because of good performance in sectors such as construction, accommodation and food services, and financial and insurance services. Growth in the construction sector emanated from various projects such as the six-way road in the Capital City and the National Indoor Sports Complex and Aquatic Complex for the Regional Five Youth Games. The resuscitation of international and domestic travel also improved the tourism sector in 2022.

The projected GDP growth rate for 2023 is at 2.7 percent. This growth is ascribed to the 2022 economic shocks whose effects are expected to be felt gradually in the outer years. The expected growth is still positive though not very optimistic. This is due to the expectation that there will be improved supply of electricity and favourable weather conditions. Agriculture production is expected to pick up with the favourable weather condition expected the in 2022/23 growing season. This is reflected in the crop and animal production subsectors which are expected to grow by 3.5 percent compared to a 1.0 percent growth in 2022. The growth in this sector will improve domestic production as the economy depends on the agricultural sector for exports as well as for inputs in the Manufacture and Wholesale and Retail sectors. These then derive demand from the Transportation and Storage sector. Furthermore, this translates into growth in the financial sector. The imminent rehabilitation of the Kapichira Power Plant will reduce the erratic power supply problem which will induce production by reducing costs for the producers. In addition, the approval and disbursement of funds from the International Monetary Fund (IMF) using the twelve-month Food Shock Window of the Rapid Credit

Facility and many other expected interventions from the donor community will support Malawi through the macroeconomic challenges. The expected donor support will ease the foreign exchange crisis in the country.

TABLE 2.1 GDP ACTIVITY AT 2017 CONSTANT PRICES (IN MK' MILLION)

SECTOR	2019	2020	2021	2022*	2023*
Agriculture, Forestry and Fishing	1,590,381.4	1,644,217.3	1,705,940.5	1,721,105.5	1,781,664.3
Crop and Animal Production	1,490,491.6	1,556,902.8	1,622,861.6	1,638,639.6	1,695,983.7
Forestry and Logging	9,005.6	8,769.4	8,750.2	8,819.0	8,960.9
Fishing and Aquaculture	90,884.2	78,545.1	74,328.6	73,646.9	76,719.7
Mining and Quarrying	52,748.4	54,383.1	52,448.6	55,026.8	59,313.5
Manufacturing	847,638.4	883,172.3	919,760.5	913,550.6	938,348.9
Electricity, Gas and Water Supply	206,035.7	215,800.8	211,867.1	211,314.9	221,379.7
Construction	230,378.0	238,921.6	245,532.3	258,118.7	278,387.1
Wholesale and Retail Trade	909,559.1	908,788.4	938,400.5	925,085.5	944,669.1
Transportation and Storage	337,321.3	314,008.1	331,890.1	335,390.0	352,835.7
Accommodation and Food Services	107,857.9	82,652.4	84,035.3	90,988.6	93,785.8
Information and Communication	407,822.6	431,863.3	461,460.6	469,831.9	485,192.9
Financial and Insurance Activities	430,698.1	451,181.8	479,507.6	506,326.0	529,942.9
Real Estate Activities	463,729.7	478,049.6	499,509.5	509,228.5	528,539.9
Professional and Support Services	92,408.1	89,098.9	92,371.0	95,410.9	99,738.9
Public Administration and Defence	224,911.8	234,415.5	242,944.1	256,894.0	267,676.6
Education	308,116.0	293,524.5	301,089.1	315,897.0	325,640.0
Health and Social Work Activities	430,412.1	418,351.7	427,418.3	437,744.0	444,160.7
Other Services	130,556.3	129,317.4	137,593.3	142,919.4	151,204.1
Sum of All Industries	6,770,575.1	6,867,746.7	7,131,768.4	7,244,832.2	7,502,480.1
Plus: Taxes less Subsidies on Products	434,624.0	394,632.6	461,651.4	440,620.9	388,776.4
GDP AT CONSTANT 2017 PRICES	**7,205,199.1**	**7,262,379.3**	**7,593,419.8**	**7,685,453.1**	**7,891,256.5**

Source: National Accounts and Balance of Payment Committee

TABLE 2.2 SECTORAL CONTRIBUTION TO OVERALL GDP (IN PERCENT)

SECTOR	2019	2020	2021	2022*	2023*
Agriculture, Forestry and Fishing	22.1	22.6	22.5	22.4	22.6
Crop and Animal Production	20.7	21.4	21.4	21.3	21.5
Forestry and Logging	0.1	0.1	0.1	0.1	0.1
Fishing and Aquaculture	1.3	1.1	1.0	1.0	1.0
Mining and Quarrying	0.7	0.7	0.7	0.7	0.8
Manufacturing	11.8	12.2	12.1	11.9	11.9
Electricity, Gas and Water Supply	2.9	3.0	2.8	2.7	2.8
Construction	3.2	3.3	3.2	3.4	3.5
Wholesale and Retail Trade	12.6	12.5	12.4	12.0	12.0
Transportation and Storage	4.7	4.3	4.4	4.4	4.5
Accommodation and Food Services	1.5	1.1	1.1	1.2	1.2
Information and Communication	5.7	5.9	6.1	6.1	6.1
Financial and Insurance Activities	6.0	6.2	6.3	6.6	6.7
Real Estate Activities	6.4	6.6	6.6	6.6	6.7
Professional and Support Services	1.3	1.2	1.2	1.2	1.3
Public Administration and Defence	3.1	3.2	3.2	3.3	3.4
Education	4.3	4.0	4.0	4.1	4.1
Health and Social Work Activities	6.0	5.8	5.6	5.7	5.6
Other Services	1.8	1.8	1.8	1.9	1.9
Sum of All Industries	94.0	94.6	93.9	94.3	95.1
Plus: Taxes less Subsidies on Products	6.0	5.4	6.1	5.7	4.9

Source: National Accounts and Balance of Payment Committee

TABLE 2.3 ANNUAL PERCENTAGE GROWTH RATES (IN PERCENT)

SECTOR	2019	2020	2021	2022*	2023*
Agriculture, Forestry and Fishing	5.9	3.4	3.8	0.9	3.5
Crop and Animal Production	6.1	4.5	4.2	1.0	3.5
Forestry and Logging	0.4	-2.6	-0.2	0.8	1.6
Fishing and Aquaculture	3.5	-13.6	-5.4	-0.9	4.2
Mining and Quarrying	7.4	3.1	-3.6	4.9	7.8
Manufacturing	7.6	4.2	4.1	-0.7	2.7
Electricity, Gas and Water Supply	7.6	4.7	-1.8	-0.3	4.8
Construction	7.8	3.7	2.8	5.1	7.9
Wholesale and Retail Trade	6.0	-0.1	3.3	-1.4	2.1
Transportation and Storage	8.8	-6.9	5.7	1.1	5.2
Accommodation and Food Services	3.4	-23.4	1.7	8.3	3.1
Information and Communication	9.3	5.9	6.9	1.8	3.3
Financial and Insurance Activities	5.1	4.8	6.3	5.6	4.7
Real Estate Activities	2.8	3.1	4.5	1.9	3.8
Professional and Support Services	9.5	-3.6	3.7	3.3	4.5
Public Administration and Defence	4.9	4.2	3.6	5.7	4.2
Education	4.8	-4.7	2.6	4.9	3.1
Health and Social Work Activities	6.1	-2.8	2.2	2.4	1.5
Other Services	8.9	-0.9	6.4	3.9	5.8
Sum of All Industries	6.3	1.4	3.8	1.6	3.6
Plus: Taxes less Subsidies on Products	-2.7	-9.2	17.0	-4.6	-11.8
GDP AT CONSTANT 2017 PRICES	**5.7**	**0.8**	**4.6**	**1.2**	**2.7**

Source: National Accounts and Balance of Payment Committee

2.2 Real Sector Peformance in 2022 and Prospects for 2023

2.2.1 Agriculture, Forestry, and Fishing

Growth in this sector declined from 5.9 percent in 2019 to 3.4 percent in 2020 due to reduced growth in the forestry and logging and fisheries subsectors. The forestry and logging sub-sector faced challenges in importing raw materials due to logistical challenges faced by cargo ships due to the COVID-19 pandemic. Output from the fishing and aquaculture subsectors declined as a result of reduced disposable income amid the pandemic. However, the sector registered positive growth because of the contribution of favourable weather conditions to growth in the crops and animal subsectors. Growth in 2021 was at 3.8 percent a slight improvement from the previous year due to the Government's implementation of the Affordable Input Programme (AIP) which improved the productivity of the small-scale farmers. Further, the slight recovery of business in the fishing and aquaculture and forestry and logging, subsectors from the pandemic also contributed to this growth.

As for 2022, the growth was registered at a low rate of 0.9 percent on an account of adverse weather conditions such as the late onset and early cessation of the rainy season and the occurance of cyclones. Moreover, the Russia-Ukraine Crisis and the foreign exchange shortages made it difficult to source the necessary agricultural inputs which resulted in reduced production amongst crops such as maize and tobacco. These primary crops require the heavy application of fertilizer and pesticides.

The growth rate for 2023 is projected at 3.5 percent based on the expectation that the sector will experience good weather conditions in the 2022/23 season which would boost large and small- scale crop production. Secondly, investments in mega-farms will improve production in the sector in 2023 and going forward. The 2023 growth expectation is not very optimistic due to the continued Russia-Ukraine crisis and Malawi's balance of payments challenges. It is expected that the effects from these challenges will still be felt but at a decreasing rate. Besides, the government's stance of reducing the budget and number of targeted beneficiaries for the AIP in the 2022/23 season would significantly dwindle small-scale production.

2.2.2 Mining and Quarrying

Growth in the sector declined sharply from 7.4 percent in 2019 to 3.1 percent in 2020 due to reduced demand for quarry aggregates. This resulted from the slowdown in construction activities which emanated from Government imposed measures to reduce the spread of the COVID-19 pandemic and disruptions in electricity supply.

The growth rate plummeted further to -3.6 percent in 2021 because of underperformance in coal production, a key sub-sector under the Mining sector. Supply and demand for coal dwindled because of poor working conditions in the subsector, poor quality of the extracted coal, and degradation in storage. Additionally, intermediary buyers for coal often dictate low coal prices from miners which contributes to the low levels of production. COVID-19 also affected the industry as most miners stopped operations due to the pandemic. Finally, the gold sourced by the RBM-EDF gold buying initiative was far below that which the public sector had expected from the Malawi Artisanal and Small Scale Mining (ASM).

In 2022, there was a sharp increase in the extraction of quarry and gemstones from Malawi's mines. This resulted in a growth rate of 4.9 percent. This growth corresponded to the increase in demand for various minerals as they were inputs in several construction projects that the country undertook in 2022. The growth rate for 2023 is projected at 7.8 percent with the expectation of economic recovery as electricity production, a critical input in the sector will be reinstalled at full capacity. In addition, the updated geological map under the Geological Mapping and Mineral Assessment Project (GEMMAP) is expected to potentially increase mining activities. The initiatives by the government to formalize artisanal mining into mining cooperation will also boost the sector's growth. Finally, the continued implementation of construction projects will also contribute to the increased growth in the Mining sector in 2023.

2.2.3 Manufacturing

Growth in the Manufacturing sector fell from the 7.6 percent attained in 2019 to 4.2 percent in 2020. This was caused by the inability of companies to import essential raw materials for production as a result of the disruption of global supply chains leading to a spike in commodity prices. The growth rate for this sector was estimated at 4.1 percent for 2021 reflecting the country's recovery from the COVID-19 pandemic. Social distancing and travel restrictions were loosened which increased economic activities. The growth rate for 2022 plummeted to -0.7 percent because of the unavailability of foreign exchange and fuel, recession in the agricultural sector, and erratic supply of electricity. Malawi's level of international reserves reached a critical low in 2022 such that companies were unable to source foreign exchange to pay for their imports.The fuel shortage created serious inefficiencies in this sector as transportation of inputs and final goods was interrupted and companies resorted to buying fuel at exorbitant prices on the black market just to keep businesses afloat. Additionally, businesses struggled to source fuel for their generators to continue production in light of the electricity shortages. Meagre performance in the agriculture sector also had a negative impact in the manufacturing sector as agriculture produce are inputs in this sector. These factors affected the sector such that some companies completely closed operations.

For 2023, the growth projection is optimistic due to the expected improvements in the agricultural sector which will increase the productivity of the manufacturing sector. Additionally, it is expected that by 2023, Kapichira Power Plant will be repaired which will increase the supply of electricity in the country. It is likely that foreign exchange shortages will still exist but will be less severe than in 2022. Thus the sector will modestly grow at 2.7 percent.

2.2.4 Electricity, Gas, and Water

The sector declined from 7.9 percent in 2019 to 4.7 percent in 2020 reflecting the challenges the sector was experiencing in relation to the COVID-19 pandemic. The growth rate for 2021 was estimated at -1.8 percent due to adjustments in the production values of water, electricity, and sanitation services. Reduction in the water supply was attributed to production costs influenced by the soaring prices of inputs on the global market.

For 2022, the growth rate was at -0.3 percent mainly due to the natural disasters that occurred early that year, and led to the infrastructural damage to Kapichira Power Plant which supplies over 128 MW to the nation. Further, the government terminated the Aggreko power deal in March 2022 which was supplying 78MW to the national grid. The water supply subsector did not experience growth as expected as production in the subsector stalled due to the unavailability of foreign exchange, devaluation, inflation, and erratic power supply. Devaluation and foreign exchange shortages increased the cost of importing essential inputs, such as chemicals for water treatment and frequent power outages experienced this year resulted in reduced water production and supply to customers.

The growth rate for 2023 is projected at 4.8 percent with the expectation that the rehabilitation of Kapichira Power Plant will be finalized making it fully operational. Moreover, there are several solar power projects such as the JCM-Golomoti Power Project, which will improve the sector by adding significantly to the national grid.

2.2.5 Construction

In 2020, growth in this sector was estimated at 3.7 percent, a decline from 7.8 percent from the previous year. The growth rate for 2021 was estimated at 2.8 percent a further decline from 2020 growth. This is attributed to stalling of many ongoing construction projects including schools and roads as a result of disruptions in the supply of raw materials following the COVID-19 induced lockdowns and travel restrictions in Malawi and abroad.

The growth rate grew to 5.1 percent in 2022 on the account of the resumption of public and private sector construction and infrastructural development. Some prominent examples are the six-way road in the Capital City, houses for security institutions, and dual carriage of Crossroads-Kanengo road. On top of that, the government constructed the Griffin Sayenda National Indoor Sports Complex and the Aquatic Complex for the Regional Five games that the country hosted in December 2022.

The growth rate is expected to further increase to 7.9 percent in 2023 due to the continued implementation of the transport sectors projects such as the M1 road rehabilitation and pipelined projects such as the construction of 34 Secondary Schools of Excellence and the construction of Chikwawa, Rumphi, and Dowa district hospitals.

2.2.6 Wholesale and Retail

The Wholesale and Retail sector was severely affected by the COVID-19 pandemic evidenced by the negative growth rate of -0.1 percent registered in 2020 compared to 6.0 percent in the previous year. COVID-19 containment measures imposed by the government and trading partners adversely disrupted supply chains thereby restricting products coming into the country. Moreover, the measures forced firms and institutions to scale down their functions leading to revenue losses which in turn, affected their ability to pay and retain employees. Consequently, this reduced people's disposable income causing a decline in demand for the sector's goods and services and thus overall output. In 2021, the sector's growth prospects were largely good due to the economy's recovery from the coronavirus pandemic. Both consumer demand and production increased with the removal of COVID-19 restrictions leading to a 3.3 percent growth.

The growth rate for 2022 was estimated at -1.4 percent due to the unavailability of some commodities on the market as well as raw materials for production. This was due to foreign exchange shortages, the devaluation of the kwacha, rising oil prices, and supply chain congestion originating from the Russia-Ukraine Crisis. The sector also depends on inputs from the Agriculture and Manufacturing sectors whose growth rates also declined. The devaluation of the Malawi kwacha in May 2022, reduced the disposable income of households and other economic agents who are the key players in the Wholesale and Retail trade sector. The electricity shortages and 2022 fuel crisis also reduced production in the sector. Inflation likewise reduced consumption in this sector as consumers contracted their spending on luxury and imported goods.

This trend is not expected to linger in 2023 as growth is projected at 2.1 based on the expected gradual economic recovery from the various 2022 crises. The sector is expected to benefit from forecasted improvements in Agriculture, Manufacturing and Transportation sectors.

2.2.7 Transportation and Storage Services

The Transportation and Storage Services sector was also affected by the pandemic as its growth contracted from 8.8 percent in 2019 to -6.9 percent. This decline followed the reduction in the supply of transportation services due to the suspension and restriction of international and domestic travel. Additionally, demand for transport services derived from other sectors of the economy declined as the pandemic took its toll on the economy.

This sector prospered in 2021 with a growth rate of 5.7 percent due to the gradual removal of COVID-19 travel restrictions which allowed people more freedom to travel both domestically and internationally. Moreover, freight companies increased their operations.

The sector's growth reduced to 1.1 percent in 2022 due to the increasing oil prices resulting from the Russia-Ukraine crisis which made the cost of transportation significantly more expensive. Inflation also affected this sector as consumers refrained from non essential trips resulting in the acute decline in demand for transport services. Electricity shortages also made storage facilities and machinery less productive. Moreover, the foreign exchange shortage prevented Malawians from traveling internationally and freight flights from entering the country. However, this sector did not experience a recession because of the recovery from the coronavirus pandemic. Additionally, Malawi's railway system was rehabilitated this year which facilitated an increase in passenger and freight travel.

The growth rate for 2023 is expected to increase to 5.2 percent because of the expectation of gradual economic recovery from the Russia-Ukraine Crisis and the foreign exchange shortages that will boost economic activities in this sector.

2.2.8 Accommodation and Food Services

The sector was worst hit by the COVID-19 pandemic leading to a sharp decline in growth from 3.4 percent in 2019 to -23.4 percent in 2020. The travel restrictions, social distancing measures, and lockdowns prevented both domestic and international tourism. Meanwhile, the popularization of virtual conferences reduced demand for the sector's services and thereby output. The 2021 growth rate was estimated at 1.7 percent a huge improvement from 2020. This was ascribed to recoveries from the COVID-19 pandemic. The sector grew expansively at 8.3 percent in 2022 despite the challenges affecting the general economy. This huge growth was primarily attributed to post-coronavirus domestic and international recovery. International travel and tourism gradually became more accessible and the majority of the social distancing and virus testing rules were withdrawn. Assessments in the year revealed that domestic tourism tremendously improved, particularly among the middle class in Malawi. There was a sharp improvement in terms of vacations at local resorts and religious meetings. With workplaces being reopened after the pandemic, there were more conferences and in-person meetings. The country also hosted Southern Africa Development Community (SADC) meetings and the Regional 5 games which brought about an influx of delegates and tourists that demanded services of this sector.

The economy is expected to still grow in 2023 by 3.1 percent. This is due to the expectation that the 2023 economy will neither face serious external challenges nor experience phenomena that will advantage this sector.

2.2.9 Information and Communication

The 2021 growth rate for this sector was 6.9 percent an increase from the 5.9 percent growth experienced in 2020. This emanated from increased communication as many institutions continued to take advantage of virtual meetings; particularly, those conducted with international staff. At the same time, the leading data companies revised their prices and provided more innovations, hence widening their customer base.

In 2022, the sector grew by 1.8 percent reflecting a further revision of data prices that saw an improvement in the usage of the internet services. However, 2022 performed meagerly compared to 2021 due to the economic hardships experienced in the year which reduced the disposable income of their customer base. Consequently, economic agents reduced their expenditure in the sector. For example, companies reduced their advertisements as they deviated their resources to other operations in order to stay in business. Households also reduced their levels of internet and phone call use. Moreover, the demand for virtual meetings decreased as social distancing regulations were withdrawn. Finally, the growth rate for 2023 is forecasted at 3.3 percent. This reflects the expected gradual economic recovery from the challenges of 2022.

2.2.10 Financial Insurance Services

The sector grew by 4.8 percent in 2020 down from 5.1 percent from the previous year. Growth in the sector was influenced by the reduction of the reference rate by the Reserve Bank of Malawi (RBM) which enabled financial institutions to expand credit and minimize non-performing loans. This was further enhanced by the 40 percent reduction of fees and charges related to internet banking or mobile payments to encourage the use of electronic payment transactions.

The growth rate for 2021 was registered at 6.3 percent as the economy was rebounding from the negative economic situation of 2020. This trend continued in 2022 with a growth rate of 5.6 percent due to an increase in the demand and use of digital banking and insurance services. Higher growth was limited by the Reserve Bank of Malawi’s actions in tightening Malawi’s monetary policy. The growth projection for 2023 is at 4.7 percent. This reflects the commitment of the RBM to increase the flexibility of the exchange rate.

2.2.11 Real Estate

Growth for 2020 for the real estate sector was 3.1 percent; up from 2.8 percent attained in 2019. As potential customers also suffered the economic effects of the COVID-19 pandemic, rental rates had to be adjusted downwards in order to boost room and house occupations.

Improvements to the economy in 2021 resulting from the easing of COVID-19 restrictions allowed customers to earn more, remain employed and retain their confidence in the economy. Additionally, people were no longer working from home, a situation which created demand for office space. This led to more revenue collections from both businesses and households. Thus the growth rate was estimated at 4.5 percent.

The decline in Malawi’s economic well-being in 2022 led to businesses struggling to remain open and stay afloat. This led to a decrease in demand for rentals, especially for properties on prime real estate. Additionally, despite zoning laws forbidding this, several businesses and institutions rented office space in residential area. This led to increased competition in this sector. Despite this dip, demand was still there in the housing market which led to some real estate companies expanding their operations. Thus the sector still retained a modest growth rate of 1.9 percent. The growth rate for 2023 is expected to grow larger at 3.8 percent. This is insightful of the expectation of Malawi’s economic recovery which will boost the sector’s demand.

2.2.12 Professional and Support Services

The growth in the Professional and Support services decelerated from 9.5 percent in 2019 to -3.6 percent in 2020. The sector was severely hit by the coronavirus pandemic which constrained activities in the sector.

In 2021, the growth rate for this sector was at 3.7 percent which reflected recovery from the pandemic. In 2022 the sector grew by 3.3 percent. This was on account of increased competition and employment in this sector. The number of newly established firms increased significantly as practitioners left the dominant legal firms to start their own firms. Nevertheless, this was a decline from the 2021 growth of 3.7 percent due to the economic conditions in the country which slightly affected the demand. This is particularly the case for firms with international branches because several of the inputs they use need to be imported. The sector's growth for 2023 is projected at 4.5 percent reflecting that as newly emerging firms will have entrenched themselves in this sector and increase their productivity. Additionally, the expectation of economic recovery in 2023 will benefit this sector.

2.2.13 Public Administration and Defence

The growth rate of the Public Administration sector was at 3.6 percent in 2021, a decline from 4.2 percent in 2020. Governments, including that of Malawi, were working to limit their public expenditure because much of their fiscal spaces had been depleted in the previous year in shielding citizens from the effects of the COVID-19 pandemic. It then grew to 5.7 percent in 2022 a development credited to the recruitment that occurred in the sector in this particular year. The projected growth for 2023 is at 4.2 percent reflecting the government's decision to enforce fiscal discipline and reducing the national debt.

2.2.14 Education

The sector's growth for 2020 fell to -4.7 percent from 4.7 percent attained in 2019 due to the closure of schools as a result of the COVID-19 pandemic. In 2021, growth was at 2.6 percent partly due to the threat of the omicron variant which compelled some parents not to re-enroll their children when the 2020 school closures came to an end. This led to some children, particularly girls, permanently dropping out of school during school closures.

The sector's growth rate was registered at 4.9 percent in 2022. This was attributed to the stabilizing effects of COVID-19. Enrolment in both the private and public sectors increased as cases of COVID-19 declined and fears of contracting the infection dwindled. Additionally, the large investments in Malawi's public universities led to increased enrollment rates. These investments include the rehabilitation of existing structures, the construction of hostels and the continual use of correspondence and online learning despite the absence of COVID-19 precautionary restrictions.

The growth rate for 2023 is projected at 3.1 percent due to the expected moderate positive economic performance in 2023. It is noted that the growth rate for this sector has remained relatively high for all three years; a reflection of the growing price inelasticity of education in Malawi. This means that despite the economic challenges, many Malawians are making the effort to keep their children in school.

2.2.15 Health and Social Work Activities

Growth in the Health and Social Activities sector declined from the 0.8 percent achieved in 2019 to -2.8 percent in 2020. In 2021, growth improved and reached 2.2 percent as the vaccination program helped to reduce the pandemic cases thereby fuelling economic recovery.

The growth rate for this sector grew in 2022 by 2.4 percent due to numerous initiatives taking place in the sector. Several hospitals were constructed in areas like Phalombe, Mponela, and Domasi. Additionally, vaccination campaigns for diseases like cholera and malaria were initialized. Furthermore, there was growing popularity for the initialization and funding of health campaigns to address challenges including maternal mortality, nutritional deficits, and mental health. The growth rate for 2023 is projected at 1.5 percent on an account of the initiatives such as the development of a cancer ward in Lilongwe and various regional health centers and vaccination campaigns that are likely to continue.

2.2.16 Arts, Entertainment, and Other Industries

2021 was characteristically a year of economic improvement for this sector as COVID-19 restrictions were limited and consumers ventured from their homes to participate in outdoor recreational activities. This boosted economic activity in the arts subsector. As for other industries, they benefitted from consumers having increased income due to the improved economic conditions. Thus, the growth rate for 2021 was 6.4 percent.

The sector was estimated to grow by 3.9 percent in 2022. This is attributed to a lot of social and recreational activities that happened in the year. There was also an increase in betting activities due to FIFA World Cup as the economic hardship drove the populous into betting. This sector is expected to grow exponentially in 2023 at a rate of 5.8 percent because of the conducive economic environment.

2.3 Price Developments

In 2022, the inflation rate increased at a higher rate than anticipated due to the Russia-Ukraine war which led to an increase in oil prices and prices of other commodity goods. This resulted in disturbance of supply chains and persistent foreign exchange shortage. Other factors included COVID-19 pandemic and Tropical Cyclone Ana which led to a reduction in crop production resulting into inflationary pressure.

As a way of addressing some of these conditions such as forex shortages, Malawi devalued its currency by 25 percent in May 2022. This primarily affected non-food inflation as shown in Figure 2.1. As a result, commodity prices of petroleum, imported consumer goods, imported raw materials and inputs, continue to rise. This eroded the consumer's disposable income, and willingness to purchase the imported commodities.

The end-period inflation rate for 2021 stood at 11.5 percent and the annual average inflation rate was 9.1 percent as shown in Table 2.4. It was initially expected that the 2022 inflation will ease. However, with the socioeconomic events that occurred, the end of the period and annual average inflation rates increased incredibly to 25.4 and 20.9 percent respectively. This was due to the increase in both food and non-food inflation originating from the factors including decreased crop production, foreign exchange shortages, continued pass-through of exchange rate depreciation, and increased oil and input prices. Food inflation accelerated to 31.3 percent in December 2022 as compared to 13.6 percent in the previous year. Non-food inflation increased to 18.6 percent as compared to 9.3 percent during the same period.

Looking ahead to 2023, the annual average inflation is projected to minimally decrease to 18.2 percent. The end-of-period inflation rate is projected to decline to 16.5 percent. This is in anticipation of good rains which will result in low food inflation. It is expected that disinflation will be very slow as the momentum of the depreciation will still be strong. The economy will be gradually recovering from the effects of the 2022 shocks.

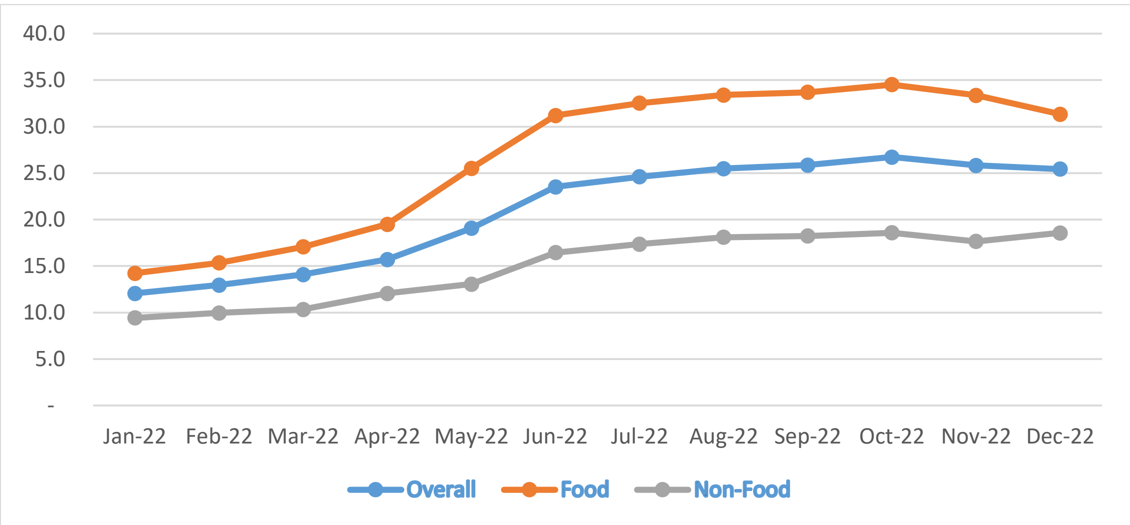
TABLE 2.4: AVERAGE AND END PERIOD INFLATION RATES 2020-2023

	2021	2022	2023*
Inflation Rate (End Period)	11.5	25.4	16.5
Inflation Rate (Annual Average)	9.1	20..9	18.2

Source: Department of Economic Planning and Development
* Projections

Figure 2.1 shows that in 2022, overall inflation was driven by both food and non-food inflation. There was an upward trend from January to December indicating a continuous increase in the inflation rate. The graph shows that food inflation was the primary driver of inflation in 2022 due to inflation arising from the low harvest, as compared with 2021. This was a diversion from the normal seasonal movements of the inflation rate. For instance, it was expected that food and non-food inflation rates would decrease in the months of April, May, and June due to the harvesting period. The upward trend for 2022 was attributed to a shortage of food commodities, such as maize and rice, and increased forex shortage. Uncertainty about the price of crude oil on the international market due to the Russia-Ukraine war and intermittent power availability negatively affecting non-food inflation.

FIGURE 2.1: INFLATION RATES FOR THE YEAR 2022



Source: Department of Economic Planning and Development

2.4 Balance of Payments 2022-2023

2.4.1 Current Account Balance, 2022-2023

The current account balance is in a persistent deficit. However, in 2022, the current account improved from a deficit of US$1.7 billion to US$350 million, representing a 80 percent drop. This was attributed to the huge decline in payments following the foreign exchange crisis experienced in 2022. Consequently, all the accounts in the current account were affected with the service account improving by 21 percent from a deficit of US$129 million in 2021 to US$101.1 million and the primary and income account, both improving by 6 percent.

In 2023, the current account is estimated to worsen from a deficit of US$350 million to US$1.5 billion, as the country is expecting foreign exchange to be available through assistance from the IMF's Extended Credit Facility (ECF) and other development partners. This is expected to trigger a rise in imports of goods by 84.4 percent, imports of services by 9.6 percent, and payment on primary and secondary income accounts by 1.3 percent and 3.2 percent respectively.

2.4.2 Goods Balance in 2022 and 2023

The trade balance improved in 2022 by 68 percent from a deficit of US$2.07 billion in 2021 to US$564.41 million in 2022. This was on the account of the scarcity of foreign exchange which restricted importation. The foreign exchange crisis in 2022 impeded the importation of essential commodities such as petroleum oil, pharmaceuticals, and farm inputs. The importation of pharmaceuticals, fertilizer and diesel fell in 2022 by 80, 37.11 and 30.04 percent respectively. This prompted the government to introduce a mandatory 30 percent retention of foreign exchange from exporters' earnings to refurbish the foreign exchange reserves to cater for essential imports. Overall imports decreased by 49 percent in 2022 compared to 2021 to the value of US$3.08 billion.

The value of exports in the economy decreased by 4.5 percent from US$1.01 billion in 2021 to US$956.9 million in 2022. This emanated from low productivity within the agricultural sector, a great contributor towards national exports. Adverse weather conditions experienced in the 2021/22 season affected the harvest of traditional export commodities such as tobacco and sugar. Volume exports for tobacco and sugar declined in 2022 by 21.06 percent and 73.43 percent respectively. Nevertheless, other crops still performed relatively well such as pulses with an increased growth of 355.42 percent from 22,616 tonnes exported in 2021 and edible nuts grew by 17.41 percent in 2022 from 3,178 tonnes in 2021. For 2023, exports are projected to improve by 11.37 percent on account of the projected growth in exports of tobacco, sugar, and edible nuts as shown in Table 2.5.

TABLE 2.5 EXPORTS VALUES OF TRADITIONAL COMMODITIES (USD MILLION)

COMMODITY	2021	2022	2023
Tobacco	403.8	342.3	410.4
Tea	72.2	76.4	76.9
Sugar	74.5	23.8	27.6

Cotton	4.5	10.3	11.2
Coffee	2.4	2.4	2.7
Pulses	12.4	52	53
Edible Nuts	87.6	135.5	136.8

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

2.4.3 Capital and Financial Account Balance 2022-2023

The capital account improved by 19.21 percent in 2022 reflecting growth in capital transfers to the general government sector which grew by 59.9 percent in 2022. On the other hand, capital transfers to non-profit institutions have been declining in recent years with an average of -7.4 percent. In 2023, the account is expected to remain the same as in 2022 at US$853.3 million.

The financial account is in a persistent net incurrence of liabilities largely driven by direct investment and other investments (loans, trade credits, and reserve assets). Between 2020 and 2022, the economy registered negative assets withdrawals on equity (-US$153.9 million in 2020) and drawdowns on reserves (-US$257.6 million in 2020, -US$156.3 million in 2021 and -US$340.5 million in 2022).

Direct investment have been yielding continuous net incurrence of liabilities whereby assets were driven by equity and investment fund shares (thrice debt instruments in 2022 and two times as much in 2023). Direct investment liabilities were predominated by equity and investment fund shares. As a form of direct investment, debt instrument liabilities in 2021 registered a drop of US$31.9 million on account of intercompany lending by subsidiaries to foreign parent companies. Direct investment liabilities (inflows) grew by 45.6 percent in 2022 mainly due to a growth of about US$57 million in debt instruments from foreign parent companies to subsidiaries. The other investment account has also historically been in a continuous annual net incurrence of liabilities. Other investment assets were largely influenced by currency and deposits held by deposit-taking corporations (US$70.4 million in 2022 and anticipated US$58.4 million in 2023). This was also influenced by the non-financial sector, although drawdowns were registered at US$-23.8 million in 2022 and anticipated at -US$24.6 million in 2023. On the other hand, other investment liabilities are largely influenced by loans (US$302.4 million in 2022 and US$290 million in 2023), trade credits (US$125.6 million in 2022 and US$60.1 million in 2023), and other accounts payable (US$63.5 million in 2022 and US$85.4 million in 2023). The general government sector accounts for an average of 77 percent in loan liabilities between 2022 and 2023.

TABLE 2.6: BALANCE OF PAYMENTS 2021-2023 (US$ MILLIONS)

	2021	2022	2023
Current Account	**(1,783.3)**	**(350.9)**	**(1,536)**
Credit	2,354.2	2,299.4	2,468
Debit	4,137.5	2,650.3	4,004
Goods and Services	**(2,046.3)**	**(599)**	**(1,779.2)**
Credit	1,538.7	1,494.4	1,657.4
Debit	3,585	2,093.4	3,436.6
Goods	**(1,917.2)**	**(498)**	**(1,638.4)**
Credit	1,076.6	1,028.2	1,176.4
Debit	2,993.8	1,526.2	2,814.8
Services	**(129)**	**(101.1)**	**(140.7)**
Credit	462.1	466.2	481
Debit	591.2	567.2	621.8
Primary Income	**(371.9)**	**(348.6)**	**(352.5)**
Credit	20.5	21.2	21.9
Debit	392.4	369.8	374.4
Secondary Income	**634.9**	**596.8**	**595.7**
Credit	795	783.8	788.7
Debit	160.1	187	193
Capital	742.6	885.3	853.3
Credit	742.9	885.3	853.6
Debit	0.3	0.3	0.3
Net Lending (+)/ Net Borrowing (-) (Balance from Financial Account)	**(242.9)**	**(913.8)**	**(440.6)**
Direct Investment	**(101.9)**	**(158.6)**	**162**
Net acquisition of Financial Assets	27.6	29.9	32.5
Net Incurrence of liabilities	129.5	188.6	194.6
Portfolio Investment	183	45	(80.6)
Net acquisition of liabilities	183	45	(80.6)
Financial Derivatives	**(16.9)**	**(7.6)**	**(8.9)**
Net acquisition of financial Assets	21	(17.7)	(3.2)
Net Incurrence of liabilities	37.8	(10.1)	(5.7)
Other Investment	**(150.9)**	**(452.1)**	**(412.2)**
Net acquisition of financial Assets	20.5	54.1	39.4
Net Incurrence of liabilities	171.4	506.2	451.6
Reserve Assets	**(156.3)**	**(340.5)**	**223.1**

Source: National Accounts and Balance of Payment Committee

2.5 Fiscal Performance

In the 2022/23 financial year, the Malawi Government fully transitioned to the new fiscal calendar year beginning in April and ending in March. The fiscal performance, in the 2022/23 financial year, was challenged by macroeconomic imbalances mostly emanated from domestic and external economic shocks. These include the Ukraine-Russia war, Cyclone Ana, Cyclone Gombe and the devaluation of the domestic currency. As such, Government increased its spending to cushion vulnerable households and maintain the standards of living. The 2022/23 budget deficit is expected to be around 8.8 percent of GDP; a sizeable value considering the country's debt position.

In the current financial year, revenue is estimated at 17.8 percent of GDP. This is compared to the 12.9 percent recorded in 2021/22, the 9 month long fiscal year. The estimated revenue comprised of: taxes amounting to 13.7 percent of GDP, grants at 3.3 percent of GDP, and other revenue at 0.8 percent of GDP. Taxes and grants are estimated to perform satisfactorily as opposed to other revenue estimates which indicate an outturn below that projection in the financial year.

Expenditure in the 2022/23 financial year is estimated at 26.7 percent of GDP. This is compared to the 16.4 percent recorded in the nine month long 2021/22 financial year. The estimated expenditure is comprised of two values. The first is expenses at 20.6 percent of GDP. The second is the net acquisition of non-financial assets at 6.0 percent of GDP.

Government will continue to implement policies that promote fiscal consolidation in the 2023/24 financial year. Thus, continued implementation of the revenue mobilisation strategies and expenditure control measures. Furthermore, apart from curbing fiscal deficits, Government is engaging creditors for possible debt treatment. Such an arrangement is expected to create the fiscal space necessary to the implementation of development projects.

2.6 Monetary Policy Development

The conduct of monetary policy in 2022 was faced with the challenge of persistently rising inflationary pressures driven by both external and domestic factors. The origins of this pressure was mostly supply-side factors; the Russia-Ukraine war and weather shocks. However, the price pressures broadened and de-anchored inflation expectations. To break the cycle of high prices driving up inflation expectations, and inflation expectations driving up prices, monetary policy was tightened during the year. This was after an accommodative policy stance period which was adopted to support economic recovery from the impact of the COVID-19 pandemic. In particular, the Monetary Policy Committee (MPC) raised the policy rate by a total of 600 basis points during the year. This comprised of 200 basis points in April 2022 and 400 basis points in October 2022, closing the 2022 MPC calendar at 18.0 percent. However, the rest of the policy parameters, namely the Lombard rate and the Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign deposits, remained unchanged throughout the year. At the close of the year, these were valued at 0.2 percentage points above the policy rate and at 3.5 percent, respectively. In addition to adjusting the policy rate, the monetary authorities enhanced external communication of monetary policy actions to anchor inflation expectations and restore market confidence.

In 2023, inflationary pressures are expected to remain generally elevated but could subside during the second half. The monetary policy committee will therefore continue to monitor the developments on both the international and domestic scene to ensure that inflation returns to single digits, a signal of restoration of price stability and a necessary condition for the attainment of sustainable economic growth.

2.6.1 Transactions with the International Monetary Fund

The engagement between the Malawi Authorities and the International Monetary Fund (IMF) for a successor Extended Credit Facility (ECF) program continued in 2022 and significant progress was made on the prospective ECF program. In particular, the IMF mission team conducted three missions with the Malawi authorities during the year to discuss the ECF program. The first ECF program mission was held from May to June in 2022 for the development of the program parameters. The second and third missions, conducted in September and October 2022, were respectively aimed at discussing debt strategy and restoring public debt sustainability.

In November 2022, following successful discussions, the Malawi authorities and the IMF agreed on a Staff Monitoring Program (SMP) with the IMF Board involvement (PMB). Under this, a macroeconomic program for Malawi will be implemented in the next six to twelve months to restore macroeconomic stability and provide the foundation for sustainable recovery. The Programme Monitoring with Board involvement (PMB) is expected to help the country establish a track record of policy implementation to pave way for an IMF-ECF program later in 2023. Meanwhile, on the 21st of November 2022, the IMF Board also approved a disbursement of US$88.3 million through a Rapid Credit Facility (RCF) initialized through the Food Shock Window. This emergency financing was aimed at helping Malawi address the urgent Balance of Payments (BOP) and fiscal needs related to the global food crisis. While providing authorities with fiscal space to deal with prospects of food shortages, these resources also accorded the central bank an opportunity to accumulate official reserves.

Chapter 3

AGRICULTURE, FISHING, AND FORESTRY

3.1 Overview

This chapter reviews the performance of the Agriculture and Natural Resources Sector in 2022. It is divided into three sections: agriculture, fisheries, and forestry.

3.2 Agriculture Sector

This section reviews weather forecasts; crop, and livestock production; national food security; the National Agriculture Investment Plan (NAIP); and the Affordable Input Programme (AIP).

3.2.1 Weather Forecast 2021/22

The 2021/22 rainfall was affected by a weak La Nina event; a weather trend characterized by average to above-normal conditions, resulting in torrential rainfall and flooding throughout the country. The majority of the country, particularly the southern and central regions, saw a delayed commencement of precipitation. Then, in January 2022, the majority of districts received rainfall. Precipitation in 2022 decreased between the end of March and mid-April for the central and southern regions while the northern areas closed the season by the end of April. This season featured fewer months of precipitation from January to April compared to a typical season from November to April.

3.2.2 Crop Production

The 2022 weather conditions did not favor the production of cereals. Thus, the results of the 2021/22 Agriculture Production Estimate Survey (APES) exhibited a decline in the production of all cereal crops. Maize production decreased by 18.9 percent from 4,581,524 MT in 2021 to 3,716,479 MT in 2022. Production of rice likewise decreased from 155,433 MT to 136,083 MT; a value below the 220,000 MT per season targeted in the NAIP. Moreover, production of millet, sorghum, and wheat decreased by 2.9, 1.2, and 46 percent respectively, in the season under review. The decrease has been attributed to unfavorable weather conditions, low input intake, and scarcity of improved seeds.

On the other hand, production of all legumes, excluding beans, increased in the year under review. This is with the exclusion of beans which decreased in productivity. Notably groundnuts, pigeon peas, and soybeans registering increases of 7.9, 1.7, and 14.6 percent respectively. This development was due to increments in the cultivation area under legumes. This arose from price incentives applied in the previous season and the availability of improved seeds from various projects. This was implemented by the Ministry of Agriculture with support from development partners.

TABLE 3.1: NATIONAL CROP PRODUCTION IN METRIC TONNES (MT)

Crop	Third Round 2020/21	Third Round 2021/22	Percentage Change
Maize	4,581,524	3,716,479	(18.9)
Rice	155,433	136,083	(12.4)
Wheat	302	163	(46.0)
Millet	42,289	41,071	(2.9)
Sorghum	118,351	116,918	(1.2)
Groundnuts	402,993	434,762	7.9
Pulses	1,001,739	1,038,086	3.6
Beans	227,795	218,889	(3.9)
Pigeon Peas	421,402	428,609	1.7
Soya Beans	264,372	303,084	14.6
Cow Peas	52,808	52,035	0.60

Source: Ministry of Agriculture

3.2.2.1 Maize Production

All Agriculture Development Divisions (ADDs) experienced a decrease in maize production this season compared to the 2020/21 season. Karonga ADD recorded the highest decrease in maize production at 33.8 percent, while Shire Valley registered the lowest decline of 11.2 percent. Table 3.2 below summarizes maize production by their respective ADDs.

TABLE 3.2: 2021/22 MAIZE PRODUCTION BY ADD IN METRIC TONNES

ADD	2020/21 Third Round	2021/22 Third Round	Percentage Change
Karonga	239,851	158,812	(33.8)
Mzuzu	434,543	365,684	(15.8)
Kasungu	1,242,221	1,085,782	(12.6)
Lilongwe	964,852	847,021	(12.2)
Salima	210,857	175,373	(16.8)
Machinga	488,609	389,784	(20.2)
Blantyre	867,491	575,788	(33.6)
Shire Valley	133,100	118,235	(11.2)
National	**3,716,479**	**4,581,524**	**(18.9)**

Source: Ministry of Agriculture

3.2.2.2 Cash Crop Production

During the 2021/22 season, the production of tobacco, cotton, and sunflowers decreased by 28.4, 1.9, and 2.2 percent. In addition to unfavorable weather conditions this season, the decrease in tobacco production is also attributed to the increasing number of farmers exiting the market to grow legumes. Meanwhile, the production of sunflowers declined by 2.2 percent due to unfavorable weather conditions. Moreover, the absence of improved markets for cotton and the scarcity of cotton seeds compelled farmers to use less productive local cotton varieties or shift to other crops. This led to a decline in cotton by 1.9 percent.

TABLE 3.3: CASH CROP PRODUCTION ESTIMATES IN METRIC TONNES

Crop	2020/21 Third Round	2021/22 Third Round	Percentage Change
Tobacco	123,700	88,579	(28.4)
Cotton	21,075	20,666	(1.9)
Sunflower	21,356	20,884	(2.2)

Source: Ministry of Agriculture

3.2.2.3 National Horticultural Crops Production

Horticultural crops indicate that production of sweet potatoes, cassava, and potatoes increased by 0.6, 1.5, and 1.6 percent respectively due to the availability of planting materials. In addition, production of avocado pears, bananas, onions, oranges, tangerines, and tomatoes registered increases of 19.2, 8.2, 2.4, 1.4, 1.1, and 0.5 percent, respectively. This is compared to the final round of the 2021/22 season. The growth was due to the increased number of bearing plants. However, production of mangoes, pineapples, cabbages, and lemons declined by 6.1, 1.7, 1.6, and 1.3 percent, respectively, due to a decrease in the number of bearing plants, price disincentives, and unfavorable weather.

TABLE 3.4: 2021/22 NATIONAL HORTICULTURAL CROPS PRODUCTION ESTIMATES IN METRIC TONNES

Crop	Third Round 2020/21	Third Round 2021/22	Percentage Change
Cassava	6,101,396	6,193,001	1.5
S/Potato	7,448,247	7,491,115	0.6
Potato	1,419,527	1,442,661	1.6
Pineapples	369,796	363,444	(1.7)
Mangoes	1,395,925	1,310,964	(6.1)
Oranges	91,834	93,114	1.4
Avocado Pears	104,197	124,237	19.2
Tomatoes	706,448	710,162	0.5
Banana	864,849	935,429	8.2

Cabbage	231,989	228,231	(1.6)
Onions	264,147	270,600	2.4
Tangerines	256,373	259,201	1.1
Lemons	19,522	19,273	(1.3)

Source: Ministry of Agriculture

3.2.3 Livestock Production

During the reporting period, the population of cattle increased from 1,959,101 to 2,054,208; a 4.9 percent increase. The population of goats, sheep, pigs, and chickens also increased by 10.2, 8.4, 14.9, and 6.3 percent, respectively. The increases are attributed to a rise in births because of improved management practices. These include good housing, feeding and breeding and disease control. Furthermore, there is an increase in the number of households keeping livestock due to Government support, stakeholder injections, and pass-on programs.

TABLE 3.5: LIVESTOCK CENSUS

Species	Third Round 2020/21	Third Round 2021/22	Percentage Change
Cattle	1,959,101	2,054,208	4.9
Goats	11,104,382	12,238,382	10.2
Sheep	373,715	404,956	8.4
Pigs	9,312,073	10,698,418	14.9
Chickens	227,140,227	230,056,331	6.3
Guinea Fowls	2,785,288	2,276,913	(18.3)
Doves/Pigeons	10,494,914	11,749,822	12.0
Ducks	3,719,461	4,438,063	19.3
Rabbits	3,458,230	3,861,884	11.7
Guinea Pigs	729,107	777,418	6.6
Turkeys	380,602	436,342	14.7

Source: Ministry of Agriculture

3.1.1 National Food Security

Ministry of Agriculture estimates food security by using sampling and analyses to determine the proportion of farm households who have fully depleted their main staples from their production. This way of estimation, which can be done rapidly and helps to inform deeper food situation analyses, is conducted by the Malawi Vulnerability Assessment Committee (MVAC). During the period under review, the percentage of farm households without their own produced food is slightly higher at 5.2 percent than the 4.2 percent at the same time the previous year. The worst affected ADDs were those of the Shire Valley, Kasungu, and Blantyre with 16.1, 6.5, and 6.4 percent of their households who had run out of food they had produced. These farming households survive during this period by selling the following: fruits in season, river sand, quarry, charcoal, firewood, homemade baskets, and livestock. Additionally, they would exchange labour for food or cash, participating in food and cash-for-work programs like bridge construction projects, bicycle hire, and receiving relief aid. Table 3.6 provides details concerning the food situation.

In terms of food availability, field and horticultural crops such as maize, millet, sorghum, rice, cassava, sweet potatoes, and bananas were available in the local markets. During the reporting period, most farming households with food deficits were purchasing surpluses from vendors, other private traders, and the Agricultural Development and Marketing Corporation (ADMARC). On average, the price of maize ranged from MK150.00 to MK265.00 per kilogram as compared to MK150.00 to MK200.00 per kilogram during previous season. The price of all other fish species has increased, apart from Chambo which has remained the same. In general, prices of all food commodities were slightly higher in the 2021/22 season compared to the 2020/21 season.

TABLE 3.6: NATIONAL FOOD SITUATION AS AT 30TH MARCH 2022

ADD	2021/22 SEASON			2020/21 SEASON		
	Total FHs	FHs Without Food	% of FHs Without Food	Total FHs	FHs Without Food	% of FHs Without Food
KRADD	131,502	1,847	1.4	130,255	333	0.3
MZADD	347,753	7,607	2.2	317,105	7,948	2.5
SLADD	246,762	4,989	2.0	214,113	2,116	1.0
KADD	566,154	36,458	6.4	566,154	40,043	7.1
LADD	807,548	25,299	3.1	807,548	22,980	2.8
MADD	829,290	32,456	3.9	821,375	16,775	2.0
BLADD	857,254	55,424	6.5	857,267	25,432	3.0
SVADD	213,057	34396	16.1	213,057	31,580	14.8
TOTAL	**3,999,320**	**198,476**	**5.2**	**3,926,874**	**147,207**	**4.2**

Source: Ministry of Agriculture

3.2.5 National Agriculture Investment Plan

In the period under review, National Agriculture Investment Plan (NAIP) remained the main implementation vehicle for the National Agriculture Policy (NAP) and sectoral guidelines. The NAIP is a prioritized and harmonized investment framework for the sector. The agriculture sector aligns its programming and budgeting to the NAIP results framework, which is aligned with the third Malawi Growth and Development Strategy (MGDS III) as well as other regional and global development policies. Furthermore, the development of programmes was vetted within the consultation structures provided in the sector to make sure that they are addressing priority areas as defined in the NAIP. Some of the programs the agriculture sector continues to implement within the NAIP framework are:

i. Agriculture Sector Wide Support Project (ASWAp-SP II);
ii. The Sustainable Agriculture Production Program (SAPP); and
iii. the Agricultural Commercialization (AGCOM) in collaboration with the Ministry of Industry and Trade.

During the period under review, a number of activities to create an enabling policy environment were implemented. These include, the finalization of the Livestock Development Policy, and passing of the Fertilizer Bill by Parliament, and the review of the NAP.

3.2.6 Affordable Inputs Programme

In the 2021/22 season, AIP targeted 3,762,926 farming households for subsidized fertilizer and cereal seed. Of the total beneficiaries, 30,000 in Chikwawa and Nsanje were targeted to receive two female goats.

The program provided 371,411MT of fertilizer; a composition of185,705MT of Urea and 185,705MT of NPK. It likewise provided a maximum of 18,571MT of cereal seed. The farmer contribution was fixed at MK7,500.00 per bag of fertilizer. The government paid MK19,500.00 for each bag of fertilizer a beneficiary redeemed. For seed, Government had already paid MWK3,365.00 for each 5kg seed pack a farmer redeemed. Therefore, the farmers were allowed to finance the difference between the market price of the seed pack and the amount already paid by the Government. Out of 3,762,926 beneficiaries, 3,4024,262 beneficiaries redeemed their fertilizer coupons. This represents a 91 percent achievement in AIP. For seed, of the targeted beneficiaries, 71 percent accessed affordable seed. Of this, 57 percent was hybrid maize seed, 14 percent was OPV maize seed. Less than one percent made up rice and sorghum.

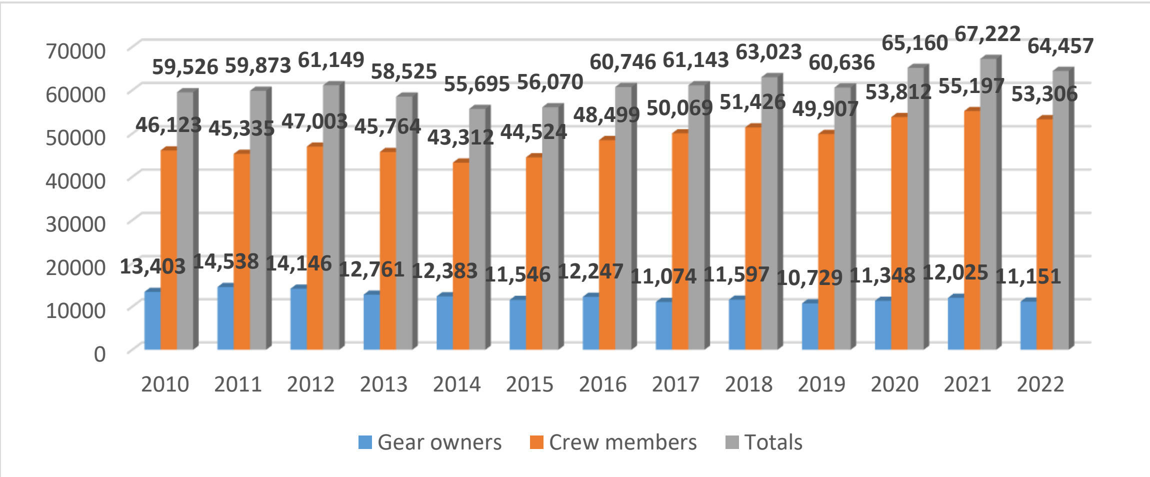
3.3 The Fisheries Sector

3.3.1 The Socioeconomic Role of the Fisheries Sector

3.3.1.1 Employment

The Fisheries sector is composed of capture fisheries, aquaculture, and the aquarium trade sub-sectors. It has historically been a major source of employment. However, there was a decrease of 4.11 percent in the number of fishers employed from 67,222 in 2021 to 64,457 in 2022.

FIGURE 3.1: NUMBER OF FISHERS FROM 2010 TO 2022



Source: Department of Fisheries

Additionally, the sector continues to indirectly employ over half a million people engaged in ancillary activities; such as fish processing, fish marketing, boat building, and engine repair.

Furthermore, the fish value chain supports and contributes to the livelihoods of over 1.6 million people.

3.3.1.2 Food and Nutrition Security

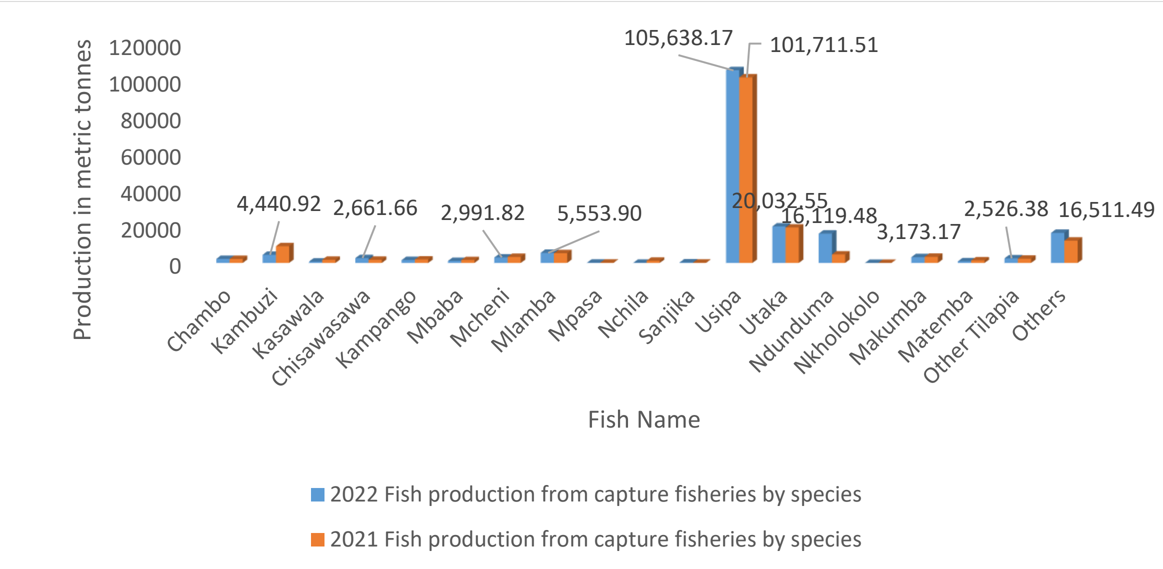
The Fisheries Sector plays an important role in food and nutrition security. With a production of 186,731.93 metric tonnes, it constitutes over 70 percent of the dietary animal protein intake of Malawians, and 40 percent of the total protein supply. Fish is thus the main source of animal protein in the country. Figure 3.2, which shows fish production of different species in 2022, reinforces this with the revelation that usipa comprises the majority of fish protein in the Malawian diet. However, there has been an increase in total fish landing by 7.64 percent when compared to the 2021 fish landing of 173,480 metric tonnes (Table 3.7).

TABLE 3.7 FISH CATCH LANDING BY WATER BODY FOR 2022 AND 2021

Water Body	Catch Landing (MT) by Water Body		Percentage Catch Increase/Decrease
	2021	2022	
L. Malawi (Artisanal)	173,159.4	156,681.2	10.5
L. Malawi (Commercial)	842,26.0	1,655.7	-49.1
Lake Malombe	2,651.2	5,288.9	-49.9
Upper Shire	531.2	722.9	-26.5
Lower Shire	2,435.7	811.7	200.1
Lake Chilwa	6,477.7	6,734.8	-3.8
Lake Chiuta	634.5	1,584.9	-60.0
Total	**186,731.9**	**173,480.1**	**7.6**

Source: Department of Fisheries

FIGURE 3.2: FISH PRODUCTION BY SPECIES FOR 2022 COMPARED WITH 2021



Source: Department of Fisheries

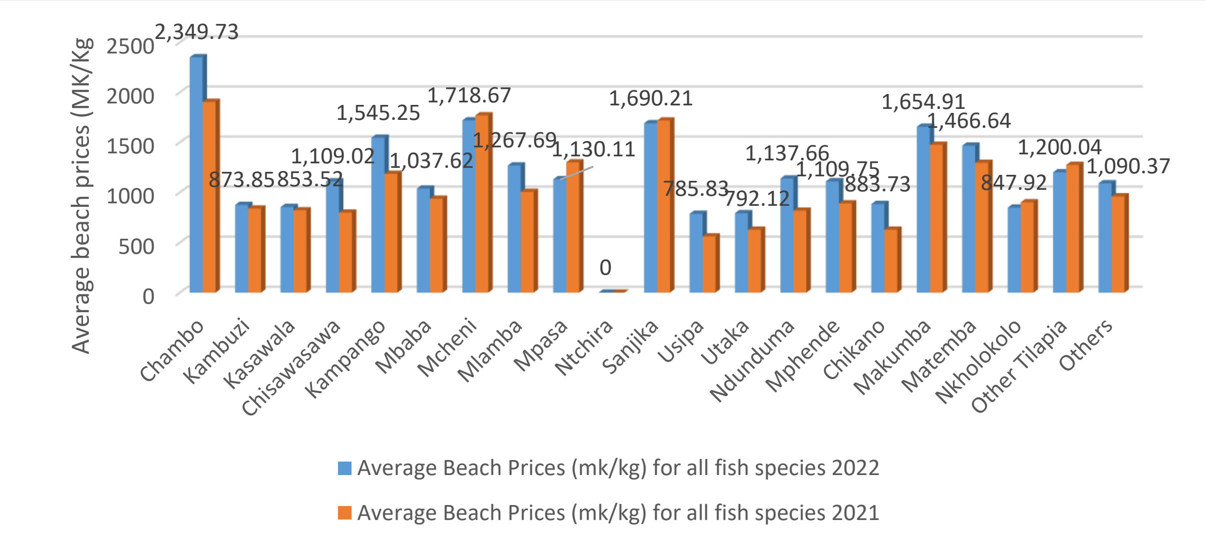
3.3.1.3 Source of Income

In 2022, fish landings had a beach or landed value of MK219.45 billion (USD199.499 million), with a volume of 186,732 metric tonnes. Compared to 2021, this is an increase of 7.64 percent.

In 2021, fish landings were worth MK187.28 billion (US$227.01 million), representing a volume of 173,480 metric tonnes.

The national average beach price was MK1175.21/kg of fish, a slight increase from MK1079.55/kg in 2021. In general, fish prices in 2022 have greatly increased; especially among Chambo, Chisawasawa, Kampango, Mlamba, Usipa, Utaka, Ndunduma, Makumba, and Matemba. These are key species that rural communities can afford. The rise in beach prices was caused by the increase in fuel pump prices leading to rising costs of operation. At MK2,350/kg, Chambo continues to fetch the highest average beach price. Figure 3.3 compares fish prices for all fish species in 2022 with those of 2021.

FIGURE 3.3: AVERAGE FISH PRICES FOR ALL FISH SPECIES IN 2021 AND 2022

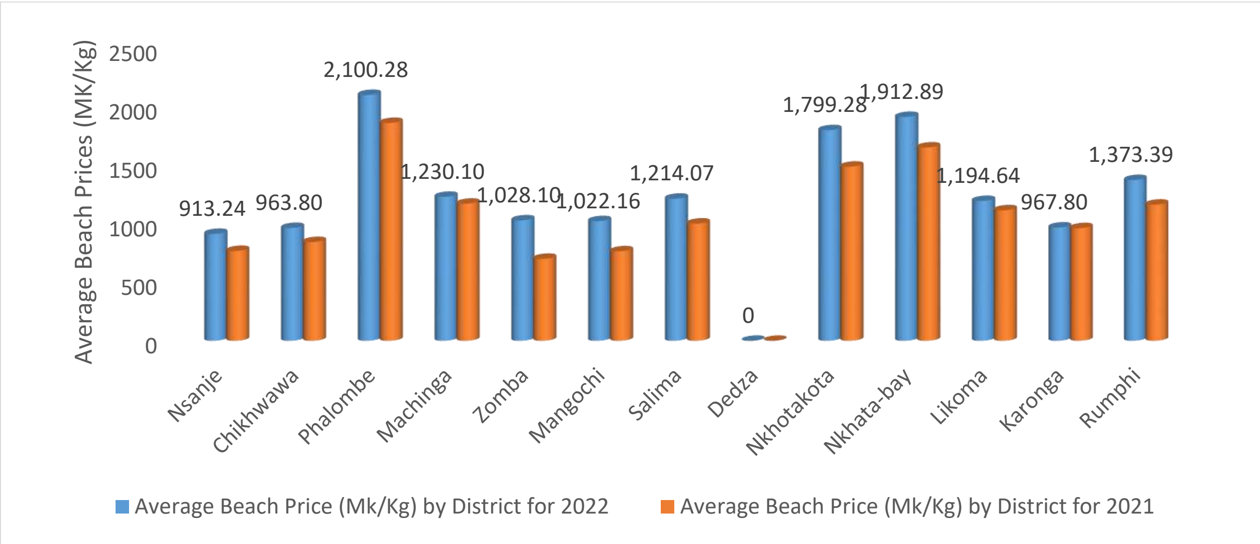


Source: Department of Fisheries

3.3.1.3.2 Average Beach Prices by District

As shown in Figure 3.4, there was a general upward trend of average beach prices for Phalombe, NkhataBay, Nkhotakota, and Rumphi in 2022 compared with 2021. Average beach prices for all fish species were reported to be the highest in Phalombe at MK2,100/kg whilst the lowest average beach prices were registered in Nsanje at MK913/kg.

FIGURE 3.4: AVERAGE BEACH PRICE (MK/KG) BY DISTRICT FOR 2022 COMPARED WITH 2021

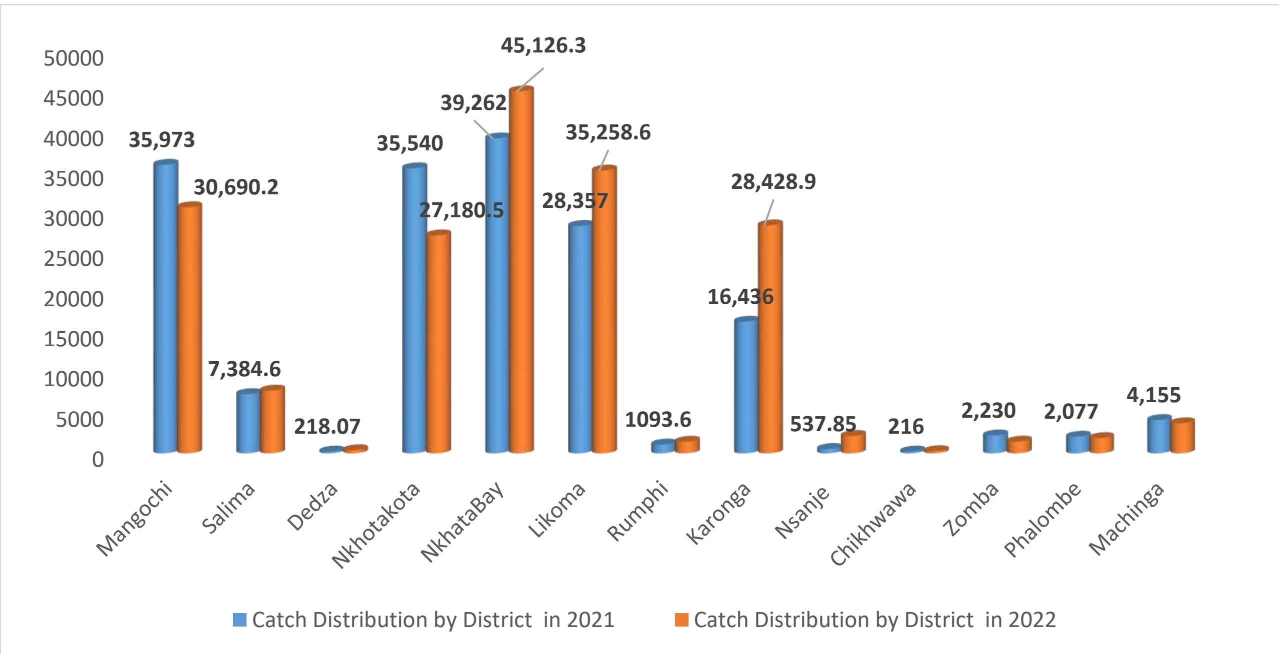


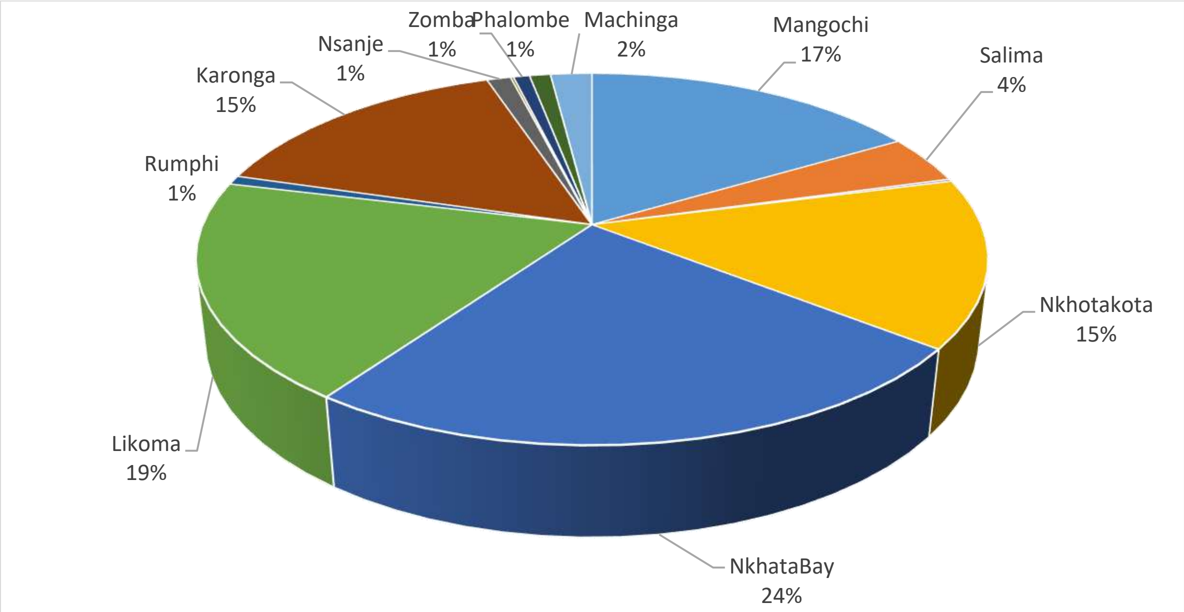
Source: Department of Fisheries

3.3.1.3.3 Fish Landings by District

Figure 3.5 illustrates the fish catch contribution by the district in 2022 compared to 2021. These statistics show that NkhataBay contributed the highest catch of 45,126 metric tonnes in 2022, representing 24 percent of the total annual fish landing. This is followed by Likoma (35,259) at 19 percent, Mangochi (30,690) metric tonnes at 17 percent, and both Nkhotakota (27,181) and Karonga (28,429) metric tonnes representing 15 percent.

FIGURE 3.5: FISH CATCH CONTRIBUTION BY DISTRICT FOR 2022 COMPARED WITH 2021



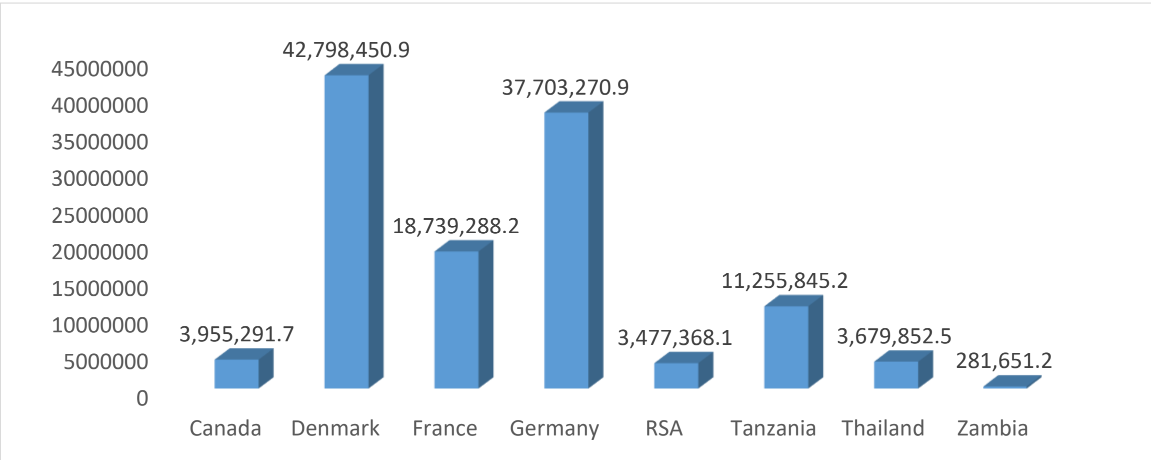


Source: Department of Fisheries

3.3.1.4 Foreign Exchange Earnings from Ornamental Fish Exports

Lake Malawi has over 800 endemic fish species. These are of both local and international scholarly importance and act as an attraction of tourism. Some fish species, such as Mbuna, are exported outside the country and bring in foreign exchange. Cumulatively, from January to December 2022, a total of 24,841 live fish were exported. This generated MK121.891 million, a decrease compared to 2021 which generated a total income of MK141.304 million. This is attributed to the dip in levels of exports due to imposed restrictions related to incidences of COVID-19. As displayed in Figure 3.6, Denmark was the largest importer of Malawi's ornamental fish (MK42,798,451) followed by Germany (MK37,703,271) and France (MK18,739,288). There were no exports to Hong Kong, China, and Sweden which have historically been major importers of Malawi's ornamental fish.

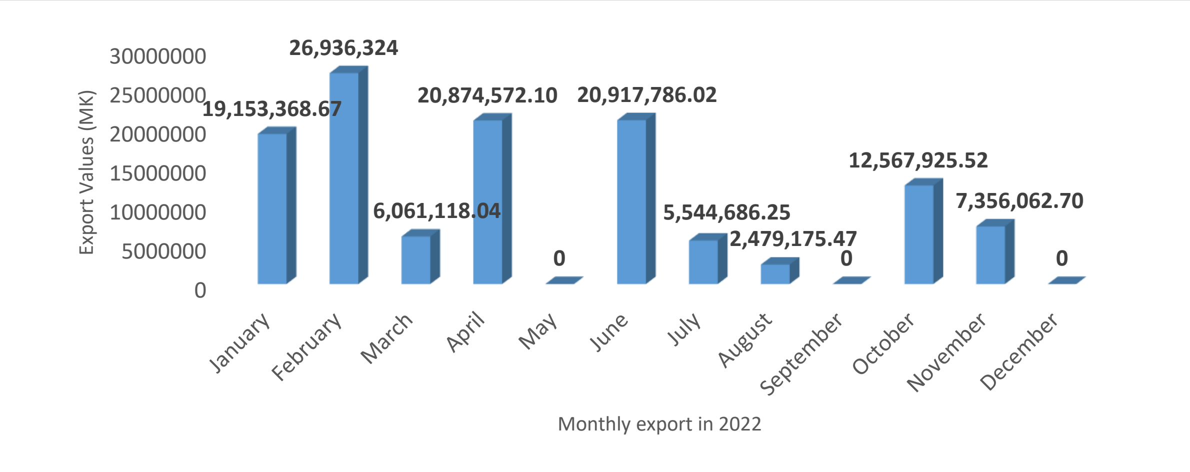
FIGURE 3.6: EXPORT VALUE OF LIVE ORNAMENTAL FISH IN 2022 TO VARIOUS COUNTRIES



Source: Department of Fisheries

In terms of monthly export trends, it was observed that more exports were made during the months of January, February, April, June, and October compared to the rest of the year as shown in Figure 3.7. There were reduced exports in March, July, and August and no exports in May, September and December respectively. This is due to reduced levels of tourist activity in the importing countries.

FIGURE 3.7 TRENDS IN MONTHLY EXPORT VALUE (MK) OF ORNAMENTAL FISH IN 2022



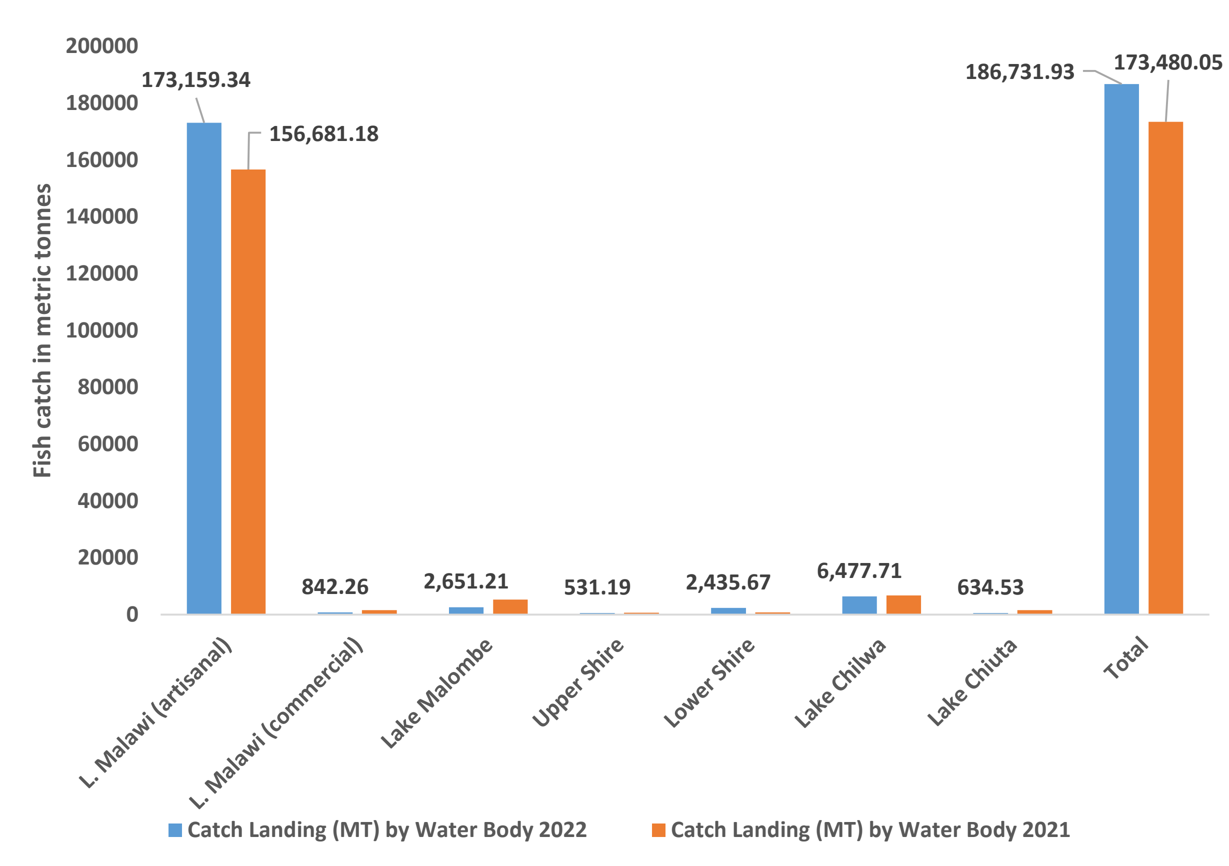
Source: Department of Fisheries

3.3.2 Status of the Fisheries Sector

3.3.2.1 Trends in Annual Fish Production by Water Body

The national catch statistics from all water bodies show that total fish production increased from 173,480 metric tonnes in 2021 to 186,731 metric tonnes in 2022, a 7.64 percent increase. Figure 3.8 and Table 3.3 provide information on the fish catch by water bodies in more detail. In 2022, Lake Malawi alone registered a total landing of 174,001 metric tonnes, when artisanal production figures (173,159 MT) and commercial production figures (842 MT) are added.

