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*This paper was prepared to provide background information on the issues and opportunities for economic assistance to the countries of Southern Africa thru and following the periods of transition in Zimbabwe and Namibia. It includes Social, Geographic, Economic, and Political information.*

February 1977

Prepared by:

Southern Africa Task Force

Office of Southern and  
East African Affairs  
Africa Bureau, USAID

## **Transition in Southern Africa-----**

# **MALAWI**

A FRAMEWORK FOR U.S. ASSISTANCE  
IN SOUTHERN AFRICA

COUNTRY RESOURCE PAPER

MALAWI

Submitted by

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# **I**

## **GENERAL BACKGROUND**

- **Physical Features**
- **Demography**
- **Culture**
- **Education**
- **Politics**

## I. GENERAL BACKGROUND

### A. Physical Features

Malawi is a landlocked country in southeastern Africa located in a southern portion of the East Africa Rift Valley. Its elongated territory extends from north to south for about 560 miles and from east to west for an average distance of less than 100 miles. The country borders Tanzania, Mozambique and Zambia. (See Figure I-1. Malawi: Boundaries with Neighboring States.) Long stretches of these borders are marked by natural features, but certain sections remain undemarcated. Nearly all of the borders are crossed easily and Malawi jobseekers freely cross the borders to find work in nearby states, especially Southern Rhodesia and South Africa. With the exception of certain southern areas, however, most border areas are sparsely populated.

For administrative purposes the country is divided into three major regions, each of which has an administrative center: the Northern Region (administered from Mzuzu); the Central Region (Lilongwe); and the Southern Region (Blantyre). The regions are subdivided into twenty-four districts: five in the Northern Region; nine in the Central Region; and ten in the Southern Region. (See Figure I-2. Malawi: Administrative Regions and Divisions, 1974.) The National capital, originally at Zomba, has been transferred to Lilongwe.

Malawi has a diverse topography including mountains ranging from a few hundred feet above sea level to peaks over 8,500 feet in elevation, escarpments, plateaus, hills, floodplains, and marshes. Most important for human habitation are the plateaus which form about 75 percent of the land area. The three largest include: the heavily cultivated Shire Plateau in the Southern Region; the Lilongwe Plain in the Central Region; and the more sparsely populated and less productive agriculturally Nyike Plateau in the Northern Region.

Of the total area of about 45,750 square miles about 9,425 or about 21 percent consists of water areas. The vast majority of this water area is represented by Lake Malawi, one of the largest and deepest lakes in the world. The lake follows the eastern border of the country for about 300 miles and, except in the south, is ringed by steep cliffs. Its deepest points are more than 700 feet below sea level, providing an average depth of about 2,250 feet. The lake serves as a catch basin for runoff from the northern and central sections of the country; it drains southward as the Shire River, which is the catch basin in turn for the Southern portion of the country and flows into the Zambezi River at a point somewhat below the southern border of Malawi.

All soils have basically eroded from granite and limestone formations, but the diversity of landforms and rainfall have resulted in a complex variety of soils, not only throughout the country but with each district as well. Most areas, especially the plateaus, are covered with red to yellow colored iron-bearing clays which are moderately fertile. On steep slopes and in areas with high rainfall, however, soils have been heavily leached sometimes to little more than impermeable laterite. Certain lakeshore areas and riverine plains





in the Lower Shire River Valley have deep layers of dark, fertile, alluvial soils. Sand soils--including loams--and gravels are found along Lake Malawi and reach levels as high as 100 feet above the present level of the lake, indicating periods when the lake was deeper than at present. Above the floodplains of the Lower Shire River such soils cover a layer of impermeable subsoil and are too supersaturated with water to support more than a few trees and various types of swamp grass.

Savanna is the most widespread natural vegetation cover in Malawi. The characteristic mixture of scattered low trees, shrubs, and grasses responds to differences in soil, surface and subsurface moisture, slope, and elevation. Most savanna vegetation is dormant for several months during the annual dry season. Plants that require year-round moisture are found at all altitudes but they tend to be restricted to the shores of Lake Malawi and other bodies of water, swamps, floodplains. Most common plants in these perennially wet areas consist of marsh grasses, sedges, and reeds. Common trees in lower elevation include the boabab, several kinds of acacia, red or brown and Rhodesian mahogany, mopani, and palms. Plateaus and mountains over 5,000 feet in elevation have forests of cedar or other evergreens mixed with open grasslands. Little virgin timber remains and most areas have been degraded by slash and burn farming or accidental forest fires.

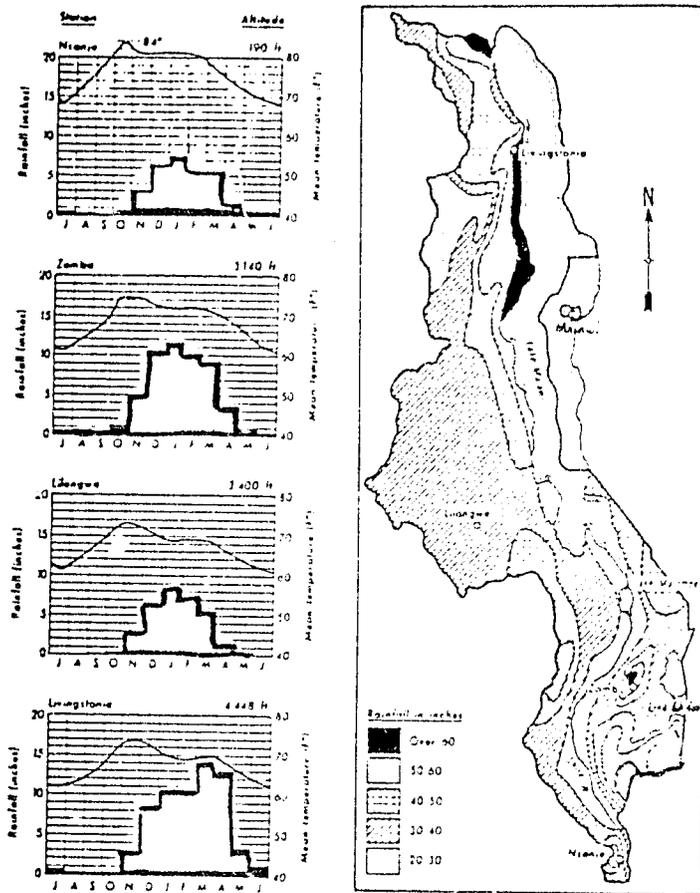
Located less than 10 degrees from the equator at its most northern tip, the country has a tropical climate with distinct wet and dry seasons. Seasonal variations result from cyclic shifts in the Intertropical Convergence Zone, a broad unstable front formed by the merger of the moist, low-pressure system of the tropical belt and cooler, drier air from more southern latitudes. Climatic variations outside this general pattern reflect differences in topography, the closeness to Lake Malawi, and elevation.

The rainy season begins with thunderstorms in November and increasingly heavier rains follow as the Intertropical Convergence Zone moves southward during December and January and then retracts during February and March. The level of rainfall drops considerably in April especially in the south. From May through October most areas receive less than one inch per month. About 90 percent of the country receives between thirty and sixty inches of rainfall annually (see Figure I-3). The relative humidity is usually between 50 and 80 percent in most of the country even during the dry season.

The warm season, which includes the wet season, extends from September or October to March or April. The average monthly temperature at Lilongwe, approximately 3,400 feet above sea level, is about 74°F in November, the warmest month, and about 58°F in July, the coldest month. Areas 4,000 to 4,500 feet above sea level have a relatively comfortable maximum of about 75°F and an absolute maximum of about 92°F. In such high regions above the 8,000 foot level as the Nyika Plateau and the upper regions of the Mulanje Mountains night frost occurs during July. In contrast, the low-lying areas of the Shire Valley, about 200 feet above sea level have a high mean maximum of 89°F, and an absolute maximum above 100°F is often recorded during October and November; nighttime temperatures remain uncomfortably high and frost is unknown.

FIGURE I-3

MALAWI: MEAN ANNUAL RAINFALL AND TEMPERATURE



Source: Adapted from Anthony Young and Doreen M. Young, *A Geography of Malawi*, London, 1964, p. 20.

Estimates of the total arable land in the country vary widely, but the most commonly cited figure for maximum arable land is about 13.1 million acres or about 56 percent of the total land area. This figure includes land that would require such costly investment as irrigation and mechanized cultivation, however, and on the basis of existing methods of cultivation arable land is believed to be no more than 6.4 million acres. An estimated two to three million acres or 41 to 47 percent of this acreage remained unsettled in 1969. On the basis of present levels of productivity all of this acreage would have to be under cultivation sometime between 1984 and 1989 in order to provide food needs associated with projected population growth.

On the basis of an alternate survey using aerial photographs 1.25 million acres of unsettled land were classified as good quality--land that could produce medium to high yields with minimum expenditures of capital or labor--and about 2.6 million acres were of moderate quality--land which would require more investment and would be settled only under moderate population pressure. Of the total good and moderate quality land 21 percent was in the Northern Region, 43 percent was in the Central Region, and 35 percent was in the Southern Region.

#### B. Demography

The final adjusted total for the 1966 census showed a population of 4,039,583. This compared to an estimated population of about 2 million in 1945, the next most recent official figure for Malawi. An unofficial projection based on the 1966 data and on an annual growth rate of 2.5 percent indicated a population of about 5.2 million in late 1975. (See Table I-1, Malawi: Population for Selected Years.) The accuracy of the 1966 census was substantially increased over previous population studies. Guidance on census techniques was offered by the United Nations and technical assistance, including advisors and computers, was provided by the United States. Analysis of the 1966 data indicated that the 1945 estimates were probably too low; the previous population counts compiled by the British administration were based on imprecise estimates of the African population but were accurate for the European and Asian populations.

According to the 1966 census, Malawi had a European population of 7,395 and an Asian population of 11,299. An unofficial report published in the mid-1970s indicated that these figures remained about the same. Only twenty-three of the European and fewer than 300 of the Asians, however, had applied for citizenship. The role of these expatriates in the national economy was disproportionate to their number.

Projections for 1970 based on the 1966 census revealed that a high proportion of the population was young: almost 45 percent of the population was under fifteen years of age and almost 65 percent of the population was under twenty-five. (See Figure I-4, Malawi: Population Distribution and Density by Age Group, 1970.) About 33 percent was in the twenty-five to sixty-four age bracket and about 3.4 percent was reported as being over the age of sixty-five.

TABLE-I-1

MALAWI: POPULATION FOR SELECTED YEARS, 1901-1976

Year <sup>1/</sup>	Africans	Europeans	Asians	Total
1901. . . . .	736,724	314	115	737,153
1911. . . . .	969,183	766	481	970,430
1921. . . . .	1,199,934	1,486	563	1,201,983
1926. . . . .	1,290,885	1,656	850	1,293,391
1931. . . . .	1,599,888	1,975	1,591	1,603,454
1945. . . . .	2,044,707	1,948	2,804	2,049,914 <sup>2/</sup>
1966 <sup>3/</sup> . . . . .	4,020,724	7,395	11,299	4,039,583 <sup>4/</sup>
1976 <sup>5/</sup> . . . . .	n.a.	n.a.	n.a.	3,253,125

n.a. means not available.

<sup>1/</sup> Based on estimates and surveys unless otherwise indicated.

<sup>2/</sup> Includes 455 people from origins not categorized.

<sup>3/</sup> Complete census results.

<sup>4/</sup> Includes 165 persons from origins not categorized.

<sup>5/</sup> Estimate based on 1966 census and 2.5-percent growth rate.

Source: Adapted from Malawi, Department of Census and Statistics, Malawi Population Census, 1966: Final Report, Zomba, n.d.

FIGURE 1-4

MALAWI: POPULATION DISTRIBUTION BY AGE GROUP, 1970<sup>1</sup>

<u>AGE GROUP</u>	
80-84	- (.12%)
75-79	-- (.36%)
70-74	---- (.77%)
65-69	----- (1.15%)
60-64	----- (1.65%)
55-59	----- (2.21%)
50-54	----- (2.8%)
45-49	----- (3.5%)
40-44	----- (4.3%)
35-39	----- (5.2 %)
30-34	----- (6.24%)
25-29	----- (7.43%)
20-24	----- (8.85%)
15-19	----- (10.46%)
10-14	----- (12.2%)
5-9	----- (14.65%)
0-4	----- (18.14%)

<sup>1</sup>Based on projections from the 1966 Census.

The 1966 census indicated a nationwide average density of 111 people per square mile of land. This was four times the African average and considerably higher than the density of adjacent countries; twenty-eight in Tanzania; twenty-three in Mozambique; and thirteen in Zambia. Only three African countries--Burundi, Rwanda, and Nigeria--had higher average densities. Analysis of regional densities for Malawi indicated that over half the population lived in the Southern Region where the density reached 169 people per square mile. (See Table I-2. Malawi: Regional Population Distribution and Densities, 1966.) Population growth was more rapid in the south, reflecting a higher internal growth rate and both north to south migration and migration from adjacent areas of Mozambique. Administrative districts varied considerably from the national and regional averages. The projected national density for 1976 was about 145 people per square mile. When adjusted to exclude water areas, this figure increased to 195 people per square mile.

The 1966 census indicated that 91.8 percent of the population resided in traditional settlements and earned their living largely from working the land. Another 3.2 percent lived and worked on commercial agricultural estates, missions, government stations, or trade centers. About 1 percent lived in urban areas but continued to cultivate acreage near traditional village centers; they participated only marginally in the cash economy, retained essentially rural life styles, and were only nominally urban. Approximately 4 percent of the population was classed as truly urbanized. This urbanized minority was growing very slowly and by the mid-1970s probably included no more than 5 percent of the total population. The population of Blantyre exceeded that of the next largest urban center by four times and contained 73 percent of the total urban population in 1970. (See Table I-3. Malawi: Population of Major Towns, 1966, 1970 and 1980 Projections.) By 1980 Blantyre is expected to have a population in excess of 300,000.

In 1975, the economically active population of Malawi was estimated at about 1.5 million. A total of 232,389 employees were registered as wage earners in establishments hiring over twenty employees, a figure which represents an increase of 7 percent over the previous year. An additional 300 wage earners were estimated to be employed in small establishments. The private sector accounted for about two-thirds of all wage employment. About 33 percent of all registered wage earners were in the agricultural sector, and 26 percent were in the service sector. (See Table I-4. Malawi: Structure of Employment by Sectors, 1975.) Earnings, particularly in the agricultural sector, were among the lowest in Africa. The average monthly wage for all sectors in 1975 was about K32 or the equivalent of about US\$36. The level of open unemployment is insignificant, but there are some pockets of underemployment in both rural and urban areas.

The 1966 census projected that 266,000 Malawians were living abroad. Of these 50 percent were in Rhodesia. The number of migrant workers abroad in the mid-1970s was possibly as high as 300,000 but some reports indicated that the number may have declined to only about 250,000. Some overseas workers were on two-year contracts, but others had been away for ten, fifteen or even more than twenty-five years. Perhaps 26,000 of these laborers were permanently settled in neighboring countries.

TABLE-I-2

MALAWI: REGIONAL POPULATION DISTRIBUTION AND DENSITIES, 1966

Region	Population	Area (in square miles)	Density (people per square mile)
Northern . . . . .	497,491	10,376	48
Central . . . . .	1,474,952	13,714	108
Southern . . . . .	<u>2,067,140</u>	<u>12,235</u>	<u>169</u>
TOTAL . . . . .	4,039,583	36,325	111

Source: Adapted from Malawi, Department of Census and Statistics, Malawi Population Census, 1966: Final Report, Zomba, n.d.

TABLE-I-3

MALAWI: POPULATION OF MAJOR TOWNS, 1966, 1970  
AND 1980 PROJECTION

Town	1966 <sup>1/</sup>	1970 <sup>2/</sup>	1980 <sup>3/</sup>
Blantyre. . . . .	109,000	170,000	320,000
Lilongwe. . . . .	19,400	40,000	160,000
Zomba . . . . .	19,650	20,000	40,000
Mzuzu . . . . .	8,500	n.a.	n.a.

n.a. means not available.

<sup>1/</sup> From Malawi census of 1966.

<sup>2/</sup> Compiled from Malawi government estimates.

<sup>3/</sup> Projected figures based on Malawi government estimates.

Source: Adapted from Malawi, Department of Census and Statistics, Malawi Population Census, 1966: Final Report, Zomba; and Swanzie Agnew and Michael Stubbs (eds.), Malawi in Maps, New York, 1972.

TABLE-I-4

MALAWI: STRUCTURE OF EMPLOYMENT BY SECTOR, 1975

	Number employed ( '000)	<u>Average wage</u> (K per month)
Agriculture	76.2	11.5
Mining, etc.	0.9	36.2
Manufacturing	33.3	36.4
Construction	22.2	31.6
Electricity & water	2.6	50.0
Commerce	21.3	41.2
Transport, storage & communications	12.3	63.5
Services	60.8	41.7
Total (incl others)	<u>232.4</u>	<u>32.1</u>

Source: Malawi Monthly Statistical Bulletin, December 1975.

### C. Culture

Ethnic conflict is not a major problem in Malawi. Culturally the ethnic groups to which the African population of the country belongs are sufficiently similar in their patterns of social organization and in their sets of values to permit easy interaction, including intermarriage. Descent, inheritance and succession is commonly determined matrilineally. Most people live in small social units under village headmen and chiefs and support themselves by cultivation of nearby lands. Many of the chieftaincies have heterogeneous ethnic origins.

Before the 19th century the sparsely populated area was characterized by small, scattered socio-political units and there was little contact between different ethnic groups. Invasion and conquest by the Ngoni and the migration of the Yao into the region resulted in increased contact. The processes of assimilation and levelling reduced what differences existed to minor variations. Inter-ethnic relations were further affected by the introduction of a cash economy and the improvement of communication that broke down barriers between internal groups as well as with the outside world. Ethnic distribution was further reduced and national identity reinforced by the service of 30,000 Africans from Malawi in British forces during World War II and by the migration of laborers abroad for employment.

The long history of population migrations, conquest, mutual assimilation and intermarriage, particularly in the southern and central regions has blurred ethnic origins and identification. Perhaps the best indication of an individual's cultural attachment is the language used at home. The national census of 1966, in fact, dropped efforts to determine the ethnic origins of the population and instead used the use of one of nine different languages as the basis of cultural identification.

The census revealed that about half of the population spoke Chinyanja, the language of the Nyanja and Chewa, at home and that more than 75 percent of the African population understood it. (See Table I-5. Malawi: Home Language of the African Population, 1966 Census.) Its use was spreading every year, and in 1968 it was declared the country's national language. From then on it has been officially referred to as Chichewa, over the objection of people in the northern and southern regions who feared cultural subjugation by the Chewa. A standardized form has been devised for governmental and educational purposes, and Chichewa has become the main medium of the Malawi Broadcasting Corporation.

English is the country's official language. It is spoken by all Europeans, by persons of Indian descent, and as a lingua franca between educated Africans of varying ethnic affiliation. It was understood by a total of almost 6 percent of the total Malawian population in 1966. A very small number of people, living predominantly around Lake Malawi, use Swahili as their home language. Many Africans know more than one language. Fewer women, however, know a second language because they are less likely to travel, to be educated, or to work for wages.

