

UNCLASSIFIED

# Annual Budget Submission

**FY 1984**

## **MALAWI**

BEST AVAILABLE



June 1982

Agency for International Development  
Washington, D.C. 20523

UNCLASSIFIED

FY 1984

ANNUAL BUDGET SUBMISSION

USAID MALAWI

U.S.A.I.D. MALAWI

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE OF CONTENTS

	<u>PAGE</u>
PREFACE . . . . .	i
TABLE I LONG RANGE PLAN BY APPROPRIATION ACCOUNT	
U.S.A.I.D. Malawi Requested Planning Level. . . . .	1
A.I.D. Washington Instructed Planning Level . . . . .	2
TABLE I NARRATIVE . . . . .	3
TABLE II (Computer printout to be supplied) . . . . .	.10
TABLE III PROJECT OBLIGATIONS BY ACCOUNTS: FY 1982-1984	
U.S.A.I.D. Malawi Requested Planning Level. . . . .	.11
A.I.D. Washington Instructed Planning Level . . . . .	.12
TABLE IV PROJECT BUDGET DATA	
U.S.A.I.D. Malawi Requested Planning Level. . . . .	.13
A.I.D. Washington Instructed Planning Level . . . . .	.14
TABLE IV NEW PROJECT NARRATIVES. . . . .	.15
TABLE V PROPOSED PROJECT RANKING	
U.S.A.I.D. Malawi Requested Planning Level. . . . .	.32
A.I.D. Washington Instructed Planning Level . . . . .	.33
TABLE V PROPOSED PROGRAM RANKING NARRATIVE	
U.S.A.I.D. Malawi Requested Planning Level. . . . .	.34
A.I.D. Washington Instructed Planning Level . . . . .	.37
TABLE VIII WORKFORCE AND OPERATING EXPENSES. . . . .	.38
P. L. 480 . . . . .	.41

PREFACE

During review of the 1984 Country Development Strategy for Malawi, the Deputy Assistant Administrator for Africa, asked how U.S.A.I.D. Malawi would use allocation of funds beyond those authorized in the AAPL. This Annual Budget Submission responds to that question.

We have submitted two versions of Tables I, III, IV, and V. One version of each table conforms in dollar value to the A.I.D. Washington instructed level (AAPL). The other conforms with U.S.A.I.D. Malawi's requested level per the CDSS.

The Approved Assistance Planning Level (AAPL) does not permit inclusion of the Indigenous Private Sector and the Technology Transfer and Training Projects in FY 1983 and 1984 as we had envisioned. The AAPL prevents us from an FY 1983 bilateral start in Family Health and Spacing and forces exclusion of Renewable Energy in FYs 1983 and 1984.

The AAPL would permit these activities only at the expense of previously committed agricultural activities, and we are not in a position to reduce or transfer agricultural commitments to later years.

We ask that serious consideration be given to the level of funding requested by U.S.A.I.D. Malawi in the CDSS and represented in the narratives and tables within this submission.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

DEVELOPMENT ASSISTANCE	FY 1982 EST	FY 1983 EST	FY 1984 REQUEST	PLANNING PERIOD		
				1985	1986	1987
Country/Office <u>MALAWI</u>						
U.S.A.I.D./MALAWI REQUESTED LEVELS PER CDSS						
Agriculture, Rural Development & Nutrition						
Grants	2,152	2,500	8,600	12,400	11,000	18,000
Loans	-	-	-	-	-	-
Population						
Grants	-	3,000	4,000	3,000	3,000	3,000
Loans	-	-	-	-	-	-
(of which centrally procured commodities)			(1,000)			
Health						
Grants	2,600	1,000	-	-	-	-
Loans	-	-	-	-	-	-
Education						
Grants	2,700	2,734	-	-	-	-
Loans	-	-	-	-	-	-
Selected Dev. Activities						
Grants	-	2,600	2,400	2,600	8,000	3,000
Loans	-	-	-	-	-	-
SUBTOTAL FUNC. ACCOUNTS						
Grants	7,452	11,834	14,000	18,000	22,000	24,000
Loans	-	-	-	-	-	-
Other DA ACCTS. (Specify)						
Grants						
Loans						
TOTAL DA ACCTS.						
Grants						
Loans						
Economic Support Fund						
Grants						
Loans						
TOTAL DA AND ESF	7,452	11,834	14,000	18,000	22,000	24,000
PL 480 (non-add)						
Title I						
(of which Title III)						
Title II						
Housing Guaranties (non-add)						
Total PERSONNEL						
USDH (workyears)	5	5	6	6	6	6
FNDH (workyears)	5	6	7	8	8	8

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

Country/Office <u>MALAWI</u>						
A.I.D. WASHINGTON INSTRUCTED PLANNING LEVELS						
DEVELOPMENT ASSISTANCE	FY 1982 EST	FY 1983 EST	FY 1984 REQUEST	PLANNING PERIOD		
				1985	1986	1987
Agriculture, Rural Development & Nutrition						
Grants	2,152	3,266	8,600	6,000	10,400	8,000
Loans	-	-	-	-	-	-
Population						
Grants	-	-	1,400	4,000	1,600	-
Loans	-	-	-	-	-	-
(of which centrally procured commodities)				(1,000)		
Health						
Grants	2,600	1,000	-	-	-	-
Loans	-	-	-	-	-	-
Education						
Grants	2,700	2,734	-	-	-	-
Loans	-	-	-	-	-	-
Selected Dev. Activities						
Grants	-	-	-	3,000	2,000	8,000
Loans	-	-	-	-	-	-
SUBTOTAL FUNC. ACCOUNTS						
Grants	7,452	7,000	10,000	12,000	14,000	16,000
Loans	-	-	-	-	-	-
Other DA ACCTS.						
Grants						
Loans						
TOTAL DA ACCTS.						
Grants						
Loans						
Economic Support Fund						
Grants						
Loans						
TOTAL DA AND ESF	7,452	7,000	10,000	12,000	14,000	16,000
PL 480 (non-add)						
Title I						
(of which Title III)						
Title II						
Housing Guaranties (non-add)						
TOTAL PERSONNEL						
USDH (workyears)	5	5	5	6	6	6
FNDH (workyears)	5	6	6	8	8	8

TABLE I NARRATIVE

Background

Malawi's efforts to sustain broadly based economic growth through the development of open and competitive markets are in jeopardy. The crisis has been created by internal and external factors. Internally, continued and substantial decline in growth over the past three years has not abated. Tea, sugar, and groundnut prices have all been weak. Decline in investment has substantially slowed developments in the construction industry and depressed the level of manufacturing output. Private sector indebtedness to commercial banks continues to be very high. Estate output is expected to fall in volume, and the anticipated increase in sugar production has been nipped in the bud by the imposition of sugar quotas.

Among the external factors, inflation is of the greatest importance. Due to the size of its economy, Malawi's terms of trade are determined by its major trading partners. High inflation among trading partners affects the value of Malawi's import and export markets. Eight countries - Canada, the United States, Japan, France, West Germany, Italy, the United Kingdom and the Republic of South Africa - together supplied 75% of Malawi's non-oil imports in 1980. The average rate of inflation, weighed by proportions of non-oil imports was 13.1% in 1980.

Substantial decline in growth and its corollaries - decline in income, decline in investment, the indebtedness of the private sector, inflation, and the present projections of continued decline - indicate a need for extraordinary self-discipline and extraordinary help. Knowing that projections are not predictions, analysts from the World Bank and IMF suggest that with greater efficiency of investment in the public and private sectors, Malawi can pull out of the slump.