FIGURE 3.8: FISH CATCH CONTRIBUTION BY WATER BODY FOR 2022 COMPARED WITH 2021



Source: Department of Fisheries

The cumulative catch by December 2022 showed that over 93.18 percent of the total catch originated from Lake Malawi when artisanal and commercial production figures are added. The other water bodies of Lake Chilwa, Shire River system, Lake Malombe, and Lake Chiuta contributed of 3.47, 1.59, 1.42, and 0.34 percent respectively to the total catch. This implies that Lake Malawi continues to be the major source of fish for the country.

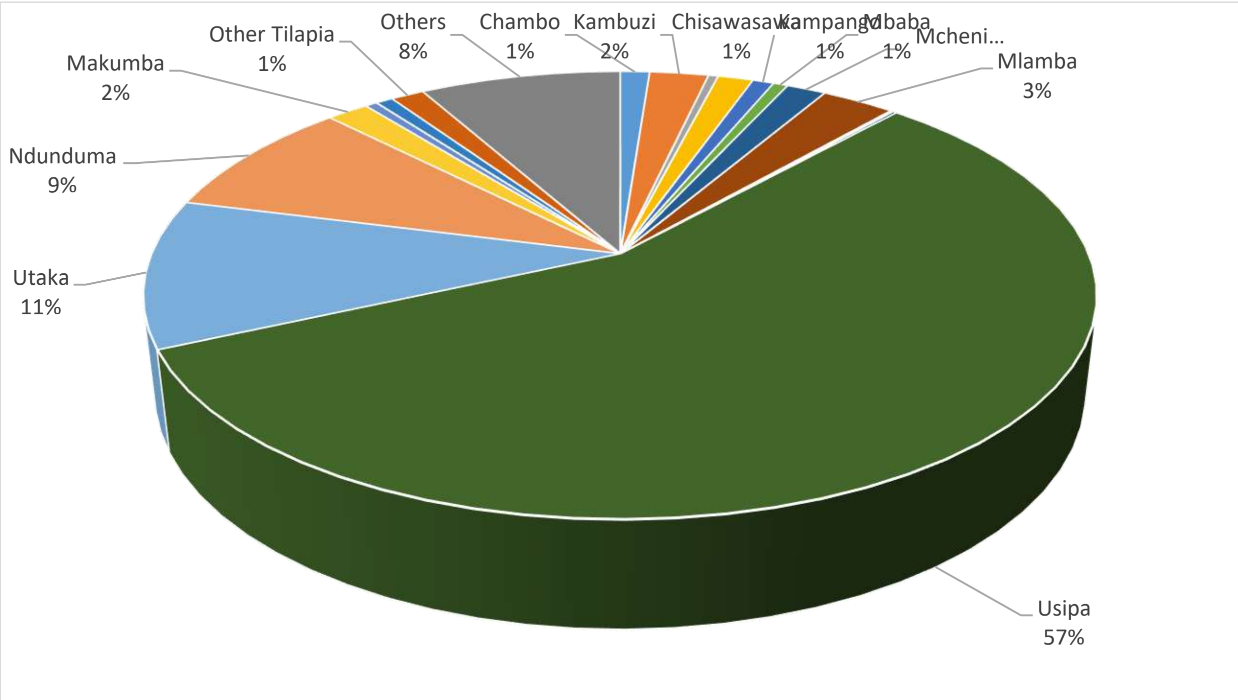
TABLE 3.8: FISH CATCH BY WATER BODIES IN TONNES FROM 2010 TO 2022

Year	L. Malawi (Artisanal)	L. Malawi (Commercial)	L. Malombe	L. Chilwa	L. Chiuta	Upper, Lower and Middle Shire	Total (Tonnes)	Landed Value (MWK)	Beach Price (MK/kg)
2010	80,623	3,470	3,336	8,019	2,549	1,197	95,724	19,900,000	210
2011	56,923	1,296	4,109	16,960	2,627	451	82,366	18,944,180	230
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
2014	105,284	2,455	4,170	2,889	293	1,037	116,128	74,332,669	640.09
2015	127,438	2,672	5,904	5,660	1,150	1,491	144,315	10,870,3888	753.24
2016	143,556	4,416	4,053	2,834	1,298	1,111	157,268	12,973,8212	824.95
2017	185,096	3,249	4,663	3,270	1,498	1,679	199,454	17,303,6178	867.55
2018	205,814	2,818	6,985	1,835	1,703	2,694	221,849	19,669,1396	928.96
2019	143,325	2,110	6,562	2,818	1,447	1,691	154,923	16,955,6716	1094.46
2020	154,212	2,154	6,197	5,353	851	2,076	170,844	18,383,9582	1076.07
2021	156,681	1,656	5,289	6,735	1,585	1,535	173,480	18,7280,388	1079.55
2022	173,159	842	2,651	6,478	635	2,967	186,732	21,944,9232	1175.21

Source: Department of Fisheries

In terms of catch composition, usipa was the dominant fish species that contributed the largest share at 57 percent of the total catch. This was followed by utaka, ndunduma, mlamba, kambuzi, and makumba which accounted for 11, 9, 3, 2, and 2 percent respectively, according to Figure 3.9.

FIGURE 3.9: SHOWS CATCH COMPOSITION IN 2022



Source: Department of Fisheries

3.3.2.2 Annual Fish Production and Landed Value

The total annual fish production has been fluctuating with an increasing trend over the years. This is exhibited in Table 3.3 which shows that in 2010 the fish catch was as low as 95,724 metric tonnes compared to the current figure of 186,732 metric tonnes in 2022 representing a 195.07 percent increase. It is, however, anticipated that fish production will increase from the current 186,732 metric tonnes to 192,334 metric tonnes and then 196,180 metric tonnes in the years 2023 and 2024 respectively as illustrated in Table 3.4. This would translate to increased projected accrued monetary value from the current MK219.449 billion to MK240.766 billion and MK250.130 billion respectively.

TABLE 3.9: FISH CATCH AND VALUE FROM 2022 TO 2024 FOR MAJOR SPECIES

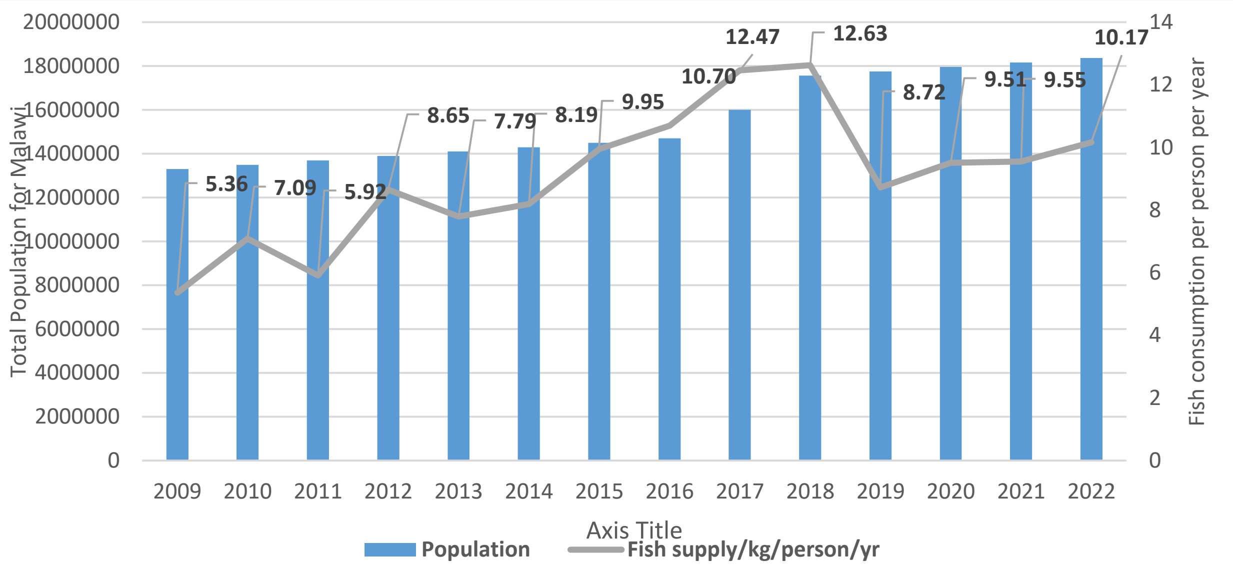
Sale of Fish Species		2022 Provisional		2023 Estimate		2024 Projection	
Local Name	**Scientific Name**	**Quantity(tonnes)**	**Value(K'million)**	**Quantity(tonnes)**	**Value(K'million)**	**Quantity(tonnes)**	**Value(K'million)**
Chambo	Oreochromis spp.	2,212	2,599,795,425	2,279	2,848,202,968	2,324	2,963,270,368
Kambuzi	Lthrinops spp. & A	4,451	5,230,763,942	4,584	5,730,557,582	4,676	5,962,072,108
Kasawala	Juvenile oreochromis	736	864,901,724	758	947,542,115	773	985,822,817
Chisawasawa	Lethrinops spp. & A	2,662	3,128,010,503	2,742	3,426,888,405	2,796	3,565,334,696
Kampango	Bagrus meridionalis	1,606	1,887,928,797	1,655	2,068,318,280	1,688	2,151,878,339
Mbaba	Bucco chromis spp	1,104	1,297,154,490	1,137	1,421,096,150	1,160	1,478,508,434
Mcheni	Rham phochromis sp	2,992	3,516,017,252	3,082	3,851,968,765	3,143	4,007,588,303
Mlamba	Bathyclarias & clarias spp	5,554	6,526,994,588	5,721	7,150,641,615	5,835	7,439,527,536
MPasa	Opsaridium microlepis	125	147,115,303	129	161,172,005	132	167,683,354
Nchila	Labeo mesops	110	129,461,134	113	141,831,000	116	147,560,972
Sanjika	Labeo cylindricus	273	320,900,527	281	351,562,214	287	365,765,327
Usipa	Engraulicypris sardella	105,638	124,147,027,890	108,807	136,009,137,438	110,983	141,503,906,590
Utaka	Copadichromis virginalis & relatives	20,033	23,542,458,762	20,634	25,791,914,344	21,046	26,833,907,683
Ndunduma	Diplo taxodon spp	16,119	18,943,771,740	16,603	20,753,827,925	16,935	21,592,282,573
Makumba	Oreochromis shiran	3,173	3,729,141,116	3,268	4,085,456,375	3,334	4,250,508,813
Matemba	Barbus paludinosus	905	1,064,117,399	933	1,165,792,625	951	1,212,890,647
Other Tilapia	Tilapia rendalli & ot	2,526	2,969,022,339	2,602	3,252,709,100	2,654	3,384,118,548
Others	Various spp	16,511	19,404,472,335	17,007	21,258,547,946	17,347	22,117,393,283
TOTALS		**186,732**	**219,449,055,265**	**192,334**	**240,417,166,850**	**196,180**	**250,130,020,391**

Source: Department of Fisheries

3.3.3 Fish Supply Per Capita

There has been a continued increase in per capita fish consumption which reached 12.63kg/person/year in 2018 from 5.36kg/person/year in 2009, as shown in Figure 3.10 and Table 3.5 below. However, with the decline in fish production for 2019, there was a drop to 8.72kg/person/year. It is further noted that the per capita fish consumption in the years 2020 to 2022 increased from 9.51kg/person/year to 10.17kg/person/year which is still below the recommended 13-15 kg of the World Health Organisation (WHO).

FIGURE 3.10: TRENDS IN PER CAPITA FISH SUPPLY FROM 2009 TO 2022



Source: Department of Fisheries

TABLE 3.10: PER CAPITA FISH SUPPLY (2009 TO 2022) WITH ESTIMATED POPULATION GROWTH

Year	Population	Total Catch (kg)	Fish Supply (kg/person/year
2009	13,300,000	71,289,000	5.4
2010	13,500,000	95,724,000	7.1
2011	13,700,000	81,070,000	5.9
2012	13,900,000	120,328,000	8.7
2013	14,100,000	109,889,000	7.8
2014	14,300,000	117,094,878	8.2
2015	14,500,000	144,094,878	10.0
2016	14,700,000	157,267,660	10.7
2017	16,000,000	199,453,838	12.5
2018	17,563,749	221,849,082	12.6
2019	17,763,749	154,922,716	8.7
2020	17,963,749	170,843,520	9.5
2021	18,163,749	173,480,053	9.6
2022	18,363,749	186,731,930	10.2

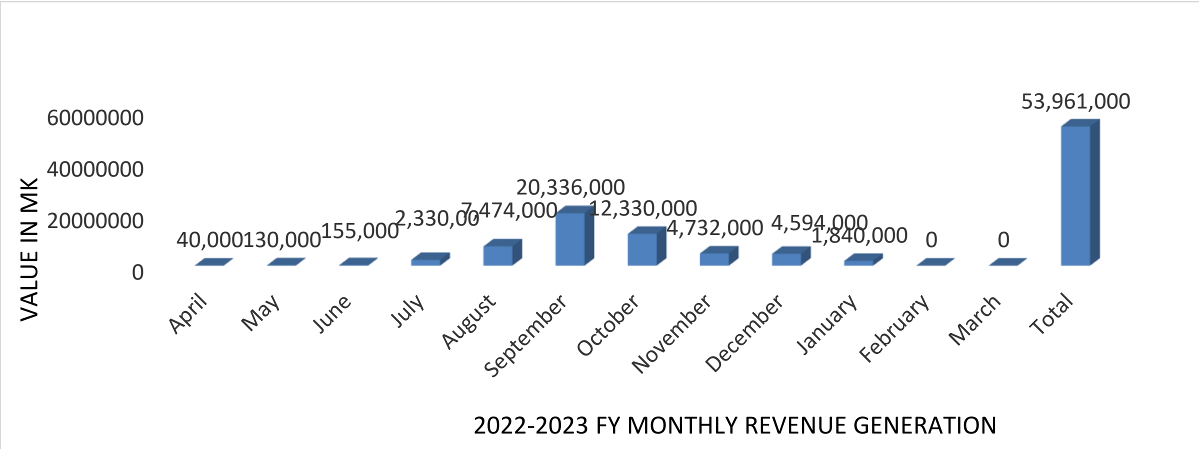
Source: Department of Fisheries

3.3.4 Fish Resource Monitoring and Licensing

To increase fisheries and aquaculture investments, the sector continued to promote fishing-related activities through Public Private Partnerships (PPPs). In this regard, a total of 19 large-scale commercial fishing units have been licensed to tap the offshore deep water fish resources generating MK18,666,000. In addition, 961 small-scale fishing licenses and 89 sanitary certificates generating MK35,195,000 have been issued.

Therefore, the total revenue generated from the licensing exercise of both commercial and small-scale fishers is currently at MK53,861,000 representing 67 percent of the annual revenue target of MK80,000,000 set by Treasury. Figure 3.11 shows the monthly revenue collections from April 2022 to January 2023. Overall there have been increased collections during the months of September and October.

FIGURE 3.11: MONTHLY REVENUE COLLECTIONS FROM LICENSING OF FISHING ECONOMIC UNITS FROM APRIL 2022 TO JANUARY 2023



Source: Department of Fisheries

As can be seen in Table 3.11, there has been a continued increase in the collection of revenue by the Fisheries Sector from the 2011/12 fiscal year to the current fiscal year of 2022/23. The increase is explained partly by the continued revision of the license fees and enhanced awareness by the district offices of the importance of collecting more revenue from the fisheries-related entrepreneurs along the fish value chain.

TABLE 3.11: TRENDS IN REVENUE COLLECTION FROM LICENSING OF FISHING ECONOMIC UNITS

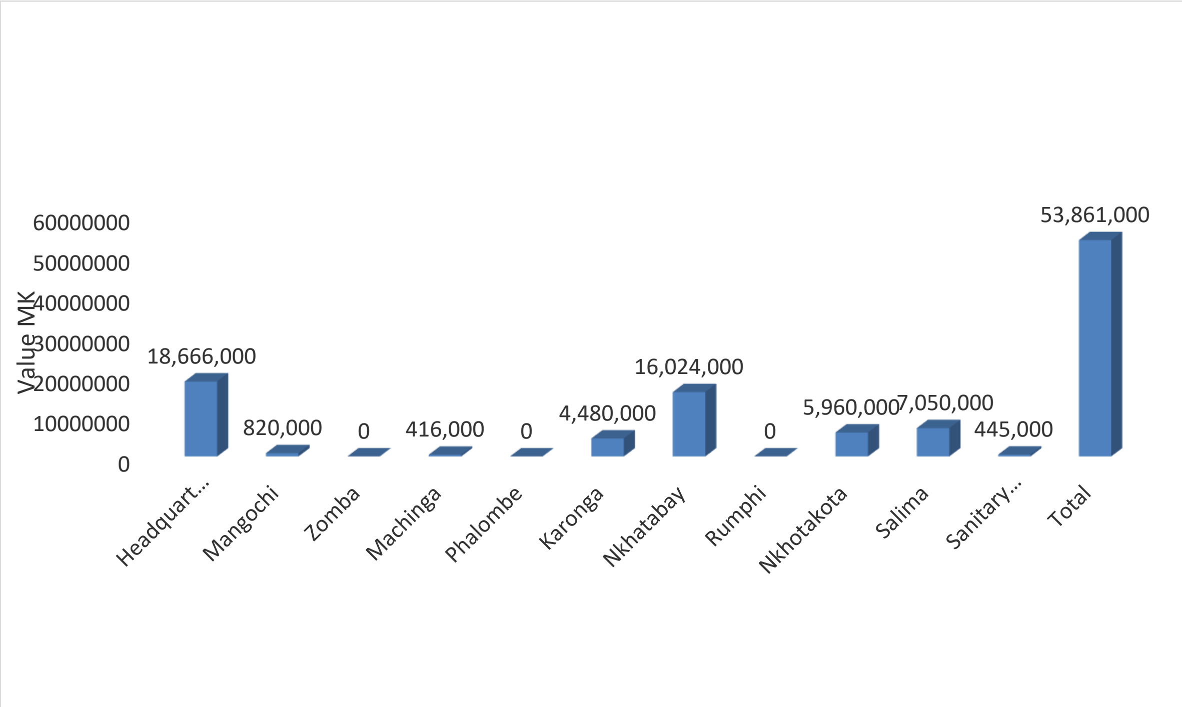
Year	Revenue(Small Scale)	Revenue(Large Scale)	Total Revenue
2011/12	8,820,000	1,641,750	10,461,750
2012/13	11,250,000	2,000,000	13,250,000
2013/14	12,900,000	2,286,000	15,186,000
2014/15	2,751,400	4,000,000	16,751,400
2015/16	17,438,250	8,564,000	26,002,250
2016/17	17,731,700	13,792,000	36,417,200
2017/18	15,522,250	16,280,000	31,802,250
2018/19	28,962,000	19,636,000	48,,598,000

2019/20	15,012,000	22,608,000	37,620,000
2020/21	21,231,750	27,148,200	48,379,950
2021/22	31,095,750	42,888,000	73,983,750
2022/23	35,195,000	18,666,000	53,861,000

Source: Department of Fisheries

In terms of the performance of all the districts involved in revenue collection, it is noted that Nkhata-Bay had the highest collections of MK16.024 million followed by Salima (MK7.05 million), Nkhotakota (MK5.960 million) and Karonga (MK4.480 million). This is according to Figure 3.12. The other districts did not manage to attain their set annual revenue targets.

FIGURE 3.12: REVENUE COLLECTIONS FROM LICENSING OF FISHING ECONOMIC UNITS FOR LAKESHORE DISTRICTS AND HEADQUARTERS FOR 2022-2023 FY



Source: Department of Fisheries

3.3.5 Performance of the Aquaculture Sector

The aquaculture sub-sector continues to show that in total there are approximately 17,012 fish farmers where 61.51 percent are males and 38.49 percent are females. The total recorded number of ponds is currently at 11,000. This is countrywide with a total pond area of 276.15 hectares.

A total of 12,593,131 fingerlings were produced during the year as shown in Table 3.7. The production came from four hatcheries: National Aquaculture Centre (NAC), Mzuzu Fish Farming Station, Kasinthula, and MALDECO Aquaculture Limited. When compared with the production of 2021, there was an increase in fingerling production by 31.47 percent.

TABLE 3.12: TRENDS IN FINGERLING PRODUCTION FROM PUBLIC AND PRIVATE HATCHERIES

Year	Fingerlings Produced by Public Hatcheries (NAC, Mzuzu)	Fingerlings Produced by Private Hatcheries (Maldeco)	Total
2013	785,906	5,006,011	5,791,917
2014	731,756	5,613,964	6,345,720
2015	965,811	6,423,307	7,389,118
2016	1,670,526	6,625,000	8,295,526
2017	1,891,835	7,619,920	9,511,755
2018	2,407,050	10,358,000	12,765,050
2019	5,464,290	9,166,380	14,630,670
2020	2,049,670	8,870,000	10,919,670
2021	3,619,978	5,958,436	9,578,414
2022	7,052,701	5,540,430	12,593,131

Source: Department of Fisheries

In terms of aquaculture fish production, a total of 7,147.74 metric tonnes of fish was harvested from ponds and cages in 2022 compared to 9,324 metric tonnes in 2021 as illustrated in Table 3.13.

TABLE 3.13: ESTIMATED PRODUCTION LEVELS (TONNES) AND VALUE (US$) OF THE MAJOR CULTURED FISH SPECIES (2012 TO 2022)

Species	Estimated Units							Years				
-	-	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Oreochromis Shiranus/	Production(t)	2,186	2,578	3,300	3,422	7,080	8,624	6,460	6,553	6,669	6,620	5,362
Mossambicus	Value(US$)	121,9780	2,704,783	3,462,123	3,849,012	18,893,010	23,498,202	17,602,977	17,856,771	21,130,419	24,072,227	19,498,909
Tilapia Rendalli	Production(t)	633	641	820	851	142	2,593	1,878	1,871	2,261	2,732	1,116
	Value(US$)	543,747	813,460	1,041,229	957,027	37,7860	6,919,542	501,0785	4,994,036	7,164,863	9,934,545	4,059,255
Clarias Gariepinus	Production(t)	262	333	426	508	212	900	676	782	440	440	616
	Value(US$)	225,058	339,786	434,926	571,915	566,790	2,452,316	1,842,172	2,131,499	139,4170	1,600,000	2,240,000
Cyprinus Carpio	Production(t)	67	71	91	94	118	44	0	11	11	11	40
	Value(US$)	57,553	88,884	113,772	106,005	314,884	119,891	-	30,180	35,134	40,000	145,455
Oncorhynchus mykiss	Production(t)	84	82	105	109	94	56	0	12	12	12	13
	Value(US$)	72,156	103,511	132,494	122,428	251,907	152,589	-	32,695	38,070	43,636	47,273
Total Major Species(t)		**3,232**	**3,705**	**4,742**	**4,984**	**7,646**	**12,217**	**9,014**	**9,230**	**9,393**	**9,324**	**7,147**
Total Value(US$)		**2,776,288**	**40,050,425**	**5,184,543**	**5,606,387**	**204,044,51**	**33,142,539**	**24,455,934**	**25,045,934**	**29,762,656**	**35,690,909**	**25,990,892**

Source: Department of Fisheries

3.3.6 Challenges

These are the following:

i. High gaps in district data relating to employment and fish harvesting resulting in under-estimation and under valuation of the sector;
ii. Low participation of the private sector in the aquaculture value chain resulting in low fish production;
iii. Limited accessibility to high-quality farm inputs such as floating feed and fingerlings;
iv. Low adoption of fish farming husbandry by the majority of the farmers;
v. Limited access to capital for investments in the fish value chain; and
vi. Environmental degradation and climate change.

3.3.7 Proposed Mitigation Measures

These are the following:

i. Undertake a comprehensive survey of fish farmers countrywide to establish the total number of farmers and pond coverage for better production estimates;
ii. Aquaculture round table meetings and annual forums to continue as a platform for raising awareness for their potential;
iii. Investments in fish feed production are being made by three potential investors including Lenz mills in Bvumbwe Thyolo, Mtalimanja Holdings in Dowa, and Apoche Farm in Lilongwe;
iv. Capacity building activities for all fish value chain actors to be implemented through SFAD WM and Aquaculture Value Chain projects; and
v. Sectoral collaboration to address environmental issues.

3.4 The Forestry Sector

This section reviews the forestry sector's performance and contribution to the economy in the 2022/23 Financial Year. Its focus is on forest utilization and marketing, budget allocation, revenue collection, tree planting, and forest plantation rehabilitation. The section also looks at the expectations for 2023/24 and projections for 2024/25 financial years.

3.4.1 Forest Utilisation and Marketing

3.4.1.1 Exports

The Sector issued 67 forest export licenses and 884 forest export permits to various exporters such as Raiply Malawi Limited and Vizara Rubber Plantations. The licenses and permits legalized the exportation of forest products such as medium density fiber (MDF) and block boards, shutter ply, and wood carvings/curios. The major destinations of these exports were the

Republic of South Africa, Kenya, Tanzania, and Zambia. The quantities and values of forestry products exported in the period under review are summarised in Table 3.14, below.

TABLE 3.14: EXPORT OF FOREST PRODUCTS DURING THE 2021/22 FY

No	Product type	Quantity Exported	Measure/unit
1	MDF Boards (Plain and Laminated)	8,733,000	kgs
2	Shutter ply	91,892	kgs
3	Block board	93,370	kgs
4	Pine timber	375	m^3
5	Wood carvings/curios	1,894	No
6	Laminate pine/timber shelving	20,102	kgs
7	Assorted furniture	18,446	kgs
8	Colombo roots	35,051	kgs
9	Rubber	235,302	kgs

Source: Department of Forestry

3.4.1.1 Imports of Forest Products

During the 2022/23 financial year, the Sector issued 44 forest import licenses and 223 forest import permits. The major imported products include: hardwood timber treated eucalyptus poles and flush doors. Most of the imported products were supplied to the Electricity Supply Commision of Malawi (ESCOM). Table 3.15 shows imported forestry-related products in various quantities by different stakeholders.

TABLE 3.15: IMPORT FIGURES OF FOREST PRODUCTS FOR 2021/22

No	Product Type	Quantity imported	Measure/Unit
1	Transmission Poles	6877	No
2	Hardwood Timber	902	m^3
3	Flush doors	5790	No
4	Melamine boards	268	m^3
5	Shutter ply	434	m^3
6	Hard boards	133	m^3

Source: Department of Forestry

3.4.2 Revenue Collection

The major sources of revenue for the Department of Forestry in the year under review were the sale of logs, the sale of firewood, licensing fees, and royalties on forestry products. The bulk of revenue was collected from plantations; mainly, Viphya Plantations. This is shown in Table 3.16.

TABLE 3.16: REVENUE COLLECTED FROM APRIL 2022 TO NOVEMBER 2022

Source of Revenue	Collection by End November, 2022(MK)
Sale of firewood	476,534,673.34
Log/ plank sales	3,327,118,363.43
Phytosanitary and Conveyancen Certificates	18,194,500.00
Rent on MG Houses	196,250.00
Licence Fees	351,369,950.00
Miscellaneous Fees	3,899,000.00
Concessions fees	57,144,313.56
Tree Seed sales	8,275,737.00
Royalties on forestry produce	28,840,550.00
Accomomdation and Hall Hire	229,500.00
Rest house fees	664,430.00
Total	**4,272,467,267.33**

Source: Department of Forestry

Table 3.16 above shows an increase in revenue collection during the fiscal year under review mainly due to fees and royalties arrears payment by Raiply Malawi Limited. However, the sector has the potential to increase its revenue collection if more investments are made in the development and management of timber, pole, and fuelwood plantations.

3.4.3 Tree Planting and Plantation Rehabilitation

3.4.1.1 Customary Estate and Public Land (Government Plantations and Forest Reserves)

The target for tree planting, for the 2022/23 fiscal year, was 40 million trees. Trees will be planted on both customary estates and in Government forest plantations. So far, a total of 36,366,243 trees were produced. Of this total, 31,393,967 tree seedlings were produced on customary estates and 4,972,276 tree seedlings were produced in Government Plantations. The total tree seedling production represents 91 percent of the annual target of 40 million. Stakeholders including Non-Governmental Organisations (NGOs), religious organizations, local communities, private companies, and educational institutions contributed to the tree seedling production figures. In government plantations, the common species produced were Pinus species (pine) and Eucalyptus species (blue gum), whereas, on the customary estate, both exotic and indigenous tree seedlings were produced. Table 3.17 below summarises tree seedlings produced by zones and forest plantations.

TABLE 3.17: TREE SEEDLING PRODUCTION AND PLANTING BY ZONES AND PLANTATIONS

No	ZONE/PLANTATION	TARGET	PRODUCTION	PLANTED
1	North	5, 680, 000	3,791,111	0
2	Centre	12,500,000	12,116,798	0
3	South	10,404,000	8,239,860	0
4	East	7,416,000	7,246,198	0
5	Plantations	4,000,000	4,972,276	0
Grand Total		**40,000,000**	**36,366,243**	**0**

Source: Department of Forestry

However, it is important to note that tree planting for the 2022/23 tree planting season has not yet commenced in all the zones and plantations.

3.4.1.2 Fire Protection

Out of 90,000 hectares (ha) of industrial forest plantations and fuelwood and pole plantations, 88,767.2 was protected from bushfires. Protective methods were firebreak maintenance, weeding activities, early controlled burning, and firefighting activities. Despite this, some plantations experienced fire damage, elaborated on in Table 3.18.

TABLE 3.18: AREA AFFECTED BY FIRE

No.	Station	Area Affected (ha)	Area Completely Damaged (ha)
1	Kalungulu	56.1	0
2	Chikangawa	108.9	26
3	Champhoyo	216.5	32.5
4	Lusangazi	104.3	0
5	Luwawa	198.3	127.4
6	Nthungwa	143.1	50.2
7	Mazamba	193.6	0
8	Chongoni	12.5	4.1
9	Zomba Mountain	102.7	15.6
10	Dzonzi Mvai	62.3	23.1
11	Michiru	16.0	6.2
12	Dedza mountain	18.5	5.0
Total		**1,232.8**	**290.1**

Source: Department of Forestry

3.4.4 Other Recurrent Transactions (ORT) and Forestry Development and Management Fund (FDMF)

In the fiscal year under review, the ORT and FDMF budgets for the Department were MK 279,600,000 and MK 2,000,000,000 respectively. The ORT proposed budget for the 2023/24 Financial Year is MK 561,000,000. The ORT projection for the 2024/25 Financial Year is MK 673,200,000. This funding was used for the restoration of trees, the promotion of conservation, and the management of forest resources. The main objective was to restore degraded forest landscapes and to increase forest cover in the country. The major activities implemented included the following:

i. Tree planting and management
ii. Payment for contract work in Government plantations for various silvicultural operations
iii. Management of natural regenerants including demarcation and mapping
iv. Conducting law enforcement through patrols in forest reserves and other hot spots including all issues to do with court cases
v. Support for forestry research in four strategy areas
vi. Training of technical staff at Malawi College of Forestry and Wildlife

3.4.5 Other Major Achievements for the Sector

The Department of Forestry achieved the following in the 2022/23 Financial Year:

i. Protected 88 forest reserves with a total land area of 918,400 ha from encroachment
ii. Protected 90,000 ha of the plantation from illegal logging and fires
iii. Enhanced natural regeneration in 7,178.44 ha of natural forests, particularly on customary land
iv. Raised 36,366,243 tree seedlings of various species for the 2022/23 National Forestry Season
v. Signed Forest Plantation Management Agreements ensuring the presence of eight local small-scale operators and three Concession Agreements for the management of 15,584.8 ha on the Viphya and Zomba Mountain Plantations
vi. Signed a Conservation Concession agreement with Wildlife Action Group (WAG) for the protection and management of Thuma Forest Reserve
vii. Signed a financing agreement with the National Bank of Malawi worth 100 million kwacha to support the restoration of Jembya Forest Reserve in Chitipa (500 ha), Mangochi Palm Forest Reserve (510 ha), and Dedza Seven Hills (500 ha) through the "Adopt a Forest'' Initiative
viii. Signed a memorandum of understanding (MoU) between M'mbelwa Development Trust and the Department of Forestry for the conservation and sustainable management of the Zumwanda area in the Viphya which is part of South Viphya Forest Reserve
ix. Procured and distributed 5 motor vehicles and two hundred (200) pushbikes to strategic forestry stations and maintained some offices and staff houses, to enhance the capacity
x. Graduated 79 Forest Assistants with certificates in General Forestry who have since been posted to various districts and plantations.
xi. Recruited 300 forest guards for various districts, forest reserves, and plantations
xii. Recruited 33 Forestry Officers (PO) and posted them to various districts, plantations, and cost centers

xiii. Enforced forestry legislation throughout the country, resulting in 291 completed cases with 596 convicts
xiv. Impounded 3 motor vehicles that have been forfeited to the government because of trafficking illegal forest produce including charcoal
xv. Launched a project called "Transforming landscapes and Livelihoods: A cross-sector approach to accelerate restoration of Malawi's Miombo and Mopane Woodland for sustainable forest and biodiversity project. The project is being implemented in the districts of Ntcheu, Balaka, and Mangochi and is being financed by the Global Environmental Facility (GEF) through the Food and Agriculture Organisation (FAO). Through the project, the Department procured and distributed Two hundred (200) push bikes to various districts, plantations, and Forest Reserves to ease the mobility of forest guards and procured and distributed Five (5) motor vehicles to five forestry stations.

3.4.6 Challenges

The main challenges impeding the smooth implementation of activities in the forestry sector are the following:

i. Encroachments in protected forest areas particularly forest reserves
ii. Inadequate and inconsistent funding; mainly ORT funding. This, which is not often well aligned with the timing of field operations, affects the implementation of activities since forest activities are calendar based
iii. High vacancy rate of staff turnover through deaths, retirements, and resignations
iv. Mobility problems of front-line staff; mainly, the unavailability of motor and push bikes. This affects the implementation of forestry extension delivery since forest assistants and guards have a larger area to cover due to the high vacancy rate
v. High rates of forest fires in Government plantations negatively affect the growth of trees. This results in significant losses of young stands and revenue

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

This chapter provides a brief of the major achievements of the irrigation and Water Development Sector during the 2022/23 Financial Year (FY) as well as prospects for 2023/24 FY. On the regulatory and institutional framework, the National Irrigation Policy (2016), the Irrigation Code of Practice, and the Irrigation Master Plan and Investment Framework (2015-35) continue to guide all stakeholders involved in the implementation and provision of irrigation-related goods, works and services.

The policy objectives for the Water and Development sector are among others to achieve sustainable and integrated water resources management systems; increase the availability and accessibility of water and sanitation services for social economic growth and development; and develop the institutional capacity of the water and sanitation sector. The sector has direct linkages with agriculture and food security, industrial development, climate change, natural resources and environmental management, health, tourism, energy generation, fisheries, and other socio-economic developments.

4.2 Irrigation

In terms of irrigation development, during the reporting period, the total land developed for irrigation increased by 1,048.2ha which is 1 percent and is below the 6 percent targeted minimum annual growth rate for the agriculture sector stipulated in the Comprehensive African Agriculture Development Program (CAADP) for the agricultural sector and also below the 5 percent average stipulated in the National Irrigation Master Plan and Investment Framework (2015-2035)

Out of the developed land for irrigation of 146,966.42 hectares, about 79 percent of the developed area was utilized compared to 80 percent utilization in the previous financial year. Utilization was affected by floods which destroyed some irrigation infrastructure while other irrigation groups failed to raise enough funds to operate diesel-operated pumps or pay for electricity where pumping stations are connected to ESCOM power.

The Department, therefore, continued rehabilitation of flood-damaged infrastructure and promotion of solar powered irrigation technology with the hope of improving the utilization of irrigation schemes and also making irrigation an economically viable business for farmers.

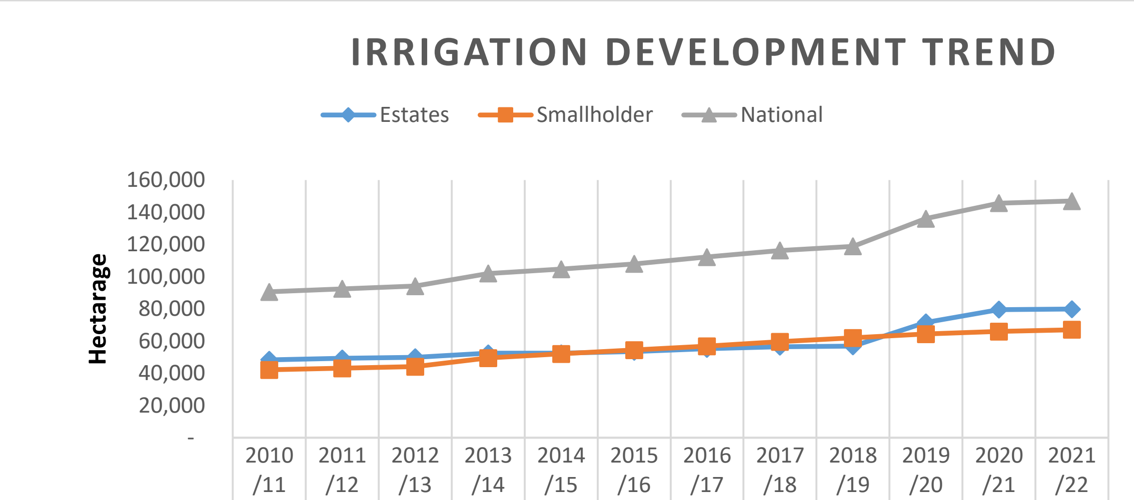
4.2.1 Progress on MGDS Targets

From the developed 67,085 hectares of which 53,542ha were utilized in the 2022/23 financial year by 367,391 smallholder farmers, the contribution to crop production can be estimated to be around 352,000 metric tonnes of food crops and from the developed 79,881.26 hectares by the private sector of which about 55,916.7 ha were utilized, the total estimated production could be estimated to be around 702,000 metric tonnes of export crops.

4.2.2 Irrigation Development in Malawi

Malawi has a potential irrigable land size of 407, 862 ha according to the Irrigation Master Plan and Investment Framework (2015-2035). Considering the human and financial resources the country can develop 220,000ha by the year 2035. In the 2021/22 financial year, 146,966.42 hectares were under irrigation representing 36 percent of potentially irrigable land. Figure 4.1 shows trends in irrigation development in the country disaggregated according to the private sector and smallholder share since the 2010/11 financial year.

FIGURE 4.1: IRRIGATED AREA UNDER THE PRIVATE SECTOR AND SMALLHOLDER FARMERS



	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17	2017 /18	2018 /19	2019 /20	2020 /21	2021 /22
Estates	48,3	49,3	50,0	52,4	52,4	53,4	55,3	56,5	56,8	71,5	79,6	79,8
Smallholder	42,1	43,1	44,2	49,4	52,1	54,4	56,8	59,6	61,9	64,4	66,0	67,0
National	90,5	92,5	94,2	101,	104,	107,	112,	116,	118,	136,	145,	146,

Source: Department of Irrigation

Smallholder irrigation has over the years increased significantly while private estate irrigation had remained virtually static between 2013/14 and 2015/16, possibly due to difficulties in identifying new pieces of land for new irrigation development and lack of access to capital. However, thereafter, there is renewed momentum by the private sector in irrigation development. The huge investments that are being made in transformative projects like Shire Valley Transformation Programme will result into area under smallholder irrigation surpassing area under private sector. Overall, there is an increasing trend for irrigation development country-wide despite challenges such as high electricity tariffs and insufficient funds to spur large-scale investments in the sub-sector.

4.2.3 Farmers Organisation

Water Users Associations (WUAs) are legally registered farmer's organizations that assume all the responsibilities of managing smallholder irrigation schemes. This includes operation and maintenance of the developed areas as well as planning for crops to be irrigated. During the reporting year, a total of 3 WUAs were registered to bring the total of registered 97 WUAs. Most of the smallholder irrigation schemes are managed by Water User Groups as they have not been legally registered.

4.2.4 The Irrigation Master Plan and Investment Framework

The Irrigation Master Plan and Investment Framework (IMPIF) has prioritized projects into short, medium, and long-term categories. The total cost is estimated to be around US$2.4 billion of which 46 percent will be invested in new irrigation development; 32 percent in sustainable irrigation management; 21 percent in capacity building; and 1 percent in coordination and management. Around 89 percent of IMP costs represent investments and 11 percent recurrent costs, mainly irrigation scheme operation, and maintenance. The IMPIF is significantly assisting in orderly irrigation development as more rewarding projects are implemented first. The main projects through which the IMPIF is being implemented are the Shire Valley Transformation Programme (SVTP) financed by the World Bank, African Development Bank, Global Environmental Facility, and Malawi Government targeting about 43, 000 ha in Chikwawa and Nsanje; Programme for Rural Irrigation Development (PRIDE) targeting 5,100 ha in districts of Chitipa, Karonga, Nkhata Bay, Phalombe, Machinga, Zomba, and Chiradzulu.; and, the Agricultural Infrastructure and Youth in Agri-business Project (AIYAP) funded by the African Development Bank and European Union targeting 1,000 ha in Nkhata Bay. Other projects include the Malawi Resilient and Disaster Risk Management Project (MRDRMP) which involves the rehabilitation of existing schemes and construction of solar-powered irrigation schemes mainly in plain areas of the country, targeting a total of 690 ha; KULIMA funded by the European Union which has a Technical Assistant component to conduct detailed design studies for two priority schemes and enhance WUA and Cooperatives capacity for sustainable management of six developed irrigation schemes; The Malawi Watershed Services Improvement Project (MWASIP) financed by the World Bank, targeting about 340 ha for irrigation development, in Ntcheu, Zomba, Machinga, Neno, Blantyre, and Balaka

4.2.5 Major Challenges

The irrigation sub-sector faced a number of challenges during the reporting period. Table 4.1 shows a summary of some major challenges and the proposed way-forward;

TABLE 4.1: MAJOR CHALLENGES AND THE PROPOSED WAY FORWARD

ISSUE	WAY-FORWARD
Dwindling of water resources and poor catchment practices	Scaling up construction of dams, and creating awareness on guidelines for catchment management
Pest and diseases attack on crop reducing profits	Incorporate pest and disease management and prevention in the farmer training programs.
Theft of Solar equipment (Pumps and panels)	Community sensitization on problems of vandalism on area development.
Unpredicted storms continually damage irrigation structures	Intensify catchment protection in all irrigation schemes and climate-proofing irrigation designs

High electricity bills at Nkopola, Lweya and Lifuwu make it difficult for farmers to utilize the scheme	The Department should continue lobbying for lower electricity tariffs for irrigation farmers
Under-utilization of developed irrigation schemes	mobilize beneficiaries for effective utilization of developed irrigation schemes address technical challenges in the irrigation system through rehabilitation or modernization

4.2.6 Recommendations

A number of irrigated crops such as sugarcane, tea, rice, maize, vegetables, macadamia, tubers and fruits continue to contribute significantly to the stabilization of Malawi's economy. Land developed for irrigation continues to increase and during the reporting period however climatic shocks undermined efforts towards irrigation development. Recovery measures taken against damaged irrigation infrastructure in past years could have gone a long way in sustaining the momentum for new irrigation development as targeted in the IMPIF. This calls for adequate and timely funding for irrigation development programmes and projects.

The following recommendations have been made for the smooth implementation of irrigation development programmes.

i. There is a need to construct dams and conserve the catchment areas.
ii. Lobby for more budget support from GoM and Development Partners (DPs) to fully implement the Master plan
iii. Reduce farmer dependency syndrome on O&M through the establishment and continuous training of WUAs and WUGs
iv. Encourage private sector participation in the entire value chain, i.e. from production to marketing

4.2.7 Prospects for 2023/24 Financial Year

Guided by the Irrigation Master Plan and Investment Framework (IMPIF), the sector expects the developed area to increase by 5,200 ha through private sector investment and continued implementation of Government irrigation programmes and projects such as SVTP, PRIDE, AIYAP, MWASIP, MRDRMP, that follows a pragmatic approach to irrigation development shifting from subsistence irrigated agriculture to commercialized oriented irrigated agriculture with a cumulative area reaching 155,400ha. The associated projected investment costs for the projects and programmes are estimated at US$40,960,086. Utilization rate is expected to reach 85 percent through the promotion of fully functional and financially autonomous farmer organizations (Water User Associations (WUAs), and Water User Groups (WUGs)) which are designed to ensure efficiency and sustainability in the utilization of the schemes. The number of registered WUAs is expected to increase by 15. Furthermore, there are plans to rehabilitate and modernize over 2,240 ha of existing irrigation schemes.

4.3 Water Resources Management and Development

4.3.1 Sector Performance

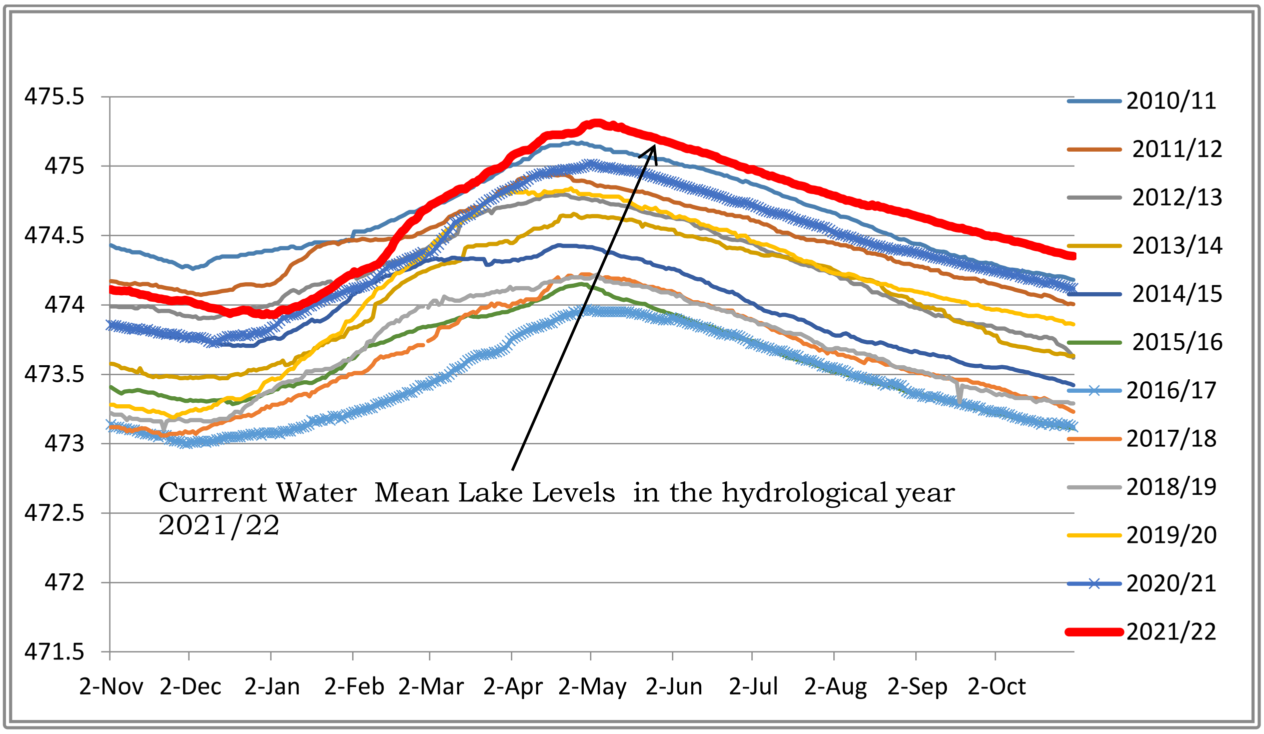
Water still remains one of the core elements for sustainable development and is very critical for the social economic development of our country including ensuring sustainable healthy ecosystems and human survival. The water sector, therefore, continued to prioritize water resources management and development activities in the reporting period. Among others, the sector implemented various projects which focused on the provision of sustainable water resources infrastructure such as the construction of multipurpose dams and other hydraulic structures (including flood protection structures). Water resources monitoring was also emphasized and in order to ensure capturing of accurate information on the condition and trends of the country's water resources (both surface and groundwater) for socio-economic development and maintenance of environmental quality. As such during the period under review, the department collected and analyzed 499 drinking water samples and 102 surface water samples for ambient surface water analysis. 431out of the 499 drinking water samples complied with the Malawi standards for drinking water whereas 49 out 102 samples complied for ambient surface water analysis. From the results it was noted that the ambient of surface water systems was at 48.03 percent and the compliant rate of drinking water was at 86.37 percent.

Furthermore, during the reporting period, the estimated water availability still stood at 1102.5m3/capita/year showing a downward trend when compared to the 2016/17 period in which it was 1170 m3/capita/ year. This shows that Malawi is slightly heading towards becoming a water-scarce country if nothing happens, as it is getting closer to being below 1000 m3/capita/year, a mark that is used to measure water scarcity of any country based on annual renewable water. This situation is exacerbated by the uneven spatial and seasonal distribution of water resources in the country.

Nevertheless, a good foundation for the implementation of strategic interventions has been provided in the reforms and the National Water Policy under review, which will foster an increase in water availability in the years ahead. Such interventions include the construction of water harvesting structures and the promotion of managed aquifer recharge.

As one way of increasing water availability for various productive uses, the sector continues to enhance the efficient operation of the Kamuzu Barrage at Liwonde using the Kamuzu Barrage Operational Model (KABOM). This enables the regulation of flow in the Shire River to meet hydropower generation and other water demands downstream but also helped to regulate the water level in Lake Malawi. During the Year under review, the water levels registered the highest as can be observed in Figure 4.2.

FIGURE: 4.2: LAKE MALAWI MEAN LEVELS SINCE 2010



Source: Department of water

In addition, the National Water Resource Authority (NWRA) had managed to register 59 borehole drillers as companies that would be monitored and follow acceptable drilling standards. This brings sanity to the drilling industry. Furthermore, the NWRA continued with its regulatory function during the year under review. The Authority received, processed, and issued 695 licenses to various users of water resources. This is to make sure that usage of water is controlled and protected in a sustainable manner. The licenses issued were for surface water users, groundwater users, and borehole drillers as shown in Table 4.2 below.

TABLE 4.2: APPLICATIONS ON VARIOUS WATER RESOURCES USAGE

Surface Water Applications	**Ground Water Applications**	**Effluent Discharge Application**	**Borehole Drillers Applications**	**Total**
100	503	33	59	**695**

Source: Department of Water

The NWRA managed to monitor 65 clients complying with effluent quality standards against a target of 85. The remaining users will be monitored in the remaining period of the year. Out of the 65 institutions which were monitored, three institutions were penalized due to the effluent standards representing 95 percent compliance in this sample[1].

[1] These were SANA, Lilongwe City Council, and Zomba City Council. With this, clients will be deterred from polluting the water resources.

The NWRA is also mandated to establish a catchment management committee for the effective and efficient management of water resources. In the year under review, NWRA is establishing eighteen (18) Sub-Catchments Management Committees (CMCs) through the Malawi Watershed Services Project (MWASP) in the districts of Machinga, Balaka, and Mangochi[2]. In the same vein, NWRA has commenced the establishment of the Linthipe Catchment Management Committee which spurs across four districts of Lilongwe, Salima, Dowa, and Dedza. With these developments management of water resources will be improved.

In the year NWRA has worked on the approval of the Guidelines for Borehole Construction and Abstraction of Surface Water in Water Board Gazetted Areas. This once gazetted would bring sanity into the drilling of boreholes in the water board water supply area and reduce the prevalence of water-borne diseases.

In an effort to reduce water flooding levels and reduce impacts on livelihoods, health, assets, and the socio-economic development of the country, the sector further embarked on river training in Nsanje district on Ndiola river to protect Chikhawo 1 and 2, Butao and Sachoke village and Nyamadzere river to protect Mtemangawa, Lampi, Thukuso, Therere, Ndenguma, Mazowe and Chiphwembwe villages and Nsanje town and in Chikwawa district on Nkombezi river to protect Ntchalo Trading Center. Implementation of feasibility study detailed design and construction supervision of 10 small and medium-sized dams and 8 high-yielding boreholes is underway whereby the respective consultants are working on the feasibility study and detailed designs. In terms of the preparatory activities for the construction of the Lower Songwe Dam, implementation of various Consultancy services is currently underway including, those on flood early warning systems, MIS, GIS, ICT, and M&E systems development. These structures and activities are expected to enhance water harvesting to support irrigation, water supply, fisheries, domestic uses, livestock watering, groundwater recharge, recreation, and also used for flood control. Procurement activities are also underway relating to the construction of the Kholongo multipurpose dam in Dowa which among others will provide water for the water supply of Mponela Madisi and other surrounding trading centres for the Central Region Water Board. The sector has also started implementing a Solar Powered Groundwater Development Project whereby groundwater sources will be developed for the installation of a solar pedaflo pump which uses solar power to pump water into an elevated tank for piped water supply in rural areas and market centers. The pump has an inbuilt water treatment system for treating any possible bacteriological contamination in the developed water supply system.

As the country continues to experience water scarcity problems, the need for reliable hydrological data becomes more urgent. This will stimulate political commitment, and public and private investments including facilitating informed decision-making at all levels thereby triggering well- placed investments targeted towards optimum health, environment, and economic gains. For example, information on drinking water quality including wastewater discharge helps to support public health intervention and the protection of water bodies. As such, 22 water resources monitoring stations have been maintained, 26 Assistant Hydrological

[2] Some of the processes that had been done are the sensitization of communities, election of the office bearers, training of the office bearers and currently development of the catchment management plans is underway after which gazettement will be done

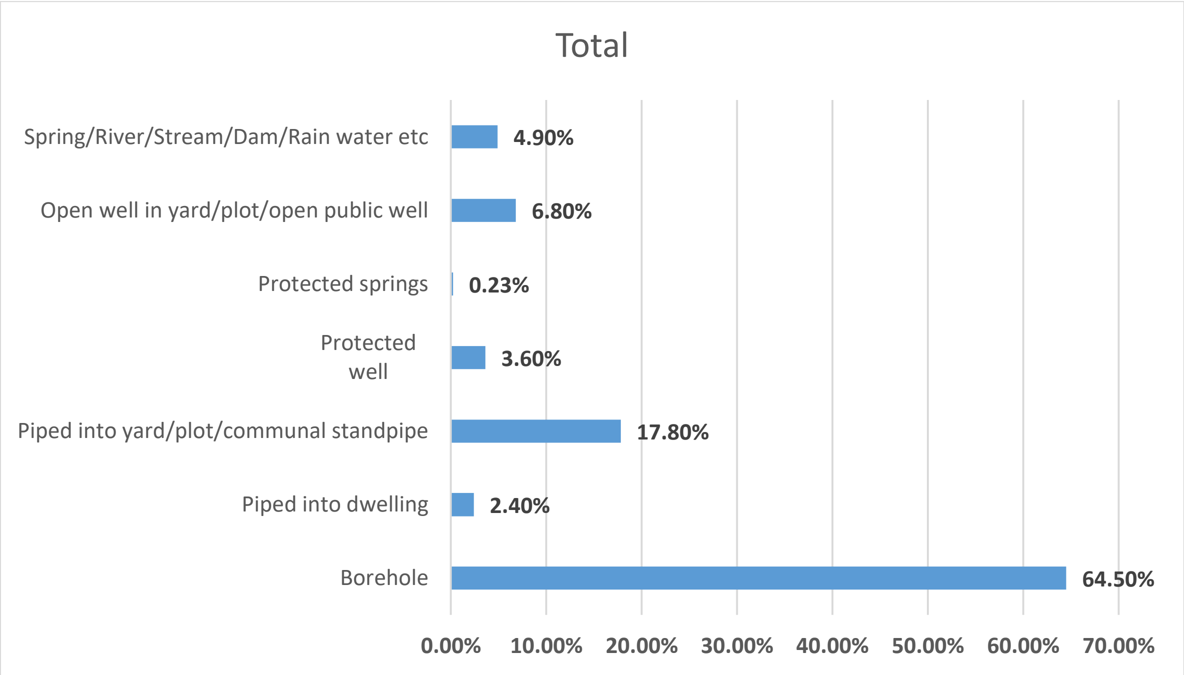
Officers (4 females and 22 males) have been trained on operational Hydrology, flood early warning monitoring stations have been rehabilitated in Bua/Linthipe catchment (15), and Shire river Basin (7). These stations will go a long way in supporting the operations of flood early warning systems.

Furthermore, the sector has continued with the development of groundwater sources, as such during the period under review a total of 36 groundwater resources have been developed and recapitalization of the Borehole fund has been initiated too.

4.3.1.1 Water Supply and Sanitation

The provision of rural water supply services is the responsibility of the Department of Water Supply and Sanitation Services (supported by various CSOs/NGOs) while urban water supply is the responsibility of the five Water Boards[3] (National Water Policy, 2005). According to the Malawi Integrated Household Survey (2020), 88.3 percent of the population living in cities, towns and rural areas have access to improved sources of drinking water (97.1 percent in urban areas and 86.5 percent in rural areas). As presented in figure 4.3, the majority of the population access safe drinking water through boreholes (64.5 percent) while 17.8 percent have access to piped water into their yard/plot/communal standpipe and only 2.4 percent have access to piped water into their dwelling.

FIGURE 4.3: DISTRIBUTION OF ACCESS TO SAFE DRINKING WATER



Sources: IHS5, NSO (2020)

4.3.1.1.1 Rural Water Supply

The Integrated Household Survey (2020) estimates that 86.5 percent of the population in rural areas have access to improved water sources of drinking water of which, 9.2 percent is through piped water, 73.9 percent through boreholes, 3.5 percent through protected wells and 13.4

[3] Lilongwe, Blantyre, Southern Region, Central Region and Northern Region Water Boards

percent for unprotected and surface water sources. According to recent data from the districts (2020), functionality of improved rural water supply sources on average was estimated at 84 percent.

In order to ensure that access to safe water supply for all is achieved, the sub-sector continued with the implementation of various projects aimed at extending, upgrading, and rehabilitating rural gravity water supply systems but also the development and rehabilitation of boreholes across the country. These projects include; Post Cyclone Idai Emergency Recovery and Resilience Project (PCIERP), Malawi Drought Resilience and Recovery Project (MDRRP), Malawi Resilience and Disaster Risk Management Project (MRDRMP), Sustainable Rural Water and Sanitation for Improved Livelihood Project (SRWSILP) and Groundwater Extraction project. Through these projects[4], the sector has managed to rehabilitate and extend 4 gravity fed piped water supply schemes, and rehabilitation for 7 others is in progress. During the year under review, a total of 475 water supply connections (tap points) have been made and this number is expected to increase considerably once all rehabilitation works are completed. Construction of 350 boreholes is also currently underway in selected districts across the country.

To enhance the sustainability of the rehabilitated and newly constructed water facilities and improve their functionality rate, 3 Water User Associations have been established and another 3 were revamped. In addition to this, 350 borehole management committees will be formed and trained for the boreholes that are currently under construction.

The sector has also commenced the review process of the National Water Policy (2005) and the Water Works Act (1995).

4.3.1.1.2 Urban Water Supply

The Integrated Household Survey (IHS5, 2020) estimates that access to potable water supply in urban areas stands at 97.1 percent. As presented in Table 4.3, during the reporting period the population covered with safe drinking water in the urban and town centers serviced by the water boards increased by 150379 representing a 4.2 percent increment. At an individual water board level, Southern Region Water Board (SRWB) registered the highest increment of about 12.9 percent while Blantyre Water Board (BWB) registered the lowest percentage increment of 0.92 percent. The substantial increase in the population served by Southern Region Water Board is partly attributed to the rehabilitation and extension of centres previously managed by the Water User's Association which had been previously abandoned. The Board is managing Lirangwe, Jali, Miseu Folo, and Njaja centers.

TABLE 4.3: POPULATION SERVED BY WATER BOARDS

Water Board	Population Served 2021/22	2022/23	Increase in Population	Percentage Increase
LWB	983, 219	1,051,185	67,966	6.9
BWB	1,300,000	1,311,998	11,998	0.9
CRWB	369,020	381,830	12,810	3.5

[4] Sustainable Rural Water Supply and Sanitation for Improved Health and Livelihood Project, Malawi Floods Emergency Resilience Project, Malawi Disaster Risk Reduction Project, & Ground Water Extraction Project

NRWB	471,600	478,000	6400	1.4
SRWB	395,055	446,260	51,205	13.0
TOTAL	**3,518,894**	**3,669,273**	**150379**	**4.3**

Source: Water Boards Reports, 2022/23[5]

On average the population that accesses water within 30 minutes from a water source (within Water Boards service areas) increased to 95 percent from 93 percent the previous financial year as presented in Table 4.4. The table indicates that NRWB and SRWB registered the highest rate at 100 percent and 95 percent respectively, attributed to an increase in the number of connections as well as systematic planning which ensures that kiosks are constructed within a spacing of a radius of not more than 30 minutes walk distance. Lilongwe Water Board has registered the least population within 30 minutes of access to improved water sources pegged at 89.81 percent.

TABLE 4.4: POPULATION WITHIN 30 MINUTES OF WALKING DISTANCE

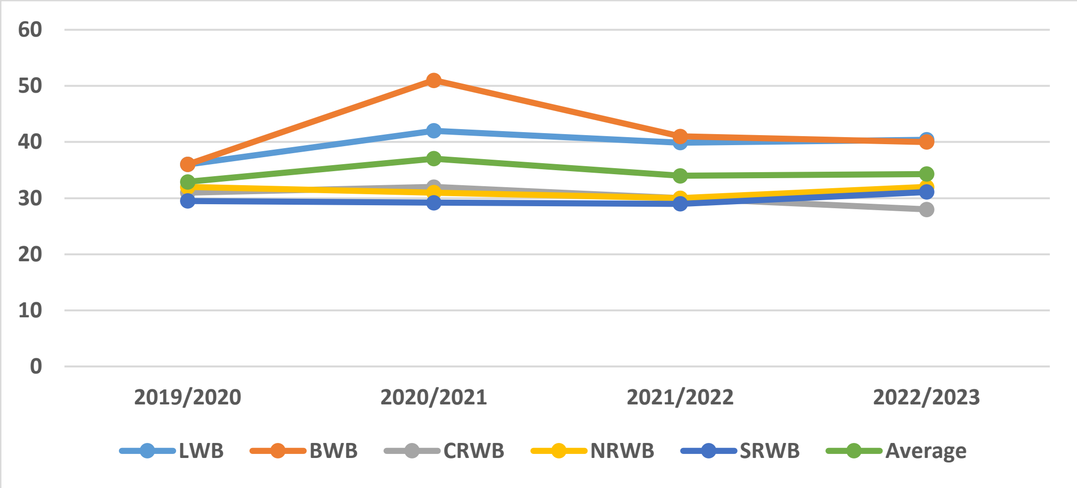
Water Board	2019/20	2020/21	2021/22	2022/23
LWB	88%	88.1%	86.4%	89.8%
BWB	78%	84%	86%	92%
CRWB	96%	98%	98%	98%
NRWB	83%	100%	100%	100%
SRWB	89%	90.9%	93 %	95%
Average	**87%**	**92%**	**93%**	**95%**

Source: Water Boards Reports, 2022.

All the Water Boards continue to experience Non-Revenue Water (NRW) at different levels. The NRW is attributed to factors such as physical leakages in the distribution system due to pipe breakages resulting from construction works and other project activities, aging and variations in pressure, unauthorized water use, vandalism of water supply plants, and inaccuracies in billing or meter readings. A reduction in the percentage of NRW implies an improvement in utility efficiency. The international recommendation maximum level of NWR is 25 percent. In the period under review, the percentage of NRW on average was 34.3 percent representing a slight increase from the previous year's average of 33.9 percent. Across the water boards, BWB and Central Region Water Board both registered a decrease in NRW, and this is attributed to the rehabilitation of pipelines and replacement of stuck meters, while the 3 other water boards have had a slight increase in NRW. This means that none of the water boards have met the recommended international standard. However, all the Water Boards are putting in resources and effort towards the reduction of non-revenue water through maintenance and pipe replacement activities of their distribution lines as well as replacement of faulty meters. The reduction of Non-Revenue water is also one of the reforms which the water boards have embarked on. Figure 4.4 illustrates levels of NRW for each of the water boards for the past 4 financial years.

[5] Please note that the figures for the population served in the 2022/23 financial years are projected figures.

FIGURE 4:4: PERCENTAGE OF NON-REVENUE WATER LEVELS IN WATER BOARD



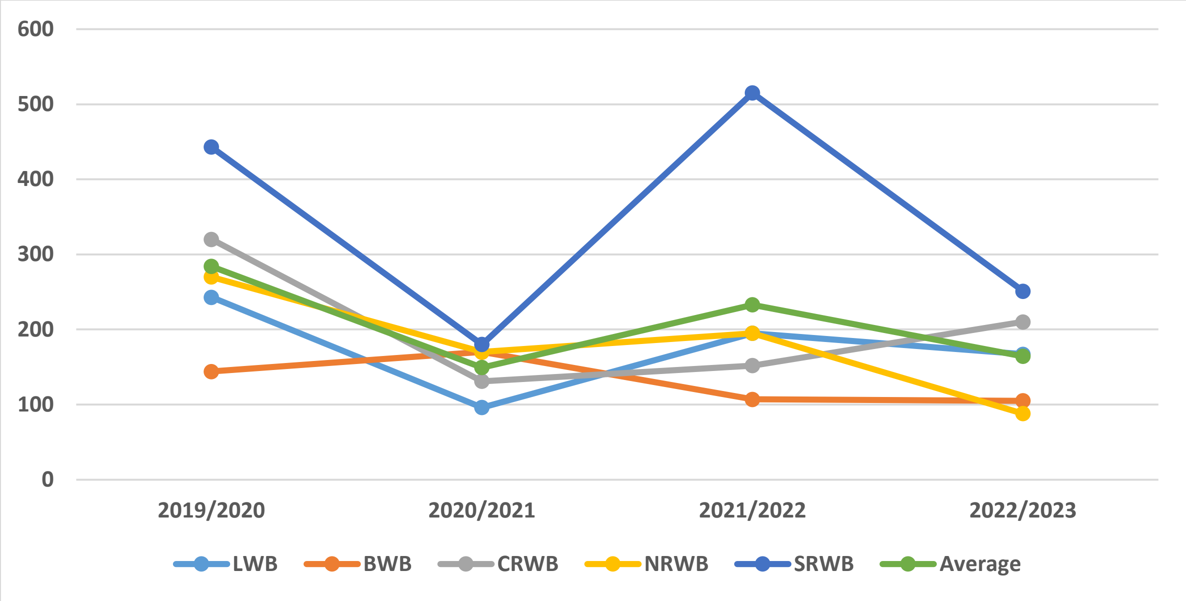
Source: Water Boards Report 2022

Debtor days describe the average number of days that pass before its debtors pay and an indication of how efficiently utility bills and collects debt from its customers. The recommended international standard is a maximum of 60 days. The average number of debtor days for all the Water Boards decreased from 232.8 in the previous year to 164.2 in the reporting period. However, CRWB had the least performance with its debtor days increasing from 152 to 210 days while NRWB registered the lowest (88) number of debtor days indicated in Figure 4.5. This, therefore means that none of the water boards met the international standard of debtor days. This has been attributed to delays in payment of water debt mostly by Government Departments/Agencies.

This negatively affects the board's cash flow position. In turn, the crippled cash flow affects not only the Water Boards' operational efficiency but also the ability to maintenance and rehabilitation their water supply systems, among other things, hence reducing the capacity of the water boards to reduce non-revenue water.

In an effort to reduce the debt owed by MDAs, the Water Boards are implementing various initiatives among which are the installation of prepaid meters in government institutions and all new water connections while replacing the existing post-paid meters as an ongoing activity.

FIGURE 4.5: AVERAGE NUMBER OF DEBTOR DAYS



Source: Water Boards Report 2022

4.3.1.2 Sanitation and Hygiene

According to IHS5 (2020), the population with access to improved toilet facilities was 35.2 percent. An improved toilet facility is defined as one that hygienically separates human extreta from human contact. These include flush or pour-flush toilets to piped sewer systems, septic tanks, pit latrine, ventilated improved pit latrines, pit latrine with slab and composite toilets. 65.5 percent of the population in the urban areas had access to improved toilet facilities compared to 29 percent in the rural areas. Notable achievements during the reporting period include the continuation of rehabilitation and expansion works for the Kauma Sewer System and the commencement of a review of the Sanitation Policy (2008).

4.3.2 Prospects for 2023/24 Fiscal Year

In 2023/24 FY, the sector will continue to work towards attainment of its goal of water and sanitation for all always.

The sector will continue its initiatives toward catchment protection for dams, and water supply schemes. Construction of high-yielding boreholes for multipurpose use, construction of water harvesting structures in the form of excavated tanks, and small and medium-sized dams to harness water for productive uses such as water supply, irrigation, and fishkeeping will be continued. Through various projects, in the upcoming year, the sector plans to develop about 10 small and medium dams and upscale the Shire river Operation Decision Support System (ODSS)

Through both the Department of Water Supply and Sanitation and Water Boards, the sector will continue with the construction of new water supply systems, rehabilitation, and extension of existing schemes through the various projects currently under implementation but also new projects to start being implemented in the 2023/24 financial year.

For instance, the Southern Region Water Board will continue with the Upgrading and extension of Liwonde and Balaka Towns' water supply systems; the Establishment of new water centers of Migowi, Zalewa, Thondwe, Ulongwe, and Fatima; Upgrading and extension of Liwonde and Balaka Project towards Mangochi route and upgrading and extension of Mwanza Water Supply Systems to be financed by EXIM Bank of India as well as the Establishment of a water bottling plant

Lilongwe Water Board will continue with the construction of Treatment works III; Commissioning of an On-Site Electrolytic Chlorination (OSEC) Plant for the production of disinfectant; Commissioning of Supervisory Control and Data Acquisition (SCADA) system and four Solar powered booster stations (Nalikule, Kanengo, Airwing, and Chikungu); Installation and commissioning of a Water Bottling Plant and will finalize works and launch of the Mbabvi solar-powered groundwater supply project. All these efforts are aimed at improving access to water supply within Lilongwe.

In the case of the Blantyre Water Board, it will proceed with the Construction of an Independent Power Plant (IPP) for Blantyre Water Board Phase 1 and the Development of a New Water Source in Shire River Phase I. These initiatives will be financed by the EXIM Bank of India. Furthermore, the Board will proceed with the implementation of Malawi Water and Sanitation Project 1 to be financed by World Bank.

On the other hand, Central Region Water Board will commence construction of the Kholongo multipurpose dam for the Mponela and Madisi water supply scheme project and continue with the Rehabilitation and expansion of the Dowa Water supply scheme as well as the Development of 15 boreholes and rehabilitation of 13 boreholes to improve water supply production.

Northern Region Water Board will continue with the Upgrading and replacement of pipe networks in various schemes such as Karonga and Nkhatabay to improve water supply reliability. Furthermore, the Board will also commence the Rumphi Water and Sanitation Services Improvement Project to be financed by African Development Bank. All these efforts will assist the Board in increasing service coverage as well as improving efficiency in its operations.

4.3.3 Challenges Experienced in the Sector

Although the sector has recorded various achievements, it has also faced a number of challenges. During the period under review, the sector experienced the following challenges; Low subvention towards the NWRA from the Government towards the management of the Kamuzu barrage which requires over MK800 million for operations in a year; vandalism of water supply infrastructure which has been a recurring problem in the past few years; delays in completion of rehabilitation work for some piped water supply schemes due to contractual issues; aging infrastructure; non-revenue water challenges especially for the water boards; dwindling of the water resource due to climate change effects; outdated policy documents, which has been a major issue in the sector but this is now being addressed as the sector has revised its National Water Policy and is waiting for the approval of the same. Furthermore, the sector has also embarked on the review of the Sanitation Policy.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1. Overview

This chapter reviews the performance of the Transport and Public Works sector and highlights the major activities carried out during the 2022/23 fiscal year whilst also providing projections for the 2023/24 fiscal year. The year under review was the first year in the implementation of the Malawi 2063 Vision First 10-Year Implementation Plan (MIP-1) which guides the activities undertaken by the Sector.

Project implementation and revenue collection have been affected by the realignment of the Malawi Kwacha to the United States Dollar as well as the challenges in the supply of fuel. Delays in the procurement processes have also affected the delivery of some projects and subsequently the sector's ability to meet the targets set at the start of the year. There has, however, been some progress which is highlighted below.

5.2. Road Infrastructure Programmes

The Roads Authority (RA) and local councils implement road infrastructure programmes with financing coming from three main sources. The Roads Fund Administration (RFA) finances maintenance interventions with resources collected through the fuel levy, while Development Partners (DP) and the Government of Malawi provide financing for major projects. The priority interventions are identified in the Annual National Roads Programme (ANRP) which is developed by the Roads Authority in coordination with the local assemblies. It outlines a comprehensive plan of action for the construction, maintenance, and rehabilitation of public roads, tracks, and trails for each financial year with interventions divided into recurrent and development programmes. the ANRP aims to facilitate the attainment of national development goals and objectives set in the Malawi 2063 (MW2063), MIP-1, and the National Transport Master Plan. Ultimately, the ANRP aims at accelerating the economic growth of the country.

5.2.1 Performance for 2022

For the 2022/23 FY, the ANRP was worth MK180.09 billion of which MK63 billion was for the recurrent programmes and MK111.05 billion was allocated towards development programmes.

5.2.1.1 Recurrent Programmes

Recurrent programmes comprise of recurrent road maintenance, periodic maintenance and planning, and design services. The programme consists of projects which are recurrent in nature and carried out within one financial year as well as projects meant to preserve the road infrastructure investment.

5.2.1.1.1 Planning and Design Services

Planning and design services constitute the initial and completion phases of the road infrastructure project management cycle. Some of the activities under planning and design services are road asset management; studies and design services; research and development; and monitoring and evaluation.

In preparation for various road projects, the Roads Authority undertook several consultancy services for the feasibility study, and detailed engineering for rehabilitation, construction, and capacity improvement of various roads across the country. By December 2022, the Roads Authority was at an advanced stage in finalizing the consultancies in Feasibility Study and Detailed Engineering Design of Lubani Road and a Section of Mzimba Street; Feasibility Study and Detailed Engineering Design of Mtunthama - Wimbe - Kapelula road; Feasibility Study and Detailed Engineering Design of Mzuzu-Bula-Usisya road; Feasibility Study and Detailed Engineering Design of Nsanama-Nayuchi road; Design review of Nsipe-Liwonde road; Feasibility Study and Detailed Engineering Design and Construction Supervision of Mkanda - Kapiri road; and Feasibility Study and Detailed Engineering Design and Construction Supervision of Monkeybay - Cape Maclear road.

5.2.1.1.2 Road Maintenance Programmes

Road maintenance activities are carried out by the Roads Authority continuously for road asset preservation and also to ensure that the roads remain passable at all times. The programmes under recurrent road maintenance include routine and minor periodic maintenance, concrete decking of bridges, grading, and reshaping, grass cutting, emergency works, and provision of associated supervision services. The recurrent programmes are funded by the fuel levy and road user charge with the works contracts having one-year duration at most. The approved budget for the 2022/23 Financial Year (FY) is MK23 billion. Procurement for the works under the respective programmes is in progress. As such the Roads Authority is currently implementing works procured in the 2021/22 FY. Recurrent programmes for the 2021/22 FY are as detailed in the following sections.

TABLE 5.1: ROAD MAINTENANCE PROGRAMMES, BUDGET, COMMITMENT, AND CERTIFICATION

Road Maintenance Programme	Approved Budget (Million Kwacha)	Revised Budget (Million Kwacha)	Total Commitment (Million Kwacha)	Total Certification (Million Kwacha)
Cyclic Maintenance	3,470.80	2,975.38	3,015.08	1,790.34
Grading / Reshaping	2,588.70	2,387.88	2,456.70	1,994.15
Pothole Patching on Paved Roads	1,843.30	1,817.98	1,799.66	1,741.02
Road Centre and Edge lines Marking	547.4	497.64		39.67
Accident Spots Improvement	99.9	90.82	157.59	112.58
Road Signs Replacement / Marking	85.3	68.67	31.87	18.25
Routine and Periodic maintenance (Tracks and Trails)	1,253.10	611.52	616.32	244.67
Repair of major drainage structures	4,261	3,457.62	2,341.45	1,724.76
Sectional Periodic Maintenance of Paved Roads	7,446.70	727.43	1,173.27	673.48
Upgrading of unpaved roads to LVSR	550.4	0	0	0
Replacement of Timber and Bailey Bridges with Concrete Decks	1,206.60	1,146.28	3,650.41	1,213.75
Spot gravelling	228.6	219.85	220.05	81.71
Embankment Formation	182.2	165.64	46.6	0
Concrete pads	360.1	327.36	297.53	294.68
Lined drains	97.4	88.55	65.38	54.76
Drainage Protection works	77.8	70.73	169.37	169.1
Supervision recurrent	2,430.00	1,346.66	1,346.66	1,158.20
Total	**24,300.00**	**16,000.00**	**16,080.95**	**11,229.41**
Urgent & Emergency			7,369.13	2,988.40

Source: Ministry of Transport and Public Works

The total approved budget for the routine road maintenance programme was MK24.30 billion. By 31st December 2022, certified works were worth MK11.22 billion, representing 46 percent utilization of the approved budget. Progress in routine road maintenance programme has been affected by the uncompleted procurement processes for works and supervision services. Some of the major activities under the routine maintenance programme that has made progress are the following:

5.2.1.1.3 Routine Maintenance

Routine road maintenance works target the entire road network and is mainly labour based to ensure that road sections remain passable throughout the year. Activities carried out included cleaning the drainage system, minor repairs of damaged road sections, and grass and shrub cutting to sustain the functionality of the road network. The total approved budget for Routine maintenance activities was MK3.47 billion. By 31st December 2022, certified works were worth MK1.79 billion, representing 52 percent utilization of the approved budget.