TABLE-I-5

MALAWI: HOME LANGUAGE OF THE AFRICAN POPULATION,  
1966 CENSUS (BY PERCENTAGE OF TOTAL AFRICAN POPULATION)

Language	Region			Entire Country
	Northern	Central	Southern	
Chichewa (Chinyanja) . . .	0.3	33.1	16.8	50.2
Chilomwe . . . . .	---	---	14.5	14.5
Chiyao . . . . .	---	1.2	12.6	13.8
Chitumbuka . . . . .	7.9	1.1	0.1	9.1
Chisena . . . . .	---	---	3.5	3.5
Chikhokola . . . . .	---	---	2.2	2.2
Chitonga . . . . .	1.5	0.3	0.1	1.9
Chingoni . . . . .	0.1	0.1	0.9	1.1
Chingonde . . . . .	0.9	---	---	0.9
Other . . . . .	<u>1.5</u>	<u>0.4</u>	<u>0.6</u>	<u>2.5</u>
TOTAL . . . . .	12.2	36.2	51.3	99.7 <sup>2/</sup>

--- means not applicable.

<sup>1/</sup> Age five years and over

<sup>2/</sup> Total does not add to 100 because of rounding.

Source: Adapted from Malawi Statistical Yearbook, 1972, Zomba, n.d., p. 7.

Less than .5 percent of the population is non-African. Europeans number less than 10,000 and are mainly of British origin. Few are citizens and most work in the government administration or as managers of the large tea and tobacco estates owned by British companies. A few are independent, medium-scale farmers. Almost half live in Blantyre.

Asians, most of whom are Indians, represent a slightly larger number than the Europeans; their birthrate is high, and their numbers are expected to rise. They have traditionally served as professionals, middlemen, craftsmen, and have dominated the small-scale retail trade. Caste distinctions are relatively unimportant among the Indian community in Malawi, but the separation of Hindu and Muslim communities remains. Almost half of all Asians live in Blantyre. Pre-independence movements were markedly anti-Indian because many Africans felt that they had been exploited by Indian shopkeepers. In 1970 the government decreed that all commercial enterprises in rural areas should be transferred to African hands and Asians were restricted to urban areas. Asians continued to hold citizenship and in 1972 President Banda was one of the few African leaders who condemned Uganda's exportation of Asians and offered to accept up to 1,000 of them as permanent settlers.

The expulsion of the approximately sixty members of the Goan community in 1976 on political grounds has not been regarded generally as the beginning of an anti-Asian campaign; rather, it reflected the sensitivity of the President to the prestige of his office. The expulsion resulted after the radio at the Goan Club was turned off while a speech of the President Banda was being broadcast. Should such a shift have occurred, economic development in Malawi would have been severely impaired.

To the extent that alignments exist, they tend to be regional rather than ethnic. The northern region has proportionately a far higher number of educated people because of the long-standing influence of Christian missions. They have come to hold more of the prestigious professional positions. This is resented by people from other regions and has led such northern people as the Ngonde, Tonga, Tumbuka, and northern Ngoni to feel a common tie to their area; this common attachment has substantially counterbalanced traditions of past hostility. Regional and ethnic affiliations largely coincide in the central region because it is inhabited mainly by Chewa. The southern region is ethnically the most diverse of the three. Yet, there, too, a common feeling of being southern unites people in situations when they confront Malawians from other regions.

Ethnic considerations are not prime considerations of the President in his selection of individuals for Cabinet positions or for advancement in the Civil Service. Tribal affiliation is not associated with the development of political parties or membership in religious sects. Hostility does not result when people of different ethnic backgrounds are mixed in agricultural settlement projects, but customary land tenure policies create various complications for development planning.

Since independence one of the main problems faced by the government has been in attempting to modify those features of customary tenure that are regarded as impediments to agricultural development--notably the lack of permanent title

to land-holdings. Despite growing land hunger, cultivators having customary access to land for cultivation have shown very little interest in taking advantage of the laws that encourage registration of permanent title. Most groups have communal usufructuary systems in which rights to use land are held by individuals but disposal rights are held by the group. These rights are exercised by the local headman or other traditional authorities in accordance with unwritten customary law, which is in a continual state of modification. The right to use land is customarily inherited from kin. This right must be approved by the tribal authority, however, and the individual may not sell or otherwise dispose of the land. This right, which derived from kin under customary practice, is referred to in the economic literature as succession, to distinguish it from the European tradition of inheritance conveying the right of disposal, which the national government is trying to introduce.

The traditional principle of inalienability of land from the group protects individuals from being deprived of land by creditors and unscrupulous exploiters. It tends, however, to foster security and communal cohesiveness rather than ambition, acquisitiveness, or regional mobility. It may inhibit the distribution of land to more enterprising farmers in the context of development projects. It is usually characterized by equitable distribution among individuals in a community but sometimes functions to impede equitable redistribution of land between one community and another.

More important in Malawi is the fact that uncertainty concerning succession to cultivation rights on a given plot of land has discouraged the adoption of improvements. Family life is unstable, and the customary divorce rate is high. Moreover, traditional authorities have the right to reassign land for a number of reasons, usually failure to cultivate it but also including accusations of witchcraft or of failing to provide enough subsistence food, both of which can potentially result from efforts to adopt improved methods or to grow cash crops and thus distinguish oneself from the village norm.

#### D. Education

Upon receipt of independence Malawi inherited an ill-defined educational system. Missionaries had built a few schools, but the government provided little support for education. There was a shortage of facilities, and those facilities which did exist were restricted to certain areas. Secondary schools were almost non-existent, and only a few primary school graduates could hope to continue their educations. The expansion of the educational system, particularly on the primary level, has been impressive. Universal primary education, however, continues to be a long-term goal, and both qualitative and quantitative improvements need to be made.

The educational handicap of the 1960s continues to be reflected in the educational profile of the population. In 1975 those over the age of forty who had had eight years of education represented only 1 percent of the population, and only 5 percent of the population had had as much as five years of education. The literacy rate for Chichewa was estimated at about 25 percent. Continued progress in literacy was restricted by low enrollment in primary schools. About 50,000 students completed a third year of primary school annually and, pre-

sumably, were able to read and write. Programs for adult education have been established but the size of enrollment and the number of graduates are not available. The percentage of the population literate in English is small, but the exact number is not known.

Enrollment in the mid-1970s indicated that about 56 percent of the primary school age group was enrolled; of these about 39 percent were female. (See Figure I-5. Malawi: Enrollment in Educational System, 1973/74.) Only 4 percent of the secondary school age group, of which 30 percent were female, was enrolled in educational facilities. The 1,089 students in higher education programs represented less than 1 percent of their age group.

Primary enrollment for the school year 1974/1975 was 606,100 students of which 436,400 or 72 percent attended schools receiving government assistance. During the early 1970s enrollment increased annually at an average of 13.7 percent. Between 1974 and 1985, however, the rate was expected to slow to 5.6 percent annually, giving a projected enrollment in 1985/1986 of about 1.1 million students in primary schools. (See Table I-6. Malawi: Past and Projected Enrollment in Primary and Secondary Education.)

Secondary education for the school year 1974/1975 was 14,200. During the early 1970s enrollment increased annually at an average of 4.3 percent. Between 1974 and 1985, however, the rate was expected to increase to about 5.7 percent. The projected enrollment in secondary schools for 1985/1986 was 26,000.

Enrollment in higher education for 1975/1976 was estimated at 2,650 students, of which about 44 percent attended the University of Malawi. (See Table I-7. Malawi: Actual and Projected Enrollment, Higher Education Selected Years 1973/1974 - 1985/1986.) A total enrollment of 4,320 was projected for 1985/1986. About the same percentage of these students would be enrolled in the University at that time.

The total number of graduates since independence is not readily available, but between 1970 and 1974 a total of 259,275 students completed various programs in the formal educational system. (See Table I-8. Malawi: Educational Output, Formal Educational System 1964, 1970-1974.) Programs included varied widely in duration. Of the total number of students completing programs, 72 percent were enrolled in non-vocational education. Of those in vocational training, 93 percent were in agricultural training--mostly in short-term training--and about 4 percent were in teacher training, classified under the Malawian system as vocational education.

#### E. Politics

The political system of Malawi concentrates nearly all authority in its President, Dr. H. Kamuzu Banda. The central role of the President derives in part from his role as executive head of the government and in part from his domination of the country's only authorized political organization, the Malawi Congress Party (MCP). Called upon by the leaders of the Nyasaland African Congress--banned in 1958 and reorganized in 1959 as the MCP--to lead the movement for

FIGURE I-5

MALAWI: ENROLLMENT IN EDUCATIONAL SYSTEM, 1973/1974

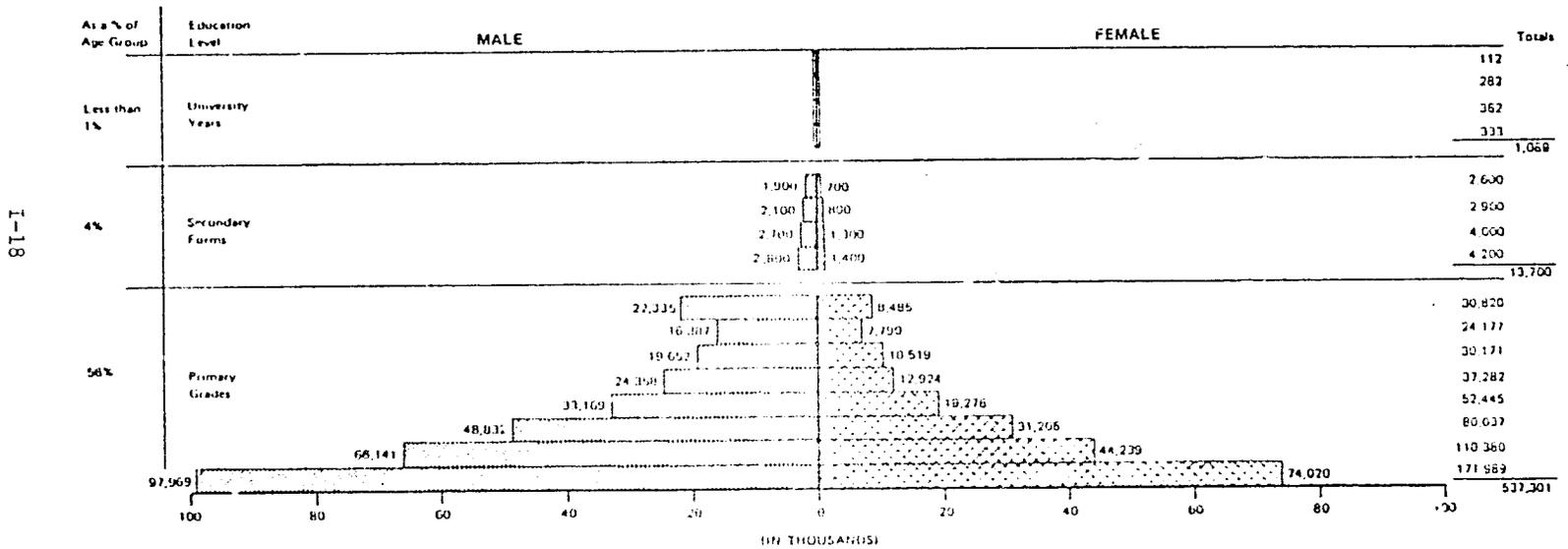


TABLE-I-6

MALAWI: PAST AND PROJECTED ENROLMENT IN PRIMARY AND SECONDARY EDUCATION

		1970/71	1972/73	1974/75	1980/81	1985/86	Average % of Increase p.a.	
							1970-1974	1974-1985
<u>Primary Education</u>								
Grade	1	98,200	148,900	190,000	227,000	263,100		
	2	66,200	95,100	119,300	172,100	199,400		
	3	53,900	67,800	92,900	141,800	164,400		
	4	41,000	47,300	62,800	109,200	117,600		
	5	32,400	37,400	43,900	49,400	103,600		
	6	23,000	28,400	32,600	68,700	79,700		
	7	20,400	23,700	27,500	62,900	72,800		
	8	27,500	32,800	37,100	35,800	92,200		
Total							13.7	5.6
Of Which Assisted Schools		362,600	481,400	606,100	936,900	1,092,800		
Unassisted Schools		321,900	436,400	543,600	848,300	998,800		
		40,700	45,000	62,500	88,600	103,200		
<u>Secondary Education</u>								
Grade	9	3,800	4,100	4,300	5,100	8,100		
	10	3,700	4,100	4,300	5,600	8,000		
	11	2,200	2,700	2,700	4,000	5,000		
	12	2,000	2,500	2,900	4,000	4,900		
Total		11,700	13,400	14,200	18,700	26,000	4.8	5.7

Source: Ministry of Education and Bank Group staff estimates.

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TABLE-I-7

MALAWI: ACTUAL AND PROJECTED ENROLLMENTHIGHER EDUCATION SELECTED YEARS 1973/1974-1985/1986

	1973/74	1975/76	1977/78	1979/80	1985/86
<b>Chancellor College</b>					
Total	590	610	730	790	1200
<b>Bunda College</b>					
Degree	50	70	40	60	80
Diploma	160	200	290	290	360
Total	210	270	330	350	440
<b>Polytechnic</b>					
Total	300	310	390	420	600
<b>University</b>					
Total	1100	1190	1450	1560	2240

1/ The University's Committee projected the enrollment on the basis that the total enrollment would increase by 45% over the 1973/74 and 1979/80 period. The Bank staff extended the projection assuming that the 1973/74 enrollment would double by 1985/86.

Sources: Report of the University of Malawi Manpower Assessment Committee and Bank staff estimate.

TABLE-I-8

MALAWI: EDUCATIONAL OUTPUT, FORMAL EDUCATIONAL SYSTEM 1964, 1970-1974

	1964	1970	1971	1972	1973	1974	Totals 1970-1974
<b>A. Non-Vocational Education</b>							<b>186,787</b>
1. Primary School leavers . . .	30,700	27,500	27,000	27,600	30,560	33,900	146,560
2. Junior Certificate (1)							
Internal	1,610	3,310	3,410	3,680	3,680	---	14,080
External	---	4,300	4,500	5,000	---	---	13,500
3. School Certificate (1)							
Internal	630	1,920	1,960	2,520	2,520	2,580	11,300
External	---	250	275	300	---	---	825
4. "A" level (3)	60	30	30	30	30	---	120
5. Chancellor College degrees (1)	---	56	62	68	73	78	337
6. Law Degrees . . . . .	---	---	4	7	7	7	25
7. Overseas degrees . . . . .	*	20	20	---	---	---	40
<b>B. Vocational and Technical Education</b>							<b>72,488</b>
1. Agriculture							
(a) Farmer Training	2,652 <sup>(5)</sup>	66,617	---	---	---	---	66,617
(b) Field level staff	41	143	165	220	235	---	763
(c) Diploma in Agriculture (6)	---	28	48	47	70	40	233
(d) Degree in Agriculture	---	---	3	12	12	12	39
2. Teaching							
(a) Primary: T3 (7)	15	219	580	580	580	---	1,959
(b) Primary: T2 (7)	---	97	110	110	276	---	583
(c) Secondary: Diploma . . .	---	25	30	53	32	34	174
(d) Secondary: Graduate	---	---	---	10	10	---	20
(e) Secondary technical: Diploma	---	12	---	---	---	---	12
3. Technical							
(a) Artisans and Tradesmen (8)							
building trades	*	112	112	144	172	224	764
non-building trades	*	45	45	45	80	105	320
(b) Other Skills (9)	---	75	75	90	100	---	340
(c) Technicians: diploma (10)	---	65	80	85	70	75	375
4. Other							
(a) Public Administration diploma	---	15	15	14	20	15	79
(b) Health (11)	---	70	70	70	---	---	210
							<b>259,275</b>

259,275

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TABLE-I-8 (Continued) MALAWI: EDUCATIONAL OUTPUT, FORMAL EDUCATIONAL SYSTEM, 1964, 1970-1974, Notes.

Notes:

--- signifies none.

\* signifies impossible to estimate accurately.

In general, figures show the total numbers who will complete various formal courses of education in each year. They do not show the proportion of completing students who are expected to "pass" any relevant examination: it is particularly important to bear this in mind when considering the large number of students externally sitting the Junior Certificate examinations. Only a very low proportion of these external candidates may be expected to obtain a full Certificate. (This is equally true of external School Certificate candidates).

- (1) Junior Certificate is taken after two years secondary education (or equivalent).
- (2) School Certificate is taken after four years secondary education. It is the normal basic entry requirement to all forms of post-secondary education within Malawi.
- (3) Used only for pre-qualification of students for courses in other countries. Other channels, especially the University, are now - in contrast to 1964 - also used for pre-qualification purposes.
- (4) Ordinary degrees, obtained after a four-year post-School Certificate course.
- (5) Refers to number of farmers undertaking courses - most of one day's duration, but some lasting a week or more - at rural training centers. This is of course only a small part of the total farmer training effort, which is mainly of an informal, extension type.
- (6) All Malawi diplomas involve a three-year post-School Certificate course.
- (7) T3 training lasts two years on a J.C. base: T2 training for two years on an S.C. base.
- (8) These figures refer only to the more formal courses available in Malawi for artisan-type training: they clearly understate the total number coming forward to the labour market in each year.
- (9) These are in laboratory techniques, secretarial and typing courses, and in telecommunications.
- (10) These are principally in engineering (mechanical, civil and electrical) and business studies, with some in public health inspection and laboratory techniques.
- (11) These are quasi-professional medical personnel, (registered nurses and medical assistants) excluding the large numbers of relatively low-level enrolled nurses and midwives who are produced largely through religious mission training schemes.

independence in 1957, Dr. Banda was elected lifetime President of the MCP in 1960. Having consolidated his political control during the 1960s Dr. Banda was also elected President of the country for life by the national referendum of 1970.

The dominant position of the MCP was established by the Republican Constitution of 1966, which replaced the Independence Constitution of 1964. The 1966 Constitution was designed to mesh with the constitution of the MCP, with one document filling gaps purposely left in the other. As a result, no clear distinction exists between the party and the government. Party officials and government officials are often one in the same; where such is not the case, party officials are given precedence over government officials at the same level.

Elections for the National Assembly were first held in 1966, the members elected to the Legislative Council in 1961 having automatically constituted the first National Assembly at the time of independence. In the 1966 elections the MCP ran only one slate of candidates, all unopposed. When their mandates expired in 1971 new elections were initiated but were cut short. The nearly two million registered voters were never actually polled, much less given a choice between nominees. Each district's nominating conference forwarded the names of not more than five nominees for each seat. The election campaign stopped after the President had selected sixty candidates from the list of suggested nominees. The candidates were automatically considered to have been elected. Subsequent elections were proposed for the mid-1970s (1975/1976) but after initial consideration were regarded as unnecessary by President Banda, and were never initiated.