In monetary terms, the IMF estimates a need for reduction in Malawi's budget by 15%. Public employment would be reduced by the same value. The risk in non-monetary terms is the possibility of public display of dissatisfaction of a magnitude greater than the monetary benefits accrued by the savings. Malawi's 16 years of political stability, a hallmark in Black Africa, should not be put at risk. A straight line 15% reduction would curtail seriously spending for goods and services essential to the provision of basic human needs. An alternative envisaged by the IMF is the elimination of three or four of the lowest priority budgetary demands. Which are the lowest? The process of sorting priorities, examining the trade-offs between current problems and future productivity will take time and help from others to resolve.

Inflation and decline in growth have been raised as major factors in Malawi's economic slippage. The combination of events contributing to the major factors are many: (a) two successive years of full drought, one year of mini-drought; (b) high degree of vulnerability to adverse changes in international costs for the importation of essentials; (c) weakened export prices; (d) disruption of trade routes to external ports; (e) unplanned increases in transport costs; (f) stunning increase in debt service payments as a percent of exports from a low of 8.7% in the late 1970s to a high of 20% in 1980 (projected to reach about 29% by the end of 1982); (g) the 15% universal wage increase promulgated in January 1982 (although needed, the means of financing the increase were not adequately planned); (h) financially unsound access of poorly performing statutory bodies to budgetary resources; and, (i) absence of a cushion to absorb financial shock.

In addition to the above, the imposition of sugar quotas by the U. S. and the worldwide decline in sugar prices further threatens Malawi's immediate future. Sugar was Malawi's second largest source of export earnings in 1981. Should quotas remain unchanged and the world price remain depressed, Malawi may expect to lose close to \$50 million in sugar export earnings. There was a 60% increase in sugar exports in 1980 over 1979 and an 89% increase in 1981 over 1980. Hopes are now dashed for 1982.

Malawi now faces recession and a program of reconstruction. Some decisions have been made. Budgetary support to agriculture, health, energy, education, the indigenous private sector, and the technologies in support of each, will be maintained. The intent, in fact, is to increase support in the effort to recover. Cost consciousness, however, will be largely the determining factor.

### Discussion

What does Malawi plan to do to help itself and what should the United States Government do to help?

### The Government's Self-Imposed Measures

During budgetary hearings at Parliament, March 1982, the Minister of Finance attacked inefficiencies in the management of the revenue account, statutory bodies, and the development account. He announced specific actions which will be taken to ensure that resources are shifted to the productive sectors of the economy.

### The Revenue Account

Allocations for goods and services will be reduced by 27.5%. The Income Tax Act will be modified by raising the top rate of payable tax from 45% to 50% for both individuals and companies. Insurance companies will pay taxes at the 50% rate. Taxation of expatriated

dividends, however, will remain at 5%.

### Statutory Bodies

The rate of return on capital employed by statutory bodies declined from 8.7% in 1977 to a negative figure of 1.2% in 1980. Although the audited accounts for 1981 are not yet completed, indications are that the finances of most statutory bodies deteriorated further. In consequence, the Government will critically examine all new projects proposed by statutory bodies. Approval will be granted for only those projects which have financial returns in excess of 15%. Funds from the Government to help service external debts of statutory bodies will be less easily available. Bank overdrafts will be guaranteed by the Government for only those statutory bodies which demonstrate the capacity to repay with the given time period. Loans advanced to statutory bodies will carry higher rates of interest ranging from 10% for one year loans to 13% over a period in excess of 10 years. Project appraisal will be more rigorously examined. Corrective action in policy will be taken and strong management capacity will be sought. For other than genuine infant industries, protective tariffs are to be removed.

### The Development Account

The only budgetary increases planned for the budget year 1982/83 are K4.5 million (approximately U.S. \$4.2 million) increase for agriculture expenditures and K2.0 million (approximately U.S. \$1.9 million) for roads. In past budgets all ministries and departments received 4% increases over the previous financial year's budget. It is estimated that the proportion of agriculture to total development outlays in 1981/82 should rise to about 16%, reflecting the continued emphasis the Government wishes to put in development efforts in agriculture. On the other hand, expenditures on transport and communications will decline, reflecting the decision not to enter into new projects in transport of the magnitude of the new airport, not to undertake additional capital intensive power projects, and not to indulge in unnecessary expenditures on government buildings.

As a further check, the rate of expenditure of development monies will be reported monthly in order to enable early corrective measures where there is need to do so and prevent creeping over-expenditure.

### Devaluation

On April 24, 1982, Malawi decided to adjust downwards by 15% the value of the Kwacha against Special Drawing Rights. The decision was taken as part of the measures to improve and strengthen the country's economy. The devaluation also took into account developments in the exchange rates of Malawi's major trading partners.

Struck by inflationary recession, Malawi is not taking for granted that things will work out if just left alone. The decision of the Government, though difficult, has not been authoritarian; neither is it skewed to the benefit or disadvantage of one or the other segments of the populace. Everyone is tasked with carrying an individual load the total of which should bring relief from a new level of serious economic deterioration.

#### Appropriate Helpful Response from the United States

A major factor in Malawi's recovery from economic distress is the rate and quality of recovery among Malawi's major trading partners. Malawi obviously holds no ability to ameliorate international economic situations. On the other hand, the United States, one of the major partners, recognized the value to the international economic situation of helping to bring vitality to developing countries. This budget submission, therefore, is prepared with intent to help restore growth. It is focused on a brief time frame but viewed in the context of the longer term goals of the U. S.'s development strategy for Malawi described in the CDSS. We believe the activities to be funded by this budget are appropriately targeted for the eventual realization of the CDSS goals. The program we propose aims at improving and strengthening the basis for growth and expansion. This budget is neither a request to temporarily finance the way out of the current economic troubles nor an academic exercise. It is a request for funds to pay for activities which will address fundamental problems, the correction of which would bring long term, productive solutions.

Subsequent pages will define the need for non-project assistance and non-project specific technical assistance. Even under the best fiscal and monetary discipline, there are elements of reform for growth which exceed this nation's ability to provide. The United States could be helpful by providing the means to buy some equipment and services necessary for change which Malawi cannot internally underwrite.

To help at the desired level means increasing the allocations planned for Malawi. Malawi's dogged pursuit to correct its economic problems described above warrants an increase in assistance from the United States. Another example concerns the IMF. The IMF cut off more than one-fourth of the loans it had made to financially troubled countries because they could not meet the requirements which it imposed. Malawi was on the IMF cut off list in March 1982 but Malawi has since restored itself to good standing and negotiations for balance of payments support have resumed. Notwithstanding the restoration to good standing, the amount Malawi is likely to receive from the IMF falls far short of need. Even less in the long term because the loan must be repaid in the short term. In the overall, then, how much help

will the IMF loan render? For the financial year 1981/82 Malawi reportedly ran a deficit of K37 million (approximately U.S. \$35 million). A deficit of K42.2 million (approximately U.S. \$39.7 million) is expected by the end of fiscal year 1982/83.