5.2.1.1.4 Grading and Reshaping

The grading programme is carried out on the main, secondary, and tertiary roads while the reshaping programme, which is labour based, is carried out on district roads. The approved budget for Grading and Reshaping was MK2.59 billion. By 31st December 2022, certified works were worth MK 1.99 billion, representing 77 percent utilization of the approved budget.

5.2.1.1.5 Pothole Patching

The main objective of this programme is to prevent further damage to the road network by filling all the potholes that develop due to environment, age, and the impact of traffic. The total approved budget for the activity was MK1.84 billion. By 31st December 2022, certified works were worth MK1.74 billion, representing 95 percent utilization of the approved budget.

5.2.1.1.6 Road Signs Replacement/Marking

This programme aims at replacing damaged or vandalized warnings, and regulatory and informative road signs to improve the safety of road users. The total approved budget for the activity was MK547.4 million. By 31st December 2022, certified works were worth MK39.67 million, representing 7 percent utilization of the approved budget.

5.2.2 Development Programmes

The approved 2022/23 budget for development programmes was MK111.05 billion, out of which MK56.99 billion was secured for donor-funded projects and MK54.06 billion was for projects that are wholly or partially funded by the Malawi Government. The development partners that supported road infrastructure programmes during the year include the World Bank, the African Development Bank, the European Union, the Kuwait Fund for Arab Economic Development (KFAED), the Saudi Fund, the Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund for International Development (OFID) and the Peoples' Republic of China.

In addition, the following projects are being implemented:

i. expansion of the Kenyatta road and Mzimba Street to a multi-lane carriageway in Lilongwe City financed from the recurrent budget
ii. construction of a Rail/Road Bridge across the Ruo River on the Thyolo-Thekerani-Muona-Makhanga road financed from the Rail Fund.
iii. expansion of the M01 from Crossroads roundabout to Kanengo in Lilongwe City financed by The Peoples Republic of China.

The scope of planned works and the respective estimated budgets for the development programmes are presented in Table 5.2.

TABLE 5.2: DEVELOPMENT PROGRAMMES BUDGET 2022/23(MK' MILLION)

Programme	Development Partners (Part I)	Government of Malawi (Part II)		Total Development Budget
		Co-financing	Wholly Funded	
Upgrading/ New Construction	32,692	1,200	35,640	69,532
Periodic Maintenance / Rehabilitation	24,294	4,150	8,600	37,044
Feasibility studies and designs			4,474	4,474
Total	**56,986**	**5,350**	**48,713**	**111,050**

Source: Ministry of Transport and Public Works

Table 5.3 provides the actual physical completion of road works against planned coverage for all the programmes for the period from April 2022 to March 2023. As of 31st December 2022 certification in the year was MK 34.64 billion for development programmes.

TABLE 5.3: PLANNED DEVELOPMENT PROGRAMMES VS. ACTUAL PROGRESS

Programme	Planned Annual Coverage (Km)	Progress to date (Km)	% Progress to date
Upgrading/ Construction	124	42	34
Periodic Maintenance / Rehabilitation	40	0	0
Total	**164**	**42**	**26**

Source: Ministry of Transport and Public Works

5.2.2.1 Road Upgrading and Construction

By 31st December 2022, 42km of the planned road projects had been upgraded and constructed against a target of 124km. The projects under this programme included the upgrading of the Njakwa- Livingstonia, Phwezi-Phwamphwa and Livingstonia Mission Loop Road, Nsanama-Nayuchi road , Ntcheu-Tsangano-Neno-Mwanza road, Dzaleka-Ntchisi-Malomo road, Mkanda-Kapiri road, Monkebay-Cape Maclear road, Nsanje-Marka road, Thyolo-Makwasa - Muona-Bangula road. Remarkable progress in terms of completion was registered on Njakwa – Livingstonia road, Thyolo –Thekerani road, Mzimba – Mzarangwe road, and Ntchisi - Malomo and Mkanda-Kapiri road for upgrading works.

Progress of projects was affected by the realignment of the Malawi Kwacha against the United States Dollar. This led to an increase in the cost of construction materials such as fuel, bitumen, cement, and steel. Scarcity of fuel in the months of August and September affected the progress of work as the contractor could not be supplied with fuel on-site and the scarcity of forex affected contractors as could not import some construction materials.

5.2.2.2 Periodic Maintenance / Rehabilitation

Delays in the commencement of rehabilitation of the M001 from Junction of Kamuzu International Airport to Mzimba Turn Off and from Kacheche to Chiweta and also the late commencement of the M05 from Kaphatenga to Benga affected the progress of the periodic maintenance and rehabilitation programme. Capacity improvement projects were also affected by the delay in the relocation of services from working sites. By 31st December 2022, only earthworks and pavement layers preparation was carried out in areas where the contractor had full possession for capacity improvement of Kenyatta road Mzimba Street and Crossroads-Kanengo roads. Contractors are still carrying out some preliminary works since they have just mobilized for the rehabilitation of M005 from Kaphatenga-Benga road, and the M001 rehabilitation project that will start from the junction with Kamuzu International Airport to Mzimba Turnoff and from Kacheche to Chiweta.

5.2.2.3 Challenges

i. Delays in the procurement processes ;
ii. Realignment of the Malawi Kwacha against the United States Dollar led to an increase in the cost of construction materials such as fuel, bitumen, cement, and steel and this led to the contractors requesting adjustment of charges in costs of the contracts;
iii. Scarcity of fuel affected the progress of work as the contractor could not be supplied with fuel on site;
iv. There has been a scarcity of forex as such the contractors could not import some construction materials;
v. Continued encroachment into the road reserve; and
vi. Continued vandalism of Armco culverts and road furniture.

5.3. Projects in the Pipeline

During the Financial Year, preparatory works were advanced for the rehabilitation of the M001, M008, and M003 roads from Nsipe-Chingeni-Liwonde and Liwonde-Matawale road with funding from the African Development Bank/European Union (EU) and World Bank respectively; rehabilitation of M005 from Benga-Nkhotakota-Dwangwa road, the capacity improvement of the M1 from Lilongwe CCAP to crossroads Hotel road co-financed by JICA and Malawi Government and capacity improvement of Bingu stadium to Chendawaka junction. In addition, preparatory works commenced for feasibility and detailed engineering designs for the upgrading of the Rumphi-Nyika road, and capacity improvement of M001 from Blantyre Lunzu, Bunda-Nathenje, and KIA-Kanengo. Studies have commenced for the rehabilitation and periodic maintenance of Lilongwe-Mchinji, Zalewa-Mwanza.

The main objective of investing in road construction, rehabilitation, periodic, and routine maintenance works is to improve the accessibility and mobility of goods, services, and people. One of the major indicators for this improvement is the condition of the road network. Table 5.4 below shows the effect of road programmes that were implemented in the previous years on the condition of the road network.

TABLE 5.4: ROAD CONDITION OF PAVED NETWORK 2011 – 2022

Condition	2011	2014	2022	Strategic Action
GOOD Km (%)	2,447 (40%)	1,639 (38%)	693.44 (14.79%)	Routine Mtce
FAIR Km (%)	1,346 (33%)	1,725 (40%)	3,152.26 (67.22%)	Periodic Mtce
POOR Km (%)	286 (7%)	949 (22%)	843.39 (17.99%)	Rehabilitation
Total Km (%)	**4,079 (100%)**	**4,312 (100%)**	**4,689.09(100%)**	

Source: Roads Authority – Road Condition Surveys

Results of road condition surveys carried out in 2011 and 2014 and the 2022 estimate reflect the deteriorating condition of the road network. This can mostly be attributed to inadequate funds being invested in road intervention works. While an expansion of the paved road network would significantly improve access to most areas, the availed resources are not adequate to sustainably preserve the existing network.

Despite the trend depicted from the road condition surveys, it is estimated that 15 percent of the road network is classified as good, and 67 percent and 19 percent are classified as fair and poor respectively by 2022. The Ministry of Transport and Public Works' aspiration is to preserve the road infrastructure and keep the road network in good and fair condition to reduce transport costs. This aspiration is dependent upon sustainable and adequate funding of all programmes; clearing of backlog payments to the construction industry, and carrying out the necessary reforms in the Roads Authority and the Transport sector.

5.3.1 Supporting Activities

5.3.1.1 Legal Framework

The Ministry of Transport and Public Works (MoTPW) for several years has been struggling to repeal the Public Roads Act. The 49th Session of Parliamentary Sitting, the 7th Session in November 2022 passed the new Public Roads Act. The previous act was outdated since some major changes had taken place over the years from the last time it was revised in 1989.

For instance, the restructuring of the Ministry led to the establishment of the Roads Authority (RA) and supporting institutions including the Roads Fund Administration (RFA) and the National Construction Industry Council (NCIC). Further, the Local Government Act was revised to allow for the Decentralisation Process through which Councils, as road agents, assume some responsibilities of the road network within their respective jurisdiction. It was therefore necessary to revise the Public Road Act since it contravened the legal framework of the emerging institutions which was retrogressive.

The new act is expected to facilitate the devolution of road management as it specifies the roles and responsibilities of all road agencies, financing of road works, and therefore the Annual National Roads Programme (ANRP).

5.3.1.2 Central Materials Laboratory (CML).

The Ministry was allocated MK300 million in the 2022/23 annual budget to purchase some equipment for the Central Materials Laboratory and for conducting a study. The purchase of some equipment is an arrangement to address the current crisis at the laboratory as an emergency since the majority of the equipment is outdated and no longer functioning. To date, the Ministry has finalized the preparation of the specifications for purchasing the equipment and developed the Terms of Reference for conducting a study. The tendering process for the procurement of equipment and consultant is now underway.

5.4. Road Traffic and Safety Services

The Directorate of Road Traffic and Safety Services (DRTSS) continues to provide Traffic and Safety Management Services in the country as prescribed by the Road Traffic Act (1997) and Regulations (2000). The existing legislation gives DRTSS the overall responsibility for road traffic regulations as well as ensuring and promoting road safety in the country.

5.4.1 Performance in 2022

5.4.1.1 Revenue Performance (April -Dec 2022)

As of 31st December 2022, the Directorate of Road Traffic and Safety Services collected a total of MK10.7 billion against the projected revenue target of MK16.4 billion representing a 65 percent performance from the first 9 months of the financial year. Breaking this down further from the MK10.7 billion collected, MK7.7 billion was from the various DRTSS services offered, MK353 million from Roads Fund Administration towards supporting a range of road safety interventions, and MK2.6 billion collected by MERA comprising the road tax component of the fuel levy which DRTSS only accounts for.

TABLE 5.5: REVENUE COLLECTION (MK '000,000)

	2020/21	2021/22	2022/23*	2022/23 (Target)
MERA	4,300	4,600	2,600	5,580
RFA	524	700	353	1,000
DRTSS Services	9,100	7,700	7,700	9,856
TOTAL	13,900	13,000	10,700	16,400

Source: Ministry of Transport and Public Works
*****Figures as of December 2022

The revenue collection figures show an improvement when compared with the same period in the 2021/22 FY when the Directorate had collected MK7.2 Billion through its services. Despite this revenue performance would have been higher had it not been affected by the following:

i. Frequent breakdown of Weigh Stations across the country which affected the performance of the stations

ii. Non-linkage of Traffic MalTIS and the core MalTIS continues to affect revenue collected from fines and penalties as offenders are not necessarily obliged to service their dues

iii. Challenges in monitoring and enforcing levies to be collected from Insurance Companies, Number Plate importers, and embossers as well as Certificates of Fitness from the private garages

iv. Non-linkage of Weighbridge stations to the core MalTIS also provides a threat to monitoring operations in weighbridges and their corresponding revenue sources

v. The current economic status of the country in the wake of the COVID-19 pandemic and devaluation of the Malawi Kwacha which affected so many sectors of the economy and hence service seeking from the DRTSS

The Directorate is already implementing measures to counter the above challenges by among others pushing for the MalTIS handover from the contractor. While concerning vehicle load control. the Directorate is periodically maintaining weighbridges and will be constructing additional ones in the next FY. Further, the Directorate is in the process of developing several systems to connect the weighbridge system to the core system as well as linking the number plate importers & embossers, insurance companies, and Vehicle Inspection Stations for monitoring levies.

5.4.1.2 Vehicle Population

As of December 2022, the number of active vehicles in the Malawi Traffic Information System (MalTIS) managed by the Directorate of Road Traffic and Safety Services was 344,440, this figure excludes Malawi Government, Police, and the Malawi Defence Force vehicles. Table 5.6 summarises the growth in the vehicle population for the past 3 years.

TABLE 5.6: VEHICLE POPULATION

	2020	2021	2022
Number of New Vehicles Registered	50,964	23,280	32,275
Total Vehicle Population	288,885	312,165	344,440
Total Motorcycle Population	18,839	21,073	24,773

Source: Ministry of Transport and Public Works

5.4.2 Protection of Road Infrastructure Enhanced

In a bid to preserve road infrastructure, DTRSS has statutory powers to manage vehicle and axle load control and to enforce the regulations dealing with the control of vehicle loading. To this end, the Directorate formulated a Vehicle Load Control Strategy in 2016 which among other things identified locations for weighbridge stations that would form part of the regional network in line with the Tripartite Transport and Transit Facilitation Program (TTTFP) weighbridge location plan.

Construction of the Nkhotakota Weighbridge Station is near completion with works focusing on completing works on the access road, abolition facilities, and parking yard. The station will be very crucial for the M5 road which is in a bad shape and continues to deteriorate due to heavy goods vehicles using the road. In the meantime, preparatory activities for the construction of Bwengu, Dedza, Liwonde, and Mwanza weighbridge stations are at different stages with works expected to commence in 2023/24 FY.

In addition to the permanent weighbridges, the Directorate is procuring a total of 12 portable weighing scales using its resources as well as from the World Bank-financed Southern Africa Trade and Connectivity Project (SATCP).

Table 5.7 demonstrates that the vehicle load control measures are beginning to have the desired impact as the proportion of vehicles that are overloaded is falling even as the number of vehicles weighed increases.

TABLE 5.7: VEHICLE LOAD CONTROL

	2019/20	2020/21	2021/22	2022/23*
Vehicles Weighed	186,508	203,184	204,587	75,768
Vehicles Overloaded (%)	2.2	2.02	3.2	3.1

Source: Ministry of Transport and Public Works

* Figures cover the period up to October 2022

5.4.3 Commissioning of the Vehicle Inspection Stations In Karonga, Mangochi, And Ngabu

Within the 2022/23 FY, the Directorate of Road Traffic and Safety Services in conjunction with the Plant and Vehicle Hire & Engineering Services (PVHES) is working to finalize the remaining works in the construction of the Vehicle Testing Stations in Karonga, Mangochi, and Ngabu (Chikhwawa). Office blocks, parking yard and drainage system, and testing pit have all been completed. Mainly outstanding is the installation and connecting of the testing equipment before the actual works start.

5.4.4 Mobile MalTIS Operations

The Directorate of Road Traffic and Safety Services within the 2022/23 Financial Year rolled out Mobile MalTIS, whereby services offered by the Directorate are taken to the people. To date, the Directorate has registered more than 10,063 Kabhaza Motorcyclists in more than 15 districts across the country and licensed over 160 riders. DRTSS is also in the process of procuring additional equipment to cover all the regional offices within this financial year. Services offered through Mobile MalTIS include vehicle registration, renewal of Driver's Licenses, Permits, and Professional Drivers Permits (PrDPs) amongst others.

5.4.5 Establishment of Satellite Offices

In a bid to continue serving the clients with efficiency by bringing DRTSS services closer to the people, the Directorate is in the process of establishing Satellite Offices in strategic districts across the country. Four sites were identified in Mzimba, Kasungu, Salima, and Mulanje and these will complement the already existing sites in Mangochi, Karonga, and Ngabu. Rehabilitation of the identified office buildings will commence in the 2023/24 FY.

5.4.6 Road Safety Situation

During the first half of the year 2022, a total of 2,728 road traffic accidents were registered as compared to 5,997 road traffic accidents that occurred in the first half of 2021 representing a 55 percent decrease. With regards to these accidents, 565 people lost their lives, 223 people suffered severe injuries, 1,526 people sustained slight injuries and 878 damages were recorded. This constitutes a 21 percent decrease in actual people killed, a 48 percent decrease in severely injured people, and a 42 percent increase in minor injuries sustained as compared to the situation in the year 2021. Table 5.8 shows the trend of accidents and fatalities in the country.

TABLE 5.8: ACCIDENT DATA

Type of Accidents	2019	2020	2021	2022*
Total Accidents	10,193	10,799	9,416	2,728
Fatal	1,061	1,110	1,226	476
Serious	683	687	498	176
Fatalities**	1,241	1,221	1,444	565

Source: Ministry of Transport and Public Works

* Statistics showing for the period January-June 2022

**Number of people who have died due to a road accident

5.4.7 Challenges

The following constituted some of the challenges that have been faced this far in the 2022/23 financial year:

i. Delayed handover of MalTIS management to the Malawi Government
    a. Consultant remains uncooperative despite a physical meeting that was held in RSA and an agreement to handover the system by 30th June 2022
    b. Matter referred to the Attorney General for guidance
ii. High rise in the cost of services and raw materials to sustain DRTSS operations and affecting budget expenditure (due to the devaluation of Kwacha)
iii. Frequent breakdown of Weigh stations and delays in repairs affecting services and revenue collection
iv. Delays in procurement processes as it takes time to get approvals and direction from the higher offices
v. Shortage of staff especially on the technical side

5.5 2023/24 Outlook

In the coming financial year, the Directorate plans to undertake the following to counter some of the challenges faced as well as improve efficiency and effectiveness in service delivery.

5.5.1 Finalise Construction of Nkhotakota (Dwangwa) Weighing Station

DRTSS aims to finalize the construction of Nkhotakota Weighbridge Station with the construction of an access road and installation of the weighbridge equipment at the station as the main deliverables. Progress has been delayed due to other contractual issues which are now being resolved. Commissioning of the station is expected within the 2022/23 Financial Year.

5.5.2 Dedza-Kalinyeke Weighing Station

The 2023/24 financial year will see the DRTSS commence the construction of Dedza Weighbridge Station at Kalinyeke with financing from the Roads Fund Administration and in coordination with the Roads Authority. Currently, the station is still using a mobile scale and focusing more on enforcement and surveillance activities. The station will be very important to control overloading considering the increase in traffic passing through Dedza.

5.5.3 Construction of Bwengu Weigh station

Terms of Reference for the construction of the Bwengu weigh station have been finalized and resources are being identified to begin civil works. Procurement of the consultant is underway to come up with drawings. The Directorate will ensure significant progress is seen over the course of the year.

5.5.4 Construction of the Mwanza Weighbridge Station

DRTSS is relocating the Mwanza Border Weighbridge Station to a new inland station between Mwanza and Blantyre after a Government directive to limit the number of institutions operating at the border. The land has been identified and is awaiting compensation. The next financial year will see designs for the project finalized and works beginning. The new site will be upgraded to a multi-deck scale to facilitate a once-off weighing of the vehicles at a station.

5.5.5 Construction of Liwonde Weighbridge Station

The Directorate in the coming financial year will look to start construction works for the Liwonde Weighbridge. The land has already been secured and Terms of References (TORs) for the consultant to come up with designs for the weighbridge approved and the next steps following.

5.5.6 DRTSS Satellite Offices (Rehabilitation of Offices)

DRTSS intends to extend its services in other strategic districts such as Kasungu, Mzimba, Salima, and Mulanje. Works to rehabilitate the identified existing offices will commence in the next financial year including procurement of various equipment for the stations.

5.5.7 Construction of Vehicle Testing Station in Zomba

Further to this, the Directorate will aim at constructing a Vehicle Testing Pit at its Zomba Office as a way of improving service delivery about Certification of Vehicle Fitness. The Directorate further plans to maintain its stations in all the regions.

5.5.8 Expansion of the E-Enforcement Programme

DRTSS in the year 2023/24 also expects to continue expanding the implementation of E-Enforcement by procuring additional PDAs and other equipment such as speed cameras. DRTSS together with Malawi Police Service is therefore expected to stop spot fines as well as manual payments to improve efficiency and accountability in revenue collection.

5.5.9 Construction of DRTSS Head Office and Lilongwe Regional Offices

In 2019, the land was identified along Lumbadzi-Lilongwe Road for the construction of DRTSS Office Park to accommodate the Headquarters and Lilongwe regional office. In the year 2023/24, the plan is to complete payment for the land and complete designs for the office buildings.

5.5.10 Updating of the Accident Database

The Directorate in the next FY also plans to update the existing accident database. The current database has outlived its time and faces several challenges ranging from the quality of the crash data to timely reporting of the accidents. The updated database will make use of the PDAs which will be used to record the accidents at the scene in real-time. This initiative will be implemented with support from the World Bank.

5.5.11 Expansion of the Mobile MalTIS Services

With Mobile MalTIS successfully tested and rolled out, the Directorate plans to procure additional equipment to be distributed in the four regions. This will help bring the services to the people, improving efficiency and enhancing effectiveness in the service delivery as already championed within the Reforms program.

5.6 Civil Aviation

In the air transport sub-sector, efforts have been underway to implement reforms to the sub-sector, under the public sector reforms programme, which shall result in the restructuring of the sub-sector and shall lead to much-improved governance and improved air transport services. The sub-sector has been characterized by;

i. the Department of Civil Aviation (DCA) which carries out regulatory services and operational services functions which have seen the department –self-regulate with regards to airport operations. This has brought about great inefficiencies in regulating air transport activities in the country. Furthermore, this has resulted in non-compliance to international Standards prescribed by the global air transport "watchdog" namely the International Civil Aviation Organization (ICAO).

ii. the inability of the Department to timely respond to the rapid changes experienced by the global air transport market by setting policy and regulatory programmes to improve the performance of economic regulatory functions, increase consumer benefits and choices; improve air connectivity; and create more competitive business opportunities in the marketplace; thereby contributing to the sustainable economic development and the expansion of trade and tourism, and

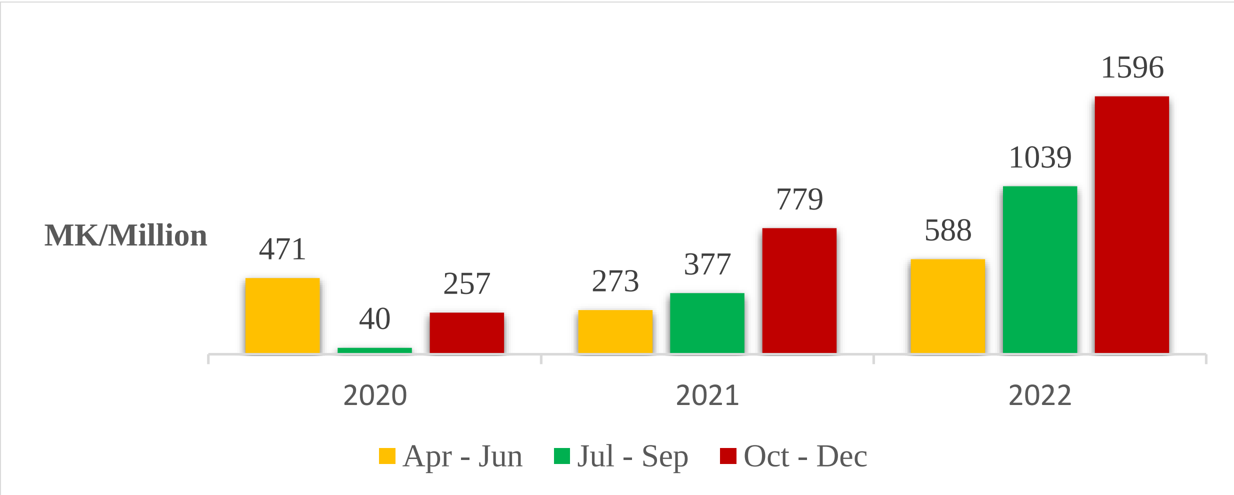
iii. outdated systems, obsolete equipment, and dilapidated infrastructure which has resulted in costly airline operations and subsequently made air travel expensive.

5.6.1 Performance in 2022/23

The air transport industry continues to show positive recovery from the impact of the COVID-19 pandemic that led to travel restrictions and eventually closure of airports to commercial air transport activity. Airlines have responded positively to the steady increase in demand for travel from the people by increasing their frequencies in and out of Chileka and Kamuzu International Airports. The same goes for the charter operators who primarily service the tourism industry by carrying tourists to some local hot spot attractions such as Likoma Island.

As a result, revenue performance has picked up in the past two years. For 2022, the target was revenue collection of MK2.6 billion with MK3.2 billion being realized as of December 2022. The good revenue performance is due to increased demand for air travel as well as the collection of outstanding debt from air operators.

FIGURE 5.1: ANNUAL REVENUE COMPARISON BY QUARTER



Source: Ministry of Transport and Public Works

In 2022, the process of establishing the Civil Aviation Authority (CAA) continued where the Authority shall be responsible for regulating the air transport sector in line with global best practices and Standards. The Board is now fully constituted with six (6) members appointed and is expected that the Board shall move to begin conducting business about the CAA. Concurrently, efforts have been underway to devolve management and operations of all public airports from the Department of Civil Aviation to an airport operator namely Airports Development Limited (ADL) whose mandate is being expanded to include the management and operations functions of public aerodromes in the country.

The endeavor to develop a new airport in Mzuzu has reached the stage of identifying a consultant to carry out a feasibility study that shall inform to the process of developing a new airport in the capital of the Northern region, Mzuzu.

5.7 Outlook for 2022/23

For 2023, the CAA is expected to be fully operational with key management in place and inspectors recruited to carry out the regulatory oversight services. Public airports, such as Chileka and Kamuzu airports, shall begin to be managed and operated by ADL where it is expected that airports shall be able to offer superior services and experience to users through systems and infrastructure improvements and development. The new management system of public airports shall also give opportunity for private sector involvement through airport public-private partnerships.

In 2023, the project - development of a new airport in Mzuzu is expected to reach a stage where the Government is informed on the ideal proposed site for the airport and the level of financial resources required to develop a regional-sized airport in Mzuzu.

Furthermore, the project for essential aviation safety upgrade is expected to be concluded in 2023 when Chileka and Kamuzu airports, will have taken delivery of new fire fighting vehicles, ground specialized equipment for facilitating the movement of goods, and airport ambulances; terminal buildings rehabilitated and upgraded, with enhances security surveillance systems in place.

The economic shocks experienced in the country have hurt the air transport industry. The scarcity of forex has resulted in airlines suspending their ticket sales services in the country which has subjected travelers to more complex processes for purchasing airline tickets i.e. purchasing, from aboard and online purchasing. As such occasions can occur again in due course of 2023, Government has engaged airlines and has put in place the best possible measures to ensure that disruptions would be minimal in the event further economic shocks occur.

5.8 Railway Services Sub-Sector

5.8.1 Performance in 2022/23

In the 2022/23 FY, the Ministry of Transport and Public Works engaged China Railway 20 Bureau Group Corporation Limited (CR20) to undertake the Design, Upgrading, and Rehabilitation of the railway section between Marka and Bangula under a design and build contract. The works contract has a duration of 18 months and commenced on 26th May 2022. As of December 2022, the Contractor was working on establishment works for a precast concrete batch plant site and concrete sleeper production site. A trial section is also being constructed from the border with Mozambique to Marka station where a trial run will be conducted for the development of the final design. Completion of the project is currently projected at 17 percent.

Rehabilitation works for the Nkaya-Salima-Lilongwe-Mchinji railway section (399km) are ongoing. Works for the section from Nkaya to Chipala were already completed while currently works are being undertaken between Chipala and Mchinji. Progress for the Chipala – Mchinji section is at 27 percent. This is due to the successful Public Private Partnership between the Government and the private party, Central East African Railways Limited (CEAR) who are financing the project. Again, through the same Concession Agreement works are underway for the rehabilitation of the Limbe-Sandama (72Km) railway section to the original axle load capacity of 15 tonnes. Currently, works are being implanted along the Luchenza – Sandama section with progress at 66 percent.

Construction works for the Ruo Breakaway Rail/Road Bridge on the Makhanga to Sandama railway section has also been ongoing and progress is at over 90 percent. The bridge will complement the road works linking Makhanga on the Thyolo-Thekerani-Makhanga road. The bridge is located in the Nsanje district at the Ruo river Breakaway between Muona and the isolated region of Makhanga. Completion of the bridge will see the restoration of road and future railway access to Makhanga which has so far been isolated from the mainland by the Ruo and Shire Rivers**.**

5.8.2 Outlook for 2023/24

For FY 2023/24 the Ministry intends to complete works for the construction of the Marka – Bangula railway section and the construction of the Ruo bridge. The Ministry also intends to commence the procurement of consultancy services and works contracts, under design-build, for the Bangula-Makhanga (approximately 9km) spanning across the Elephant March, and the Makhanga-Sandama (approximately 48km) railway sections so that the services and works may commence in the same FY 2023/24.

Under the resuscitation process of MR94 the Ministry of Transport and Public Works intends to construct building structures in the Nsanje district to be able to manage train operations and the maintenance of the track along the Marka – Bangula railway section upon completion of the rehabilitation project. Commencement of the works is expected in FY 2023/24

5.9 Water Transport Sub-Sector

5.9.1. Performance in 2022

Significant progress has been registered on the construction of Likoma Jetty. In the year under review, the piling works for the jetty are ongoing and 25 out of 43 piles that are required for the deck of the jetty, have been completed. It is expected that piling works will be completed by the first week of February 2023. Concrete pavement for the access road to the jetty is completed. Construction of buildings (waiting Shelter, Gatehouse, and Ablution block) is at the roofing stage. The works are at 70 percent, as of December 2022, and the expected date of completion is June 2023.

The Department through the Marine Training College continued to train 32 students (Navigation & Marine Engineering) at an Advanced Diploma level. The college also conducted a 6-month Class IV course at the college and a Boat Operation course on Lake Chirwa. These courses are necessary for the safe operation of ships and boats on the Inland Waters of Malawi to save lives and property and pollution prevention. Table 5.9 summarises the performance of the sub-sector.

TABLE 5.9: PERFORMANCE OF WATER TRANSPORT SUB-SECTOR 2022

Indicator	2021	2022 (Target)	2022 (Actual)
Total Passengers (passenger/km)*	3,600,000	2,529,800	1,83,441
Total Freight (Tonnes/km)**	285,350	10,800,000	182,341

Source: Ministry of Transport and Public Works

* Total number of passengers transported on Malawi waters multiplied by the distance travelled within Malawi (km)

** Total mass of goods (Tonnes) transported on Mal`awi waters multiplied by the distance travelled within Malawi (km)

5.9.2. Outlook for 2023/24

The Likoma jetty project is expected to be completed in the 2023/24 FY. The Department is expected to construct a Ship Landing Facility on Chizumulu Island. The Ministry of Transport and Public Works recognizes that the existing concession on Shipping and Port operations has and continues to experience challenges that are negatively impacting the shipping services. The Ministry in conjunction with the Public Private Partnership Commission will, therefore, be reviewing the existing concession agreements as well as making efforts towards encouraging investment in sustainable water transport infrastructure. The Department will continue to train Seafarers in the 2023/24 FY.

5.10 Plant and Vehicle Hire and Engineering Services

The Department of Plant &Vehicle Hire and Engineering Services (PVHES) was established under the Public Finance Management (Plant and Vehicle Hire and Engineering Services Fund) Order of 2013 to provide plant and vehicle hire and allied engineering services to both the public and private sectors on a commercial basis.

This is in line with the Malawi Government's policy of divestiture of public enterprises which is underpinned by various objectives which include the fostering of economic efficiency, increasing competition, promoting investment, increasing the participation of the Malawi public in enterprise ownership, and raising revenue for the Government.

5.10.1 Performance in 2022

In the 2022 financial year, the estimated annual revenue was MK906.5 million. Out of which, MK580.1 million was projected for the nine (9) months. At the time of reporting, MK363.7 has been collected in revenue, representing 63 percent of the 9 months target and 40 percent of the annual target. At such a collection rate it is highly unlikely that the target will be realized.

The collected revenue thus far has been used in servicing the department and supporting several projects that PVHES is implementing in various districts. The department has embarked on a number of projects that are supposed to boost its revenue base.

It is worth mentioning that the department, with technical support from PPPC, intends to identify a strategic partner who will finance its recapitalization. The aim is to re-enforce the core functions of the Department of PVHES, which are hiring and engineering services. The private party is expected to provide technical and financial capital that will be injected into PVHES. The process is still in its infancy level, at the time of reporting, as the PPPC is procuring a consultant to undertake a feasibility study for the recapitalization.

5.10.2 Challenges and Lessons Learnt

PVHES has a very high vacancy rate coupled with limited resources that affect the ability to effectively deliver services to its clients. The lack of resources has also resulted in the plant and equipment dilapidating over time such that they have become expensive to run or obsolete in some cases. PVHES also faces stiff competition from the private sector operators who are better equipped in terms of equipment, human and financial resources. To reduce some of these challenges, plans have been outlined in the next section.

5.10.3 Outlook for 2023

PVHES in collaboration with the Directorate of Road Traffic and Safety Services (DRTSS) will finalize the establishment of Vehicle Inspection Stations (VIS) in Mangochi, Ngabu, and Karonga in early 2023 with the installation of equipment and operationalizing the VIS. PVHES will finish the rehabilitation of the Lilongwe hire center and will embark on the rehabilitation of some workshop infrastructures in Mulanje, Ruphi, and Mzuzu. Further to this, PVHES will maintain its existing plants and equipment and on top of that, the department is planning to acquire two new farming tractors in 2023. On top of buying new number plate embossing machines, the department is also planning to buy wheel alignment machines, tool boxes, and a welding machine. These activities should position the department well to improve its revenue collection capacity and capabilities shortly.

5.11 Buildings

The Department of Buildings exists to facilitate the provision of a safe and sustainable building environment, through regular enforcement of policies, standards, and regulations in an efficient, transparent, and accountable manner.

5.11.1 Performance in 2022

During the year under review, the Ministry handed over the Mchinji/Mwami one-stop Border Post; Malawi Bureau of Standards Office and Lab Complex; the Griffin Sayenda indoor sports complex and Aquatic Centre which facilitated the Youth 5 Games that Malawi hosted and the Phalombe District Hospital. It has also submitted the National Building Policy to the Cabinet for the approval process. The Department has also provided Landscape services to Capital Hill and provided VVIP support to the President, First Lady, and Vice President.

The Department supervised the following construction projects which are at different levels: Construction of Blantyre Police, Orton Chirwa Mausoleum, Cancer Centre (Bunkers) Security Institution Houses, Songwe and Dedza One-Stop Border Posts, Community Hospitals (Domasi and Mponela); Malawi Defence Force Referrals Hospital; and Community Stadia (Mzimba, Thyolo, and Ntcheu).

5.11.2 Challenges and Lessons Learnt

5.11.2.1 Insufficient Funding and Late Payments of Building Projects

All the projects that are managed by the Department of Buildings are funded through the clients' budget lines which means the Department has no control over the cash flows and funding patterns of the project activities. This affects the effective planning of the project management programs since the schedule of activities by the Department depends on the availability of funding of the clients and their priority areas of funding.

5.11.2.2 Inadequate Human Resource Capital and Development

The Department of Buildings is one of the departments within the Ministry of Transport and Public Works that is characterized by high staff turnover in all its five technical divisions.

5.11.2.3 Poor Planning During Project Management

Poor planning hurts both quality construction costs and the completion period. It has been observed that most of the clients and stakeholders usually do not provide enough information for the project brief and detailed designs.

5.11.3 Outlook for 2023/24

The Ministry will continue to make sure that buildings are constructed, rehabilitated, and maintained following the proper regulatory frameworks. The Department will work for hand in hand with the local councils and construction practitioners to make sure that the tools are implemented and are being used even at the local level.

Chapter 6

MINING

6.1 Overview

Malawi is endowed with a wide range of mineral resources, some of which have been mined for decades, and some whose potential for beneficiation at medium to large-scale levels is recently being discovered. Since 2021 the sector has been growing due to conducive legal and regulatory environment for the participation of all interested players, both local and international. Malawi 2063 identifies mining as a key driver to the economic development of the country. Mining is one of the priority area under the industrialization pillar in the country's effort to achieve the upper-middle income status by the year 2063. Mining has tremendous potential to support industrialization in Malawi, yet they have not been fully harnessed. The sector contributes only one percent to national income. To harness full potential of the sector, there is need for more policy reforms to improve legal and regulation framework; administrative procedures, building capacity to enhance oversight and local participation. The other support structures necessary to facilitate investment also need to be in place.

Artisanal or Small-Scale Mining (ASM) accounts for the majority of mining activities in the country, especially for the production of precious metals such as gold, and precious and semi-precious stones such as gemstones. As most Artisanal or Small-scale Miners (ASMs) operate informally, the Ministry of Mining embarked on formalization through formation of cooperatives. In 2022/23 fiscal year, the Ministry prioritized formulation of cooperatives and building their capacity thereby ensuring that artisanal miners legally earn their livelihood, whilst postively contributing to government revenue collection through license fees and royalties.

The Government of Malawi (GoM) working in collaboration with key stakeholders is overseeing several projects envisaged to produce Rare Earth Elements (REEs), graphite, and uranium. These minerals are on high global demand due to the evolution of green energy technology. Mineral reserve estimates show that the projects have a high potential for long-term production at medium to large-scale levels. Feasibility studies have been completed in some of the projects and GoM is the process of negotiating the Mining Development Agreements with respective investors.

The sector still faces great challenges resulting in the loss of potential public revenues due to unreported income and smuggling, coupled with environmental damage and health hazards due to sub-standard methods of mining and processing. Further investments in the sector is challenged by a low power supply, a lack of reliable road and railway infrastructure, and other economic constraints. These factors increase overhead and production costs thus deterring investors and undermining the growth of the sector. It is, however, encouraging that several strategic roads, railway, and power projects were in progress during 2022/23 FY, thus giving a positive outlook for the mining sector for the coming years.

This chapter reviews the performance of Malawi`s mineral sector in 2022/23 FY based on mineral production volumes, the monetary value of domestic sales, and exports. The chapter also provides an outlook of the mining sector for the coming years in terms of expected production and sales, available investment opportunities, and planned initiatives by GoM and other stakeholders.

6.2 Revenue Collections and Projections

Table 6.1 shows revenue estimates for the 2022/23 FY and projections for 2023/24 FY and 2024/25 FY. As of 31st December 2022, the Ministry of Mining had collected MK724,312,090.24. In total, the Ministry is expected to collect MK964,949,453.66 representing 50 percent growth over 2021/22 collection largely due to upward adjustment of fees. In 2023/24 FY and 2024/25 FY, the Ministry of Mining is expected to collect MK1,013,196,926.35 and MK1,063,856,772.67 in revenues respectively**.**

TABLE 6.1: REVENUES

	2022/23 ESTIMATES	2023/24 PROJECTIONS	2024/25 PROJECTIONS
DOM	958,810,146.3	1,006,750,653.62	1,057,088,186.3
GSD	6,139,307.4	6,446,272.73	6,768,586.4
TOTAL	**964,949,453.7**	**1,013,196,926.3**	**1,063,856,772.7**

Source: Ministry of Mining

6.3 Mineral Production

Table 6.2 shows the mineral production levels and the respective monetary values for 2022 and projections and estimates for 2022 /23 and 2023/24. The details of major mineral production levels during the period under review are explained in the subsequent sub-sections. It should be noted that the table presents actual production data for 2022/23 which was available during the compilation of the report and projections of mineral production for 2023/24 and 2024/25.

TABLE 6.2: MINERAL PRODUCTIONS AND MONETARY VALUES (2022-2024)

Production		2022/23 (Actual)		2023/24 (Estimates)		2024/25 (Projection)
Type	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Coal	62,166.1	1,530.1	65,274.4	1,606.6	68,538.1	1,686.9
Cement limestone	277,979.4	658.2	291,878.3	691.1	306,472.2	725.6
Iron Ore	981.7	30.3	1,030.8	31.8	1,082.3	33.4
Hydrated & Agricultural Limestone	26,441.2	742.1	27,763.2	779.2	29,151.4	818.2
<u>Other</u>						
Uranium Concentrates	0	0				
Phosphate	0	0				
Rock aggregate	504,536.0	6,124.8	529,762.8	6,431.1	556,250.9	6,752.6
Gold (alluvial)	186.9	9,400.0	127.3	6,363.3	133.6	6,681.5
Precious & Semi-Precious Stones	329.5	320.5	345.9	336.5	363.2	353.3
Dimension/ Ornamental Stones	2,040.5	549.4	2,142.5	576.8	2,249.6	605.7

Source: Ministry of Mining

TABLE 6.3: MINERAL PRODUCTION 2021 ACTUAL VS 2022 ACTUAL

Production Type	2021/22Actual Quantity (tonnes)	2022/23 Actual Quantity (tonnes)	Percentage change
Coal	30,250.8	62,166.1	106%
Cement limestone	465,733.0	277,979.4	-40.3%
Iron Ore	4,980.2	981.7	-80.3%
Hydrated & Agricultural Lime	20,897.4	26,441.17	27%
Other			
Uranium Concentrates	0	0	0
Phosphate	0	0	0
Rock aggregate	783,416.6	504,536.0	-36%
Gold*	0.055	0.2	240%
Precious & Semi-Precious Stones	15.0	329.5	2094.0%
Dimension/Ornamental Stones	1,845.1	2,040.5	10.6%

Source: Ministry of Mining

*Alluvial gold is mostly weighed in grams due to the small recovery percentage.
The figures here are in tonnes and 1 gram = 0.000001 tonnes

6.3.1 Coal Production

Coal is the most mined energy mineral in the country, a key driver of various industrial processes such as tobacco curing, cement manufacturing, brewing of alcoholic beverages, and food processing. The country has over 22 million tonnes of proven coal reserves, with the most viable coalfields being Livingstonia and Ngana in the northern region. The producing mines currently are Kasikizi, Kaziwiziwi, Mchenga, and Chombe coal mines. Total production for 2022 amounted to 62,166.06 tonnes, rising from 30,250.76 tonnes in 2021, reflecting a 106 percent increase in production. Recovery of the economy from the COVID-19 pandemic, which resulting in the resumption of industrial activities, contributed to the rise in coal production. Additionally, some companies increased production by optimizing their operations with improved equipment and processes to meet rising demand during the period.

6.3.2 Uranium Concentrates Production

There was no uranium production in 2022. The only existing mine is the Kayerekera Uranium Mine, commissioned in 2009 and placed under Care and Maintenance in 2012 due to low global prices of uranium, thus halting production until the present day. On the bright side, the mining rights and a few uranium exploration licenses in the area were acquired by Lotus Resources, which has been conducting technical work to facilitate the re-opening of the mine. The new owner has shown optimism that re-opening is imminent considering prevalent global economic trends. The feasibility study that was conducted in 2022 revealed that Kayerekera is ranked as one of the lowest capital-cost uranium projects globally. Lotus Resource has since negotiated a Community Development Agreement (CDA) with the Kayerekera community, and are in the process of finalizing a revised Mining Development Agreement with the GoM.

6.3.3 Cement Limestone and Iron Ore Production

In the Cement Industry, Shayona Cement Corporation, Cement Products Limited (CPL), and Lafarge Cement (Malawi) Limited remain the only producers of cement in Malawi. However, only Shayona Cement Factory based at Chamama in Kasungu District, and Cement Products Factory in Njeleza, Mangochi District, are currently using locally mined limestone and iron ore to produce cement in Malawi.

During the period under review, the two companies produced 277,979.36 tonnes of limestone, representing a 40.3 percent decline in production compared to the previous reporting period. Similarly, iron ore production fell by 80.3 percent, with only 981.61 tonnes produced in 2022. This was largely driven by high production costs in cement manufacturing and competition with cheaper cement that is smuggled into the country.

6.3.4 Agricultural, Calcitic, and Hydrated Lime Production

Zalewa Agriculture Lime Company (Zalco) and Lime-Co were the main producers in 2022, with total production increasing from 20,897.35 to 26,441.17 tonnes representing a 27 percent increase. The commodity remained in high demand in agriculture (fertilizers and soil acidity regulation) and construction sectors.

6.3.5 Rock Aggregate Production

Quarrying is used to produce rock aggregate in the country. The sub-sector is vibrant owing to the presence of vast outcrops of granitic rocks and the high demand for rock aggregates from the civil construction sector. Quarries are classified into two groups: commercial quarries, which produce rock aggregate products for sale to various clients; and project quarries, which are operated by contractors to supply rock aggregate products for national civil construction projects in conjunction with the Ministry of Transport and Public Works. Both types of quarries pay royalty fees to the Ministry of Mining.

Out of 29 active quarries in the year, 18 were commercial quarries, whereas 11 were project quarries. Despite awarding more mining licenses in the reporting period, production declined by 36 percent. A total of 504,536.04 tonnes were produced in 2022 compared to 783,416.55 tonnes in 2021. This is because a number of the new quarries were in the construction phase and hence had not commenced quarrying activities. Furthermore, some project quarries are delayed to commence production due to shifting timelines of civil construction projects. However, rock aggregate production is expected to increase in 2023 as more civil construction projects are in the pipeline and the general public continues to embrace concrete products such as cement blocks due to their durability and cost-effectiveness.

6.3.6 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. There is no production of phosphate recorded for the year 2022.

6.3.7 Gold

Alluvial gold deposits exist in the country, notably in Balaka/Neno (Lisungwi), Machinga (Nsanama), Mangochi (Makanjira), Kasungu (Matongwe), Nkhatabay (Tukombo), and Nkhotakotakota (Bowa, Dwangwa and surrounding areas). Some deposits were also reported in Ngabu between Chikwawa and Nsanje. No significant discoveries have been made to date, hence there is no medium to large-scale gold mining operations in the country; instead, alluvial gold is entirely mined by ASMs. Gold is a high-value precious metal, with 1 gram fetching about US$50 on average in recent years. Random gold discoveries, popularly the termed 'gold rush' has occurred frequently in the last five (5) years, which has driven more and more Malawians into the mining and trading of gold. Gold miners are one of the target groups for the government's formalization drive.

The Reserve Bank of Malawi (RBM) through its subsidiary Export Development Fund (EDF) launched the Gold Buying Initiative in 2021 to purchase gold from ASMs in the main gold hotspots in the country. RBM through the Reserve Bank Act of 2018 is mandated to buy gold and other financial assets. According to the data EDF presented to the Ministry of Mining, between January and October 2022, EDF purchased 186.96 kg (0.18696 tonnes) of gold, worth about MK6 billion. This surpassed gold purchases between May and December 2021 which amounted to 54.56 kg (0.055 tonnes), thus amounting to about MK2.8 billion.

6.3.8 Precious and Semi-Precious Stone Production (Gemstones)

Malawi has one of the most diverse ranges of coloured gemstones in the SADC region. Most gemstones are mined locally by artisanal or small-scale miners, whereas some are introduced into the market through international trade, especially from neighbouring countries such as Zambia and Tanzania. Ministry of Mining compiles production data for gemstones, however, there are several hurdles that impeded collection of accurate production data. To begin with, while the mining legislature requires license holders to declare their production, it is difficult to enforce as most miners lack the literacy and technical know-how to fulfill this obligation. Secondly, there is no formal local market for gemstones as yet, therefore most of the local sales are unmonitored especially as there are many unregistered middlemen on the market. Lastly, gemstones are subject to rampant smuggling for illicit uses such as money laundering. The Ministry is only able to monitor production from registered cooperatives, other small-scale miners who have the know-how and wherewithal to comply with reporting obligations, and ultimately, exporters who acquire permits through the Ministry.

In 2022, higher gemstone production was recorded amounting to 329.45 tonnes reflecting an increase of over 2000 percent compared to the production in 2021. Gemstones produced included aquamarine, amethyst, citrine, garnet, rhodolite and ruby. Despite high gemstone production, value addition is still very low as shown in Table 6.4, thus potential revenues are lost as gemstones fetch lower prices in their rough (unprocessed) form. Investment in value addition would generate significant income, provide employment opportunities, and create business opportunities in jewelry production and selling.

TABLE 6.4: VALUE-ADDED STONES

Exports	2022	
Type	Quantity (carats*)	(Actual) Value (K' million)
Cut & Polished Stones	197.5	1.1

Source: Ministry of Mining
*1 Carat = 0.2 g,
197.5 carats = 39.5 g

6.3.9 Dimension/Ornamental Stones

Dimension stones are used to produce ornaments and decorative constructive materials. Local miners produced rose (pink) quartz, sodalite, sunstone, and more, amounting to 2,040.46 tonnes in 2022 translating into a 10.6 percent increase from the 1,845.07 tonnes produced in 2021. Demand for dimension stones from Malawi is increasing especially in Asian countries such as China.

6.4 Export Sales of Minerals

Mineral exports in 2022 were dominated by semi-precious and precious stones (gemstones), ornamental (dimension) stones, lime products, rock samples, and soil samples as shown in Table 6.5.

TABLE 6.5: MINERAL EXPORTS

Exports	2022	
Type	Quantity (tonnes)	(Actual) Value (K' million)
Coal	0	0
Uranium cake	0	0
Other		
Dimension/Ornamental Stones	2,040.5	549.4
Gemstones	329.5	320.5
Calcitic Lime products	1,025.0	56.0
Rock Chip samples	14.3	19.5
Soil samples	7.8	7.7

Source: Ministry of Mining

Gemstones and dimension stones continue to be exported to Asia (India, China, Thailand, Sri Lanka, Hong Kong, etc.), the United States of America (USA), England, Italy, South Africa

(RSA), and more. A few gemstone exports were also made to Poland, Netherlands, and Switzerland.

Lime products such as hydrated lime and poultry grit were exported to Mozambique and South Africa to supply agricultural users.

Rock samples (chips, bulk samples, and cores) and soil samples were exported to laboratories in Australia, South Africa, Kenya, and Germany for analyses. Several mining/exploration companies, the Geological Survey Department, and academic/research institutions exported samples for mineral resource evaluation and other studies due to the lack of accredited laboratories in the country. The Ministry of Mining assessed the value of the samples and collected royalties accordingly.

6.5 New Mining Operations and Licenses

During the year under review, the Government, through the Ministry of Mining, granted various licenses to prospecting mining companies and individuals as presented in Table 6.6.

TABLE 6.6: NEW MINING AND PROSPECTING LICENSES ISSUED IN 2021/22

Type of License	Number Issued	Mineral (s)
Small-Scale Operators		
Non-Exclusive Prospecting Licenses	46	Gemstones, gold
Small-Scale Mining Licenses	116	Gemstones, gold, limestone, graphite, mica, kaolinitic clay,
Reserved Minerals License	141	Gemstones, gold
Large and Medium-Scale Operators		
Exploration License	106	Cobalt, columbite, gold, nickel, platinum, heavy mineral sands (HMS), precious metal, base metals, gypsum, graphite, lead
Medium-Scale Mining Licenses	28	Rock aggregate, coal, sodalite
Large-Scale Mining Licenses	2	
Retention Licenses	32	
Reconnaissance License	1	

Source: Ministry of Mining

6.6 Mining Investment Opportunities

6.6.1 Mineral Potential of the Country

Malawi has a diverse mineral resource base consisting of energy minerals – coal, uranium, oil, and gas; industrial minerals – REEs, bauxite (source of aluminium), and heavy mineral sands bearing titanium; construction materials – rock aggregates (such as granite), clay, and limestone; and precious metals and stones mainly gold and gemstones respectively. Many of the mineral resources have previously been explored and evaluated by Government and private investors. Therefore, a wealth of geological data is available for investors to work with to develop economically viable mining operations.

Historically, Malawi has never produced oil and gas, however, in the decade between 2010 and 2020, several investors have shown interest in Malawi's oil and gas resources by conducting exploration activities which have revealed that the country has the potential to produce both offshore and onshore oil and gas. Though most investors relinquished their exploration rights due to economic constraints caused by the COVID-19 pandemic, geological data and information was passed on to the Ministry of Mining as required by the law. The Ministry is working on revising the previously demarcated exploration blocks and once this is finalized, the petroleum exploration licenses will be tendered for investors to access.

REE exploration is showing significant potential as alluded to in the introductory section. In addition to the exploration programmes which are at advanced stages, exploration work at Kangankunde Hill in Balaka is showing tremendous potential for rare earth oxide since exploration work was revamped by the ASX-listed Lindian Resources in 2022. This provides opportunities for investors into the project as well as other sites around the project that may have mineral potential. A maiden REE resource is also being explored by investors in Chambe Basin in Mulanje.

Several gold discoveries have been made by artisanal or small-scale miners in recent years. Exploration work is yet to conclusively define a significant gold resource viable for medium to large-scale operations. However, the currently known deposits will be sufficient to support small-scale mining. The licensing regime is open to local individuals and registered bodies interested in participating in the sector, while the Ministry of Mining will continue to facilitate the formalization of existing small-scale mining groups.

Other notable mineral resources under development are rutile found in Lilongwe, which is a source of titanium; heavy mineral sands located in the lakeshore area of Mangochi and Salima, bearing titanium, zircon, and other industrial minerals; and graphite in Lilongwe, which has vast industrial applications for example in batteries and lubricants.

More information on current known mineral resources is shown in Table 6.7 to provide further guidance.

TABLE 6.7: KNOWN MINERAL DEPOSITS, RESERVES, AND GRADE

DEPOSIT	LOCATION	DELIANATION RESERVES (Million tonnes/ grade)
Bauxite	Mulanje	28.8/43.9% Al_2O_3
Uranium	Kayelekera	12,5/0.2% Ur_3O_8
Monazite/ Strontianite	Kangankunde	11/ 8% Strontianite and 60% REO
Rutile	Kasiya - Lilongwe	1.3% rutile
Corundum	Chimwadzulu-Ntcheu	Not conclusive

Graphite	Katengeza-Dowa	8.0/75.6gm per m^3
Limestone	Malowa Hill-Bwanje	15/48% CaO, 1.2% MgO
	Chenkumbi-Balaka; Chikoa-Livwezi-Kasungu	10/46.1% CaO, 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% P_2O_5
Pyrite	Chisepo-Dowa	34/8% S
	Malingunde-Lilongwe	10/12% S
Glass Sands	Mchinji Dambos	1.6/97% SiO_2
Dimension Stone	Chitipa, Mzimba, Mangochi, Mchinji	Blue, Black, Green, and Pink Granite
Gemstones	Mzimba, Nsanje, Chitipa, Chikwawa, Rumphi, Ntcheu	Numerous pegmatites and volcanic

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

6.7 Initiatives in the Mining Sector

In the 2023/24 FY, the Government will undertake a number of interventions to foster productivity, transparency, and accountability of the sector so that it contributes significantly to inclusive wealth generation and economic growth in line with the 2063 Vision. Some of the key interventions are listed below:

i. Maintaining public engagement on mining issues through social media, mainstream media, and other public forums;
ii. Licensing and training of mining cooperatives and associations with a focus on health, safety, environmental management, and compliance with reporting and payment obligations for license holders;
iii. Negotiating and finalizing Mining Development Agreements with investors on key projects such as Kanyika Niobium (Globe Metals and Mining), Kayerekera Uranium Mine (Lotus Resources), and Songwe Hill Rare Earths Project (Mkango Resources);
iv. Supporting mineral exploration programmes with quality data and technically competent personnel, while providing technical and statutory guidance to proponents;
v. Review the Mines and Minerals Policy to create a more attractive investment climate in the country;
vi. Review the Petroleum (Exploration and Production) Act, including the subsidiary legislation;

vii. Review the Explosives Act including the subsidiary legislation;
viii. Operationalize National Mining Investment and Development Corporation to facilitate PPPs;
ix. Finalize geo-mineral resource mapping across the country;
x. Facilitate the re-commissioning of Kayelekera Uranium with properly negotiated agreements;
xi. Facilitate the development of other upcoming major mineral projects including, the Kanyika Niobium Project in Mzimba, Songwe Rare Earth Project in Phalombe, Malingunde Graphite and Kasiya Rutile Projects in Lilongwe to fast-track their evolution from advanced mineral exploration to mining; and
xii. Develop a National Strategy on Mineral beneficiation and value addition.

In addition to these interventions, the Ministry of Mining will continue:

i. Generating quality geoscientific data;
ii. Promoting mining investment in the country through participation in the local, regional, and international mining investment fora;
iii. Updating and maintaining computer-based mining cadastral system and the Geo-Data Management and Information System (GDMIS) to make information readily available to investors;
iv. Sanitizing the regulatory environment through the establishment of the Mining Regulatory Authority which is well underway;
v. Formalizing the Artisanal and Small-Scale Mining sub-sector;
vi. Enforcing compliance by the mining operators to occupational health safety and environmental standards;
vii. Providing technical extension services to Artisanal and Small-Scale Miners (ASMs); and
viii. Conducting mine surveying across the country to enhance mineral production and ensure orderliness in the mining sector.

Chapter 7

ENERGY

7.1 Electricity

In the 2021/22 financial year, Electricity Supply Cooperation of Malawi (ESCOM) sold 1,739 Gigawatt hours of electricity compared to 1,587 GWh recorded in the 2020/21 financial year. ESCOM's total customer base also increased by 6.35 percentage points compared to 19.26 percentage points in the previous year. This is from 523,793 to 557,104 (Table 7.1). The low connection rate is attributable to challenges that ESCOM faced in procurement of connection materials in the period.

TABLE 7.1: ELECTRICITY GENERATION AND CONSUMPTION (2012-2021)

YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Installed Hydro Capacity (MW)	285.85	285.85	351	351	351	351	351	351	369	401.85
Maximum (Peak) Demand (MW)	277.88	279.73	323.91	335.26	328.26	322.56	317	299.6	348.53	329.65
Energy generation (GWh)	1,911.51	1,828.2	1,906.51	1,975.02	1,976.99	1,808.64	1,792	1,887	1,826	2,171.3
Number of Consumers	218,164	238,211	269,469	312,857	344,953	395,923	413,816	439,187	523,793	557,104
Consumption Domestic (GWh)	596.10	577.65	614.20	699.03	766.3	693.33	642.6	568.2	643.5	644.03
General (GWh)	244.47	214.96	183.26	150.30	117.4	62.2	156.6	292.5	289.3	334.02
Energy Demand (GWh)	604.88	613.82	639.27	620	620	552.84	620	620	620	745.91
Export (GWh)	21.1	23.82	23.62	21.85	24.43	20.43	19.3	19.9	18.94	15.29
Total Consumption GWh)	1,466.52	1,429.68	1,460.35	1491.18	1,854.82	1,328.8	1,477	1,576	1,587	1,739

Source: Electricity Supply Cooperation of Malawi (ESCOM)

In the period, the energy sold was at 1,739GWh which was 17.7 percent below the annual projected target of 2,112GWh. This was attributed to the loss of Kapichira HEP in the second quarter. This adversely impacted the volume of energy sold to customers and consumption.

TABLE 7.2: ELECTRICITY GENERATION IN KWH (JAN-DEC 2022)

ENERGY GENERATED (kWh)	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22
NKULA A	13,311,600	16,049,700	19,556,900	18,809,900	19,449,800	18,301,200	19,691,000	19,700,000	18,733,100	18,191,300	19,799,500	19,905,500
NKULA B	47,846,250	48,006,090	55,938,030	55,419,990	59,510,040	59,005,750	59,504,360	61,458,300	58,434,360	62,368,890	57,259,170	49,984,500
TEDZANI I & II	13,145,280	17,903,700	18,718,020	21,249,420	24,340,920	24,303,600	26,719,800	26,969,760	26,655,780	26,658,600	26,567,820	26,760,360
TEDZANI III	29,667,800	28,825,600	32,175,200	32,230,000	32,065,000	32,488,000	33,156,000	30,655,800	32,444,800	34,771,600	33,253,400	35,381,400
TEDZANI IV	6,974,050	8,583,420	9,629,190	6,186,380	8,325,000	8,616,000	9,609,000	9,348,000	7,906,000	8,827,220	8,242,510	9,225,660
KAPICHIRA	31,330,600	0	0	0	0	0	0	0	0	0	0	0
WOVWE	1,760,650	1,838,560	2,029,080	1,925,310	2,001,250	1,810,840	2,108,210	2,900,510	2,747,440	2,560,750	2,022,170	2,266,110
KANENGO	421,990	746,640	933,370	996,800	1,101,200	715,440	581,230	563,150	859,390	1,048,090	1,081,800	1,077,940
LILONGWE A	0	0	0	0	0	0	0	0	0	0	0	0
LIKOMA DIESEL	49,013	37,486	26,786	37,058	30,769	32,825	33,417	44,030	37,454	39,775	44,795	61,447
LIKOMA SOLAR	60,412	64,680	83,930	81,444	87,318	79,288	83,083	84,535	92,829	102,839	91,201	68,156
CHIZUMULU DIESEL	8,717	7,422	25,205	24,203	7,182	5,924	6,955	6,760	6,778	7,933	8,437	9,225
CHIZUMULU SOLAR	15,026	13,365	0	0	18,205	17,699	19,151	19,976	20,658	24,706	22,583	19,173
LUWINGA	401,160	598,020	482,460	594,720	745,380	228,480	139,560	11,580	310,680	40,260	0	0
MAPANGA	1,801,520	2,482,370	3,595,210	1,889,590	3,734,060	4,488,050	2,847,520	3,058,870	1,697,370	1,736,800	1,709,370	1,737,230

Source: Electricity Generation Company (ENGECO)

During the Year, there was a reduction in electricity produced from Hydro despite improvement in water flow in Shire River, this follows the unavailability of Kapichira, 129.6 MW due to damaged dam structure on 24th January, 2022 during Storm Anna. Individual available Power Plants registered an improvement compared to the previous period. Table 7.3 shows a generally constant generation trend of electricity in Malawi between 2012 and 2022.

TABLE 7.3: ELECTRICITY GENERATION IN KWH (2012 – 2022)

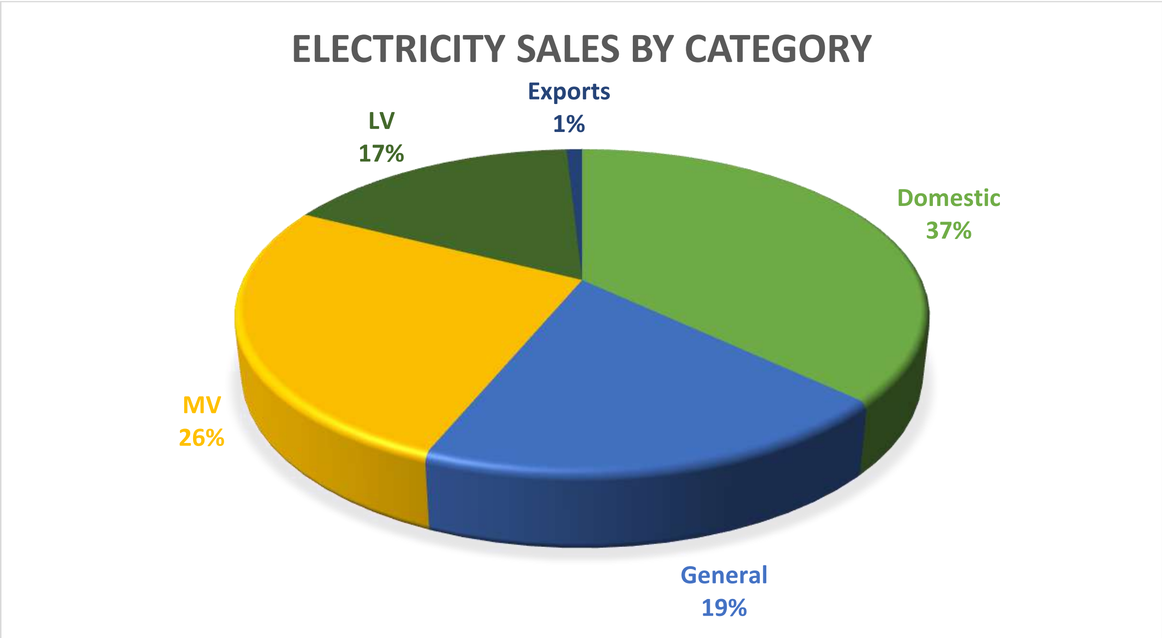
ENERGY GENERATED (kWh)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NKULA A	175,959,900	184,162,600	187,685,300	116,837,700	126,263,300	9,134,450	71,298,900	166,791,500	123,424,800	140,793,300	221,499,500
NKULA B	598,666,900	610,238,100	527,756,500	526,387,900	494,625,242	573,653,151	470,966,920	438,710,770	540,245,950	587,247,480	674,735,730
TEDZANI I & II	341,167,200	338,898,200	338,711,300	304,903,500	277,659,500	205,906,889	125,818,800	256,615,440	174,649,600	127,585,380	279,993,060
TEDZANI III	326,632,000	297,191,000	283,942,000	284,949,000	221,155,000	281,980,880	328,864,160	183,930,400	343,130,040	425,713,800	387,114,600
TEDZANI IV	0	0	0	0	0	0	0	0	0	62,368,043	101,472,430
KAPICHIRA	415,117,000	414,240,000	609,281,000	697,783,000	701,904,000	707,285,800	635,348,800	674,860,200	633,067,000	803,009,600	31,330,600
WOVWE	19,509,010	19,785,770	22,123,338	21,470,720	28,978,400	29,353,780	34,305,130	32,661,770	32,105,700	19,771,760	25,970,880
KANENGO	0	0	0	0	4,557,936	5,760,245	5,659,383	14,708,579	17,031,539	9,598,790	10,127,040
LILONGWE A	0	0	0	0	0	3,340,416	5,381,167	1,430,694	0	0	0
LIKOMA	0	0	0	0	506,887	891,264	900,469	786,356	945,329	368,786	474,856
CHIZUMULU	0	0	0	0	118,617	203,863	188,983	210,865	93,753	1,028,665	979,715
LUWINGA	0	0	0	0	0	0	3,445,507	5,062,933	251,040	60,705	124,741
MAPANGA	0	0	0	0	0	0	627,804	8,853,081	0	163,823	190,542

Source: Electricity Generation Company (ENGECO)

7.1.1 Electricity Sales by Customer Category

In terms of sales of electricity by customer category, 37 percent was sold to domestic customers while the general category accounted for 19 percent of the sales. While industries in the Low Voltage (LV) and Medium Voltage (MV) customers' categories accounted for 17 percent and 26 percent respectively. A total of 1 percent was exported to the neighbouring countries in the year under review as shown in the Figure 7.1

FIGURE 7. 1: ELECTRICITY CONSUMPTION



Source: ESCOM Limited

7.1.2 Review of 2017 Integrated Resource Plan

In 2022/23, the Ministry of Energy Secured funding from Global Alliance for People and Planet with which to review the Integrated Resource Plan of 2017. The review exercise will involve production of the updated Demand Forecast, Loss Reduction and Energy Efficiency Strategies, and Generation, Transmission as well as Distribution Master Plans. In the reported period, the work to update Demand Forecasts, Loss Reduction and Energy Efficiency Strategies started. The whole review exercise is expected to end in May, 2023.

7.1.3 Electricity Tariff Developments

In October 2018, MERA granted a 31.8 percent base tariff to ESCOM to be implemented in four tranches over a period of 4 years up to 2022. The first tranche of 20 percent increase was effected on 1st October 2018. The subsequent tranches were 7 percent in the second year, 3 percent in the third year and 10 percent in the final year. In March 2021, MERA granted ESCOM a 10.62 percent, being an automatic tariff adjustment formula (ATAF) and to enable ESCOM reinstate and recoup of lost revenue due to non-implementation of tariff increase which should have been implemented in February 2020. Table 7.4 shows the trend in tariff movements from 2018 to 2022.

TABLE 7.4: TARIFF TREND (2018-2022)

	2018	2019	2020	2021	2022
Average End-User Tariff (MK/kWh)	73.2	159.1	90.4	101.7	104.5
Average End-User Tariff (USD/kWh)	0.1	0.1	0.1	0.1	0.1

Source: ESCOM Limited

Following the end of the 2018-2022 base tariff, in August 2022 ESCOM and Power Market Limited jointly submitted an application for a successor base tariff to run from 2022 to 2026. The application sought a 99 percent base tariff increase which is being reviewed by the regulatory body (MERA). Before MERA makes a decision on the application, the Authority will hold public hearing meetings to enable the consumers and the general public, interact with the tariff applicant and interrogate the justification for the proposed tariff increase.

7.2 Malawi Rural Electrification Programme (MAREP)

The Ministry of Energy is implementing Malawi Rural Electrification Programme (MAREP). The purpose of MAREP is to increase access to electricity for the rural and peri-urban communities with the objective of transforming the rural economies and reducing poverty amongst the rural masses thereby contributing to Government's agenda on poverty reduction. The Programme started in the 1980s with Electricity Supply Corporation of Malawi (ESCOM) Ltd as the implementing agent using donor and own resources. Following the reforms in the electricity sector in 1998, ESCOM Ltd was commercialized and mandated to operate as a commercial entity. ESCOM Limited found that rural electrification was not economically viable and could thus not continue implementing the Rural Electrification Programme. Faced with the obligation to provide social services to the rural communities, Government took over the responsibility of implementing Rural Electrification and named the programme MAREP. The Department of Energy Affairs was then mandated to plan and implement MAREP. Funding for the programme as of now, is through energy sales levy under well-established fund called the Rural Electrification Fund.

The Programme is implemented in Phases. The Department started implementation of MAREP in its fourth phase. In Phase 3, the program installed a 4.5MW Wovwe power plant in Karonga district, in Phase 4, a total of 98 sites were electrified, in Phase 5, a total of 27 sites were electrified, in Phase 6 a total of 89 sites were electrified while in Phase 7 a total of 136 sites were electrified.

The Ministry has just finalized the implementation of MAREP Phase 8. The phase targeted 453 sites including beneficiary sites for all districts except Likoma Island. However, during the course of the implementation of phase 8, demand for electricity rose which prompted the Ministry to extend the phase. The extended phase which has just now been completed as of 30th April, 2021, is called Extended MAREP phase 8 and has electrified 394 sites including beneficiaries.

The Ministry is currently planning for implementation of MAREP phase 9 which will electrify 575 sites across the country.

7.2.1 Extended MAREP Phase 8

Construction of Extended MAREP Phase 8 began in December 2019. The Phase targeted 394 sites including beneficiaries. Construction and commissioning of power lines had been completed in all districts with the exception of Lilongwe. No Objection by Public Procurement and Disposal of Assets Authority (PPDA) to sign an addendum to the contract that emanated from increased scope of work for sites in Lilongwe, was granted. Construction of all sites was completed. Out of 13 Transformers, 9 have been commissioned and the remaining 5 will be commissioned by 31st January, 2023.

TABLE 7.5: **PROGRESS OF ETENDED MAREP PHASE 8 SITES IN LILONGWE**

Site Name	Status	Remarks
Katayila TC	Completed	Commissioned
Chimwala TC	Completed	Not commissioned
Mkangamila TC	Completed	Commissioned
Mchokwe	Completed	Commissioned
Mkwelera 1	Completed	Not commissioned
Mkwelera 2	Completed	Not commissioned
Kaponda	Completed	Not commissioned
Kambalanje TC	Completed	Commissioned
Makwija Village	Completed	Commissioned
Tsekwele	Completed	Commissioned
Dambo School	Completed	Not commissioned
Msabemanyaza	Completed	Commissioned

Source: Ministry of Energy

7.2.2 MAREP Phase 9 Project

Preparation for the implementation of MAREP Phase 9 is underway. The Phase targets to electrify 575 sites across the country. Production of detailed designs of all sites was done followed by their respective Bills of Quantities (BOQs). MAREP Phase 9 will be implemented in two sub-phases i.e. sub-phase 1 and sub-phase 2. Sub-phase 1 will cover a total of 345 sites and the sub-phase 2 will electrify the remaining 230 sites. However, due to replacement of some already electrified targeted sites and increase in demand, the number of sites to be electrified under sub-phase 1 has been increased from 345 to 416 sites.

The MAREP carried out way leave assessment and paid compensations in all 345 sites under MAREP Phase 9 sub-phase 1, except for Nsanje District. The Ministry was served with a stop order by the Anti-Corruption Bureau (ACB) not to proceed with payment of compensations in Nsanje district. However, it is yet to be communicated as to why the process was stopped.

TABLE 7.6: PROGRESS OF WAYLEAVE ASSESSMENT AND COMPENSATION FOR MAREP PHASE 9 ADDITIONAL SITES

SN	DISTRICT	ASSESSMENT	DISCLOSURE	PAYMENT STATUS	Remarks
1	RUMPHI	Done	Done	Not done	Waiting for payment
2	NKHOTA-KOTA	Done	Done	Not done	Waiting for payment
3	NENO	Done	Done	Not done	Waiting for payment
4	MANGOCHI	Done	Done	Not done	Waiting for payment
5	CHITIPA	Done	Not done	Not done	Waiting for Disclosure
6	BLANTYRE	Done	Done	Not done	Waiting for payment
7	KASUNGU	Done	Done	Not done	Waiting for payment
8	MZIMBA	Done	Not done	Not done	Waiting for Disclosure
9	DEDZA	Done	Done	Not done	Waiting for payment
10	THYOLO	Done	Done	Not done	Waiting for payment
11	DOWA	Done	Done	Not done	Waiting for payment
12	NTCHISI	Done	Done	Not done	Waiting for payment
13	KARONGA	Done	Not done	Not done	Waiting for Disclosure
14	SALIMA	Done	Not done	Not done	Waiting for Disclosure
15	MCHINJI	Done	Done	Not done	Waiting for payment

16	NTCHEU	Done	Not done	Not done	Waiting for Disclosure
17	CHIKWAWA	Done	Not done	Not done	Waiting for Disclosure
18	LILONGWE	Done	Not done	Not done	Waiting for Disclosure
19	MULANJE	Done	Done	Not done	Waiting for payment
20	MWANZA	Done	Done	Not done	Waiting for payment

Source: Ministry of Energy

7.2.3 Procurement of materials for the construction of power lines

Procurement of materials for the construction of power lines under MAREP phase 9 and Ndawala project is underway. Suppliers have started delivery of materials and so far, 21 percent of all materials required have been delivered (that is 19 percent phase 9 and 2 percent Ndawala materials). The procurement process for contractors to construct power lines also commenced. Bidding is still in progress and bid opening is expected to be done on 12th January 2022.

7.2.4 Review of MAREP Masterplan

The Ministry plans to review the 2020-2025 Master Plan for Rural Electrification Programme in Malawi in order to increase the list of sites which are supposed to be electrified by 2025. All District Councils, except Likoma District which is fully electrified were requested to submit a list of new sites to be included in the revised Master Plan. All 27 districts submitted their sites and the Ministry will soon conduct surveys in all the sites across the 27 districts.

7.2.5 Development of Mini-Grids

MAREP planned to develop three (3) mini-grids across the country as a way of complementing grid extension. This was in line with the National Energy Policy (2018) and the Mini-grid Framework of 2017 which advocates for utilisation of mini-grids for sites that are beyond 10km from the grid. 3 mini-grid potential sites were identified namely, Usingini, Kasangazi and Gumulira. Usingini and Kasangazi will be developed as micro-hydropower mini-grids while Gumulira site will be developed as Solar Power mini-grid. So far demand assessment has been done at Gumulira and will be developed in collaboration with UNDP and Press Trust.

7.2.5.1. Kasangazi mini-grid

Kasangazi mini-grid will be developed in collaboration with UNDP and Press Trust. UNDP will fund transmission and distribution network materials, Press Trust will fund the control house and MAREP will fund the generation part including the power house. Construction of the control room by Press Trust is at an advanced stage while procurement and delivery of overhead power line materials by UNDP is also done. Soon MAREP will engage Malawi University of Science and Technology (MUST), to conduct feasibility study on upgrading the generation part. MUST is expected to finalise the feasibility study within three months.

7.2.5.2 Usingini mini grid

Advertisement for the procurement of Consultancy services to conduct the feasibility study would be done in January, 2023.

7.2.5.3 Gumulira Mini grid

Demand assessment was done and soon advertisement for contractors to undertake supply and construction of the power plant will be done.

7.2.6 Consultancy Services for the Construction of MAREP Stores in Blantyre and Mzuzu

MAREP planned to construct Storage Facilities in Blantyre and Mzuzu. In the period under review, the Ministry of Energy awarded a contract for consultancy services for design and supervision of MAREP facilities to Infrastructure Consultants (Infracon) Ltd for a total contract sum of MK58, 743,485.89. The consultant has submitted the draft detailed designs. The consultant also prepared draft bidding documents to be used for procurement of contractors to construct the MAREP Stores Warehouses in Blantyre and Mzuzu. Upon approval of the draft detailed designs, final detailed designs and final bidding documents for procuring construction contractors will be produced.

7.2.7 Data Collection for MAREP Asset Register

MAREP planned to collect data on all MAREP power lines for formulation of concession agreement with ESCOM. Data was collected in some sites in Lilongwe, Mzimba, Nkhatabay, Dowa, Phalombe, Neno, Dedza and Ntcheu. Staff from the Ministry and ESCOM carried out the exercise as a pilot phase. However, it is planned that a consultant will be engaged to complete the exercise across all the districts in Malawi.

7.3 Petroleum

7.3.1 Fuel Importation

During the year under review, overall imports of petroleum products increased by approximately 11 percent above that of last year 2021. This increase in demand is largely driven by increased economic activities as the economy gradually recovered from the face of the COVID-19 crisis. Furthermore, the importation of individual petroleum products such as petrol and diesel, increased by 5 percent and 22 percent, respectively. On the other hand, importation and demand for paraffin decreased by 61 percent in 2022 as compared to last year's imports (Table 7.7).

TABLE 7.7: FUEL IMPORTS (LITRES) 2010 – 2022

Year	Petrol	Diesel	Jet A-1	Paraffin	Avgas	Total
2010	101,173,574	186,539,556	11,710,626	10,639,538	318,087.5	**310,381,382**
2011	104,825,891	189,983,124	12,838,968	10,254,955	126,422	**318,029,360**
2012	99,593,583	205,213,866	7,525,000	6,565,312	261,700	**319,159,461**
2013	108,885,428	212,460,625	9,896,951	1,749,159	223,686	**333,215,849**
2014	108,885,190.	159,798,758	7,785,520	1,533,155	133,067	**278,135,690**
2015	133,103,655	166,402,223	8,766,307	506,304	176,058	**308,954,547**
2016	166,190,150	190,395,240	8,841,768	851,795	176,206	**366,455,159**
2017	184,831,438	226,596,033	9,653,413	632,559	176,714	**421,890,157**
2018	209,053,949.15	273,288,620.89		472,207.00		
2019	247,234,190.38	256,553,902.55	5,570,403	365,037.00	175,644	**509,899,176.93**
2020	292,741,865.69	308,453,219.00	1,865,837	687,949.00	214,357	**603,963,227.69**
2021	251,860,748.77	195,517,243.93	4,794,936	780,359.00	44,271	**452,997,558.70**
2022	263,806,486.00	238,903,420.00		304,849.00		**503,014,755.00**

Source: Malawi Energy Regulatory Authority (MERA)

7.3.2 Fuel Import per Route

In 2022, Malawi utilized the Beira, Nacala, Dar-es-Salaam and Mbeya routes for haulage of fuel. In comparison with 2021, total volumes of petroleum imports hauled through all the 4 routes increased in 2022 by 11percent. Individually, product imported through each of the routes namely: Nacala, Dar-es-Salam and Mbeya increased by 132 percent, 50 percent and 100 percent respectively in the period under consideration. On the other hand, importation of fuels through Beira route declined by 33 percent in 2022 as compared to 2021. Table 7.8 illustrates the declining trend in Malawi's fuel importation through the various routes from 2010 to 2022.