The mass support received by the MCP is based on a blend of evolving nationalism and local participation. The personal allegiance of the great majority of the people and their local leaders to President Banda serves as a major force for national unity. The ruling political party also plays a direct role in the formation of national consciousness. The MCP seeks to be a mass party to which all Malawians would belong in order to further the aims of national unity. The constitutional link between the state and the party is so close that it is impossible for most Malawians to distinguish between the two. The local party units--particularly the youth and women's wings--manage to involve large numbers of people and provide a feeling of participation in the governing process.

National identification is relatively high by African standards. This is the result of several factors: the absence of strong ethnic or traditional political divisions; a history of common colonial administration; the early spread of Christianity and elementary education; the dominance of a single African language; and the strength of the single political party and its role in the distribution of public goods and services. Also important has been the experience shared by a large proportion of Malawian males of working outside their own country for extended periods during which they were identified as Malawians rather than on the basis of ethnic or regional origins.

The philosophy of the Malawian political system is clearly set forth in the articles of the 1966 constitution:

1) Political interaction is based on disciplined loyalty to the single party system. Civil rights and liberties associated with democracy in the Western sense are neither associated with nor guaranteed by the political system. Expression of opposition is regarded as disloyal.

2) The paramount duty of the government is the advancement of the welfare of the people; this is defined as economic and cultural development designed to benefit the majority of the African citizens.

3) The administrative structure relies on the use of such traditional institutions associated with village communal society as the chieftaincy and has introduced modern institutions on the local level only where necessary for the needs of development and MCD operations.

President Banda has never demonstrated tolerance for opposition to his policies or dissent in party ranks. Despite thirty years of residence in the United States and Great Britain--during which he obtained a degree in medicine and operated his own medical practice--he has remained attached to traditional ways and rejects the notion that younger men with modern Western educations should lead the country. Challenges to his authority during the mid-1960s hardened the President's attitudes toward competition and furthered his reliance on local and traditional elements over those of national level politicians and the educated younger men. He places strong trust in the rural masses and in the party's youth groups, particularly the paramilitary Malawi Young Pioneers.

Dissident elements motivated by political reasons openly sought to block various policies of the President during the first half of the 1960s. First forced out of office the leaders of this group were subsequently submitted to new security regulations and a preventative detention amendment to the constitution. When an open revolt was led by a group of 200 armed men in 1965, army units were sent to quell the uprising. Several of the rebels were killed or taken prisoner, and most of the remainder were later captured. As many as 1,000 alleged supporters of the uprising were arrested and some remain among the estimated 1,000 to 2,000 political prisoners incarcerated in penal facilities in the country in the mid-1970s.

Highly sensitive to the possibility of renewed opposition since 1965, President Banda has almost single-handedly governed Malawi. He has pointedly by-passed government and party structures at the national level to deal directly, and often personally, with local people throughout the country. As part of this tactic he has increased the authority of local institutions which had been without significant power during most of the sixty years of colonial rule. The President takes a strong interest in the progress of development projects on the local level, for example, and used his personal travel as a means of information on the state of overall national development.

This method of direct rule continues to be Dr. Banda's style, but limited reappearance of other channels of political expression has evolved as additional Malawians have replaced foreigners in the civil service and as new politicians not tainted by the events of the 1964-1965 period have begun to develop voices

of their own. Little information is available about the attitudes and alignments of these new leaders. There is nothing to indicate that they, along with the members of the army and police, are not as loyal to the President as is the general public.

President Banda, moreover, is highly suspect of any initiatives from these potential leaders which seem too bold. He continues to use his power to expel anyone he wishes from governmental and party posts along with frequent changes of the Cabinet (reshuffled six times in 1972 alone) and occasional uses of the preventive detention laws.

In 1973, for example, President Banda dismissed Aleke Banda from the Cabinet and the MCP. Aleke Banda was the most notable younger leader to have supported Dr. Banda in the events of 1964. Since then he had risen to be Secretary-General of the MCP and the most important member of the Cabinet. At all times he remained an apparently loyal supporter of the President. His dismissal came about because in an interview with foreign newsmen he agreed that he could be considered President Banda's most likely successor. It is unclear whether his removal was brought about because of the President's sensitivity about challengers or because other competitors were insulted by his presumption of primacy among them.

President Banda, believed to be in his mid-seventies in 1975 will no doubt have to loosen his control on the political situation or else will no longer remain in the political scene, before the end of another decade. The long-run implications for development planning of his departure are clouded by the absence of open expression. The policies of the younger leaders are believed to differ from those of the President especially in regard to relations with neighboring states and the dependence on foreign capital for national development. The modest but significant growth in real incomes achieved under President Banda could be disrupted by radical policy shifts introduced by subsequent policy makers.

The managerial capacity of the Malawi administrative system ranks high among developing countries, an important factor in the overall economic progress that has been achieved in the country. Africanization of the civil service has gone slowly with the consideration of efficiency and personnel qualifications placed foremost. Nearly all Malawians in the upper ranks of the civil service are academically well qualified for their jobs. A significant number of civil service positions, especially among the top ranks, are occupied by British nationals. Shortages of Malawian officials are most pronounced in the technical and agricultural fields. Special programs have been initiated to train personnel for service in local administrative positions.

## **II**

### **ECONOMIC OVERVIEW**

- **GDP**
- **Balance of Payments**
- **Other**

## II. ECONOMIC OVERVIEW

### A. Gross Domestic Product

Over the period 1964-1974, Malawi's gross domestic product (GDP) grew by an average of 12.8 percent reaching K525 million (US\$630 million equivalent) in 1974 (see Table II-1. Malawi: Industrial Origin of Gross Domestic Product, 1964-1974). Adjusted for price increases, growth in real terms was about 7.5 percent annually. Compared to other African countries at a similar stage of development these growth rates are quite favorable. However, at Independence in 1964, the country began its development with a relatively small resource base, and by 1974 per capita income was only about \$116 compared to an average of \$249 for all of Africa excluding South Africa. Though the country's economic performance has been impressive, Malawi is still listed by the UN as one of the world's twenty-five poorest countries.

As shown in Table II-2. Malawi: Composition and Growth of GDP by Sector, agriculture dominates the economy and represented 45 percent of GDP in 1974. Following in importance are manufacturing (16 percent), trade and finance (16 percent), and other services (10 percent). The table also indicates structural shifts in the economy over the past decade, the most notable being the decline in agriculture's share from 57 percent in 1964 to 45 percent, the rise in manufacturing from 10 percent to 16 percent, and the increase in the share of trade and finance from 11 percent to 16 percent.

Although manufacturing and other sectors have grown at relatively faster rates of growth than agriculture, the latter is still the main stimulus to growth in GDP. This is explained by its absolute significance in GDP as well as the fact that much of the stimulus behind the rapidly increasing output in manufacturing, trade, finance and other services sectors has come primarily from agriculture. As agriculture output has increased, particularly that for export, accompanying increases in primary processing, distributive and commercial activities have occurred at relatively faster rates. This rapid expansion of the manufacturing and service sectors and the emphasis on increased agriculture for export (see Section IV "Agriculture"), has also been reflected in the monetization of the economy. From 51 percent of GDP in 1964, the "monetized sector" had grown to 65 percent by 1974.

### B. Balance of Payments

Between 1965 and 1973 exports and imports both increased at current prices at slightly under 15 percent annually. (See Table II-3. Malawi: Balance of Payments, 1964-1973.) The gap in resources expanded absolutely from US\$16.1 million in 1964 to US\$48.2 million in 1973; in realtive terms, however, throughout the period the current account deficit represented about 35 percent of total imports. (See Table II-4. Malawi: Balance of Payments, Summary, Selected Years, 1964-1973.) Wage remittances from overseas workers have been increasing and in 1973 reached about US\$15 million. This offset the amount of investment incomes paid abroad. The phasing out of British budgetary aid was responsible largely for the substantial decline in net transfers. At the same time there was an increase of external capital inflows to both the public and private sectors. Foreign exchange reserves were built up and at the end of 1973 represented US\$67 million or about six months imports.

TABLE II-1

## INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT, 1964 - 1974

(K million)

	1964	1965	1966	1967	1968	1969	1970	1971	1972 <sup>1/</sup>	1973 <sup>1/</sup>	1974 <sup>1/</sup>
Agriculture, forestry and fishing:											
Monetary	21.9	26.2	28.9	31.6	31.0	37.	37.3	47.5	55.1	58.3	71.2
Subsistence	63.1	71.0	78.7	78.4	79.0	80.7	87.9	110.2	116.9	127.3	153.8
Mining and quarrying	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.5	0.6	2/
Manufacturing:											
Monetary	8.9	11.2	14.7	16.8	18.9	22.9	31.8	32.6	39.0	51.0	63.3
Subsistence	4.7	5.6	5.8	6.5	6.6	6.5	6.5	7.0	7.5	8.2	9.9
Construction:											
Monetary	3.3	3.9	6.1	5.3	6.8	8.6	10.2	13.2	15.8	21.9	25.8
Subsistence	2.3	2.7	2.8	3.3	3.4	3.5	3.6	3.5	3.8	4.3	5.1
Electricity and water	1.1	1.3	1.7	2.0	2.3	2.5	2.9	3.6	4.2	5.0	5.0
Wholesale and retail trade	11.9	14.8	15.7	15.5	19.3	22.6	24.6	37.9	42.4	48.5	79.9
Transport, storage and communication	5.6	7.1	8.9	10.5	10.4	10.4	10.4	15.8	18.5	26.3	33.9
Financial services and real estate	4.3	6.3	6.6	6.5	8.0	8.5	9.6	10.0	12.1	14.9	3/
Community, social and personal services:											
Public administration and defence	13.8	13.9	15.7	17.2	17.7	18.3	18.1	18.6	20.0	22.3	(45.8
Education	2.8	3.1	4.0	4.3	5.1	5.3	5.5	6.3	6.7	7.4	(
Health	1.1	1.4	1.5	1.6	1.7	1.8	2.7	3.0	3.2	3.6	(
Other services	3.6	2.8	3.1	4.8	3.9	4.3	4.8	5.0	4.6	4.3	(
G.D.P. at factor cost	148.5	173.4	194.5	204.5	214.3	233.1	256.4	314.7	350.3	403.9	496.7
Plus net indirect taxes	4.9	6.9	9.9	10.9	11.1	13.3	15.6	21.1	23.3	25.0	28.7
G.O.P. at market prices:											
Monetary	80.8	97.8	114.0	123.8	132.8	152.1	170.3	211.5	244.7	289.2	322.8
Subsistence	72.5	82.4	90.4	91.7	92.6	94.2	101.7	124.4	128.9	139.8	173.9
Total	153.4	180.2	204.4	215.4	225.4	246.4	272.0	335.9	373.6	428.9	525.4
G.D.P. at 1964 prices:	153.4	180.7	198.5	221.7	208.4	215.3	222.7	264.3	283.9	306.5	317.4

<sup>1/</sup> Estimates<sup>2/</sup> Included in "Manufacturing"<sup>3/</sup> Included in "Wholesale and Retail Trade"

Source: National Statistical Office, and Economic Report, 1974.

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# **IV**

## **SECTOR ANALYSES**

- **Agriculture**
- **Mining and Minerals**
- **Transportation**
- **Energy**
- **Health**
- **Education**
- **Population**
- **Industry**
- **Other**

**III**

**FOREIGN DONOR  
ASSISTANCE**

#### IV. SECTORAL ANALYSES--AGRICULTURE

##### A. The Setting

Agriculture is the mainstay of the economy of Malawi. In the mid-1970s it provided about 45 percent of the GDP, the majority of export earnings, and employment for about 90 percent of the economically active resident population. Development of the agricultural sector is the focal point of the government's development strategy. Various development projects, largely financed by foreign aid, have contributed to a steady expansion in agricultural production since independence.

Until 1967 this expansion was achieved primarily by increasing the acreage under production, but the limited supply of suitable farmland and the large financial investment required to provide infrastructure for resettlement brought a shift in emphasis to improving yields on existing acreage. (See Physical Features and Demography under Background Section.) Fertilizer application has reportedly increased at a rate not experienced in other parts of Africa. Certain cultivators in agricultural projects have increased their yields by between 50 and 100 percent in the period of but a few years. The majority of small-holders, however, are still confined to the limited acreage that can be cultivated by family members using a hand hoe and to the low yields to be obtained on overcrowded or depleted land without the use of commercial fertilizer or even animal or green manure.

In good crop years the country is largely self-sufficient in essential foods; considerable quantities of meat, nonetheless, have been imported every year. In a few poor crops years--such as 1970--it has been necessary to import large shipments of maize, which is the staple food of most of the population and usually a net export. The production of maize was expected to expand more rapidly than domestic requirements in the 1970s, mainly on lands under one of the several development projects.

##### B. Structure

Agricultural production derives from three sectors; estate agriculture, small-holder cash cropping, and the subsistence sector. It is sometimes difficult to distinguish between the later two categories. Most small-holders are not able to live from cash crops alone and usually leave space for subsistence food crops. Many subsistence cultivators plant surplus food crops primarily to ensure the family against famine in the event of a partial crop failure. If crop conditions prove favorable, the resulting surplus above the family needs will be marketed. Even in good crops years, however, few cultivating families succeed in being self-sufficient in food production.

Production statistics for agriculture provide only an incomplete picture of total production. Available information for subsistence production covers only crop deliveries to the government's marketing authority. A sizeable share of the leading food crops is excluded from these statistics because it is consumed by the cultivating family, bartered or sold at the nearest open-air market or sold to private traders for resale at urban markets.

Estate production dates back to the colonial period when free-hold or leasehold titles to land were given mainly to expatriate farmers by the colonial administration. In general free-hold titles were given only for the production of tea. Most of these estates survived into the post-independence period.

Since independence the government has maintained a policy of estate production and has supported gradual expansion of the sector. Only Malawi nationals are granted new leases. Initial assistance is provided by the Ministry of Agriculture, but little subsequent support is offered by the government. In the mid-1970s there were about 400 major estates; the average size was about 380 hectares. (See Table IV-1. Malawi: Number and Area of Agricultural Estates, 1973-74.)

Subsistence production, which represents approximately 70 percent of agricultural production in the country, provides both the largest and most stable element of crop production. Estate production and particularly small-holder cash crop production varies from year to year in accordance with weather conditions and market demands. On an average, however, both sectors have expanded more rapidly than the assumed growth of subsistence production. In the first half of the 1960s small-holders commercial production was the most dynamic sector, but since 1967 estate production has taken the lead. Increasing international demand for Malawi-grown tobacco was partially an explanation for this shift.

In 1964 estate production accounted for 27 percent of the total K21.8 million value added to GDP by agriculture. (See Table IV-2. Malawi: Selected Agricultural Indicators, 1964, 1973.) By 1973, however, estate production accounted for about 41 percent of the total. In 1964 estate production provided about 45 percent of total agricultural exports valued at K22.1 million. By 1970 the value of exports from estate production exceeded that of small-holders' production, and in 1973 represented 55 percent of the total value of agricultural exports.

The typical Malawian farm is small, averaging around 1.2 ha. Most farms are not much bigger than the average and only a small percentage are really large; about 2 percent of all farms, representing 8 percent of the cultivated acreage, are 4.8 ha. or larger. In many developing countries the small farmer is almost completely out of the money economy and lives on a subsistence basis. This is not the case in Malawi. The smaller-scale farmers (1.6 ha. or less) represent 63 percent of all farmers, cultivate 35 percent of the acreage, and receive 28 percent of farm cash income (the sum of receipts from the sale of crops, off-farm employment, and worker remittances from relatives working outside the country.) Conversely the larger farmers (2.4 ha. or more) represent 19 percent of the farms, cultivate 42 percent of the area, and receive 51 percent of farm cash income and 30 percent of total cash receipts.

### C. Crops

The major food crop is maize; other food crops include pulses, groundnuts, cassava, rice, sugar and wheat. The principal export crops are tobacco, tea,

TABLE IV-1

MALAWI: NUMBER AND AREA OF AGRICULTURAL ESTATES, 1973/74

<u>Type of Estate</u>	<u>Number of Estates</u>	<u>Total Area (ha)</u>	<u>Average Size Per Estate (ha)</u>
Freehold Estates (Tea only) <sup>1</sup>	30	40,900 <sup>2</sup>	1,363
Leasehold Estates	<u>367</u>	<u>110,052</u> <sup>3</sup>	<u>300</u>
Total Estates	397	150,952	380
Area of country		<u>11,848,400</u>	

- 
- 1 An estimated 40 small-scale estates were excluded from this figure.
  - 2 About 37 percent planted with tea; the remainder under forestry and other uses.
  - 3 Includes SUCOMA sugar estate (4,800 ha.), tea estates (390 ha.) tobacco and other estates.

Source: Office of the President and Cabinet, Department of Lands; and Teas Association (Central Africa) Ltd.

TABLE IV-2

MALAWI: SELECTED AGRICULTURAL INDICATORS, 1964, 1973

	<u>1964</u>	<u>1973</u>	<u>Average Annual Growth Rate (%)</u>
<u>Value Added</u> (current K million)	85.0	174.6	8.3
Smallholders' non-monetary product	63.1	119.8	7.3
Smallholders' monetary product	15.9	32.5	8.3
Estates' product	5.9	22.3	15.9
Agriculture (as of % of GDP)	57.2	46.0	
<u>Agricultural Exports</u> (current K million)	<u>22.1</u>	<u>63.4</u>	<u>12.4</u>
Smallholders' exports	12.2	28.7	10.0
Estates' exports	9.9	34.7	15.0
Agricultural exports (as % of merchandise exports)	88.4	79.9	
Agricultural wage employment (persons)	<u>44,149</u>	<u>/1 76,251</u>	
Agricultural wage employment (as % of total wage employment)	32.9	<u>/1</u> 35.4	

/1 1968 figure.

groundnuts, and cotton with some export of foodcrop surpluses, particularly pulses, cassava, rice and in recent years, maize. The regional distribution of these crops is very complicated and can be discussed in only the most general terms. The country's highly diversified relief and associated variations in climate and rainfall largely explains the intricate pattern of crop production. This diversity has permitted the cultivation of an exceptionally wide range of crops by African standards, but it contributes to transport and marketing problems.

In general, maize, pulses and groundnuts are grown throughout the country, but groundnut production is somewhat more common in the central region. Of the leading cash crops, tobacco, groundnuts, and pulses have their areas of maximum production in the central region; rice in the north, and cotton and tea in the south. (See Figure IV-1. Malawi: Areas of Maximum Production for Selected Cash Crops, 1972.) Projects for tea, tobacco, and cotton have been launched in the north, and cotton and rice projects have been initiated along the central shore of Lake Malawi. Tree crops including tea, tungoil, and coffee, are best grown on mountain slopes at altitudes between 3,300 and 5,200 feet; tobacco and groundnuts are best grown on plateaus between 2,600 and 3,900 feet. Rice is grown primarily along the lake, the most concentrated cultivation being around Karonga, Nkhota Kota, and Salima. A limited amount of rice is produced in the Lower Shire Valley which is a major center for cotton production.