To manage the present and projected deficits, Malawi will reschedule payments due, float notes and bonds and enter into new loan agreements. In addition to the IMF loan, the following arrangements have been completed and gazetted:

- \$40,000,000: Loan from OPEC to finance development projects;
- MK42,217,651: For issuance of stock, bonds, or promissory notes to finance the shortfall in the total development budget estimates of MK91,222,900 for the financial year 1982/83;
- MK16,363,328: For payment of supplemental development appropriations accrued during the financial year ending March 31, 1981;
- FF22,600,000: Loan from France for telecommunication equipment and civil aviation feasibility studies; and,
- RD 1,300,000: Loan from Republic of South Africa to finance acquisition of reserve seed stocks and to construct seed storage facilities.

#### Means of Providing More U. S. Grant Assistance

The FY 84 program for Malawi should be a combination of allocations for project and non-project assistance. The non-project funds would be used for the purpose of short-term economic stabilization which will be helpful to longer-term efforts to develop self-sustained growth with equity.

Through non-project assistance we would provide technical assistance to increase industrial production and improve efficiency in the public sector. The needs of the industrial sector which are applicable to AID assistance are defined in Narrative Technology Transfer and Training. In the public sector there is a real need to provide local financing to continue in-service training courses. Description of this need is defined in Narrative Rural Sector Grant.

#### Entitlement to Use of ESF Allocations

We believe Malawi is entitled to the use of Economic Support Funds. In economic terms, Malawi suffers from the same causes

of financial deterioration as do designated ESF countries. Politically, the justification fits squarely within the ESF rationale. If the rationale for ESF is valid, then ESF allocations should be afforded Malawi to:

- (a) head-off trouble sufficiently far in advance to pre-vent economic and political instability;
- (b) strengthen economic and political ties between the Government of the United States and the Government of Malawi, bringing about a mature partner relationship;
- (c) reduce internal vulnerability to outside destabilizing actions; and,
- (d) sustain Malawi's disaffection for the Bloc community.

We do not request designation of Malawi as a full-fledge ESF country. We believe that the purpose of SADCC and Malawi's membership in SADCC provides legitimate access to ESF funds for selected purposes. In addition, Malawi is to be a recipient of allocations from the Southern Africa Regional Fund. In the context of both entities, money could be allocated to the Southern Africa Regional Fund to help the Government of Malawi reconstruct the Chikwawa-Bangula road. On the one hand, reconstruction of this road would be an action responsive to the SADCC mandate to improve road links to external ports, while on the other hand, the mechanism for access to ESF allocation is already in place via the Southern Africa Regional account.

#### Indigeneous Private Sector

As stated in the CDSS and reinforced above, Malawi faces the challenge of making significant structural shifts, i.e., placing additional emphasis on the smallholder sector as a major growth source. The United States can be useful in this process of restructuring by extending its expertise to the smallholder private sector in addition to continuing with well-targeted public sector development activities.

This narrative and budget address the broad economic and political objectives set forth in the Malawi CDSS. Without project proliferation we have targeted the activities that the budget represents to improve efficiency in policy and action; to help restructure development institutions; to help set direction to implementation which is conducive to self-sustaining economic growth; and to support long-term adjustments for alleviating poverty.

### The Budget

To accomplish the above which represents the CDSS goals, funds beyond the planning figures are needed. We have prepared optional tables where needed showing amounts required for the desired program. Tables showing use of funds at the planning level precede the tables of preferred funding. At the desired funding level we are unable to keep to the maximum 18 month forward funding schedule as requested in the instructions because we wish not to create intolerable pipelines. Instead of 18 months to fully fund an activity, some activities will take approximately 27 months. The mortgaging and the pipelines largely represent intended reservations of funds for contract services which will take several years for completion of delivery of services. In addition, we believe we should fund training in specified segments, continuation of which should be based upon proven performance. In the overall we foresee no serious pipeline problems, nor disbursement difficulties. We also do not see 27 months mortgaging as serious even though it deviates from the 18 month request in the instructions.

The Table I USAID Malawi Requested Level per CDSS shows an increase in USDH of one during FY 1984. This increase is the minimum required to monitor the Private Enterprise activities. USAID Malawi would share, with other Southern African USAID's, the services of a Lilongwe based Private Enterprise Officer.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
 FY 1982 to FY 1984  
 (\$ thousands)

Country/Office MALAWI

U.S.A.I.D./MALAWI REQUESTED LEVELS PER CDSS

<u>APPROPRIATION ACCOUNT</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FISCAL YEAR 1984</u>
<u>Agriculture, Rural Development and Nutrition</u>			
612-0202 Agricultural Research I (G)	2,152	-	-
612-0208 Rural Sector Grant (G)	-	1,500	3,600
612-0212 Manpower Development in Agricultural Extension (G)	-	1,000	5,000
<u>Population</u>			
612-0211 Family Health & Spacing (G)	-	3,000	3,000
<u>Health</u>			
612-0207 Self-Help Rural Water	2,600	1,000	-
<u>Education</u>			
612-0201 Polytechnic Expansion (G)	2,700	2,734	-
<u>Selected Development Activities</u>			
612-0210 Alternative Renewable Energy (G)	-	-	900
612-0213 Technology Transfer and Training (G)	-	1,100	500
612-0214 Indigenous Private Sector (G)	-	1,500	1,000
SUBTOTAL - FUNCTIONAL ACCOUNTS	7,452	11,834	14,000
TOTAL - DA AND ESF	7,452	11,834	14,000

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
 FY 1982 to FY 1984  
 (\$ thousands)

Country/Office MALAWI

A.I.D. WASHINGTON INSTRUCTED PLANNING LEVELS

<u>APPROPRIATION ACCOUNT</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FISCAL YEAR 1984</u>
<u>Agriculture, Rural Development and Nutrition</u>			
612-0202 Agricultural Research I (G)	2,152	-	-
612-0208 Rural Sector Grant (G)	-	1,500	3,600
612-0212 Manpower Development in Agriculture Extension (G)	-	1,766	5,000
<u>Population</u>			
612-0211 Family Health and Spacing I (G)	-	-	1,400
<u>Health</u>			
612-0207 Self-Help Rural Water (G)	2,600	1,000	-
<u>Education</u>			
612-0201 Polytechnic Expansion (G)	2,700	2,734	-
<u>Selected Development Activities</u>	-	-	-
 SUBTOTAL - FUNCTIONAL ACCOUNTS	 7,452	 7,000	 10,000
TOTAL - DA AND ESF	7,452	7,000	10,000

U.S.A.I.D. MALAWI REQUESTED LEVEL PER CDSS

TABLE IV PROJECT BUDGET DATA		Country/Office MALAWI	
------------------------------	--	--------------------------	--

NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		LIFE OF PROJECT COST	CUM PIPELINE AS OF 9/30/81	FY 1982		FY 1983		1984 AAFL	FUNDED TO MO/YR	FY OBLIGATIONS			ITEM #
			INITIAL	FINAL			OBL	EXP	OBL	EXP			1985	1986	1987	
<b>ESTIMATED U.S. DOLLAR COST (\$000)</b>																
612-0054	AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION	G	1976	1979	41004097	501										
612-0202	Bunda College	G	1979	1982	90009000	5837	2152	3000	1800			11/84				
612-0202-1	Agricultural Research I	G	1985	1985	6000							8/85	6000			
612-0205	Agricultural Research II	G	1980	1981	760760	637		200	180			8/85	3400			600
612-0208	Malawi Union of Savings	G	1983	1988	9100				800			6/86	3000			
612-0212	Rural Sector Grant	G	1983	1986	10000			1500	400			1/86	4000			
612-XXXX	Manpower Dev. in Ag. Extension	G	1985	1986	10000			1000					7000			
612-XXXX	Agribusiness Development I	G	1988	1989	10000											
612-XXXX	Agribusiness Development II	G	1987	1990	21000											
	Rural Roads	G	1987	1990	1886079957	6975	2152	3701	3180				12400	11000	18000	18000
	Appropriation Total															
<b>HEALTH</b>																
612-0207	Self-Help Rural Water	G	1980	1983	60006000	1846	2600	950	1400			12/85				
612-0211	Family Health and Spacing I	G	1983	1984	6000				1000							
612-0211-1	Family Health and Spacing II	G	1985	1987	9000				3000							
	Appropriation Total								4000							
<b>EDUCATION AND HUMAN RESOURCES</b>																
612-0201	Polytechnic Expansion	G	1980	1983	83148314	2635	2700	1000	2400			12/85				
	Appropriation Total								2734							
<b>SELECTED DEVELOPMENT ACTIVITIES</b>																
612-0210	Alternative Renewable Energy	G	1984	1988	9900				1100			6/85	1100	2800	2500	2600
612-0213	Technology Transfer & Training	G	1983	1987	3500				200			9/86	3000	1200	500	200
612-0214	Indigenous Private Sector	G	1983	1988	8500				1500			5/85	1500	4000	1500	500
	Appropriation Total								2600					8000	3000	3300
	Program Total								11834					22000	24000	16900

13-A  
FY 1984 ANNUAL BUDGET SUBMISSION

(This page inserted by AFR/SA. It reflects program as submitted by AID/Malawi, except that new starts subsequent to FY 1984 have been omitted.)

U.S.A. I.D. MALAWI REQUESTED LEVEL PER CDSS

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	OBL. DATE	OBLIGATION DATE		LIFE OF PROJECT COST	CUM PIPELINE AS OF 9/30/81	FY 1982		FY 1983		ESTIMATED U.S. DOLLAR COST (\$000)				ITEM #		
			INITIAL	FINAL			OBL	EXP	OBL	EXP	1984 AACL	FUNDED TO MO/YR	1985	1986		1987	FUTURE YEAR
	AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION																
612-0054	Bunda College	1976	1979	47004097	501	501	2152	1800									
612-0202	Agricultural Research I	1979	1982	90009000	5837	3000											
612-0205	Malawi Union of Savings	1980	1981	760760	637	200											
612-0208	Rural Sector Grant	1983	1988	9100													
612-0212	Manpower Dev. in Ag. Extension	1983	1986	10000												600	
	Appropriation Total			1386032957	6975	3701	2152	3180	2500	8600						600	
	HEALTH																
612-0207	Self-Help Rural Water	1980	1983	60006000	1846	950	2600	1400	1000	3000							
612-0211	Family Health and Spacing I	1983	1984	6000													
	Appropriation Total			600012000	1846	950	2600	2400	4000	3000							
	EDUCATION AND HUMAN RESOURCES																
612-0201	Polytechnic Expansion	1980	1983	83148314	2635	1000	2700	2400	2734	2400							
	Appropriation Total			83148314	2635	1000	2700	2400	2734	2400							
	SELECTED DEVELOPMENT ACTIVITIES																
612-0210	Alternative Renewable Energy	1984	1988	9900													
612-0213	Technology Transfer & Training	1983	1987	3500													
612-0214	Indigenous Private Sector	1983	1988	8500													
	Appropriation Total			21900													
	Program Total			2817475111	11456	7452	5651	9680	11834	14000						3900	

MALAWI





TABLE IV NARRATIVE

Manpower Development in Agricultural Extension 612-0212

PURPOSE: To institutionalize a skilled Agricultural Extension System that will sustain improved smallholder production.

The Problem

The organizational structure, management approach, and operating procedures of the Malawi Agricultural Extension and Training System are basically sound. There is a good deal of agricultural information for dissemination to farmers that could improve farm performance. The major problem is the incompleteness of human and material resources: inadequacy in the quality of training; inability to consistently analyze information; shortage of facilities for pre-service and in-service training; and shortage of equipment, supplies and transportation for field agents. Reform and improvement in administration, use of information, personnel practices, and better pre-service and in-service training are essential to bring about a quality institution of agricultural extension.

U.S.A.I.D.'s Planned Response to the Problem

We intend to provide opportunities for extension managers to improve skills of administration through specialized training. We will also seek ways to achieve more effective use of the present policy and philosophy so as to create good management team work that flows through consistently to the end users. We will devise a method of efficient use of the extension system's budget and improve coordination between research and extension. We will design means of providing better in-service and pre-service training for the extension staff. We would wish to provide equipment and practical transportation for use by the field agents.

USAID has just completed an assessment of the agricultural extension system in Malawi. We expect to prepare a PID for submission in early July to be followed immediately upon approval by a Project Paper. Implementation should begin in early FY 1983.

Host Country Entities Involved

One of the achievements planned for this project is to bring together several host country entities concerned with agricultural extension. The major entity is the Agricultural Extension and Training System run by the Chief Agricultural Development Officer, Chief of Extension, Ministry of Agriculture. To achieve the purpose, the following units should play appropriate coordinative

roles: the Agricultural Development Divisions; the Office of Agricultural Research; the Agro-Economic Statistical Service; the Ministry of Education; and the colleges that train extension agents - Colby, Bunda and Thuchila Farm.

### Major Issues

As the project proceeds from PID through to implementation, we must assure that the smallholder is given every opportunity to express his/her needs for extension. Policies which evolve should benefit, in the main, the farm family.

### The Target Group

The smallholder sub-sector is the target group. It consists of Malawian farmers who farm their own holdings of customary land on either a part or full-time basis. The smallholder sub-sector represents more than 1,206,900 households.

### Proposed Funding

	(U.S. \$000)		
	<u>FY 1983</u>	<u>FY 1984</u>	<u>LOP</u>
USAID Malawi			
Requested Level Per CDSS	1,000	5,000	10,000
AID Washington			
Instructed Planning Level	1,766	5,000	10,000

TABLE IV NARRATIVE  
Rural Sector Grant 612-0208

PURPOSE: To provide budgetary support to the National Rural Development Plan (NRDP) to procure appropriate tools and farmer training essential to sustaining growth in the smallholder sector.

The Problem

The key to more rapid economic growth in Malawi is to increase productivity and incomes in the agricultural sector. To do so requires a variety of interventions. Malawi's agriculture sector has performed well in spite of the limited availability of improved technology. Agricultural inputs, farm roads, markets, credit facilities and extension services are grossly inadequate. The inadequacies are particularly prevalent in the Northern and Central Regions of the country.

Malawi's agricultural development policy has sustained remunerative price incentives for some smallholder crops and the Government has provided about as much support in adaptive research, extension service and transport facilities as its limited resources have permitted. The development of smallholder agriculture, none the less, still lags behind potential. The lag is not attributable to undue emphasis on specialization in export agriculture, neither has a rush to industrialization been the cause. The problem, simply put, is the absence of money sufficient to increase the speed of transition to appropriate science-based smallholder agriculture production. Tools for better husbandry are needed. Greater use of fertilizers, pesticides and improved seeds are essential.

U.S.A.I.D.'s Planned Response to the Problem

Our plan of action is to: (1) provide inputs, small equipment and hand tools to selected smallholders; and, (2) help the Government pay the recurrent costs for in-service agricultural training courses for farmers.