TABLE 7.8: MALAWI FUEL IMPORTS PER ROUTE 2010 – 2022

						ROUTES	**Total**
Year	**Beira**	**Nacala**	**Dar-es-Salaam**	**Mbeya**	**Gweru**	**Msasa**	
2010	211,143,990	21,708,391	42,803,344	22,296,943	-		**298,352,668**
2011	167,765,872	17,240,701	50,845,869	13,343,270	0		**249,195,712**
2012	258,442,871	7,552,721	35,918,180	-	9,458,989		**311,372,761**
2013	268,560,053	10,715,210	43,819,950	-	-		**323,095,212**
2014	225,767,402	11,367,566	41,000,722				**278,135,690**
2015	233,479,738	6,250,367	69,224,442				**308,954,547**
2016	213,462,494	15,172,473	104,462,494			32,967,457	**366,455.159**
2017	232,769,004	12,343,079	158,285,510			17,788,779	**421,890,157**
2018	241,070,521.55	5,260,913.49	236,826,687.00				**483,158,122.04**
2019	246,610,787.70	1,978,980.00	258,636,865.45			2,672,543.78	**509,899,176.93**
2020	303,240,277.69	6,413,392	294,309,558.00				**603,963,227.69**
2021	221,606,225.34	5,340,971.70	226,050,361.67				**452,997,558.70**
2022	148,796,036	12,402,854	339,402,645	2,413, 221			**503,014,755.00**

Source: Malawi Energy Regulatory Authority (MERA)

7.3.3 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 Mechanism (APM) 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 Energy Pricing Committee (EPC), 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.

In the period under review, there has been fluctuations in pump prices, largely due to weakening of the Kwacha against the United States dollar as the Malawi economy, continues to reel from the global economic recession. On top of that, free on-board prices for petroleum have also generally been on the rise across the globe in 2022, mainly due to the Russia-Ukraine war and the decision by the Organization of Petroleum Exporting Countries (OPEC) to cut oil production. Table 7.9 depicts pump price adjustments from January, 2022 to December, 2022.

TABLE 7.9 PUMP PRICE REVISIONS FROM JANUARY 2022-DECEMBER 2022 (MK/LITRE)

PUMP PRICE REVISIONS IN 2022			
Date of	**Pump Prices in MK/L**		
Revision	**Petrol**	**Diesel**	**Paraffin**
Jan-22	1,150.00	1,120.00	833.00
Feb-22	1,150.00	1,120.00	833.00
Mar-22	1,150.00	1,120.00	833.00
Apr-22	1,380.00	1,470.00	956.00
May-22	1,380.00	1,470.00	956.00
Jun-22	1,990.90	1,920.00	1,236.00
Jul-22	1,990.90	1,920.00	1,236.00
Aug-22	1,946.00	1,920.00	1,261.00
Sep-22	1,746.00	1,920.00	1,261.00
Oct-22	1,746.00	1,920.00	1,261.00
Nov-22	1,746.00	1,920.00	1,261.00
Dec-22	1,746.00	1,920.00	1,261.00

Source: Malawi Energy Regulatory Authority (MERA)

7.3.4 Fuel Ethanol

Malawi has two ethanol producing companies namely; PressCane Limited and Ethanol Company Limited (EthCo). In 2022, both companies produced a total of 7.1 million litres of fuel ethanol, with PressCane producing 6.7 million litres and EthCo producing 0.4 million litres. A total of 7.3 million litres were distributed to Oil Marketing Companies during the year under review. Table 7.10 depicts fuel ethanol production and sales in the last ten years.

TABLE 7.10 FUEL ETHANOL PRODUCTION AND SALES TO OMCS (2013-2022)

-	**Year**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Production	PressCane	9,806,757	11,780,945	14,671,560	13,025,144	11,892,849	15,186,420	14,491,022	13,025,090	12,782,616	6,673,266
	Ethanol Company	3,133,948	2,858,814	3,394,034	2,380,993	2,084,146	4,319,783	2,828,803	1,241,560	1,880,651	415,987
	Total	**12,940,705**	**14,639,759**	**18,065,594**	**15,406,137**	**13,976,995**	**19,506,203**	**17,319,825**	**14,266,650**	**14,663,267**	**7,089,253**
Sales	Press Cane	9,033,894	10,147,000	15,943,710	14,047,557	11,707,063	15,256,434	14,512,407	12,911,500	12,512,500	6,987,642
	Ethanol Company	3,094,605	2,836,828	3,417,417	2,426,067	1,938,423	4,374,657	2,655,830	1,267,411	1,628,716	354,090

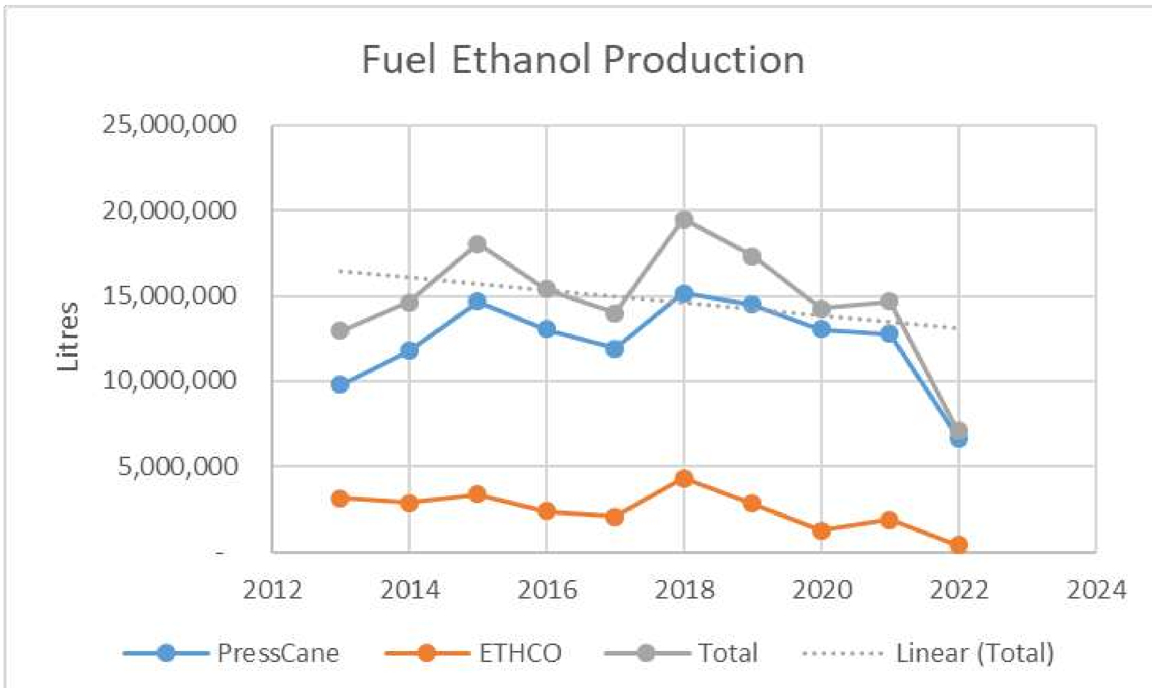
Total	**12,128,499**	**12,983,828**	**19,361,127**	**16,473,624**	**13,645,486**	**19,631,091**	**17,168,237**	**14,178,911**	**14,141,216**	**7,341,732**

Source: Press Cane Limited and Ethanol Company

Figure 7.2 shows a downward trend in total fuel ethanol supply on the market between 2018 and 2022. In 2019, declining margins on fuel ethanol compelled the companies to increase production of other products to mitigate finance risks and ensure business sustainability. In 2022, total production was at its lowest in the period under review because of a couple of challenges namely:

i. Ethanol offtake was negatively impacted by fuel scarcity which the country experienced. When petrol was available for ethanol blending, diesel was not available to take the product to the market and vice versa.
ii. Delayed start of production due to unavailability of feedstock as production at Illovo, the main supplier, was negatively impacted by cyclones Ana and Dumako.
iii. Equipment failure resulting in one month of no production at PressCane.

FIGURE 7.2: FUEL ETHANOL PRODUCTION



Source: Press cane Limited and Ethanol Company

Fuel ethanol is blended with gasoline/petrol for use by motor vehicles in the transport sector at mandatory blending ratios of 20:80, fuel ethanol to petrol. It is mandatory that all petroleum fuel companies should be buying fuel ethanol for blending with petrol, though compliance to this mandate is not yet at 100 percent. The other challenge Malawi is facing in an attempt to successfully implement the 20:80 fuel ethanol to petrol blending ratio, is the low levels of production due to seasonality and inadequacy of bioethanol raw materials. Despite all these challenges, the use of biofuel ethanol for the past 10 years has edged towards 10 percent of aggregate petrol –fuel ethanol used in Malawi thereby saving over US$100 million of Malawi's foreign exchange reserves and improving fuel security.

In 2020, MERA delinked the ethanol pricing model from landed cost of petrol and the industry now uses a cost plus margin model. The revised model is a stimulus for ethanol producing companies to increase their production capacity in order to minimize the country's fuel ethanol supply gap. Meanwhile, both companies are at an advanced stage in planning for investment into sugarcane to syrup processing mills which are expected to be commissioned in the last quarter of 2024. The syrup will be used to supplement molasses as feedstock for ethanol production and this will assist to maximize the plant installed capacities of both Companies which are currently at 68 percent for PressCane Limited and 62 percent for Ethanol Company Limited.

7.4 Some Energy Sector Projects Currently in Progress

7.4.1 Kam'mwamba Coal Fired Plant

Initially, Government planned to implement the Project through a loan from the EXIM Bank of China. However, by 2019, the arrangement had not materialized despite working on it for over 3 years. Government therefore decided to engage Electricity Generation Company (EGENCO) to proceed with the project. As such, EGENCO had to restart the whole process. In the reported period, EGENCO concluded the feasibility study revision. The EPC cost for the project is USD 600 Million. Project construction awaits PPPC to procure a joint venture for EGENCO to partner with a 50:50 possible share of the project cost between EGENCO and the joint venture partner. In the reported period, PPPC started the process of procuring the joint venture with the review of the PPP feasibility study for the project. The project is expected to be completed by 2026.

7.4.2 The Mozambique-Malawi Interconnector Project

The Mozambique-Malawi 400kV Interconnector is expected to come on line in December 2023. In terms of progress achieved as at the end of the 2022/23 financial year, Ground Breaking ceremonies took place in Nov, 2021 and April 2022 at Phombeya (Malawi) and Matambo (Mozambique) respectively, and were presided over by the Presidents of the two countries.

On 6th April 2022, Government transferred an equivalent of US$ 3.5million to ESCOM designated MO-MA Account towards compensation of persons affected by the project (PAPs). The actual compensations had commenced and over half of the compensation for PAPs on the Malawi side of the interconnector had been paid.

The Project is in the implementation phase. Most design reviews were completed. The first set of line materials to be delivered in Malawi, in the second week of November, 2022.

Challenges so far are, cost increases because of the Russia-Ukraine conflict and a major scope change emanating from change of wind speed design for one zone of 16km in Mozambique.

Despite these challenges, the project remains on track for completion and commissioning by target date of December, 2023.

In the next two months, negotiation with EDM (Mozambique) will commence to purchase an extra 70 MW in addition to the 50 MW under the current Power Purchase Agreement (PPA). This will allow ESCOM to draw 120MW by the time of the commissioning of MOMA Interconnection.

7.4.3 The Malawi - Zambia Interconnector Project

The project aims at providing an additional 400kV transmission interconnection to the SAPP by connecting into the Zambian Electricity Grid. Currently, ESCOM, in collaboration with Government of Malawi is soliciting financing for the project. In the initial phase, the line is planned to inject 50MW into the Malawi electricity grid, which could be ramped up depending on the projected power requirements.

7.4.4 Mpatamanga Hydropower Project

Government is implementing 350MW Mpatamanga Hydropower Project under Public Private Partnership arrangement. In the 2022/23 progress registered on the project included:

i. The Ministry procured a consortium of Scatec ASA Joint Venture and EDF as the Strategic Sponsor/Private Investor for the 350MW Mpatamanga Peaking Hydropower Plant. A Relationship Agreement was signed between the Government, Strategic Sponsor and IFC as co-developers of the project on 24th August, 2022.

ii. Project Development Committee (PDC) which will be responsible for Approval and decision making body for the project was stablished in August, 2022. The project also concluded procurement of the contractor for Geotechnical investigations and Geophysical surveys who will start works in January, 2023.

iii. The Ministry also conducted sensitizations meetings with the District Environmental Safeguards Committee, Chiefs and Project Affected Persons in their communities. A new consultant to conduct assessment and develop a Resettlement Action Plan (RAP) has been recruited and Ministry of Finance, through PSIP has committed funds for the project to undertake compensations once the RAP has been finalized. The project has also developed the Grievances Redress Mechanism (GRM) for the handling of grievances received from the project affected people. To this effect, four Grievances Redress Committees (GRCs) have been established in four villages. The GRC members have also been trained on how to receive and handle grievances.

iv. ESIA reports and Environmental and Social Safeguards Instruments are being finalized. Resettlement Action Plan is being finalized. The construction of the Mpatamanga Hydropower Plant is expected to be completed by 2028.

7.4.5 Rehabilitation of Kapichira 129.6 MW

Due to the impact of the Tropical Storm Ana that occurred between 24th and 25th January 2022, the intake dam was extensively damaged rendering the hydropower station out of operation. In addition, 14 transmission lines and several distribution lines were also damaged requiring immediate restoration. Ministry of Energy therefore secured funding from World Bank amounting to US$ 60 Million to help EGENCO restore energy generation and rebuild Kapichira in order to address root causes that undermined the resilience of the damaged infrastructure.

So far, Project Preparation, Data collection/Preliminary Concept for the Cofferdam, Design and Approval of the Cofferdam, Cemented Soil Cofferdam Preparation, Mobilisation and demobilisation, Access road construction, Embankment of primary Cofferdam have been completed. Since the designs have been changed, the project will take a little bit longer to be completed than earlier planned. It is anticipated to spill over to the first quarter of 2023. It is expected that by the end of February, 2023 at least 25 MW of the lost total generation at Kapichira will be restored back online.

7.4.6 20 MW Battery Energy Storage System Project

In 2022/23, Ministry of Energy secured funding from Global Energy Alliance for People and Planet (GEAPP) amounting to 20 Million United States Dollars with which it will procure and install 20 MW Battery Energy Storage System (BESS) at Kanengo substation in Lilongwe. The total project cost is USD 24 Million and 10 percent of which will be covered by ESCOM who will be owning and operating the system. The BESS will provide ancillary services to the grid in the awake of too much variable electricity from solar without battery bank that is connected to the grid. The project is expected to be completed by December, 2023.

7.4.7 IPP Projects

In the reporting period, Cedar Energy Ltd commissioned 3.05 MW Mloza hydro Power Plant in Mulanje and JCM Solar completed construction and commissioned of an additional 20MW of solar PV plant with storage in Golomoti. Further, Selengeti IPP in Nkhotakota completed construction of a 21 MW solar PV grid connected in December 2022 and it is expected to be commissioned by the end of February, 2023. The Ministry will in the coming financial year 2023/24, be facilitating the implementation of several IPP projects which are either at PPA negotiations, feasibility studies and sourcing financing. The list of these IPP projects is as depicted in Table 7.11.

TABLE 7.11 LIST OF IPP PROJECTS

S/N	Projects Name	Location	Technology	Status
1	34MW Greencells	Zomba	Solar with BESS	PPA Negotiations
2	75MW AZA	Salima	Gas	PPA Negotiations
3	87 MW Rukuru Coal	Rumphi	Coal	PPA Negotiations
4	40MW Atlas Balaka Solar	Balaka	Solar with BESS	PPA Negotiations
5	151MW Kindiwe Wind Farm	Dedza	Wind	PPA Negotiations
6	40MW Voltalia	Dwangwa	Solar with BESS	PPA Negotiations
7	261MW Bridgin Foundation	Rumphi	Fufu Hydropower	PPA Negotiations
8	219MW Bridgin Foundation	Blantyre	Kholombidzo Hydropower	PPA Negotiations
9	51MW Nyika Hydropower	Rumphi	Hydro Power	PPA Negotiations
10	50MW EGENCO	Chintheche	CCTG	Full Feasibility studies being conducted
11	50MW Elsewedy	Chintheche	Solar with BESS	Full Feasibility studies being conducted
12	50MW AMEA	Lilongwe Rural	Solar with BESS	Full Feasibility studies being conducted
13	100MW L&T solar	Phombeya	Solar with BESS	Full Feasibility studies being conducted
14	100MW Sim Energy	Rumphi	Coal	Full Feasibility studies being conducted
15	50MW Press Corporation Group	Kasungu	Solar	Full Feasibility studies being conducted
16	120 Aspin	Salima	Gas	Full Feasibility studies being conducted

17	60MW ESA	Nkhoma	BESS	Full Feasibility studies being conducted
18	22MW Vidul Energia Ltd	Dwambazi, Nkhotakota	Hydro	Full Feasibility studies being conducted
19	22MW Illovo	Nchalo	Bagasse	Full Feasibility studies being conducted
20	11MW Illovo	Dwangwa	Bagasse	Full Feasibility studies being conducted
21	30MW GEAPP/PML	TBC	BESS	Tendered
22	350MW Jindal	Balaka	Coal	Full Feasibility studies being conducted
23	20MW Hydropol	Thyolo	Hydro	Full Feasibility studies being conducted
24	10MW Gebis	Blantyre	Gebis WtE Power plant	Waiting to reach financial close
25	50MW Quantel	Bwengu	Solar	Waiting to reach financial close
26	50MW Droege	Mzimba	Wind	Waiting to reach financial close
27	20MW Droege	Mangochi	Solar	Waiting to reach financial close
28	41MW HE Power	Mbongozi	Hydropower	Waiting to reach financial close

Source: Ministry of Energy

7.4.8 Malawi Electricity Access Project (MEAP)

Government through the Ministry of Energy with support from the World Bank is implementing MEAP which will run from 2020 to 2024. The main objective of the project is to increase access to electricity through both, grid and off-grid solutions. The Ministry of Energy and ESCOM Limited are the 2 implementing agencies of the project. MEAP has a total budget of US$ 150 million in form of credit and a grant. The project has three components: grid electrification, off-grid market development fund, and technical assistance and capacity building. MEAP is targeting 280,000 households to be connected to the grid, and 200,000 houses to be connected using off-grid solutions. It is envisaged that these targets will increase access rate to grid electricity to reach 32 percent at the national level by the end of 2024.

In the period under review, procurements of technical support (Consultancy Services) and Materials were concluded and delivery of some materials (i.e., meters and poles) had been done. Substantially, actual customers were planned to commerce in earnest by December 2022. The immediate commitment is to connect a total of 30,000 customers by March 2023 and ramped up to 180,000 customers in the next two years.

On off-grid space, in 2022/23, the Ministry of Energy procured Fund Manager who has so far produced Project Operation Manual for the Off-grid Market Development Fund, now called Ngwee Ngwee Ngwee Fund. 9 Solar Companies had been pre-selected to submit their business plans as part of the application for the loan and Result Based Finance. First disbursement of loans to participating solar Companies in line with completed contracts is expected to be completed by end of March, 2023.

7.4.9 Access to Clean and Renewable Energy (ACRE) project

Access to clean and Renewable Energy is a four-year project running from January 2020 to December 2023. The project is being implemented by the Ministry of Energy with funding from UNDP. The goal of the Access to Clean and Renewable Energy (ACRE) Project is to increase access to clean, affordable, reliable, and modern energy by enhancing the sustainability, efficiency and cost effectiveness of energy technologies.

7.4.9.1 Clean Energy Mini-grids

The project mainly generates electricity from solar and hydro resource through development of mini-grids. Specifically, the project is supporting development of three green field mini-grids in Zomba at Chisi Island, Ntcheu at Mwansambe, Mzimba at Malidadi and 2 existing mini-grids in Mzimba at Kasangazi and Rumphi at Mantchewe. The Feasibility studies and detailed designs were completed for the green field mini-grids and the contractor for construction works is on the ground at Chisi. For Mwansambe and Malidadi the tenders are expected to be floated in the first quarter of 2023.The project is significant as it contributes to the country’s goal of universal Access to Electricity by 2030.

7.4.9.2 Leveraging Nationally Determined Contributions (NDCs) to Achieve Net-Zero Emissions and Climate-Resilient Development, in Response to the Climate Emergency Project

The project focuses on Scaling-up adoption and implementation of climate-resilient infrastructure technologies related to energy for greening the environment and Strengthening implementation of forestry landscape restoration measures to enhance ecosystem management; and Improved climate-resilient agricultural practices. This project is being carried out in six districts (Nkhotakota, Lilongwe, Ntchisi, Dowa, Zomba and Machinga) of the country. Due to the energy element in the project’s intended output, the Ministry of Energy was requested to work together with UNDP and EAD in implementing the project as a technical advisor. In collaboration with the district councils, the Ministry conducted energy needs assessment and beneficiary identification in all the project districts.

In the 2022/23, needs assessment and detailed designs for the Solar Home Systems (SHS) were completed and 2,000 systems were reported to be in transit from manufacturer with expectations to be delivered in January 2023.

7.4.9.3 Developing a National Framework for Leapfrogging to Energy Efficient Refrigerators and Distribution Transformers

In the year under review, The Ministry responsible for energy in collaboration with Basel Agency for Sustainable Energy (BASE) together and the SADC Centre for Renewable Energy and Energy Efficiency (SACREEE) implemented a Green Climate Fund (GCF) Readiness project on 'Developing a National Framework for Leapfrogging to Energy Efficient Refrigerators and Distribution Transformers'.

The project aimed at developing national policy roadmaps and regulatory framework, for Minimum Energy Performance Standards (MEPS), High Energy Performance Standards (HEPS) and a MV&E framework for residential refrigerators and distribution transformers. The national policy roadmap for energy efficient refrigerators and transformers was developed and voluntary national testing standard were adopted.

Chapter 8

TRADE AND INDUSTRY

8.1 Overview

The trade and manufacturing sector performance during the period under review, 2022, has been a mixed bag. Emerging straight from facing protracted adverse impact of the COVID-19 pandemic in 2021, the sector faced an adverse business environment with numerous challenges such as erratic supply of electricity and unavailability of foreign exchange as well as the Russia-Ukraine War. Despite these challenges, the sector registered some growth in form of continued recovery from COVID-19 pandemic. Government continues putting in place measures aimed at creating a favourable business environment. As such, there is a projected positive outlook for the sector in 2023 which is aligned to Reserve Bank of Malawi's quarterly economic review whereby the sector is expected to register some growth owing to slowly normalising business environment.

The subsequent sections in this chapter details out performance of the trade and industry sector in Malawi in 2022 and projections for selected indicators in 2023. Subsection 8.2 covers the overall performance of the manufacturing and trade sector, Subsection 8.2.1 covers the trade sector in terms of exports and imports performance figures, Subsection 8.2.2 covers the manufacturing sector, and manufacturing GDP growth rates. Under the same manufacturing sector, a discussion on production volumes has been done for industries in the manufacturing, electricity and water supply under Subsection 8.2.3 index of industrial production, Section 8.3 discusses challenges in the manufacturing industry and trading sector. Lastly, Section 8.4 discusses 2023 expected outlook as per some parameters.

8.2 Manufacturing and Trade Sector Performance in 2022

8.2.1 Exports and Imports

The country's merchandise trade positions continued on the trade deficit trajectory. Provisional results from the Reserve Bank of Malawi (RBM) show that in the first half of 2022, the country reported consecutive trade deficits of almost US$981.70 million. Previously, the deficit grew by almost 7 percentage points between 2020 and 2021 from US$1,920.20 million to US$2,046.50 million. The consistent growth in the national merchandise trade deficit is owed to weak export growth which could not offset huge appetite for imports in the country.

Between 2020 and 2021 for instance, exports only grew by 30 percentage points within the hundreds base, against imports which grew by 14 percentage points but coming from a thousand base as per Table 8.5.

TABLE 8.1: MERCHANDISE TRADE (US$ MILLION)

	2020	2021	2022Q1*	2022Q2*	2022 first half
Exports (f.o.b)	767.80	1,001.70	182.90	168.70	351.60
Imports (c.i.f)	2,688.00	3,067.40	571.20	762.20	1,333.40
Trade Balance	(1,920.20)	(2,046.50)	(388.20)	(593.50)	(981.70)

Source: The Reserve Bank of Malawi
*Projections

Apart from a manufacturing sector that is still manifesting to be weak for the export market, the decline in exports mainly resulted from dwindling numbers in tobacco exports. There was for instance a 49 percentage points decrease in tobacco exports to US$27.7 million during the second quarter of 2022 from US$54.7 million, reported in the first quarter. On the other hand, the growing import bill can be explained by an increase in the importation of our usual large items in our import basket namely fuels, pharmaceuticals, fertilisers and vehicles.

8.3 Manufacturing Sector Performance

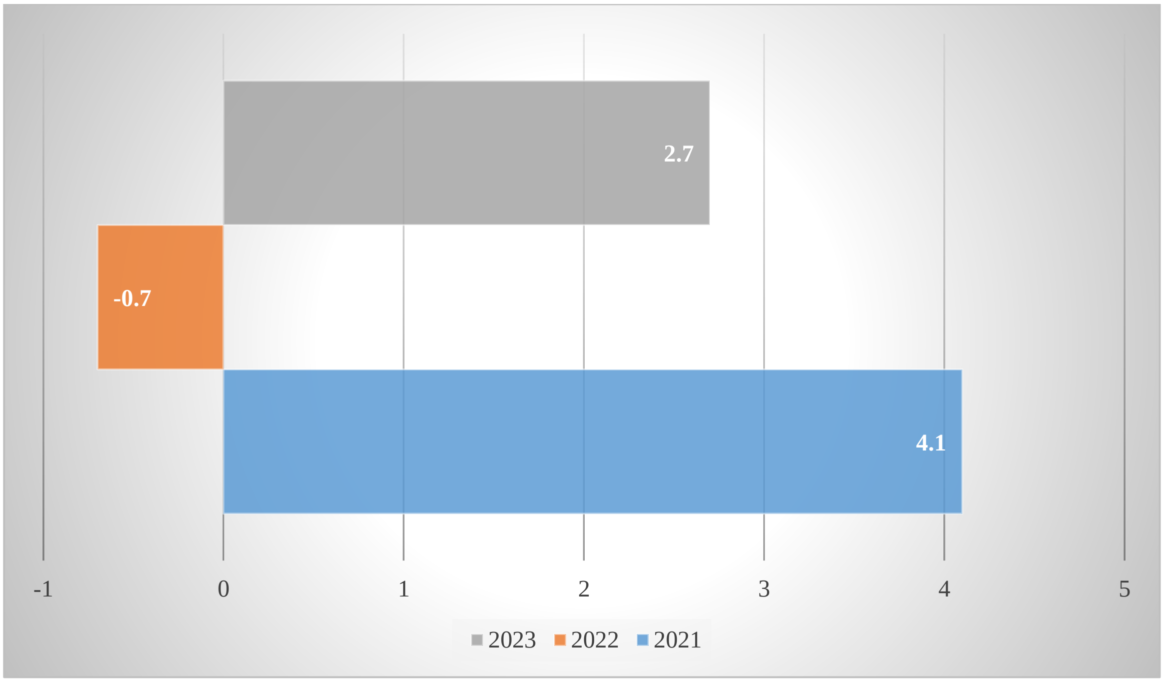
8.3.1 Overall

As the manufacturing sector was recovering from effects of the COVID-19 pandemic, 2022 brought its own bunch of factors which dragged the sector. The erratic power supply, foreign exchange shortages and a slowdown in agricultural sector output, where the sector sources much of its raw materials saw the manufacturing sector grow at a negative rate. In addition, as an infant industry whose inputs are mostly imported, the Russia-Ukraine war and the devaluation of the kwacha have led to shortages and high cost of inputs. However, going into 2023 the manufacturing sector is projected to expand as the external factors hindering growth in the sector are expected to slowly normalise, including the improvement in energy production following the investments into rehabilitations in the electricity sector.

8.3.2 Manufacturing GDP Growth Rates

In 2021 as the manufacturing sector reeled from COVID-19, it registered notable growth pegged at an average of 4.1 percent as per figures from the National Accounts and Balance of Payments. However, as COVID-19 effects were waning off, the manufacturing sector faced a number of other equally daunting challenges in 2022.

FIGURE 8.1: MANUFACTURING GDP GROWTH RATES (IN PERCENTAGE)



Source: National Accounts and Balance of Payments (NABOP).
*NABOP Projections

The agricultural sector, which provides a good amount of raw materials for the manufacturing sector, went down three consecutive times. This, coupled with erratic power supply and lack of prioritisation for the manufacturing sector in terms of power, devaluation of the local currency which made sourcing of imported raw materials become expensive, and foreign exchange challenges, saw 2022 growth rates for the manufacturing sector revised downwards to negative 0.7 percentage points on average.

Going into 2023 we expect considerable improvements in the macroeconomic environment. Electricity supply is expected to pick up within the first half of the year, the foreign exchange situation is also expected to normalise with the coming in of the Rapid Credit Facility from the International Monetary Fund. Hence the sector is expected to pull through by an extra 3.4 percentage points in 2023 to grow by 2.7 percent on average.

8.3.3 The Index of Industrial Production (IIP)

The Index of Industrial Production is derived from production volumes data for industries in the manufacturing, electricity and water supply as classified under the International Standard of Industrial Classification (ISIC). IIP basically captures average movements in volume of goods produced by Malawi industries in the manufacturing, energy and water supply from one period to another. Manufacturing comprises 91.45 percent of the weight of items included in the Index of

Industrial Production. The most recent figures on IIP from the National Statistics Office are for 2021. There are neither provisional figures for 2022 nor projection for 2023.

On average, industrial production levels in Malawi in 2021 went down by about eleven percentage points below the 2020 levels. Output in the manufacturing industry for 2021 was 18.4 percent lower than in 2020. Utilities recorded about 39 percent increase in production from 2020 to 2021.

Under manufacturing sector, on average, Manufacturing of other non-metallic mineral products like cement recorded a highest increase from 2020 to 2021 at 59.7 percentage points, followed by manufacturing of beverages at 5.9 percentage points. The least was manufacturing of tobacco which showed a decline of about 47 percentage points.

TABLE 8.2: VOLUME OF INDUSTRIAL PRODUCTION

ISIC 2 Digit	Description	Weight	2020	1st Quarter - 2021	2nd Quarter – 2021	3rd Quarter - 2021	4th Quarter - 2021	2021	Year on Year Quarterly % Change
10	Manufacture of food products	22.3	104.8	114.6	91.7	101.0	107.7	103.7	**-1%**
11	Manufacture of beverages	8.6	110.3	109.2	94.6	120.4	143.4	116.9	**6%**
12	Manufacture of tobacco products	40.5	74.5	0.6	40.5	98.0	20.2	39.8	**-47%**
20	Manufacture of chemicals and chemical products	10.9	88.0	74.9	102.5	96.4	66.1	85.0	**-3%**
22	Manufacture of rubber and plastics products	6.2	81.2	63.0	76.3	66.5	102.7	77.1	**-5%**
23	Manufacture of other non-metallic mineral products	2.9	59.1	104.9	125.1	105.6	41.8	94.3	**60%**

Source: National Statistical Office

8.4 Challenges Facing the Trade and Manufacturing Sector

The trade and manufacturing sector was generally affected by issues of energy, foreign exchange and fuel availability. Owing to the manufacturing sector's large dependency on imported raw materials, and the ever-growing appetite for imported products in the trading sector, the trade and manufacturing sector faced critical challenges largely due to erratic availability of foreign currency in the country. The foreign currency unavailability also exacerbated the fuel unavailability situation. Many manufacturing industries were forced to run on fuel-powered generators which was not economical, at the same time the trading sector was crippled due to distribution issues.

8.5 Expected Performance in 2023

The manufacturing sector is projected to grow, on average, by 2.55 percentage points in 2023 premised on the expected normalisation of the external factors inhibiting growth in the sector. The expected completion of rehabilitation works on the Kapichira Hydro Power Plant are expected to bring some normalcy to energy issues. The ticking up inflow of budgetary support from the donor community is also expected to normalise the foreign exchange situation in the country which will translate into stable fuel supply.

Chapter 9

EDUCATION, SCIENCE AND TECHNOLOGY

9.1 Overview

The Malawi 2063 aims to transform Malawi into an inclusively wealthy and self-reliant industrialized upper middle-income country by the year 2063. The Education sector under Human Capital Development Pillar, therefore envisions Malawi to be a highly knowledgeable people with relevant quality education that incorporates a strong element of academic excellence and technical and vocational skills fit for the labor market, entrepreneurship and implementation of the Vision. Developing human capital through education, skills and health of the population should play a pivotal role in the transformation of the economy. It is therefore important that the availability, accessibility and quality of education at these levels be improved so that learning outcomes are equitable and the productive skills of the youth are developed.

The Ministry of Education (MoE) is the policy bearer in the provision of education in the country, and provides education in collaboration with faith-based organizations, as well as the private sector. Other ministries, including those responsible for youth, gender and labour, complement the MoE in the provision of both formal and non-formal education. The Ministry of Gender, Community Development, and Social Welfare leads in the provision of Early Childhood Development (ECD), while the Ministry of Youth and Sports leads in the provision of sports and other services targeting out-of-school youths, and the Ministry of Labour leads in the provision of technical skills training.

The National Education Policy (NEP) and National Education Sector Investment Plan (NESIP) 2020-2030 guide programming in the education sector in alignment to the Malawi Implementation Plan-1 of the Malawi 2063. The policy prescriptions include free primary education, Re-admission Policy and National Grade Wise Promotion Policy. Recent education policy development initiative includes Higher Education Policy, National Open and Distance E-learning Policy and National Education ICT Policy. The implementation of NESIP is also aligned with the Sustainable Development Goals 4 whose focus is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

9.2 Structure of the Report

This report highlights key developments registered in Education sector in the year 2022-2023 financial year. It sets out key indicator performance and sector achievements including budget performance as well as implementation of development projects. The report is organised into heading and sub-heading - key indicator performance and achievements that includes Primary education subsector, Teachers for primary education, Secondary education subsector, Teachers for secondary education, Technical education, Higher education subsector, Budgetary achievements and Development projects.

9.3 Key Indicators, Performance and Achievements

9.3.1 Primary Education Subsector

The Primary subsector aims to promote access and equity, as well as quality and relevance, in primary schools across the country. The movement in a number of NESIP indicators at both the outcome and output levels is used to measure the subsector's year-on-year performance. Table 9.1 shows some of the important indicators that the Ministry uses to track the progress of its programs and projects based on the Education Management Information System (EMIS) 2022.

TABLE 9.1: SELECTED NUMBER OF PERFOMANCE INDICATORS UNDER BASIC EDUCATION

Indicator	2022	2021	Growth Rate
Enrolment (public)	4,783,093	4,956,667	-3.50
Percentage of Special Needs Enrolment (Primary)	3.30	3.28	0.61
Gender Parity Index	1.04	1.05	-0.95
Pupil-Permanent-Classroom ratio	98.00	102	-3.092
Repetition rate	25	21	-19.05
Completion rate	56	50	12.00

Source: MoE Calculations, EMIS database 2022

According to EMIS 2021/22 data, enrollment growth in public and religious schools in 2022 has declined by 3.5 percent from the 4.96 million students enrolled during the previous year. The number of school-aged children (6 to 13 years old) estimated by the Net Enrolment Rate (NER), which indicates enrollment in schools, has also decreased. The NER has stayed at 88 percent in 2022 (88 percent girls and 87.9 percent boys). The Special Needs Enrollments in 2022 increased by 0.61 percent from last year's share of the total primary school enrolment. The total number of learners with special education needs was 164,130 in 2022 representing 0.86 percent increase from previous year's enrollment of 160, 153. The general reduction in enrollment during the study period was attributed to school closures owing to the COVID-19 outbreak, as communities were hesitant to send their children back to school. The Gender Parity Index (GPI) in the public schools maintains near equity, at 1.04 in 2022, with a discrepancy in favor of female students. This suggests that policy efforts to boost females' education are beginning to bear fruit.

The Net Intake Rate (NIR) is the proportion of 6-year-old learners who enter or are enrolled in primary school. In 2022, the NIR for both boys and girls fell to 75.9 percent (77.7 percent for girls and 74.1 percent for boys), down from 76 percent the previous year. The modest reduction reflects lack of government policy commitment to primary school enrolment as a critical factor in increasing NER. The gender gap in population growth is the cause of the imbalance between boys and girls.

One of the top priorities for the National Education Policy and Strategy is the provision of classrooms. The pupil permanent classroom ratio (PpCR), which has a target PpCR of 60:1, gauges how well schools are progressing in their construction. The PpCR improved over the reviewed year, falling from 102 in 2021 to 98 in 2022. The cost-effective classroom construction that was finished in 2020 and the overall decline in primary enrollment may be responsible for the PpCR's decline.

Additionally, through the Improving Primary Education (IPSE) Project, the Ministry started upgrading 60 teaching practice primary schools under Lilongwe, Blantyre and St. Joseph's TTCs which involves construction of new classrooms, student teachers' houses, administration blocks and rehabilitation of existing facilities. The prevalence of COVID-19 demanded that education must be provided in decongested classrooms to a maximum of 40 learners per classroom. This has further increased the demand for classrooms in primary schools yet COVID -19 over the past three years slowed down construction of classrooms.

9.3.1.1 Efficiency Indicators

The Ministry primarily employs three crucial efficiency indicators to track progress in reinforcing educational standards. These consist of the completion, dropout, and repetition rates. When compared to goals, the Education sector's performance during the reviewed year was inconsistent in terms of efficiency indices. Repetition rates, which calculate how many students repeat a standard in a given year as a percentage of those enrolled in that standard the previous year, grew to 25 percent in 2022 from 18.7 percent in 2021, suggesting that schools need to do more to motivate students to put in extra effort. Repeaters typically place a significant burden on schools by consuming more public resources than would otherwise be necessary.

The percentage of students that successfully complete their final year of primary education in the nation, or completion rate, increased during the time period under consideration. The completion rate for primary education has been estimated by EMIS statistics to be 56 percent in 2022, up from 50.0 percent in 2021. This indicates that primary schools are making an effort to make sure that students pass their present grade level. Additionally, the percentage of primary school dropouts increased slightly this year, going from 3.4 percent in 2021 to 4.7 percent in 2022, with dropout rates for males being 4.7 percent and for girls being 4.8 percent. Key reasons identified for the rise in drop outs included, school closures due to floods, family responsibilities, poverty and truancy.

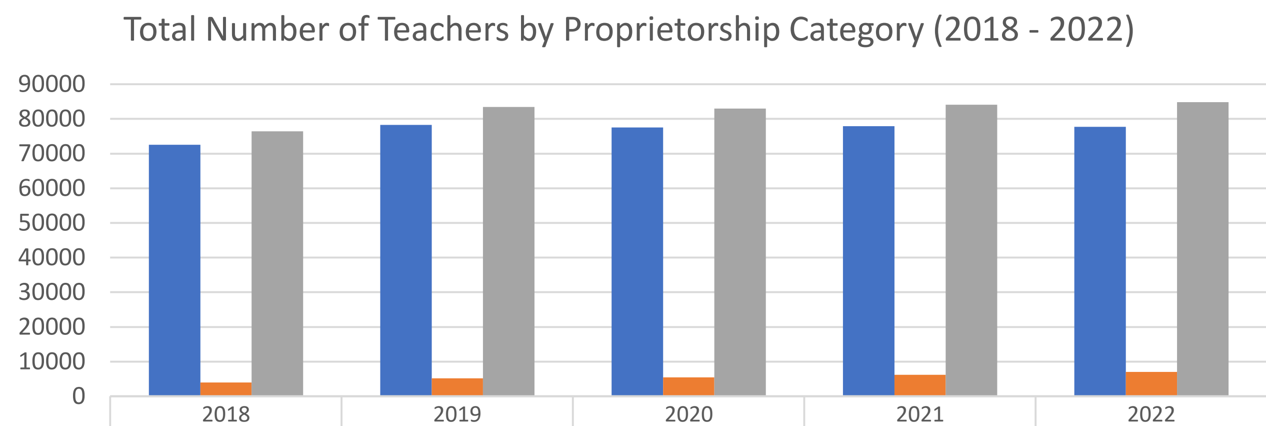
The resulting loss of income and productivity arising from the affected children is a source of concern for policymakers concerned about economic growth and global competitiveness.

9.3.2 Teachers for Basic Education

The Ministry is building Teacher Training Colleges (TTCs) to increase teacher preparation in accordance with the NESIP 2020–2030 goal of enhancing the quality of education. Three TTCs, in Chikwawa, Rumph, and Mchinji, are in in the advanced stages of construction. The average completion levels was 85 percent as of December 2020, while completion levels for each of the TTCs were 100 percent for Chikwawa, 95 percent for Rumphi, and 95 percent for Mchinji. After the completion of the new TTCs, which can accommodate 1,800 student teachers every cohort, the total number of beds in public TTCs will grow from 4,490 to 6,290, reflecting a 40 percent increase. However, to reduce the present 62:1 PQTR to 60:1 PQTR by 2025, considering the current yearly teacher turnover rate of 3 percent, an increase in bed capacity of at least 10,000 qualified teachers is necessary.

PQTR for 2022 is still set at 62. Although this is a commendable decrease over the PQTR from the previous year, it may also be a result of a combination of teacher attrition and a decline in enrolment. Compared to the NESIP targets for the national pupil qualified teacher ratio, the primary education subsector has always had a teacher shortage (PqTR). The COVID-19 pandemic required that students learn in uncrowded classrooms, which increased demand for teachers. In order to fill classes, the ministry hired and placed approximately 4,125 auxiliary teachers in 2,094 primary schools with high enrolment during the reviewed year. According to Figure 9.1, there has been a growth in the overall number of teachers employed by both private and public schools over time.

FIGURE 9.1: TOTAL NUMBER OF TEACHERS DISAGGREGATED BY OWNERSHIP CATEGORY (PUBLIC VS PRIVATE)



	2018	2019	2020	2021	2022
Public	72499	78265	77523	77929	77755
Private	3943	5167	5508	6157	7043
Total	76442	83432	83031	84086	84798

Source: Ministry of Education

9.3.3 Secondary Education Subsector

In spite of its recent financing shortfall, the Secondary subsector has continued to advance over the years. The number of secondary schools has grown from 1,524 in 2021 to 2,538 in 2022. In 2022 transition rate has increased from 3.6 percent to 42.5 from 38.9 of the previous year. The growth was the greatest in recorded history. According to EMIS statistics from 2022, the subsector's overall enrollment increased by 12.5 percent, from 392,229 to 441,102 students. Additionally, the Net Enrolment Rate rose from 14.6 percent to 16.6 percent.

The Ministry is also constructing new schools and expanding the ones it already has as a means of increasing access to secondary education. Out of the 38 new secondary schools that were started as part of the Secondary Education Expansion for Development (SEED) Project, Phase II Group 1, 28 have been finished, given over to the government, and are currently in operation. Construction is anticipated to begin in the first quarter of 2023 on the 51 sites that make up SEED Phase II, Group 2 that were tendered in 2022.

The 103 Rural CDSS and a few traditional secondary schools are being expanded through the Equity with Quality and Learning at Secondary (EQUALS) Project. Civil works procurement procedures were completed in 2022, and most locations saw the start of construction in December of that same year. It is anticipated that all of the sites' construction would be finished by the end of 2023.

The additional 40 secondary schools will be expanded as part of the Improving Secondary Education in Malawi (ISEM) II Project. Construction will begin in 2023 after the sites were identified and the requirements assessed in 2022. Other classroom blocks have been constructed in several CDSS by additional partners including Let Build Foundation.

The government is also making a lot of effort to increase secondary education access for disadvantaged students. 21,861 students, 56 percent of whom were female, received bursaries from the government, the private sector, and non-profit organizations in the year under review. These initiatives will support secondary education equity. The lack of available beds for females in district boarding schools, however, continues to be a major issue.

9.3.3.1 Efficiency Indicators

One of the issues preventing universal access to education is student dropout, mainly due to inability to pay tuition. The dropout rate has nevertheless fallen from 7.3 in 2021 to 4.5 in 2022. This has been ascribed to the implementation of the secondary school bursary program, which was designed to increase both boys' and girls' access to and retention in education.

Repetition rate is an early predictor for students leaving secondary school before graduation and the subsequent condition of being over age for the grades. In the year 2022, a total of 10,682 students (5,577 female students and 5,105 male students) repeated a class against 9,831 students who repeated in 2021. The reintroduction of Junior Certificate might be a contributing factor.

9.3.3.2 Libraries and Science Laboratories in Secondary Schools including Virtual Libraries

Although learning resources may now be simply and conveniently accessible online, physical libraries are still useful in Malawi. Libraries are essential to education because they serve as access points to knowledge and culture. The majority of secondary schools in the country do not have a library. There are 684 secondary schools, but only 597 possess science labs and libraries. As such, more financing is required to create, equip, and operate libraries—including virtual ones funded by the Directorate of Science, Technology, and Innovation—in all schools across the nation.

The Ministry through Mzuzu University has developed a game based application called MiLab. This will allow students, especially in rural areas, to conduct unlimited virtual experimentation in science subjects. The virtual lab has the potential to mitigate the problems of lack of access to traditional and under equipped laboratories and congestion which affect quality of lesson delivery in most of the community day secondary schools.

9.3.3.3 Teachers for Secondary Education

Government is also committed to improving the quality of teaching at secondary school level and management of secondary schools. In 2022, Government recruited 2,599 secondary school teachers. In a bid to improve management of secondary schools, 1,432 head teachers and deputy head teachers have been trained in School Management and Instructional Leadership, which is a one-year certified program offered by the School of Education in the University of Malawi in conjunction with Malawi Institute of Education.

9.3.4 Technical Education

Malawi, like other LDCs, is investing in expanding access to and increasing the quality of science education. Malawi's long-term development strategy, Malawi 2063, and Malawi Implementation Plan 1, acknowledges that investing in technical education is a critical component of increasing economic productivity. Human resource development under Malawi 2063 recognizes that Malawi's young population is the biggest potential source of wealth. Developing human capital through education, skills, and population health is crucial to economic transformation. The focus of the reintroduction of technical education in elementary and secondary schools has been on ensuring that pupils gain the requisite scientific and technology abilities.

Through the ISEM 1 and 2 projects, the Ministry of Education was able to rebuild and equip technical laboratories/workshops in 12 secondary schools around the country. These are the schools that used to provide vocational training in topics including tinsmithing, woodworking, metalworking, and technical drawing. In addition, the Ministry is also seeking to reintroduce technical subjects (such as handcrafts, agriculture, and home economics) in 24 model primary schools. Through these subjects, students are able to gain occupational skills that allows them to earn a living or served as a suitable foundation for additional studies in technical fields. The plan is for TEVET systems to support technical education through technical teacher training, policy-related research and development, and governance and management.

Malawi has now more than two decades of experience with system reforms, curriculum development, and teacher preparation for primary, secondary, and higher levels of scientific education. Despite great progress, the impact of these activities has not always met expectations. Labor shortages for scientifically and technically qualified personnel have persisted, limiting the development of new productive enterprises and impeding the growth of existing ones; teaching and learning practices have been slower to change than many curriculum developers anticipated; and increased access to science education has raised awareness of differences in quality and participation associated with urban and rural differences, as well as gender differences.

9.3.5 Higher Education Subsector

The goal of the higher education sub-sector is to increase equitable access to higher education, improve skills, improve quality and relevance for industry or market, and establish efficient and effective governance and management systems This section lists some of the most important metrics that the Ministry uses to monitor the performance of NESIP metrics for both outcomes and impacts in its projects. The Higher Education Institutions (HEIs), the National Council for Education (NCHE), the Higher Education Students Loans and Grants Board (HESLGB), and the current EMIS 2022 were the sources of the data.

9.3.5.1 Student Enrolment

According to NESIP 2020–2030, the Ministry aspires to raise overall enrollment in HEIs from 30, 970 in 2019 (baseline) to 85,000 in 2030, with 45,500 enrolling at the NESIP mid-point in 2025.

9.3.5.1.1 Enrolment in Public Higher Education Institution

In the year 2022/23, student enrolment in public higher education institutions increased from 44,797 students in 2021/22 to 45,309 students representing a 1.14 percent increase. Table 9.2 shows the 2022/23 enrolment for each public HEIs.

TABLE 9.2: PUBLIC INSTITUTIONS STUDENT ENROLLMENT FOR 2022/23

Serial No	Institution	2021 Enrolment	2022 Enrolment
1	University of Malawi (UNIMA)	6,353	10,592
2	Mzuzu University (MZUNI)	9,507	8,227
3	Lilongwe University of Agriculture and Natural Resources (LUANAR)	11,172	7,395
4	Malawi University of Science and Technology (MUBAS)	6,549	6,939
5	Kamuzu University of Health Sciences (KUHES)	2,863	3,074
6	Malawi University of Science and Technology (MUST)	2,951	2,822
7	Domasi College of Education (DCE)	1,265	1,642
8	Nalikule College of Education (NCE)	840	864
9	Malawi College of Accountancy (MCA)	2,375	2,313
10	Malawi Institute of Management (MIM)	922	1,441
	Total	**44,797**	**45,309**

Source: Ministry of Education

Though small, the rise in enrollment at public universities and colleges is promising. Furthermore, it is hoped that as the six public universities and the two colleges of education begin to implement the Skills for a Vibrant Economy (SAVE) Project, enrollment in these institutions will rise even further. The project's goal is to increase access to labor-market relevant skills, particularly for women, in priority areas of the economy.

9.3.5.1.2: Enrolment in Accredited Private Universities and Colleges

The participation of private sector has over the years contributed to increasing access to higher education. Table 9.3 presents available enrolment data in 14 of the 21 accredited institutions in the year under review.

TABLE 9.3: PRIVATE UNIVERSITIES STUDENT ENROLLMENT FROM 2020/21-2021/22

Serial No.	INSTITUTION	2021 Enrolment	2022 Enrolment
1	Malawi Assemblies of God University	1027	794
2	African Bible College (ABC)	443	406
3	The Catholic University of Malawi	N/A	5062
4	University of Livingstonia	N/A	3535
5	Malawi Adventist University	1336	1826
6	Nkhoma University	N/A	N/A
7	DMI ST. John the Baptist University	2235	3682
8	Daeyang University	N/A	N/A
9	Pentecostal Life University	420	1665
10	Exploits University	N/A	1350
11	Skyway University	212	251
12	Unicaf University	3844	1597
13	University of Blantyre Synod	N/A	77
14	Lake Malawi Anglican University	390	426
15	Share World Open University	298	351
16	Zomba Theological College	N/A	259
17	Blantyre International University	N/A	N/A
18	Jubilee University	N/A	168
19	Millennium University	N/A	N/A
20	University of Lilongwe	N/A	265
21	Marble Hill University	N/A	34
		10205	**21748**

Source: Ministry of Education

Private Higher Education Institutions continue to play a key role in absorbing students who cannot be accommodated in Public Higher Education Institutions. This contributes to widening access of higher education. Total enrolment in private universities increase from 10,205 students in 2021 to 21,748 students in 2022. However, the Ministry of Education will continue to intensify efforts to ensure that the education offered in these institutions adheres to set standards and is relevant to national and global needs.

9.3.5.2 Enrolment of Students with Special Needs Education (CEO- NC)

Mainstreaming of special needs in all programs, the training of qualified special needs teachers, and the construction of special needs units and resource centers are some of the initiatives to attain access and equity to university education.

202 students with special needs attended public and private higher education institutions during the 2021/22 fiscal year. UNIMA had the greatest enrolment (110) in 2021, followed by LUANAR (45), Domasi College of Education (11), MZUNI (10), MUST and MUBAS (8 each), Nalikule College of Education (7), and KUHeS (3).

9.3.5.3 Open Distance Learning (ODL) Programs in Higher Education

The Ministry is increasing its efforts to enhance access to higher education by introducing ODL and e-learning programs. In 2022, there were a total of (22) ODeL programs registered, with LUANAR having the largest share (8), followed by MZUNI (7), UNIMA (3), MUST (2), MUBAS, and KUHeS. (1 each). The SHEAMA Activity (Strengthening Higher Education Access in Malawi) has also contributed to a 20 percent increase in the number of ODeL pupils at public universities. However, both public and private HEIs must be sensitized on the new options that ODeL provides for increasing access through non-traditional means that may not require as much expenditure as infrastructure expansion.

9.3.5.4 Provision of Students' Loans and Grants by HESLGB

Provision of loans and scholarships to needy, vulnerable and deserving students in both public and private universities, remains one of the key strategies that the Ministry endeavors to implement and support to ensure equitable access to higher education. Despite the fact that the allocation to the HESLGB has stayed at MK 9 billion for the previous three fiscal years, the Ministry advocated for an increase to MK12 billion in 2022. With increased funding to the Loans Board and improved loan recoveries, the HESLGB will have disbursed loans to a total of 22,423 needy students at both public and private institutions of higher learning by 2022 (14, 887 males and 7,536 females). Out of the beneficiaries, 20,613 were from public universities/colleges and 1,810 were from private institutions. This represents a 7.88 percent increase from the 2021/22 loan beneficiaries which benefitted 20,786 students. Table 9.4 shows the trend in funding and beneficiaries of loans from 2019/20 to 2022/23 financial year.

TABLE 9.4: NUMBER OF UNDERGRADUATE STUDENTS ACCESSING LOANS

Year	2019/20	2020/21	2021/22	2022/23
Number of beneficiaries	17,232	18,424	20,786	22,423
% Increase	32.20%	6.92%	20.62%	7.88%
Total amount disbursed	8.965bn	9.650bn	11.050bn	13.865bn
% increase	31.00%	7.64%	14.50%	12.55%

Source: HESLGB

Table 9.4 shows that over time, there has generally been a rise in the number of students who obtain loans. The NESIP target for 2022 is 15,050, while for the NESIP midpoint in 2025, it is 17,065. In this regard, the sector's performance is on track in terms of student loan provision.

It is also significant to note that, with the help of the SAVE project, which aims to increase equitable access to market-relevant skills in priority economic sectors, particularly for women and vulnerable youth, the number of loan beneficiaries is likely to rise over the course of the next three (3) years. Access to higher education will also be aided by the revision of the Loans Board Act of 2015 to include groups of students who are currently barred by its provisions.

9.3.6 Centers of Excellence

The establishment of Centers of Excellence is one of the prioritized actions identified for achieving NESIP 2020-2030 target of boosting higher education's capabilities, quality, and relevance for industry or market. By 2021, several Centers of Excellence had been established, including the Center of Excellence in Aquaculture (ACQUAFISH) at LUANAR and the African Centre of Excellence in Public Health and Herbal Medicine (ACEPHEM) at KUHeS (Blantyre Campus-formerly College of Medicine), both of which were funded by the Eastern and Southern Africa Higher Education Centres of Excellence II (ACE II) project and estimated to have cost US$ 12 million each. Enhancing universities' research capabilities, is the goal of creating Centers of Excellence so that they may better meet market demands.

In 2022, the Ministry mobilized funding for five (5) Centres of Excellence under the World Bank-funded Africa Centres of Excellence Additional Funding (ACE II AF) project at a total cost of US$ 30 million. These include the recapitalized ACQUAFISH at LUANAR and the following four (4) new Centres:

i. Regional Centre of Excellence in Agricultural Policy Analysis (APA) hosted at LUANAR;
ii. Centre of Excellence in Transformative Agriculture Commercialization and Entrepreneurship (TACE) hosted at LUANAR;
iii. Centre for Resilient Agri-food Systems (CRAFS) hosted at UNIMA; and
iv. African Centre of Excellence in Underutilized and Neglected Biodiversity (ACENUB) hosted at MZUNI.

Additionally, in 2022, the MUST Institute for Industrial Research and Innovation and the Incubation Centre, which had already been established in 2021 at MUST and MUBAs respectively and the ICT Incubation Hub at MZUNI, which had already been established in 2020 as part of the Jobs for Youth Project funded by AfDB, were all upgraded. As a result, there are already ten (10) centers that have been created since 2020 against the 10 NESIP (2020-2030) target for 2022 and the 12 mid-term assessment target. In light of the Centers of Excellence, the sub-sector's performance is within target. These Centres augment the old Centres such as the Centre for Social Research (CSR), and Centre for Education Research and Training (CERT) at UNIMA; and Test & Training Centre for Renewable Technologies, and Centre of Excellence for Water and Sanitation at MZUNI.

9.4 Development Projects

In order to expand classroom, dormitory, and office space as well as enhance overall operations at public higher education institutions, the Ministry is putting infrastructure development initiatives into action. Several projects are underway to repair the existing infrastructure in public HEIs in addition to new building. The majority of the projects are funded by Malawian Government's Public Sector Investment Programs (PSIP), while others are supported by either the private sector through the Public Private Partnership Commission (PPPC) or development partners.

With MK13 billion in funding assistance from the Japanese government (JICA), the government continued to upgrade and expand Domasi College of Education in 2022. One computer lab, two-storey building with laboratory block for chemistry, biology, and physics, special needs education unit, office complex with 23 rooms, and a 144-bed space hostel block for female students are among the project's key components. The library has a capacity of 40,000 volumes of books and 500 reading spaces. The completion rate is 98 percent, and the deadline for completion is the end of January 2023. On January 27, 2023, a technical handover is expected to be done. Once completed, it is envisaged that the project will significantly increase both access to and the standard of higher education.

The construction of a library with a capacity of 5000, an auditorium, and related external works at the Luwinga Campus continued as well at Mzuzu University. The MK7.6 billion project is supported by the government through PSIP, and as of 2022, the financial progress was 48 percent. The project started on February 8, 2021, and while its original completion date was February 7, 2023, it will now be finished on December 8, 2023. The National Construction Industry Council (NCIC) issued a stop order for the project on October 5th, 2021, since the contractor had not met the requirement that foreign construction companies subcontract 30 percent of the contract value of the works to indigenous Malawian owned firms. The issue has been resolved and construction works is in progress at 40 percent. It is expected that completion of the project will improve delivery of education for an increasing number of university students through face to face and open distance learning programmes.

The Malawi University of Business and Applied Sciences (MUBAS) started building a research, teaching, and learning complex during the year under review. The estimated cost of the project, which is supported by the PSIP, is MK80 billion and MK800 million was allocated for the development of detailed drawings. A consultant was hired to develop the comprehensive designs and oversee finishing components. The project began on June 25, 2022, and is anticipated to be finished by June 14, 2027. The project is anticipated to provide the university with better facilities that will enable it to extend access to higher education and strengthen research abilities at both the undergraduate and graduate levels.

With support from PSIP, the University also began rehabilitation on the Ndirande Hostels and Associated External Works. The project's goal is to repair and upgrade the building's infrastructure, make it habitable and secure, and enhance the delivery of housing services to the students. The MK649, 348,130.35 project started on 22nd February, 2022 and was expected to be completed on 30th July, 2022. The project is currently within the estimated budget. When complete, the expected benefits are better accommodation facilities to MUBAS students.

The Mini-Industrial Park being constructed by Malawi University of Science and Technology (MUST) was projected to be finished in December 2022 which began in March 2021. The project will cost MK2.368 billion, and as of 2022, 60 percent of the budget had been used. The Industrial Park, which will be home to a number of businesses, is anticipated to primarily enhance educational standards, boost the university's ability for revenue generation, support research and development, and accelerate Malawi's innovative and productive development. Additionally, in June 2022, MUST began building a purpose-built science lab complex, with completion anticipated in June, 2025. MK14.3 billion is the project's estimated cost with funding from PSIP. The financial progress in 2022 was 20 percent of the budget. The University, on the other hand, continued with MUST renovation and Teaching Hospital expansion, which began in August 2021 under PSIP and is anticipated to be completed in August 2025. The project will cost MK5.45 billion, and in 2022, 15 percent of the budget was absorbed.

The Public Private Partnership Commission (PPPC) project to build hostels at MUST, which fell through in 2021 after having already advertised for investors, was revamped in 2022. Contract negotiations with Future Life Africa were conducted, and a financial plan for constructing a facility with a capacity of 2,400 beds was also developed. Construction work will start by April 2023 after the model has been reviewed and approved.

With support from PSIP, Kamuzu University of Health Sciences (KUHeS) began building an administration block at its Blantyre Campus in the year 2022. The project, which started on 11th April, 2022 and is projected to be finished by May 26 of 2025, costs MK17.9 billion During the period of report, the physical progress was at 8.04 percent. When completed, the project is expected to create a conducive environment for staff and increase teaching and learning space for students through the construction of: 40 offices, 4 open offices and 7 meeting rooms; a cafeteria; an in-house clinic for staff and students; 2 Archives to store university records and files and 600 seating capacity multi- purpose hall.

In the year under review, the University of Malawi was undertaking 2 PSIP projects, namely the construction of an administration building and Phase 2 of the School of Economics. The MK8.9 billion Administration block project started in August 2021 and is anticipated to be finished in August 2023. Due to shortage of cement in the nation and the lack of foreign exchange needed to import it as a mitigating measure, work has slowed to a 38 percent completion rate. The project received a funding of MK2.5 billion in 2022. For the School of Economics, which was estimated at 96 percent completion rate in 2021, had been 100 percent finalized as of June 2022. The building was handed over whilst awaiting an occupation certificate. The project comprises a library, an office space, lecture theaters and classrooms.

The Lilongwe University of Agriculture and Natural Resources (LUANAR) was undertaking three (3) PSIP projects during the year under review, including building an Area 47 ODL Center and an Open Distance Learning Hub at the Bunda Campus, a new teaching complex at Natural Resources College, and a multipurpose hall on the Bunda Campus. The World Bank is supporting the construction of the Aqua-Fish Centre of Excellence at Bunda College through the Africa Centre of Excellence (ACE) Project. After failing to receive a winning bidder the first time it was advertised, the project was re-tendered in July 2022. The Area 47 ODL Centre project, with an estimated value of MK4.9 billion is still under construction with an 82 percent completion rate, whereas the ODL Hub (Bunda Campus) project, with an estimated value of MK9.9 billion is at 99 percent completion rate and partially in use. The New Teaching Complex at NRC is scheduled to be finished by June 15th, 2025. Construction on it started in December 2021. The project's estimated cost is MK10.7 billion and MK2 billion was allotted for it in the 2022/23 fiscal year. The physical progress of the project is at 0.5 percent complete due to the contractor’s difficulties in getting a performance bond for the job, the multipurpose hall, with a capacity of 800 to 1000 seats, is fully completed.

To increase access to higher education, the establishment of Inkosi ya Makhosi M'mbelwa University (IMMU) remains one of the nation's flagship initiatives. With BRIDGIN Foundation as a prospective financier who signed a Financial and Governance Agreement in November 2022, the project, which started in 2015, is estimated to have a total cost value of US$480 million. To oversee the construction of IMMU, a Public Universities Working Committee (PUWC) was also established in July 2022. The possible financier will expand on the cadastral, topographic, and environmental impact assessments that were done by 2019 going forward.

9.4.1 Infrastructure Development Projects under Skills for a Vibrant Economy

The Ministry is also undertaking a variety of infrastructure development projects through the Skills for a Vibrant Economy (SAVE) Project to support Malawi's human capital development for a vibrant economy, equitable growth, and development through improved youth skills. Table 9.5 lists infrastructure development initiatives that were started in 2022 and will be carried out by public HEIs as part of the SAVE project by June 2025 with support from the World Bank.

TABLE 9.5: INFRASTRUCTURE DEVELOPMENT PROJECTS UNDER SAVE IN HEIS

Institution	Project Description
DCE	Construction of ODeL Hub
NCE	Construction of a Skills Centre
UNIMA	Construction of a Teaching and Learning Centre
MUST	Construction of 2 Lecture Theatres (of 250 seating capacity each)
LUANAR	Construction of 1 Textile and Fashion Design Learning Complex

MUBAS	Construction of a 2-Storey (ground + 1 floors) Building to house classrooms, a workshop, Laboratory, e-libraries facilities and offices.
MZUNI	Construction of an Entrepreneurs Training and Incubation Center
KUHeS - CoM	Construction of an Integrated Teaching and Innovation Hub incorporating a School of Dentistry; Centralized Teaching and Research laboratories and shared lecture theatres; a Teaching and Learning Development Centre; an ODeL unit; a Telemedicine and Continuing Professional Development unit, and an Innovation & Entrepreneurial hub
KUHeS – KCN	Construction of a Teaching Complex (4 Classrooms, 2 Science labs) and an ODeL space
HESLGB	Construction of an Office Building

Source: Ministry of Education

In the year under review, most of the beneficiary institutions were at different preliminary stages of the infrastructure development including designs and ESIA, as for UNIMA and KUHeS, they had the designs ready for implementation and were awaiting clearance to proceed with other planned activities related to construction.

9.5 Budget Achievements

In 2022/23 Financial Year (FY), the approved budget for the Education Sector was MK462.2 billion up from MK339.9 billion allocated in the 2021/22 FY. Out of the MK462.2 billion, a total of MK374.2 billion was for recurrent budget, and MK88 billion was for development outlays. Out of the MK374.2 billion for recurrent budget, Personal Emoluments (PE) was allocated MK329.7 billion which represents 88 percent of the total recurrent budget while Other Recurrent Transactions (ORT) was allocated MK44.5 billion which represents 12 percent of the total recurrent budget.

Out of MK88 billion for development outlays, Development Budget Part I had an approved budget provision of MK54.8 billion allocated both at the Ministries of Education and Gender while Development Budget Part II had an approved budget provision of MK33.2 billion which is under Ministry of Education and Education Subventions. Table 9.6 highlights the 2022/23 Education Sector Budget Performance.

TABLE 9.6: 2022-23 EDUCATION SECTOR EXPENDITURE ANALYSIS AS OF 31ST DECEMBER 2022 (MK '000,000)

Budget Category	2022/23 Approved	Funding	Expenditure	Funding Utilization	Budget Utilization
					Vote 250
PE	43,001,824,141	27,511,077,873	27,511,077,873	100%	64%
ORT	26,335,988,760	13,953,218,643	9,783,259,266	70%	37%
Of which TLMs	2,500,000,000	168,702,550	152,344,053	90%	6%
Vote 250 Recurrent Total	**69,337,812,901**	**41,464,296,516**	**37,294,337,139**	**90%**	**54%**
Development					
Part I	34,270,024,855	23,916,546,636	23,916,546,636	100%	70%
Part II	11,850,000,000	1,839,123,037	1,092,805,143	59%	9%
Development Budget Total	**46,120,024,855**	**25,755,669,673**	**25,009,351,779**	**97%**	**54%**
Vote 250 Total	**115,457,837,756**	**67,219,966,189**	**62,303,688,918**	**93%**	**54%**
Vote-900 Series: Local Councils					
PE	179,781,541,803	134,836,156,352	134,836,156,352	100%	75%
ORT	14,218,740,435	11,374,992,348	11,374,992,348	100%	80%
Total Local Councils	**194,000,282,238**	**146,211,148,700**	**146,211,148,700**	**100%**	**75%**
Vote 275:Education Subventions					
Recurrent	106,920,507,909	80,190,380,932	80,190,380,932	100%	75%
Development	21,324,992,537	14,683,197,606	14,683,197,606	100%	69%
Total Subventions	**128,245,500,446**	**94,873,578,538**	**94,873,578,538**	**100%**	**74%**
Vote 320: ECD - MGCDSW	**20,578,099,560**	**0**	**0**		**0%**
Vote 370: TVET - Ministry of Labor	**3,958,280,000**	**2,968,710,000**	**2,226,532,500**	**75%**	**56%**
Total Education Sector	**462,240,000,000**	**311,273,403,427**	**305,614,948,656**	**98%**	**66%**

Source: Integrated Financial Management Information System (IFMIS)

The funding and expenditure figures are only for 9 of the 12 months of the 2022/23 FY and the funding and budget utilizations for the education sector as at 30th December, 2022 were at 98 percent and 66 percent, respectively. Out of a budget of MK69.3 billion for Vote 250 recurrent budget, MK41.5 billion was funded and MK37.3 billion was spent, representing a budget and funding utilization of 54 percent and 90 percent, respectively. Out of a budget of MK194.0 billion for the Local Councils recurrent resources, MK145.5 billion was funded and spent, representing a budget and funding utilization of 75 percent and 100 percent, respectively. Similarly, out of a budget of MK106.9 billion for the Education Subventions recurrent resources, MK80.2 billion was funded and spent, representing a budget and funding utilization of 75 percent and 100 percent, respectively. Lastly, out of a budget of MK4.0 billion for TEVET under Ministry of Labour, MK2.97 billion was funded and spent, representing a budget and funding utilization of 75 percent and 100 percent, respectively.

Out of MK11.9 billion for Vote 250 Development Budget Part II resources, MK1.8 billion was funded and MK1.1 billion was spent, representing a budget and funding utilization of 9 percent and 59 percent, respectively. The budget utilization was very low since most projects under development part II had contractual issues where a number of contractors had abandoned the sites. Out of MK34 billion for Vote 250 Development Budget Part I resources, MK24 billion was funded and the same was spent, representing a budget and funding utilization of 70 percent and 100 percent, respectively. Out of the MK21.3 billion for Development Budget Part II for Education Subventions, a total of MK14.6 billion was funded and spent representing a budget and funding utilization of 69 percent and 100 percent, respectively.

9.6 Key Implementation Challenges

Some of the key challenges faced by the Ministry in this year under review are as follows:

i. Limited spaces in secondary education, which denies young learners from accessing secondary school education services. Currently the transition rate for secondary school is at 38 percent indicating that about 62 percent of primary school learners do not have access to secondary school education.
ii. Insufficient internet network distribution and prohibitive data costs limit both students and teachers their accessibility of e-books and other learning and teaching materials over the internet.
iii. Understaffing, large class sizes and inadequate numbers of classrooms in schools and resource centres.
iv. Ambitious and growing complex governance arrangements have resulted in inefficient education delivery in Malawi.
v. Lack of special needs resource rooms in primary and secondary schools
vi. Limited capacity of teachers on inclusive education hence need to expand training programmes on inclusive education.
vii. Inadequate provision of TLMs and assistive technologies

9.7 Science, Technology and Innovation

There is more recognition of the science, technology and innovation ecosystem among the players in the ecosystem today than years before. While it may be difficult to know the exact number of the players with growing interest in science, technology, innovation and entrepreneurship, it is however, important to report that more Malawians are making significant strides in the science and technology sector by producing innovations that are solving societal challenges. The report details efforts by Government and the stakeholders in the sector of science, technology and innovation.

9.7.1 Review of Science, Technology and Innovation Policy

In the year 2022/23, the Malawi Government through the Ministry of Education demonstrated its commitment to improve the enabling environment by initiating the review of the Science, Technology and Innovation Policy (2003) necessitated by the adoption of Malawi 2063 and Malawi Implementation Plan (2021-2030). The Government has also demonstrated its commitment to supporting entrepreneurship through the development of the Micro, Small and Medium Enterprises (MSME) and the National Industrialization Policies which are expected to provide opportunities in the areas of accessing markets, affordable finance, business support, and other support services to promote the development of a diversified and competitive ecosystem in all value chains from production to the market. Science, Technology and Innovation Policy must be aligned with these key policies among others if Malawi is to attain its aspirations of Malawi 2063 which among others attempts to make Malawi attain a lower middle income status by 2030.

9.7.2 Development of the National Research Agenda (NRA)

The global north leads the world in research financing and production of research outputs and innovations. The Malawi Government must put deliberate systems in place to support developing national research system to avoid implementing the research agendas of the global north. To this effect, Malawi Government through collaboration of NCST and NPC has developed a National Research Agenda (NRA) that will support the implementation of the MIP-1. The new Agenda is expected to be launched during the first week of March 2023.

9.7.3 Government–Wide Science, Technology and Innovation Projects Implementation

In the fiscal space of Ministries, Departments and Agencies (MDAs) a number of ICT investment projects (mainly in high profile technologies) are being implemented in order to improve Government service delivery and reduce inefficiencies, financial management, improve internet access, digitization and creating an enabling regulatory environment. With support from various development partners, projects such as Malawi Traffic Information System (MalTis), IFMIS, Automated System for Customs Data (ASYCUDA), LAMIS, UBR, DHIS2, Personal Property Security Registry System, Judiciary Case Management Information System, Machine Readable

Passport Issuing System, Virtual Landing Port and Electronic Payment systems have been deployed.

The Directorate of Science, Technology and Innovation (DSTI) has also implemented a High Performance Computing project with very promising results. This is part of the SADC Cyber Infrastructure bilateral collaboration initiatives between Malawi and South Africa Governments towards the deployment and expansion of High-Performance Computing (HPC) infrastructure, resources, expertise and usage in Malawi. There will be a targeted effort to identifying spaces and areas in which such initiatives will have to be deployed for the country's digitalization process to be a success story.

There is an Expression of Interest from Malawi on establishment of Centres of Excellence (CoE) and Centres of Specialization (CoS) in the public and private universities. Unicaf University, a private university has already expressed an interest to host a potential Centre of Excellence (CoE) in digital technology and business development.

After a careful study of the SADC Report on the "Scoping and mapping exercise to identify and recommend potential regional industrial centres of excellence, centres of specialization and innovation hubs/ technology centres," Malawi observed during the "Joint meeting of Ministers of Education and Training and Science, Technology and Innovation in 2022" that only three centres out of a total of 141 institutions were identified as befitting the stature of centres of excellence in Malawi namely: Kamuzu University of Health Sciences (Africa Centre for Public Health and Herbal Medicine - CEPHEM): Lilongwe University of Agriculture and Natural Resources (Malawi Aquaculture and Fisheries); and Malawi University of Business and Applied Sciences (Malawi Transportation Technology Transfer Centre (T2C)).

9.7.4 Development of Maker Spaces, Technology Transfer and Commercialization Centres

MIP-1 advocates for the expansion of businesses, innovations and technological innovation centres (such as fabrication labs, makers spaces, innovation hubs, innovation garages and tech parks, technology and commercialization centres) in higher education institutions. Currently, Malawi has registered one innovation garage at Malawi University of Science and Technology (MUST), a recognizable number of Innovation Hubs (with mHub as a leading private innovation hub, iMoSyS, NextGen Innovation Lab, Mzuzu E-hub among the notable ones). Makerspaces have been established and provide spaces for research, prototyping and light manufacturing. These spaces allow users or "makers" to explore their hobbies and passions in a creative and inclusive way while perfectly aligning with the objectives of equity of access, experiential development, and lifelong learning. Notable makerspaces are Design Studios which have been established in public universities such as Malawi University of Business and Applied Sciences (MUBAS) and Malawi University of Science and Technology (MUST) with support from Rice University.

In 2021/22, the National Commission for Science and Technology (NCST) undertook a study on mapping the innovation and commercialization infrastructure through a Pan-African initiative funded by Scinnovent Centre of Kenya. This study revealed that none of the Public Universities in Malawi had an established Technology Transfer Office (TTO). In 2022/23, with funding from UNDP, NCST embarked on a mission to establish a first ever TTO at Malawi University of Business and Applied Sciences. This Centre when fully launched will host the makerspace and technology commercialization space for the University and external stakeholders.

9.7.5 Challenges in Science, Technology and Innovation

Malawi's industrialization will be driven by research, science and technology development as stated in MIP-1. Malawi can attain its aspirations to become and remain productive, innovative and highly competitive at regional and global levels. However, a recent study by NSO and NCST has revealed that Malawi's research and development expenditure as a proportion of gross domestic expenditure remains low at 0.17 percent. Such low research intensity indicates that it would take many years to move the country's development trajectory if there is no deliberate investment to promote adoption and utilization of technological innovations and enhancing research programming. There is also very little investment in research infrastructure and this affects implementation of research programmes which are high-tech. Deliberate efforts must be made by Treasury to support the S&T fund so that the industry can be supported using models of R&D financing that have been tested and are highly regarded as best practices.

Chapter 10

TOURISM

10.1 Overview

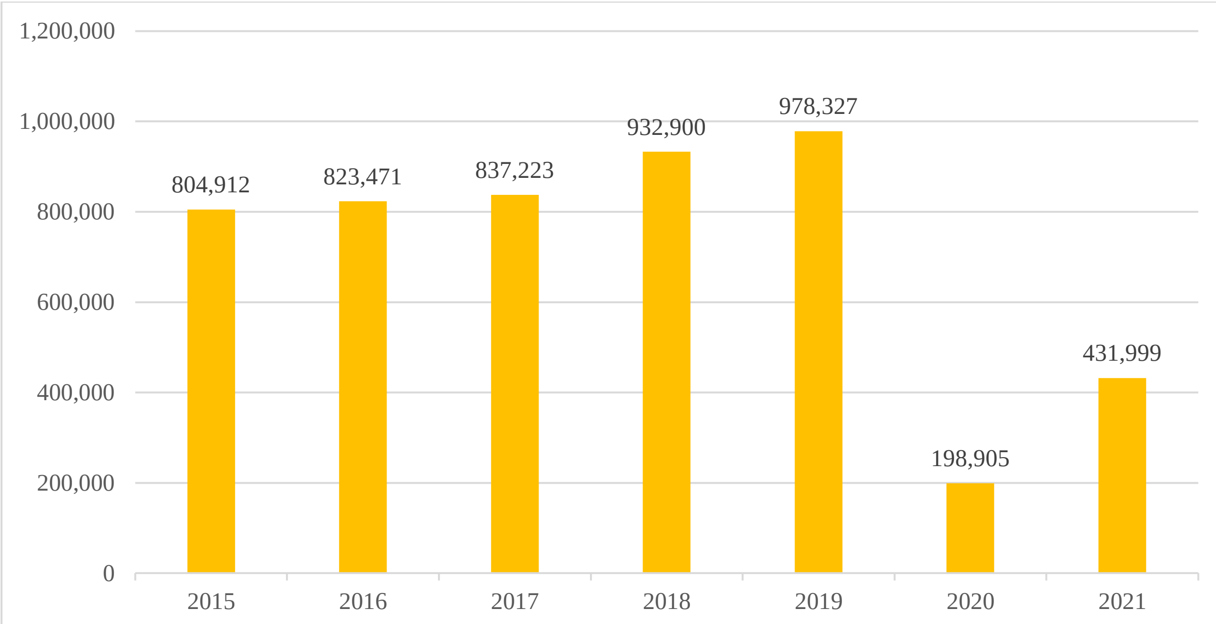
Tourism is among the fastest growing sectors in the world, contributing significantly to the global economy. It is accorded a high priority in the Malawi 2063, the country's long-term development strategy, under the Urbanization Pillar owing to its high potential of contributing to inclusive wealth creation among the people. Many entry level employment and business opportunities are created in the tourism sectors for the benefit of local communities including the youth, women and other vulnerable groups. Tourism development in the country leverages the rich natural and cultural resources that characterize the country to attract local, regional and international tourists. The country has beautiful beaches and waters, scenic landscapes, diverse wildlife, favorable climate and unique cultural assets. Furthermore, the peaceful environment, neighborly social interaction, tolerant and authentic relationships of locals with people from other cultures make Malawi most hospitable to tourists. In recent years, the country is also becoming a popular destination for Meetings, Incentives, Conferences and Events (MICE) both locally and internationally.