1. Maize- The major staple in the country, maize, is grown primarily as a subsistence crop and only a small percentage of total output is marketed. National policy aims at self-sufficiency and the production of adequate stocks to cover years with poor harvests. Surplus stocks are placed on the export market only after domestic needs have been met and the crop under cultivation has matured sufficiently to estimate harvest yields for current years.

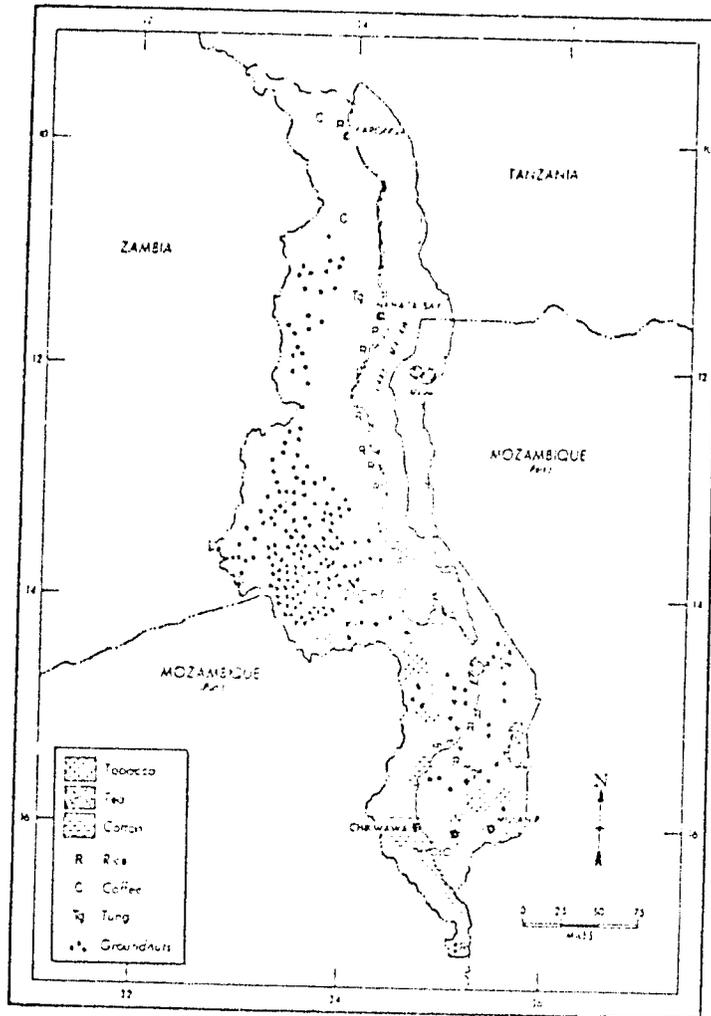
A record harvest in 1972 brought 73,500 tons of marketed maize compared to 38,200 tons in 1971. (See Table IV-3. Malawi: Marketed Production of Principal Crops, 1970-1974.) Weather conditions in 1973, however, were unfavorable and marketed production fell by almost 10 percent to 66,200 tons. Provisional estimates for the first three quarters of 1974 indicated that marketed production had reached 65,400 tons. In 1975, to further increase production, the government increased the guaranteed minimum price for maize to 40 percent over the 1974 price.

2. Tobacco- The major export crop of Malawi, tobacco accounted for 44 percent of the receipts from domestic exports in 1973. Marketed production reached almost 70 million pounds in 1973. Of the total about 41 percent was fire-cured and about 31 percent flue-cured. The remainder included burley, sun or air-cured, or oriental varieties. Burley and flue-cured varieties are grown almost exclusively on estates while the other varieties are grown by small-scale producers.

Between 1970 and 1972 tobacco production expanded by about 38 percent. Production suffered during 1973/74 from rains throughout most of the growing period. Poor harvests were offset by increased prices for all varieties except oriental.

FIGURE IV-1

MALAWI: AREAS OF MAXIMUM PRODUCTION FOR SELECTED CASH CROPS, 1972



Source: Adapted from P. Smit, "Agriculture: Backbone of the Economy," *Africa Institute Bulletin* (Pretoria), No. 3, April 1972, p. 85, and Federal Republic of Germany, Statistisches Bundesamt, *Landwirtschaft: Malawi*, Stuttgart, 1967, p. 14.

TABLE-IV-3

MALAWI: MARKETED PRODUCTION OF PRINCIPAL CROPS, 1970-1974.

	(In millions of pounds)				
Tobacco	49.1	58.3	68.0	69.5	60.3
Fire-cured	22.0	26.3	29.7	28.5	20.4
Burley	12.5	12.5	12.4	13.3	11.8
Flue-cured	10.3	14.1	19.1	22.0	23.2
Sun/air-cured	4.1	5.1	6.4	5.2	3.8
Oriental	0.2	0.3	0.4	0.5	1.1
Tea (Manufactured)	41.3	41.0	45.0	51.9	41.3 <sup>2/</sup>
	(In thousands of short tons)				
Maize	9.1	38.2	73.5	66.2	66.4 <sup>3/</sup>
Groundnuts (shelled)	29.8	40.5	43.2	33.0	31.6 <sup>3/</sup>
Cotton (unginned)	23.5	24.5	24.1	17.9	23.5 <sup>3/</sup>
Rice (paddy)	9.9	20.0	21.9	19.0	22.2 <sup>3/</sup>
Sugar (raw and refined)	36.1	35.7	37.1	53.9	...
Pulses	8.9	19.0	17.9	7.5	7.3 <sup>3/</sup>
Tung oil	1.0	0.9	0.6	0.6	...

Sources: Malawi Government, Economic Report 1974; Monthly Statistical Bulletin; and data provided by the Malawian authorities.

<sup>1/</sup>Provisional.

<sup>2/</sup>January-September.

<sup>3/</sup>January-October

(See Table IV-4. Malawi: Average Auction Prices for Tobacco and Tea, 1970-74.) Structurally there has been a shift in cultivation from sun or air-cured and fire-cured tobacco to the more profitable flue-cured variety.

3. Tea- Production of tea is confined mainly to estates but has been increasing among small-holders under government support. Total output increased by about 26 percent between 1970 and 1973 to a marketed output of almost 52 million pounds. This was largely the result of improved average yields and systematic replanting of estates. The provisional figures for 1974 indicated an increase of almost 7 percent over the previous year. Malawian tea has improved in quality but generally is used for blending.

4. Groundnuts- Generally grown by small-holders, groundnuts are used for both domestic consumption and for export. The Agriculture Development Corporation (ADMARC) handles all internal purchases and exports of groundnuts. Marketed output declined in 1973 to 33,000 tons compared to 43,000 tons in 1972 due to unfavorable weather and increased subsistence consumption; provisional marketed output continued to decline in 1974. The most common problems in increasing production for export include: labor shortages during peak harvest periods; the high cost of seed supplies; susceptibility of the crop to rosette disease; and the need for shelling nuts by hand. Experiments with small-scale mechanized shelling are underway.

5. Cotton- The majority of cotton production is carried on by small-holders in the Lower Shire Valley and along the central shores of Lake Malawi. As with groundnuts, the government marketing authority buys almost all the marketed crop; the cotton is resold to local textile manufacturers as well as exported. In 1973 cotton production fell to 17,900 tons, the lowest level in five years, but increased prices counterbalanced lower production. The major problems limiting increased production include: labor shortages at harvesting; insufficient supply of water; and the high cost and inadequate supply of pesticides.

6. Sugar- The marketed production of sugar rose rapidly from 36,000 tons in 1970 to 53,900 tons in 1973. Almost two-thirds of the total marketed output was used for domestic consumption and the remainder was exported mainly to the United States. Cultivation is largely restricted to one estate in the southern region. Domestic demand for sugar has been increasing rapidly and efforts are underway to more than double production within the next few years.

7. Livestock, Fishing and Forestry- The production of livestock is on a small-scale and follows traditional methods. Most herding occurs in the central and northern regions. Production does not meet the domestic demand, which has been steadily rising during the 1970s. Emphasis was being given to increasing the quality of livestock and improving breeding techniques. Cattle in 1973 reached 580,000 head of which almost 10 percent were slaughtered. Demand for high quality beef could be supplied locally but lower grade meats needed to be imported. Beef supplies were cut in 1974 by an outbreak of hoof and mouth disease. Hogs reached a population of 170,000 in 1973 and self-sufficiency in pork within the next few years is likely. Poultry and dairy production are being improved but remain largely undeveloped.

TABLE IV-4

MALAWI: AVERAGE AUCTION PRICES FOR TOBACCO AND TEA, 1970-74

(In Malawi Kwacha per 100 Pounds)

	1970	1971	1972	1973	1974 <sup>1/</sup>
<u>Tobacco</u> <sup>2/</sup>	29.40	34.83	30.92	38.12	53.65
Fire-cured	26.53	37.28	27.94	26.13	43.11
Burley	28.38	23.87	25.20	35.95	49.32
Flue-cured	37.97	41.17	40.44	58.63	67.53
Sun./air-cured	26.92	30.47	27.76	22.35	30.49
Oriental	17.79	18.80	17.71	18.44	17.30
<u>Tea</u> <sup>3/</sup>	36.17	35.85	34.07	34.14	...

Sources: Malawi, Economic Report 1974; and data provided by the Malawian authorities.

<sup>1/</sup> Preliminary.

<sup>2/</sup> Weighted average of auction prices in Blantyre-Limbe.

<sup>3/</sup> Weighted average of London auction prices.

Fishing catches rose by 12 percent in 1972 to 48,500 short tons but declined in 1973 to 44,600 short tons in 1973 mainly because of unfavorable weather conditions. Although the country imports certain kinds of fish, Malawi has been a net exporter of fish for a number of years. The government has expressed an interest in expanding the fishing industry and has established limited amounts of credit and processing facilities. The main problems relating to the development of the fishing industry include: overfishing, insecurity of supplies from the smaller lakes; lack of comprehensive surveys of the fishing potential; and an inadequate supply of trained manpower.

Although domestic production of timber has increased rapidly, Malawi remains a substantial net importer of timber. Production of sawn timber from government mills reached 575,000 cubic feet in 1973. Almost an equal amount of hardwood was produced by private mills, and pit-sawn timber reached an estimated 60,000 cubic feet. Government policy aims at self-sufficiency and includes a program of reforestation. A major project is the Viphya pulpwood mill which is to have an annual capacity of at least 150,000 tons of bleached kraft pulp.

#### D. Agricultural Development Programs

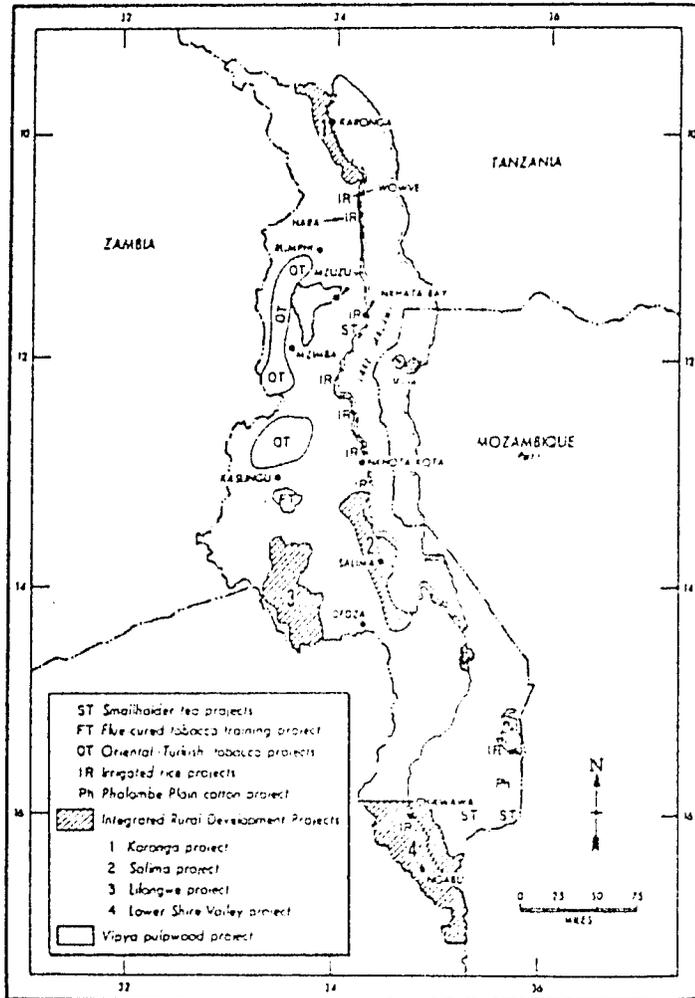
Malawi farmers are generally regarded as responsive to opportunities to improve productivity and earnings by taking advantage of government provided services, farm inputs, and guaranteed minimum crop prices. The average Malawian is often said to be more cash conscious and responsive to economic incentives than other Africans. Agricultural development projects initiated by the Government of Malawi generally have been very successful.

The central focus of development strategy has been to raise the productivity and hence the incomes of rural cultivators, both as the poorest element and as the overwhelmingly predominant element in the population. The most effective means of achieving this goal is felt to be through clearly defined, integrated, rural development projects, each of which is to serve as a catalyst for improving the condition of other cultivators in the surrounding area. One objective of the project is to correct regional imbalances in the economy. Hence some of the projects have been strategically placed to serve as focal points in the less developed northern region and in the northern part of the central region near Karonga, Nkhata Bay, Rumphu, and Salima. (See Figure IV-2. Malawi: Rural Development Projects, 1973.) The Lilongwe project and the programmed transfer of the national capital from Zomba to Lilongwe are also designed to offset the concentration of industry and commercial development in the southern highlands.

Malawi development strategy calls for a high concentration of extension staff on these integrated development projects. In the initial stages only a few of the country's estimated one million farm families will be involved in full-scale participation in these projects. Similarly, agricultural credit is not universally available to small-holders, instead it is channelled to participants in the major development projects. At the same time, however, official policy calls for continuing and increasing efforts to raise the general level of productivity outside the project areas through extension and marketing operations. Marketing authorities play a key role in the country in disseminating improved farm inputs for development.

FIGURE IV-2

MALAWI: RURAL DEVELOPMENT PROJECTS, 1973



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Agricultural extension services have been expanded significantly since independence. Extension workers are most heavily concentrated in the integrated development projects. On a national average the ratio of extension officers to farmers increased from 1:1650 in the mid-1960s to 1:1,000 in the mid-1970s. The ratio reported in the mid-1970s for the Salima project was 1:500, this ratio was also the projected national goal for the 1980s. Until 1973 extension services were financed by the British Government as part of Malawi's development budget, but since then the majority of the cost has been shifted to current government revenue. There is a general shortage of skilled personnel to staff the extension service, however, and senior professional positions will have to be staffed by non-Africans throughout the 1970s. Extension workers are most heavily concentrated in the regional development projects, but even there the desired targets cannot be attained.

Agricultural projects vary considerably in size and scope. The largest are the integrated rural projects near Lilongwe on the central plateau, near Chikwawa in the Lower Shire Valley, and near Karonga in the northern shore of Lake Malawi. All three have been financed in large part by the International Development Association. (IDA). Additional projects in the central region and southern region were also to receive aid from IDA.

Of the integrated rural development areas, the largest is the Lilongwe project. Crops include maize, groundnuts, beef, and tobacco. The thirteen year program seeks the intensive development of a total area of 1.1 million acres on the Lilongwe Plain of the central plateau, which is considered to have the highest agricultural potential in the country. The project's planners hope to achieve a ten-fold increase in the marketable surplus of maize and to double the production of groundnuts and tobacco. The increased yields for tobacco are expected to release acreage for alternate crops. The project is expected to affect about 101,000 farm families by the end of its third phase or about 505,000 individuals. (See Table IV-5. Malawi: Comparison of Lilongwe and Karonga Projects, by Farm Families and Acreage, Revised Estimates, 1975.) The last phase of the projects is valued at K10.1 million or which about 70 percent is being supplied by IDA. (See Table IV-6. Malawi: Typical Financing, Phase III Lilongwe.)

The Lower Shire Valley Development Project is basically similar to the Lilongwe project in its integrated approach. Its targets include: cotton, maize, rice, sorghum, groundnuts, cocoa, beef, and fish. Another significant rural development project is the Karonga project in the far north covering: irrigated rice, rain-fed rice, maize, cotton, groundnuts, and cattle. It includes population resettlement and such programs as firebreaks to protect grazing land and improved veterinary services. Of the three major projects, the Karonga has the smallest projected effect on farm families by number.

Other projects concentrate on developing production of specific crops, particularly cotton, rice, flue-cured tobacco, and tea. The number of irrigated rice projects has increased rapidly during the 1970s. One has been supported by UNDP at Kasinthala near Chikwawa. There are others at Hara Wowwe in the northern region and on alluvial soils from the far north to the far south. Some have been supported by Great Britain, by Israel, and particularly by technicians from the Republic of China. The high-quality rice produced in Malawi finds a ready market in Southern Rhodesia and South Africa, and it is thought that as living standards increase rice will increasingly replace maize in urban diets in Malawi.

TABLE-IV-5

MALAWI: COMPARISON OF LILONGWE AND KARONGA PROJECTS,  
BY FARM FAMILIES AND ACREAGE . REVISED ESTIMATES, 1975.

Project	Farm Families	Acreage
Lilongwe Phase I 1968/69-1971/72	28,000	276,800
Lilongwe Phase II 1972/73-1976/77	24,000	387,150
Lilongwe Phase III 1977/78-1980/81	49,000	199,300
TOTAL	<u>101,000</u>	<u>874,050</u>
Karonga Phase I 1973/74-1976/77	4,600	15,000
Karonga Phase II 1977/78-1981/82	10,000	29,000
TOTAL	<u>14,600</u>	<u>44,000</u>
Lower Shire Phase I 1968-1972	9,600	n.a.
Lower Shire Phase II 1973-1978	16,300	n.a.
TOTAL	<u>25,900</u>	

1

Plus 161,000 acre cattle ranch in the Dzalanyama Forest Reserve.

<sup>2</sup>By 1985/86 total of 134,000 farm families as a result of population growth

<sup>3</sup>Total gross area of 1,160,750 includes ranches or estates of 41,300 acres

the Dzalanyama Forest of 84,400 acres, and the above mentioned cattle range of 161,000 acres. A total of 55 percent of the gross acreage was under cultivation.

TABLE-IV-6

MMALAWI: TYPICAL FINANCING, PHASE III LILONGWE.

Source	Amount (K million)	(US\$ million)	Percentage
IDA	7.1	8.5	70
UNCDF	1.3	1.6	13
Government of Malawi	.8	1.0	8
Farmers	.2	.2	2
Dzalanyama Ranch	.2	.2	2
ADMARC	.5	.6	5
	<hr/>	<hr/>	<hr/>
TOTALS	10.1	12.1	100

The Salima project on the central lakeshore has been supported largely by aid and technical assistance from the Federal Republic of Germany. It is to concentrate on cash cropping of rice and cotton and will involve a total project area comprising 175,000 acres and 40,000 families. Another loan from Germany is to be used for the development of oriental tobacco production in the northern region and the central region. Denmark has been interested in helping build a central veterinary laboratory near Lilongwe.