The two consecutive years of budget deficits described in Narrative I have caused the termination of the in-service training previously provided farmers. This service needs to be re-instituted. The budget deficits have also curtailed, seriously, the ability of the Government to purchase tools, equipment, pesticides and improved seeds. During this crop year there was a crop invasion of army worms. The equipment for prompt action was unaffordable.

The management of this grant can be handled by the NRDP. Once the project is designed and USAID helps the NRDP establish an acceptable accounting system, monitorship should not require unusual time or

attention from the USAID staff. Our experience with the Self-Help Rural Water Grant leaves us confident of the Government's ability to manage with minimal help from USAID once implementation is under way.

Through the sub-divisions of the NRDP - The Agricultural Development Divisions, the Rural Development Areas, and the Extension Planning Areas - we are also confident that a program can be designed so that the benefits reach the lowest 20% of the population. This budgetary support will help build a better managed in-service institution, namely the NRDP, and provide the means for participation in NRDP policy decisions.

#### Host Country Entities Involved

The National Rural Development Office, under its parent organization, the Ministry of Agriculture, will be the primary contact host country entity. Necessity requires also, participation from the Development Division, Office of the President and Cabinet, and the Economic Planning Unit, Office of the President and Cabinet.

#### Major Issues

In planning this activity it is important that we insure a fair share to the Central and Northern Regions. We should also consider the needs of the newly established Rural Growth Centers.

#### The Target Group

The target group is the same as that described in the Manpower Development In Agricultural Extension Project, namely the small-holder sub-sector which represents more than 1,206,900 households.

#### Proposed Funding

	(U.S. \$000)		
	<u>FY 1983</u>	<u>FY 1984</u>	<u>LOP</u>
USAID Malawi Requested Level Per CDSS	1,500	3,600	9,100
AID Washington Instructed Planning Level	1,500	3,600	9,100

TABLE IV NARRATIVE

Indigenous Private Sector 612-0214

PURPOSE: To assist the private sector to broaden its base, increase production and expand markets in selected commercial and industrial functions of the economy.

The Problem

Malawi has, over the last ten years, shown a remarkable rate of growth in the face of rising energy prices, limited natural resources, and an unfavorable transportation situation. A downturn in basic agricultural export prices in combination with two years of drought and sharply increased interest rates has caused a temporary setback to the economy. The Government of Malawi has taken a series of politically unpalatable steps to rectify the situation, which include devaluation, reduction of GOM spending, increased farm gate prices to spur agricultural production, and the institution of a policy of belt-tightening throughout the country. President Reagan has sent a letter of congratulations to President Banda in May 1982 for the excellent job he and his ministers have done to cope with the external pressures brought to bear on this small nation.

Since independence, Malawi has encouraged the formation of development institutions which would nurture the growth of private enterprise in an economy that was almost entirely subsistence. This effort has resulted in international, national, and private development organizations which have been primarily responsible for the founding and successful operation of a broad range of enterprises. These development groups are:

1. Commonwealth Development Corporation - British Government development company which participates with equity and lending;
2. Investment Development Bank of Malawi - jointly owned by Governments of Malawi, Great Britain, Germany, Holland and the IFC;
3. The Agricultural Development and Marketing Corporation - a Malawian statutory organization for agricultural development;
4. Malawi Development Corporation - a Malawian statutory organization for industrial development; and,
5. Press Holdings - a private development institution now

These holding companies form a sophisticated financial structure which supports the entrance into the Malawi economy of numerous new private enterprises through joint venture, loan, or a combination thereof. Many new ventures have been directly established by one or more of these financial institutions, and it is a tribute to the harmony of Malawi that these institutions, all with differing allegiances, manage to work together to the general improvement of the country.

In developing the economy at the rapid rate which has been accomplished, many of the new ventures were highly leveraged, and the current high rates of interest have caused severe strains in some cases. In addition, the change in the U.S. sugar quota has put in jeopardy approximately U.S. \$30 million of Malawi's annual foreign exchange earnings. In order to alleviate this hardship, which is partially the result of encouragement by the United States to develop sugar as an export, and to make President Reagan's congratulations more meaningful, it is proposed that the AID program be increased significantly over the next three years. The most cost effective sector of the economy responsive to donor interventions is the private sector, which can be readily accessed through some of the aforementioned financial intermediaries, and in some instances directly.

#### U.S.A.I.D.'s Planned Response to the Problem

In accordance with the Supplement on Policy Change and Private Sector Development, Cable 128270 of 4 May 1982, the following project initiatives, which were developed by AID/Malawi before and during the P.E.D. mission of Mr. Penner's in April, are herewith submitted:

1. Press Holdings - In meeting with the company secretary, it was disclosed that Press, now a national trust, is keenly interested in divesting some of their holdings, and broadening the equity base in others. There are a host of operating companies and plantations owned in whole or in part by Press, and an investment advisor with extensive contacts in the U.S. is very much needed. Such an advisor will be able to package investments to attract foreign capital, which in turn would bring the potential of improved management and overseas markets. In addition, some enterprises may profit from increased local private participation through broadened equity participation. A three year program of providing an investment advisor is required.
2. Agricultural Development Bank - The EEC has established funding for this new organization, but the Government has approached USAID to provide start-up management. This is a unique opportunity, and a very low cost one, to establish an institution that will be critical to the success of much of the agricultural efforts of Malawi. High priority should be assigned to finding an agricultural credit team to establish this bank. USAID should also consider additional

financial assistance if it is deemed necessary during the course of start-up. A short-term team of agricultural credit specialists is required to further refine the management requirements followed by a two year contract team of financial advisors.

3. Agricultural Development and Marketing Corporation - ADMARC is a statutory organization under the Ministry of Agriculture and as such owns and operates a wide range of agricultural estates (over 30,000 acres), marketing, storage and transport facilities, and food processing enterprises. The Director of ADMARC specifically asked for USAID assistance in restructuring some of their investments. USAID was also asked for assistance in locating a fertilizer expert, as ADMARC purchases and distributes a substantial amount of fertilizer (\$12 million/year for maize alone). Tenders are sought on the world market and Germany has traditionally been their supplier. The United States has never even bid. An investment advisor for three years is recommended, in addition to short-term specialist consultants.

4. Investment and Development Bank of Malawi Ltd. - Indebank, owned by CDC, German and Dutch development organizations, IFC and ADMARC, is a very successful development institution that takes both equity and lending positions. It is also relatively free from any political influence. They are now in the process of starting Indefund, which is geared to medium-sized enterprises. We recommend an advisor to assist with start-up and the first three years of operation. In addition, \$3 million grant to be used as a revolving loan fund.

5. Malawi Development Corporation - MDC is going through some significant management and policy changes, and would welcome an investment advisor to assist. There are several instances of attempted divestiture, in which local entrepreneurs have been approached to purchase various operating entities. We recommend the services of an investment advisor for three years with \$2 million grant to provide revolving fund to assist in divesting operations which are more appropriate to individual entrepreneurs.

6. African Businessmen's Association - The Association is a fledgling group. The members truly represent "Operation Bootstrap". The group is in dire need of professional advice in management, in establishing credit worthiness and in marketing. Several advisors plus capital are essential to the survival of the enterprises represented by this group. The membership exceeds 3000. The activities include a range of activities such as transportation owners, small manufacturers, export farmers, clothing manufacturers, printers, refrigeration specialists and restaurant owners. With appropriate help, the potential for real growth and contribution to Malawi's overall economy is evident.

#### Host Country Entities Involved

See above.