10.2 Performance of the Tourism Sector in Malawi

10.2.1 International Tourist Arrivals

The country had a stable increase in the number of international tourist arrivals rising at an average rate of 5 percent annually from 2015 to 2019 attributable to increased tourism marketing activities, a rise in cultural and arts festivals, and revival in Malawi's wildlife population through the restocking and translocation of critical species. In 2020 however, international visitor arrivals dropped by 80 percent to around 198,905 visitors as a result of global travel restrictions due to the COVID-19 pandemic. Travel improved from 198,905 to 431,999 in the year 2021 as shown in Figure 10.1 depicting some recovery from the COVID-19 impacts. The post COVID-19 impact era calls for deliberate and increased marketing efforts, both internationally and locally, to facilitate and sustain this recovery.

FIGURE 10.1: INTERNATIONAL VISITOR ARRIVALS



Source: National Statistics Office

10.2.2 Domestic and Outbound Tourism

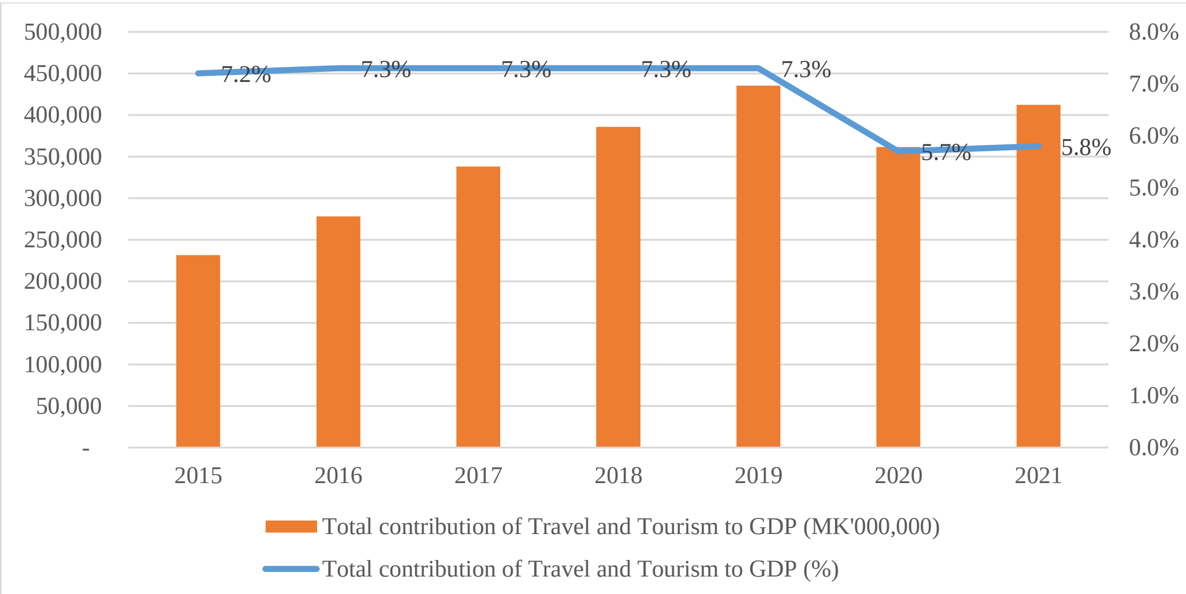
Domestic tourism sustains the tourism sector's viability during off-season periods when international and regional tourism is almost non-existent. It encourages the development and utilization of tourism facilities in remote areas that are not frequented by foreign tourists. According to the United Nations World Tourism Organization (UNWTO), in 2018 a total of 9 billion domestic trips were made worldwide which was six times more than international tourism. Further, the World Travel and Tourism Council (WTTC) indicated that domestic tourism accounted for 73 percent of total global travel and tourism expenditure in 2017. In Malawi, WTTC estimates that domestic tourism accounted for 91 percent of total travel and tourism spending for 2019. According to the first ever Domestic and Outbound Tourism Survey Report, in 2019, Malawi residents undertook a total of 255,479,485 overnight domestic trips and 364,281 outbound trips whose total estimates of expenditures were MK111.4 billion and MK120.0 billion, respectively. Malawi residents undertook a total of 2,850,000 same-day domestic trips and 244,485 same-day outbound trips whose total estimates of expenditures were MK92.9 billion and MK6.4 billion, respectively.

10.2.3 Contribution of Travel and Tourism to Gross Domestic Product (GDP)

The total contribution of travel and tourism to the GDP decreased from an average rate of about 7.3 percent annually between 2015 and 2019 to 5.7 percent in 2020 before slightly increasing to 5.8 percent in 2021 according to World Travel and Tourism Council (WTTC). In nominal terms, the total contribution of travel and tourism to the GDP steadily increased from MK231.6 billion in 2015 to MK435.2 billion in 2019 before decreasing to MK 361.3 in 2020 due to the effects of

COVID-19. In 2021, the total contribution of travel and tourism to the GDP picked up to MK412.4 billion as shown in Figure 10.2. Consequently, 2021 marks the beginning of recovery for the tourism sector from COVID-19 impact though the recovery was still slower than anticipated partly due to the impact of the Omicron variant.

FIGURE 10.2: CONTRIBUTION OF TOURISM TO GDP

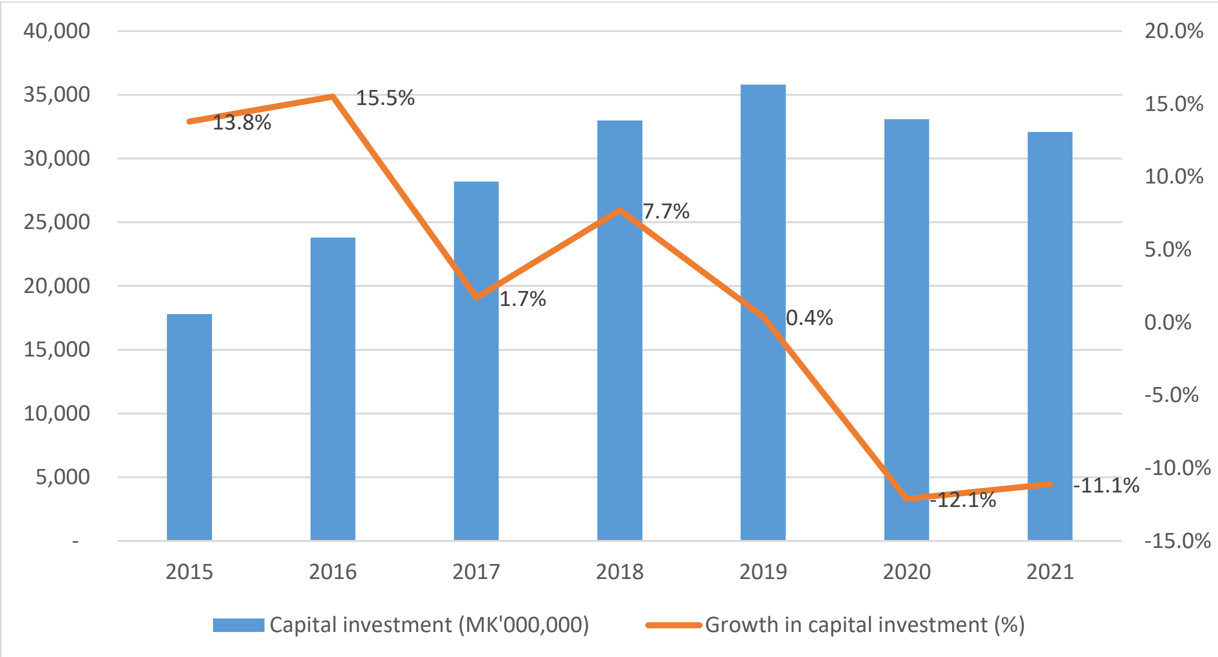


Source: World Travel and Tourism Council (WTTC)

10.2.4 Capital Investment in Travel and Tourism

Investment in tourism sector increased from MK17.8 billion in 2015 to MK35.8 billion in 2019 in nominal terms. However, the real annual growth in spending in capital investment by all industries directly involved in travel and tourism has been decreasing since 2015; it declined from 13.8 percent in 2015 to 0.4 percent in 2019 before dropping further to a negative in 2020 and 2021. Nevertheless, the positive trend in nominal value of investment in tourism underlines some positive trend in tourism-related capital investment which needs to be strengthened further by incentivizing new entrants into tourism businesses and promoting existing tourism entrepreneurs. In keeping with this, Government has been following the Public Private Partnerships (PPPs) investment mode in protected areas which has resulted in a revival of performance of the wildlife sub-sector. Government is also implementing the Ecotourism and Protected Area Management Strategy for Malawi to promote public-private partnership investments in its protected areas for improved revenue generation and community livelihoods. Furthermore, the country developed a 20-year National Tourism Investment Masterplan to guide the systematic tourism investment in the country by, among other things; identifying priority tourism investment projects across the country. Figure 10.3 illustrates the contribution of travel and tourism sector to investment between 2015 and 2021.

FIGURE 10.3: CONTRIBUTION OF TRAVEL AND TOURISM TO INVESTMENT

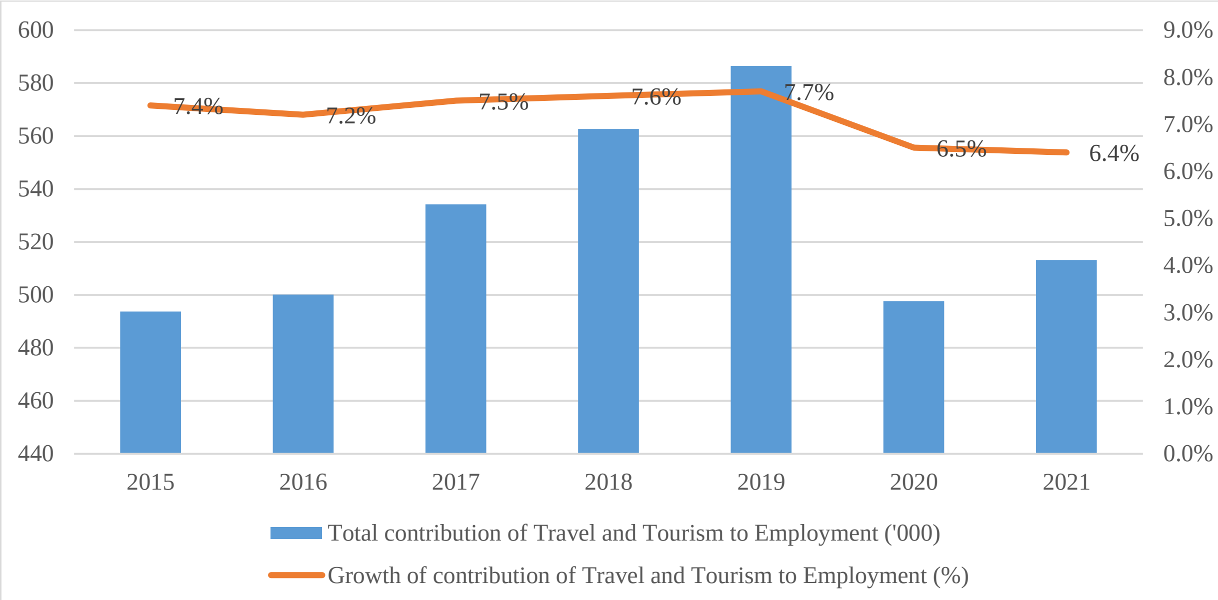


Source: World Travel and Tourism Council WTTC

10.2.5 Contribution of Travel and Tourism to Employment

The total contribution of the sector to employment has been steadily increasing between 2015 and 2019. The total contribution of travel and tourism to employment increased from 493,700 jobs in 2015 to about 586,500 jobs in 2019 before the jobs dropped to 497,600 in 2020. In 2021, the number of jobs rose again to 513,200. The relative contribution of travel and tourism to employment in the entire economy has been between 7.4 percent and 7.7 percent from 2015 to 2019 before declining to around 6.4 percent in 2021, largely due to the effects of COVID-19 pandemic. Figure 10.4 illustrates the contribution of travel and tourism sector to employment between 2015 and 2021.

FIGURE 10.4: CONTRIBUTION OF TRAVEL AND TOURISM TO EMPLOYMENT

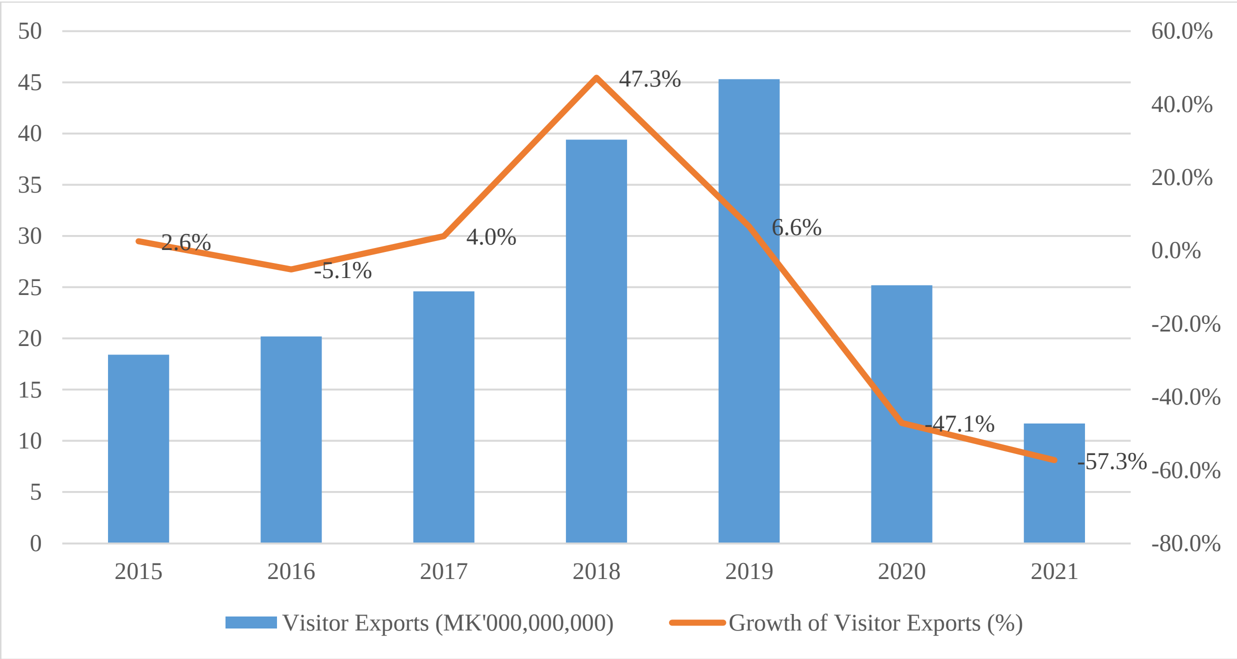


Source: World Travel and Tourism Council (WTTC)

10.2.6 Visitor Exports

Prior to the COVID-19 pandemic, Malawi had been experiencing a steady annual growth of visitor exports. As illustrated in Figure 10.5, the nominal value of visitor exports increased from MK18.4 billion in 2015 to MK45.3 billion in 2019 before declining to MK25.2 billion in 2020 and further down to MK11.7 billion in 2021. On the other hand, the real growth in visitor exports was highest in 2018 (47.3 percent). Since then, there was a sharp contraction to 6.6 percent in 2019 before reducing further to -47.1 percent and -57.3 percent percent in 2020 and 2021, respectively. This may imply that the COVID-19 related travel restrictions, which resulted in business closures, greatly affected the tourism sector. As such, there is a need to intensify strategies that will stimulate inbound tourism and increase average tourist expenditure and length of stay by, among others, developing more tourism products and intensifying international and domestic marketing.

FIGURE 10.5: VISITOR EXPORTS



Source: World Travel and Tourism Council (WTTC)

10.2.7 Challenges Affecting the Tourism Sector

10.2.7.1 Poaching and Illegal Wildlife Trade

Poaching and illegal wildlife trade continue to be the major threats to wildlife conservation in this country. In response, Government is implementing initiatives to combat poaching and illegal wildlife trade such as strengthening law enforcement by conducting patrols and investigations in protected areas. In 2022, it also conducted about 1,000 mass awareness campaign meetings in wildlife crime targeting communities around game reserves and national parks. Other initiatives include strengthening Inter-Agency Committee on Combating Wildlife Crime (IACCWC), collaboration and capacity building on law enforcement through trainings and recruitment of new officers.

10.2.7.2 Lack of Land for Tourism Investment and Limited Tourism Investment

Despite an increase in the number of investors willing to invest in Malawi, especially in districts along the shores of Lake Malawi and other areas with tourism potential, land is not yet secured to cater for such investments. In addition, unclear and uncompetitive investment incentives discourage local and foreign direct investment. The current incentives structure is quantitative rather than qualitative such that it puts the Micro, Small and Medium Enterprises (MSMEs) at a disadvantage.

10.2.7.3 Inadequate Tourism Information Base

Currently, the Tourism Sector faces a huge challenge in terms of limitations in data gathering, analytical and storage capacity to support and inform evidence based decision-making in the sector. This greatly affects policy-related and investment decisions. In order to address this, Government with support from AfDB, is implementing a project that is building capacity for tourism statistics so that data on tourism is readily available and the economic contribution of the sector is clearly known or quantified. Through the project, a base line on domestic and outbound tourism was conducted and a backlog of annual tourism statistical reports has been cleared. Currently, the Government is also establishing a Tourism Satellite Accounting (TSA) system for Malawi.

10.2.7.4 Low Service Quality and Underdeveloped Products

The tourism sector in Malawi is largely characterized by low service quality as a result of limited supply of skilled labour. Additionally, lack of high-quality training institutions and outdated curriculum, low literacy levels, limited number of specialist investors and unattractive conditions of service leading to an unmotivated labour force. Low quality of services adversely affects the competitiveness of the destination. Further to that, Malawi's diversity of natural, cultural and man-made attractions is generally underdeveloped. These include sites and events linked to cultural, colonial and religious heritage and the lakeshore, mountains and protected areas.

10.3 Lessons Learnt

The following are the key lessons for the Tourism Sector during the reporting period.

i. Domestic tourism is a key driver of the tourism sector, providing a cushion to local tourism during external shocks. Domestic tourism also keeps the sector viable during low season when international and regional tourism is almost non-existent. In times of crisis as was the case during the COVID-19 pandemic, domestic tourism has been the first to recover before inbound tourism. As such, there is need for deliberate strategies to develop Malawi's tourism products, improve the quality of services in order to grow domestic tourism; and
ii. Collaboration, coordination and active participation in a global community and at national level involving government institutions, development partners and other players can assist to clear bottlenecks and develop tourism in Malawi.

10.4 Projected Performance of the Tourism Sector

The projected performance of the Tourism sector in the 2023/24 is as presented in Table 10.4. The estimated projections are subject to the changing macroeconomic environment and other factors that affect tourism investments in Malawi.

TABLE 10.4: PROJECTED PERFORMANCE OF THE TOURISM SECTOR

Output	2023/24 Projection (percent)	Success factors	Risks and Assumptions
Growth of total contribution of travel and tourism to employment (percent)	6.8	Continued engagement and effective implementation of the fiscal and monetary policy	Malawi's vulnerability to external shocks
Tourism direct contribution to GDP (percent)	5.8	Increased tourist spend	Limited travel due to COVID-19 pandemic
Travel & Tourism's share of total capital investment	2.7	Secured land for investment in line with the National Investment master plan	Inavailability of funds for compensation
Growth of visitor exports	3.9	Development of more diverse tourism products and intensified marketing initiatives	

Source: Ministry of Tourism

Chapter 11

LOCAL GOVERNMENT AND RURAL DEVELOPMENT

11.1 Overview of Integrated Rural Development and Decentralization Sector

The advancement of all aspects of both rural and urban Local Authorities (LAs) are vital for the progress of the nation at large. LAs are at the centre of implementation of all socio-economic interventions. This entails that the effective implementation of the MW2063 and the first 10-year Malawi Implementation Plan (MIP-1) hinges on the effective implementation of the National Decentralisation Policy (GoM, 1998) and the deliberate adherence to the Local Government Act. As grassroots entities which are mandated through legislation and policy to formulate, popularise and implement sustainable Local Development Plans (LDPs), the LAs require continuous support to effectively absorb and carry out devolved functions. By the same token, the Central Government needs to treat functional, financial and asset devolution as a matter of utmost urgency to achieve the MIP-1.

Upon effective implementation of the Decentralization Policy, it is envisaged that LAs will continue to take critical position in ensuring that the country realizes effective, efficient and participatory planning, programming, implementation, monitoring and evaluation of the specific interventions prioritized in the MIP-1 and accelerate the achievement of goals and targets under the global agendas such as the United Nations Agenda 2030. The Government of Malawi, in its continued efforts to improve the living standards of the people, supports the LAs to deliver sustainable socio-economic development through implementing the Integrated Rural Development Strategy (IRDS). This is meant to improve service delivery and reduce rural-urban migration. Since Malawi is at an early stage of urbanisation with only 16 percent of its population living in urban areas. To address urban needs, Government approved for the relocation of the Department of Urban Planning and Development from the Ministry of Lands to the Ministry of Local Government (MoLG). As a leader of the Urbanization Pillar under the MW2063, this strategic move will allow for the Ministry to better address issues of sustainable urban planning and development to achieve goals under Sustainable Development Goal (SDG) 11. To transform Malawi, particularly in the context of the current discourse of wealth creation, the country needs to strike a strategic balance between social and commercial development. Therefore, LAs will continue to be keen in addressing challenges of low productivity, poor infrastructure and weak regulatory frameworks to deliver development that benefits all irrespective of sex, age, race, religion, ethnicity or political affiliation.

The epicentre of this envisaged development is the formulation of Village Action Plans (VAPs), under the bottom-up and participatory principles, as enshrined in the District Development Planning System Handbook (DDPS). A meticulous profiling of the LA, coupled with the VAPs, allows for sensible planning to take place as a precursor for effective interventions. For the sake of sustainability and coordination, all stakeholders are expected to adhere to the strategic direction of the LAs, the provisions of the National Decentralization Policy and the legal framework through the Local Government Act.

This chapter, highlights key achievements that have been attained during the 2022/23 FY in tandem with strategic focus areas of the local government sector as stipulated in the policies and LDPs, and also SDGs.

11.2 Performance in the 2022/23 Financial Year

11.2.1 Major Achievements During the 2022/23 Financial Year

During the 2022/23 financial year (FY) the Ministry implanted programmes and projects that supports the actualisation of the MW 2063 through wealth and job creation. During the period, the Ministry:

iii. Continued construction of Rural Growth Centres (RGCs), urban and rural markets, stadia, district commissioners' offices and rural roads;
iv. Implemented Performance-Based Grants and financing system for local authorities;
v. Supported eight sectors, including Transport and Public Works, Lands, Mines, Tourism and Culture, Trade and Industry, in the development of their devolution plans and guidelines;
vi. Sensitised local authorities and undertook rapid appraisal on the eight designated secondary city sites, namely: Karonga, Nkhatabay, Salima, Kasungu, Mangochi, Liwonde, Luchenza and Bangula; and
vii. Supported all 35 local authorities in the development of local development plans, namely: Village Action Plans, Social Economic Profiles, and District Development Plans.

The details of the achievements are as follows:

11.2.1.1 Rural Growth Centres (RGCs) Development Programme

Most rural areas in Malawi are characterised by inadequate infrastructure and service provision, low employment and rising poverty. The implementation of an integrated rural development strategy is envisaged to be a catalyst of poverty reduction in rural and semi urban areas.

During the period under review, the Ministry continued implementing works at medium and large scales under the RGCs at Mkanda, Chitekesa, Chapananga and Nambuma. Phase I works at both Mkanda and Chitekesa were completed. Phase II works at Chitekesa and Nambuma are on-going and substantial progress is being registered.

TABLE 11.1: PROGRESS ON RURAL GROWTH CENTRES

Name of RGC	Structures	Outstanding Works	Progress to Date	Annotations
Nambuma (Works pertaining to Phase 2)	1. Health Centre 2. Community Hall 3. Community Ground 4. Community Library	Water connection Construction activities Construction activities Construction activities	Works in progress (60 percent completion rate)	Work in progress
Chitekesa (Works pertaining to Phase 2)	1.Community Library	Roofing, plumbing and other assorted works	Work in progress (60 percent completion rate).	Work in progress
	2.Community Hall	Building completion, roofing, plumbing and other assorted works		
	3. Bus Depot	Construction activities		
Chapananga	1.Market kiosks 2. Market sheds 3. Bus depot 4. Drainage works Electricity Water is there pumping tank awaiting electricity	Installation of ESCOM Transformer None None None	Works in progress (98percent completion rate). Official hand over done for the council to start using the market although electricity is not yet connected.	There is need of upgrading access roads to the site. Phase I works are complete and Phase II works are awaiting approval of addendum and resource mobilization. Phase II works include the construction of a community hall, library and ground.
Mkanda	1.Market kiosks 2. Market sheds 3. Bus depot	Filling of pits in the markets None None	Works in progress (98percent completion rate). Official handed over to council done to start using the structure as the Ministry is still in the process of engaging ESCOM on power connection	There is need of upgrading access roads to the site. Phase I works are complete and Phase II works are awaiting approval of addendum and resource mobilization. Phase II works include the construction of a

				community hall, library and ground.

Source: MoLG, 2022

Table 11.1 shows the status of the RGCs during the period under review. Most of the construction works are substantially complete. However, some challenges still remain to ensure full utilisation of the structures by the beneficiaries. The challenge of accessing roads to the sites is one such example of an outstanding issue the Ministry is working towards resolving. MoLG is committed to the successful completion of these projects because of the catalytic role to rural development and potential in curbing rural-urban migration. It is envisaged that the investments that will be made in RGCs will create a conducive environment for economic growth and prosperity of the rural populace, thereby reducing rural poverty.

11.2.1.2 Markets Development Programme (Urban and Rural Markets)

The Market Development Programme is designed to create structured platforms for the exchange of goods and service in both rural and urban areas to improve the livelihoods of people. The Programme involves erecting requisite amenities in trading places to ensure sanitation, safety and security. Over the years of its implementation, the Markets Development Programme has offered economic opportunities to individuals and communities to participate in economic activities and improve their earnings while expanding revenue mobilisation capabilities of local authorities. During the 2022/23 FY, the Programme focused on the competition of outstanding works on the projects that have been ongoing for some years.

TABLE 11.2: PROGRESS ON URBAN AND RURAL MARKET CONSTRUCTION

Name	Structures	Outstanding Works	Progress to Date	Annotations
Chinakanaka Market (Mulanje)	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery 5. Perimeter Fence	None None None None None	Construction works completed.	The market is in use. Electricity and water are not connected
Mulanje Mission (Mulanje)	1 Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery 5. Perimeter Fence 6. Pavements Works	None None None None None None	Construction works completed.	Electricity is not connected

Nsanje Boma market (Nsanje)	1.Market Kiosks 2. Market sheds 3. Bus depot 4.Slaughter house 5. Water pump 6. Butchery	None None None None None None	Construction works completed. The facility was officially opened	Electricity is not connected
Tengani Market (Nsanje)	1.Market Kiosks 2. Market sheds 3. Bus Depot 4. Water pump	None None None None	Works completed and officially opened.	Handed over to council but electricity is not connected
Songani Market (Zomba)	1.Market Kiosks 2.Market sheds 3.Perimeter fence 4.Slaughter House 5.Butchery	None None None None None	Works completed	Handed over to council but electricity is not connected
Namitambo Market (Chiradzulu)	1.Market Kiosks 2.Market sheds 3.Perimeter fence 4.Slaughter House 5.Butchery	None None None None None	Works completed	Handed over to council but electricity is not connected
Mphanje Market (Thyolo)	1.Market Kiosks 2.Market sheds 3.Perimeter fence 4.Slaughter House 5.Butchery	None None None None None	Works completed	Handed over to council but electricity is not connected
Msikawanjala Market (Mulanje)	1.Market Kiosks 2.Market sheds 3.Perimeter fence 4.Slaughter House 5.Butchery	None None None None None	Works completed	Electricity and water are not connected
Kapiri Market (Mchinji)	1.Market Kiosks 2.Market sheds 3.Perimeter fence 4.Slaughter House 5.Butchery		Not commenced	There is a court injunction restraining implementation of the Project

Source: MoLG, 2022

Table 11.2 highlights the implementation progress of markets construction. All markets, except Kapiri, have been completed and handed over to local authorities. The challenge is however delayed electricity and water connection which is affecting utilisation of the market structures.

11.2.1.3 Construction of Stadia and Community Grounds

The Ministry continued construction of stadia in M'mbelwa, Ntcheu, Thyolo and Zomba district councils. The projects are at various levels as depicted in Table 11.3.

TABLE 11.3: PROGRESS ON THE CONSTRUCTION OF COMMUNITY STADIUMS

Name of the Councils	Structures	Outstanding Works	Progress to Date	Annotations
M'mbelwa	1. Construction of fence 2. Construction of dressing rooms 3. Pitch improvement	None All	Only fence has been completed. All other works remain outstanding. Progress is estimated to be at 75 percent	Progress being registered
Thyolo	1. Construction of perimeter fence 2. Construction dressing rooms 3. Pitch Improvement 4. Elevation of stands	All the works are still outstanding. None None None	The construction works are at 45 percent completion rate	Progress expected to pick up if funding remains normalized
Ntcheu	1. Construction of perimeter fence 2. Construction dressing rooms 3. Pitch Improvement 4. Elevation of stands	All works are still outstanding. None None None	Works in progress. (95 percent completion rate)	Currently, there is need of funds to honour outstanding certificates, so that the contractor can complete the works
Zomba	1.Construction of perimeter fence 2. Construction of dressing rooms 3. Pitch Improvement 4. Elevation of stands	All works outstanding	Substantial progress made on VIP and open stands. Current progress estimated at 80 percent	Apart from the VIP and open stands, the rest of the structures are still at early stages

Source: MoLG, 2022

As presented in Table 11.3, there has been a slow pace in the construction of works as a result of budget downward revisions over the past two years. However, due to improved funding, in the period under review, progress on the site has been accelerated leading to the attainment of some strides.

11.2.1.4 Construction of DCs Offices

This Project has been developed after noticing various challenges including dilapidated offices and serious shortage of office space leading to public offices being accommodated in various locations. This fragmentation of sectors to a certain degree undermines the integration of devolved services and affects quality of service delivery hence the need for provision of adequate and decent working space. In 2022/23 FY, MoLG continued with the construction of Thyolo and Mzimba District Council offices. The construction works for Ntcheu District Council offices has not commenced due to funding challenges**.**

TABLE 11.4: PROGRESS ON THE CONSTRUCTION OF COUNCIL OFFICES

Name	Structures	Outstanding Works	Progress to Date	Annotations
Thyolo DC's Office	Office Block	All works outstanding	The contractor is now on site Super structure is almost done 70 percent of the construction works are completed	Progress delayed due to changes in scope of the project
Ntcheu DC's office	Office Block	All works outstanding	No progress	Ntcheu was shelved due to inadequate funding.
Mzimba DC's office	Office Block	All works outstanding	55 percent of the construction works are completed	Inflation causing cost escalations and challenges in procurement due to scarcity of forex as most of the construction materials are imported

Source: MoLG, 2022

11.2.1.5 Construction of Rural Roads

Rural roads are one such critical infrastructure for improved living conditions and are needed to facilitate access to profitable markets; therefore, encouraging commercial activities, schooling, health services and many other socioeconomic activities. Poor transport systems encourage isolation of rural areas which limits opportunities in the affected areas due to, among others, restricted access to goods and services. In view of this, Government and development partners have been supporting investments in rural roads.

TABLE 11.5: THE PROGRESS OF THE RURAL ROADS

Name	Structures	Outstanding Works	Progress	Annotations
Balaka- Bilila via Khwisa (Phase 1 and 2)	The upgrading of the road to asphalt standard (23.5 km).	Linegwe bridge still not constructed.	Road Construction works are completed.	Need for funds to honour outstanding payments and completion of Linegwe bridge
Thyolo-Goliati-Mangunda Turn-Off Road(16.5)km	The upgrading of the road to asphalt standard (16.5 km).	Nantchefu bridge	Road construction works completed. Namadzi, Mpasa, Ngulula and Nantchefu bridges have also been completed.	
Mulanje-Selected roads (13.3km)	1.Chinakanaka Turn Off to Nasomba CDSS (6.22 Km) 2.Thunguzi to Sikoya Road (2.5 Km) 3.Nkhonya-Thabwa Road (5.48 Km)	Original works completed but there is an additional 4.2 kms from Nansomba Turn off to Msikawanjala.	Preparation of an addendum. The process has been halted awaiting funding	An addendum needs confirmation on availability of funds.

Source: MoLG, 2022

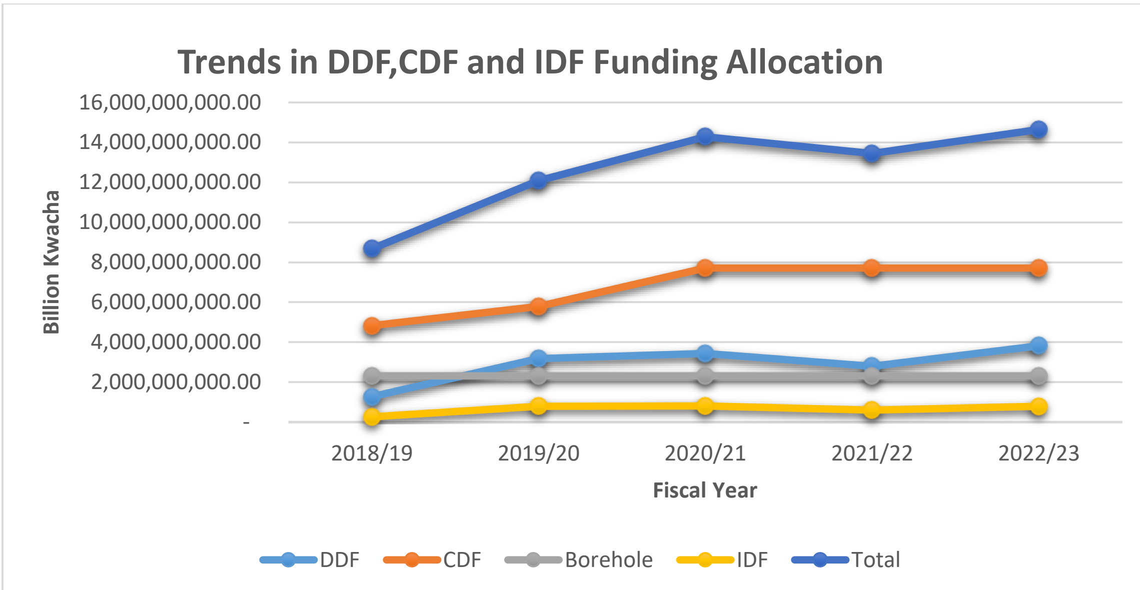
Table 11.5 shows progress on a number of rural roads that the Ministry has been implementing. These roads are improving access to social amenities hence the need to extend the projects to other local authorities to ensure full utilisation of social amenities being constructed across local authorities.

11.2.1.6 Constituency Development Fund, Borehole Development Fund, District Development Fund and Infrastructural Development Fund

The Constituency Development Fund (CDF) was established in 2006 to respond to immediate development needs on the local communities. It is a means of ensuring that rural development spreads evenly throughout the LAs. Projects being financed under CDF include the construction of bridges, markets and market sheds, CBCCs and ECDs centres, small clinics, boreholes, school blocks and houses/small offices for frontline extension workers and teachers. The fund is administered by the Members of Parliament (MP) in accordance with the CDF Guidelines.

The District Development Fund (DDF)/Infrastructural development fund (IDF) aims at funding investment projects in the Local Authorities. The fund was introduced as part of devolution of micro-projects to the councils. Just like CDF, projects being financed under DDF include construction of micro projects such as bridges, boreholes, school blocks and houses for front-line extension workers and teachers. Councils have been implementing a range of different projects within their jurisdictions. See Figures 11.1 and 11.2.

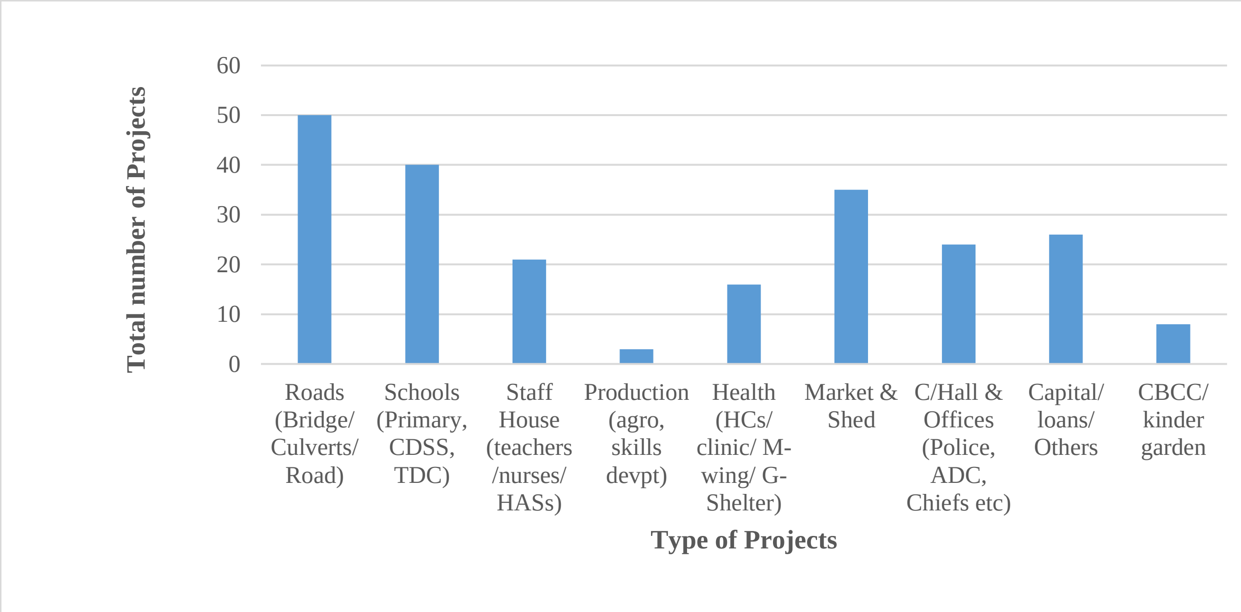
FIGURE 11.1: TRENDS IN DDF, CDF, BOREHOLE AND IDF FUND ALLOCATION



Source: National Local Government Financial Committee, 2022

Figure 11.1 shows that there has been increase in the allocation funds for projects. For example, there has been a 68 percent increase in funds allocation for DDF. Similarly, CDF allocation has seen a 34 percent increase from previous fiscal year. Overall, there has been a total of 33 percent increase in DDF, IDF, CDF and Borehole Funds. The increase comes in as a way of encouraging councils to ensure that all the projects are completed within a given fiscal year and improved service delivery to the citizenry.

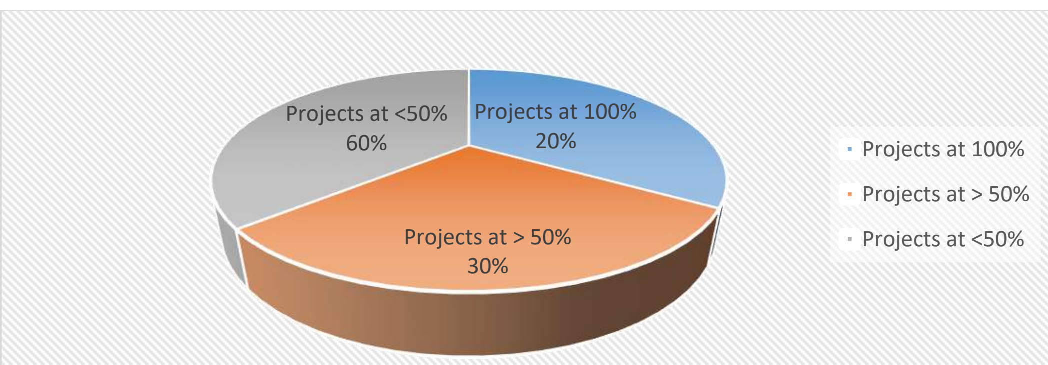
FIGURE 11.2: COMPOSITION OF PROJECTS UNDER DISTRICT DEVELOPMENT FUND



Source: 2021/22 Local Authorities Mid-Year Report

Figure 11.2 shows that road related projects are dominating under DDF. These range from road grading to installation of culverts. It reveals high demand of road networks in different districts. Similarly, the demand for schools is on the rise as a way of reducing the distance pupils walk to go to schools. Implementation of projects are at different stages in different councils. Figure 11.3 below shows overall completion rates of different projects being implemented under DDF.

FIGURE 11.3: COMPLETION RATE OF DDF PROJECTS



Source: 2022/23 Local Authority Mid-Year Report

As presented in Figure 11.3, only 20 percent of all the projects have been completed. The completion rate has been slow considering the remaining period before 2022/23 FY comes to an end. The delay in completion in most projects is attributed to insufficient forex and devaluation which have affected procurement process in most Local Authorities. Consequently, the likelihood is that most projects will be carried over to 2023/24 FY.

11.2.1.7 National Decentralization Program II (NDPII)

Prior to adoption of decentralisation approach to development, rural development efforts largely focused on sectors centrally delivering and implementing development projects and initiatives with little involvement of local authorities and communities. With decentralisation, local authorities are empowered to take charge of their development initiatives and effectively deliver services to the people.

The MoLG is committed to deepening decentralisation to local authorities as a means of promoting Local Governance and accelerating participatory democracy. Under the decentralisation programme, 25 sectors have devolved some of their functions to local authorities. The challenge over the years has been a slow decentralisation of economic sectors to the local governments.

During the reporting period, the Ministry supported the remaining sectors to develop devolution plans and management guidelines. Cabinet approved a cabinet paper for the devolution of the remaining sectors, namely: Transport and Public Works, Lands, Mines, Energy, Tourism and Culture. The Ministry engaged the sectors to transfer the earmarked functions and human resources to the local governments.

11.2.1.8 Challenges

One main challenge experienced during this period in review, is the continuous disinclination of some sectors to devolve some of their functions to the councils despite all efforts done by the Ministry as per mandate. As a result, Councils with their limited representation struggle with capacity in these sectors.

11.2.1.9 Lessons Learnt from Implementing of the Above Projects

During the reporting period there have been some lessons learnt as listed below:

i. There is need to enhance project management capacities in councils;

ii. There still remains a need to complete outstanding works in all projects before embarking on new civil works. Otherwise, Government is forced to spend more than the initial project total estimated cost over delays in settling of outstanding payments and certificates due to devaluation;

iii. Authorities need to prioritise on works that can be accommodated within the approved budget;

iv. Need to do proper land use maps, urban structure plans, detailed lay outs, opening access roads, upgrading access roads and beaconing before erecting buildings in the case of Rural Growth Centres;

v. There is need to conduct more meticulous consultations before embarking on development initiatives to ensure that structures being constructed are utilized by the beneficiaries and that there are no major cost escalations.

vi. The Councils need to resolve all issues pertaining to non-utilization of completed projects structures including markets by the beneficiaries.

vii. There is a need for serious citizen engagement. This will enhance peoples' understanding on the benefits of using the completed structures.

11.3 Expected Performance for 2023/24

11.3.1 Key Outputs

The Ministry intends to finalise the outstanding works in all the project sites in 2023. The key outputs for the year 2023 are as follows:

i. Completion of Nambuma rural growth centre social economic amenities;
ii. Construction of chiefs houses;
iii. Completing the extension of the road from Nansomba CDSS Turn off to Msikawanjala market under Mulanje central roads;
iv. Construction of addendum works because of changes in scope for Mzimba and Ntcheu stadia;
v. Office blocks constructed in Thyolo, Ntcheu and Mzimba districts;
vi. Outstanding projects under CDF, DDF, Borehole Fund and IDF completed;
vii. Devolution plans for the Ministries of Transport and Public Works, Energy, Mining and Lands are completed and executed;
viii. Development of secondary cities master plans;
ix. Facilitate the development of Secondary Cities and Secondary Cities Development Agency (SCDA);
x. Conducting consultations on the development of modern office complexes in district councils; and
xi. Conducting consultations on the development of modern markets and business parks.

11.3.2 Key Drivers for the Projected Outputs

Councils develop their DDPs that act as a blue print for implementation of development interventions within their jurisdiction. In the year 2022, all DDPs and UDPs expired and all local authorities are expected to develop successor plans. The Ministry has been providing support to the councils to develop these plans but the process has been staggering due to the lack of resources. Some councils are at an advanced stage in producing the plans as they have had financial assistance from partners that are operating in the council's jurisdiction.

The Ministry is committed to support the LA in completing all scheduled works in the 2023/24 financial year. The Ministry has adopted a strategy to complete the old projects first before starting new. The completion of these council amenities must be accelerated in order to further budgetary devolution.

11.3.3 Risks

Unpredictable funding cash flows will have a significant impact on how the planned activities are carried out. Experience has shown that when works certifications are not paid on time, contractors turn to demobilization as a last resort and also charging interest. This causes unneeded project delays, erodes community trust, increases project costs owing to price increases, and prevents the implementation of other crucial initiatives.

11.4 Projected growth in 2023

11.4.1 Key Outputs

The Ministry will continue with completion of all the outstanding works especially in construction of district sports stadias and office blocks. Among the key outputs will be as listed below:

i. Stadia amenities constructed at Mzimba, Zomba, Thyolo and Ntcheu stadium;
ii. Office Blocks completed in Thyolo, Ntcheu and Mzimba districts;
iii. Construction of twin tower Mzuzu Civic Office;
iv. Construction of access roads in Mulanje, Nambuma, Mkanda, Mzimba and Nkhamenya;
v. CDF, DDF, Borehole Fund and IDF projects implemented in all councils; and
vi. Secondary cities developed in two sites.

11.4.2 Key Drivers for the Projected Outputs

Most councils will be striving to complete all the outstanding works before formulation of the next generation of the Socio-Economic Profiles (SEPs). Similarly, the Ministry also aims at completing all outstanding work so as to have a positive contribution towards the achievement of the Malawi 2063.

11.4.3 Underlying Assumption

The Ministry continues to assume that there will be adequate and timely funding for the projects. It is expected that the Ministry will be funded in accordance with the submitted work plan and cash flow. Similarly, it is assuming that there will be no natural disasters like floods which disturb construction works. In some scenarios, the uncompleted infrastructures are used as shelters for displaced households.

11.4.4 Risks

The execution of the planned operations will be significantly impacted by unpredictable financial cash flows. Experience has shown that contractors resort to demobilization as a final option when their certificates are not paid on time. As a result, projects are delayed needlessly, community confidence is damaged, project costs rise as a result of pricing rises, and other critical efforts cannot be carried out.

Chapter 12

PUBLIC HEALTH, NUTRITION AND HIV/AIDS MANAGEMENT

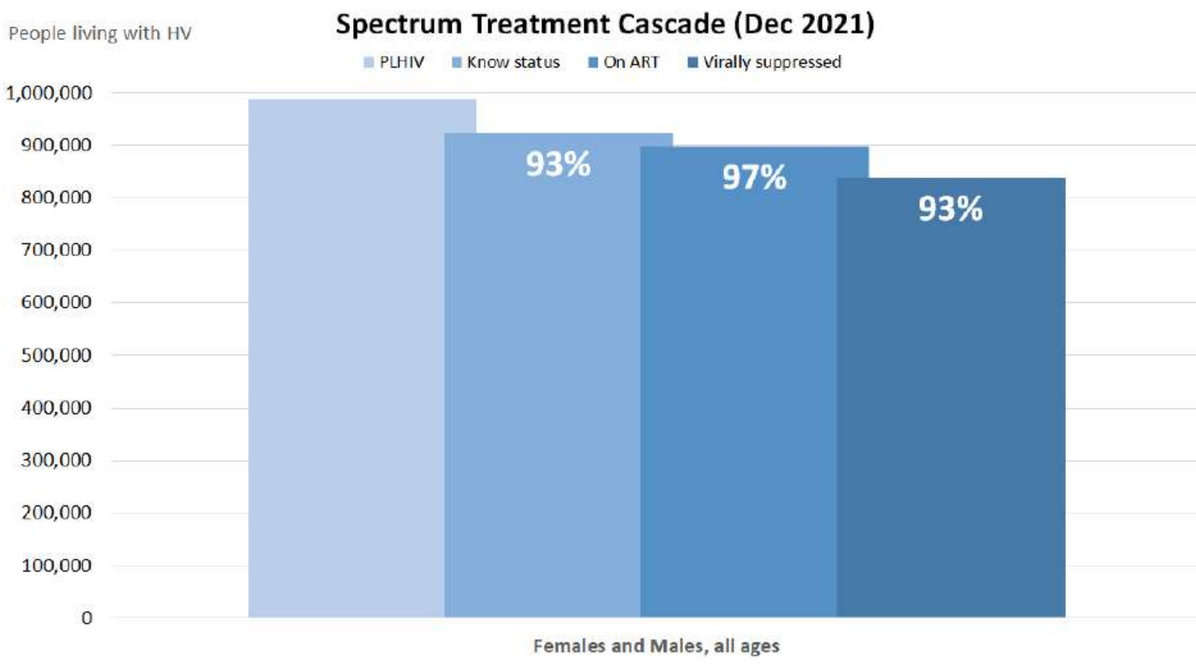
12.1 Health Sector Performance and Progress

12.2 Health Output Indicators Performance

12.2.1 HIV/AIDS Services

The HIV program summary performance is measured along the 95-95-95 global HIV treatment targets; all of which have made tremendous progress. Figure 12.1 presents national progress on the 95-95-95 global treatment targets by end December, 2021. With this significant performance on all the 3 targets, the program is now implementing innovative interventions to diagnose the remaining few. This is to both return to care those diagnosed but defaulted and retaining those already in the system.

FIGURE 12.1: MALAWI PROGRESS TOWARDS THE 95-95-95 HIV TREATMENT TARGETS AS AT DECEMBER 2021



Source: Ministry of Health

12.2.1.1 HIV Testing Yield

The HIV testing yield is the proportion of all tests performed that are positive. The national HIV program encourages targeted testing to maximize yield. Nationally, this yield remained at 3.0 percent in 2021, the same rate registered in 2020. For the yield by district, refer to Table 12.1.

TABLE 12.1: HIV TESTING YIELD: 2017-2021

District	2017	2018	2019	2020	2021
Ntchisi	1.2	1.0	0.9	0.8	0.9
Neno	2.0	1.8	1.6	1.4	1.5
Chitipa	1.9	1.7	1.5	1.4	1.5
Dowa	2.0	1.5	1.7	1.5	1.7
Kasungu	2.6	1.7	1.7	1.7	1.8
Salima	2.4	2.0	2.1	2.1	1.9
Machinga	3.1	3.5	2.4	2.1	1.9
Mangochi	4.0	3.2	2.7	2.5	2.2
Chikwawa	3.8	2.9	2.4	2.3	2.3
Rumphi	2.5	2.1	2.0	2.3	2.3
Phalombe	4.9	3.9	3.3	3.1	2.5
Nkhotakota	2.7	2.5	2.2	2.4	2.5
Mzimba South	1.8	2.0	1.9	2.0	2.6
Dedza	2.3	1.7	2.1	2.3	2.7
Mchinji	2.3	1.8	2.2	2.6	2.7
Karonga	2.7	2.4	2.5	2.4	2.8
Balaka	4.0	3.4	3.8	3.6	2.8
Lilongwe	3.1	2.9	2.9	2.9	2.9
Nkhata Bay	4.2	3.4	3.5	3.2	2.9
Mulanje	5.2	4.5	3.7	3.6	3.1
Nsanje	5.2	3.9	3.6	3.5	3.2
Likoma	4.2	3.6	3.8	3.9	3.4
Ntcheu	3.1	2.3	2.8	3.1	3.7
Mwanza	3.1	2.9	2.9	3.5	3.8
Mzimba North	3.4	3.1	3.3	3.4	3.8
Thyolo	5.0	4.5	3.1	3.7	4.7
Chiradzulu	7.7	5.6	5.1	5.0	5.1
Zomba	4.3	4.3	4.2	4.4	5.1
Blantyre	7.4	5.0	5.7	7.5	6.1
Malawi	**3.7**	**3.1**	**2.9**	**3.0**	**3.0**

Source: Ministry of Health

12.2.1.2 HIV Status Ascertainment in Antenatal Clinics

Pregnant women in Malawi have the option of having HIV tests at antenatal clinics. The HIV status ascertainment in these institutions has been steadily increasing since 2011 when Option B+, a programme offering antiretroviral therapy (ART) to pregnant women with HIV, was launched. Table 12.2 demonstrates that, at the national level, the HIV status ascertainment increased from 97 percent in 2017 to 98 percent in 2021. By district the HIV status ascertainment in 2021 ranged from 93 percent in Kasungu to 100 percent in Chiradzulu, Mangochi, Zomba, Mulanje, Phalombe, Nsanje and Machinga.

TABLE 12.2: HIV STATUS ASCERTAINMENT IN ANC CLINICS

District	2017	2018	2019	2020	2021
Kasungu	92	95	94	95	93
Chitipa	93	96	94	96	93
Mzimba South	96	97	96	98	95
Nkhotakota	95	97	96	97	95
Dowa	92	93	93	98	96
Likoma	91	92	97	97	97
Salima	98	99	92	97	98
Nkhata Bay	97	99	98	99	98
Mwanza	99	99	99	100	98
Balaka	99	99	99	99	98
Lilongwe	97	98	98	98	98
Rumphi	99	98	99	99	98
Mchinji	100	100	100	98	98
Neno	99	98	99	99	99
Ntchisi	97	98	99	98	99
Chikwawa	98	99	99	99	99
Karonga	98	98	99	99	99
Blantyre	98	98	96	99	99
Mzimba North	99	99	99	99	99
Ntcheu	95	97	98	99	99
Thyolo	99	99	99	100	99
Dedza	99	99	99	99	99
Chiradzulu	99	99	99	100	100
Mangochi	98	99	99	99	100
Zomba	99	99	98	99	100
Mulanje	99	99	100	100	100
Phalombe	98	99	99	100	100
Nsanje	99	100	99	99	100
Machinga	98	99	98	99	100
Malawi	**97**	**98**	**98**	**99**	**98**

Source: Ministry of Health

12.2.1.3 HIV Testing in HIV-Exposed Infants

Testing two month old infants for HIV has been one of the most challenging performance indicators within the Prevention of Mother-To-Child Transmission (PMTCT) program. This has been due to poor documentation; an example being incorrect HIV test results recorded in HIV exposure infant cards. However, this has significantly improved in recent years due to targeted site level mentorships as a direct intervention to mitigate this challenge. As evidenced, Table 12.3 reveals that the testing rate at 2 months for HIV exposed infants increased from 73 percent in 2017 to 84 percent in 2021. District performance on this indicator in 2021 ranged from 60 percent in Kasungu to 95 percent in Balaka.

TABLE 12.3: HIV TESTING AT 2 MONTHS OF AGE FROM 2017 TO 2021

District	2017	2018	2019	2020	2021
Kasungu	76	73	76	52	60
Dedza	70	76	75	46	68
Mzimba South	78	77	87	57	73
Thyolo	82	81	82	76	73
Nsanje	49	80	82	68	77
Chiradzulu	69	71	74	70	78
Karonga	77	73	69	65	78
Lilongwe	65	77	79	76	79
Dowa	62	70	66	74	80
Zomba	73	75	74	75	80
Mchinji	82	84	87	76	82
Nkhotakota	66	71	82	86	83
Salima	85	87	83	86	84
Mangochi	74	75	78	78	85
Chikwawa	63	82	74	64	85
Chitipa	72	64	83	74	86
Machinga	74	80	81	85	86
Ntchisi	60	75	82	83	87
Mwanza	63	82	87	85	88
Likoma	5	37	72	92	88
Blantyre	76	80	92	89	88
Ntcheu	78	79	73	67	90
Neno	78	87	81	83	91
Mulanje	73	77	86	87	92
Mzimba North	91	86	92	88	92
Rumphi	79	80	83	79	92
Phalombe	86	83	86	88	94
Nkhata Bay	60	73	88	93	94
Balaka	76	85	77	69	95
Malawi	**73**	**78**	**81**	**77**	**84**

Source: Ministry of Health

12.2.1.4 ART Coverage in ANC Clinics

ART coverage for pregnant women living with HIV is one of the key indicators for PMTCT. Performance on this indicator has been consistently high since the inception of the Option B+ strategy in 2011. At the national level, ART coverage in ANC clinics increased from 97 percent in 2017 to 99 percent in 2021 (see Table 12.4). In 2021 all districts registered a performance of 95 percent and above, meeting the national target of 95 percent.

TABLE 12.4: ART COVERAGE AMONG HIV POSITIVE ANC ATTENDEES FROM 2017 TO 2021

District	2017	2018	2019	2020	2021
Mwanza	99	100	100	99	95
Mzimba North	97	99	99	98	95
Mzimba South	92	97	99	97	96
Dedza	100	99	99	99	96
Ntchisi	98	98	99	97	98
Salima	78	99	97	98	98
Kasungu	97	90	99	99	99
Chitipa	99	96	100	98	99
Phalombe	99	100	99	99	99
Dowa	99	99	97	90	99
Mangochi	97	99	99	100	99
Nkhotakota	98	100	99	100	99
Machinga	99	99	99	99	99
Blantyre	94	97	98	99	99
Nsanje	97	99	99	99	100
Karonga	99	96	100	92	100
Lilongwe	98	97	99	100	100
Rumphi	98	99	92	99	100
Thyolo	97	94	98	100	100
Balaka	99	99	100	100	100
Chikwawa	99	99	100	99	100
Ntcheu	99	99	100	99	100
Nkhata Bay	96	95	100	100	100
Mchinji	99	99	98	99	100
Zomba	99	99	99	99	100
Chiradzulu	100	99	97	100	100
Likoma	97	95	98	100	100
Mulanje	99	99	99	100	100
Neno	100	99	100	99	100
Malawi	**97**	**98**	**99**	**99**	**99**

Source: Ministry of Health

12.2.1.5 ART Retention at 12 Months

ART retention at 12 months after initiation is one of the key indicators in HIV care and treatment. Performance on this indicator increased from 75 percent in 2018 to 80 percent in 2021 (refer to Table 12.5). Upliftingly, the true retention rates are estimated to be 10 percent higher than reported. The difference between these figures is attributed to misclassification of unofficial transfers as defaulters in health facility based retention analyses. With further ART decentralization, silent or unofficial transfers between sites are expected to increase.

TABLE 12. 4: ART RETENTION AT 12 MONTHS FOR ALL AGES FROM 2017 TO 2021

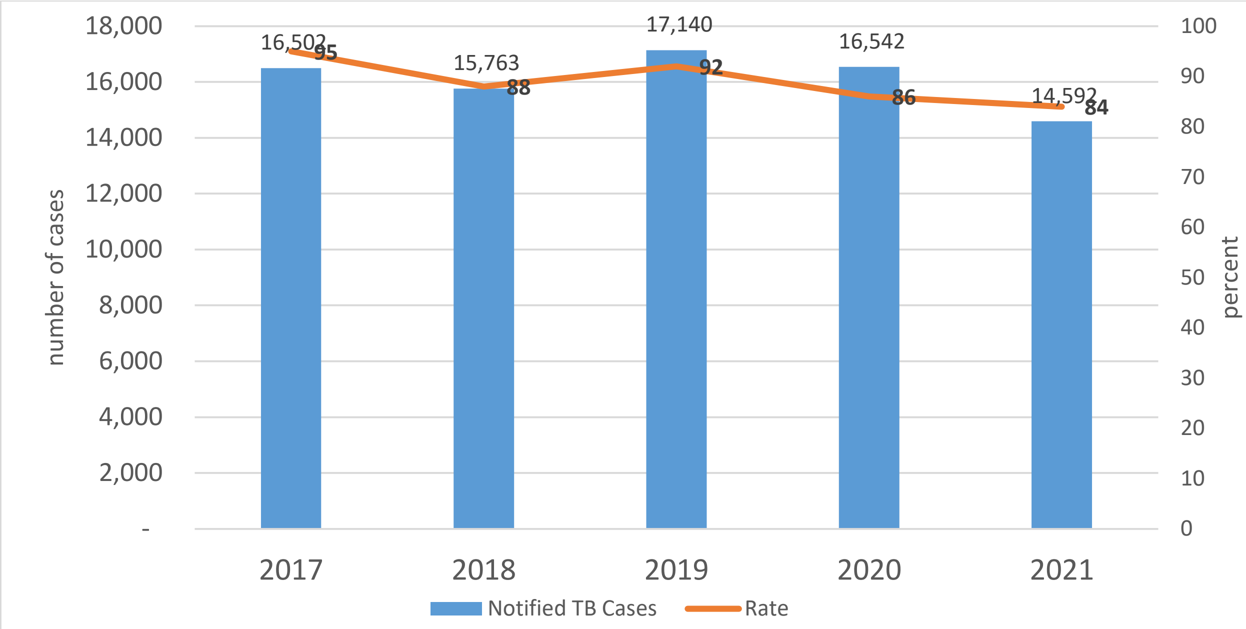
District	2017	2018	2019	2020	2021
Karonga	70	68	66	69	67
Likoma	80	80	75	77	68
Salima	74	71	68	74	69
Nkhata Bay	76	71	74	72	73
Mzimba North	67	69	69	72	73
Nkhotakota	74	70	80	68	74
Machinga	77	75	68	71	75
Lilongwe	68	68	69	71	76
Mzimba South	73	72	77	74	77
Kasungu	85	72	75	76	77
Dowa	75	72	74	75	77
Dedza	73	68	65	75	78
Chikwawa	65	72	73	72	78
Chitipa	86	76	89	94	79
Nsanje	65	71	71	71	80
Balaka	77	75	78	75	80
Thyolo	80	76	81	74	80
Mulanje	82	82	83	75	82
Mangochi	77	77	66	70	82
Phalombe	85	89	83	78	82
Ntcheu	77	70	72	77	82
Neno	83	80	78	78	83
Mwanza	66	67	59	72	85
Ntchisi	67	72	73	77	87
Rumphi	73	71	77	78	87
Zomba	77	68	77	78	87
Blantyre	76	67	68	72	87
Mchinji	72	74	78	71	88
Chiradzulu	68	77	76	78	89
Malawi	**75**	**72**	**72**	**73**	**80**

*Sourc*e: Ministry of Health

12.2.2 Tuberculosis Incidence Rate

The average rate of decline was 7.1 percent for the last 5 years. The latest tuberculosis (TB) in incidence was 141 per 100,000 populations in 2020 (WHO, 2021).

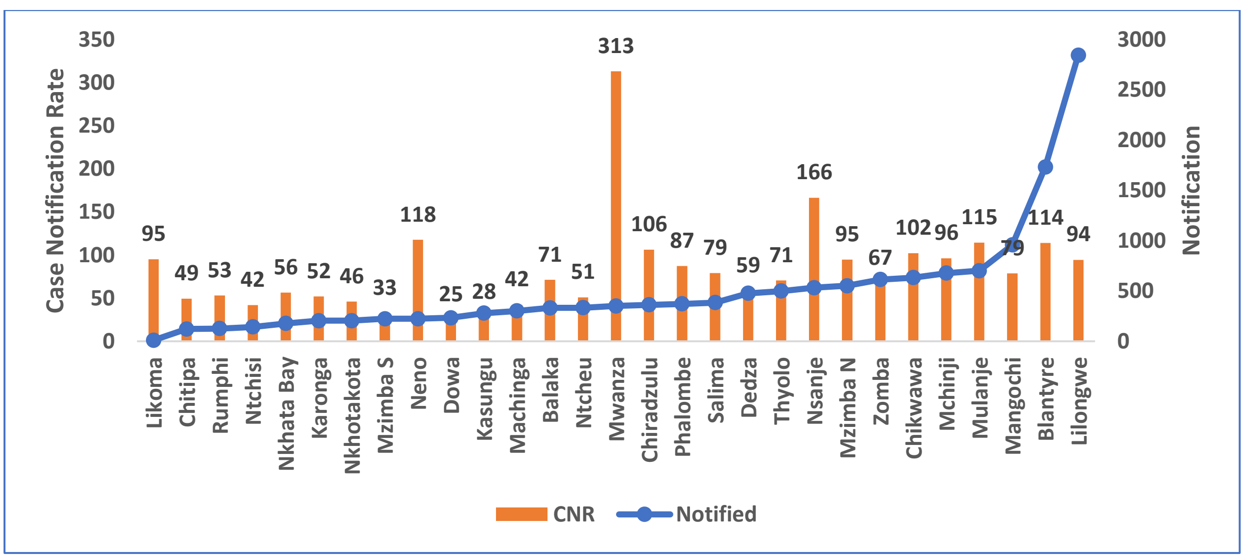
FIGURE 12.3: TREND NOTIFIED TB CASES BY FINANCIAL YEAR AND QUARTER



Source: Ministry of Health

A total of 14,592 TB cases were recorded in 2021, according to Figure 12.3. Of these, 14,380 were incident cases where a five percent decline was observed. The case notification rate (new and relapse) was 76 per 100,000 population. The decline was observed in all the quarters in the period under reporting period as compared to the same period in 2020. The decline is mainly attributed to COVID-19. The estimated treatment coverage for 2021 was 52 percent using the incidence estimate for 2020 which likely underestimated the treatment coverage.

FIGURE 12.4: CASE NOTIFICATION RATE



Source: Ministry of Health

Lilongwe accounted for 20 percent of all notified TB cases followed by Blantyre at 14 percent. Fifty percent of the notified TB cases were reported by five districts: Lilongwe, Blantyre, Chikwawa, Mangochi and Mzimba. Meanwhile, the following districts have shown an increase in the reported TB cases compared to the previous year: Chikwawa, Dedza, Kasungu, Mangochi, Mchinji, Mulanje, Mwanza, Nkhata Bay, Rumphi, and Salima.

12.2.2.1 Change in Notified TB Cases by District in 2021 Compared to 2020

The highest rate of increase, 67 percent, was observed in Likoma followed by Phalombe with 60 percent and Ntchisi with 46 percent. Thirteen districts experienced a rise in notified TB cases in 2021 compared to 2020. Fifteen of the districts experienced a decline in cases which can be partly ascribed to COVID-19 pandemic. The pandemic negatively affected case detection efforts in both community and health facility settings as referred to in Table 12.6. Mobile diagnostic units (MDU) also play a role in the number of notified TB cases.

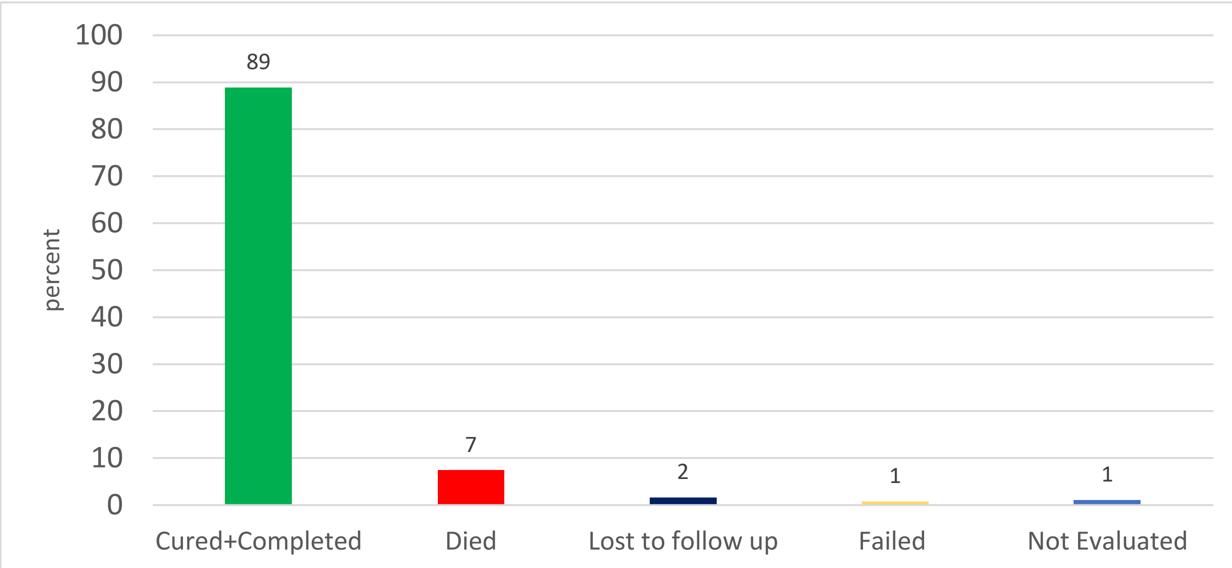
TABLE 12.6: CHANGE NOTIFIED TB CASES BY DISTRICT IN 2020 AND 2021

District	Notified 2020	Notified 2021	Percent Change (2020 to 2021)
Likoma	6	10	67
Phalombe	233	372	60
Ntchisi	97	142	46
Neno	167	223	34
Mchinji	536	677	26
Ntcheu	282	333	18
Dedza	410	476	16
Mulanje	637	701	10
Balaka	309	332	7
Mangochi	896	957	7
Nkhata Bay	168	178	6
Nkhotakota	195	204	5
Mzimba	786	789	0.6
Machinga	305	302	-1
Thyolo	506	498	-2
Lilongwe	3020	2843	-6
Zomba	666	613	-8
Dowa	253	233	-8
Rumphi	140	126	-10
Salima	431	384	-11
Nsanje	611	532	-13
Blantyre	2079	1741	-16
Chiradzulu	450	362	-20
Kasungu	356	279	-22
Karonga	265	204	-23
Mwanza	447	337	-25

Chitipa	172	127	-26
Chikwawa	957	632	-34

Source: Ministry of Health

FIGURE 12.5: TREATMENT OUTCOME OF PATIENTS ADMITTED IN 2020

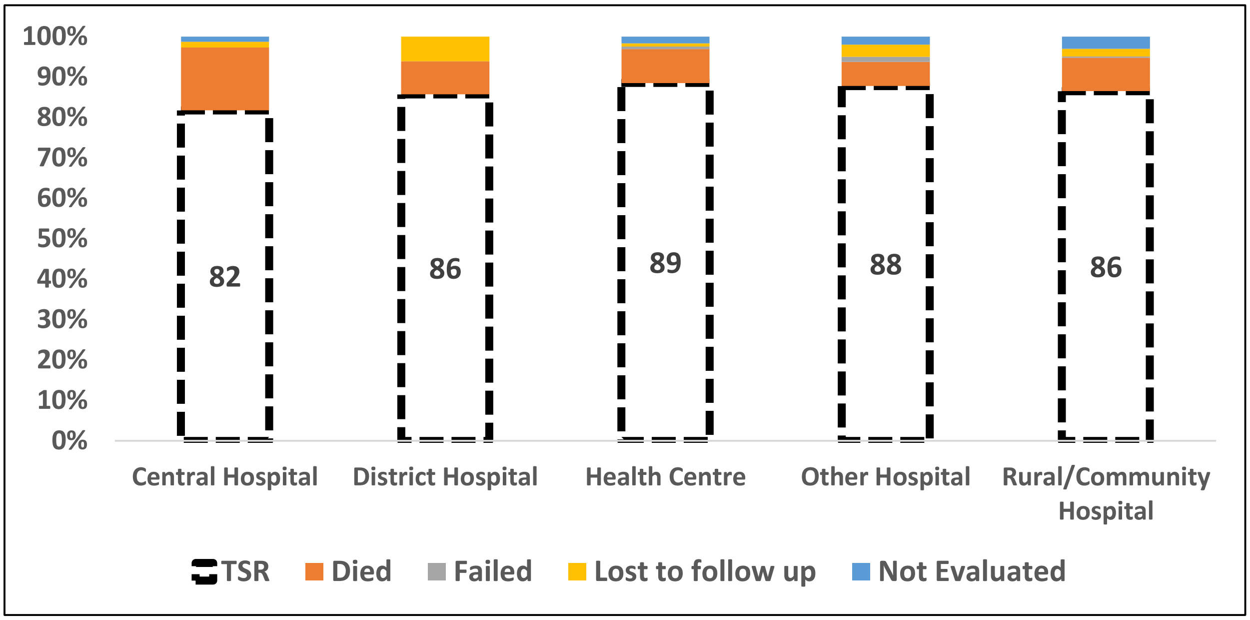


Source: Ministry of Health

Out of the 14,672 TB patients who started treatment in the year 2020, 13,058 representing 89 percent successful discharge and completed treatment rate. 1,027 (7 percent), died while taking TB medication; and 293 (2 percent), were Lost to Follow Up (LTF). 147 (1 percent), failed on first line TB drugs and were started on Second line TB drugs and 147 were not evaluated. Both of these represent roughly 1 percent of the patients as shown in Figure 12.5.

Analysis of treatment outcomes by the type of health facility reveals low TSR among referral hospitals according to Figure 12.5. The unfavourable treatment outcome in referral hospitals is probably a reflection of such institutions treating terminally ill TB patients resulting in higher death rates. There is a notable improvement of treatment outcomes in health facilities and rural hospitals from 82.7 percent in 2019 to 89 percent in 2020 at the expense of lost and unevaluated TB patients. This could be as a result of different interventions the program is implementing at district level. The program has been supporting districts to conduct peripheral level supervision/ mentorship visits. The support is aimed at improving TB service delivery in health facilities. Through the support, there is a notable improvement in TB service delivery in most of the sites.

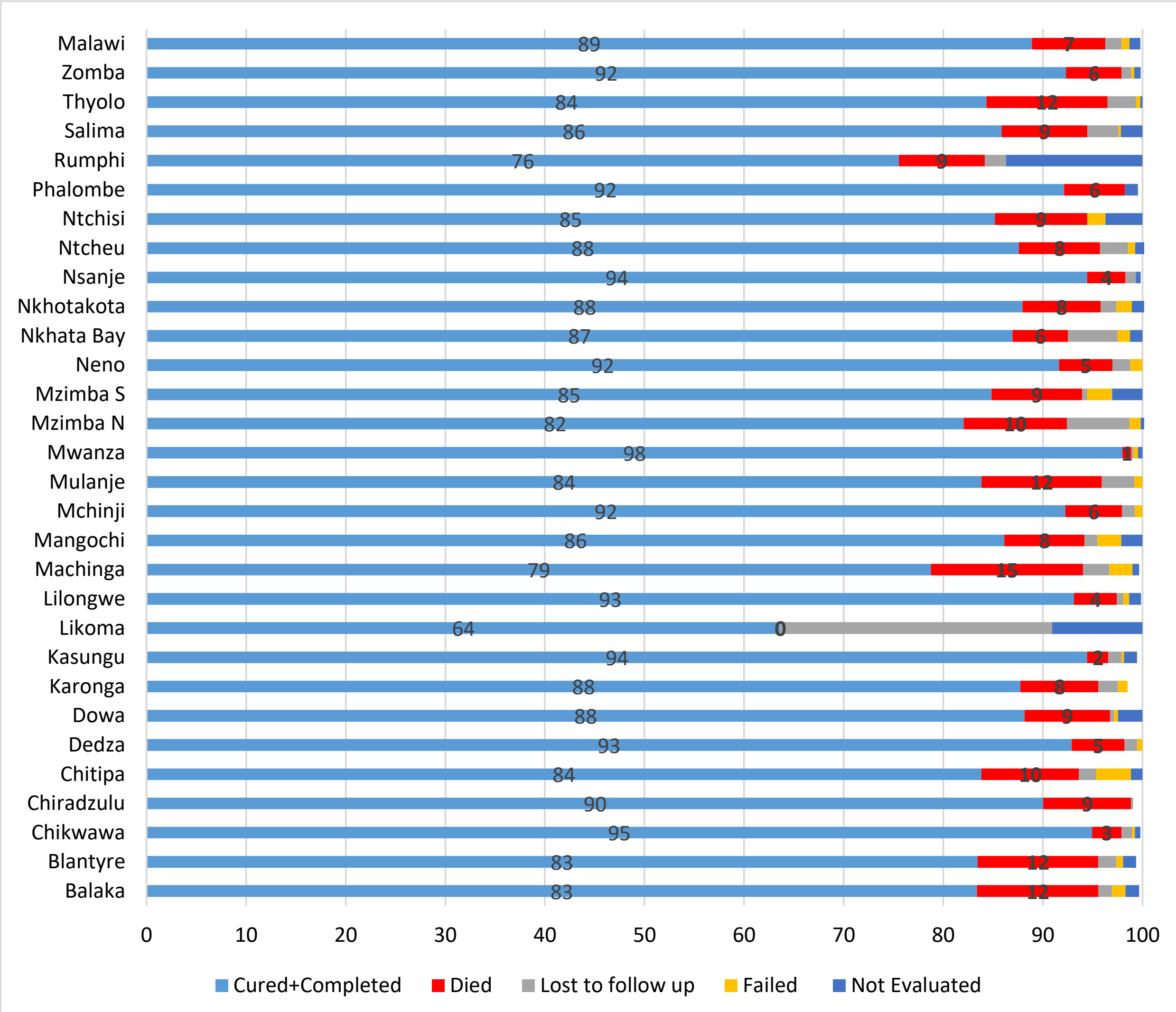
FIGURE 12.6: TB TREATMENT SUCCESS RATE BY DISTRICT (2020 COHORT)



Source: Ministry of Health

As would be expected, there is variation in district performance with respect to treatment outcomes. Mwanza had the highest treatment success rate of 98 percent followed by Chikwawa at 95 percent. Kasungu and Nsanje had 94 percent and Lilongwe and Dedza shared 93 percent. In total, 11 districts surpassed the national target of 90 percent. Meanwhile Phalombe (79 percent), Mangochi (76.9 percent) and Machinga (75.9 percent) are the least performing districts. Likoma, Rumphi and Machinga had the lowest treatment success rates; 64, 76, and 79 percent respectively. The mixture of negative outcomes was not homogenous across the districts. In fact, Machinga had the highest death rate with15 percent. This was followed by Balaka, Thyolo, Blantyre and Mulanje with 12 percent. Meanwhile, Likoma had the highest level of lost cases at 27 percent.