The United Kingdom has channelled aid to twenty some agricultural projects, the most important of which involved the improvement of cotton growing, increased maize and groundnut production, training of farmers, agricultural research, resettlement of cultivators, improvement and marketing of livestock, and pest control. By 1973 the British-financed Commonwealth Development Corporation (CDC) had also committed some K16 million to development projects in Malawi, including the Kasungu flue-cured tobacco scheme and three small-holder tea-growing projects as well as projects for hydroelectricity and water supply, housing, hotels, the Investment and Development Bank of Malawi, and a textile mill.

#### E. Major Problems and Constraints

Population pressure on the land is becoming an increasingly severe problem. Methods of land use and cultivation will ultimately determine whether the country's arable land will provide adequate food and support for the rapidly growing population. Based on present methods of cultivation only about two to three million acres of arable land remained unutilized at the beginning of the 1970s. Matched with projected population growth and present levels of technology all this acreage would have to be under cultivation by not later than 1990 in order to feed the population. Utilization of other land would require investment for irrigation, mechanized plowing or other costly inputs. (See Physical Features in General Background, this document.)

The situation is complicated by the fact that much of the unused arable land is in areas remote from such facilities as transport and water supply. The areas with the best land already have experienced land hunger. Population pressure is particularly strong in the part of the southern region where the amenities are attractive and the influx of migrants from neighboring countries has continued steadily over the years. There is a preference for plateau lands up to an elevation of 5,000 feet where the climate is cooler and disease is less prevalent than in, for example, the Great Rift Valley proper. In the Shire Highlands and Chirandzulu districts and in part of Blantyre District all moderate and good quality land is already under cultivation.

The government has expressed some interest in resettlement projects and developed limited proposals for such under various development schemes. Implementation of such projects has generally been delayed. Most observers suggest that resettlement efforts would be impeded by kinship ties that underlie traditional settlement patterns and by the strong preference shown by migrants for those areas that are already highly developed and most densely populated.

Traditionally the different ethnic groups in Malawi utilized different patterns and techniques of cultivation. These differences are important not only in their effect on development problems and approaches but also in their impact on the year-to-year fluctuations in the overall level of economic activity. Development programs are making headway in modifying annual fluctuations by reducing vulnerability to weather conditions, but most traditional cultivators are subject to partial crop failure in drought years. Government research and extension programs are bringing wider use of fertilizer and insecticide, improved seed, and better cultivation practices such as early planting and proper weeding. Most sources agree that although the system of shifting cultivation is still used it is no longer accompanied by bush fallow.

Traditionally, shifting cultivation involved using a plot for two or three years before moving on to clear new land. Traditionally there were many years of fallow and no fixed schedule for return to the same plot. When the land around a village was exhausted the entire settlement usually moved. Although this practice continued into the early 1960s by the 1970s villages had become relatively stable and in many cases were dependent upon a drilled well for water supply. Population density, moreover, restricts even the use of bush fallowing.

Many villages practice permanent cultivation on plots close to the village and bush fallow on more distant plots. Within a single administrative district may be found shifting cultivation, bush fallow, seven-year crop rotation, and continuous cropping on alluvial land over many years. The close proximity of a wide range of soils is common and the cultivating groups often have carefully adapted their techniques to incorporate the lessons of their long experience with the differing soils. Cultivation may thus range from continuous cropping on the strongest soils to fallow of various lengths of time on the weaker soils. This contributes to the extreme fragmentation of family landholdings. The elimination of fallow or its reduction to only two or three years makes conservation practices and the use of animal manure or fertilizer a matter of greater urgency.

Customary local tenure practices of the various ethnic groups govern the distribution of most land. Since independence the major problems of the government have been to change those features of customary tenure that block agricultural development, particularly the lack of permanent title to landholdings. (See Culture under General Background, this document.) Customary succession rights are perceived by the village group as providing security are seldom questioned and are most difficult to change. Tenure among subsistence farmers is about equally divided between groups following a universal pattern of succession and those following a distributive pattern. In universal succession there is a single successor to the family holding, but he or she is expected to support other family members. In this system fragmentation is not a severe problem, but the obligation to support kin may be a deterrent to expansion. In the distributive pattern every mature family member has a right to some land for cultivation, and where land is fully cultivated a single farm may often consist of small parcels of land sometimes widely scattered and each of which is too small for effective cultivation.

Various other constraints exist, most of which have been or will be discussed in some detail in other sections of this study. Access to marketing and credit facilities remains a problem for the subsistence farmer and deters his entry into cash crop production. Expansion of the government marketing authority and the transport sector would help offset this problem. The cost of fertilizer and pesticides inhibit their utilization. The dissemination of new techniques and information on farming remains restricted by scarcities of personnel in the extension service.

#### IV. SECTOR ANALYSES--MINERALS AND MINING

##### A. Setting and Potential

Mineral exploitation in the mid-1970s was of marginal significance to the economy and provided less than 1 percent of the GDP. Production consisted of cement, dolomite, agates, and sand and gravel. Almost all mineral production was required for domestic needs. Earnings from mineral exports were far less important than the value received from re-exports of petrochemicals to neighboring states.

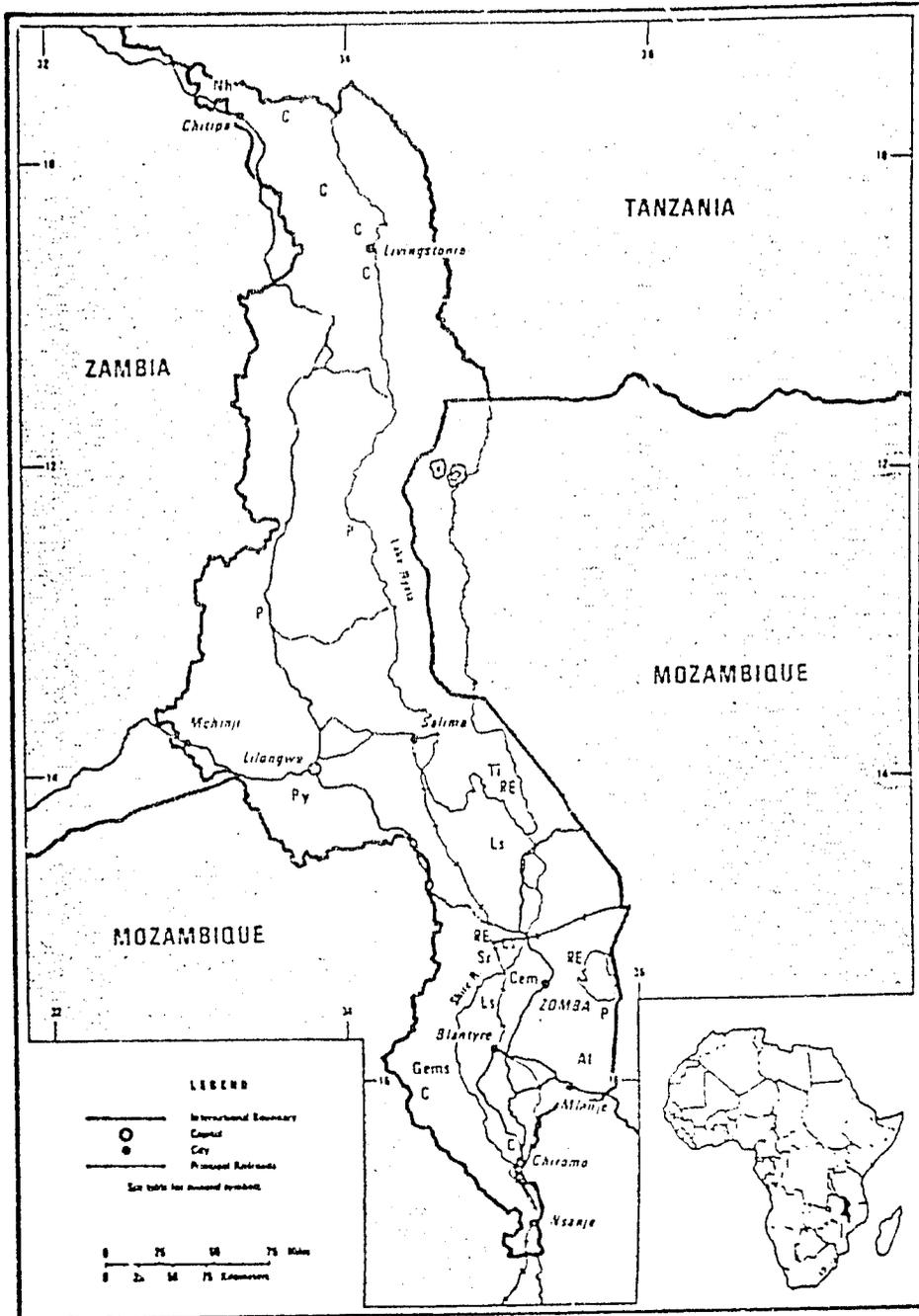
Mineral deposits were found throughout the country, (see Figure IV-3. Malawi: Mineral Deposits, 1976) and ranged in value from pyrite to gemstones and rare earths. Exploration continued and the potential of certain new discoveries remained to be determined. Most deposits, however, were not believed commercially exploitable under existing conditions.

Mining operations that subsequently became unprofitable had existed for the exploitation of small amounts of corundum, galena, gold, kyanite, asbestos, and mica. There was little prospect of these operations ever being reopened unless there were a major increase in world demand and value for these minerals. Iron ore was common in Malawi, but the deposits were small and usually low in quality. Good quality deposits of coal were found in four different areas. Unfortunately the coal was characterized by faulted layers and the locations were difficult to reach. Sample tests indicated the possibility of copper and nickel deposits. Deposits of phosphates suitable for fertilizer existed south of Lake Chilwa but were too far from the railway for commercial exploitation.

In 1973 one of the world's largest deposits of monazite was reportedly discovered at Kinganbunde sixty miles north of Blantyre. Monazite is used in processing certain types of metal and glass and as a catalyst in petroleum refining. Lonrho was undertaking a feasibility study of the deposit and also investigating deposits of monazite and strontianite--used in the manufacture of lighter flints and colored television screens--on the Natope Plain near Balaka.

FIGURE IV-3

MALAWI: MINERAL DEPOSITS, 1976



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FIGURE IV-3  
MALAWI: MINERAL DEPOSITS, 1976, Key.

MAP SYMBOLS

Abbreviations

Ala  
 Af  
 Asp  
 Ba  
 C B  
 Cem  
 Cly  
 C  
 Cry  
 Dm  
 Dit  
 Dias  
 Dol  
 Fel  
 Gr  
 Gy  
 Ky  
 L  
 Ls  
 Ma  
 M  
 N G  
 Nit  
 Pe  
 Pet  
 Pig  
 Pm  
 Py  
 Pt  
 Gem  
 Pyp  
 Qtz  
 RE  
 SS  
 SP  
 S A  
 S S  
 Tro  
 Vm

Commodities

Alabaster  
 Asbestos  
 Asphalt  
 Barite  
 Carbon Black  
 Cement  
 Clays  
 Coal (Bituminous and anthracite)  
 Cryolite and chiolite  
 Diamond  
 Diatomite  
 Diaspore  
 Dolomite  
 Feldspar  
 Graphite  
 Gypsum  
 Kyanite  
 Lignite  
 Limestone  
 Marble  
 Mica  
 Natural Gas  
 Nitrates  
 Peat  
 Petroleum  
 Pigments  
 Pumice  
 Pyrite  
 Platinum group metals  
 Precious and semiprecious stones  
 Pyrophyllite  
 Quartzite and quartz  
 Rare earths  
 Sandstone  
 Sepiolite (meerschaum)  
 Soda ash  
 Sodium Sulfate  
 Trona  
 Vermiculite

Common scientific symbols used for natural elements

#### IV. SECTOR ANALYSES--TRANSPORTATION

##### A. Setting

Faced by a highly inadequate transport network upon the receipt of independence, the government has given a high priority to the transport sector in development planning. Between 1964 and 1973 about K69 million to over one-third of the total development budget was devoted to transportation. Under the ten-year Statement of Development Policies, 1971-1980, K110 million or 29 percent of total public sector investment is scheduled for transportation. Of this about K60 million or 16 percent of the total is allocated for roads. Transport, storage, and communications combined provided K24.7 million or about 6 percent of total GDP in 1973.

The major transport services are relatively well developed in the southern half of the country where economic activity is the most concentrated (see Figure IV-4. Malawi: Transportation System, 1975.) Many rural areas, particularly in the northern half of the country, lack dependable year-round routes to market and administrative centers. The road system is the dominant mode of transport for internal trade. The railway services mostly import and export needs, providing access to Indian Ocean ports by means of the rail system of neighboring Mozambique.

Although the overall development program for transport is complex, it is based on three major goals:

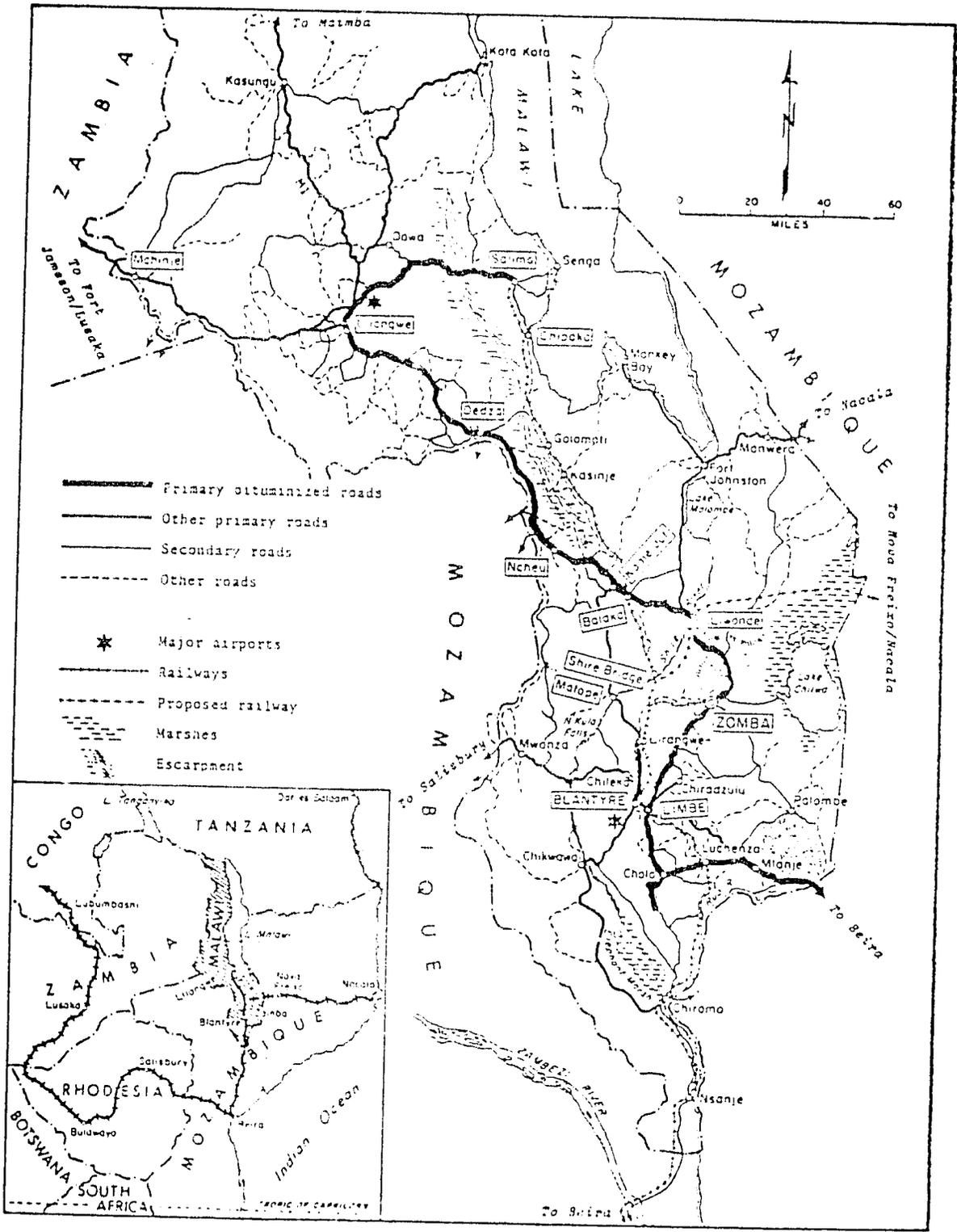
1. To improve the administrative, social, and economic integration of the country by linking all three regions with reliable all-weather connection.
2. To encourage agricultural development by improving access to rural areas.
3. To assure efficient and reliable access to the sea for transport of exports and imports.

Coordination of transport planning is the responsibility of the Economic Planning Division of the Office of the President and Cabinet in conjunction with proposals submitted by such ministries as the Ministry of Works and Supply and the Ministry of Transport and Communications. The latter is responsible for establishing the rates for all modes of transport; the rates were revised structurally and upwards in the mid-1970s both to make rail transport more competitive compared to road transport and to assure that both modes cover their direct operating costs.

##### B. Structure and Problems

The government exerts considerable influence over the transport sector by direct ownership of major carriers: Air Malawi; Malawi Railways; and the two subsidiaries of the railroad, Lake Services Limited and Road Motor Services Limited.

FIGURE IV-4  
MALAWI: TRANSPORTATION SYSTEM, 1975



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The Ministry of Transport and Communications is responsible for the operation of the services. Permits, required for either the hauling of one's own goods or for hauling others' goods for hire, are obtained from the ministry simply by the demonstration of financial responsibility and minimal demand or need for the service. As a result there are numerous small private trucking firms.

1. Road Transport- By 1973 the highway network of Malawi contained 6,756 miles of roads. About 774 miles or about 11 percent of the total were paved with a bitumen surface. (See Table IV-7. Malawi: Highway Network by Surface Type and Classification, 1959-1973.) This compared to 6,688 miles in 1969 of which not quite 6 percent were paved. Another 315 miles or about 5 percent of the total in 1973 were of engineered gravel standard. The remainder were earth. By administrative classification, 696 miles or 36 percent of the total 1,919 miles of main roads were paved. Road density equalled 180 miles per 1,000 square miles or 1.4 miles per 1,000 inhabitants, comparable to most other countries at a similar state of economic development. The network accounted for 440 million ton-miles in 1972 or about two-thirds of the total freight handled in the country. The poor quality of most of the system resulted in high transport costs. By 1975 total mileage was estimated at 6,300 miles of which 817 or about 12 percent were paved. Maintenance of district roads is inadequate and could lead to deterioration of the system.

In 1973 there was a total licensed motor fleet, including government and privately owned vehicles, of 25,440 vehicles. Of these 10,850 or about 42 percent of the total were automobiles and 8,650 or 34 percent of the total were goods vehicles. (See Table IV-8. Malawi: Licensed Vehicle Fleet, 1967-1973.) Most of the goods vehicles were small trucks or vans having a capacity of less than three tons. The government company and United Transport, a private company, together accounted for the operation of about one-third of the fleet. Of the many small-scale truckers, 60 percent had only one truck. Overall growth of the motor fleet between 1967 and 1973 was 6.3 percent. The highest rate by category was 14 percent for buses. By 1975 the vehicle fleet was estimated to have reached about 36,700 vehicles. There is no direct information on road traffic, but on the basis of increased fuel imports it is believed to be growing at a rate between 7 and 9 percent annually.