### Major Issues

Malawi's private sector has been under the perpetual influence of the United Kingdom, the Republic of South Africa and Rhodesia (now Zimbabwe). It is long past time for Malawi to broaden its commercial and industrial knowledge through less restricted exposure. Except that the United States is willing to join Malawi in the effort to boost its private sector in meaningful ways, it is doubtful whether progress in the private sector will have a real chance to accelerate.

### The Target Group

The target group is difficult to define quantitatively. Our best judgement is that failures in commerce and industry are a drag on the entire community due to high unemployment, debts, and the resulting need for Government to provide essentials to the unemployed while at the same time laboring under a diminished tax base to fund essentials. It is not unreal, therefore, to suggest that the target group is the nation itself. When the wheels of industry are fully employed, the nation benefits.

### Proposed Funding

	(U.S. \$000)		
	<u>FY 1983</u>	<u>FY 1984</u>	<u>LOP</u>
USAID Malawi Requested Level Per CDSS	1,500	1,000	8,500
AID Washington Instructed Planning Level	-0-	-0-	8,500

TABLE IV NARRATIVE

Technology Transfer and Training 612-0213

PURPOSE: To strengthen the capacities of both the public and private sectors by enhancing the role of open and competitive market development to achieve sustained, broadly based economic growth.

The Problem

Malawi's economic performance following independence in 1965 has been remarkable. In the face of such serious obstacles as a very limited natural resource base, a highly unfavorable transportation system, and rising energy prices, the country has recorded very high economic growth rates for much of its history. An important element in this success has been the Government's recognition of the vital role which the private sector plays in achieving sustained, broadly based economic growth. From its inception, the Government has placed considerable emphasis on establishing a policy environment which enables private enterprises to flourish. Critical support services such as the development of financial institutions have also been given high priority. The development of management and other professional skills and the acquisition of appropriate technology levels has not, however, kept pace with developments in policy and financial services.

Current economic problems, mainly attributable to external factors, brought sharply into focus the shortcomings related to the lag in manpower development and technology acquisition. The Government's and the private sector's inability rather than their unwillingness to respond quickly to the crisis contributed to a deterioration of macroeconomic circumstances. Both the public and private sectors are currently in the process of reassessing and refining their strategies for coping with the changed circumstances. USAID Malawi has been approached by several private and public organizations for senior management personnel to assist them with this task. Entrepreneur organizations such as the African Businessmen's Association, SEDOM, Traders Trust, and the Chamber of Commerce have all expressed an interest in obtaining technical assistance from the United States. The Malawi Development Corporation, ADMARC, and Press Holdings, all of whom play a commanding role in the vitality of the national economy are currently examining their corporate structures and have asked USAID Malawi for senior management personnel to assist them in this effort. The Government of Malawi has requested AID to recruit personnel to establish an Agricultural Credit BANK, the capital for which will be supplied by the EEC. We have also been asked to provide technical assistance for the extraction of coal and uranium, and for expertise in off-shore drilling.

U.S.A.I.D.'s Planned Response to the Problem

The current situation in Malawi, as the above requests indicate, provide a unique opportunity for AID to put immediately into practice its newly emerging focus on strengthening the role of the private sector in achieving economic growth and the alleviation of poverty. Many of the preconditions for enhancing the role of private enterprises in the development process already exist. The Government of Malawi shares our interest in promoting private investment as an engine for economic growth and has independently initiated its own review of policies affecting these activities. With a minimum of funds directed at providing technical assistance in management and related skills to both private and public organizations and at the acquisition of appropriate technologies, AID can make a substantial contribution to these efforts.

It may appear that this and the narrative on Indigenous Private Sector have the quality of sameness. There is overlap. The important difference is the intent to use money allocated to this project to provide technical assistance for policy design in the public sector and to provide investment advisors to the private sector who will create financial packages of existing and new enterprises attractive to both foreign and domestic private investors. A significant feature of the foreign investor is his ability to bring new manufacturing and marketing techniques to Malawi. At the present time, most of the financial advisors and policy advisors are of U.K. origin. Exposure to alternative techniques and markets is important to the Malawian economy. The indigenous private sector proposed activity is exclusive to only the private sector.

Major Issues

See statement in the Indigenous Private Sector narrative.

The Target Group

See statement in the Indigenous Private Sector narrative.

Proposed Funding

	(U.S. \$000)		
	<u>FY 1983</u>	<u>FY 1984</u>	<u>LOP</u>
USAID Malawi Requested Level Per CDSS	1,100	500	3,500
AID Washington Instructed Planning Level	-0-	-0-	3,500

## TABLE IV NARRATIVE

### Family Health of Spacing - 612-0211

PURPOSE: To assist in changing the social environment to provide a favorable ratio between population growth rate and development accomplishments.

#### The Problem

The facts about population growth in Malawi have not changed. The rate still ranks among the highest in the world and its population density remains among the highest in Africa. Fertility rate averages seven births per woman. Between 25 and 35% of Malawian children die before reaching their fifth birthday. Mortality has been declining. Average life expectancy rose from 33 years in 1950-55 to 45 years in 1975, while the death rate per 1,000 population fell from 30 to 21. The population growth rate is estimated to be 2.9% or slightly more. The growth rate will increase as mortality rates decline.

Malawi has 7.4 million of its 8.6 million acres of arable land under cultivation, an average of 4.6 persons per 4 acre holding. There is currently enough arable land to accommodate an additional 293,000 families. Should growth continue at the rate of 2.9% per year, Malawi would need land for an additional 1.8 million smallholders, or 6 million additional acres of arable land by the year 2010. Geographically, expansion of this magnitude is simply not possible. Malawi is now cultivating near the extended limits of its arable land. Should the population continue to grow at the current rate, it is virtually a mathematical certainty that Malawi's long-term economic goals will not be realized.

#### U.S.A.I.D.'s Proposed Response to the Problem

Although little has changed in the context of facts about population, a good deal of change about handling the problem has occurred. Historically and culturally, child spacing is nothing new to the traditional society in Malawi. In various tribal systems in this country it used to be taboo for the husband to "meet" his wife for periods ranging from six months to two years following the birth of a baby. To this end, various methods (e.g. punishment, ostracism and polygamy) were devised to ensure compliance. This was done in order to protect the child from disease and also allow the mother to regain her health before the next pregnancy.

With the advent of Western influence these taboos have been ridiculed by "educated" people who, however, have not replaced

them with the Western methods of spacing children. Many people are therefore in "no man's land" where they have abandoned traditional methods of child spacing but have not found an alternative. As a result it is not unusual to see a pregnant mother carrying a two-year old child on her back, another one-year old in her arms while going to the under-five and antenatal clinics.

With great concern about mother and child well-being, the Ministry of Health has requested the Government's indulgence to consider the integration of child spacing in the Maternal and Child Health Services. With this approach, we believe that cultural acceptance of child spacing will have ample acceptance.

The Government of Malawi has stated a preparedness to request USAID to provide a team to prepare a PID and PP for a program of action. The outputs of the activity would be:

- a functional population policy;
- cultural tolerance for planned family spacing;
- decrease in morbidity/mortality among mothers and children;
- training program for community health personnel;
- support and training of community health workers - community nurses, public health nurses, eye health assistants, etc.; and,
- drug and prophylactic procurement for family health activities.

#### Host Country Entities Involved

The Ministry of Health and Department of the President and Cabinet will share jointly primary responsibility for design and implementation of this activity.