FIGURE 12.1: 2020 TB TREATMENT SUCCESS RATE BY DISTRICT



Source: Ministry of Health

12.2.3 Malaria and Progress on Key Malaria Indicators

Malaria still remains a public health challenge in Malawi. Approximately 6 million malaria cases are recorded annually. The entire population of Malawi is at risk of malaria infection; although, this is elevated in pregnant women and children under the age of 5. The major malaria interventions implemented during the reporting period are prompt diagnosis and effective treatment, Integrated Vector Management (IVM), and Malaria in Pregnancy (MIP). The supportive interventions are monitoring and evaluation, Social and Behaviour Change Communications (SBCC)and program management.

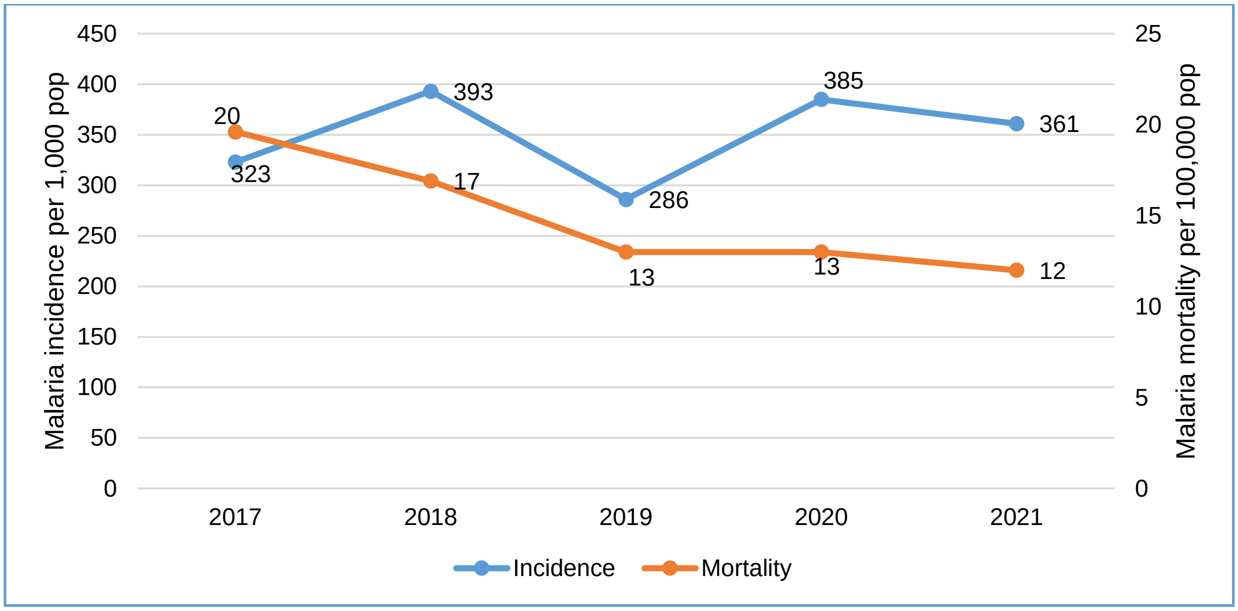
12.2.3.1 Malaria Incidence and Deaths Rates

The 2018-2030 Southern African Development Community (SADC) Malaria Strategic Plan (MSP) goal is to eliminate malaria in all SADC Member States by 2030. The 2017-2022 Malawi MSP goal is to reduce malaria incidence from 386 per a population of 1,000 in 2015 to 193 per a population of 1,000 by 2022 and malaria deaths by at least 50 percent of 2015 levels by 2022. Generally, Malawi has seen changes in its malaria deaths trend because of the high investment in malaria case control and improvements in data management. Figure 12.7 shows that the malaria death rate has been reduced by 40 percent from 20 per 100,000 population in 2017 to 12 per a population of 100,000 in 2021. This enabled it to reach the 2017-2022 MSP target and surpassed the 14 deaths per 100,000 population targeted in the second Health Sector Strategic Plan (HSSP II). All this was attributed to good malaria case management in the country.

Malaria treatment seeking behaviour within 24 hours of onset of symptoms and signs has also improved from 31 percent in 2017 (MIS, 2017) to 56 percent in 2021 (MIS, 2021). This has reduced the severity of several malaria cases and, by extension, death from this disease. According to Health Management Information Systems (HMIS) data, Malawi experiences a fluctuating trend of malaria incidences over time. This is despite high investments in malaria control measures particularly the mass long-lasting insecticidal net (LLIN) distribution campaign. The country experienced a sharp increase in malaria incidences from 323 cases per population of 1,000 in 2017 to 393 cases per population of 1,000 in 2018. This was attributed to improved reporting and, to some extent, delays in the replacement of LLINs. There was a sharp malaria decrease (286 cases per 1,000 population) in 2019 which was attributed to the national wide mass LLINs distribution that was conducted for the first time. The country experienced an additional increase by 35 percent in malaria incidences from 2019 to 2020. This 2020 incidence rate of 385 cases per 1000 population was attributed to one-year effect of LLINs due to lack of community engagement on the LLIN use and COVID-19. In elaboration, during the months when the Covid-19 incidence rate was at its highest, malaria patients avoided health facilities out of fear of contracting this disease there. In this way, many became community malaria parasite reservoirs. From 2020 to 2021 there was a reduction by 6 percent in the incident rate. The 2021 incidence rate of 361 cases by 1,000 population underperformed the HSSP II goal of 200 cases per 1,000 population. This was attributed to the LLIN mass distribution campaign that was conducted in November and December 2021 in some of the districts in the country, more especially southern districts where it started.

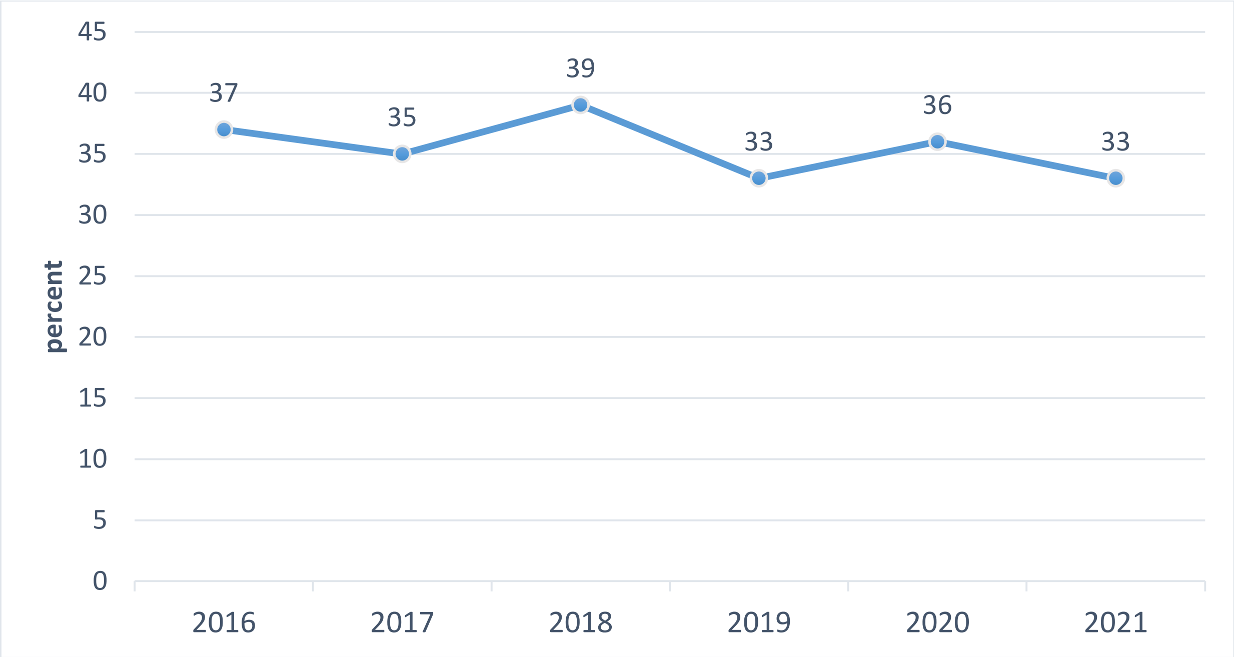
The National Malaria Control Program (NMCP) and partners had distributed PBO, NG2 and Loyal Guard nets (net with new insecticides) in all districts in 2021 through LLIN mass distribution campaign. In line with the 2018-2030 SADC Malaria Strategic Plan Goal, Ministry of Health has endorsed change in policy to a 2 yearly mass LLIN distribution based on LLIN durability study conducted in Malawi in 2016 by MAC in collaboration with NMCP.

FIGURE 12.7: MALARIA INCIDENCE AND MORTALITY RATES



Source: Ministry of Health

FIGURE 12.8: PERCENTAGE OF OPD ATTENDANCE CASES ATTRIBUTED TO MALARIA FROM 2016 - 2021

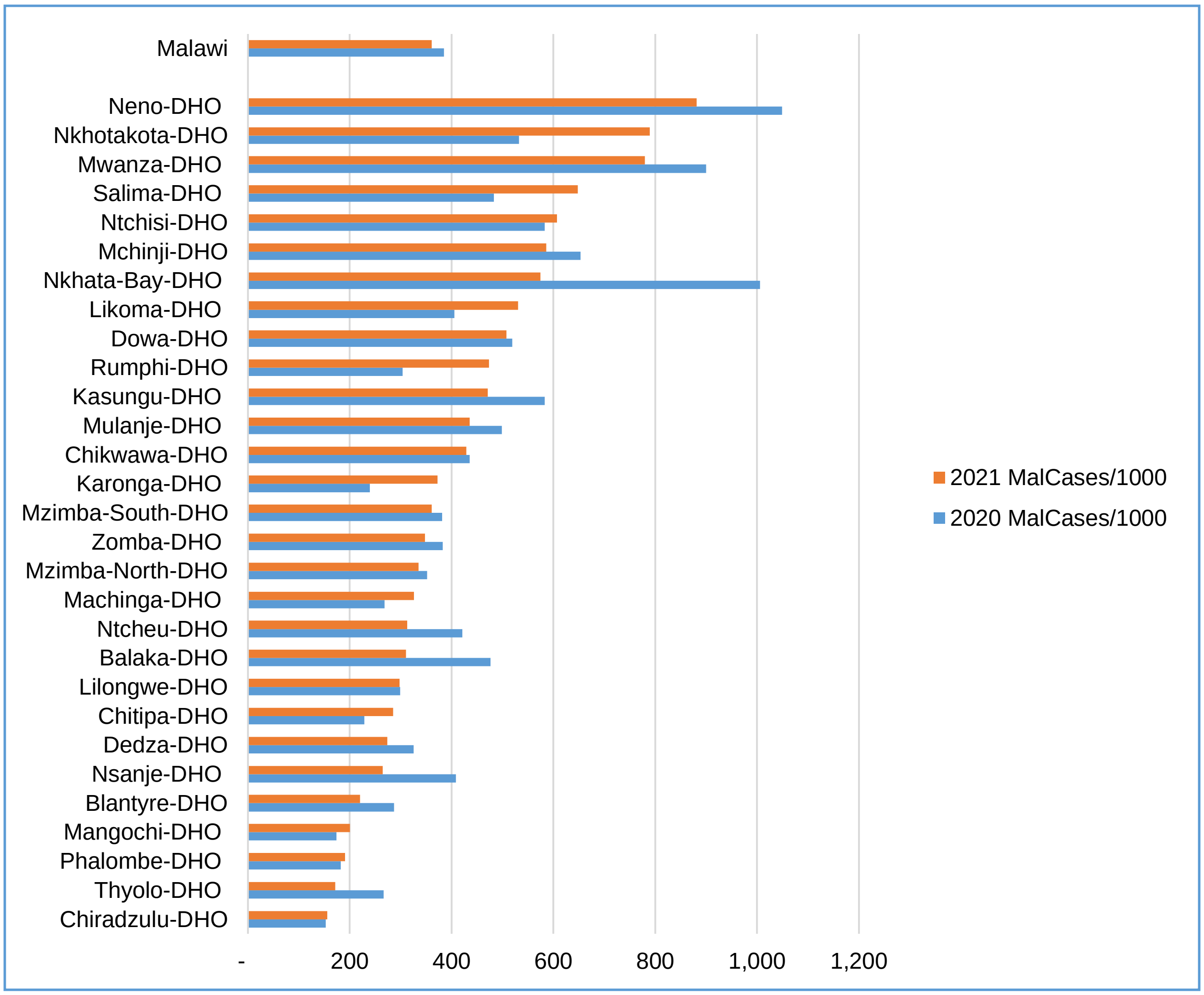


Source: Ministry of Health

12.2.3.2 Malaria Incidence by District

In Figure 12.9, comparative analysis among districts for 2020 and 2021, demonstrated that 19 of them experienced a decrease in malaria incidence according to Figure 12.7. Neno had the highest malaria incidence in 2021 (881 cases per 1,000 population), seconded by Nkhotakota which had a malaria incidence of 790 cases per 1,000 population. Meanwhile, Chiradzulu had the least malaria incidence during this time with 156 cases per 1,000 population. Balaka and Nkhatabay experienced the highest reduction of malaria incidence due to the first introduction of Indoor Residual Spraying in the districts. Nkhotakota experienced an increase in malaria incidence despite implementation of Indoor Residual Spraying over time due to insecticides challenges. Overall, Malawi had experienced a decrease by 6 percent in malaria incidence from 385 cases per 1,000 population in 2020 to 361 cases per 1,000 population in 2021.

FIGURE 12.9: MALARIA CASES PER 1,000 POPULATION BY DISTRICT FOR 2020 AND 2021

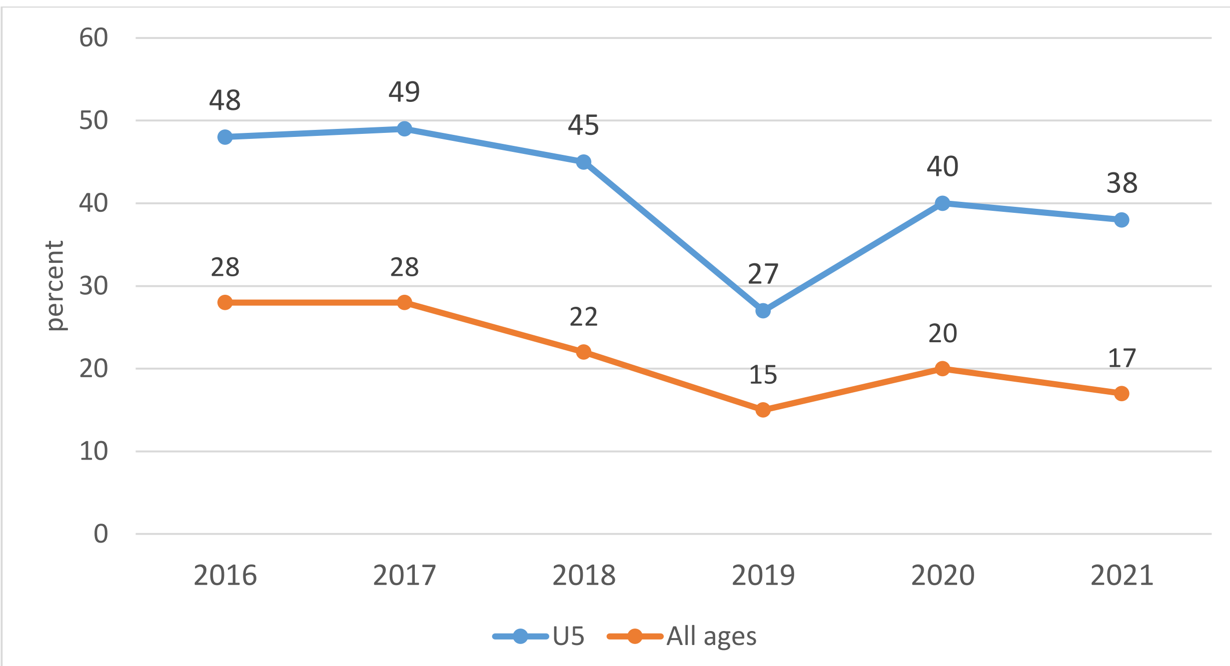


Source: Ministry of Health

12.2.3.3 Malaria Mortality

The mortality rate due to malaria has nearly halved since 2016, from 23 per 100,000 population to 12 per 100,000 population in 2021. This mortality rate is very close to the 2021 target of 11 per 100,000 population set by the NMCP. Moreover, the 2022 target of 10 per 100,000 population is currently on track to being met. There was a general decline in the national percentage of deaths due to malaria from 2016 to 2021. For the under-5 population, this has decreased from 48 percent to 35 percent. For all ages, this has decreased from 28 percent to 15 percent (Figure 12.10). Overall, this trend demonstrates that the share of deaths in Malawi due to malaria is decreasing faster than for deaths overall; a representation of strong progress. However, it is important to keep monitoring and aggressively scale up case management among under-5 children.

FIGURE 12.10: PERCENTAGE OF DEATHS ATTRIBUTED TO MALARIA: 2016-2021

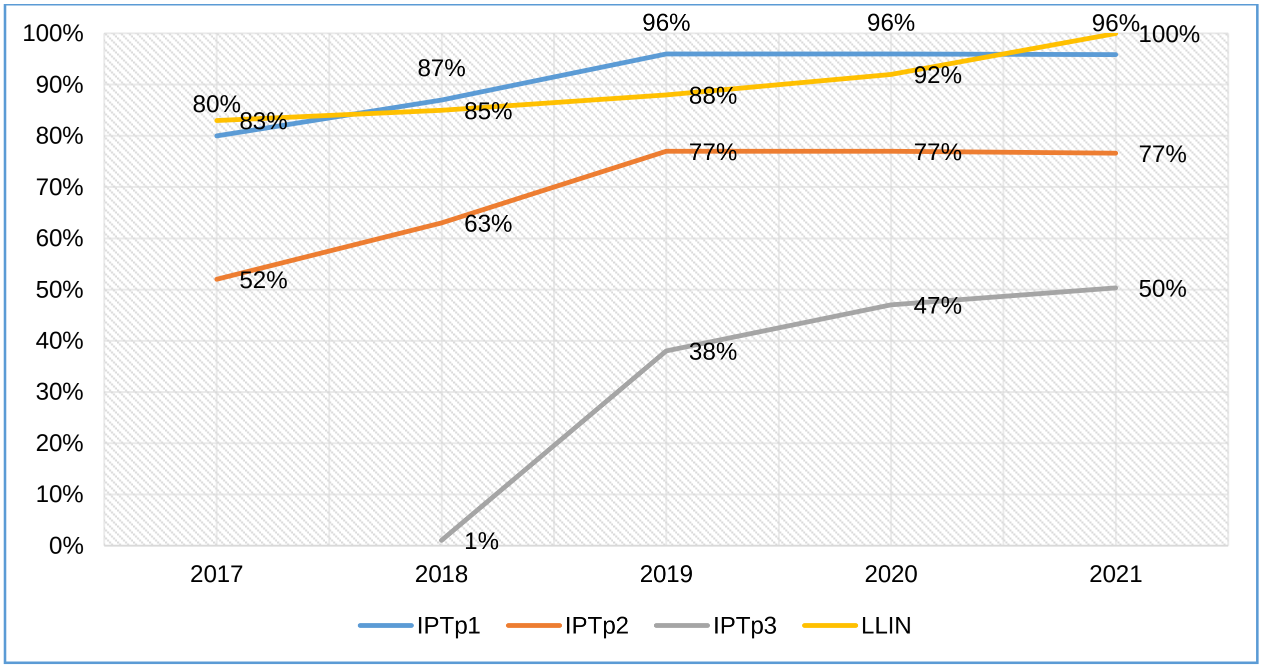


Source: Ministry of Health

12.2.3.4 IPTp and LLIN Coverage in Pregnant Women

Intermittent Preventive Treatment (IPTp) is the provision of SP doses to pregnant women during antenatal visits as from malaria infection. The current policy states that a pregnant woman must receive at least 3 doses of SP and one LLIN during her pregnancy. IPTp3 is the percentage of pregnant women who received at least 3 doses of SP during pregnancy. The program planned to reach 60 percent of pregnant women by 2022. There has been an almost constant trend in the coverage of IPTp1 and IPTp2 with some improvement in IPTp3. This has increased by 12 percentage points and might reach the HSSP II target of 60 percent. The 2021 Malaria Indicator Survey demonstrated that IPTp3 coverage was at 56 percent; 4 percentage points from the HSSP II target. This is due to the lack of funding in this malaria thematic area leading to the deployment of untrained IPTp providers. However, there are some improvements in LLIN coverage. It has increased by 35 percent from 80 percent in 2017 to 100 percent in 2021 as illustrated in Figure 12.11.

FIGURE 12.11: TRENDS OF IPTP AND LLIN COVERAGE IN PREGNANT WOMEN



Source: Ministry of Health

12.2.3.5 Malaria Cases and LA treatments Discrepancies

Artemether Lumefantrine (LA) is the first-line treatment for malaria in Malawi. LA treatments dispensed are treatments that have reached the patient. LA treatments issued are those that have been taken from the pharmacy (stock card updated) to the dispensary but have not yet been taken by the patient. The program's acceptable ratio of malaria caseload to LA issued treatments in Malawi ranges from 1:1 to 1:1.15, representing a 15 percent acceptable discrepancy. Meanwhile the program's acceptable ratio of malaria caseload to LA dispensed ranges from 1:1 to 1:1.05. The discrepancy between malaria cases and LA issued treatments has been reduced from 62 percent (1:1.24 ratio) in 2020 to 22 percent (1:1.22 ratio) in 2021. The discrepancy between the number of malaria cases and the number of LA dosages dispensed has been narrowing over the months of the year under review. At the same time, the discrepancy between malaria cases and LA dispensed has been closed over the months of the year under review.

12.2.4 Community Health

12.2.4.1 HSA to Population Ratio

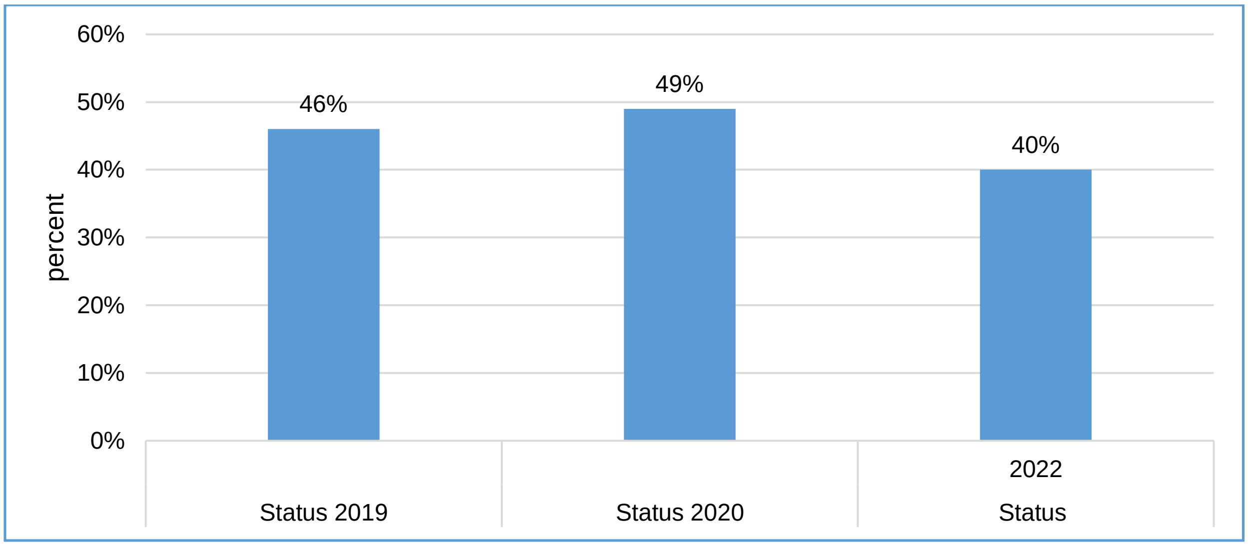
The recommended Health Surveillance Assistant (HSA) to members of the population ratio for Malawi is 1 HSA per 1,000 people. In 2018, the ratio was 1:2000 and the CHSS set a target for

2022 to have a ratio of 1: 1,346. Based on the mid-term review report 2021, the new ratio is at 1:260, this has been achieved through recruitment of additional HSAs and SHSAs.

12.2.4.2 HSAs Residing in their Catchment Areas

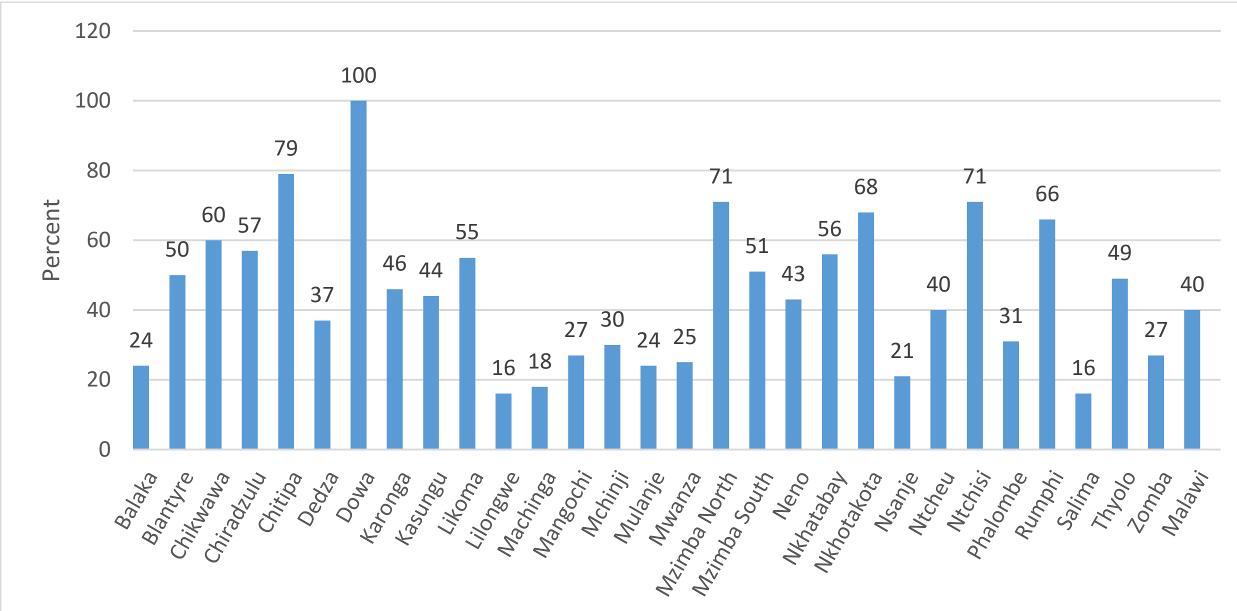
As of 2021 the policy recommendation ratio for trained HSAs to members of the population is at 74 percent. Currently there are 15,000 HSAs against the recommended 18,000 to meet the ratio of 1 HSA per 1,000 population. Currently the CHSS is working on increasing the number of HSAs and SHSAs residing in their catchment area to 75 percent in 2022. Figure 12.12 shows the proportion of HSAs who reside in their catchment areas per district. In general, the proportion was 49 percent in 2020 and has slightly decreased to 40 percent in 2021.

FIGURE 12.12: PERCENT OF HSAS RESIDING IN THEIR CATCHMENT AREAS



Source: Ministry of Health

FIGURE 12.13: PERCENT OF HSAS/SHSAS RESIDING IN CATCHMENT AREAS BY DISTRICT



Source: Ministry of Health

In Figure 12.13, the increase in proportion was observed for the following Districts: Dowa, Chitipa, Mzimba North and Ntchisi. This can be attributed to the health partner area of focus in community health, involvement of HSA leadership in management engagement meetings on community health delivery service models.

12.2.4.3 Formed and Oriented Community Health Action Groups

A Community Health Action Group (CHAG) is a community structure established to enhance social accountability mechanisms at GVH level. In 2018 the average was at 26 percent and as of 2021 it is at 38 percent of the CHAGS formed and trained. Currently in 2021, 38 percent of the CHAGs are functional evident with quarterly meeting minutes shared with relevant stakeholders.

12.2.5 Health Systems

12.2.5.1 Health Infrastructure and Equipment

Provision of quality Health Services will rely on the availability of good health infrastructure that is conveniently accessible by the targeted population. A number of Projects have been completed in the 2021/22 Financial Year. Several other ongoing projects will be completed in the 2022/23 Financial Year. These include the rehabilitation of health centers and district hospitals, the construction of three new health centres, some Umoyo Houses, 2 new community hospitals, the

55 new health posts and the rehabilitation of the Emergency Treatment Units[6] (ETUs). Table 12.7 highlights key projects in 2021/22 that are ongoing, recently completed and those that have been initiated recently.

TABLE 12.7: KEY HEALTH INFRASTRUCTURE PROJECTS IN MALAWI - 2021/22

Infrastructure Type	Funding Source	Type of Works (New, Rehabilitation, Pipeline)	Number of Facilities	Progress Status (Under Design, Initiated, On-going, Implementation, Handed Over and Operational)
District Hospitals	Badea (Saudi Fund) and Government of Malawi	New	1	Phalombe District Hospital construction was completed. The facility was officially opened and is operational.
		Rehabilitation	4	1 theatre rehabilitated at Dedza DHO and handed over. 3 are at the assessment stage.
	Government of Malawi	Pipeline	3	Chikwawa, Dowa and Rumphi District Hospitals are at feasibility and facility design stage.
Community Hospitals	Government of Malawi	New	2	Construction is ongoing. Domasi Community Hospital is at 75 percent and Mponela at 35 percent.
National Cancer Centre	OFID & Government of Malawi	New construction	1	Progress for phase 1 is at 90 percent. Currently, the procurement for the contractor to finalize the construction of the bunkers is underway.
Kamuzu Central Orthopaedic Centre	Haukeland University (Norway) and Mr. Mohn	New construction	1	Ongoing as progress is over 65 percent.
Health Centres with Five Staff Houses	HSJF	New and Completed	2	Completed and handed over in Chilanga and Nancholi.
	HSJF	New and Ongoing	14	Ongoing.
	HSJF	Rehabilitation	15	Progress is at 95 percent.
Health Posts	Global Fund	New	55	At contract award stage (Construction of an OPD

[6] These are also known as the COVID-19 and Infectious Disease Isolation Units. They were originally built to isolate Covid-19 patients although they are multipurpose.

				Block, Staff houses and Water reticulation system). Karonga, Nkhatabay, Mzimba (North and South) Chitipa, Kasungu, Nkhotakota, Mchinji, Ntchisi, Ntcheu, Dedza, Salima, Dowa, Lilongwe, Chiradzulu, Zomba Balaka, Mangochi, Chikwawa, Phalombe, Thyolo, Neno and Mwanza.
Umoyo Houses	HSJF	New	35	Houses were completed and occupied by medical staff in Nkhatabay, Mzimba, Karonga and Rumphi.
	HSJF	New	24	Progress is at 76% in Chikwawa District. Progress is at 24 % in Thyolo District. In Phalombe progress is at 90 %
COVID-19 /Infectious Disease Isolation/ETU	Global Fund	New	3	Contractor procurement stage at the following central hospitals: Kamuzu, Mzuzu and Queen Elizabeth.
	Government of Malawi	Rehabilitation	5	4 completed and handed over to the users (Salima, Nkhotakota, Nsanje and Chitipa), 1 (Balaka) still in progress at 60 percent.
Queen Elizabeth Central Hospital Intensive Care Unit	Government of Malawi	Rehabilitation	1	Rehabilitation of the Intensive Care Unit completed.
Health Centres and Community Hospitals Laboratory	Global Fund	Rehabilitation	15	At contractor procurement stage.
Gas Plants	GAVI	New	4	1 for Mzuzu Central Hospital is at contract award stage. The gas plant shelter was constructed and completed. Procurement of 3 gas plants for Zomba Central, Bwaila

			and Kasungu Hospitals is still under procurement.
Construction of Boreholes in Health Facilities	New	240	At the contract award stage. The 240 community water points are expected to increase access to water to enhance WASH (for community health facilities).
EPI Office GAVI Complex	New	1	Under construction and progress at 65 percent.

Source: Ministry of Health

12.2.6 Human Resources

One of the key objectives under HSSP II is to improve availability, retention, performance and motivation of human resources for effective, efficient and equitable health service delivery. In the year 2021, the total number of healthcare workers was 42,449. With a population estimated at 19.5 million, health worker density in Malawi is at 2.2 per a thousand population.

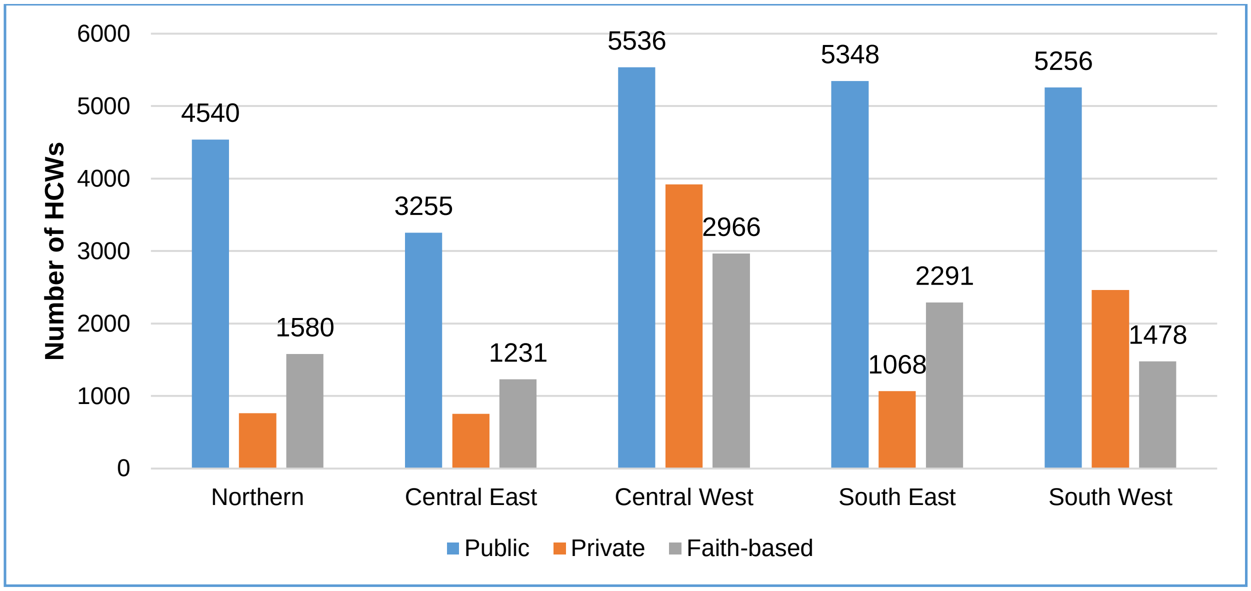
TABLE 12.7: HEALTH WORKER DENSITY AND DISTRIBUTION

Total Health Workers by Zone

Zone	Public	Private	Faith Based	Total
Northern	4,540	765	1,580	6,885
Central East	3,255	755	1,231	5,241
Central West	5,536	3,919	2,966	12,421
South East	5,348	1,068	2,291	8,707
South West	5,256	2,461	1,478	9,195
Total	23,935	8,968	9,546	42,449

Source: Ministry of Health

FIGURE 12.14: HEALTHCARE WORKERS BY ZONE



Source: Ministry of Health

12.2.6.1 Health facilities with Minimum Staffing Norms

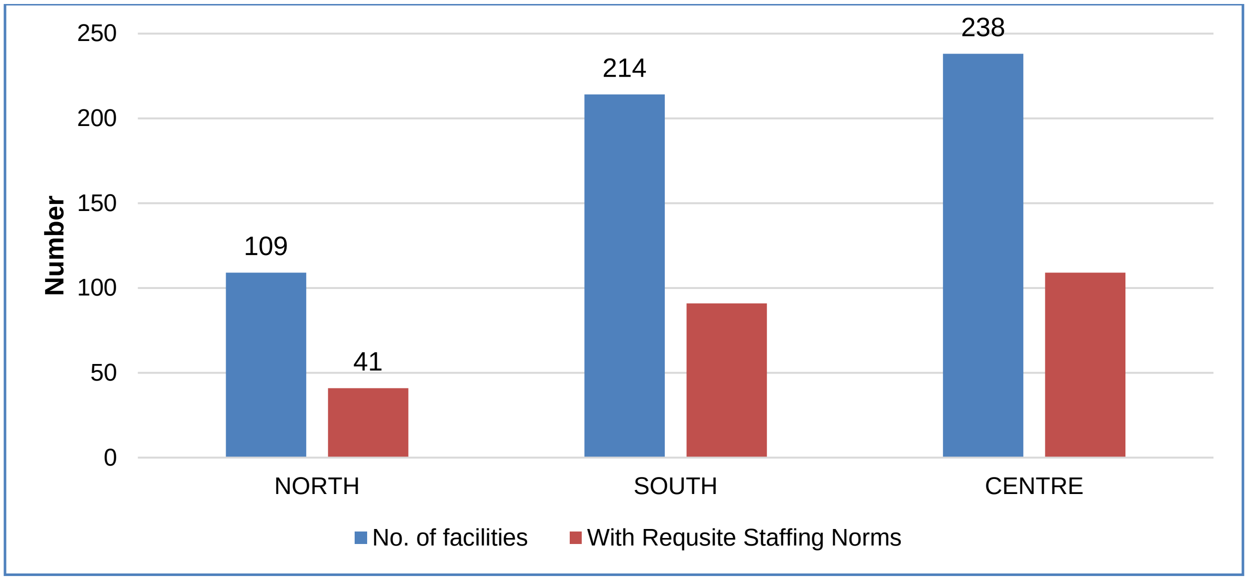
Table 12.8 shows the number of Health Facilities with minimum staffing norms. The minimum staffing norms are 2 clinicians, 2 nurses, 1 Environmental Health Officer (EHO). Northern Region has the least facilities with minimum staffing norms followed by the Southern Region. While Central Region has the most, they have not reached 50 percent capacity. On average, only 42 percent of the public health facilities have minimum staffing norms. Looking at the trend from 2017, there is an improvement from 38 percent in 2017 to 42 percent in 2021, as presented in the graph below. This improvement is attributed to 2020 massive COVID-19 recruitment and deployment of health care workers.

TABLE 12.8: STAFFING NORMS

Region	Total Health Facilities	Health Facilities with Minimum Staffing Norms	Percentage
North	109	41	38
South	214	91	43
Centre	238	109	46
Malawi	561	241	42

Source: Ministry of Health

FIGURE 12.15: FACILITIES WITH REQUISITE STAFFING NORMS

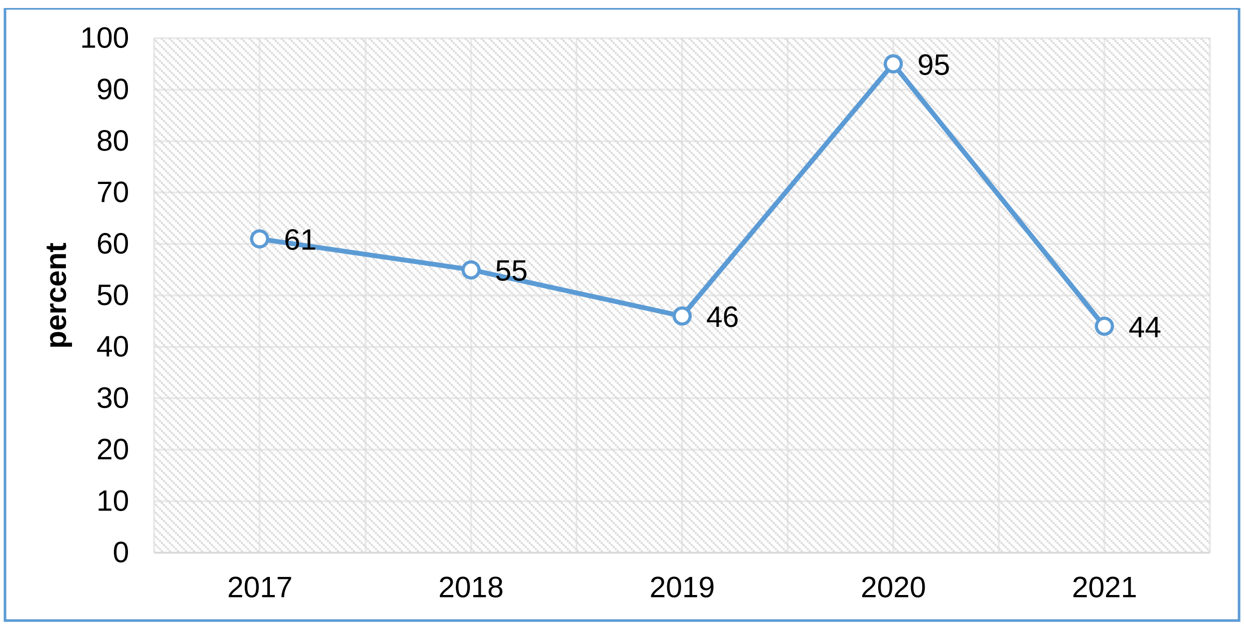


Source: Ministry of Health

12.2.6.2 Health Worker Absorption Percentage

Health worker absorption percentage in the year 2021 was at 43.36 percent compared to the 100 percent requirement. In the year 2020, the Government and Faith Based Facilities absorption rate reached a record high at 95 percent. This was perhaps due to the massive COVID-19 recruitment exercise.

FIGURE 12.16: HEALTH WORKER ABSORPTION RATE SINCE 2017



Source: Ministry of Health

12.2.6.3 Vacancy Rate

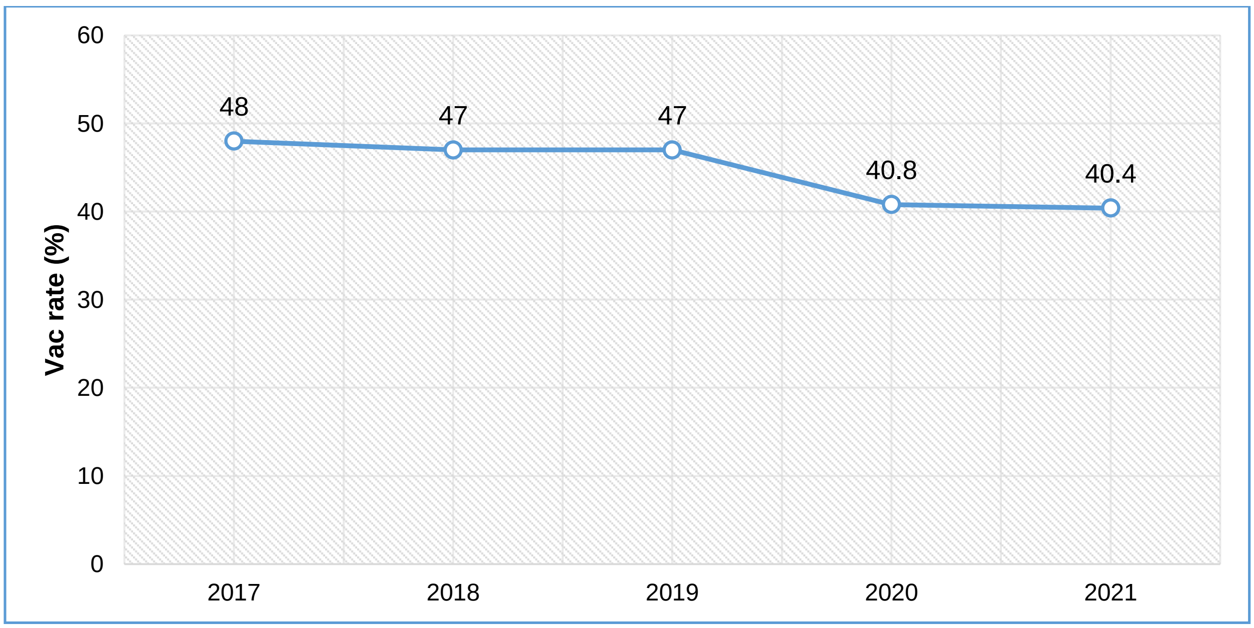
TABLE 12.9: OVERALL PUBLIC HEALTH SECTOR VACANCIES

Facility	EST	Filled	VAC	Percentage
Ministry HQ	747	372	375	50.2
Central Hospitals	9,147	4,773	4,374	48.7
DHOs	44,837	26,712	18,125	41.5
CHAM	13,031	10,272	2,759	21.2
Total	**67,762**	**42,129**	**25,633**	**40.4**

Source: Ministry of Health

The vacancy rate decreased from 47 percent in 2017 to 40.4 in 2021, with the highest reduction experienced in the year 2020 as presented in Figure 12.17.

FIGURE 12.17: PUBLIC HEALTH SECTOR VACANCY RATE



Source: Ministry of Health

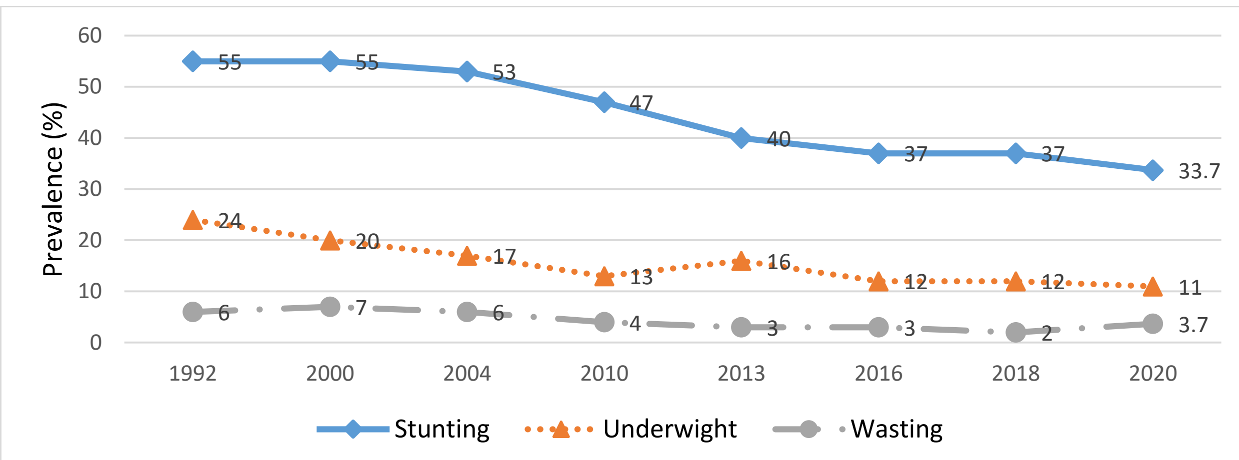
12.3 Performance in Nutrition

Nutrition is a prerequisite to good health which in turn contributes to economic growth and development. These are necessary for the achievement of the Sustainable Development Goals (SDGs). In Malawi, at the national level, nutrition activities are spearheaded by the Department of Nutrition and HIV/AIDS (DNHA). This is with support from development partners, other stakeholders and government Ministries, Departments and Agencies (MDAs). The DNHA provide oversight, coordination, strategic leadership, policy direction, resource mobilization, capacity building, quality control and monitoring and evaluation of the national nutrition response. At the district level nutrition is coordinated by the district nutrition coordination committee, with support from partners and other established nutrition structures. Nutrition programmes aim at achieving outcomes in different indicators such as stunting, wasting and weight gain.

12.3.1 Nutrition Status in Under-5 Children

Improvements have been registered over the years in key indicators of nutrition in children under the age of five. Available data from the Demographic Health Survey (2015) shows that stunting levels are currently at 37 percent. However, the integrated Household survey (IHS5) conducted from April 2019 to June 2020 revealed that stunting has reduced from 37 percent in 2016 to 33.7 percent in 2019, representing a 4.3 percent reduction. This is still above the 30 percent target for 2022. Figure 12.18 shows some of the key nutrition indicators for under five children.

FIGURE 12.28: STUNTING, WASTING AND UNDERWEIGHT IN UNDER-5 CHILDREN



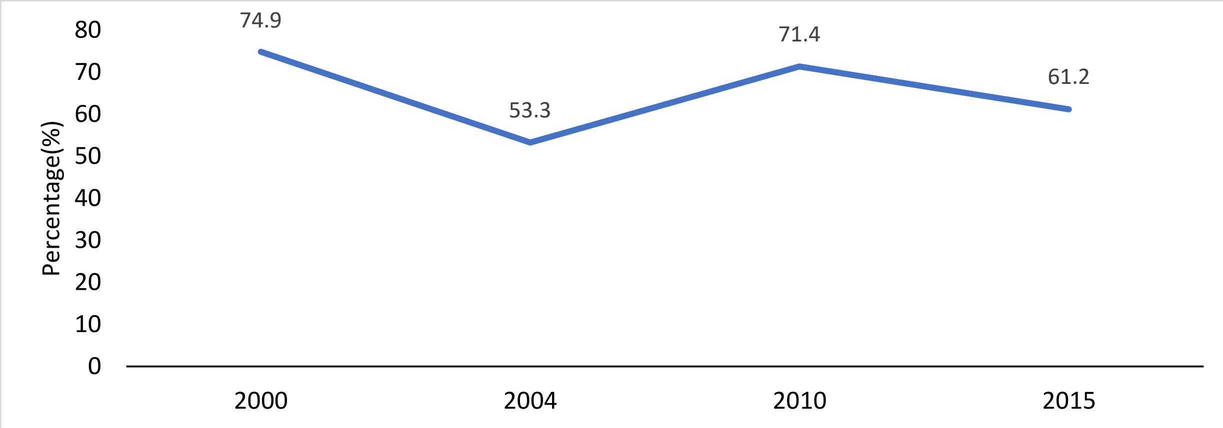
Source: Demographic Health Survey (DHS), Integrated Household Survey (IHS) 5

Figure 12.18 shows that stunting, underweight and wasting levels have significantly reduced over the years from 1992 to 2020. The reduction may be on the account of improved nutrition interventions, strong policies and dedication towards the fight against malnutrition.

12.3.2 Maternal Infant and Young Child Nutrition (MIYCN)

The health and nutrition status of pregnant and lactating women, as well as infants, and young children is essential for optimal child development. Nutrition during the first 1,000 days of life has profound, irreversible, and life-long consequences for both mothers and infants. MIYCN strategies focuses on prenatal and early-life interventions to prevent growth failure and enhancing child development and survival. Figure 12.19 presents the trend of children 0-5 months who were exclusively breastfed. The pattern has been changing since the year 2000 where more children were exclusively breastfed (75 percent) then it dropped to 53 percent in 2004. Another increase was noted in 2010 where 71 percent of children were exclusively breastfed. A 10 percent reduction was document in 2015.

FIGURE 12.19: CHILDREN 0-5 MONTHS OF AGE WHO ARE EXCLUSIVELY BREASTFED



Source: DHS

Table 12.10 shows the proportion of children 6-23 months who met the Minimum Dietary Diversity (MDD) and Minimum Meal Frequency (MMF). The proportion of children who consumed a MDD rose significantly from 2019 to 2020 by 19 percent while MMF increased from 22 percent in 2019 to 68 percent in 2020. This surpassed the set target of 44 percent in 2020. The proportion of children who received Minimum Acceptable Diet (MAD) increased from 11 percent in 2019 to 28 percent in 2020 but remained below 50 percent. The increase may be alluded to implementation of nutrition programs which promote best practices in infants and young child feeding. However, other nutrition and health-related programs implemented in the country might have contributed to the uptake of optimal child feeding practices among caregivers.

TABLE 12.50: THE PROPORTION OF CHILDREN 6 TO 23.9 MONTHS WHO ACHIEVED MDD AND MMF

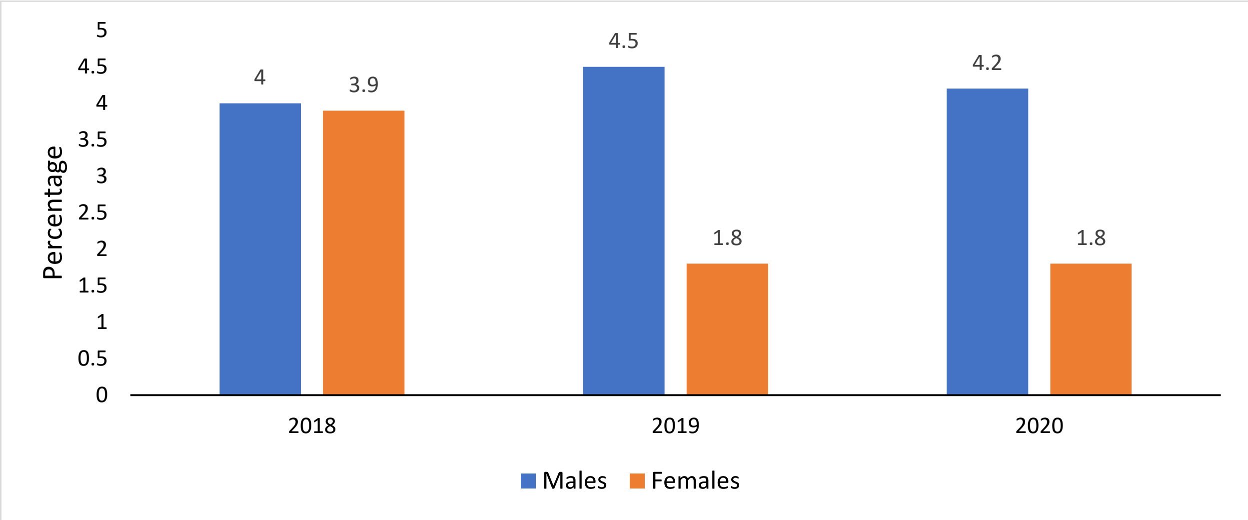
	2017	2018	2019	2020	2022
Proportion of children who consume a MDD	21	13.3	13.3	32.5	ND
Proportion of children who receive a MMF	64.4	43.4	22.2	68.3	ND
Proportion of children who receive a MAD	18.7	10.7	11	28	ND

Source: Smart survey 2020

12.3.3 Adolescent Nutrition

The multi-sectoral adolescent nutrition strategy emphasizes the importance of having a well-nourished adolescent who can effectively contribute to economic growth. Adolescents in Malawi are being targeted with several nutrition interventions including, adolescent nutrition education as well as Iron and Folic Acid (IFA) supplementation for adolescent girls.

FIGURE 12.20: LEVELS OF UNDERWEIGHT IN ADOLESCENTS BY GENDER (SMART SURVEY)



Source: Ministry of Health

Figure 12.20 highlights the levels of underweight in adolescent males and females. In 2018 the levels of underweight for adolescents (boys and girls) were almost similar as compared to 2019, where adolescent boys were more underweight (4.5 percent) as compared to adolescent girls (1.8 percent). This similar trend also extended to 2020 where underweight was more prevalent in adolescent boys (4.2 percent) than girls (1.8 percent).

12.3.4 Challenges in Implementing the Nutrition Programme

Challenges which were faced in implementing the nutrition programmes in the 2022/23 fiscal year include:

i. Lack of nutrition frontline workers at community level to carry out nutrition activities.
ii. Nutrition interventions heavily depend on development partners.

12.3.5 Lessons Learnt in Implementing the Nutrition Programme

The lesson learnt in 2022 was the necessity of building capacities of local governance structures to ensure effective delivery and sustainability of interventions.

12.3.6 Targeted Nutrition Performance for 2022 and 2023

The National Multi-Sector Nutrition Strategic Plan (2018-2022) outlines performance targets relating to nutrition. Table 11 gives a summary of performance targets for 2022 and set targets for 2023 as outlined in other nutrition strategies. For other indicators, targets will be set when the 2023-2028 National Multi-Sector Nutrition Strategy has been developed.

TABLE 12.11: TARGETED NUTRITION PERFORMANCE FOR 2022 AND 2023

Performance indicators	**Target**	
	2022	2023
Percentage of children under five years of age who are stunted	30	
Percentage of children 6-23 months of age who received a minimum acceptable diet	32	50
Percentage of children under five years of age who are underweight	6	
Percentage of children age 6-23 months who received minimum meal frequency	54	59
Percentage of women of reproductive age 15-49 years who are thin	2	
Percentage of children under five years of age who are wasted	1.5	
Percentage of children under five years of age who are overweight	3.5	
Percentage of women of reproductive age (15 – 49 years) who are obese or overweight	16	
Percentage of children 0 – 5 months of age who are exclusively breastfed	71	73

Source: Department of Nutrition and HIV/AIDS (DNHA)

Chapter 13

LABOUR, SKILLS DEVELOPMENT AND SPORTS

13.1 Overview

This chapter reflects advancements in the sector of labour and skills development from April to December 2022 along with projections for the 2023/24 Financial Year.

13.2 Skills Development

During the period under review, Government continued its plan to expand access to TEVET skills through establishment of 28 Community Technical Colleges (CTC's). In the period under review, government is constructing 6 colleges in the districts of Nkhotakota, Rumphi, Machinga, Nsanje Chikwawa and Chiradzulu. It is expected that by the end of this financial year, all the six colleges will be completed.

Enrolment for the 7 National Technical College's during the period under review was 5,485 students of which 3,636 were male and 1,849 females. As for CTCs, enrolment for 2022 was 1,364 students with 831 being male and 533 being female. Enrolment for the skills development centres during the period under review was 767 students out of which 476 are male and 291 are female.

Government aims to tailor skills development as per the needs of the communities. As such, government has expanded three community colleges by providing additional infrastructure to handle new courses as follows: mineral processing at Ngara in Karonga, garment manufacturing at Mbandira in Nkhotakota and information & communication technology at Naminjiwa in Phalombe.

Government through the Skills for a Vibrant Economy (SAVE) Project plans to construct laboratories, classrooms and workshops in all NTC in the next financial year to ensure improved access to technical skills.

13.3 Trade Testing Services

A total of 11,234 candidates were tested against 11,898 candidates tested during the same period in the 2021/22 financial year to ensure accreditation of right qualifications. For the July 2022 series, a total of 3,718 candidates were tested in which 2,190 passed (1,544 males and 646 females) representing a total pass rate of 58.9 percent. A total of 11,234 candidates were tested in the November 2022 series. The results are not yet released.

To increase access of trade testing services, the recognition to prior learning system which aims at recognizing the skills adopted informally, is being piloted in two trades: bricklaying and fabrication and welding in which 60 candidates in these classes will be tested in January 2023.

13.4 Labour Services

13.4.1 Job Creation Initiative

Government launched the first National Job Creation Strategy (NJCS) which is the blueprint for the creation of employment within an environment of accelerated inclusive growth and resilient sustainable economic development as underpinned by the Malawi 2063. The government through the Ministry of Labour and the National Statistical Office developed a job creation tracking tool which is being used for monitoring the implementation of NJCS in Malawi. Based on 451 workplaces that submitted data on employment, an estimate of 112,000 jobs were created in the first six months of the 2022/23 financial year. In the next financial year, the Ministry intends to disseminate the NJCS at the district levels.

13.4.2 Labour Inspections

The Ministry conducts labour inspections in various workplaces in order to advise employers and employees on the need to comply with the labour laws of the country. This is done through district and regional labour offices throughout the country. The labour laws of the country empower the labour officers to inspect work places at least twice a year to ensure effective complaince to Malawi's labour laws. During the period under review, a total of 1,000 labour inspections were conducted across the country compared to 676 inspections conducted during the 2021/22 financial year. Table 13.1 shows the number of inspections conducted by type.

TABLE 13.1: NUMBER OF LABOUR INSPECTIONS CONDUCTED IN 2022-2023 FISCAL YEAR

LABOUR INSPECTIONS	TOTAL (%)
All Inspections	1,000 (100)
Routine	664 (66.4)
Complaint	111 (11.1)
Follow-up	171 (17.1)
Special	54 (5.4)

Source: Ministry of Labour and Skills Development

13.4.3 Labour Complaints and Prosecutions

The Ministry is also responsible for handling labour complaints as a part of its social dialogue function. Labour complaints are those grievances that are reported to various labour offices throughout the country concerning unlawful dismissals and non-payment of wages. Examples of occurences of these are the lack of overtime payment and payment below the minimum wages.

In the period under review, 14,911 labour complaints were registered against 12,348 complaints in the previous financial year. Out of these complaints, 7,281 were brought forward from the previous year, while 7,630 were cases that were actually registered from April to December, 2022. 754 complaints were registered with other offices.

Labour officers in all the districts managed to settle 8,562 complaints during the period under review. A total of 1,146 cases were referred to the Industrial Relations Court (IRC) for further hearing. The rest of the cases are still outstanding. These cases attracted claims amounting to MK289.6 million out of which MK234.6 million was paid out.

13.4.4 Employment Services

The Ministry is also mandated to facilitate job creation initiatives, a role fullfilled in different ways. During the period under review, the Ministry continued implementing the graduate internship program in order to provide work integrated experience and employable skills to the youth graduates in the country. 1, 556 interns, the fifth cohort, were then recruited in the previous financial year and carried forward into the period under review. The Ministry then recruited and engaged 1,359 additional interns, the sixth cohort, in the month of June, 2022.

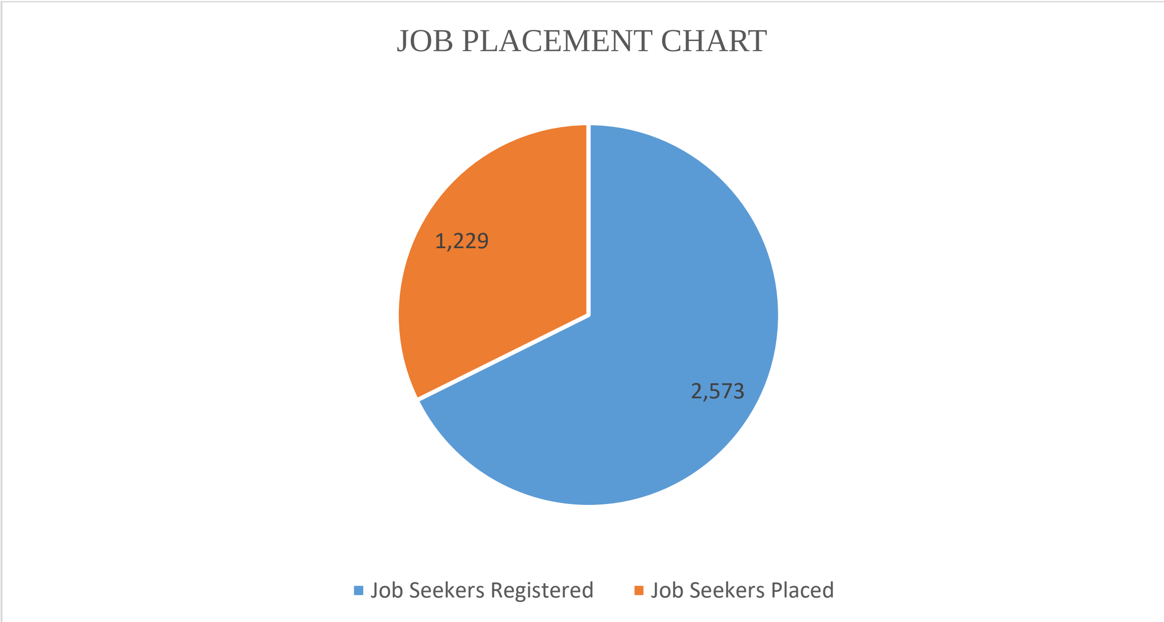
13.4.5 Public Employment Service

The Ministry of Labour also operates public employment services in all districts of the country. The services include job seeker registration, placement, vacancy registration and guidance counselling to school leavers and job seekers throughout the country at the regional and district labour offices.

13.4.5.1 Job Seekers and Placements

During the period under review, a total of 2,573 job seekers were registered in labour offices across the country. Of these, only 1,229 were placed. They represented 47.7 percent of job seekers.

FIGURE 13.1: TOTAL JOB SEEKERS REGISTERED AND PLACED IN 2022-2023 FISCAL YEAR

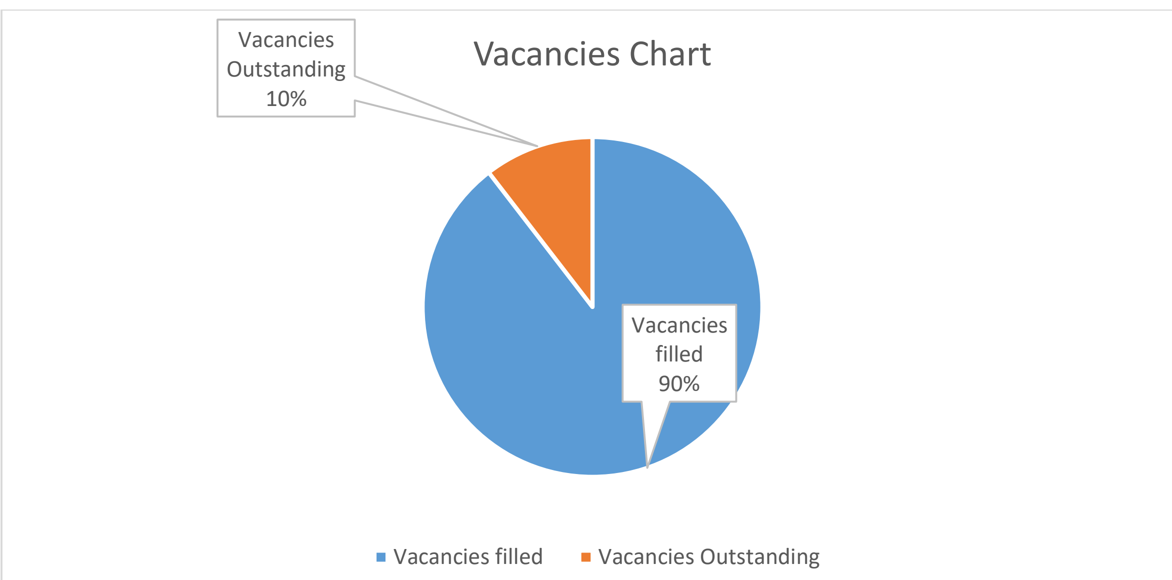


Source: Ministry of Labour and Skills Development

13.4.5.2 Vacancies Registration and Placements

A total of 1,932 vacancies were registered during the period under review against 1,398 in the 2021/22 financial year. Of these, 1,730 were filled. This represented 90 percent of vacancies filled.

FIGURE 13.2: TOTAL VACANCIES FILLED AND OUTSTANDING IN 2022-2023 FISCAL YEAR



Source: Ministry of Labour and Skills Development

13.4.6 Occupational Safety, Health and Welfare

The Ministry conducted 196 workplace inspections during the period under review. It also registered 387 workplaces with 37 being new workplace registrations in order to improve workplace safety.The Ministry also collected MK137,185,000 revenue from registration and pressure vessel inspection fees.

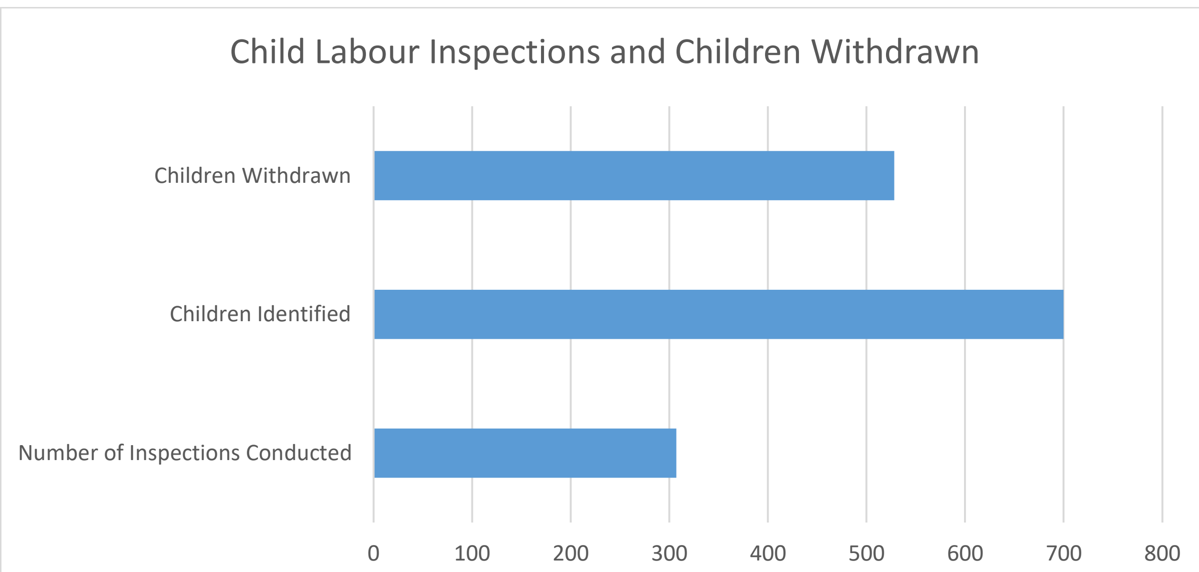
13.4.7 Employment Injury and Workers Compensation

The Ministry is also responsible for facilitating payment of compensations for injuries resulting from work related accidents. During the period under review, a total of 44,633 workers' compensation cases were registered with 42,530 being brought forward from the previous year. A total of 36,887 cases were sent to the Workers Compensation Division where MK81, 895,269.03 was paid out.

13.4.8 Child Labour

Child labour refers to work that is harmful to the health, safety, education, morals or development of a child or interferes with there schooling of the child. Child labour is a serious problem both globally and nationally. In an effort to address the challenge, the Ministry is collaborating with its social partners to undertake a number of inspections and sensitization campaigns. Figure 13.3 shows the number of inspections undertaken and children identified and removed from child labour during the 2022-2023 fiscal year.

FIGURE 13.3: NUMBER OF INSPECTIONS, CHILDREN IDENTIFIED AND WITHDRAWN FROM CHILD LABOUR (2022-2023)



Source: Ministry of Labour and Skills Development

During the period under review the Ministry conducted 307 child labour inspections. Through these inspections, 700 children were identified as child labourers and 528 of them were removed from these workplaces. Of the total, 40 were repatriated, 196 were placed in vocational training , 65 were sent back to school and 216 were placed in other rehabilitation programs.

13.5 Challenges

The achievement of the labour and skills development sector aspirations in Malawi have been affected by a number of factors. These include: inadequate labour inspectors, lack of operational resources such as finances and motor vehicles, skilled labour shortages, inadequate numbers of professional technical staff an ineffective monitoring and evaluation system and lack of appropriate infrastructure and institutional frameworks.

13.6 Youth and Sports Development

13.6.1 Overview

This section highlights the achievements that the youth and sports development sectors have achieved in the current fiscal year, and outlines planned programs for the forthcoming financial year Through the Malawi 2063 and its implementation plan, Government has placed focus on youth development as a means of achieving socioeconomic development. This youth-centric approach has been recognized as a crucial variable for socioeconomic development since it impacts all sectors of the national economy. In view of this, the systematic youth mainstreaming has the potential to facilitatate effective development planning and coordination. This is considering the fact that the youth constitute 73 percent of the country's population. In addition, the Malawi 2063 recognizes that inclusive sporting initiatives have the potential to contribute to national socioeconomic development through improved health and productivity of the citizenry.

13.6.2 Achievements

13.6.2.1 Youth Development

In an effort to improve well-being, participation and productivity of the youth, the Ministry of Youth and Sports registered the following key achievements;

i. Launched the National Youth Service in July 2022. The first cohort of beneficiaries of the program have completed their training at Neno Youth Development Centre. currently, the process of rolling out the program to all the country's districts is underway
ii. Commenced the construction of the much-awaited Mzuzu Youth Centre. The procurement process has been completed and the contractor is on site
iii. Reviewed the National Youth Policy to address board emerging issues in youth development
iv. Reached out to 32,070 youth (14,022 males, 17,548 females) with sexual and reproductive health (SRH) information and comprehensive sex education (CSE)
v. Facilitated access of Youth Friendly Health Service to 3,754 youth
vi. Provided training to 2,243 youth in leadership and mindset change
vii. Trained 5,466 youth in different vocational skills
viii. Trained 24,130 youths in business management and entrepreneurship skills

ix. Linked 1,092 youths to financial lending institutions. Among them were 75 young women who have received grants ranging from MK30,000 to MK1,000,000
x. Reached 11,472 youth (3,206 females, 8,266 males) with second chance (functional literacy) education for out-of-school youth
xi. Reached 1,122 youth with messages on drug and substance abuse and mental health
xii. Facilitated the distribution of 1,500 dignity kits to adolescent girls

13.6.2.2 Sports Development

In an effort to improve mass participation and excellence in sports at all levels, the Ministry registered the following key achievements;

i. Successfully organized and participated in the 2022 African Union Region 5 Youth Games in Lilongwe. Malawi for the first time won 44 medals. The games have enhanced Malawi's capacity to effectively host future sport and non-sport events through improved infrastructure and trained sports personnel
ii. With funding from Government, the Ministry of Youth and Sports in liaison with Malawi National Council of Sports and Ministry of Education, held the first edition of the National Youth Games (Schools Competition) in October 2022, in which primary and secondary schools participated. The programme enabled the country to prepare groom over 283 athletes who represented Malawi during the Region 5 Youth Games in various sports disciplines
iii. Successfully held the National Sports Awards ceremony in collaboration with the Malawi National Council of Sports. Out of 138 nominees, 54 sports persons reached the final stage, where 18 were awarded miniatures and cash prizes in 18 different categories. These annual awards are aimed at recognizing and motivating sports men and women to improve.
iv. Held an interface meeting with 15 members of the corporate world and public sector on sports sector management and the availability of opportunities. The interface meeting resulted into Salima Sugar company announcing a K40 million support to national netball league, and NBS Bank as well as Press Trust contributing K60 Million and K98 Million support respectively towards hosting of Region 5 Youth Games
v. Renovated and maintained Civo and Bingu National Stadia, Nalikule Teacher College and Daeyang University facilities which have assisted in the successful hosting of the Region 5 Youth Games
vi. Inspected 64 school and community sports facilities in order to ensure that they are in the proper condition to facilitate the promotion of sporting activities in schools and communities
vii. Participated in netball, swimming, athletics, boxing and judo in Birmingham 2022 Commonwealth Games between the 21st of July and 11th of August 2022. This programme exposed Malawian youth athletes to international sports competition in preparation for future competitions

viii. Trained 26 teachers in netball coaching and umpiring in Mwanza district from the 15th to 20th of August. This was intended to develop capacity of officials in the district where there were very few trained netball coaches and umpires

ix. Finalized the construction of the Griffin Sayenda Indoor Sports Complex the main swimming pool at the Aquatic Sports Complex. The facilities successfully hosted the African Union Sports Council Region 5. Construction of the training pool at the Aquatic Complex is at an advanced stage. Both projects were funded by Government

13.6.3 Planned Major Programs/Projects in the 2023/24 FY

13.6.3.1 Youth

i. Continue roll out of the National Youth Service to the rest of the country;
ii. Promote increased youth representation and participation in decision making positions through deliberate policies;
iii. Mainstream youth-supportive interventions at all levels of development programming such as entrepreneurial skills development;
iv. Facilitate access to counselling and psycho-social support to young people with mental health issues and drug and substance abuse to combat increasing cases of suicide; and
v. Enhance youth agriculture entrepreneurship through model youth agripreneurs to provide mentor-ship.

13.6.3.2 Sports

i. Create and roll out an effective National Sports Talent Search System which will aim at identifying and developing new talents;
ii. Review the National Sports Policy;
iii. Adapt and improve disability friendly sports programmes;
iv. Determine and provide a minimum set of sports facilities and recreation activities in all schools;
v. Rehabilitate dilapidated sports infrastructure in all learning institutions;
vi. Provide sports equipment and materials for all targeted sporting types in primary and secondary schools and tertiary education institutions;
vii. Promote school and community sports programmes; and
viii. Finalize construction of the Griffin Sayenda National Indoor Sports Complex and the Aquatic Complex.

Chapter 14

ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE MANAGEMENT

14.1.Overview

In the pursuit of socioeconomic development of the country, Malawi has mainstreamed environmental considerations in its developmental planning. This has been demonstrated by prioritizing environmental sustainability as a key enabler for the attainment of Malawi 2063. The environment and natural resources provide a number of services that are essential to secure human subsistence and quality of life, for example the supply of clean water, for and the preservation of soil fertility. In addition, many people depend directly on natural resources and their ecosystem services as a basis for subsistence and income. This heavy dependence makes people vulnerable to the adverse impacts of resource destruction and degradation. In Malawi, deforestation and the loss of biodiversity have a direct effect on food security, income and livelihoods of the rural population. Most of the people in Malawi already live in areas impaired by soil erosion and degradation. Government, recognizes that protecting the environment, as well as preventing the impacts of pollution, are also major sources of economic opportunity, thus providing green jobs, reducing poverty and addressing resource scarcity. While being the foundation of economic activity and development, natural resources are often undervalued and mismanaged resulting into reduced Gross Domestic Product (GDP).

A healthy natural environment is the foundation of successful long-term development and is also the foundation of human well-being. Government through the Environmental Affairs Department (EAD) in the Ministry of Natural Resources and Climate Change continues to implement activities and programs for the protection and sustainable management of Malawi’s natural resources for socioeconomic development of the country and livelihoods of its people. In summary, Government, among others, has promoted synergies between environmental protection and poverty reduction; advocated for the integration of environmental protection in national development plans; raised awareness and enhanced capacity in environmental protection; promoted a holistic approach to environmental goods and equitable sharing of the benefits of environmental protection. This chapter, therefore, provides information on the performance, challenges, lessons learnt and future plans by the Environment, Natural Resources and Climate Change sector.

14.2. Performance in 2022/23

In the 2022/23 financial year, Government has implemented various programmes on sustainable management of the environment, natural resources and climate change. The following are some of the key achievements.