2. Rail Transport- The main line of the Malawi Railways consists of about 340 miles of 3'6" track. The system starts at Salima in the central region and runs to Blantyre; at Blantyre the system splits. One section runs to the port of Beira. The other section runs to the eastern border, connects with the Mozambique system, and continues to the port of Nacala. An extension of the system from Salima to Lilongwe is planned under assistance from the Canadian Government which is also giving assistance for rehabilitation of the existing system. Extension of the system to the Zambian border is also under consideration.

Since 1964 rail traffic in ton-miles has increased at an average rate of more than 12 percent annually. Operational problems, however, led to a decline in traffic in 1974 over the previous year. In 1975 traffic was believed to have increased to 172.3 million net ton-miles, still slightly under the 1973 level. In 1972 the system carried about one-third of total domestic freight; imports

TABLE-IV-7

MALAWI: HIGHWAY NETWORK BY SURFACE TYPE AND CLASSIFICATION, 1969-1973

(in Miles)

A. <u>By Surface Type 1969-1973</u>					
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Bitumen	370	438	553	607	774
Gravel	571	515	5,010	464	315
Earth	<u>5,747</u>	<u>5,748</u>	<u>5,493</u>	<u>5,539</u>	<u>5,667</u>
TOTAL	6,688	6,701	6,546	6,610	6,756

B. <u>By Administrative Classification - 1973</u>					
	<u>Main Roads</u>	<u>Secondary Roads</u>	<u>District Roads</u>	<u>Other<sup>1/</sup> Roads</u>	<u>All Roads</u>
Bitumen	696	41	5	32	774
Gravel	134	148	1	32	315
Earth	<u>1,089</u>	<u>1,308</u>	<u>3,130</u>	<u>140</u>	<u>5,667</u>
TOTAL	1,919	1,497	3,136	204	6,756

<sup>1/</sup> Classified as either branch, estate, township, private or undesignated roads.

Source: Ministry of Works and Supplies, March 1974.

TABLE IV-8

MALAWI: LICENSED VEHICLE FLEET, 1967-1973

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973<sup>2/</sup></u>	<u>Growth Rate 1967-1973</u>
Passenger Cars	8,418	8,893	9,857	9,771	10,205	10,408	10,850	4.3%
Goods Vehicles <sup>3/</sup>	5,934	6,240	6,696	7,747	7,635	8,121	8,650	6.5%
Buses	127	149	161	176	183	245	280	14.0%
Motorcycles	1,344	1,458	1,507	1,658	2,735	2,569	2,930	13.9%
Other <sup>4/</sup>	<u>1,864</u>	<u>1,731</u>	<u>2,009</u>	<u>2,115</u>	<u>2,769</u>	<u>2,560</u>	<u>2,730</u>	6.6%
TOTAL	17,687	18,471	20,230	21,467	23,527	23,903	25,440	6.3%

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1/ Including both Government and privately-owned vehicles licensed annually.

2/ Estimated.

3/ Including trucks, landrovers and minibuses.

4/ Including tractors, trailers, and road construction equipment.

Source: Malawi Statistical Yearbook 1973.

and exports equalled between 50 and 65 percent of the total freight carried by the system and provided about 70 percent of total rail revenue. Passenger service more than doubled from 513,400 in 1974 to 1,244,500 in 1975.

3. Air Transport- The government-owned air line, Air Malawi, provides domestic service to nine airports within the country and also connections to several neighboring countries. The airport at Chileka near Blantyre is the only facility that can handle large jets. It serves as the international airport, and its proximity to government and commercial centers also makes it the dominant facility for internal traffic. In 1972, 2,200 tons of freight and 224,000 passengers were handled at Chileka. A second international airport is planned for Lilongwe.

4. Lake Transport- Both freight and passenger service is provided on Lake Malawi by Lake Service Limited. Traffic has been relatively light but represents a major alternate mode of transport to the more distant northern sections of the country; about two-thirds of the present traffic is northbound. Traffic increased from 28,000 tons of freight and 105,700 passengers in 1972 to 34,100 tons and 146,000 passengers in 1975. Development of pulpwood industries might increase the volume of freight by six times over present levels.

#### IV. SECTOR ANALYSES--POWER AND COMMUNICATIONS

##### A. Setting

The marginal development of power and communications during the colonial period was keyed to the interests of the British colonial administration rather than a developing economy. Post-independence investment in these sectors has upgraded facilities but continues to be a requirement for future development. Electricity and water together represented slightly over 1 percent of GDP in 1973. The communications section was listed with transportation and storage which together provided about 6 percent of GDP. In terms of employment electricity and water together provided employment for slightly over 1 percent of all wage earners. Imports of petroleum products represented almost a third of the value of all imports in 1973.

##### B. Power: Structure and Problems

At independence nearly all electricity was produced by thermal generation, the fuel for which was supplied by imports of coal from Southern Rhodesia and oil from the Middle East. By the mid-1970s hydroelectric generation had become the main source of power. Consumption of electricity reached a peak of 236.2 mn kwh in 1975, compared to 132.4 mn kwh in 1971. Until the end of the century development is likely to focus on the hydroelectric potential of the Shire River, only 10 percent of the total potential of 415 mn kwh of which has been harnessed. The two plants in operation are located at Mkula Falls and Tedzani Falls.

The generation and supply of electricity is the monopoly of the Electric Supply Commission of Malawi, a public statutory body. In the mid 1970s its generating system was 60 percent hydro-powered and 40 percent thermal with small steam power stations and a number of diesel generators. The ten year capital development plan 1973-1982 includes plans for replacing the steam and diesel plants, resulting in 70 percent hydroelectric generation; the remaining thermal stations would be used for standby and for peak loads. Total power generation for 1980 was projected at 401 mn kwh (see Table IV-9. Malawi: Actual and Estimated Power Generation and Sales, Electricity Supply Commission of Malawi, 1967-1980).

##### C. Communications: Structure and Problems

Sizeable expansion of the communications network has taken place since independence. Utilization of the network, however, is concentrated among those in urban areas and engaged in administrative or commercial activities.

1. Telephone Telephone traffic has been growing at about 14 percent annually and the net number of connections by 9 percent annually. Subscribers exceeded 12,000 by the early 1970s, but most were in the Blantyre and Lilongwe urban areas. There were thirty rural exchanges located in small urban centers, most of which were manually operated; this greatly reduced the volume of calls the system could handle. The government has expressed interest in shifting to automatic exchanges. Connections with foreign countries were maintained by telephone and radiophone via Salisbury. Reception varied widely in quality.

TABLE-IV-9

MALAWI: ACTUAL AND ESTIMATED POWER GENERATION AND SALES, ELECTRICITY SUPPLY COMMISSIONOF MALAWI, 1967-1980(Southern Region & Lilongwe)

<u>Year</u>	<u>Generated</u>	<u>Sold</u>	<u>% Increase</u>	<u>Installed Capacity MW</u>	<u>Firm Capacity MW</u>	<u>Maximum Demand MW</u>	<u>Load Factor</u>	<u>Remarks</u>
<u>Actual</u>								
1967	85	77		36	28	15	65	
1968	103	93	21	36	28	18	65	
1969	116	106	14.2	36	28	20	66	
1970	133	122	15.1	36	28	23.3	65	
1971	145	132	8.1	36	28	25.7	64	
1972	173	158	19.7	39	31	31.6	62	
1973	192	173	12.6	55	46	34.2	64	
<u>Estimated</u>								
1974	222	202	12.8	55	46	40	63	
1975	262	226	11.9	67	54	46	65	
1976	278	250	10.6	71	58	51	62	
1977	303	275	10	91	78	55	63	
1978	332	302	10	91	78	61	62	
1979	365	332	10	91	78	68	61	12 MW of steam and die plant to be retired in 1979/80 and replaced
1980	401	365	10	91	78	75	61	12 MW gas turbine.

2. Telex and Telegraph- Telegraph traffic continues to expand but the use of telex service has increased at a phenomenal rate. About forty new telex connections were being installed each year in the mid-1970s. Demand is expected to continue at this rate or even increase.

3. Postal System- The country is well served by post offices; in the early 1970s there were thirty-four post offices in the southern region, ten in the central region, and fifteen in the northern region. There is no door-to-door delivery; post office boxes are used instead. Delivery is relatively prompt in the south and central regions, but takes longer in the northern region, particularly to points beyond Mzuzu.

Malawi is highly dependent upon Rhodesia for telecommunication connections. Should the transition to majority rule in Rhodesia be disruptive and these links severed, Malawi would experience a major handicap in all economic and non-economic activities dependent upon rapid flows of information.

#### IV. SECTORAL ANALYSES--HEALTH

##### A. Setting

In the mid-1970s the resources of both government and mission medical facilities were heavily concentrated on curative services, and only small funds were available for preventive medicine. Health as a budgetary expenditure was given relatively low priority, less than 1 percent of the annual development budget had been allocated to health since 1966. The government spent an average of the equivalent of US\$0.87 per capita a year on health services--one of the lowest rates in Africa. The amount was even lower in rural areas, where illness had a harmful effect on productivity. One study estimated that, on the average, 9 percent of a cultivator's time was lost through illness.

Budgetary constraints, population growth, and the increasing number of educated people seeking modern medical care allowed no significant expansion of health services. Some advance had been made through health education. A small staff attached to the Ministry of Health's prevention branch taught principles of hygiene, sound nutrition, and basic health care. These efforts were hampered, however, by prevailing taboos, widespread illiteracy, the prestige attached to folk medicine, and differences in speech, customs, and social development.

##### B. Structure and Problems

Many Malawians live under unsanitary conditions; thatched roofs are havens for rodents and insects, houses are poorly ventilated. Livestock is kept close to human habitations. Water sources are contaminated. In most areas drinking water is taken from the surfaces of lakes, streams, or waterholes. In the western part of the central region, where surface water becomes scarce during the dry season, the population gets groundwater from wells and boreholes that are checked about twice a year by mobile units. In Blantyre, Zomba, and Lilongwe, the storage of surface water in large reservoirs is adequate to meet people's needs through the dry seasons.

Only the principal urban areas are served by fully developed water distribution systems. Some small towns have piped water systems that are limited to government buildings and centralized public taps. Municipal and central government supplies are potable; they are filtered, chlorinated, and regularly inspected by the Ministry of Works and Supplies.

Waste disposal is generally unsatisfactory throughout Malawi. Blantyre and Soche have modern sewerage systems, but neither serves the entire city. The only sewage treatment plant is located in Soche. In large towns septic tanks are commonly used in the more affluent sections, and the bucket system is standard elsewhere. Pit latrines are the most common method of waste disposal in villages. In some rural areas indiscriminate disposal of human wastes persists.

##### C. Diseases

Diseases prevalent in Malawi are those typically found in tropical countries with limited health facilities. In the mid-1970s the leading causes of death

were, in descending order of prevalence, pneumonia, malaria, gastrointestinal diseases, tuberculosis, and anemia. Other major diseases included parasitic infections--particularly schistosomiasis (snail fever or biharziasis) and helminthiasis--dysentery, and childhood diseases. Eye diseases were fairly common. About 1 percent of the population were estimated to suffer from leprosy of one form or another.

The incidence of malaria is especially high in the hot, humid regions of the lake shore and Rift Valley floor and during the rainy season everywhere, when mosquitoes can breed in residual pools of water. Despite control measures, only Blantyre is considered malaria free. Schistosomiasis is endemic, especially in areas near slow-running rivers and lakes, because almost all surface water is contaminated with infectious agents. The disease is difficult to contain, and the almost complete lack of sanitary waste disposal facilities in rural areas results in perpetuating the disease-carrying organisms.

Crowded living conditions, inadequate diet, and physical weakness from other illnesses contribute to the high incidence of tuberculosis. Many urbanites have some form of venereal disease. Predisposing factors are the high number of jobseeking migrant males and flourishing prostitution. Seasonal exacerbations characterize the occurrence of some diseases. Dysentery occurs more often when heavy rains and floods cause contamination of water supplies. Meningococcal meningitis and upper respiratory infections are most frequent during the rainy season.

There has been no smallpox in the country since 1969 but, because of the danger of importing the disease from neighboring countries, vaccination campaigns are carried out in border areas that serve as access points into Malawi. Nsanje and Chikwawa districts were isolated from the rest of the country when cholera broke out there in September 1973, and only people with valid cholera inoculation certificates were allowed to enter or leave. In a speech at the closing of parliament, President H. Kamuzu Banda appealed to the people to avoid eating raw food, to wash their hands before meals, and to be vaccinated.

#### D. Medical Facilities

The Ministry of Health is the Chief Health agency in Malawi. The Minister is a political appointee who serves as a member of the President's cabinet. Professional medical and health matters are supervised by the permanent Secretary of the Ministry. When the Secretary is not a qualified medical doctor, the Minister is advised by the chief medical officer, who is a physician.

Responsibility for health is further vested in three regional health administrations. They are subdivided into twenty-four health districts that coincide with Malawi's administrative subdivisions. A district health council acts in each district as a local health authority supervising dispensaries, maternity clinics, and rural health centers. In addition, since 1964 the district councils have had certain responsibilities for environmental sanitation.

The council of Health Committee, consisting of health assistants, advises the Ministry of Health and the local health authorities on policy. The Ministry cooperates closely with other ministries and government agencies, private

domestic organizations, religious missions, and such international agencies as the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization (FAO), and the Leprosy Relief Association (LEPRA). The Ministry of Health conducts public programs in personal hygiene, health education, training of health personnel, environmental sanitation, disease eradication, and maternal and child care. It plans and executes the expansion of health facilities.

Missions of fifteen different Christian denominations provide a considerable part of Malawi's medical care. They cooperate with each other and with outside institutions through the Private Hospital Association of Malawi, which was founded in 1967. The missions have their own budgets, but they also get grants from the Ministry of Health. In contrast to government facilities, which provide free care, the missions charge a small fee to their patients.

In 1972, approximately 7,400 hospital beds were available in 377 institutions, including eighty-nine hospitals and 288 clinics, dispensaries, and maternity units, providing a bed-to-patient ratio of 1.4 to 1,000. These medical facilities were well distributed throughout the country and provided a modicum of modern medical care for most people. Many, however, were overcrowded and understaffed. They consisted usually of several single-story masonry structures with corrugated roofs. Only the Central Hospital of Blantyre and the general hospitals at Lilongwe and Zomba provided specialty medical services. District hospitals usually had only one or two doctors. Rural hospitals were run solely by auxiliary staff, and midwives were in charge of maternity units. Laboratories operated as annexes to hospitals and were not adequately supplied with qualified personnel and equipment. There was also a mental hospital at Zomba, a leprosarium at Kochira near Lilongwe, 250 uncr-five clinics for the care and vaccination of young children, and several converted Volkswagon Microbuses for use as mobile medical units.

In 1972 the country had 114 physicians, or approximately one for every 40,000 people. They either were employed by the Ministry of Health or were members of Christian missions. Few doctors were engaged in private practice, and very few were specialists. The shortage of medical and paramedical personnel was especially acute in the rural areas, as most doctors were concentrated in the urban areas of Blantyre, Lilongwe, and Zomba.

#### E. Development Prospects

A long-term (1973-88) plan for the development of health services, worked out on the basis of WHO recommendations, calls for replacement of existing antiquated hospitals, the building of new ones in certain areas, the expansion of existing dispensaries, and the establishment of health facilities in the areas of major agricultural projects. In line with the plan's suggestions, the outposts in Karonga and Chitpa districts are visited once a week by mobile units whose members check local water supplies, sanitation, refuse disposal, vermin infestation, and other related matters. Tests and treatment of the water in rice projects are conducted to control schistosomiasis. In 1973 six mobile units were put in service in the Lilongwe Land Development area. The hospital at Lilongwe, one of the oldest in the country, underwent extensive expansion to serve the needs of the city's rapidly growing population.

TABLE II-2

MALAWI: COMPOSITION AND GROWTH OF GDP BY SECTOR

(Percent)

	<u>Percent Share in GDP</u>	
	<u>1964</u>	<u>1974</u>
Agriculture	57	45
Manufacturing, Mining, & Utilities	10	16
Trade and Finance	11	16
Transport & Communications	4	7
Construction	4	6
Other Services	<u>14</u>	<u>10</u>
GDP at Factor Cost	100	100

Source: Table II-1

TABLE II-3

## MALAWI: BALANCE OF PAYMENTS, 1964 - 1973

(K Million)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
<b>MERCHANDISE</b>										
Exports f.o.b.	24.4	28.5	34.6	40.4	40.0	43.2	47.9	58.3	62.6	75.8
Imports f.o.b.	-28.6	-40.9	-54.1	-50.2	-37.0	-61.0	68.4	75.3	89.4	98.9
Trade balance	-4.2	-12.4	-19.5	-9.7	-17.0	-17.8	-20.5	-17.0	-26.8	-23.1
<b>SERVICES</b>										
Non factor receipts	3.8	4.7	7.1	8.6	9.1	8.9	10.8	13.0	14.2	19.6
Factor income receipts	3.9	5.5	5.3	5.1	5.6	8.0	10.0	13.3	14.8	15.8
Non factor payments	11.1	14.2	15.1	18.7	22.7	24.4	26.2	30.5	33.5	37.6
Factor income payments	10.1	9.8	10.9	12.9	12.6	13.7	16.1	15.9	16.7	18.9
Services balance	-13.4	-13.8	14.6	17.9	20.5	21.1	21.4	20.1	21.3	-21.2
<b>TRANSFERS</b>										
Private	1.2	2.1	0.8	1.5	1.8	1.9	1.9	1.9	2.4	2.6
Government	18.1	26.3	16.2	16.4	14.9	13.8	11.0	8.6	8.4	8.8
Net transfers	19.2	28.3	17.0	17.9	16.6	15.7	12.9	10.5	10.9	11.4
<b>BALANCE IN CURRENT ACCOUNT</b>	<b>1.6</b>	<b>2.2</b>	<b>-17.1</b>	<b>-9.8</b>	<b>-20.9</b>	<b>-23.2</b>	<b>-29.0</b>	<b>-26.7</b>	<b>-37.2</b>	<b>-32.8</b>
<b>CAPITAL ACCOUNT</b>										
Long-term private: inflow	1.4	2.8	3.7	4.7	8.0	10.0	6.3	12.4	8.7	20.4
outflow	-0.3	-0.7	-0.5	1.2	-0.4	-1.4	-9.2	-1.5	-2.0	3.6
Long-term public: inflow	5.3	3.1	7.3	11.8	13.0	17.4	32.5	20.1	25.9	27.0
outflow	-4.3	-3.1	-2.1	-2.7	-1.3	-2.3	-3.1	-3.5	-5.5	2.8
Others, including errors and omissions	0.2	2.2	3.1	-3.4	3.3	-1.8	7.2	-1.4	12.8	(19.1)
Net monetary movements	-0.6	1.2	1.0	0.5	0.1	1.0	2.1	1.3	1.4	(
<b>CHANGE IN RESERVES</b>	<b>-3.4</b>	<b>-7.6</b>	<b>4.5</b>	<b>0.1</b>	<b>-1.7</b>	<b>0.3</b>	<b>-6.8</b>	<b>-0.8</b>	<b>-4.1</b>	<b>-27.3</b>
(--increase)										

Source: Balance of Payments, 1972, and the Economic Report, 1974.