#### Major Issues

Cultural and political acceptance will be the most sensitive issues as we develop plans for implementation. Public education that defines reasons for child spacing will be the initial emphasis. Our actions should put acceptors at ease rather than leave the impression that others are dictating a family's size.

#### The Target Group

The primary target group is the rural community. With more and more frequency, rural residents complain of the growing inability to clothe, educate and pay for the health needs of their many children. The urban population also feels the financial pinch but most urban families have fewer children and they have access

to private facilities for child spacing. The rural family has little or no access to non-governmental services. We estimate the primary target group to number about 1,400,000 men and women.

Proposed Funding

(U.S. \$000)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>LOP</u>
USAID Malawi Requested Level Per CDSS	3,000	3,000	6,000
AID Washington Instructed Planning Level	-0-	3,000	6,000

TABLE IV NARRATIVE

Renewable Energy - 612-0210

PURPOSE: To assist Malawi to reduce its dependence on oil imports.

The Problem

Imports of fuel products into Malawi have been as follows:

	<u>000 liters</u>	<u>% growth over previous year</u> <sup>1</sup>
1974	45,882	N.A.
1975	49,342	7.5
1976	54,765	11.0
1977	49,002	(11.8)
1978	55,221	12.7
1979	57,200	3.6
1980	54,102	( 5.4)
1981	52,000 (Approximately)	( 9.6)

The increasingly rapid transition from cheap to high cost petroleum products contributed to lower imports of oil, higher prices for basic goods and contributed significantly to the current budget deficit. The price Malawi pays now for one unit of petroleum-generated energy is more than five times the cost of the same unit of petroleum-generated energy in 1972. Concurrently, development efforts have increased Malawi's energy demand.

The absence of a national comprehensive energy policy for suppliers and users of all sources of energy has caused price inflation to be less manageable. Present practice is that each energy supplier (electric company, fuel distributors, etc.) determines its respective consumer price on an ad hoc basis without considering the response to a price change in the consumer cost of one type of energy upon the usage of another type of energy. Example: escalation in cost of electricity to the consumer results in undesirable increases in the use of wood.

The consumption of fuelwood, which accounts for 90% of the primary energy supply exceeds the sustainable yield of this resource. Although this has not yet manifested itself in serious deforestation or widespread fuelwood shortages, a continuation of this trend could seriously deplete Malawi's extensive national forest cover.

---

1. National Statistics Office, Government of Malawi

Malawi, at present, has no strategic storage reserves of any kind of energy. The pricing policy set by oil companies and the kerosene subsidy paid by the Government should be reviewed. Government institutions which govern fuel policy and pricing need to be activated. Demand management is virtually absent. Supply disruptions are frequent. Malawi's development is at a stage where sources, alternative to the commonly used fuels, must be sought. In addition, serious attention must be given to the policy and practice of managing traditional, modern and alternative sources of fuel.

The IFC proposes a second investment in the Malawi Ethanol Company Ltd. to help finance expansion of the company's plant. The ethanol to be produced is expected to save foreign exchange at a minimum of U.S. \$1.5 million per annum. The ethanol will be used as an additive to gasoline. The major beneficiaries will be commerce and industry. Other than a short-term fuelwood study funded by the World Bank, there is no plan of action to meet the daily energy needs of the smallholder and families of equivalent status

#### U.S A.I.D 's Planned Response to the Problem

Malawi imports about 45-55,000 tonnes of coal per year. Ninety percent of the imported coal is used for industrial commercial purposes. There are known deposits of coal within Malawi. The internal coal deposits could be used as a substitute for imported coal. We believe we have a commitment from AID's Office of Energy to set up a laboratory for testing the quality of indigenous coal and to provide technical assistance to determine the best use of the indigenous coal. Malawi's coal is said to be of low grade and therefore inefficient. Assistance in the provision of testing facilities for coal and the technical assistance is to be paid from central funds so it is not included in our budget. The bilateral budget is intended to finance an activity which would accomplish the following:

- assist in identifying local sources of renewable energy;
- help Malawi make the transition from dependence on petroleum based energy to a mix of energy sources that will sustain the agriculture sector;
- identify means of using each source of energy so as to increase the value of energy output from a given volume of resources; and,
- promote policies designed to increase the efficiency of management of energy consumption.

#### Host Country Entities Involved

A Department of Energy has been established within the Office of the President and Cabinet. This department will be fully constituted

shortly after receipt of the Energy Assessment Report. The report is the combined effort of the World Bank, UNDP, USAID, and a group of Malawian economists trained using funds from AID's Office of Energy. Once established, we expect the Department of Energy will be the primary host country entity.

Major Issues

As we develop our plans we must assure that the trade-offs in energy mix are economically beneficial to the smallholder and poor families. Above all we must avoid gimmicks.

The Target Group

The project will be designed with the small farmer and poor households as the primary target group. Project success may bring direct benefit to groups other than those of primary target.

Proposed Funding

(U.S. \$000)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>LOP</u>
USAID Malawi Requested Level Per CDSS	-0-	900	9,900
AID Washington Instructed Planning Level	-0-	-0-	9,900

TABLE IV PVO PROJECT NARRATIVE

Save the Children

The Director of Save the Children (U.S.) expressed interest in seeking a matching grant to finance projects in the Rural Growth Centers established by the National Rural Development Program. USAID Malawi has not as yet received a final proposal. We would like to have Save the Children join us in our efforts to bring more assistance to Malawi.

FY 1984 ANNUAL BUDGET SUBMISSION

U.S.A.I.D. REQUESTED LEVEL PER CDSS

TABLE V - FY 1984 PROPOSED PROGRAM RANKING		Country/Office MALAWI				
RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)	
					INCR	CUM
	NEW AND CONTINUING PROJECTS					
1.	612-0202 Agricultural Research	0	G	ARDN	-0-	-0-
2.	612-0212 Manpower Deve. in Ag. Extension	0	G	ARDN	5,000	5,000
3.	612-0208 Rural Sector Grant	0	G	ARDN	3,600	8,600
4.	612-0214 Indigenous Private Sector	0	G	SDA	1,000	9,600
5.	612-0213 Technology Transfer & Training	0	G	SDA	500	10,100
6.	612-0211 Family Health and Spacing	0	G	PN/HE	3,000	13,100
7.	612-0201 Polytechnic Expansion	0	G	EHR	-0-	13,100
8.	612-0210 Renewable Energy	N	G	SDA	900	14,000
9.	612-0205 Malawi Union of Savings	0	G	ARDN	-0-	14,000
10.	612-0207 Self-Help Rural Water	0	G	HE	-0-	14,000

FY 1984 ANNUAL BUDGET SUBMISSION

A. I. D. WASHINGTON INSTRUCTED PLANNING LEVEL

		Country/Office MALAWI				
TABLE V - FY 1984 PROPOSED PROGRAM RANKING						
RANK	PROGRAM ACTIVITY	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)	
	DESCRIPTION				INCR	CUM
	NEW AND CONTINUING PROJECTS					
1.	612-0202 Agricultural Research	0	G	ARDN	-0-	-0-
2.	612-0212 Manpower Deve. in Ag. Research	0	G	ARDN	5,000	5,000
3.	612-0208 Rural Sector Grant	0	G	ARDN	3,600	8,600
4.	612-0211 Family Health and Spacing	N	G	PN/HE	1,400	10,000
5.	612-0201 Polytechnic Expansion	0	G	EHR	-0-	10,000
6.	612-0205 Malawi Union of Savings	0	G	ARDN	-0-	10,000
7.	612-0207 Self-Help Rural Water	0	G	HE	-0-	10,000

TABLE V RANKING NARRATIVE

U.S.A.I.D. Malawi Requested Level Per CDSS Ranking

Sustainable growth in agricultural output for domestic use and the creation of agricultural surplus to generate foreign exchange form the core of the development assistance strategy for Malawi. To achieve the targets we must build upon companion pieces. Agricultural research and extension are companions. In Malawi research is a major constraint to improved productivity. Extension is the weakest link in the agricultural sector. Agricultural Research and Manpower Development in Agricultural Extension are, therefore, ranked one and two, respectively.