14.2.1. Mainstreaming of ENRM Issues into Development Policies and Programmes.

Government continued promoting integration of environmental considerations into development programmes/projects in line with various environmental and natural resources management legislations and standards in order to address environmental degradation in the country and ensure environmental sustainability. Various development projects in the areas of infrastructure, energy, mining, tourism, waste management, irrigation, agriculture and water resources development were reviewed for adherence to Environment and Social Impact Assessment (ESIA) guidelines and environmental standards/ legislations. A total of 54 Environmental and Social Impacts Assessment (ESIA) reports, 15 Environmental Audits and 75 Environmental and Social Management Plans (ESMPs) were reviewed and approved. These included: Mwenilondo Irrigation Scheme, Karonga District; Kasimba Irrigation Scheme, Karonga District; Mpamba Irrigation Scheme, Nkhatabay District; Lupenga Irrigation Scheme, Mzimba District; Development of a 15 room Eco-Lodge within Majete Wildlife Reserve, Chikwawa District; ESIA for the proposed Chiwaula Quarry, TA Chimwala, Mangochi; Chimweso Hill Rock Aggregate Quarry Project, TA Chadza, Lilongwe; Mzemba Hill Quarry Project, TA Machinjiri, Blantyre; Chiguliro Coal Mine, Rumphi; Cement Production Plant in Nsaru, Lilongwe District; Installation of Solvent Extraction Plant and Soya Oil Refinery, Blantyre; KH Petroleum Fuel Depot at Maone Industrial Area in Blantyre; International Cancer Centre in Blantyre; Food Processing Plant in Zomba; Vetiver Nursery and Essential Oil Factory at Mtambalika Village in Traditional Authority Mwadzama, Nkhotakota District; Installation and Operation of a Granular Fertilizer Production Factory in Liwonde, Machinga; One Stop Border Post Facilities at Songwe/Kasumulu Border Post; Upgrading of Kaunda and Chendawaka Roads in Lilongwe City; Rehabilitation of Kaphatenga to Benga Road Project; Rehabilitation of Benga to Dwangwa M005 Road Section Project; Upgrading of Mkanda-Kapiri (T336) Road Project; and Goshen City Project Phase II in Traditional Authority Nankumba, Mangochi; Development of Irrigation Schemes in Mangochi District by CARE-Titukulane Project; Development of Irrigation Schemes in Zomba District by CARE-Titukulane Project; Wealth Creation and Livelihoods Improvement through Increased Tea Production Project; Upgrading and Extension of Liwonde and Balaka Water Supply Project; Migowi Water Supply Project, Phalombe District; Mwanza Water Supply Project, Mwanza District; Zalewa Water Supply Project, Neno District; Construction and Operation of Kohona Four Star Hotel, Traditional Authority Chimwala, Mangochi District; Construction of Offices and Shops Complex On Plot 2/690 in Lilongwe City; Development of a Four-Star HASH Hotel on Plot Number Bwaila 13/135, Area 13, Lilongwe City; Upgrading of Monkey Bay–Cape Maclear Road, Mangochi District; Upgrading of Chitipa-Ilomba-Tanzania Border (M09/T301) Road, Chitipa District; Installation and Operation of a Granulated Organic Fertilizer Production Factory in Chikaoneka Village, Traditional Authority Kuntaja, Blantyre District; Cultivation and Processing of Medicinal Cannabis and Industrial Hemp at Kamulembo Village in Lilongwe; Rock Aggregate Quarry, TA Ngabu, Chikwawa District; Blantyre Water and Sanitation Improvement Project; Rumphi Water Supply and Sanitation Improvement Services Project; Ntchelechele Hill Quarry Mine, Chikwawa District; Chitunda Hill Quarry Mining Project, Kasungu District; Nkanya Quarry, TA Dambe, Neno District; Bwengu Solar Project, TA Jalavikuba, Mzimba; 10 MW Nanjoka Solar PV Plant, Salima District; Voltalia 40MW Solar PV Plant, Dwangwa, Nkhotakota District; Construction and Operation of Chitedze Prison, Lilongwe District; Songwe Hill Rare Earth Elements Project, Phalombe District; Malingunde Graphite Mining Project, Lilongwe District; Extension of Wovwe Hydropower Plant, Karonga District; Rehabilitation of Kamwaza Irrigation Scheme, Machinga District; Mazame Irrigation Scheme, Dedza District; Mkawinda Irrigation Scheme, Blantyre District; and Expansion of Kanengo Total Fuel Depot, Lilongwe.

To ensure adherence to the ENRM legislations, Government continued monitoring implementation of various development projects in the country. A total of 27 development projects, industries and companies were monitored for compliance to the legislations and these included: Nkhachira Coal Mine in TA Kyungu in Karonga District; Chombe Coal Mine in Rumphi District; Proposed Chibanja Service Station at Old Chinese Garden in Mzuzu; Proposed Nambazo Service Station at Nambazo Trading Centre in Phalombe; Mangochi Water Supply Project; Goshen City Project; MAMED Clinic; Mphikapika Quarry, TA Kanyenda, Nkhotakota; Nkhotakota Solar Project; Chamakala Quarry, TA M'nyanja, Kasungu District; Kaulwe Quarry, TA Kampingo Sibande in Mzimba District; Raising of Lunyangwa Dam, Mzuzu; 2 River Intakes on Lunyangwa River, Mzuzu; 2 interconnected dams at Amika Estate, TA Mlumbe, Zomba District; Utale II Irrigation Scheme, TA Nkaya, Balaka District; Kambwata Quarry, Chiradzulu; Speedy's Poultry Farm at Msaka Village in Chiradzulu District; Nankhukwa Filling Station at Nselema in Machinga; Engena Kaphiri; Marko Irrigation Scheme, Chitipa; Chipofya Irrigation Scheme, Nkhatabay; Mafinga Irrigation Scheme, Chitipa; Matoponi Irrigation Scheme; Lingoni Irrigation Scheme; MSF Filling Stations in Chiradzulu and Blantyre; and LPG filling and distribution plant in Lilongwe. Companies that were found non-compliant were ordered to conduct Environmental Audits and to adhere to the principles of good environmental management. In addition, 51 potentially polluted sites were inspected and best environmental practices were promoted. Those found seriously violating environmental standards and polluting the environment were ordered to pay fines and to take remedial actions.

14.2.2 Climate Change Management

As the country continues experiencing the devastating impacts of climate change, Government in collaboration with key stakeholders in government, civil society, academia, youths and the private sector developed and implemented strategies, frameworks, programmes and projects in responding to climate change. These were aimed at improving food security and nutrition, increasing climate resilience, reducing carbon emissions into the atmosphere, and increasing adaptive capacity of the people and ecosystems, as well as providing awareness on the causes and effects of climate change and climate variability. The following are key achievements on Climate Change management:

i. The Green Climate Fund (GCF) has approved Malawi's Readiness and Preparatory Support Programme proposal which was submitted by Malawi Government. The Readiness Support to Strengthen the Malawi National Designated Authority and Key National Stakeholders Capacities in Climate Change Programming will run for 18 months at an estimated cost of US$ 711,864 . The funds from GCF will be accessed through the United Nations Office for

Project Services (UNOPS) which is the implementing entity for the project and they are ready to transfer funds for implementation of project activities.

ii. The Green Climate Fund (GCF) has also approved Malawi's Resilient Recovery Rapid Readiness Support proposal which was submitted by Malawi Government. Resilient Recovery Rapid Readiness Support project will run for 12 months at an estimated cost of US$ 204,564. The funds from GCF will be accessed through the United Nations Office for Project Services (UNOPS) which is the implementing entity for the project and they are ready to transfer funds for implementation of project activities.

iii. Government in August 2022 launched the revised Nationally Determined Contributions (NDC) including its Implementation Plan, Mainstreaming guidelines, Score Card, and MRV Framework. The Government was able to leverage resources from the Japanese Government amounting to US$3,827,000 to implement a project on "Leveraging Nationally Determined Contributions (NDCs) to achieve net-zero emissions and climate-resilient development, in response to the climate emergency" otherwise also known as "Japanese Supplementary Budget project". This was implemented for a period of 12 months (March 2022 to March 2023) in the districts of Machinga, Zomba, Dowa, Lilongwe, Kasungu, Ntchisi and Nkhotakota.

iv. Government through the Environmental Affairs Department has received US$517,000 to prepare Malawi's Fourth National Communication and the first Biennial Transparency Report. The Department has so far developed a Project Implementation Plan (PIP) that will guide the process of developing the two documents.

14.2.3 Phase-Out of Ozone Depleting Substances

Government continued implementing activities on the phase-out of Ozone Depleting Substances (ODS) in the country in accordance with the requirements of the Montreal Protocol on the protection of the ozone layer. Government has trained 60 refrigeration technicians on good refrigeration practices. The training strengthened the capacity of refrigeration technicians on improved operations, service and maintenance of refrigeration facilities with the aim of reducing emissions of Ozone Depleting Substances into the atmosphere. In addition, a total of 40 customs officers were trained on control and monitoring imports of Ozone Depleting Substances. Furthermore, the Department in collaboration with Malawi Bureau of Standards is implementing competency standards for Refrigeration and Air Conditioning (RAC) Sector which will enhance adherence to the good servicing practises in the RAC sector.

14.2.4. Biodiversity Conservation and Protection

Malawi's unique biodiversity and ecosystem services, as well as its abundance of traditional knowledge and practices, are vital assets for the country's long-term development. Biological resources provide ecosystem services which are fundamental to human survival and ecological wellbeing. Such services include provision of food, medicine, energy and timber, regulating climate, purifying water and air, carbon sequestration including cultural services such as recreation and therapeutic services. To sustain these benefits, Government continue implementing programmes aimed at addressing drivers of biodiversity loss, promoting conservation and sustainable use of biological resources in the country as follows;

i. Government with support from the Shire Valley Transformation Project updated the Red Data list for Malawi through assessment of 78 Species to provide taxonomic and conservation status information on selected key species and provide information about known threats to species. The assessment revealed that 13 of the assess species were critically endangered and 10 were endangered whilst 5 were vulnerable and 32 species were nearly threatened. This information is important for establishing key biodiversity areas and making recommendations for prioritising species conservation activities in the country. This exercise contributed to strengthening biodiversity consideration in the Environmental Impact Assessment Process in Malawi.

ii. Government with support from the Biodiversity Financing Initiative Project developed a Biodiversity Financing Plan based on a Biodiversity Policy and institutional review; Biodiversity expenditure review and biodiversity finance needs assessment that were conducted. The Policy and Institutional Review revealed that Malawi has some idle biodiversity-related statutory funds and outdated legislation and policies that are affecting funding for biodiversity. On the other hand, the Biodiversity Expenditure Review Study established that biodiversity expenditure was 1.3 percent of the total national budget whilst the Finance Needs Assessment estimated that Malawi needs US$93 million investment to manage biodiversity effectively for the next five years through implementation of the National Biodiversity Strategy and Action Plan. These studies formed the building block for the Biodiversity Finance Plan that seeks to address the challenges that have been identified through the studies. Business and Investment cases has been developed for the 11 prioritised solution unlock funding to biodiversity conservation. The 11 prioritized Solutions in Malawi's Biodiversity Finance Plan are:Payments for Ecosystems Services, Registration of Malawi companies into the Carbon Market Scheme, earmarking a share of the tourism levy to benefit biodiversity conservation, Feasibility studies on Biodiversity offsets systems, Ring fencing water tariff for conservation, facilitating development of bioprospecting legislation, Increased appropriation of fines and fees from National Parks and Forestry, Review of Biosafety Act, Tagging the National Budget for Biodiversity Financing and Promotion of sustainable tourism by funding Income Generating Activities to communities surrounding protected area.

iii. Government with support from Programs for Biosafety Systems (PBS) and African Union Development Agency /New Partnership for Africa's Development (AUDA/NEPAD) has developed three guidelines on biosafety. These are: Guidelines for Genome Editing; Risk Assessment and Management of genetically modified organisms with stack genes to guide reviewers on how to identify products that must regulated, and guidelines for safety assessment of food and feed derived from genetically modified crops to provide key information required for safety assessment for products developed through any breeding technique intended for use as food or feed.

14.3 Challenges

The main challenges encountered during the reporting period include; inadequate and delayed funding which affected timely implementation of planned activities.

14.3.1 Possible Solutions

i. Timely disbursement of funds from donors which will ensure timely implementation of project activities by the Government;
ii. Provision of adequate resources to the Sector to enable the achievement of crucial targets, for example through capitalisation of the National Climate Change Fund which will provide predictable and adequate resources for Environment and Climate Change management.

14.4 Projected Performance for 2023/24 Financial Year

Government intends to implement the following key activities in the 2023/24 fiscal year on Environment, Natural Resources and Climate Change Management Sector:

i. Facilitate the operationalization of the Environmental Appels Tribunal (EAT) by developing rules of procedure for the tribunal and appointing members;

ii. Promote sustainable waste management practices to ensure a clean and healthy environment through among others; Conducting monthly National Clean-up initiatives; Enhancing the capacity and knowledge on waste management by upscaling Environmental awareness campaigns on various thematic areas in order to promote positive behaviour change on good environmental practices;

iii. Intensify environmental enforcement activities to ensure compliance to Environmental and Natural Resources Management (ENRM) legislations. Liaise with the Ministry of Justice on the vacating of any pending court orders restricting MEPA from enforcing the Environment Management (Plastic) Regulations 2015.

iv. Strengthen institutional capacity on the phase-out of Ozone Depleting Substances (ODS) in the country through provision of targeted trainings to refrigeration technicians and enforcement officers;

v. Promote integration of environmental considerations into development projects through implementation of Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plan (ESMP) and Environmental Audits;

vi. Enhance monitoring of imports and exports of agricultural commodities to ensure compliance to the Biosafety Act;

vii. Enhance conservation, protection and sustainable use of Biodiversity; and

Upscale implementation of adaptation and mitigation measures to address the impacts of Climate Change in the country.

Chapter 15

GENDER, COMMUNITY DEVELOPMENT AND SOCIAL WELFARE

15.1. Overview

The Government of Malawi recognizes that achieving Human Capital Development serves as a catalyst to ensure that the country develops into an inclusive wealth creating and self-reliant nation, through the Malawi 2063. The first ten-year Implementation Plan for Malawi 2063 recognizes the economy is in its people as they are the ones that design programmes, implement strategies and create innovations. It particularly emphasizes on the need to reduce gender inequalities with an emphasis on the empowerment of women and girls and protection of the marginalized and vulnerable people.

Government mandated the Ministry of Gender, Community Development and Social Welfare to enhance the social economic empowerment and protection of women, men, girls and boys using community and welfare approaches in order for them to become productive citizens.

This chapter outlines the major achievements registered by the Gender Empowerment and Social Inclusion Sector. It provides a review of major programs in the sector including gender equality and empowerment, community development and functional literacy, child development and protection, social protection and development. The chapter also provides an outlook of 2023/24 financial year that is aligned to MIP-1 priority interventions.

15.2.0 Performance for 2022/23

15.2.1 Gender Equality and Women Empowerment

15.2.1.1 Gender Mainstreaming

Gender mainstreaming in strategies and policies is regarded as one of critical tools for reducing existing gaps and promotion of gender equality. The Government developed the Public Service Anti-Sexual Harassment Policy and Guidelines to reduce and respond to sexual abuses and exploitation in MDAs. In addition, the Government rolled out the development and implementation of Gender Policies for Higher Education Institutions. While there were 12 in 2021, this grew to 21 in 2022; a 75 percent increase. The policies are expected to address various gender equality issues and eliminate gender-based violence in institutions of higher education.

Government mainstreamed gender in the district Development Planning System which will ensure that gender issues are included in the development documents.

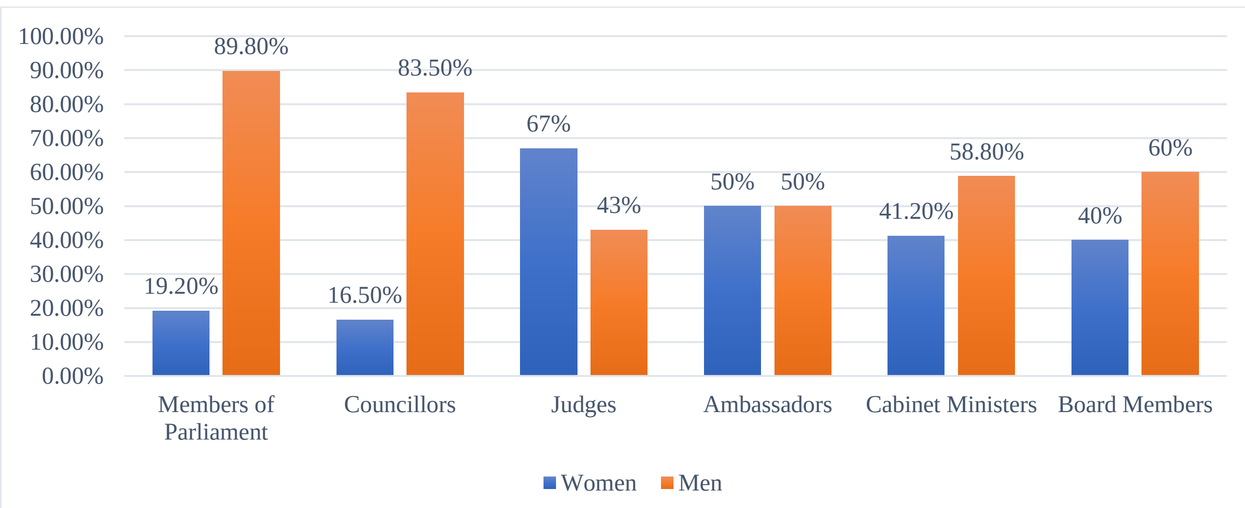
15.2.1.2 Social Economic Empowerment

The Government established the Women in Climate Action Network (WECAN), with the aim of promoting the participation of women in climate change interventions. WECAN trained 32 women from various associations to steer their participation in climate change, mitigation, and adaptation.

The Government also trained 56 women groups in enterprise development to contribute to both the local and national economy. Consequently, this led to improved livelihoods at the household level. It is also interesting to report that 15 women's groups showcased different economic empowerment activities that they undertook during the commemoration of the International Rural Women's Day in Mchinji where, approximately 2400 participants, of which 80 percent were women.

Government continues to promote women in politics and decision making to ensure equal representation of women and men in politics and decision-making positions. As of 2019, women held 21 percent of parliamentary seats. This was in opposition to the minimum requirements of the Gender Equality Act of 2013, which requires the appointment of no less than 40 percent of either gender in any department within the public service. However, as of 2022, the gains made were lost after three parliamentary seats were gained by men during the 2022 by-elections. Thus, the proportion of women in parliamentary seats was reduced to 19.2 percent. On a positive note, 41 percent of cabinet Ministers are women. Figure 15.1 depicts the proportion of women in various decision-making positions.

FIGURE 15.1: PROPORTION OF WOMEN IN DECISION MAKING POSITIONS



Source: Ministry of Gender, Community Development and Social Welfare

15.2.1.3 Gender Based Violence

In an effort to improve access to and the provision of quality services to survivors of Gender Based Violence (GBV) during emergencies, the government trained 34 GBV service providers in Nsanje, Chikwawa, Phalombe, Mulanje, Dedza, Mchinji, Thyolo and Balaka districts. These trainings comprised of topics concerning GBV, case management and referral pathways. The government launched the 16 Days of Activism Against Gender-Based Violence on 25th November 2022 whereby it has been key in raising awareness to the masses on dangers of GBV, its preventative and response measures.

15.2.2 Community Development

15.2.2.1 Adult Literacy Education

Community development is vital for wealth and job creation at the grassroots level. Apart from efforts to ensure that communities are self-reliant, Government identified high illiteracy as one of the major challenges impeding adoption of various socioeconomic interventions in the country. In order to enhance access to adult literacy and education in the 2022/23 budget, Government has developed and rolled out the implementation of the Adult Literacy and Education (ALE) Strategy (2022-2027). This has resulted into an increase in enrolment by 9 percent to 158,048 learners in 2022 from 144,495 learners in the 2022 learning cycle. Female learners increased from 128,600 to 138,300 and male learners increased from 15,895 to 19,748. To date, Government has 9,633 instructors of ALE. Of these instructors, 8,000 are instructing in Chichewa, Yao and Tonga depending on the language of the learners which is equivalent to Standard 1 to 4 Syllabus while 1,633 classes are offering English language that is equivalent to Standard 5 syllabus.

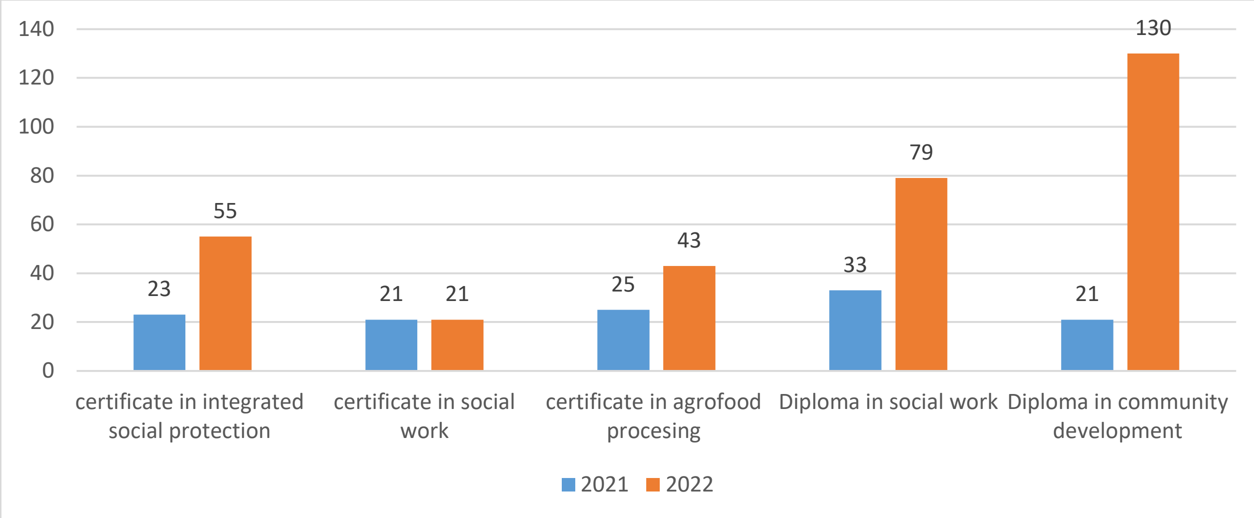
15.2.2.2 Community Development

In 2022, 118 district community development frontline workers have been oriented on the integration of nutrition, shocks, environmental and social safeguards in 6 districts of Machinga, Mangochi, Ntcheu, Mchinji, Dowa and Rumphi. In addition, 110 community development extension workers were trained in the integration of the micro insurance services in savings and loan groups to impart knowledge to the communities to be insuring their crops and other assets. These extension workers are expected to train 38,000 beneficiaries in resilient enterprise models for enhanced innovations, collective skills networking and bonding of social capital.

15.2.2.3 Magomero College of Community Development

During the reporting period, 345 diploma and certificate students graduated at Magomero College in the following disciplines: community development, social work, agrofood processing and integrated social protection. In addition, the college graduated 20 students in Social Work with certificates funded by USAID and graduated 20 prison officers in integrated social protection and social work funded by Prison Department. Figure 15.2 illustrates number of students that have graduated from this institution in the past 2 years.

FIGURE 15.2: NUMBER OF GRADUATES FROM MAGOMERO COLLEGE



Source: Ministry of Gender, Community Development and Social Welfare

In 2022, Magomero College enrolled 430 generic students in various programmes including social work and diploma in community development. Government renovated and refurbished the food production unit and laboratory with high tech food processing equipment, installed solar power to supplement electricity supply and installed water solar pump, and procured 300 bicycles for students and staff for field practicals.

15.2.3 Child Development and Protection

15.2.3.1 Early Childhood Development

The Government prioritizes the provision of early childhood development services. The purpose of these services is to protect the rights of children so that they develop their full cognitive, emotional, social, and physical potential. During the period under review, the government constructed 120 community based child care centres (CBCC's) and increased the number of model early childhood development centres (ECDs) from 30 in 2021 to 45 in 2022. This represents a 50 percent increase. Currently, ECD services cater to an estimated 1,892,000 children from 1,703,012 children enrolled in 2021, representing an 11 percent increase. 80 Model CBCCs have been constructed and 105 CBCCs have been upgraded with support from Action Aid and the Roger Federer foundation.

Furthermore, the Government has constructed 150 existing CBCCs, comparable to that of model CBCC with funding from the World Bank through the US$60 million Investing in Early Years for Growth and Productivity in Malawi Project (IEYP). The 150 CBCCs have been constructed in 10 districts: Rumphi, Dowa, Mchinji, Ntcheu, Machinga, Mangochi, Neno, Chikwawa, Chiradzulu and Thyolo. These will provide quality ECD services and a platform for positive change in child development. Government, through the World Bank project, has also drilled 83 out of a total of 117 boreholes in the targeted CBCCs.

Over the years, provision of ECD services has been provided by volunteers with little or no incentives; a condition which compromised service delivery. To ensure that quality ECD services are provided by motivated staff, the Government has started providing resources for payment of honoraria to ECD caregivers. In the 2022/23 financial year, 2,000 ECD mentors out of 36,080 certified caregivers have started getting honoraria at MK20, 000 per month. In addition, 3,457 caregivers have been trained with World Bank funding by the recommended institutions. Further, Government procured 96 motorbikes and 912 pushbacks for Caregivers to ease their mobility which has been a challenge.

To ensure that children are also given an opportunity to effectively participate in issues affecting them, Government continued to implement the Interactive Radio Instructions (IRIs). Currently, the IRI is reaching out to all model CBCCs with listenership of 93,607 children across the country. During the year, Government also trained 2,302 officers at both national and community levels on IRI. They in turn facilitated the acquisition of radios and other learning materials for all the 150 models and their 300 satellites. Currently, 108 IRI programs are being aired using the community radios.

15.2.3.2 Child Protection

Government promotes the effective participation of children on issues affecting them. During the reporting period, the Government trained and deployed 85 Community Child Protection Workers (CCPWs) from all the 28 districts. This will decrease the human capacity challenge, and also strengthen child protection structures which include; Community Victim Support Units, Village Child Protection Committees and Children's Corners. The Government also disseminated the National Child Participation Guidelines which were developed and launched in 2021 and formulated Child Participation Committees in 24 Districts.

Government developed several guidelines to help communities prevent and respond to child marriages. These include the Community Actions Guide on ending child marriage and the Community Awareness Handbook on Child Related Laws. The former aims at giving the communities sustainable prevention and response interventions on ending child marriages whereas the latter aims at creating awareness on the legal provisions related to child protection. The awareness allows communities that are implementing their social norms and customs to do so within the confines of the law in as far as child protection is concerned.

Government harmonized various child related pieces of legislation to enhance protection of children in various aspects across all the sectors that deal with children in the country. In the year under reporting, the Miscellaneous (Amendment) Bill has been finalized and passed in Parliament.

15.2.4 Social Protection and Development

15.2.4.1 Social Welfare

Government aims at promoting access to social justice and improved social wellbeing of vulnerable and disadvantaged groups through the social welfare services delivery system. Due to socioeconomic hardships experienced by the Malawian population post COVID-19, heightened by the macroeconomic challenges and climate induced disasters including cyclones Ana and Gombe, Government trained 120 providers of psychological aid. These officers facilitated the provision of mental and psychosocial support to 780,607 individuals. This is an increase from the 86,915 individuals in the previous year.

Alternative care is an arrangement where children deprived of parental care are isolated from their families and local communities and placed in temporary arrangements. In the period under review, Government provided alternative care to 260 children, a drop from 1250 children in the previous year. The drop in the number of children receiving alternative care was made possible because of strengthened family ties and parental counselling. It was noted that most families were able to reintegrate the children into their families. This is expected to reduce the risk of physical, emotional and social harm prevalent in childcare institutions.

Removal of children from the streets into their respective communities reduces the incidences of abuse, homelessness and conflict with the law. In 2022, Government removed 2894 children from the streets and successfully reintegrated 662 of them in Blantyre, Lilongwe, Mzuzu and Zomba.

To honour its pledge to respond to and reduce cases of child marriages, Government annulled 1,802 child marriages in 2022. This is a 60 percent achievement of the required annual target. A total of 635 children from the nullified marriages were then given educational and psychosocial support.

Government is working on reforming children in conflict with the law to become productive citizens. In 2022, 1,052 children from reformatory centres and 7 private childcare institutions that were designated as safety homes were provided with counselling, training skills and educational support. The sharp increase in the number of those institutionalized from 60 in 2021 to 1052 children in 2022 has been attributed to designation of private childcare institutions as safety homes.

15.2.4.2 Social Cash Transfer Program

Government in 2022, increased the Social Cash Transfer Programme (SCTP) coverage by 4.2 percent from 293,522 to 306,554 household beneficiaries, in all 28 districts. This was to provide catalytic and transformative social cash transfers to the elderly, orphans and persons with disabilities.

In the year under review, Government has increased the number of districts receiving transfers electronically from 2 to 6. These are Thyolo, Blantyre, Nkhotakota and Karonga. E-payments are expected to improve financial inclusion for social cash transfer beneficiaries, reduce transfer delivery cost and reduce fraud. The programme has dispersed over MK36 billion in transfers to beneficiaries. Additionally, the Ministry developed and launched the SCTP Strategic Plan which aims at facilitating incriments in coverage, enhancing cash plus interventions to realize graduation outcomes, automating systems to derive efficiency gains and catalyzing sustainable financing for the programme.

A total of 600,000 individuals were displaced when the country was hit by a climate disaster in cyclones Ana and Gombe. As such, government implemented shock responses to 6 districts affected by the cyclones. Furthermore, a lean season response has been initiated to help families affected with hunger in all the 28 districts.

15.2.4.3 NGO Coordination

Government recognizes the important role that Non-Governmental Organizations (NGOs) play in complementing its efforts. During the year under review, the Government registered 47 new NGOs. A total of 307 NGOs out of the expected 715 submitted their reports; a 43 percent compliance rate. In the 2021/22 audited financial statements of 307 NGOs revealed a total annual income of MK429 billion while MK412 billion in expenditure was incurred.

Among all the international donors based in Malawi who provided financial support to Malawians through NGOs, USAID was the highest provider at MK57 billion. The reports submitted showed that the 52 percent of the resources injected into the NGO sector were from unknown sources. Though the country faced a lot of financial challenges, the NGO sector annual income increased by 42 percent from 2020. The sector reported a total of 16,330 paid employees (a 41 percent increase from 2020) of which 98 percent were Malawians.

A survey of the 60 top targeted NGOs revealed that total grants amounting to MK274 billion were received in 2021 out of which MK125 billion was received in Malawi Kwacha and MK149 billion (54 percent) were in foreign currencies. Meanwhile, goods in kind worth MK16 billion were reported to have been received. In the same year, the top 10 NGOs submitted their projected 2022/23 off budget data amounting to MK147 billion. This provided information indicating the major sources of funding, activity alignment to MIP-1, the planned implementation plan and partnerships. This information was for the first time included in the 2022-23 government's financial statement.

Government also amended the NGO Law which is expected to streamline and strengthen the capacity of the regulator while ensuring that there is alignment of NGO interventions to the national development agenda. A standard memorendum of understanding was also developed and will be signed between district councils and NGOs to help them monitor NGO projects. 395 NGO board of trustees were empowered on their role in the governance of NGOs and Government further empowered chairpersons and secretaries of all 375 area development committees (ADCs).

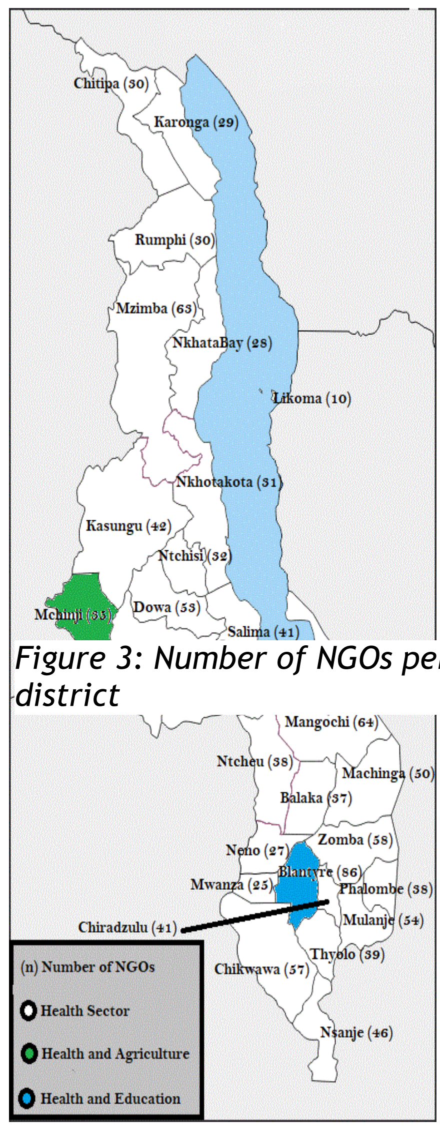


Figure 3: Number of NGOs per district

15.2.4.4 Disability and Elderly

Government recognizes the importance of inclusive development and ensures that persons with disabilities and the elderly are not excluded from development. To achieve this, Government reached out to 508 learners with albinism and provided them with services to address their low vision and skin care problems. This represents a 69 percent increment from the previous year when 300 learners were reached. The increment is attributed to availability of resources in the reporting period to meet the demand for the services. In the same reporting period, 95 learners with albinism in secondary schools were provided with bursaries for their school fees and pocket money. This denotes a 37.6 percent increment from the previous reporting period when 69 learners were assisted.

Additionally, as one way of ensuring that persons with disabilities and the elderly are in good health to contribute to the national development agenda, Government trained 60 representatives of persons with disabilities and the elderly from across the country to enhance Covid-19 vaccine uptake amongst themselves. Government also trained health workers on inclusive service delivery to enhance provision of services.

Government conducted training on basic sign language skills to 30 representatives of stakeholders in the disability sector and 30 parents of deaf learners. This was to reduce communication barriers between persons with disabilities and service providers. Furthermore, a sign language dictionary was developed and launched in this reporting period to substantially bridge the communications gap that hinders persons with disabilities from accessing information.

Government also conducted capacity building sessions with various Organizations of Persons with Disabilities (OPDs) on disability issues across the country's three regions and managed to train 30 representatives of 30 OPDs. The trainings capacitated these OPDs on the rights of persons with disabilities and discussed challenges that they face on a daily basis. During the year under reporting, Mulanje Vocational and Training Center for the Blind trained 64 students in various vocational skills.

15.2.4.5 Management and Administration

To enhance the achievement of goals and priorities, the Ministry facilitated the review and development of its four strategic documents during the reporting period. These are: the Adult Literacy and Education Strategy; Social Cash Transfer Strategic Plan; National Disability Policy; and the National Male Engagement Strategy. Government developed these strategic documents to address issues of gender equality, adult literacy, social protection and disability. These strategic documents are expected to guide government institutions, implementing partners and development partners on the design and implementation of various interventions in regard to gender empowerment and social inclusion.

As a way of ensuring that quality data on ECD is integrated into the Gender Information Management System (IMS), the Government initiated the development of a web-based

Information Management System. This IMS seeks to track indicators related to service provision of childcare and development in the country while ensuring that quality and timely data is available for program and policy planning. The government in this year under review, conducted a trainer's exercise in 6 districts under the Investing in Early Years Project (IEYP). In addition, the government Conducted a spot check exercise to assess the feasibility of the ECD registers in IEYP supported districts.

15.3.0 Challenges in 2022/23

i. Delayed processing of payments in the new payment system (IFMIS) affected timely implementation of the Ministry's programs and effective functioning of all the institutions under the Ministry

ii. Lack of utility vehicles at Mpemba Reformatory Centre, Chilwa Reformatory Centre, Lilongwe Social Rehabilitation Centre and the Ministry's Headquarters continued to affect effective execution of the Ministry's mandate

iii. Limited financial and human resource to address emerging issues in the disability and elderly sectors

iv. Continued violence and abuse of the elderly and persons with albinism. Despite implementation of the national action plan on persons with albinism and other awareness programs on the elderly, there are still cases of abuse towards the elderly as well as abduction and killings of persons with albinism

v. Delayed review for key legal and policy frameworks is hampering work on the protection of the rights of persons with disabilities and elderly. For instance, the Disability Bill is with Ministry of Justice, draft Disability Policy is with OPC, and Malawi standard code of practice on accessibility and usability of built environment is with Malawi Bureau of Standards

15.4.0 Outlook for 2023/24 Financial Year

15.4.1 Gender Equality and Economic Empowerment

Government plans to facilitate the establishment and operationalization of the Women Economic Empowerment Fund (WEEF). This will ensure an increase in women's access to economic resources and opportunities through the provision of credits and loans. In addition, the government will also conduct knowledge dissemination exercises concerning gender related laws that protect the rights of women, girls, boys and men against all forms of violence, particulalry GBV. These laws include Prevention of Domestic Violence Act of 2006, Deceased Estates (Will, Inheritance and Protection) Act of 2015, Child Care Protection and Justice and Marriage, Divorce and Family Relations Act of 2015.

Government also aims to review the expired National Gender policy and facilitate the development of a successor policy which will guide implementation of gender related interventions for the next

5 years (2023-2027). Further, it will facilitate capacity building sessions to ensure effective coordination and implementation of the Political Empowerment of Women (PEW) program. This will be done through training of 100 gender officers and review of the National Action Plan for the Political Empowerment of Women.

15.4.2 Community Development

Government plans to promote community participation to enhance ownership and sustainable development projects through the introduction of a Community Development Month and review of National Community Development Policy. Moreover, the Ministry plans to roll out Diploma programmes namely: Diploma in Early Child Development (ECD) and Diploma in Adult Education and to develop a curriculum for a Diploma in Transformative Social Protection. The Ministry will also train 1,000 youths in agro-food processing short courses and implement tailor made course for climate resilience and adaptation including renewable energy and aquaculture. The Government also plans to renovate Kwacha, Mzuzu and Monkey-bay Community Development Training Centres.

15.4.3 Social Protection and Development

In the 2023/24 financial year, there are plans to deliver regular Social Cash Transfers to household beneficiaries and review the transfer levels from an average of 9,000 to 15,000 across the country. In order to reduce the number of children in alternative care, the government plans to strengthen alternative care of children in need of parental care in foster care, adoption and rehabilitation centers by providing training of social welfare officers in all 28 districts on family functionality, childcare and protection.

The government plans to provide counselling and psychosocial support to 2,000 young people with mental health issues and challenges with substance abuse. It aims at achieving increased access to justice and correctional services for adults and children in conflict with the law.

15.4.4 Disability and Elderly Affairs

Government plans to strengthen legal and policy frameworks which promote the rights of persons with disabilities, particulalry in thersm of protection of the rights of persons with albinism, and the elderly. This will be done through operationalization of the Disability Trust Fund and establishing and rolling roll-out the National Old Age Social Pension Scheme as well as strengthen the capacity of the Community Governance Structures to effectively respond to cases of abuse and violence of older persons. The government is also expected to enforce enhancement of rights of older persons through awareness raising and capacity building. This will strengthen protection of the older persons and in the same line ensure provision of policies that will combat discrimination towards the elderly.

15.4.5 Child Protection and Development

To continuously provide equitable access to quality Early Childhood Development, the Government will upgrade and equip 40 CBCC's with outdoor and indoor materials to standardized gender and disability friendly structures. Further, it is expected to train 1,000 Caregivers, recruit and remunerate 3,000 Caregivers and make sure 5,000 CBCC's are scaled up with feeding program.

Government also intends to enforce and disseminate child related laws through orientation and training of 2,000 enforcers to enhance provision of childcare and protection at all levels. The government aims to facilitate provision of family nutrition, HIV and AIDS sensitive childcare and parenting education. This will ensure that parents are provided with the right information on parental guidance. The government is also expected to operationalize the National Children's Commission.

Chapter 16

SOCIAL SUPPORT AND POVERTY REDUCTION PROGRAMMES

16.1 Overview

Government recognizes the pressing need to strengthen the provision of social support and social protection for the many people in Malawi whose living standards are vulnerable to the recurring and occasional shocks that the country is exposed to. Thus, Government continues to support all social support programmes, by coordinating provision of consumption support and all interventions aimed at building resilient livelihoods of ultra-poor Malawians, thereby ensuring that no one is left behind.

16.2 Consumption Support

Government continued to support the Climate Smart Enhanced Public Works Programme (CS-EPWP), a programme aimed at improving social and economic inclusion among the ultra-poor households with labour availability. The programme which was piloted in 10 district councils of Chitipa, Karonga, Nkhotakota, Kasungu, Dowa, Lilongwe, Balaka, Chiradzulu, Phalombe and Blantyre has now been extended to all the 28 district councils targeting 435,000 households.

16.3 Systems Strengthening

Government continued to roll out the Unified Beneficiary Registry (UBR) aimed at improving the effectiveness and efficiency of targeting beneficiaries into different social protection programmes by harmonizing data collection processes, making them more cost-efficient and consequently reducing inclusion and exclusion errors. This will help in harmonizing programmes at national level and better targeting of intended households.

Government also developed a national Grievance Redress Mechanism (GRM) which includes a national toll-free line (351) which was created with the intention of allowing beneficiaries to channel their grievances and complaints directly, so that any issues that arise during implementation of projects can be resolved systematically.

16.4 Cross-Cutting Issues

Government successfully held the Malawi Social Protection Week 2022, from 31st October to 2nd November 2022, which provided a forum for Government, Development partners, NGOs, the international community, academia and all other stakeholders to share evidence-based feedback on the implementation of social protection programmes and their impact on beneficiaries' lives. The Social Protection week also provided an opportunity to enhance public policy debate, identify policy challenges and the exploration of solutions to enhance social protection programme implementation in the country.

16.5 National Social Protection Policy

16.5.1 Current Status

The review of the 2012-2017 National Social Support Policy commenced in 2020 following the expiry of the current policy. The policy review has addressed some of the challenges faced during implementation of the policy and included: targeting criteria for identification of beneficiaries; no clear guidelines or process on graduation of beneficiaries; weak monitoring and evaluation process; and the financing mechanisms of the policy.

The draft social protection policy has been endorsed by OPC pending further administrative approvals. It recognizes that explicit linkages across programmes will contribute to improved outcomes and more developed human capital. The new policy has included the life cycle approach in order to broaden current coverage to embrace notion of social protection and reflect that individuals face different risks and vulnerabilities at different stages in life. It ensures protection of all including those that are informally employed but may have challenges in medical or compensation funds. The policy will also relate to other livelihood and empowerment programmes such as Affordable Input Program (AIP). In the same vein, Government plans to develop an integrated Safety Nets Programme to improve on efficiency and effectiveness of implementing social protection programmes in the country. The Integrated Safety Nets Programme proposes to bring other safety net programmes such as the Affordable Input Programme (AIP), under the umbrella of the Malawi National Social Support Programme.

Government is in a process of establishing a social support fund in an effort to help address the fragmentation of social protection financing. To date a feasibility study has suggested the establishment of a National Financial Coordination Forum (NFCF). The NFCF would be given a mandate to drive and monitor progress against an agreed roadmap to establish the Social Support Fund (SSF). The establishment of the Social Support Fund is to ensure long term financing and resource mobilization for programme sustainability.

The Ministry of Finance and Economic Affairs in the year 2022, hosted two delegations from Somalia and Zambia on social protection related activities. The purpose of both delegations was to learn from Malawi on the strides made in the social protection sector and also how Malawi intends to tackle anticipated challenges. In return, the learning visits provided an opportunity for Malawi to learn from the experiences of these two countries especially in the areas of e-payment and maintaining social registries.

16.5.2 Poverty Analysis and Mapping

Malawi produced its second Multidimensional Poverty Index (MPI). The MPI report used data from the 2019/20 Fifth Integrated Household Survey. The findings show that the proportion of people who were multidimensionally poor was at 58.8 percent compared to 61.7 percent in the first MPI report. Further analysis is required to establish whether there has been a reduction in multidimensional poverty. The highest deprivations were recorded in access to electricity and asset ownership.

More deliberate efforts in terms of policies and strategies need to be directed towards reducing deprivations being faced by different population segments in various places of the country. As such, Government needs to prioritize policies for growth and social support that have the largest impact on the poor.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

This chapter highlights the performance of selected commercial State-Owned Enterprises (SOEs) during the 2021/22 Financial Year (FY) and projected financial positions up to 31st March, 2023. SOEs continue to play a significant role in the economy as they provide goods and services that cannot be efficiently and effectively provided by neither the main line civil service nor the private sector. In terms of their size in the economy, in 2021/22 FY, SOEs assets constituted 16 percent of GDP, while revenues and liabilities constituted 5 percent and 12 percent of GDP respectively.

The performance of SOEs in the 2021/22 financial year was to a large extent affected by the shrinking of the economy in 2022 which grew by 1.2 percent compared to 4.6 percent growth in 2021. The SOEs were also affected by the sharp increase in the cost of delivering their goods and services as inflation soared to an annual average of 20.9 percent, largely triggered by the 25 percent devaluation of the Malawian Kwacha in May 2022.

On the financing side, SOEs continued to depend on borrowing to finance their operations and investments. However, the upward adjustment of the policy rate in October 2022, led to a sharp rise in the cost of borrowing as average lending rate in most commercial banks hovered around 24 percent. These high interest rates continued to impact on the level of new investments of SOEs and also worsened their indebtedness.

Overall, the financial performance of the SOEs for the period ending 31st March 2022, financial year reveals significant fiscal risks from SOEs and points to the need for continued special attention. On aggregate, the performance in 2021/22 financial year and performance at the mid-year of 2022/23 financial year, the profitability continued to deteriorate with volatilities registered among the trading SOEs. Most trading SOEs continued to operate below cost recovery due to inability to generate adequate revenues to meet their operating expenditure largely due to non-cost reflective tariffs. Furthermore, trading SOEs particularly utility companies have consistently registered low returns on assets as well as on equity investment due to tariffs that were below cost recovery thereby hindering business growth and requiring bailouts and/or recapitalization from the Government.

Liquidity challenges continued to persist largely due to failure to collect sale revenues from both private and public debtors thereby tying up their much needed cash for their operations including payment of statutory obligations and investments. These trade debtors have eroded SOEs working capital and worsened their liquidity position. The affected SOEs alternatively resort to commercial borrowing to augment working capital requirements. This situation is particularly worse in the utility providers whereby non-payment of bills by public institutions heavily affects the SOEs liquidity position as the public institutions constitutes a majority of their customer base.

Looking ahead to the close of the financial year on 31st March, 2023, the prospects among the commercial SOEs is largely dampened with quite a number, projecting losses and deficits. The next section highlights individual SOEs performance in 2021/22 FY and at mid-year 2022/23 as well as prospects to the end of the 2022/23 FY.

17.2 Individual SOE's Financial Performance

17.2.1 Blantyre Water Board (BWB)

The financial performance of Blantyre Water Board continues to deteriorate over time. The Board posted a loss after tax of MK8.2 billion in 2021/22 financial year, a slight improvement from a loss after tax of MK13.8 billion registered in 2020/21. The worsening financial position was attributed to implementation of non-cost reflective tariffs, high non-revenue water, averaging 54 percent due to dilapidated pipeline network and high costs of electricity averaging K1.5 billion per month translating to 69 percent of operating expenses. Table 17.1 shows the financial performance of Blantyre Water Board (BWB) as at 31st March, 2022.

TABLE 17.1: SELECTED PERFORMANCE STATISTICS FOR BWB

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(3,309,855)	(7,945,844)	(13,831,189)	(8,187,960)	(12,541,638)	(21,069,562)
Gross Profit Margin	46%	36%	181%	171%	33%	34%
Operating Profit Margin	-25%	-108%	-22%	67%	-90%	-90%
Return on Assets	-6%	-9%	-17%	-11%	-16%	-26%
Return on Equity	NMF	-114%	NMF	NMF	NMF	NMF
Dividend Payout Ratio	NMF	NMF	NMF	NMF	NMF	NMF
Asset Turnover	0.34	0.21	0.21	0.20	0.16	0.31
Cost Recovery	1.36	0.70	0.49	0.95	0.82	0.81
Liquidity						
Current Ratio	0.34	0.30	0.16	0.18	0.19	0.12
Quick Ratio	0.24	0.12	0.08	0.08	0.17	0.10
Accounts Receivables Days	108	66	34	65	196	68
Accounts Payables Days	312	430	648	944	1494	891
Solvency						
Debt to Assets	1.15	0.92	1.06	1.17	1.33	1.42
Debt to Equity	-7.66	11.34	-10.41	-7.04	-4.00	-3.38
Interest Coverage	(8.25)	(15.57)	(124.58)	340.81	(16.19)	(8.78)
Other						
Government Transfers to Total Revenue	0.03	-	-	-	-	-

Source: BWB Audited Accounts and 2022/23 Performance Management Plans and Budget

The liquidity position of BWB remains weak with current ratio of 0.18:1 registered in 2021/22 financial year and 0.19:1 recorded as at 30th September, 2022. The weak current ratio was largely on account of current liabilities amounting to MK46.7 billion compared to current assets amounting to MK9.03 billion as at 30th September, 2022. The Board projects further deterioration of its liquidity position at the end of 2022/23 financial year with a current ratio of 0.12:1. The continued poor performance is on account of projected increase in current liabilities estimated at MK53.5 billion compared to current assets projected at MK6.3 billion. Thus, the Board is still not able to meet its short-term obligations as they fall due.

Based on the poor performance in the first half of the 2022-2023 financial year, BWB anticipates a loss of MK21.1 billion by March 2023. This likely outturn is largely on account of very high non-revenue water which averaged 57 percent as at midyear against the budgeted level of 43 percent. The Board also continues to face several operational challenges including high energy costs averaging MK1.3 billion per month against non-cost reflective tariffs, increase in receivables due to non-payment of outstanding bills from both government and private customers averaging 1494 days. As at 30th September 2022, the Board's debtors stood at MK9.1 billion, of which MK4.3 billion constitutes Government receivables while MK4.8 billion comprises private debtors. This has significantly worsened the Board's insolvency position.

Looking forward to March, 2023, the Board anticipates serious challenges in financing of its operations and capital acquisitions. The Board projects a funding gap of MK52 billion to clear electricity arrears and finance current year's operations. Nevertheless, the Board is implementing a turnaround strategy to improve the operational and financial performance in the short, medium and long term horizons. This turnaround strategy focuses on improving financial position, operational efficiency and staff productivity. The Board has also intensified debt collection by conducting periodic mass disconnection campaigns on all accounts over 30 days and cleaning up of customer data-base through customer verification exercises. In addition, the Board is carrying out several turnkey projects including Construction of Independent Power Generation Plant aimed at reducing electricity costs; and Construction of New Water Source on Shire River and Associated Infrastructure aimed at increasing water production capacity to keep pace with the growing demand.

17.2.2 Central Region Water Board (CRWB)

Central Region Water Board's financial performance remained poor in the 2021/22 financial year during which it registered a loss of MK390.8 million as slight improvement compared to a loss of MK1.4 billion registered in 2020/21. The underperformance was largely on account of significant increase in non-revenue water due to the frequent pipe bursts, presence of a high number of stuck and aged meters, illegal connections, leakages of old tanks and frequent breakdown of aged water distribution infrastructure. Table 17.2 shows the financial performance of Central Region Water Board (CRWB) as at 31st March, 2022.

TABLE 17.2: SELECTED PERFORMANCE STATISTICS FOR CRWB

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(1,316,519)	(1,449,275)	(1,421,825)	(390,790)	41,011	70,396
Gross Profit Margin	1%	-26%	55%	42%	83%	84%
Operating Profit Margin	-98%	-152%	11%	-17%	3%	4%
Return on Assets	-9%	-8%	-8%	-2%	0%	0%
Return on Equity	NMF	NMF	NMF	-6%	-1%	-1%
Dividend Payout Ratio	NMF	NMF	NMF	NMF	-	-
Asset Turnover	0.27	0.29	0.33	0.24	0.18	0.33
Cost Recovery	1.01	0.79	2.24	1.72	1.25	1.26
Liquidity						
Current Ratio	0.40	0.48	0.39	0.47	0.57	1.04
Quick Ratio	0.38	0.38	0.36	0.44	0.55	0.98
Accounts Receivables Days	206.02	237.04	133.86	285	391	194
Accounts Payables Days	276.24	193.83	392.46	496.90	632.31	273.21
Solvency						
Debt to Assets	1.19	1.24	1.31	1.31	1.27	1.26
Debt to Equity	-6.15	-5.12	-4.21	4.23	-4.75	-4.91
Interest Coverage	(241.32)	(146.46)	0.67	(1.54)	0.34	0.51
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: CRWB Audited accounts and 2022/23Performance Management Plans and Budgets

The Board's profitability slightly improved to a profit of MK41.01 million at 30th September, 2022. The improvement is mainly on account of installation of additional prepaid meters, extension of distribution network, reduction in non-revenue water which stood at 28 percent through replacement of 2,500 aged and stuck meters, repairs to 6 leaking tanks in Madisi, Mponela, Nkhota-kota, Kochilira, Dedza and Salima schemes, and replacement of 10.3 Kilometers aged PVC pipeline in all the schemes.

Liquidity continues to worsen resulting in failure by the Board to honor its short-term obligations as they fall due as demonstrated by the current ratio to 0.47:1 in 2021/22 to a slight improvement to 0.57:1 as at 30th September, 2022. CRWB's current ratio is projected to close at 1.04:1 on 31st March 2023. The cash flow challenges reported in the period under review were largely on account of huge receivables which stood at MK4.2 billion comprising MK3.2 billion as Government debtors and MK1.01 billion as private debtors with high debtor days averaging 391 days in 2022/23 financial year. These cash flow challenges resulted in suspension of some major operations of the Board. By 31st March 2023, the Board's trade receivables are projected to grow to MK4.6 billion. The accumulated trade receivables have an impact on the profitability of the Board in line with IFRS 9 which necessitates the impairment of such balances.

Going forward, the Board has put in place revenue collection strategies to improve collection from trade debtors through use of prepaid meters for institutional and commercial customers, enforcement of the Board's by-laws in respect of non-payment of water bills for instance disconnections of overdue accounts and commissioning of on-the-spot billing system within the Board.

17.2.3 Lilongwe Water Board (LWB)

Lilongwe Water Board has continued to register profit after tax overtime. The projected profit after tax for the first half to September 2022 was MK295 million, nevertheless the Board registered a profit after tax of MK858 million as at 30th September, 2022. Despite increased cost of operations as a result of high inflation, profitability during the period under review was satisfactory. Table 17.3.1 shows the financial performance of the Lilongwe Water Board (LWB) as at 31st March, 2022.

TABLE 17.3: SELECTED PERFORMANCE STATISTICS FOR LWB

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	4,773,177	2,502,725	1,162,969	594,077	857,744	36,386
Gross Profit Margin	34%	47%	35%	36%	100%	100%
Operating Profit Margin	-32%	-36%	-73%	-48%	67%	87%
Return on Assets	6%	2%	1%	0%	1%	0%
Return on Equity	14%	7%	3%	2%	1%	0%
Dividend Payout Ratio	-	-	-	-	-	-
Asset Turnover	0.26	0.21	0.17	0.13	0.09	0.19
Cost Recovery	1.52	1.21	0.93	1.18	-1.65	2.09
Liquidity						
Current Ratio	7.64	3.25	6.41	5.83	1.88	3.32
Quick Ratio	4.32	2.77	5.06	4.74	1.00	2.51
Accounts Receivables Days	198.43	216.52	115.92	154.45	216.23	101.38
Accounts Payables Days	32.00	157.03	59.53	94.89	NMF	NMF
Solvency						
Debt to Assets	0.60	0.67	0.70	0.74	0.06	0.07
Debt to Equity	1.52	2.07	2.32	2.78	0.06	0.08
Interest Coverage	(3.80)	(6.66)	(6.58)	(3.76)	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	1.55	0.74

Source: LWB Audited accounts and 2022/23 Performance Management Plans and Budget

The liquidity position for LWB declined from a current ratio of 5.83:1 in 2021/22 financial year to 1.88:1 registered as at 30th September, 2022. Despite the deteriorating liquidity position, the Board was able to meet its short-term obligations as they fall due. However, projections to the close of the 2022/23 financial year indicate significant improvement of the Board's liquidity as depicted by the current ratio of 3.23:1.

The debt collection days remained high at 216 days as at 30th September, 2022 with total trade receivables at MK6.4 billion. The Board intends to rectify the situation through migration of its customers from post-paid to prepaid metering. The average debtors' collection days moved downwards from 4.3 months as at March 2022 to 3.9 months as at September 2022 mostly because of the impact of monthly disconnection and back to life campaign which was done during the period to 30 September 2022.

Going forward, LWB plans to implement Non-Revenue Water reduction strategies including the digital customer bill payment platforms with an innovation of Point of Sale (POS) bill payment solution stationed in the Zones and Head Office. The Board intends to place the POS devices in major retail outlets by the end of 2022-2023 fiscal year.

17.2.4 Southern Region Water Board (SRWB)

Southern Region Water Board registered a loss after tax of MK729 million in 2021/22 Financial Year largely on account of reduced volumes of water produced as a result of drying of water sources in Mwanza, Chiradzulu and Balaka which affected negatively the capacity of the Board to supply adequate potable water to its customers. Despite a slight improvement in the profitability as at 30th September, 2022 which stood at MK88.4 million, the Board projects a net loss of MK216 million at the end 2022/23 financial year due to the challenges experienced such as power outages, drying up of water sources, proliferation of alternative water sources, and cash flow. Table 17.4 shows the financial performance of the SRWB as at 31st March, 2022.

TABLE 17.4: SELECTED PERFORMANCE STATISTICS FOR SRWB

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	684,215	124,908	(1,067,420)	(728,999)	88,410	(216,053)
Gross Profit Margin	8%	0%	70%	69%	65%	67%
Operating Profit Margin	-84%	-100%	40%	38%	3%	0%
Return on Assets	2%	0%	-3%	-2%	0%	-1%
Return on Equity	3%	1%	-6%	-4%	0%	-1%
Dividend Payout Ratio	-	-	NMF	NMF	-	NMF
Asset Turnover	0.24	0.24	0.22	0.19	0.14	0.34
Cost Recovery	1.09	1.00	3.36	3.25	1.62	1.50
Liquidity						
Current Ratio	1.57	1.55	1.42	1.56	1.40	1.51
Quick Ratio	1.45	1.48	0.87	1.47	1.27	1.34
Accounts Receivables Days	538.69	577.39	346.74	514.80	758.46	223.19
Accounts Payables Days	326.66	331.98	1195.27	884.27	1415.90	541.57
Solvency						

Debt to Assets	0.40	0.41	0.46	0.53	0.55	0.39
Debt to Equity	0.68	0.70	0.86	1.12	1.22	0.65
Interest Coverage	(337.25)	(58.47)	2.58	3.67	0.20	(0.03)
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: SRWB Audited accounts and 2022/23 Performance Management Plans and Budgets

During the period under review, the Board registered an operating profit of MK847.0 million, against the budgeted MK931.7 million, representing 9 percent below budget. The negative variance was largely attributed to water sales falling below the budget. Similarly, the Board earned total revenue of MK5.9 billion against the budgeted total revenue of MK5.7 billion, resulting into 3 percent above budget.

Liquidity of the Board slightly declined as at 30th September, 2022 with a current ratio of 1.40:1 compared to a current ratio of 1.56:1 registered in 2021/22. Liquidity was eroded due to huge receivables averaging 758 days which stood at MK12.3 billion comprising of MK8 billion being owed by public institutions and MK4.2 billion for private debtors. This continues to worsen the Board's solvency as depicted by the deteriorating debt to equity projected at 0.65 at the end of 2022/23 financial year from 1.22 registered as at 30th September, 2022.

Going forward, the Board will embark on disconnections of defaulters. This is per the revenue collection strategy which the Board has put in place in order to reduce overall debtors' position. For some public debtors, especially the Malawi Defence Forces (MDF), State Residences, and Malawi Police Service (MPS) the Board relies on Treasury to pay on their behalf.

17.2.5 Northern Region Water Board (NRWB)

Northern Region Water Board has been registering perpetual deficits over the years with exception of 2020/21 financial year. As at 30th September, 2022, the Board registered a loss of MK1.9 billion compared to a planned net profit of MK117 million over the half year to September 2022 on account of dwindling water sales revenue that resulted from a drop in volume and tariff increase freeze. The rising depreciation and finance costs as a result of investments and long-term borrowings exerted further pressure on the bottom line. Table 17.5 shows the financial performance of NRWB as at 31st March, 2022.

TABLE 17.5: SELECTED PERFORMANCE STATISTICS FOR NRWB

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(827,195)	(3,778,190)	640,920	(5,409,291)	(1,928,533)	(5,822,621)
Gross Profit Margin	55%	47%	32%	35%	76%	86%
Operating Profit Margin	-58%	-6%	1%	-7%	-22%	-11%

Return on Assets	-2%	-7%	1%	-6%	-2%	-6%
Return on Equity	-15%	-197%	25%	NMF	-2%	-7%
Dividend Payout Ratio	NMF	NMF	-	NMF	NMF	NMF
Asset Turnover	0.19	0.17	0.11	0.08	0.05	0.11
Cost Recovery	0.86	1.85	3.06	2.30	1.03	1.02
Liquidity						
Current Ratio	0.51	0.46	0.71	0.54	1.93	1.35
Quick Ratio	0.38	0.36	0.46	0.35	0.76	0.74
Accounts Receivables Days	147	150	113	220	293	127
Accounts Payables Days	683	698	500	763	318	396
Solvency						
Debt to Assets	0.87	0.96	0.97	1.03	0.97	1.00
Debt to Equity	6.84	27.06	30.74	-32.81	1.01	1.06
Interest Coverage	(8.74)	(1.01)	0.08	(0.38)	NMF	NMF
Other						
Government Transfers to Total Revenue	0.03	0.03	0.03	0.04	-	-

Source: NRWB Audited accounts and 2022/23 Performance Management Plans and Budgets

The Northern Region Water Board (NRWB)'s 2022/23 cumulative half year results reflect lower than budget performance on both water sales volumes (3.7 million cubic meters) and revenue (MK4.2 billion) at 13 percent and 32 percent respectively. The half year volumes and revenues were also 5 percent and 4 percent down when compared with the corresponding period of the 2021/22 financial year. Rehabilitation of the reticulation system at Moyale Barracks and the migration of the Moyale Barracks and Malawi Police Service in Mzuzu from postpaid metering system to prepaid metering system that resulted in a drop on Institutional customers' volumes coupled with intermittent power outages are the key drivers for the below budget volumes and revenue performance.

The revenue was further negatively impacted because the planned tariff increase of 15 percent was not implemented. The Board's 2022/23 half year operating costs at MK4.3billion were 10 percent and 2 percent down on budget and last year's performance respectively. In general, the cost of operation was on the rise due to rising inflation and the devaluation. Despite these market forces, NRWB realized savings on the budget primarily on account of deferred operational activities due to cash flow constraints. The Board's liquidity remained heavily stressed with MK5.6 billion tied up in trade debtors and MK2.9 billion related to Public Institutions.

Despite a slight improvement in liquidity as presented by the current ratio of 0.54:1 registered in 2021/22 financial year to a current ratio of 1.93:1 recorded in September, 2022, the corporation continues to face serious cash-flow challenges and fail to honor short term obligations as they fall due. Eventually, the Board is largely financing its operation using external resources as evident by the debt-to-equity ratio which has been deteriorating over time.

17.2.6 Malawi Housing Corporation (MHC)

Malawi Housing Corporation's (MHC) profitability declined in 2021/22 to MK1.6 billion from MK4.5 billion registered in 2020/21 financial year. However, this profitability is due to revaluation surplus of investment property otherwise the operating loss stood at MK1.98 billion in 2022. As at midyear of the 2022/23 financial year, the Corporation reported a loss of MK132 million. The under-performance was largely on account of failure to increase rentals resulting in stagnated revenue for three consecutive years, lost income due to delayed completion of 254 house construction projects and low income from plot sales due to delays in plot development and slow regularization of encroached areas during the period under review. However, the Corporation projects a slight improvement on profitability at the close of the 2022/23 financial year with a profit after tax of MK50.7 million. Table 17.6 shows the financial performance of the Corporation as at 31st March, 2022.

TABLE 17.6: SELECTED PERFORMANCE STATISTICS FOR MHC

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	11,036	9,964,652	4,495,218	1,580,813	(132,086)	50,671
Gross Profit Margin	-45%	-5%	-6%	-45%	88%	84%
Operating Profit Margin	-190%	-111%	-113%	-191%	75%	69%
Return on Assets	0%	8%	3%	1%	0%	0%
Return on Equity	0%	8%	4%	1%	0%	0%
Dividend Payout Ratio	-	-	-	-	NMF	53.3
Asset Turnover	0.03	0.04	0.04	0.03	0.02	0.04
Cost Recovery	0.69	0.95	0.94	0.69	8.04	6.36
Liquidity						
Current Ratio	0.81	0.70	0.49	0.41	0.41	0.58
Quick Ratio	0.46	0.43	0.21	0.15	0.31	0.42
Accounts Receivables Days	83.62	111.13	57.35	91.59	303.59	110.72
Accounts Payables Days	78.71	127.15	145.93	182.68	511.12	137.75
Solvency						
Debt to Assets	0.06	0.08	0.09	0.11	0.05	0.03
Debt to Equity	0.06	0.09	0.10	0.12	0.05	0.03
Interest Coverage	(367.65)	(701.36)	(476.54)	(55,836.49)	NMF	4.46
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MHC Audited accounts and 2022/2023 Performance Management Plans and Budgets

Liquidity remained a challenge with current assets amounting to MK2.7 billion against liabilities which stood at MK6.4 billion, resulting into a current ratio of 0.41:1. Trade receivables include unpaid private rentals of MK362.8 million, Government rental arrears of MK261 million and ground rent arrears of MK1.3 billion which continued to worsen the corporation's receivable days which stood at 304 days as at 30th September, 2022.

Current liabilities comprise of arrears on statutory obligations such as Pension amounting to MK191.1 million and Taxes (PAYE, Withholding Tax, and VAT) amounting to MK753.3 million, Group life cover totaling MK378.7 million. Deposits for plots and house rent stood at MK1.8 billion. The Corporation plans to clear tax arrears as soon as Cash flows improve.

Looking forward to March, 2023, the Corporation projects a drop in revenue by 8 percent from MK6.8 billion to MK5.1 billion mainly on account of lost income due to delayed completion of 254 house construction projects; low income from plot sales and regularization of encroached areas during the first half of the year. Ground rentals have moved upwards by 2 percent from K562.7 million to K575.1 million due to expected ground rent billing from regularized plots. The company has employed strategies to improve the financial position including budgeting for MK1.43 billion for plot development. This includes cost of access roads construction and water reticulation and a provision of MK55 million in the revised budget for minor works in order to improve the useful life of its properties.

17.2.7 National Construction Industry Council (NCIC)

National Construction Industry Council (NCIC) continues to register reasonable financial performance overtime. The Council registered a surplus of MK761 million as at 30th September, 2022 compared to a budget of MK383 million and MK469 million surplus registered in 2021/22 financial year. The Council projects a reduced seasonal revenue from the construction firms' subscription fees coupled with increased expenditure arising from execution of committed strategic activities including technical audits, cost indices development and project monitoring, reducing the surplus to MK306 million. Table 17.7 shows the financial performance of the Council as at 31st March, 2022.

TABLE 17.7: SELECTED PERFORMANCE STATISTICS FOR NCIC

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	54,122	55,386	81,218	468,549	760,535	306,399
Gross Profit Margin	0%	100%	100%	16%	100%	100%
Operating Profit Margin	-101%	2%	3%	-68%	33%	7%
Return on Assets	3%	3%	4%	22%	26%	13%
Return on Equity	4%	4%	5%	24%	NMF	NMF
Dividend Payout Ratio	-	94.7	-	13.2	6.6	91.8
Asset Turnover	1.51	1.58	1.52	1.18	0.80	1.78
Cost Recovery	1.00	1.02	1.03	1.19	1.49	1.08
Liquidity						
Current Ratio	1.27	1.20	1.42	4.58	NMF	NMF
Quick Ratio	1.27	1.16	0.63	4.38	NMF	NMF
Accounts Receivables Days	34.30	19.01	14.66	14.04	17.47	7.84
Accounts Payables Days	21.09	NMF	NMF	0.00	NMF	NMF
Solvency						
Debt to Assets	0.13	0.15	0.15	0.08	0.82	1.22

Debt to Equity	0.17	0.18	0.18	0.09	NMF	NMF
Interest Coverage	NMF	5.36	20.75	NMF	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: NCIC Audited accounts and 2022/23 Performance Management Plans and Budgets

The Council's total assets increased by 35 percent as at 30th September, 2022 from 31 percent registered in 2021/22 on account of increase in cash and cash equivalents. The corporation intensified on collection of construction levy, construction firms' fees and training income in addition to prudent financial management. To ensure efficiency in the registration system, the Council has rolled out automation of the registration process.

On the other hand, the debt/equity ratio was still very low during the period under review implying that the Council finances its operations using own generated resources.

17.2.8 Energy Generation Company of Malawi (EGENCO)

EGENCO registered an improved profitability in 2021/22 financial year with a profit after tax of MK5.1 billion compared to MK4.6 billion recorded in 2021/22 financial year. As at mid-year of 2022/23 financial year, the Company posted a net profit of MK3.5 billion which was 390 percent higher than the target for September 2022. Electricity revenue recorded at MK28 billion was 3 percent below budget up to 30th September, 2022 due to low availability of the diesel generators. Total energy units generated for the 6 months to September 2022 was 896.35 GWh which was 3 percent higher than the target in the Approved Budget for 2022/23 on account of increased water flow in the Shire River. The Company projects to close the period with after tax profit of MK4.4 billion. Table 17.8 shows the financial performance of EGENCO as at 31st March, 2022.

TABLE 17.8: SELECTED PERFORMANCE STATISTICS FOR EGENCO

Indicators	**2019 Audited**	**2020 Audited**	**2021 Audited**	**2022 Audited**	**2023 Mid-Year Actual**	**Outlook to March 2023**
Profitability						
Profit/loss (MK'000)	8,692,372	(5,082,104)	4,559,509	5,116,734	3,504,565	4,426,113
Gross Profit Margin	83%	48%	49%	42%	46%	31%
Operating Profit Margin	35%	-60%	13%	30%	-39%	-57%
Return on Assets	4%	-2%	2%	2%	2%	2%
Return on Equity	6%	-4%	3%	3%	2%	2%
Dividend Payout Ratio	-	NMF	-	-	-	-
Asset Turnover	0.72	0.27	0.25	0.18	0.16	0.23
Cost Recovery	2.08	0.93	2.76	8.07	1.18	1.13
Liquidity						
Current Ratio	5.22	4.36	3.98	4.83	6.90	3.23
Quick Ratio	4.23	3.54	3.21	4.03	5.71	2.55
Accounts Receivables Days	238	210	214	346	623	302

Accounts Payables Days	89	45	36	56	30	30
Solvency						
Debt to Assets	0.37	0.41	0.49	0.49	0.65	0.54
Debt to Equity	0.59	0.70	0.98	0.96	0.91	0.79
Interest Coverage	64.80	(35.00)	12.04	242.62	NMF	(78.58)
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: EGENCO Audited Accounts and 2022/23 Performance Management Plans and Budgets

Debt collection days stood at 623 days with Trade Receivables at MK45.2 billion. However, the company is able to meet its short-term obligations as evident by a health current ratio of 9.60:1 as at 30th September, 2022 compared to a current ratio of 3.98:1 and 4.83:1 registered in 2020/21 and 2021/22 financial years respectively with payable days averaging 30 days as at 30th September, 2022.

17.2.9 Malawi Energy Regulatory Authority (MERA)

MERA registered a decline in surplus in 2021/22 financial year amounting to MK1.4 billion compared to MK4.4 billion registered in 2021 because of a shorter financial year as well as the shocks in the operating environment for liquid fuels which experienced an upward trajectory on the international market largely on account of COVID-19 aftermath and Russia-Ukraine war. However, as at 30th September, 2022, MERA recorded an improvement in its surplus position amounting to MK4.3 billion space looking forward to March, 2023, MERA projects to close with a surplus of MK5.4 billion as shown on Table 17.9.

TABLE 17.9: SELECTED PERFORMANCE STATISTICS FOR MERA

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 MY Actual	2023 Revised Budget
Profitability						
Profit/loss (MK'000)	2,844,930	1,964,887	4,429,335	1,350,725	4,289,023	5,418,349
Gross Profit Margin	100%	100%	100%	100%	100%	100%
Operating Profit Margin	38%	25%	72%	38%	78%	80%
Return on Assets	4%	5%	9%	2%	4%	12%
Return on Equity	26%	19%	33%	9%	15%	16%
Dividend Payout Ratio	17.6	123.1	27.2	-	-	-
Asset Turnover	0.12	0.18	0.23	0.12	0.06	0.30
Cost Recovery	1.61	1.33	3.54	1.61	4.59	5.10
Liquidity						
Current Ratio	1.65	2.03	1.35	1.15	1.21	2.06
Quick Ratio	1.65	2.02	1.35	1.15	1.21	2.06
Accounts Receivables Days	1562.27	676.59	836.54	2011.86	NMF	NMF
Accounts Payables Days	NMF	NMF	NMF	NMF	NMF	NMF
Solvency						
Debt to Assets	0.83	0.76	0.72	0.78	1.00	1.00

Debt to Equity	4.96	3.12	2.52	3.57	3.28	1.35
Interest Coverage	NMF	NMF	NMF	NMF	27.22	78.87
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MERA Audited accounts and 2022/23 Performance Management Plans and Budgets

Despite recording a relatively improving liquidity position with current ratio increasing from at 1.15:1 in 2021/22 financial year to 1.21:1 as at 30th September, 2022 with a projected higher current ratio of 2.06:1 at the end of 2022/23 financial year, the Authority's solvency is worsening overtime with a debt-to-equity ratio of 3.28:1 recorded at mid-year from 3.57:1 registered in 2021/22.

17.2.10 National Oil Company of Malawi (NOCMA)

Performance of National Oil Company of Malawi (NOCMA) has been poor over the years with a turnaround profitability of MK1.7 billion recorded as at 30th September, 2022. Total sales revenue amounted to MK191.17 billion against budgeted sales revenue of MK137.06 billion representing a 39 percent positive variance. This was due to the two fuel price hikes of 25.6 percent and 37.7 percent that were effected during the period. Table 17.10 shows the financial performance of NOCMA's as 31st March, 2022.

TABLE 17.10: SELECTED PERFORMANCE STATISTICS FOR NOCMA

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	732,648	(11,721)	(929,981)	(415,911)	1,744,257	2,577,000
Gross Profit Margin	3%	2%	0%	3%	-3512%	-2175%
Operating Profit Margin	-97%	-1%	-2%	1%	-3556%	-2222%
Return on Assets	1%	0%	-1%	0%	0%	1%
Return on Equity	9%	0%	-6%	-3%	9%	13%
Dividend Payout Ratio	-	NMF	NMF	NMF	-	-
Asset Turnover	1.23	1.58	1.13	0.90	0.02	0.05
Cost Recovery	1.00	37.65	45.81	55.65	2.28	2.11
Liquidity						
Current Ratio	1.01	1.00	1.01	1.02	1.00	0.95
Quick Ratio	0.90	0.83	0.86	0.93	0.95	0.72
Accounts Receivables Days	155	123	164	194	12090	8644
Accounts Payables Days	232	178	259	340	187	143
Solvency						
Debt to Assets	0.94	0.91	0.92	0.92	0.02	0.94
Debt to Equity	15.94	10.59	10.98	11.19	0.31	14.54
Interest Coverage	NMF	NMF	NMF	NMF	NMF	NMF
Other						

Government Transfers to Total Revenue	0.01	-	-	-	-	-

Source: NOCMA Audited accounts and 2022/23 Performance Management Plans and Budgets

Consequently, total income amounted to MK5.17 billion against a budgeted total income of MK5.58 billion representing a 7 percent negative variance. This situation was attributed to factors such as; a slight underperformance in the trading income of MK883.93 million against budgeted trading income of K889.79 million representing a 1 percent negative variance; 9 percent negative variance in the non-trading income (MK4.69 billion budget against actual non-trading income of MK4.28 billion) mainly caused by the non-receipt of SFR Levy funds through MERA for volumes sold Petroleum Importers Limited. However, NOCMA received MK1.83 billion for the SFR Levy.

To mitigate the impact of the underperformance, Management continued to aggressively invest cash in fixed deposits. Consequently, about MK2.44 billion net interest was earned in the period under review against a projected budget of MK2.13 billion.

Other revenue amounted to K22 million (budget K338 million) from concession fees for Mchinji Depot, hospitality fees for customers at Chilumba Depot, interests on staff loans and bid document sales. The irresolution of the hospitality agreements contributed much to the lost revenue in the period. Another contributing factor was the fixed asset disposals which is not yet effected.

The company's solvency continues to worsen over time with a projected debt to equity ratio of 14.54:1 in March 2023 from 11.19:1 registered in 2021/22 financial year signifying that the entity is to a larger extent financing its operations through borrowing.

17. 2.11 Malawi Posts Corporation (MPC)

The Malawi Posts Corporation has been registering perpetual deficits since 2019/20 financial year. During the six months (April to September, 2022) period, MPC has registered a net loss from operations of MK573 million against a budgeted loss of MK1.2 billion. MPC received MK209 million as Government subvention which absorbed the loss and the Corporation reported a profit of MK323million. The revenues have slightly gone up by 7 percent (from MK1.9 billion budgeted to MK2.0 billion actual). There is also a cost saving of 17 percent in expenditure (MK2.2 billion actual against K2.7 billion budgeted for the six months period). Since April 2022, Government has been meeting cost of salaries for employees amounting to MK688 million. A profit of MK17 million is estimated at 31st March, 2023 and an actual loss of K1.7 billion audited accounts for the previous year ended 30th March, 2022. Table 17.11 shows the financial performance of MPC as at 31st March, 2022.