TABLE-II-4

MALAWI: BALANCE OF PAYMENTS, SUMMARYSELECTED YEARS, 1964-1973.

(in \$US millions)

	<u>1964</u>	<u>1968</u>	<u>1972</u>	<u>1973</u>
Exports, goods and NFS	39.5	58.9	96.8	111.9
Imports, goods and NFS	55.6	95.6	154.9	160.1
<u>Resource balance</u>	<u>-16.1</u>	<u>-36.7</u>	<u>-58.1</u>	<u>-48.2</u>
Factor services, net	-8.6	-8.3	-2.4	-3.7
<u>Balance on goods and services</u>	<u>-24.7</u>	<u>-45.0</u>	<u>-60.5</u>	<u>-51.9</u>
Net transfers	26.9	20.0	13.7	13.4
Long-term public capital, net	1.4	14.0	25.7	28.3
Long-term private capital, net	1.6	9.1	8.4	19.7
Other items, net	-0.5	3.9	17.9	22.4
<u>Change in reserves ( - = increase)</u>	<u>-4.7</u>	<u>-2.0</u>	<u>-5.2</u>	<u>-32.0</u>

The balance of payments account deteriorated seriously during 1975. The level of imports, especially capital equipment associated with the construction industry, was abnormally low in 1973 and 1974. This situation reversed in 1975 and was accompanied by rising costs for imports of petrochemicals. An overall balance of payments deficit and a loss of reserve holdings was projected for 1975 and probably for 1976 as well.

In 1973 Malawi's major trading partners included the United Kingdom, South Africa and Rhodesia. As a composite these countries by value provided 56 percent of all imports and about 55 percent of all exports. (See Table II-5. Malawi: Direction of Trade, 1970-1974 by Value and Percentage.) The United Kingdom alone accounted for 42.6 percent of all exports and 25.1 percent of all imports. Other major trading partners were Japan, Zambia, the United States, and the Netherlands. On the basis of economic groups, the European Economic Community, mainly the United Kingdom, accounts for over 56 percent of Malawi's exports and about 33 percent of all imports. Major regional trading partners included South Africa, Rhodesia, and Zambia; together they accounted for 16 percent and 38 percent respectively of total exports and imports.

Increased earnings from exports of agricultural products derived mainly from the estate sector. Most of the increase for estates has resulted from increased volume or shifts to higher quality grades of such items as tea and tobacco. The export prices of small-holder crops have risen faster than the average for estate crops, but exports of certain small-holder crops have stabilized or even declined. Sugar and rice have both been introduced into the export market and achieved record volumes and prices in 1973.

Imports in 1973 represented a total value of K113.3 million, compared to K32.3 million in 1964. (See Table II-6. Malawi: Imports by End-Use, 1964-1973.) Of these, consumer goods represented 28 percent compared to 49 percent in 1964. (See Table II-7. Malawi: Imports by End-Use by Percentage, 1970-1974.) This was the result of the substitution of locally produced items for those previously imported. Most new consumer goods industries, however, used imported raw materials; the major exceptions were the textile and beverage industries. Building materials represented 8 percent of total imports; this represented a decline over the previous year, resulting from the termination of several of the government's construction projects. Imports of intermediate goods grew from 29 percent to 41 percent. Petroleum prices in 1973 were 30 percent higher than in 1971 but did not reflect major price increases which since then have more than doubled the expenditure for such items.

Comparisons of weighed indices for imports and exports by volume and unit value between 1970 and 1974 indicate that the terms of trade deteriorated by about 11 percent. (See Table II-8. Malawi: Terms of Trade, 1970-1975.) Imports increased in volume by 23 percent and in unit value by about 72 percent. Exports increased in volume by about 35 percent and in unit value by about 52 percent during the same period of time.

TABLE-II-5

## MALAWI: DIRECTION OF TRADE, 1970-1974 BY VALUE AND PERCENTAGE

	Exports <sup>1/</sup> , f.o.b.					Jan.-June 1974	Imports, c.i.f.					Jan.-June 1974
	1970	1971	1972	1973	1973		1970	1971	1972	1973	1973	
(In millions of Malawi Kwacha)												
EEC	24.7	28.8	32.4	38.3	13.4	19.6	28.3	33.8	39.9	39.5	17.0	19.4
of which:												
United Kingdom	19.5	21.6	23.7	26.7	10.9	13.5	21.4	25.2	31.1	28.5	12.9	13.3
Germany	1.2	1.0	1.3	1.8	0.8	0.4	3.1	3.7	3.1	3.8	1.7	2.9
Netherlands	1.8	2.4	2.9	3.8	1.0	2.6	1.2	2.0	2.6	3.3	0.8	1.6
Ireland	1.1	2.3	2.6	3.2	0.5	2.5	--	--	--	0.1	--	--
East African Community	0.2	0.1	0.5	0.2	--	0.6	0.7	0.5	0.5	0.4	0.2	0.4
Rhodesia	3.1	3.4	3.4	4.5	2.1	2.9	16.6	13.2	16.8	17.1	8.0	9.5
South Africa	1.7	2.4	3.1	3.1	1.1	1.9	10.2	9.4	13.0	20.6	7.7	15.5
Zambia	1.5	2.3	1.8	3.1	1.1	1.7	2.5	3.1	3.6	5.5	2.4	1.8
United States	1.2	2.3	3.0	5.3	1.6	1.4	4.1	3.6	1.9	2.6	0.9	1.6
Japan	0.2	0.3	1.0	2.6	0.5	--	4.4	5.5	7.5	7.4	3.8	3.6
Iran	--	--	--	--	--	--	5.0	6.1	4.3	4.7	2.2	2.8
Australia	0.4	0.6	0.6	0.9	0.2	0.1	1.8	2.6	2.2	1.2	0.6	0.3
India	--	--	--	--	--	--	1.0	1.5	2.1	1.8	0.7	1.0
All other countries	7.6	9.4	9.3	10.0	5.6	6.2	7.9	9.4	10.6	13.9	7.9	10.3
Total	40.6	49.6	55.1	68.0	25.6	34.4	82.5	89.7	102.9	114.7	51.4	66.2
(As per cent of total)												
EEC	60.8	58.1	58.8	56.3	52.3	57.3	34.3	37.7	38.8	34.4	33.1	31.2
of which:												
United Kingdom	48.0	43.5	43.0	39.3	42.6	39.2	25.9	28.1	30.2	24.8	25.1	21.4
Germany	3.0	2.0	2.4	2.6	3.1	1.2	3.8	4.1	3.0	3.3	3.3	4.7
Netherlands	4.4	4.8	5.3	5.6	3.9	7.6	1.4	2.2	2.5	2.9	1.6	2.6
Ireland	2.7	4.6	4.7	4.7	2.0	7.3	--	--	--	0.1	--	--
East African Community	0.5	0.2	0.9	0.3	--	1.7	0.8	0.6	0.5	0.3	0.4	0.6
Rhodesia	7.6	6.8	6.2	6.6	8.2	8.4	20.1	14.7	16.3	14.9	15.6	15.3
South Africa	4.2	4.8	5.6	4.6	4.3	5.5	12.4	10.5	12.6	18.0	15.0	24.9
Zambia	3.7	4.6	3.3	4.6	4.3	4.9	3.0	3.5	3.5	4.8	4.7	2.9
United States	3.0	4.6	5.4	7.8	6.2	4.1	5.0	4.0	1.8	2.3	1.7	2.6
Japan	0.5	0.6	1.8	3.8	2.0	--	5.3	7.2	7.3	6.4	7.4	5.8
Iran	--	--	--	--	--	--	6.1	6.8	4.7	4.1	4.3	4.5
Australia	1.0	1.2	1.1	1.3	0.8	0.3	2.2	2.9	2.1	1.0	1.2	0.5
India	--	--	--	--	--	--	1.2	1.7	2.0	1.6	1.4	1.6
All other countries	13.7	18.9	16.9	14.7	21.9	18.0	9.6	10.5	10.3	12.1	15.4	16.6

Sources: Malawi, Annual Statement of External Trade, 1973; Monthly Statistical Bulletin; and data provided by the Malawian authorities.

<sup>1/</sup> Excluding re-exports.

TABLE II-6  
MALAWI: IMPORTS BY END-USE 1964-1973<sup>1/</sup>  
(K thousands)

	1964	1965	1966	1967	1968	1969	1970	1970	1971	1972	1973 <sup>2/</sup>
<b>Goods mainly for final consumption:</b>											
Motor cars and bicycles	1,484	1,968	2,218	2,236	2,348	2,456	2,519	3,054	2,794	2,298	3,385
Piece goods	3,922	6,498	5,318	4,430	3,996	3,770	3,046	3,506	3,966	4,104	5,165
Motor spirit	562	534	578	682	900	942	986	1,892	2,283	2,606	2,910
Other	7,958	11,452	12,514	12,754	12,626	12,002	13,063	14,545	15,497	18,101	20,140
<b>TOTAL</b>	<b>13,926</b>	<b>20,452</b>	<b>20,538</b>	<b>20,102</b>	<b>19,570</b>	<b>18,770</b>	<b>19,614</b>	<b>22,997</b>	<b>24,480</b>	<b>27,111</b>	<b>31,600</b>
<b>Capital equipment:</b>											
Transport equipment	2,174	2,636	4,970	4,986	7,024	7,384	8,017	8,923	9,696	14,472	12,280
Other	2,006	3,526	6,914	4,968	8,768	7,978	9,014	9,807	10,378	12,290	12,480
<b>TOTAL</b>	<b>4,180</b>	<b>6,162</b>	<b>11,884</b>	<b>9,954</b>	<b>15,792</b>	<b>15,362</b>	<b>17,121</b>	<b>18,730</b>	<b>20,074</b>	<b>26,762</b>	<b>24,760</b>
<b>Materials for building, construction:</b>	<b>1,808</b>	<b>2,746</b>	<b>3,428</b>	<b>3,446</b>	<b>4,334</b>	<b>5,994</b>	<b>5,078</b>	<b>6,128</b>	<b>7,423</b>	<b>10,286</b>	<b>9,740</b>
<b>Other goods mainly for intermediate consumption:</b>											
Petroleum products	1,038	1,070	1,426	1,546	2,158	2,332	2,617	4,479	5,325	5,792	6,240
Parts, tools and miscellaneous appliances	550	794	1,106	1,258	1,624	1,840	2,854	3,365	4,040	3,065	3,455
Other	6,688	8,942	14,874	13,362	13,392	15,782	22,703	25,316	27,037	28,563	35,630
<b>TOTAL</b>	<b>8,276</b>	<b>10,806</b>	<b>17,406</b>	<b>16,166</b>	<b>17,172</b>	<b>19,954</b>	<b>28,174</b>	<b>33,160</b>	<b>36,402</b>	<b>37,420</b>	<b>46,025</b>
<b>Miscellaneous</b>	<b>450</b>	<b>638</b>	<b>1,036</b>	<b>1,184</b>	<b>1,318</b>	<b>1,396</b>	<b>1,380</b>	<b>1,465</b>	<b>1,371</b>	<b>1,415</b>	<b>1,144</b>
<b>Total imports, f.o.b.</b>	<b>28,640</b>	<b>40,804</b>	<b>54,292</b>	<b>50,852</b>	<b>58,180</b>	<b>61,478</b>	<b>71,367</b>				
<b>c.i.f. adjustment</b>	<b>3,637</b>	<b>5,182</b>	<b>6,895</b>	<b>6,458</b>	<b>7,389</b>	<b>7,808</b>	<b>11,113</b>				
<b>Total imports, c.i.f.</b>	<b>32,277</b>	<b>45,986</b>	<b>61,187</b>	<b>57,310</b>	<b>65,569</b>	<b>69,286</b>	<b>82,480</b>	<b>82,480</b>	<b>89,750</b>	<b>102,994</b>	<b>113,269</b>

1/ 1964-70 valued at f.o.b., 1970-73 at c.i.f. prices

2/ Provisional

Source: National Statistical Office

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TABLE-II-7

## MALAWI: IMPORTS BY END-USE, BY PERCENTAGE, 1970-1974.

(In millions of Malawi Kwacha, c.i.f.)

	1970 <sup>1/</sup>	1971	1972	1973	Jan.-June	
					1973	1974
Consumer goods	15.5	18.3	20.4	22.6	10.4	13.1
Nondurable	10.9	13.2	15.3	16.5	7.6	9.9
Durable	4.6	5.1	5.1	6.1	2.8	3.2
of which: Motor cars and bicycles	2.5	2.8	2.3	3.4	1.6	1.7
Capital goods	17.1	20.1	26.8	27.5	11.7	14.3
Machinery	5.3	6.3	6.9	7.7	3.3	5.2
Auxiliary equipment	3.7	4.1	5.4	6.8	2.4	3.2
Transport equipment	8.1	9.7	14.5	13.0	6.0	5.9
Basic and auxiliary material for industry	25.5	31.1	31.5	39.2	17.8	22.5
of which: Parts, tools, and appliances	2.8	4.0	3.1	3.6	1.6	2.2
Commodities for intermediate and final consumption	6.7	11.5	12.5	14.2	7.1	10.0
Cloth for manufacture and consumption	3.1	3.9	4.1	5.0	2.6	3.1
Construction and building materials	3.6	7.6	8.4	9.2	4.5	6.9
Miscellaneous transactions	5.1	7.4	10.3	10.3	3.8	3.7
Total	71.4	89.7	102.9	114.6	51.4	66.2

Source: Malawi, Monthly Statistical Bulletin.<sup>1/</sup> F.o.b.

TABLE-II-8

MALAWI: TERMS OF TRADE, 1970-1975<sup>1/</sup>

Average base of 1970

	Import indices		Domestic export indices		Terms of trade
	Volume	Unit value	Volume	Unit value	
1970	100.00	100.00	100.00	100.00	100.00
1971	106.98	108.16	111.14	108.58	100.39
1972	118.79	111.03	127.50	103.62	93.33
1973	112.53	129.34	135.40	115.78	89.52
1974	113.98	174.43	134.29	146.93	89.23
1974					
I	91.47	160.39	131.16	126.38	79.22
II	123.29	171.61	101.73	152.30	88.59
III	117.18	183.95	155.53	155.52	84.50
IV	130.65	190.25	135.34	149.33	78.47
1975					
I	125.57	196.74	111.46	149.23	75.75
II	159.47	212.92	86.42	143.22	67.25
III	127.14	230.21	206.77	173.17	75.74

Sources: Malawi, Monthly Statistical Bulletin Dec., 1975; and data provided by the Malawian authorities.

<sup>1/</sup> The indices are base weighted. The terms of trade are calculated as  $\frac{Px}{Pm} \times 100$ , where  $Px$  is unit value of exports and  $Pm$  is unit value of imports.

### C. Wages and Prices

Development planning in Malawi is keyed to government policy for wages and prices. This policy seeks:

1. To avoid increasing income disparities between urban and rural workers.
2. To restrict increased costs for wages which might erode the competitiveness of exports of agricultural products.
3. To broaden the market for local industry and consequently through demand induce the expansion of domestic production.

In the early 1960s the government instituted a program of minimum wage rates designed to protect the wage earner but also used to promote the use of productivity as the basis for income adjustment. In 1973 average annual minimum wage for all sectors was K334; this compared to K301 in 1968. (See Table II-9. Malawi: Earnings, Wages and Prices, 1968-1973.) Lower rates existed for agriculture but government employees received a higher minimum wage. Since 1968, however, the real incomes of wage earners have been eroded by inflation. Whereas the average annual earnings for all sectors increased by 11 percent between 1968 and 1973, the GDP deflator rose by about 30 percent during the same period.

The erosion of real income was most serious in urban areas. In Blantyre between 1968 and 1973 the low income price index increased by 30 percent whereas the minimum wage index increased by only 18 percent. In such other urban areas as Zomba, Lilongwe, and Mzuzu, prices are believed to have increased more slowly, but minimum wages increased by only 9 percent. The increasing prices farmers receive for their crops, however, have left the farmer with a rising level of purchasing power. Disparities in real income between rural and urban areas, not great even in 1968, have correspondingly been reduced. In 1968 the average annual cash income of households in rural areas was K40 compared to an annual minimum wage in areas other than Blantyre of about K90. The high cost of living in urban areas significantly narrows the gap between urban and rural real income. Rural families, moreover, are able to supply themselves with consumable and other products from materials close at hand without cost which urban residents are forced to purchase. The narrowing gap between urban and rural real wages offers little incentive to the rural worker--often lacking technical skills--to move to urban areas.

The government policy of encouraging agricultural production by the estate sector and the development of the manufacturing sector has resulted in high profits for those having the means, skills, and interest to begin new productive enterprises. As a result, although urban/rural income disparities have declined, a few individuals in the modern urban sector have accumulated considerable wealth. Estimates for 1969 by the World Bank indicated that as much as 30 percent of annual income was received by 5 percent of the population. The poorest 40 percent of the population received an estimated 25 percent of the total income and the next 40 percent received about 30 percent of total income. Such income distribution is probably in line with that of other countries at a similar stage of economic development.

TABLE II-9

MALAWI: EARNINGS, WAGES, AND PRICES, 1968-1973

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
<u>AVERAGE ANNUAL EARNINGS</u>						
(i) All Sectors						
Kwacha per annum Index	301 100.0	324 107.6	331 110.0	333 110.6	328 109.0	334 111.0
(ii) Agriculture						
Kwacha per annum Index	97 100.0	98 101.0	106 109.3	111 114.4	114 117.5	116 119.6
(iii) Government						
Kwacha per annum Index	393 100.0	412 104.8	411 104.6	416 105.9	368 93.6	n.a. n.a.
<u>STATUTORY MINIMUM WAGE RATES</u>						
(i) Blantyre						
Kwacha per day Index	0.38 100.0	0.38 100.0	0.38 100.0	0.38 100.0	0.38 100.0	0.45 113.4
(ii) Zomba, Lilongwe, Muzuzu						
Kwacha per day Index	0.32 100.0	0.32 100.0	0.32 100.0	0.32 100.0	0.32 100.0	0.35 109.4
(iii) Other areas						
Kwacha per day Index	0.23 100.0	0.23 100.0	0.23 100.0	0.23 100.0	0.23 100.0	0.25 108.7
<u>PRODUCER PRICES FOR MAJOR CROPS</u>						
Index	100.0	107.4	115.7	131.7	133.4	127.8
<u>PRICE INDICES</u>						
(i) Blantyre - high income index	100.0	104.9	110.7	119.3	122.5	130.0
(ii) Blantyre - low income index	100.0	100.9	110.5	119.5	124.0	130.3
For reference: GNP deflator	100.0	105.8	112.9	117.5	121.7	129.4

Source: National Statistical Office, except for the Index of Producer Prices which is a mission estimate based on ADMARG prices.