The CDSS cites agriculture as the core of the Malawian economy. The sector employs 85% of the population and provided approximately 90% of exports and 42% of GDP in 1981. (See pages 25 through 27 and 42 through 44 of the FY 1984 CDSS for specifics on agricultural research, and pages 27 through 31, and page 45 for specifics on Extension.)

The Rural Sector Grant is ranked third because if research and extension are to succeed, farmers must have tools, appropriate equipment and specific education to respond to improved research and extension. Reliance on traditional tools, methods and practices will diminish the efforts of research and extension. Of equal importance is that traditional tools do not contribute to conservation and preservation of Malawi's very limited farming resource base. (See pages 47 and 48 of the FY 1984 CDSS for specifics.)

Ranking the Indigenous Private Sector fourth indicates the importance of the private sector to AID's assistance strategy. Should we succeed in producing agricultural surplus there must be the means to exploit the surplus beneficially. The private sector entities identified in the Table IV narratives are those which directly support agriculture. They are the entities that market agricultural products and by-products. They are institutions that can contribute substantially to growth. Agricultural production can succeed no better than the instruments of support and use of agricultural production can handle.

Although USAID Malawi is preparing a full scale private sector strategy for incorporation in the FY 1984 CDSS, the intent of the reference to the private sector in the CDSS will not change. (see pages 3 through 6, and 50 through 52 of the FY 1984 CDSS.)

Technology Transfer and Training ranks fifth. Whereas the Indigenous Private Sector Project will provide financial support where needed and technical assistance to statutory bodies and private

enterprises, this project - Technology Transfer and Training - will be designed to provide technical assistance only. Ministries can also draw technical assistance from this project. The structure in Malawi is such that there is confluence between the private sector and the Government in some cases. Our intent is to be able to respond through one project or the other even if the lines of demarkation are not clear. The aim is to provide technical assistance in places where assistance is needed in order to produce growth. Page 52 of the FY 1984 Country Development Strategy Statement states: "The objective of AID's program in this area is to increase Malawian capacity to provide skilled manpower in the quantity and quality necessary for the prosecution of Malawian agriculture development programs and to allow private enterprise to increase its ability to expand and handle more complex technical tasks." (See also pages 3 through 12, 32 through 34, 50 and 51 of the FY 1984 CDSS.)

Family Health and Spacing is ranked sixth not because it is any less important than the preceding activities, but because it will take considerable time to prepare a culturally and politically acceptable program. We do not expect to be ready to obligate funds until at least the third quarter, FY 1983, therefore the factor governing rank in this case is time, not importance. Throughout the CDSS, reference is made to the relationship of population growth and production outputs. At the present rate of population growth, domestic consumption needs are close to exceeding domestic output. If we are to enhance the chances of accelerating economic development, there must be a favorable ratio between domestic need and domestic output. (See pages 35, 36 and 54 of the FY 1984 CDSS.)

Polytechnic Engineering Expansion is ranked seventh because the project will have been fully funded by 1984, although project completion date is 1985. A plan for upgrading the quality of total student output from the Polytechnic is under preparation. We wish to review the plan to decide if and for what purpose additional AID resources should be requested.

In eighth rank is Renewable Energy. Just as is the case with Health and Family Spacing, the eighth position does not denote lessening of importance. As we have done in the past, we expect to use central funds for the search for an appropriate bilateral action. By FY 1984 we should have a good definition and a solid plan of action.

Energy is the oxygen of development. It ranks in importance to development growth as do the classical factors of production - land, labor and capital. Without a reliable source of energy neither agriculture nor the private sector can survive or thrive. The strategy background (page 40 in the FY 1984 CDSS) explains the need for USAID's functional intervention in renewable energy. (See also pages 54 and 55 of the FY 1984 CDSS.)

In the ninth position is the project, Malawi Union of Savings and Credit. The activity is so ranked because the UNDP recently fielded a consultant to prepare a Cooperative Development Plan which, if implemented, would subsume the AID funded credit project. The current AID project is limited to strengthening the Malawi Union of Savings and Credit Corporation Organization, MUSCCO. The UNDP proposed project has a larger objective. UNDP proposes "(a) to strengthen the Cooperative Division of the Ministry of Trade and Industry, enabling it to provide adequate services to cooperatives and pre-cooperatives in the fields of: pre-investment research; education and training for members, committees and staff; technical assistance and management consultancy, audit and accountancy, as required by the Cooperative Law 47.02; and, (b) to develop a national cooperative education and training program and a detailed plan for the establishment of the proposed Cooperative Development Center." This broader scope of work is attractive. We should not duplicate the work of other donors. AID's Credit Union activity would become the base of UNDP proposed activity.

Self Help Rural Water is ranked last because we do not intend to fund a second phase.

TABLE V RANKING NARRATIVE

A.I.D. Washington Instructed Planning Level (AAPL) Ranking

Ranking using the AAPL authorization as the final funding level does not change from that of the USAID requested level. The difference is omission of three activities:

- Indigenous Private Sector;
- Technology Transfer and Training; and,
- Renewable Energy.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1982				FY 1983			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	281,400		281,400		455,980		455,980	5
F.N. DIRECT HIRE	21,600		21,600		17,700		17,700	5
CONTRACT PERSONNEL	24,200		24,200	XXXXX	24,300		24,300	XXXXX
HOUSING EXPENSES	59,500		59,500		177,105		177,105	5
OFFICE OPERATIONS	115,200		115,200	XXXXX	237,534		237,534	XXXXX
TOTAL	501,900		501,900	XXXXX	912,619		912,619	XXXXX
RECONCILIATION				XXXXX				XXXXX
MISSION ALLOWANCE				XXXXX				XXXXX

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1984 MINIMUM				FY 1984 CURRENT			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE			501,578		501,578		501,578	5
F.N. DIRECT HIRE			19,470		19,470		19,470	5
CONTRACT PERSONNEL			24,057	XXXXX	26,730		26,730	XXXXX
HOUSING EXPENSES			194,000		194,815		194,815	5
OFFICE OPERATIONS			111,027	XXXXX	197,487		197,487	XXXXX
TOTAL			850,132	XXXXX	940,080		940,080	XXXXX
RECONCILIATION				XXXXX				XXXXX
MISSION ALLOWANCE				XXXXX				XXXXX

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

FY 1984 PROPOSED				
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	501,578		501,578	5
F.N. DIRECT HIRE	19,470		19,470	5
CONTRACT PERSONNEL	26,730		26,730	XXXXX
HOUSING EXPENSES	194,815		194,815	5
OFFICE OPERATIONS	197,487		197,487	XXXXX
TOTAL	940,080		940,080	XXXXX
RECONCILIATION		XXXXX	XXXXX	XXXXX
MISSION ALLOWANCE		XXXXX	XXXXX	XXXXX

P.L. 480 NARRATIVE

There is no request for P.L. 480 assistance in this budget submission.