TABLE 17.11: SELECTED PERFORMANCE STATISTICS FOR MPC

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	2023 Revised Budget
Profitability						
Profit/loss (MK'000)	224,204	(3,276,259)	(4,244,570)	(1,698,975)	323,867	16,749
Gross Profit Margin	100%	97%	98%	33%	-11%	-5%
Operating Profit Margin	-27%	-105%	-115%	-46%	-123%	-111%
Return on Assets	1%	-16%	-19%	-8%	1%	0%
Return on Equity	2%	-33%	-50%	-19%	7%	0%
Dividend Payout Ratio	-	NMF	NMF	NMF	-	-
Asset Turnover	0.16	0.20	0.16	0.14	0.09	0.27
Cost Recovery	0.79	0.35	0.44	1.21	0.50	0.74
Liquidity						
Current Ratio	0.57	0.28	0.36	0.30	0.42	0.35
Quick Ratio	0.51	0.23	0.16	0.24	0.02	0.00
Accounts Receivables Days	322	284	282	341	0.00	0.00
Accounts Payables Days	NMF	23734	38197	1752	2364	582
Solvency						
Debt to Assets	0.49	0.51	0.63	0.59	0.53	0.86
Debt to Equity	0.98	1.06	1.70	1.43	2.43	1.74
Interest Coverage	NMF	NMF	NMF	NMF	29.97	34.92
Other						
Government Transfers to Total Revenue	-	0.29	0.05	0.05	0.44	0.22

Source: MPC Audited Accounts and 2022/23 Performance Management Plans and Budgets

Looking forward to March, 2023, it is expected that the Government will provide funding for rightsizing of MK2.5 billion, bailout of MK6 billion for taxes to repair the balance sheet MK981 Million for investment projects out of the MK2.2 billion allocation for for digitization and enhancement of Courier Services. This will significantly improve the company's liquidity and solvency which continues to deteriorate overtime as evident by eroded current ratio of 0.42:1 registered as at 30th September, 2022 to a current ratio of 0.35:1 at the end of 2022/23 financial year and a debt to equity ratio projected at 1.74:1 in March 2023.

17.2.12 Malawi Communications Regulatory Authority (MACRA)

Malawi Communications Regulatory Authority (MACRA) continued to report good performance with surpluses recorded over the years. However, the Authority has registered a declining position of MK1.4 billion at mid-year with a projected surplus of MK124 million on account of a continuous drop in incoming international call minutes which is a basis for circulation of international call termination fees. Table 17.1.12 shows the financial performance of MACRA as at 31st March, 2022.

TABLE 17.12: SELECTED PERFORMANCE STATISTICS FOR MACRA

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK’000)	5,481,597	5,436,447	9,300,731	6,806,595	1,463,691	124,657
Gross Profit Margin	100%	100%	100%	100%	100%	100%
Operating Profit Margin	30%	28%	43%	40%	25%	24%
Return on Assets	28%	25%	41%	26%	1%	0%
Return on Equity	53%	53%	80%	58%	11%	1%
Dividend Payout Ratio	118.6	82.9	26.9	101.9	444.1	4,900.0
Asset Turnover	0.92	0.89	0.90	0.62	0.04	0.97
Cost Recovery	1.43	1.39	1.76	1.66	1.33	1.32
Liquidity						
Current Ratio	1.34	1.27	1.50	1.31	1.62	0.96
Quick Ratio	1.12	1.05	1.21	1.12	1.04	0.49
Accounts Receivables Days	97.20	97.62	99.98	187.55	154.66	57.97
Accounts Payables Days	NMF	NMF	NMF	NMF	NMF	NMF
Solvency						
Debt to Assets	0.48	0.53	0.48	0.55	0.04	0.49
Debt to Equity	0.93	1.14	0.94	1.21	0.76	1.07
Interest Coverage	NMF	NMF	NMF	NMF	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MACRA Audited Accounts and 2022/23 Performance Management Plans and Budgets

Going forward, revenue for the year has been adjusted upwards by 12 percent including; upward adjustment of frequency fees by 20 percent as the Authority continues to receive requests for more spectrum from Telephone operators. This budget line has also been affected by the devaluation of the Kwacha against the dollar since frequencies’ fees are quoted in dollars but payable in Kwacha; upward revision of Levy fees by 15 percent due to better performance from Telecommunications operators including enforcement of levy declarations and payments for ISP and Courier Operators; upward adjustment of License fees by 10 percent in anticipation of new licenses and also the devaluation of Kwacha, and reduction in investment income by 79 percent. This is due to the requirement by the new Public Finance Management Act directing that all government’s funds be deposited in a revenue holding account with the Reserve Bank.

While the liquidity of the Authority shows declining trends to March, 2023 with a current ratio of 0.96:1 from a current ratio of 1.62:1 registered as at 30th September, 2022, MACRA is still able to meet its short-term obligations as they fall due.

17.2.13 Malawi Broadcasting Corporation (MBC)

The Corporation posted a loss of MK712 million as at 30th September, 2022 with a slight improvement in the projected profit of MK40 million in March 2023. The Corporation has been underperforming over the years largely on account of competition in the broadcasting industry in Malawi due to continued emergence of new entrants into the market and new digital technologies and aged transmission infrastructure which needs replacement to minimize repairs and breakdowns. Table 17.13 shows the financial performance for MBC as at 31st March, 2022.

TABLE 17.13: SELECTED PERFORMANCE STATISTICS FOR MBC

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(368,616)	60,634	(421,072)	(356,262)	(712,364)	40
Gross Profit Margin	100%	100%	100%	100%	100%	100%
Operating Profit Margin	-9%	1%	-9%	21%	100%	100%
Return on Assets	-11%	1%	-6%	-4%	-8%	0%
Return on Equity	NMF	-2%	NMF	-27%	-105%	0%
Dividend Payout Ratio	NMF	-	NMF	NMF	NMF	-
Asset Turnover	1.26	1.32	0.74	0.45	0.27	1.23
Cost Recovery	0.52	0.37	0.34	1.27	NMF	NMF
Liquidity						
Current Ratio	0.89	0.44	1.61	1.53	5.05	2.30
Quick Ratio	0.89	0.31	1.14	1.06	3.44	1.62
Accounts Receivables Days	170.44	129.39	146.38	181.72	NMF	NMF
Accounts Payables Days	NMF	NMF	NMF	NMF	NMF	NMF
Solvency						
Debt to Assets	1.61	1.67	1.17	0.86	0.93	1.61
Debt to Equity	-2.63	-2.48	-6.46	6.12	13.03	-2.65
Interest Coverage	(106.90)	17.08	(148.68)	569.14	756.16	965.13
Other						
Government Transfers to Total Revenue	0.44	0.64	0.63	-	0.54	0.41

Source: MBC Audited Accounts and 2022/23 Performance Management Plans and Budgets

MK2.6 billion was realised out of the total revenue of MK4.4 billion. Advertising revenue from both TV and Radio adverts totaled MK0.76 billion against a budget of MK1.9 billion representing a 60 percent decrease. Co-sitting revenue and other revenues decreased by 41 percent and 66 percent repectively. The expenditure for the half year ending 30th September, 2022 was MK4.4 billion against a budget of MK3.3 billion with some costs over runs.

The Corporation continues to encounter cash flow challenges despite posting a health current ratio of 5.05:1 as at 30th September, 2022. Huge debts accumulated in the past years continue to erode the company's financial position as suppliers continue to demand for payment. The Corporation has liabilities to settle such as Tax, COSOMA, MTL and other suppliers amounting to MK8.2 billion, and Pension arrears amounting to MK2.7 billion. The Corporation continues to engage the suppliers for payment plans negotiations.

The Corporation is owed about MK1.2 billion which is collectable from various organizations and Companies. Going forward, management still will intensify debt collection on the same. The Corporation also continue to employ some cost cutting measures to improve the cash flow.

17.2.14 National Food Reserve Agency (NFRA)

National Food Reserve Agency (NFRA) profitability improved in 2021/22 with a profit after tax of MK174 million and MK682 million recorded in September, 2022. Looking Forward to March, 2023, the Agency projects a loss after tax of MK662 million due to higher handling costs, and depreciation and stock losses incurred in storage. Table 17.14 shows the financial performance of NFRA as at 31st March, 2022.

TABLE 17.14: SELECTED PERFORMANCE STATISTICS FOR NFRA

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	230,818	(317,852)	(342,399)	174,337	682,344	(662,364)
Gross Profit Margin	12%	-14%	-16%	14%	100%	100%
Operating Profit Margin	-76%	-128%	-132%	-72%	35%	-28%
Return on Assets	1%	-1%	-1%	1%	0%	-3%
Return on Equity	1%	-2%	-2%	1%	NMF	-3%
Dividend Payout Ratio	-	NMF	NMF	-	-	NMF
Asset Turnover	0.08	0.10	0.09	0.07	0.01	0.07
Cost Recovery	0.78	0.23	0.40	0.78	1.17	0.34
Liquidity						
Current Ratio	6.12	8.32	7.66	3.41	2.60	35.88
Quick Ratio	0.76	0.60	0.61	0.40	0.11	0.72
Accounts Receivables Days	47.36	43.08	135.90	248.33	238.62	75.79
Accounts Payables Days	775.24	337.88	94.67	333.97	NMF	NMF
Solvency						
Debt to Assets	0.28	0.25	0.25	0.27	0.04	0.02
Debt to Equity	0.39	0.33	0.34	0.36	NMF	0.02
Interest Coverage	NMF	NMF	NMF	NMF	NMF	NMF
Other						
Government Transfers to Total Revenue	0.32	0.74	0.53	0.33	0.24	0.56

Source: NFRA Audited Accounts and 2022/23 Performance Management Plans and Budgets

The Agency's liquidity position slightly reduced to 2.60:1 as at 30th September, 2022 from 3.41:1 in 2021/22 financial year. However, the Agency was able to meet its current liabilities as they fall due. Nevertheless, the liquidity is projected to significantly improve to 35.88:1 at the end of

2022/23 financial year. The Agency, largely finances its operations through own equity as depicted by a lower debt to equity ratio of 0.02:1 projected at the end of March, 2023 from 0.04:1 registered during the half year of 2022/23 financial year.

17.2.15 Tobacco Commission (TC)

Profitability of Tobacco Commission has been fluctuating over the past five years. As at 30th September, 2022, the Commission registered a surplus of MK1.5 billion from a loss of MK1.2 billion in 2021/22 financial year. The Commission projects a lower surplus at the end of March, 2023. Table 17.15 shows the financial performance of TC as at 31st March, 2022.

TABLE 17.15: SELECTED PERFORMANCE STATISTICS FOR TC

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	89,178	(81,359)	324,460	(1,289,946)	1,557,736	143,577
Gross Profit Margin	100%	100%	100%	100%	100%	100%
Operating Profit Margin	68%	73%	79%	56%	90%	82%
Return on Assets	2%	-2%	6%	-27%	22%	3%
Return on Equity	2%	-2%	8%	-49%	37%	5%
Dividend Payout Ratio	56.1	NMF	20.0	NMF	-	68.8
Asset Turnover	0.66	0.79	0.72	0.33	0.45	0.63
Cost Recovery	3.16	3.69	4.82	2.26	10.48	5.53
Liquidity						
Current Ratio	1.03	0.91	1.00	0.33	1.05	0.55
Quick Ratio	0.99	0.86	0.95	0.25	1.00	0.44
Accounts Receivables Days	59.12	45.57	54.65	35.63	13.66	65.36
Accounts Payables Days	NMF	NMF	NMF	NMF	NMF	NMF
Solvency						
Debt to Assets	0.26	0.28	0.24	0.46	0.40	0.42
Debt to Equity	0.36	0.38	0.31	0.86	0.67	0.71
Interest Coverage	276.81	1,959.87	2,679.55	3,194.35	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: TC Audited Accounts and 2022/23 Performance Management Plans and Budgets

The Commission liquidity levels hovers around the margin of 1:1 meaning that the Commission is barely able to meet the short-term obligations as they fall due. Looking forward to March, 2023, the Commission projects a deterioration of the liquidity position from 1.05:1 to 0.55:1 depicting the revenue recognition polices of the commission. The financial leverage position as measured by debt-to-equity ratio depicts the Commission's capacity to finance its operations using own resources.

17.2.16 Pharmacy and Medicines Regulatory Authority (PMRA)

The performance of the Pharmacy and Medicines Regulatory Authority (PMRA) declined in 2022/23 financial year to MK62.7 million registered as at 30th September, 2022 from a surplus of MK403 million registered in 2021/22 financial year. The underperformance is attributed to policy and operational challenges such as below cost regulatory fees which were last gazetted in 2014 and under-collection of regulatory fees. Going forward, the regulatory fees were revised but implementation has not started as the fees were yet to be gazetted. Table 17.16 shows the financial performance of the Board as at 31st March, 2022.

TABLE 17.16: SELECTED PERFORMANCE STATISTICS FOR PMRA

Indicators	2018 Audited	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability							
Profit/loss (MK'000)	121,240	(74,144)	53,624	261,852	403,045	62,704	80,223
Gross Profit Margin	100%	100%	100%	100%	100%	4%	1%
Operating Profit Margin	9%	-4%	4%	14%	24%	-92%	-97%
Return on Assets	5%	-3%	2%	9%	14%	1578%	3064%
Return on Equity	6%	-4%	3%	12%	16%	2402%	3415%
Dividend Payout Ratio	-	NMF	-	-	-	-	-
Asset Turnover	0.58	0.54	0.51	0.63	0.56	269.58	1073.18
Cost Recovery	1.10	0.96	1.04	1.17	1.32	1.02	1.00
Liquidity							
Current Ratio	1.68	0.73	0.68	1.26	2.35	1.39	1.34
Quick Ratio	1.36	0.70	0.66	1.25	2.33	1.17	0.75
Accounts Receivables Days	19.65	7.38	10.85	43.12	56.06	0.00	0.00
Accounts Payables Days	NMF	NMF	NMF	NMF	NMF	0.48	0.04
Solvency							
Debt to Assets	0.10	0.14	0.28	0.25	0.12	0.34	0.10
Debt to Equity	0.11	0.16	0.39	0.33	0.13	0.52	0.11
Interest Coverage	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Other							
Government Transfers to Total Revenue	-	-	-	-	-	0.02	0.01

Source: PMPA Audited Accounts and 2022/23 Performance Management Plans and Budgets

Poor financial performance continue to affect the Authority's liquidity position as depicted by a current ratio declining from 2.35:1 in 2021/22 to 1.39:1 as at 30th September, 2022 with prospects to close at 1.34:1 in March, 2023. To address this challenge, the Authority will continue to engage the Ministry of Health to gazette the proposed revised regulatory fees.

17.2.17 Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA)

In the 2021/22 financial year, TEVETA recorded a surplus of MK2.2 billion which slightly improved to MK2.6 billion registered in September, 2022. Going forward, the Authority anticipates significant decline in surplus to MK141 million by March, 2023. The continued underperformance of the Authority is on account of income which has not grown large enough to meet the cost of programme implementation, particularly with respect to training delivery. The average cost of training per student per term, which currently is around MK480, 000.00 has been increasing annually at a rate far above the annual inflation rate. On the other hand, the annual training delivery cost has been compounded by continuous high annual growth rate of student enrollment (recruitment) based on demand and increase in access to training in both the Public and Private Technical Colleges in Malawi. Table 17.17 shows the financial performance of TEVETA as at 31st March, 2022.

TABLE 17.17: SELECTED PERFORMANCE STATISTICS FOR TEVETA

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (Million MK)	170,891	634,445	1,695,639	2,194,787	2,556,461	141,105
Gross Profit Margin	100%	100%	100%	100%	100%	100%
Operating Profit Margin	2%	5%	10%	11%	37%	2%
Return on Assets	7%	7%	15%	16%	18%	1%
Return on Equity	4%	11%	20%	21%	22%	1%
Dividend Payout Ratio	-	-	-	-	-	-
Asset Turnover	4.10	1.38	1.47	1.40	0.44	0.68
Cost Recovery	1.02	1.05	1.11	1.13	1.60	1.02
Liquidity						
Current Ratio	1.94	2.42	2.87	3.74	4.63	7.24
Quick Ratio	1.93	2.42	2.86	3.73	4.62	7.23
Accounts Receivables Days	129.76	188.53	149.71	132.10	NMF	NMF
Accounts Payables Days	NMF	NMF	NMF	NMF	NMF	NMF
Solvency						
Debt to Assets	0.84	0.38	0.27	0.22	1.00	1.00
Debt to Equity	0.53	0.61	0.38	0.29	1.22	1.11
Interest Coverage	2.15	4.31	18.13	104.02	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: TEVETA Audited Accounts and 2022/23 Performance Management Plans and Budgets

TEVET Authority continues to expand its bursary support to needy youths, full cost coverage for most of the Informal Sector Training Programmes implemented in the local communities, and other training students support services, such as payment of upkeep allowances to students at industrial attachment.

The TEVET Authority has consistently been failing to support the private sector in addressing productivity and skills gap industry through training and other productivity enhancement initiatives. These initiatives are implemented on cost sharing arrangement with companies and organizations that have been unable to contribute to the TEVET Levy due to economic challenges. Few companies are carrying out training for their employees at the workplace, therefore, are unable to benefit from the Authority's support for training implementation through their direct contribution to the Productivity Enhancement Interventions under the Authority's Productivity Enhancement Program (PEP).

The Authority's liquidity position has been satisfactory over the years with a current ratio growing from 3.74:1 in 2021/22 to 4.63:1 recorded in September, 2022 with prospect of a further improvement of 7.24:1 by the end of March, 2023.

Generally, the Authority finances its operations using own generated resources than borrowing as depicted by the improved debt to equity ratio in Table 17.17 . Going forward, the Authority intends to enhance its regulatory mandate and compliance issues by undertaking activities such as registration and compliance at the cost of MK64.9 million, quality assurance at the cost of MK109.5 million, Assessment and Moderation at the cost of MK77.7 million while standards development will cost MK335.7 million. At half year, the overall allocation for regulatory and compliance services has been revised upwards from MK 875 million to MK903 million to cater for the review of the TEVET qualifications framework which is long overdue.

The Authority shall continue to promote practical entrepreneurship skills to enable TEVET beneficiaries become self-reliant through creation of viable small and medium enterprises (SMEs). In the revised 2022/23 budget, the Authority has therefore provided a sum of MK96 million from MK29 million to support entrepreneurship development Programme.

17. 2.18 Malawi Institute of Management (MIM)

Malawi Institute of Management (MIM) has been operating on perpetual deficit budgets over the years due to low patronage of MIM short courses and academic programmes as well as failure to attract high value consultancies. The company registered slight improvement in profitability as at 30th September, 2022 amounting to MK11.2 million with prospects to slightly improve to a profit after tax of MK14.4 million by 31st March, 2023. Table 17.18 shows the financial performance of MIM as at 31st March, 2022.

TABLE 17.18: SELECTED PERFORMANCE STATISTICS FOR MIM

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(223,854)	(439,502)	(481,756)	(267,069)	11,204	14,389
Gross Profit Margin	51%	48%	52%	49%	-41721%	52%
Operating Profit Margin	3%	-88%	-84%	-68%	-41778%	1%
Return on Assets	-10%	-22%	-21%	-3%	0%	0%
Return on Equity	-114%	NMF	NMF	-5%	0%	0%
Dividend Payout Ratio	NMF	NMF	NMF	NMF	-	-
Asset Turnover	0.67	0.62	0.59	0.14	0.12	0.16
Cost Recovery	2.05	0.74	0.74	0.86	1.75	1.97
Liquidity						
Current Ratio	0.28	0.16	0.24	0.14	0.18	0.18
Quick Ratio	0.25	0.12	0.21	0.11	0.16	0.16
Accounts Receivables Days	95.64	52.06	165.82	71.02	96.71	71.53
Accounts Payables Days	229.85	233.89	230.95	236.17	0.30	193.59
Solvency						
Debt to Assets	0.91	1.12	1.31	0.37	0.38	0.38
Debt to Equity	10.15	-9.55	-4.19	0.60	0.62	0.62
Interest Coverage	79.57	NMF	NMF	NMF	(29,508.41)	0.00
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MIM Audited Accounts and 2022/23 Performance Management Plans and Budgets

In terms of liquidity, the Institute continues to fail meeting its short-term obligations as they fall due as depicted by a worsening current ratio of 0.18:1 as at 30th September, 2022.

Going forward, MIM anticipates to improve its financial performance on a number of strategies including; continuous delivery of MIM's own programmes for both under graduate and post graduate, enforcing 'breaking the walls' approach to allow all consultants/lecturers to teach, consult and conduct research; continuous staff development especially in the area of winning proposal writing skills; enhancing partnerships with collaborating partners, focusing more on in-house and tailor made short term courses as well as special courses; Selecting appropriate venues for high profile short courses; undertaking 'direct marketing to organizations for purpose of understanding their needs; re-aligning all programmes both short term and long term to the key 'Reforms' agenda for the Institute, thus ' to deliver high quality training and high quality consultancy services'; rolling-out new 5 long term programmes and 57 public sector programmes under the Malawi School of Government (MSG) banner; undertaking ISO 9001:2015 certification process to enhance the quality of consultancy and other services delivered by MIM; Obtaining Tax Clearance Certificate (TCC) to enhance MIM's competitiveness in the bidding process for assignments; and engaging quality adjuncts in technical proposal formulation coupled with incentives.

17.2.19 Malawi Bureau of Standards (MBS)

Malawi Bureau of Standards (MBS) recorded a deficit of MK649 million which slightly improved to a surplus of MK76.7 million as at 30th September, 2022 with prospects to improve to MK186 million by March, 2023. The decline is largely on account of the negative impact of COVID-19 which resulted to closure of boarders and the Russia-Ukraine War. Table 17.19 shows the financial performance of the Bureau as at 31st March, 2022.

TABLE 17.19: SELECTED PERFORMANCE STATISTICS FOR MBS

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	2,686,975	1,893,741	1,207,591	(648,858)	76,625	185,706
Gross Profit Margin	35%	27%	15%	-9%	100%	100%
Operating Profit Margin	-30%	-46%	-70%	-119%	100%	100%
Return on Assets	16%	10%	5%	-3%	0%	1%
Return on Equity	19%	11%	6%	-3%	0%	1%
Dividend Payout Ratio	64.7	29.4	90.0	NMF	400.0	988.4
Asset Turnover	0.40	0.37	0.33	0.29	0.20	0.44
Cost Recovery	1.53	1.37	1.18	0.91	NMF	NMF
Liquidity						
Current Ratio	2.31	2.83	1.27	2.00	3.67	1.21
Quick Ratio	2.30	2.81	1.26	1.99	2.14	0.67
Accounts Receivables Days	75.10	92.38	106.98	97.96	NMF	NMF
Accounts Payables Days	205.46	145.27	196.13	92.80	NMF	NMF
Solvency						
Debt to Assets	0.15	0.11	0.15	0.08	1.00	1.00
Debt to Equity	0.17	0.12	0.18	0.09	1.06	1.17
Interest Coverage	NMF	NMF	NMF	NMF	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MBS Audited Accounts and 2022/23 Performance Management Plans and Budgets

MBS's liquidity improved to a current ratio of 2.00:1 in 2021/22 to 3.67:1 registered as at 30th September, 2022 and projected to close at 1.21:1 at the end of 2022/23 financial year. The slight decline on current ratio is largely due to increased receivables which stood at MK3.5 billion as at 30th September, 2022 of which MK1.8 billion constitutes bad debts.

Going forward, the Bureau intends to enhance its financial sustainability by increasing its annual revenue by 21 percent from MK9.7 billion to MK11.8 billion and enhance its activities in raising awareness of standardization in order to promote a quality culture in all sectors of the economy by 31st March, 2023.

17.2.20 Air Cargo Malawi Limited (ACM)

Profitability of Air Cargo Malawi Limited (ACM) has been constantly improving since 2020/21 financial year compared to the losses of MK201.8 million and MK165.5 million recorded in 2018/19 and 2019/20 financial years respectively. The losses were largely on account of growth in expenditure by 1 percentage point from MK4.5 billion to MK4.6 billion compared to revenue that grew to MK4.4 billion in 2018/19. The major challenge to ACM's underperformance was on account of the negative impact of the COVID-19 pandemic particularly in the last quarter of the year where the revenue streams shrunk. From March 22nd 2020, the company's main business partner, Emirates Sky Cargo suspended freighter operations into and out of Malawi thereby restraining the company's freight revenues which comprise 76 percent of the company's total revenues as at 31st March, 2020. Table 17.20 shows the financial performance of the ACM as at 31st March, 2022.

TABLE 17.20: SELECTED PERFORMANCE STATISTICS FOR ACM

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(201,759)	(165,476)	27,227	28,208	40,515	60,030
Gross Profit Margin	37%	34%	28%	34%	34%	39%
Operating Profit Margin	-27%	-70%	-72%	-65%	-33%	-22%
Return on Assets	-14%	-10%	2%	1%	2%	3%
Return on Equity	-29%	-32%	5%	5%	7%	11%
Dividend Payout Ratio	NMF	NMF	-	-	-	18.8
Asset Turnover	2.98	2.75	3.24	2.09	1.62	2.98
Cost Recovery	1.58	0.96	1.00	1.01	1.50	1.64
Liquidity						
Current Ratio	1.45	1.12	1.15	1.19	1.23	1.12
Quick Ratio	0.96	0.68	0.74	0.75	0.94	0.79
Accounts Receivables Days	58.39	54.06	43.07	70.31	92.05	31.54
Accounts Payables Days	98.44	83.82	72.55	143.75	160.77	77.03
Solvency						
Debt to Assets	0.52	0.67	0.69	0.70	0.64	0.71
Debt to Equity	1.10	2.06	2.26	2.37	1.79	2.48
Interest Coverage	NMF	NMF	NMF	NMF	NMF	(37.88)
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: ACM Audited Accounts and 2022/23 Performance Management Plans and Budgets

As at 30th September, 2022, the company registered a profit after tax of MK40.5 million and a profit before tax of MK150 million against a budgeted profit of K49 million with a gross profit margin of 34 percent against a budgeted gross profit margin of 31 percent. The positive impact was mainly due to the Reserve Bank of Malawi's special charter which resulted into a profit of MK61 million against a budget of MK27 million.

The company however realized total revenues of MK2.52 billion being 23 percent below the budgeted revenue of MK3.28 billion and 9 percent below corresponding period revenue of MK2.76 billion. Freight revenue of MK1.51 billion was 40 percent below budget and 12 percent below the corresponding period due to lower ACM uplift figures. Cargo handling revenue of MK610 million was 21 percent and 16 percent above budgeted and corresponding period revenues respectively, mainly due to increased industry cargo uplifts. Non-operating revenue at MK403 million, which includes net profit from Special charter, was 64 percent above budgeted revenue of MK246 million. The administrative costs stood at MK950 million representing 1 percent below budget of MK963 million and 9 percent above prior period costs of MK867 due to a deliberate effort by Management to control costs.

Trade creditors stood at MK794 million representing 8 percent below budget following planned accelerated settlement of major creditor balances notably Emirates (MK300 million), LIHACO (MK76.8 million) and Malawian Airlines (MK56.2 million and ADL (MK56.8 million).

Looking forward to March 2023, the company projects a profit after tax of MK60.0 million resulting into a gross profit margin of 39 percent. The company intends to employ the following strategies; increasing cargo handling charges for all airlines from US$0.05/kg to US$0.10/kg effective 1st October, 2022; and introducing 103 tonnes normal cargo freighter on Dubai-Lilongwe route and reduction in the charge from US $3.20/kg to US$3.00/kg before fuel surcharge (FSC).

17.2.21 Lilongwe Handling Company Limited (LIHACO)

Lilongwe Handling Company (LIHACO) continues to register losses since 2019/20 financial year with a loss of MK70.5 million recorded as at 30th September, 2022. The underperformance during the period under review has been largely on account of the impact of COVID-19 which greatly affected LIHACO's revenues with expenditures at MK3.3 billion in 2019/20 resulting into a loss of MK593.1 million down from a profit of K119.1 million registered in 2018/19 financial year. This continues to worsen with a loss after tax of MK346 million recorded in 2021/22 financial year. Looking forward to March, 2023, the corporation anticipates a loss after tax amounting to MK171.4 million.

LIHACO's liquidity position worsened during the half year of 2022/23 to a current ratio of 0.01:1 compared to 1.15:1 in 2021/22 which significantly affected the company's short-term obligations and solvency. Table 17.21 shows the financial performance of the LIHACO as at 31st March, 2022.

TABLE 17.21: SELECTED PERFORMANCE STATISTICS FOR LIHACO

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	119,113	(593,191)	(1,178,376)	(345,695)	(70,515)	(171,400)
Gross Profit Margin	45%	35%	20%	41%	100%	100%
Operating Profit Margin	-51%	-88%	-57%	-17%	47%	44%
Return on Assets	6%	-22%	-36%	-11%	NMF	-5%
Return on Equity	14%	-252%	NMF	NMF	NMF	-7%
Dividend Payout Ratio	8.4	NMF	NMF	NMF	NMF	NMF
Asset Turnover	1.59	0.97	0.40	0.74	NMF	0.82
Cost Recovery	1.04	0.81	1.29	1.71	1.89	1.79
Liquidity						
Current Ratio	1.09	0.49	0.23	0.26	NMF	0.80
Quick Ratio	0.88	0.22	0.09	0.14	NMF	0.95
Accounts Receivables Days	108.31	58.67	61.05	72.31	NMF	NMF
Accounts Payables Days	128.11	195.45	310.11	279.74	NMF	NMF
Solvency						
Debt to Assets	0.59	0.91	1.03	1.15	NMF	0.14
Debt to Equity	1.47	10.37	-37.58	-8.19	NMF	0.20
Interest Coverage	(97.70)	(29.49)	(12.96)	(1.81)	NMF	8.18
Other						
Government Transfers to Total Revenue	0%	0%	0%	0%	0%	0%

Source: LIHACO Audited Accounts and 2022/23 Performance Management Plans and Budgets

17.2.22 Airport Development Limited (ADL)

Profitability of Airport Development Limited (ADL) continues to decline due to aftermaths of COVID-19 pandemic which continued to negatively affect the hospitality industry. As at 30th September, 2022, the corporation posted a profit after tax of MK194 million lower than the prior year which stood at MK3.96 billion. Table 17.22 shows the financial performance of the ADL as at 31st March, 2022.

TABLE 17.22: SELECTED PERFORMANCE STATISTICS FOR ADL

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK' 000)	7,129,480	7,779,858	4,571,190	3,956,601	193,671	8,139,922
Gross Profit Margin	97%	98%	97%	100%	73%	92%
Operating Profit Margin	71%	73%	55%	100%	-10%	61%
Return on Assets	17%	15%	8%	7%	0%	11%
Return on Equity	17%	16%	9%	7%	0%	12%
Dividend Payout Ratio	-	-	-	-	15.5	0.4
Asset Turnover	0.22	0.20	0.14	0.05	0.02	0.12
Cost Recovery	3.98	4.08	2.35	NMF	1.21	3.24
Liquidity						
Current Ratio	1.23	1.12	1.13	0.86	1.29	0.55
Quick Ratio	1.09	1.04	1.06	0.72	1.12	0.47
Accounts Receivables Days	154.01	177.85	220.49	228.47	176.59	51.43
Accounts Payables Days	894.27	1687.85	1753.00	NMF	1408.63	422.52
Solvency						
Debt to Assets	0.03	0.03	0.04	0.05	0.04	0.07
Debt to Equity	0.03	0.03	0.04	0.06	0.04	0.08
Interest Coverage	468.15	352.86	136.98	NMF	(2.71)	18.04
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: ADL Audited Accounts and 2022/2023 Performance Management Plans and Budgets

For the first five months of the 2022/23 financial year, the economy had continued to experience high inflation rates while the COVID-19 pandemic has eased down leading to an improvement in business performance of most enterprises including ADL. As a result, the entity's liquidity has improved as depicted by a current ratio of 1.29:1 as at 30th September, 2022 compared to 0.86:1 registered in 2021/22 financial year.

Despite the aftermath of COVID-19 and Ukraine War, the entity has managed to finance its operations using own revenue compared to debt as evident by a lower debt to equity ratio of 0.04:1 as at 30th September, 2022 which is projected to remain lower at the end of 2022/23 financial year. Going forward, the company plans to start clearing the backlog of maintenance on infrastructure and revival of projects that will enable ADL increase its revenue base.

17.2.23 Malawi Accountants Board (MAB)

Malawi Accountants Board (MAB) performance remained good with a surplus of MK23.6 million registered as at 30th September, 2022 with prospects to close with a surplus of MK82 million by March, 2023. Table 17.23 shows the financial performance of the MAB as at 31st March, 2022.

TABLE 17.23: SELECTED PERFORMANCE STATISTICS FOR MAB

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	16,997	18,356	47,126	79,029	23,607	81,618
Gross Profit Margin	22%	16%	20%	37%	100%	100%
Operating Profit Margin	-56%	-69%	-60%	-27%	100%	100%
Return on Assets	5%	5%	11%	16%	6%	11%
Return on Equity	5%	5%	12%	16%	5%	22%
Dividend Payout Ratio	-	12.0	-	-	8.5	50.2
Asset Turnover	0.75	0.78	0.74	0.63	0.58	0.83
Cost Recovery	1.28	1.18	1.25	1.58	NMF	NMF
Liquidity						
Current Ratio	27.64	12.02	33.47	19.49	3.61	0.90
Quick Ratio	27.64	12.02	33.47	19.49	3.30	0.88
Accounts Receivables Days	129	247	239	305	200	60
Accounts Payables Days	19	38	15	36	NMF	NMF
Solvency						
Debt to Assets	0.03	0.07	0.02	0.04	0.20	0.49
Debt to Equity	0.03	0.07	0.03	0.04	0.16	0.98
Interest Coverage	NMF	NMF	NMF	NMF	32.15	35.01
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MAB Audited Accounts and 2022/23 Performance Management Plans and Budgets

Liquidity position for MAB has generally been good over the past years with a current ratio of 19.49:1 recorded in 2021/22 financial year. However, the position deteriorated during the half year of 2022/23 with a current ratio of 3.61:1 with prospects to further worsen to 0.90:1 by March, 2023. The erosion of the Authority's liquidity position continued due to lack of a fully-fledged database and Information Communication Technology System; financial constraints due to low student numbers at ICAM and delays in renewing members; and unstable macro-economic fundamentals which is likely to erode year end surplus.

17.2.24 Malawi College of Accountancy (MCA)

The Malawi College of Accountancy (MCA) registered a profit after tax of MK99.92 million as at 30th September, 2022 compared to a loss of MK61.2 million reported in 2021/22 financial year with prospects to close with a profit of MK92.7 million by March, 2023.

Despite registering relatively low debt to equity ratio of 0.20:1 reported in September, 2022 compared to 0.23:1 projected at the end of 2022/23 financial year, the liquidity of position for MCA is relatively lower than the industrial benchmark. Table 17.24 shows the financial performance of the MCA as at 31st March, 2022.

TABLE 17.24: SELECTED PERFORMANCE STATISTICS FOR MCA

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Mid-Year Actual	Outlook to March 2023
Profitability						
Profit/loss (MK'000)	(5,422)	109,153	(161,273)	(61,238)	99,926	92,676
Gross Profit Margin	-2%	4%	42%	38%	6%	-9%
Operating Profit Margin	-103%	-92%	-16%	-23%	-87%	-118%
Return on Assets	0%	2%	-5%	-2%	3%	3%
Return on Equity	0%	3%	-7%	-3%	4%	4%
Dividend Payout Ratio	NMF	-	NMF	NMF	-	-
Asset Turnover	0.45	0.47	0.65	0.62	0.49	0.92
Cost Recovery	0.98	1.04	1.73	1.63	1.07	0.92
Liquidity						
Current Ratio	0.29	0.54	0.54	0.63	0.85	0.91
Quick Ratio	0.29	0.54	0.54	0.63	1.11	0.91
Accounts Receivables Days	18.71	36.11	62.45	59.89	82.71	78.53
Accounts Payables Days	80.54	63.83	172.71	199.08	101.43	84.01
Solvency						
Debt to Assets	0.10	0.08	0.19	0.22	0.20	0.23
Debt to Equity	0.11	0.09	0.23	0.28	0.26	0.30
Interest Coverage	NMF	NMF	NMF	NMF	NMF	NMF
Other						
Government Transfers to Total Revenue	-	-	-	-	-	-

Source: MCA Audited Accounts and 2022/23 Performance Management Plans and Budgets

17.2.25 National Economic Empowerment Fund Limited (NEEF)

The Malawi Enterprise Development Fund (NEEF) registered a loss after tax of MK13.6 billion with a slight improvement to a loss of MK6.03 billion recorded as at 30th September, 2022 and prospects to close with a profit after tax of MK808 million in March, 2023. The poor performance has been attributed to weak Management Information System (MIS) operating System-Banker's realm, poor quality of loan portfolio as a result of high default rate which resulted into high provisions for bad debts and lack of capacity in good credit management skills and integrity. Table 17.25 shows the financial performance of the NEEF as at 31st March, 2022.

TABLE 17.25: SELECTED PERFORMANCE STATISTICS FOR NEEF

Indicators	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 MY Actual	2023 Revised Budget
Profitability						
Profit/loss (MK'000)	(839,512)	(2,678,104)	(7,572,619)	(13,595,062)	(6,036,502)	808,130
Gross Profit Margin	-49%	19%	22%	70%	44%	70%
Operating Profit Margin	-198%	-63%	-56%	39%	-13%	41%
Return on Assets	-22%	-27%	-79%	-122%	-36%	2%
Return on Equity	-30%	-1999%	NMF	NMF	NMF	10%
Dividend Payout Ratio	NMF	NMF	NMF	NMF	NMF	-
Asset Turnover	0.45	0.27	0.35	0.41	0.15	0.26
Cost Recovery	0.67	0.77	-0.45	-6.78	-3.14	-1.04
Liquidity						
Current Ratio	5.30	1.85	2.28	0.91	10.59	77.10
Quick Ratio	0.83	0.32	0.44	0.91	10.59	77.10
Accounts Receivables Days	104	41	22	735	1697	1137
Accounts Payables Days	7.76	27.38	19	70	74	70
Solvency						
Debt to Assets	0.26	0.99	1.36	1.27	1.14	0.76
Debt to Equity	0.36	71.81	-3.79	-4.67	-8.36	3.12
Interest Coverage	(2.66)	(1.49)	(1.08)	0.53	(0.52)	3.35
Other						
Government Transfers to Total Revenue	-	0.38	0.18	-	-	-

Source: NEEF Audited Accounts and 2022/23 Performance Management Plans and Budgets

There is a significant growth of 48 percent in the interest earning assets due to portfolio growth from MK32.7 billion as of March 2022 to MK48.3 billion as at mid-year September, 2022. That has enabled NEEF to clear its arrears and also re invest in loan disbursements.

Gross loan portfolio registered a growth of 16 percent from MK41 billion in March 2022 to MK47 billion in September 2022, owing to the disbursements of MK13 billion in the period. These disbursements were financed by the shareholder capital injection of MK7 billion and MK6 billion FInES loan. Loan repayments of MK7.6 billion were recorded in the period representing an average collection rate of 63 percent which is below the Regulator's benchmark of 80 percent. Net loan portfolio registered a growth of 23 percent from MK8.9 billion recorded in March 2022 to MK10.9 billion in September 2022. However, loan impairment provisions registered an increase of 14 percent from MK32 billion in March 2022 to MK39 billion in September indicating that the percentage of non-performing loans is increasing.

Liquidity of the Fund significantly improved as indicated by a current ratio of 10.59:1 reported in September, 2022 compared to a current ratio of 0.91:1 registered in 2021/22 financial year with prospects to close with a health current ratio of 77.1:1 by March, 2023. The significant improvement in the Fund's liquidity was on account of Government equity injection.

Chapter 18

BANKING AND FINANCE

18.1 Monetary Developments

Broad Money (M2) registered an annual growth of 37.9 percent to MK2.6 trillion in October 2022, an elevated amount compared to an annual growth of 30 percent registered at the end of 2021. The growth in M2 largely reflected two conditions. The first was the increased financing needs by Government through domestic resources owing to the tight fiscal space. This was in combination with the second condition; continual efforts by the commercial banks in supporting the private sector for sustained recovery from the impact of the COVID-19 pandemic.

18.2 Broad Money and its Components

The annual growth in M2 was driven by all its components. These are demand deposits, term (time and savings) deposits, foreign currency-denominated deposits, and currency outside banks. These increased by MK291.7 billion, MK213.4 billion, MK121.5 billion, and MK87.2 billion in October 2022, respectively. The increases in demand deposits, term deposits, and currency outside banks were reflective of continued economic recovery as business activity returned to normal following the indefinite uplifting of COVID-19 lockdown restriction measures as the pandemic waned. Further, the increase in foreign currency deposits was largely on account of donor support for various projects coupled with export proceeds from tobacco and other commodities during the agricultural trading period.

18.3 Counterparts to Broad Money

In terms of the counterparts to M2 growth on the asset side, the annual growth in M2 continued to be entirely driven by the Net Domestic Assets (NDA) of the banking system which expanded by MK829.4 billion to MK3.2 trillion in October 2022. This is compared to an annual increase of MK538.0 billion at year-end 2021. In contrast, Net Foreign Assets (NFA) declined by MK115.5 billion (US$111.9 million) to negative MK597.6 billion (US$578.6 million) in October 2022. This is compared to a moderated decline of MK74.9 billion (US$91.5 million) in December 2021. The expansion in NDA was solely attributed to net domestic claims of the banking system while other items net declined over the review period. Meanwhile, the decrease in NFA of the banking system was entirely on account of decline in NFA of the monetary authorities following the continued widening of the supply and demand gap in the foreign exchange market as the country’s structural rigidities to foreign exchange generation remain a challenge.

18.3.1 Net Domestic Credit

The banking system net domestic claims registered an annual increase of MK859.2 billion (33.0 percent) to MK3.5 trillion in October 2022, following another increase of MK694.3 billion (34.5 percent) in 2021. This was mainly supported by increases in net credit to the central government of MK692.2 billion, credit to private sector of MK193.6 billion, and claims on state-owned enterprises of MK80.9 billion during the review period. Partly offsetting this expansionary effect were claims on other financial corporations which declined by MK107.6 billion.

18.3.2 Net Credit to the Public Sector

The public sector's (central government and statutory bodies) indebtedness to the banking system increased by MK773.2 billion, year-on-year in October 2022, higher compared to an annual increase of MK639.6 billion in 2021. This followed the increase in commercial banks' net claims on the central government of MK402.9 billion; increase in net claims on the central government by the monetary authorities of MK289.4 billion; and increases in monetary authorities' and commercial banks' claims on statutory bodies of MK59.8 billion and MK21.1 billion, respectively. The expansion in commercial banks' net claims on government was solely on account of the net uptake of government securities by the commercial banks totalling MK420.1 billion. This was however, partially counteracted by the MK16.6 billion accumulation of government deposits at the commercial banks and the decrease in direct loans to government ministries, departments, and agencies (MDAs) amounting MK624.5 million over the review period.

Likewise, the increase in monetary authorities' net claims on central government was supported by an increase of MK543.4 billion in the central bank's portfolios of government securities, and a Ways and Means advances to government increase of MK6.6 billion. This was largely offset by the accumulation of government deposits at the central bank amounting to MK260.6 billion in the period under review. The increase in government deposits was largely reflective of the receipt of donor funds for various projects.

18.3.3 Private Sector Credit

As of October 2022, the annual growth of private sector credit accelerated by 23.7 percent (MK193.6 billion) to a stock position of MK1.1 trillion. This was from an annual growth of 21.3 percent registered at the end of 2021. This upturn was driven by commercial and industrial loans, individual and household loans, foreign currency denominated loan facilities and mortgages which increased by MK92.3 billion, MK72.1 billion, MK26.8 billion and MK7.4 billion respectively. The sustained recovery in private sector credit was reflective of continued strategies by commercial banks to ensure sustained recovery of private sector from the impact of COVID-19 pandemic coupled with other strategies by Government to enhance commercial banks' lending to small and medium enterprises (SMEs) through lines of credit.

In terms of economic sectors, private sector credit increased in almost all sectors except within the Financial Services sector. The former sectors were the following: Community, Social, and Personal Services (MK79.6 billion); Agriculture, Forestry, and Fishing (MK32.0 billion); Wholesale and Retail Trade (MK25.7 billion); Transport, Storage, and Communications (MK20.6 billion); Manufacturing (MK15.4 billion); Restaurants and Hotels (MK8.4 billion); Construction (MK4.8 billion), Real Estate (MK2.4 billion); Electricity, Gas, Water, and Energy (MK1.4 billion);

and Mining and Quarrying (MK181.2 million). In contrast, the Financial Services sector recorded net repayment of MK7.0 billion over the review period.

The Community, Social and Personal Services sector accordingly continued to hold the largest share of outstanding private sector credit, at 33.2 percent. This was followed by the Wholesale and Retail Trade at 21.0 percent; Agriculture, Forestry, Fishing, and Hunting at 16.4 percent; and Manufacturing at 12.0 percent.

TABLE 18.6: MONETARY SURVEY (MK' MILLION)

	End Period Balances			Annual Changes During Period		
	2020	2021	Oct-2022	2020	2021	Oct-2022
A. Net Domestic Credit						
1. Credit to Government (i+ii)…………………..	976,899.5	1,623,212.5	2,077,851.3	276,350.6	646,312.9	692,240.8
i. Monetary Authorities…………………...	409,038.2	555,413.7	860,000.7	181,005.2	146,375.5	289,367.4
ii. Commercial Banks…………………….	567,861.3	1,067,798.8	1,217,850.6	95,345.3	499,937.5	402,873.5
2. Credit to statutory bodies…………………..	213,428.4	206,688.3	304,768.4	2,458.5	-6,740.1	80,914.9
3. Credit to private sector (gross)……………...	692,759.6	821,943.0	1,011,376.6	97,798.9	129,183.4	193,620.9
B. Money Supply (M2)	1,541,351.1	2,004,396.6	2,596,346.2	220,881.5	463,045.5	713,820.3
4. Currency outside banks………………….…	236,966.4	299,774.3	392,614.1	35,165.3	62,807.9	87,187.6
5. Demand deposits…………………………..	518,986.5	635,486.9	917,922.0	90,833.5	116,500.4	291,744.5
6. Time and savings deposits………………..	565,073.7	738,969.5	890,712.1	61,776.8	173,895.9	213,393.4
7. Foreign currency denominated deposits….	220,324.5	330,165.8	395,098.0	33,105.9	109,841.3	121,494.9
E. Net Foreign Assets	-346,143.1	-421,088.7	-597,582.3	-509,454.8	-74,945.6	-115,538.7
6. Monetary Authorities……………………….	-466,031.3	-584,195.8	-842,145.1	-627,931.1	-118,164.5	-244,201.8
7. Commercial banks………………………...	119,888.3	163,107.2	244,562.8	113,127.0	43,218.9	128,663.1

Source: Reserve Bank of Malawi

18.4 Activities of Commercial Banks

Commercial banks' resources expanded by MK520.3 billion to MK3.5 trillion over the 12-month period to October 2022. This was following another increase of MK315.4 billion during a similar period in 2021. The resources in the year through October 2022 were supported by private sector deposits, official sector deposits, uncategorised liabilities, capital accounts and liabilities to non-residents which increased by MK366.0 billion, MK140.1 billion, MK82.9 billion, MK72.6 billion and MK49.2 billion, respectively. Meanwhile, commercial banks' borrowing from the reserve bank contracted by MK189.8 billion over the 10-month period to October 2022, somewhat offsetting the preceding expansionary effect. The notable increase in private sector deposits during the year was reflective of continued economic recovery as business activity reverted to normal in the aftermath of COVID-19 restriction measures. Meanwhile, the increase in official sector deposits was partly supported by the receipt of donor funds for various projects.

In terms of uses of funds, commercial banks increased lending to the domestic economy by MK357.9 billion over the 10-month period to October 2022, which was marginally lower compared to an increase of MK372.2 billion in a similar period of 2021. Specifically, claims on the private sector, central government, state-owned enterprises, and other financial corporations rose by MK184.2 billion, MK158.5 billion, MK13.0 billion, and MK2.3 billion, respectively. This expansionary effect was further reinforced by increases in claims on the foreign sector of MK130.7 billion and miscellaneous asset items of MK47.7 billion. In contrast, deposits with RBM and vault cash declined by MK15.2 billion during the review period.

TABLE 18.7: COMMERCIAL BANKS: SOURCES AND USES OF FUNDS (MK'MILLION)

	End Period Balances			Changes During Period		
	2020	2021	Oct-2022	2020	2021	Oct-2022
A Sources of Funds						
1. Private sector……………	1,249,239.1	1,623,300.7	1,989,329.5	192,015.4	229,506.0	366,028.9
2. Official Sector Deposits[1]……	159,283.9	175,709.7	315,760.2	51,889.6	18,988.8	140,050.5
3. Borrowing from the RBM……	64,891.9	274,633.8	84,868.9	64,891.9	69,232.8	(189,764.9)
4. Liabilities to non-residents……	71,555.4	83,959.3	133,155.8	(19,708.8)	2,383.6	49,196.5
5. Capital Accounts………………	349,558.9	414,254.1	486,808.3	51,508.2	42,853.2	72,554.2
6. All other liabilities..……………	358,509.9	372,383.0	455,301.3	24,461.5	(47,516.3)	82,918.3
7. Total (1+2+3+4+5+6)…………	**2,253,039.1**	**2,944,240.6**	**3,465,224.1**	**365,057.9**	**315,448.1**	**520,983.5**
B. Uses of Funds						
I. Domestic credit to:						
8. Private sector (gross)……………..…	672,400.4	796,673.4	980,831.6	89,211.7	120,190.1	184,158.2
9. Statutory bodies (gross)……………	672,633.1	1,163,029.8	1,321,482.5	128,876.8	229,338.0	158,452.8
10. Central Government (gross)…………	50,639.1	69,793.5	82,789.7	2,458.5	11,016.8	12,996.2
11. Other financial corporations	120,651.6	21,500.8	23,761.8	39,991.8	11,627.5	2,260.9
12. Sub-total (8+9+10)…………………	1,516,324.1	2,050,997.5	2,408,865.6	260,538.9	372,172.4	357,868.1
II. Deposits with Reserve Bank plus currency in banks………………………………	112,476.2	156,273.4	141,059.9	38,144.9	(19,832.7)	(15,213.4)
III. Foreign assets……………………	191,443.6	247,066.5	377,718.6	93,418.3	(1,605.0)	130,652.1
IV. All other assets…………………	432,795.2	489,903.3	537,580.0	(27,044.1)	(35,286.6)	47,676.7
V. Total (I+II+III+IV)……………………	**2,253,039.1**	**2,944,240.6**	**3,465,224.1**	**365,057.9**	**315,448.1**	**520,983.5**

Source: Reserve Bank of Malawi
[1]Consists of Central Government and Statutory bodies

18.5 Reserve Bank of Malawi: Sources and Uses of Funds

Similar to the developments in the commercial banks, RBM's resource envelope increased by MK433.0 billion, during the first 10 months of 2022, to MK2.6 trillion in October 2022. This is compared to an annual increase of MK291.8 billion at the end of 2021. This development was explained by increases in deposits of the official sector (MK276.9 billion), liabilities to the foreign sector (MK243.0 billion), and currency in circulation (MK92.4 billion). Partially counteracting this expansionary effect are unsectored liabilities, open market operations including repurchase agreements, and deposits of commercial banks which decreased by a respective MK122.9 billion, MK42.9 billion, and MK13.5 billion during the review period. The increase in deposits of the official sector was partly supported by proceeds from the issuance of securities and inflows from donor support for various projects. Meanwhile, the increase in liabilities to the foreign sector was somewhat due to nominal revaluation gains on kwacha balances following the exchange rate alignment during the year.

In tandem with the increase in sources of funds, RBM's claims on the domestic economy expanded by MK434.7 billion during the first 10 months to October 2022. This followed increases in gross claims by central government and state-owned enterprises amounting to MK555.2 billion and MK130.3 billion, respectively. However, this was somewhat offset by net repayments in claims on commercial banks of MK250.9 billion. Meanwhile, uncategorised assets increased by MK13.2 billion whilst claims on the foreign sector rose by MK14.8 billion.

TABLE 18.8: RESERVE BANK OF MALAWI: SOURCES AND USES OF FUNDS

	End Period Balances			Changes During Period		
(MK'MILLION)	**2020**	**2021**	**Oct-2022**	**2020**	**2021**	**Oct-2022**
A. Sources of Funds						
i. Private sector:						
1. Currency outside banks……	284,255.3	359,269.7	451,621.6	32,229.5	75,014.4	92,352.0
ii. Commercial banks						
2. Deposits plus till money……	104,538.9	148,751.6	134,788.9	28,264.7	44,212.7	(13,962.7)
iii. Official sector deposits.............	218,037.4	268,056.5	544,938.8	(43,817.2)	50,019.0	276,882.3
3. Sub-total (i+ii+iii)……….	559,542.7	716,582.4	1,072,341.7	19,612.8	157,039.6	355,759.4
iv. Repurchase Agreements	108,685.9	160,537.3	117,608.7	(59,910.6)	51,851.4	(42,928.6)
v. Foreign Sector……………	918,025.5	935,218.8	1,178,351.0	454,394.2	17,193.3	243,132.1
vi. All other liabilities………	260,302.1	326,101.3	203,177.5	(60,154.0)	65,799.1	(122,923.8)
vi.**Total (i+ii+iii+iv+v+vi)……**	**1,846,556.3**	**2,138,439.8**	**2,571,478.9**	**353,942.4**	**291,883.4**	**433,039.2**
B. Uses of Funds						
i. Domestic claims (gross)	118,141.8	341,273.6	90,387.8	103,937.1	223,131.9	(250,885.9)
1. Statutory bodies……	183,240.3	147,298.1	277,610.5	(30,428.9)	(35,942.1)	130,312.4
2. Central Government …	500,401.4	739,086.6	1,294,329.9	41,684.8	238,685.2	555,243.3
3. Commercial Banks……	801,783.5	1,227,658.4	1,662,328.2	115,192.9	425,874.9	434,669.8
ii. Foreign assets (gross)…	451,994.2	351,023.0	336,205.9	(168,187.6)	(100,971.2)	(14,817.1)
iii. All other assets……	592,778.7	559,758.4	572,944.9	406,937.1	(33,020.2)	13,186.4
iv. Total …………………….	**1,846,556.3**	**2,138,439.8**	**2,571,478.9**	**353,942.4**	**291,883.4**	**433,039.2**

Source: Reserve Bank of Malawi

Chapter 19

PUBLIC FINANCE

19.1 Introduction

This chapter concerning public finance presents the fiscal performance of budgetary central government operations for the 2021/22 and 2022/23 fiscal years and estimates for 2023/24 fiscal year. All of this is based on economic classification of government operations. The position for 2021/22 is a preliminary outturn. The 2022/23 position is the likely outturn based on the preliminary performance for the first three quarters of the fiscal year. The chapter is structured as follows: Section 19.2 presents a performance summary of budgetary central government operations while sections 19.3 and 19.4 provide detailed explanation on the performances of revenue, expenditure and financing.

19.2 Performance Summary of Budgetary Central Government Operations

In the 2022/23 fiscal year, fiscal performance, especially that concerning expenditure, dwindled. This is due to flash floods and supply chain disruptions following Tropical Storm Ana and the Ukrainian war. Tax revenue is estimated to surpass its target although other revenue sources will likely underperform. Despite the performance in revenue, the estimated fiscal deficit remains high; thereby, continue exerting continual pressure on public debt.

In the 2021/22 fiscal year (which was nine months long) revenue amounted to 12.9 percent of GDP. This comprised of taxes at 10.7 percent of GDP, grants at 1.6 percent of GDP, and other revenue at 0.6 percent of GDP. In the 2022/23 fiscal year, revenue is estimated to amount to 17.8 percent of GDP. Out of this, taxes are 13.7 percent of GDP, grants are 3.3 percent of GDP, while other revenue is at 0.8 percent of GDP.

In 2021/22 fiscal year, expenditure was 16.4 percent of GDP; a situation that led to a level of net borrowing worth 7.6 percent of GDP. In the 2022/23 fiscal year, expenditure is estimated at 26.7 percent of GDP while overall fiscal balance is a deficit of around 8.8 percent of GDP. Figure 19.1 below shows more details regarding the performance of central government operations.

TABLE 19.1: BUDGETARY CENTRAL GOVERNMENT OPERATIONS (MK' MILLION)

Category	2021/22 Actual Outturn	2022/23 Approved Estimates	2022/23 Revised Estimates	2022/23 Likely Outturn	2023/24 Proposed Estimates
Revenue	1,209,499	1,955,848	2,007,504	2,035,651	2,553,930
Taxes	1,001,223	1,534,778	1,533,783	1,568,393	2,128,090
Grants	149,794	320,331	379,300	379,300	311,500
Other Revenue	58,482	100,739	94,421	87,958	114,340
Expense	1,531,529	2,021,019	2,221,688	2,354,104	2,975,749
of which Interest	271,158	520,738	645,200	645,200	914,864
Net Operating Balance	-322,030	-65,171	-214,184	-318,453	-421,819
Net Acquisition of Non-Financial Assets	390,099	818,873	630,585	688,453	896,207
Foreign financed (Part I)	246,688	580,932	507,528	507,528	600,280
Domestic financed (Part II)	143,410	237,941	123,057	180,925	295,927
Expenditure	1,921,629	2,839,891	2,852,273	3,042,557	3,871,956
Net borrowing	-712,129	-884,044	-844,769	-1,006,906	-1,318,026
Domestic Primary balance	-344,078	-102,704	-71,341	-233,478	-114,382
Percent of GDP					
Revenue	12.9	17.1	17.6	17.8	16.7
Taxes	10.7	13.5	13.4	13.7	14.0
Grants	1.6	2.8	3.3	3.3	2.0
Other Revenue	0.6	0.9	0.8	0.8	0.7
Expense	16.4	17.7	19.5	20.6	19.5
of which Interest	2.9	4.6	5.7	5.7	6.0
Net Operating Balance	-3.4	-0.6	-1.9	-2.8	-2.8
Net Acquisition of Non-Financial Assets	4.2	7.2	5.5	6.0	5.9
Foreign financed (Part I)	2.6	5.1	4.4	4.4	3.9
Domestic financed (Part II)	1.5	2.1	1.1	1.6	1.9
Expenditure	20.6	24.9	25.0	26.7	25.4
Net borrowing	-7.6	-7.7	-7.4	-8.8	-8.6
Primary balance	-3.7	-0.9	-0.6	-2.0	-0.8

Source: Ministry of Finance and Economic Affairs

19.3 Revenue performance

The Malawi Government, using domestic revenue mobilization strategies, will continue promoting improvements to the revenue performance. Government is also digitising tax collection systems and carrying out public finance management reforms in the Ministries, Departments and Agencies (MDAs). All these measures are expected to improve domestic revenue in the upcoming financial year.

In the 2022/23 fiscal year, revenue is expected to amount to 17.8 percent of GDP against an initial projection of 17.1 percent. The increase is mainly emanating from optimal performances in tax revenue and grants. The normalisation of economic activities and devaluation of the local currency stimulated tax resources. The performance of grants is expected to amount 3.3 percent against an initial projection of 2.8 percent. This outcome was influenced by the good performances of foreign financed projects and, indirectly, the devaluation of the Malawi Kwacha. In the 2022/23 fiscal year, other revenue is estimated at 0.8 percent of GDP against a projection of 0.9 percent. This reduced performance is accounted by delays in remittances of dividends from state owned enterprises.

Revenue for the upcoming financial year (2023/24) is projected at 16.5 percent of GDP with taxes at 14.0 percent, grants at 2.0 percent and other revenue at 0.7 percent of GDP. The table 19.2 below provide revenue details for 2021/22 to 2023/24.

TABLE 19.2: BUDGETARY CENTRAL GOVERNMENT REVENUE (MK' MILLION)

Category	2021/22 Preliminary Outturn	2022/23 Approved Estimates	2022/23 Revised Estimates	2022/23 Likely Outturn	2023/24 Proposed Estimates
Revenue	1,209,499	1,955,848	2,007,504	2,035,653	2,553,930
Taxes	1,001,223	1,534,778	1,533,783	1,568,395	2,128,090
Taxes on income profits and capital gains	451,259	731,442	717,479	745,281	991,662
Payable by individuals	249,803	387,640	400,841	410,556	541,374
Payable by corporations and other enterprises	201,456	343,802	316,638	334,725	450,289
Taxes on goods and services	462,024	665,553	668,964	663,682	897,682
General taxes on goods and services	292,346	462,983	449,936	429,462	587,609
Value-added taxes	292,309	462,910	444,958	429,366	584,617
Turnover and other general taxes on goods and services	37	73	4,977	95	2,992
Excise	162,522	192,989	208,120	225,933	301,374
Motor vehicle taxes	7,156	9,581	10,909	8,287	8,700
Taxes on international trade and transaction	86,848	136,157	145,661	158,121	236,893
Other taxes	1,092	1,625	1,678	1,311	1,852
Grants	149,794	320,331	379,300	379,300	311,500
From Foreign Governments	-	41,910	25,200	6,300	12,433
From International Organisations	149,794	278,421	354,100	403,772	299,067
Other Revenue	58,482	100,739	94,421	87,958	114,340
Percent of GDP					
Category					
Revenue	12.9	17.1	17.6	17.8	16.7
Taxes	10.7	13.5	13.4	13.7	14.0
Taxes on income profits and capital gains	4.8	6.4	6.3	6.5	6.5
Payable by individuals	2.7	3.4	3.5	3.6	3.6
Payable by corporations and other enterprises	2.2	3.0	2.8	2.9	3.0
Taxes on goods and services	4.9	5.8	5.9	5.8	5.9
General taxes on goods and services	3.1	4.1	3.9	3.8	3.9
Value-added taxes	3.1	4.1	3.9	3.8	3.8
Turnover and other general taxes on goods and services	0.0	0.0	0.04	0.0	0.0
Excise	1.7	1.7	1.8	2.0	2.0
Motor vehicle taxes	0.1	0.1	0.1	0.1	0.1
Taxes on international trade and transaction	0.9	1.2	1.3	1.4	1.6
Other taxes	0.0	0.0	0.0	0.0	0.0
Grants	1.6	2.8	3.3	3.3	2.0
From Foreign Governments	0.0	0.4	0.2	0.1	0.1
From International Organisations	1.6	2.4	3.1	3.5	2.0
Other Revenue	0.6	0.9	0.8	0.8	0.7

Source: Ministry of Finance and Economic Affairs

19.4 Expenditure Performance by Economic Classification

As presented in Table 19.3 below, expenditure was recorded at 20.6 percent of GDP in 2021/22 and estimated at 26.7 percent of GDP for 2022/23. In the current fiscal year, expenditure is estimated to comprise of compensation of employees at 6.8 percent; use of goods and services at 3.7 percent of GDP; interest payments at 5.7 percent and development expenditure at 6.0 percent. Expenditures increased in 2022/23 on account of economic shocks like Tropical Storm Ana which damage crops and infrastructure.

Going forward, in the 2023/24 expenditure is projected at 25.4 percent of GDP of which 19.5 percent of GDP is for recurrent expense. Expenditure is projected to comprise compensation of employees at 6.1 percent; use of goods and services at 3.7 percent of GDP; interest payments at 6.0 percent of GDP and development expenditure at 5.9 percent of GDP.

TABLE 19.3: EXPENDITURE PERFORMANCE BY ECONOMIC CLASSIFICATION

Category	2021/22 Preliminary Outturn	2022/23 Approved Estimates	2022/23 Revised Estimates	2022/23 Likely Outturn	2023/24 Proposed Estimates
Expense	1,531,529	2,021,019	2,221,688	2,354,104	2,975,749
Compensation of employees	496,423	688,783	702,059	771,157	923,541
Wages and salaries	479,428	670,283	677,485	746,583	897,001
Employers social contributions	16,994	18,500	24,574	24,574	26,540
Use of Goods and Services	311,974	363,581	399,329	418,777	561,765
Interest	271,158	520,738	645,200	645,200	914,864
Foreign Interest	12,627	19,680	33,200	33,200	35,873
Domestic Interest	258,532	501,058	612,000	612,000	878,991
Grants	172,669	219,064	232,788	245,740	297,341
Social benefits	248,790	213,578	227,507	258,430	261,763
Pensions and gratuities	77,723	100,914	115,762	116,754	140,546
Other Expenses	30,514	15,275	14,805	14,800	16,475
Acquisition of Non-Financial Assets	390,100	818,873	630,585	688,453	896,207
Foreign (Part I)	246,689	580,932	507,528	507,528	600,280
Domestic (Part II)	143,411	237,941	123,057	180,925	295,927
Expenditure	1,921,629	2,839,891	2,852,273	3,042,557	3,871,956
Net borrowing	-712,129	-884,044	-844,769	-1,006,906	-1,318,026
Percent of GDP					
Expense	16.4	17.7	19.5	20.6	19.5
Compesation of employees	5.3	6.0	6.2	6.8	6.1
Wages and salaries	5.1	5.9	5.9	6.5	5.9
Employers social contributions	0.2	0.2	0.2	0.2	0.2
Use of Goods and Services	3.3	3.2	3.5	3.7	3.7
Interest	2.9	4.6	5.7	5.7	6.0
Foreign Interest	0.1	0.2	0.3	0.3	0.2
Domestic Interest	2.8	4.4	5.4	5.4	5.8
Grants	1.8	1.9	2.0	2.2	1.9

Social benefits	2.7	1.9	2.0	2.3	1.7
Pensions and gratuities	0.8	0.9	1.0	1.0	0.9
Other Expenses	0.3	0.1	0.1	0.1	0.1
Acquisition of Non-Financial Assets	4.2	7.2	5.5	6.0	5.9
Foreign (Part I)	2.6	5.1	4.4	4.4	3.9
Domestic (Part II)	1.5	2.1	1.1	1.6	1.9
Expenditure	20.6	24.9	25.0	26.7	25.4
Net borrowing	-7.6	-7.7	-7.4	-8.8	-8.6

Source: Ministry of Finance and Economic Affairs

19.6 Conclusion

The Malawi Government will, in the 2023/24 fiscal year, continue to manage its debt by mobilising resources and controlling expenditure. It will additionally engage creditors on debt treatment. Government's focus on improving the management of its public finances is with the aim of promoting economic growth, macroeconomic stability and job creation while maintaining overall deficit within manageable levels.

Chapter 20

INFORMATION AND COMMUNICATIONS TECHNOLOGY

20.1 Overview

The chapter provides information on the performance, challenges and lessons learnt by the Information and Communications Technology (ICT) Sector. The ICT sector forms the backbone of business activity, productivity, trade and social advancement. The sector continues to contribute significantly towards GDP and could be further nurtured to enhance its performance. The country has 22 licensed internet service providers (ISPs) with 10 active ISPs serving a limited customer base and mobile coverage registered at 85 percent.

20.2 Performance in 2022/23 and Projections for 2023/24

Table 20.1 provides the Key Performance Indicators that guide the ICT Sector in Malawi.

TABLE 20.1: KEY ICT INDICATORS

No	ICT Indicators	2020/21 Target	2020/21 Actuals	2021/22 Targets*	2021/22 Actuals	2022/23 Targets	2022/23 Actuals	2023/24 Targets
1	Voice Telephony Penetration raised (%)	75	*54*	*60*	*63*	*65*	*65*	
2	Internet Penetration increased (%)	25	*37*	*40*	*41*	*42*	*41*	*45*
3	Ratio of Postal and Courier Penetration	1:40,000	*1:54,264*	*1:50,000*	*1:54,264*	*1:45,000*		
4	Electronic Commerce Penetration increased (%)	55	*NA*	*NA*				
5	Level of regulatory compliance raised (%)	100	*>90*	*>95*				
6	ICT contribution to GDP increased (%)	8	*4.8*	*5.0*	*5.6*		*6.3*	
7	Proportion of individuals who own a mobile telephone (%)[7]	39	*43.2*					
8	Proportion of population covered by a mobile network (2G) (%)	99	*83*		*86*		*86*	

[7] Based on 2019 National ICT Survey

9	Proportion of population covered by a mobile network (3G) (%)	60	*82*		*84*		*84*	
10	Proportion of population covered by a mobile network (4G) (%)	45	*65*		*68*		*69*	
11	Fixed Internet Broadband subscriptions (Internet users per 100 people) (%)	0.001	*<0.001*	*>0.001*	*0.03*		*0.03*	
12	Proportion of individuals using the internet (%)[8]	40	*37*	*40*	*41*	*45*	*41*	
13	Retail Price of Prepaid Mobile Broadband Monthly bundle, 500MB (USD) Data Volume (US$)	3.50	*2.70*	*3*	*2.91*		*2.54*	*2.6*
14	ICT development Index	167	*Not yet available*		*167*			*120*
15	Number of licensed TV broadcaster	40	*22*	*25*	*16*			
16	Number of licensed Radio broadcaster	60	*53*		*83*		*81*	
17	Number of Telecentres/Public internet/Information Access Centres		*137*		*137*		*137*	
18	Number of licensed ISPs		*42*		*45*			
19	Number of active ISPs		*19*					
20	Number of post Offices converted into One Stop Public Service Delivery Centres	2	*2*	*2*	*2*		*2*	*2*

Source: MACRA Mid-Year Report; *Projection

[8] Use the same as Internet penetration rate

TABLE 20.2: CORPORATE HISTORICAL NON-FINANCIAL PERFORMANCE

No	Non-Financial Performance Targets	2020/21 Targets	2020/21 Actuals	2021/22 Target
1	Satellite Coverage (%)	100	100	100
2	Satellite availability (%)	99.6	99.6	99.6
3	Terrestrial coverage – radio (%)	80	75	95
4	Terrestrial Analogue Coverage – TV (%)	0	30	0
5	Number of Viewers (%)	87	90	94
6	Number of Listeners (%)	80.2	80.2	87
7	Programming Local Content Television	95	95	92
8	Programming Local content (%) Radio	97	99	99
9	News Local Content (%) TV	97	98	99
10	News Local Content (%) Radio	97	99	99
11	Compliance to the strategic plan	70	90	100

Source: MBC Performance Management Plans and Budget (PMPB) Half Year Report (2020/21)

TABLE 20.3: PERFORMANCE INDICATORS FOR ACCESS TO INFORMATION

Non-Financial Performance Targets	2021/22 Targets	2021/22 Actuals	2022/23 Target
Percentage of population accessing information through various channels of communication	100	90	100
Number of publications (Boma Lathu) and IEC materials produced and distributed	324,000	144,000	150,000
Number of news articles produced and transmitted to various media houses/institutions	16500	15,480	16000
Number of documents translated from English to local languages	15	13	21
Number of photographic images produced	80,000	72,450	82,000
Number of documentaries produced and distributed to various media houses	42	36	45

Source: Ministry of Information and Digitization

20.3 Projects Performance

20.3.1 Last Mile Rural Connectivity Project

The Government of Malawi is implementing the project with the aim of extending network connectivity to rural areas through construction and operationalization of Telecommunication

Towers across the country. The project is vital for the socio-economic development of the country through increase in use of efficient and effective electronic services among citizens.

TABLE 20.4: PROJECT PERFORMANCE FOR LAST MILE RURAL CONNECTIVITY

Planned Activities 2022/23	Progress Attained in 2022/23	2023-2024 Targets
• Operationalizing the 11 remaining towers (Procurement and installation of telecommunication equipment and solar system) • Handing over running operations of the towers to MDBNL	In 2022/23 the Government has operationalized 4 out of 11 towers namely Chabvala in Chikwawa, Chimembe in Blantyre, Litchenya in Mulanje, Mbanira in Machinga. It is planned that the remaining 7 towers will be operationalized by the end of February, 2023. Cumulatively the Project has constructed 28 towers and 21 of them are now fully operational. The 21 fully operational sites are as follows: ▪ ***Southern Region****:* Gawani in Mulanje, Malota in Mulanje, Nyachilendo in Nsanje, Chigondo in Zomba, Katema in Mangochi, Chembe in Mangochi, Lipenga in Mwanza, Ngongoliwa in Thyolo, Mpotola in Machinga, Faiti in Mwanza, Chabvala in Chikwawa, Chimembe in Blantyre, Litchenya in Mulanje, Mbanira in Machinga. ▪ ***Central Region:*** *Msakambewa in Dowa, Kadeta in Ntcheu,* ▪ ***Nothern Region*****:** Vuvumwe in Mzimba, Chisenga in Chitipa, Nkhombwa in	The following are the proposed tower sites for the 2022/23 FY • Site one – Mbunge/Chamaliwa in Mzimba • Site two – Mzandu/Chitawo in Ntchisi • Site three – Mahowe/Thengerere in Chitipa • Site four – Chitango in Rumphi • Site five - Malunga in Dowa • Site six – Mpiri in Machinga

	Rumphi, Chibako in Nkhatabay, and Zanguza in Rumphi.	
	Compensation for the landowners in various Districts was done and completed.	

Source: e-government-Project Report

20.3.2 National College of Information and Technology Project

This Project was developed in 2012 and received approval from PSIP in 2015. The purpose of the project is improving the quality and scope of ICT training in the public sector through the improvement of the dilapidated and outdated NACIT infrastructure (both physical infrastructure and ICT infrastructure), as well as strengthening the essential human capital investment through ICT training.

TABLE 20.5: PROJECT PERFORMANCE FOR NACIT

Planned Activities For 2022/23	Progress on 2022/23	2023/24 Expectations
• Construction of a girls hostel, library and recreation centre at Blantyre NACIT Campus	• Initiated the procurement processes for the identification of a contractor to construct a girls' hostel at Blantyre Campus	• Construction of a girls hostel at Blantyre NACIT Campus

Source: e-government-Project report

20.3.3 Digital Malawi Project

Given the national need on transitioning the nation to technologically advanced levels, the Government is implementing a number of key priorities in attaining the desired technology status. Among the initiatives being implemented is the Digital Malawi project which is paramount in developing the nation into a digital economy through harnessing a number of key sectors within the economy. Several deliverables have been attained since the commencement of the project and the Government still sets projections to be attained in 2022-2023.

TABLE 20.6: PROJECT PERFORMANCE FOR DIGITAL MALAWI PROJECT

Planned Activities 2022/23	Progress on 2022/23	2023/24 Projections
• Develop Data Protection Bill	• Facilitated the finalisation of Data Protection Bill drafting;	• Construction of a primary National Data Centre in Lilongwe for

• National Data Center in place • Operational Malawi Enterprise Architecture Framework • Connection of 500 sites to a robust internet	• Facilitated the drafting of the Malawi Information Technology Bill which aims at restructuring the current Department of e-Government in accordance to the best industry practice for the delivery of world class digital technologies to the public; • Completed the installation of a new government email system and the Department of e-Government started migrating official emails to the new system and raising awareness on usage. • Developed the Malawi Enterprise Architecture and Interoperability Framework to enable integration and interaction of key systems in Government. Some MDAs, namely NRB, PPDA, and Immigration have been identified to run the pilot phase.	the purposes of harmonizing all critical systems of MDAs including the private sector

Source: e-Government-Project report

20.3.4 National Fibre Backbone Phase 2 Project

The purpose of this Project is to connect all major sectors of the economy and Government agencies in the country to a high speed optical fibre based network.

TABLE 20.7 PROJECT PERFORMANCE FOR NATIONAL FIBRE BACKBONE PHASE II

Planned Activities 2022/23	Progress to Date	2023/24 Projections
A. Finalization of Data Center with the necessary equipment B. Connect Likoma to Microwave link C. Installation of video conferencing facilities D. Finalizing the connection of selected sites to Access, metro and backbone networks	A. Finalized construction of the Data Centre in Blantyre and it was launched on 21st July, 2022. B. Started the connection of 7G frequency band of microwave link from Makuzi in Nkhatabay to Likoma and completion is expected by end of March, 2023. C. Video Conference equipment have been installed in 10 sites out of 12 planned sites. The 10 sites include Ministry of Health, Ministry of Information and Digitalisation, Ministry of Education, Department of E-Government, Blantyre District Council, Lilongwe District Council, Mzuzu District Council.	• Finalise the connection of Likoma and Nkhatabay microwave link.

Source: e-Government-Project report

20.3.5 Digital Migration Project

The Malawi Digital Broadcast Network Limited (MDBNL) implements the Digital Migration Project Part II which is being funded by Malawi Government. The Project was approved to be in PSIP by Government to run from July 2015 to June 2020. Due to a number of challenges that the project went through during this period such as delayed disbursement of funds and underfunding, some of its targets were not met. Hence, Management requested for an extension to 2024.

In January of the 2019/20 financial year, MDBNL equipment was gutted by fire and was completely burnt to ashes. This again forced management of MDBNL to request for another project extension so that it may re-install the equipment in the 2021/22 FY and the subsequent years.

TABLE 20.8 PROJECT PERFORMANCE FOR DIGITAL MIGRATION

No	Non-Financial Performance Targets	2020/21 Targets	2020/21 Actuals	2021/22 Target	2021/22 Actuals
1	Number of equipment shelters constructed	3			
2	Percentage increase in network coverage and signal penetration	75	75	90	
3	Number of panel antennae system procured	6			
4	Number of technical staff trained in Conditional Access(CAS) and Electronic Program Guide (EPG) and sent for long or short term trainings	7	7	10	
5	Number of transmitters installed	6	1		
6	Number of decoders provided in the system			20,000	
7	Number of channels on the headend	25	25	32	
6	One monitoring and evaluation exercise conducted	1	1	1	

Source: MDBNL-Project Report

20.4 Challenges

20.4.1 Inadequate Funding

Inadequate and inconsistent flow of funds for projects fully funded by the Government has been a challenge. This has led to very minimal progress in such projects, most of which should have been completed by now. This has also led to rescheduling of other projects to future Financial Years. In addition, there hasn’t been Counterpart funding (Development Budget Part II) for initiatives like the National Fibre backbone Project which the sector intends to utilize for supervision, monitoring and evaluation. As a result, Monitoring and Evaluation for the project has been difficult.

20.4.2 Delays in Approval Processes in Construction Projects

Delays in processing of various processes with other Government Departments have greatly affected projects’ performance. This is particularly evident with Departments such as Buildings who have spent over a year processing bills of quantities and are still yet to complete the exercise for the NACIT Enhancement Project.

20.4.3 Inadequate Human Capacity

The Ministry has been experiencing shortages in human capacity and lack of staff functional adjustments due to low level of staff trainings and inadequate resources respectively. The lack of trainings has continuously stagnated effectiveness of staff in delivering Ministry services. This challenge has also been hand in hand with increase in Ministry's structure on long bureaucracy hence slowing implementation of activities.

20.4.4 Inadequate Equipment

With the World going digital, the Ministry still lags behind in using advanced equipment to support the rolling in of technology on areas of work. i.e. Microsoft for E-governance to support and develop new operating systems, inadequate equipment to support GWAN network across the country.

20.4.5 Mobility Challenges

The Ministry still exhibits the challenge due to shortage in the number of vehicles for staff hence posing transportation problems of staff on a number of Ministry duties.