# III

FOREIGN DONOR  
ASSISTANCE

### III. FOREIGN DONOR ASSISTANCE

With the phasing out of British budgetary aid the Government of Malawi has sought long-term capital inflows in the form of grants and loans from multi-national and bilateral sources. Efforts have been made to diversify and expand the total received. These efforts have been successful; whereas in 1964 90 percent of all aid came from the United Kingdom, donors in the mid-1970s included West Germany, Canada, the United States, Denmark, South Africa, the African Development Bank, the United Nations, and the World Bank Group. For 1976/77 grants and loans equal to K54.4 million were anticipated; of this about 18 percent was expected from the United Kingdom and about 13 percent from the United States.

During the first half of the 1970s assistance from the various specialized agencies of the United Nations averaged at about US\$2.5 million annually and represented only slightly more than 20 percent of the assistance provided by bilateral agreements. (See Table III-1. Malawi: Estimated Technical Assistance from the United Nations and Bilateral Sources, 1971-1975.) The largest single UN contributor was UNDP; average annual UNDP contributions of about 1.5 million represented more than all other UN sources combined.

Estimates for combined UNDP and government inputs in each sector for 1973-1975 indicated a grand total of about US\$4.6 million, excluding unprogrammed allocations and reserves of almost US\$1 million. (See Table III-2. Malawi: Government and UNDP Inputs by Sector, 1973-1975.) Of the programmed total about US\$2.9 million or about 63 percent, was allocated for physical resources, including agriculture. The next largest allocation was about US\$1.3 million, or about 28 percent of the total, for infrastructure.

In addition to the direct aid Malawi has received from UN sources, potential benefits arise from a number of UNDP-assisted regional and inter-regional projects. These are designed primarily for projects which would be too costly on an individual basis. Included among these are:

1. Research on Tickborne Cattle Diseases and Tick Control
2. Lake Victoria Fisheries Research
3. Multinational Telecommunications and Postal Training Center, Nairobi
4. African Institute for Economic Development and Planning
5. East African Railways and Harbours Development
6. East African Institute for Meteorological Training and Research
7. East African School of Aviation, Nairobi
8. Institute of Statistics and Applied Economics, Kampala
9. Multinational Telecommunication and Postal Training Center, Malawi

TABLE III-1

Malawi: Estimated Technical Assistance From the  
United Nations and Bilateral Sources, 1971-1975.

(in millions US \$)

AMOUNTS		SOURCE	AMOUNTS		
1971	1972		1973	1974	1975
9.880	10.400	Bilateral Programmes	Not	yet	known
		*UN Organizations Programmes:			
0.103	0.151	WHO	0.154	0.170	0.164
0.187	0.266	UNICEF	0.222	0.300	0.300
0.125	0.351	WFP	0.351	0.351	0.129
-	-	UNV/UNEP	0.016	0.013	0.013
0.058	0.060	FAO/DANIDA	0.085	0.059	0.024
0.052	0.090	Associate Experts	0.150	0.210	0.210
-	-	UNFPA	0.066	0.032	-
0.010	-	FFHC	0.119	0.120	0.050
0.025	0.003	UNCTC	Not	yet	known
0.010	0.007	UNIDO	0.007	0.010	0.010
-	0.008	SIS/UNDP	0.008	0.010	0.010
0.030	0.015	IMF	0.030	0.030	0.030
0.600	0.951	Sub-Total	1.204	1.304	0.939
1.154	1.650	** UNDP	1.500	1.500	1.500
11.634	13.001	GRAND TOTAL	Not	yet	known

\* The amounts shown for 1973-75 in respect of UN Organizations Programs are projections of the funds which might be made available, but they have not necessarily been confirmed by the Agencies themselves.

\*\* This amount is based on the Indicative Planning Figure approved by the Governing Council for the period 1972-1976.

TABLE III-2

MALAWI: GOVERNMENT AND UNDP INPUTS BY SECTOR, 1973-1975

Government Input In Thousands K	Sectors	UNDP Input In Thousands S
	<u>PHYSICAL RESOURCES</u>	
456	A. Ongoing/Approved Projects	1,451
955	B. New Projects	1,464
1,411	Total - Physical Resources	2,915
	<u>INDUSTRY</u>	
3	A. Ongoing/Approved Projects	20
-	B. New Projects	-
3	Total - Industry	20
	<u>TRADE, COMMERCE AND TOURISM</u>	
-	A. Ongoing/Approved Projects	-
-	B. New Projects	150
-	Total - Trade, Commerce & Tourism	150
	<u>INFRASTRUCTURE</u>	
67	A. Ongoing/Approved Projects	1,189
-	B. New Projects	140
67	Total - Infrastructure	1,329
	<u>HUMAN RESOURCES</u>	
0.54	A. Ongoing/Approved Projects	201
-	B. New Projects	-
-	Total - Human Resources	201
1,481	TOTAL SECTORS	4,615
	Unprogrammed Reserve during Programme Period 1973-1975	320
	Unprogrammed Allocation for 1976	625
1,431	GRAND TOTAL	5,560
	Total Reserve Projects	1,100

Since 1964 Malawi has received thirteen IDA credits totalling US\$96.8 million. Six of these credits were for three major rural development programs: the Lilongwe Land Development Program; the Shire Valley Agricultural Development Project; and the Karonga Rural Development Project. All of these programs are characterized by:

1. The provision of infrastructure, such as rural roads, input stores and produce markets, health facilities (both for people and cattle), boreholes and housing and office accommodation for project staff.
2. Land improvements, comprising land consolidation (and in LLDP land registration), irrigation development and conservation works.
3. Strengthening of extension, marketing, research and public health staffing.
4. Establishment of credit facilities for agricultural inputs such as fertilizer, seeds insecticides, work-oxen and farm implements.

The other credits have been for road development and engineering, power, education and for transport engineering and services connected with the Viphya pulpwood project.

Plans were also made in 1973 to expand countrywide a leprosy eradication program that was conducted in the southern region. Lepers were treated in special centers but also increasingly in their own homes, which were visited by medical personnel in mobile units. Experience has shown that a social stigma attaches to patients who have spent time in a leprosarium and that they are not easily accepted when they return to their families. It was also planned to coordinate the leprosy program with tuberculosis control measures. The latter focus on treatment, careful follow-up, and recordkeeping at the district level of known patients. Statistics are fed to the Ministry of Health headquarters and are kept in a central tuberculosis registry. The health development plan did not include provisions for family planning.

#### IV. SECTORAL ANALYSES--POPULATION

Estimates of a 2.5 percent growth rate for the 1966-1977 period are based upon incomplete information, and only a small percentage of births and deaths among the African majority are officially recorded. The birthrate is probably about forty-five live births per 1,000 women of childbearing age; estimates varied from forty-three to fifty. The overall mortality rate is believed to be about twenty-five per 1,000. The infant mortality rate is at least 120 deaths per 1,000 live births. An unofficial report in 1974 stated that about 400,000 babies were born every year but that 30 to 50 percent of them died before reaching the age of five years.

Despite the high rate of infant and child mortality, available data and comments by qualified observers indicated the probability of continuing rapid growth. About 43 percent of the women were in the fifteen to forty-four year age group, the childbearing years. As in many other tradition-oriented societies, women who bear children are accorded high social status. Intentional limitation of family size is almost unknown outside a small group of urban residents, although a few facilities for education and treatment related to family planning are available in the largest towns. The International Planned Parenthood Federation has established a baby clinic in Zomba, and limited levels of assistance were available from other international organizations. A.D. has provided funds worth almost US\$50,000 for special population activities which have been administered through maternal and child health projects.

Such services are tolerated but not supported by the government which opposes birth control, population planning, sex education, or the distribution of information on these subjects. Very few Malawians object to the position taken by the government. Most African Malawians tend to believe that limiting the size of families might be suitable for Europeans but inappropriate for themselves. President Banda, apparently reflecting the view of most people in the country, has expressed pleasure at the prospect of continuing rapid population growth.

Given the traditionally strong desire for large families, improvements in medical care--particularly maternity care--will probably result in a higher rate of growth among the rural majority. Continuation of the estimated 2.5 percent growth rate in the early 1970s would result in a total of about 7.4 million people by 1990. At this rate the size of the population would double in about twenty-eight years.

#### IV. SECTORAL ANALYSES--EDUCATION

##### A. Setting

The Government of Malawi emphasizes the key role of the educational system in the achievement of national development objectives. Under the 1971-1980 Plan three major targets are set forth:

1. Improved access to education and expanded opportunities.
2. Reorientation of the content and increased effectiveness of the system.
3. Provision of trained personnel to meet various levels and types of manpower needs.

These guidelines are set in a frame work that gives primary emphasis to agricultural and rural development and places a great value on the practical lessons of education as opposed to academic pursuits.

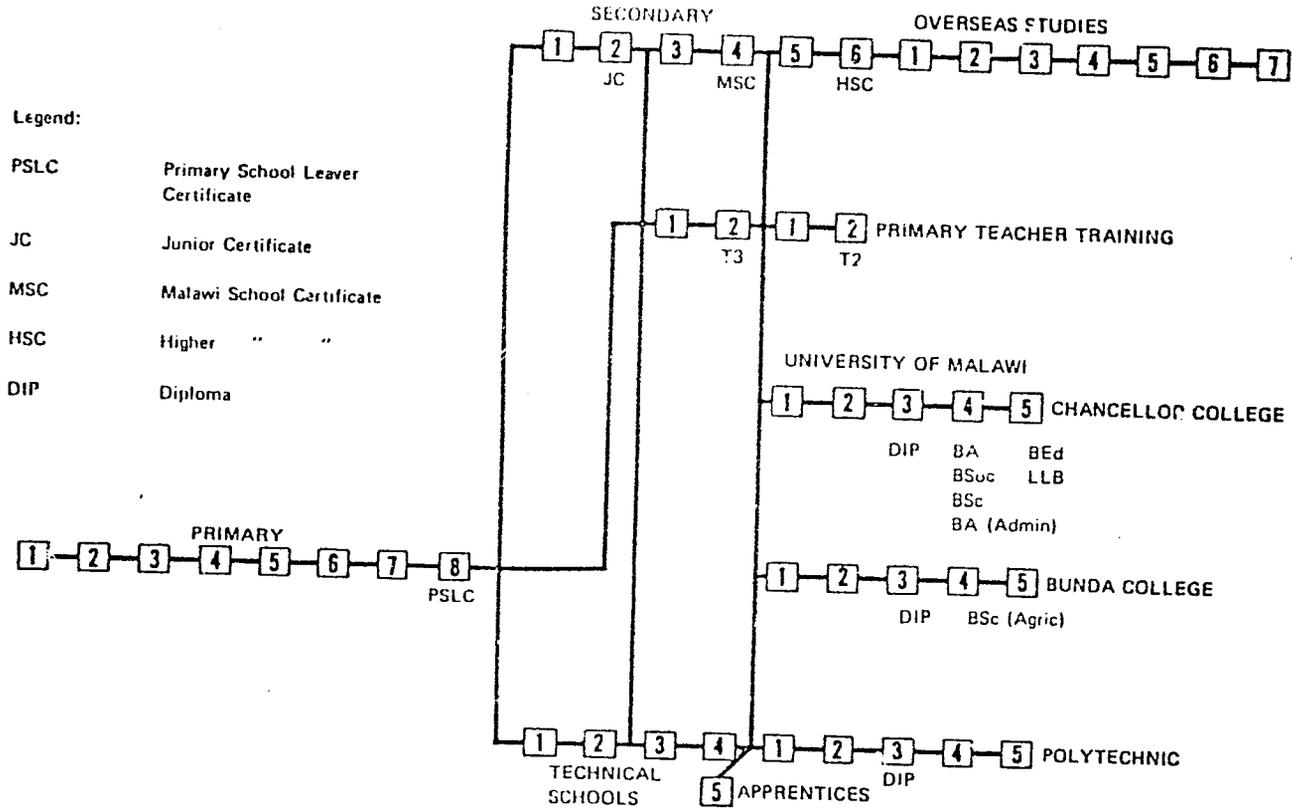
The formal system of education consists of three cycles: eight years of primary education leading to a Primary School Leaver Certificate; four years of secondary education leading to the Malawi School Certificate; and two to five years of higher education leading to various types of diplomas and degrees. (See Figure IV-5. Malawi: Structure of the Educational System, 1974.) Students who complete only two years of secondary school are eligible for a Junior Certificate and students interested in studying abroad may obtain a Higher School Certificate after a Sixth Form course of two years. The University of Malawi is composed of three colleges; technically the university offers graduate degrees as well as various bachelor degrees, but most students seeking graduate educations attend programs abroad. All primary schools and most secondary schools are coeducational.

The Ministry of Education has academic, administrative and financial control of formal education at the primary and secondary level. Direction of primary schools, however, is handled by local district officials. In Blantyre and Lilongwe officials of the urban councils direct primary education. The system contains primary schools run by both local officials and by missionary or volunteer agencies. Schools in either category may receive government support, in which case they are referred to as assisted schools and required to conform to certain standards established by the Ministry. In 1970 there were about 2,000 primary schools, and about 88 percent of all primary level students were enrolled in assisted schools.

Each administrative district is provided a secondary school by the national government. A limited number of private facilities also offer secondary programs. In 1972 there was a total of fifty-eight secondary schools. Facilities are restricted in size and only 17 percent of all primary school certificate holders gain entrance to secondary schools. Tuition is charged, but fellowships and scholarships are available. The Ministry is nominally responsible for the University of Malawi but the university is in reality an autonomous institution.

FIGURE IV-5

MALAWI: STRUCTURE OF EDUCATIONAL SYSTEM, 1974



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Various non-formal educational opportunities are independently provided by other government ministries and agencies. These programs vary widely in duration and type and in many cases utilize existing community facilities. Included are programs in adult education, technical and vocational skills, handicrafts, and homemaking. (See Table IV-10. Malawi: Sample of Non-Formal Educational Programs.)

Despite the considerable number of children who have attended primary school and efforts to expand literacy through special classes, the country's general literacy rate in the early 1970s indicated that, except for the educated elite, the printed media constituted only a limited direct source of information for a large part of the population. Radio as a source of information was important in urban areas according to a listenership survey conducted in 1970 by the Malawi Broadcasting Corporation (MBC). The survey found, however, that 93 percent of the country's predominantly rural households did not listen to radio and that overall only 9 percent of all households used a radio. The principal mode of transmission of information continued, therefore, to be word of mouth. The printed media included fewer than ten publications appearing on a regular basis (see Table IV-11. Malawi: Principal Newspapers and Periodicals, 1973.) Among them were two general circulation newspapers, the official government gazette, several mission-sponsored publications, and a number of government-published periodicals.

#### B. Education and Manpower

The primary demand placed on the educational system is the provision of skilled manpower necessary for continued economic development. This is a demand that is becoming increasingly more difficult to service. In 1971 the government made a survey of the labor force to determine the supply of high and intermediate level manpower, referred to in the government document and by other sources as HILMP. Included in this classification were:

1. The senior category of top management and professional occupations requiring a university degree.
2. The intermediate category of middle and junior management and technical occupations requiring a diploma or Malawi School Certificate of Education.
3. The skilled category of the office and skilled workers requiring a Junior Certificate of Education.

The survey indicates that 47,750 workers of about 9 percent of the total wage labor force of 523,000 possessed HILMP skills. They were fairly equally distributed between the public sector (54 percent) and the private sector (46 percent). (See Table IV-12. Malawi: Distribution of HILMP by Occupation, Sector and Nationality, 1971.) About 83 percent of the HILMP was supplied by Malawians; the percentage was higher in the public sector and in lower skilled categories. Demand for HILMP exceeded supply by 3 percent.

TABLE IV-10

## MALAWI: SAMPLE OF NON-FORMAL EDUCATIONAL PROGRAMS

<u>MINISTRY OR AGENCY</u>	<u>TRAINING PROGRAMS</u>
Community Development and Social Welfare	Community development leaders, homecraft, health, nutrition, child care, literacy, etc.
Health	Health assistants, health inspectors, nurses, paramedics, rural health training.
Agriculture and Natural Resources	Veterinary technicians, fisheries agents, agriculture extension agents, agriculture degree programs, forestry agents, farmer training centers, rural nutrition, etc.
Ministry of Youth and Culture	Technical, agricultural and clerical programs within the Malawi Young Pioneers program.
Malawi Broadcasting Corp.	Adult and formal school educational broadcasts.
Malawi Library Service	A mobile lending library with national coverage.
Labor	Apprentice program, leadership training, etc.
Transportation and communications	Auto repair, postal and telegraph training, etc.
Works and Supplies	Artisan and technician training.
Missions	Handicraft, homecraft, artisan and agricultural training.
The Malawi Correspondence College	In-service teacher training, correspondence courses for Junior and Senior Secondary School Certificates, etc.

TABLE IV-11  
MALAWI: PRINCIPAL NEWSPAPERS AND PERIODICALS, 1973

Name of Publication	Language	Place of Publication	Frequency	Circulation	Remarks
<i>The African</i> .....	English and Chichewa	Lilongwe	fortnightly	14,000	Roman Catholic periodical.
<i>Kuunika</i> .....	Chichewa	Mkhoma	n.a.	n.a.	Published by Presbyterian Church of Central Africa.
<i>Malawi Government Gazette</i> ....	English	Zomba	weekly	n.a.	Official gazette.
<i>Malawi News</i> .....	English and Chichewa	Blantyre	weekly <sup>1</sup>	18,000	Malawi Congress Party newspaper.
<i>Mont</i> .....	Chichewa and English	Limbe	monthly	22,000	Roman Catholic periodical.
<i>Daily Times</i> .....	English	Blantyre	daily <sup>2</sup>	14,700	Privately published; owner- ship included foreign investor.
<i>This Is Malawi</i> .....	-do-	-do-	monthly	n.a.	Government publication for overseas distribution.
<i>Vision of Malawi</i> .....	-do-	-do-	quarterly	n.a.	-do-

n.a.—not available.

<sup>1</sup> Published every Saturday.

<sup>2</sup> Published Monday through Friday.

Source: Adapted from *Africa South of the Sahara, 1974*, London, 1974, p. 510; and *Editor and Publisher International Year Book, 1974*, New York, 1974.

TABLE IV-12

Malawi: Distribution of HILMP by Occupation, Sector and Nationality, 1971

Broad Occupational Levels	Public and Private						Public						Private					
	Total		Malawian		Non-Malawian		Total		Malawian		Non-Malawian		Total		Malawian		Non-Malawian	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1 and 3 Senior Level	1,706	100.0	382	22.4	1,324	77.6	621	36.4	232	37.4	389	62.6	1,085	63.6	150	13.8	935	86.2
2 and 4 Intermediate Level	14,858	100.0	12,392	83.4	2,466	16.6	11,151	75.1	10,527	94.4	624	5.6	3,707	24.9	1,865	50.3	1,842	49.7
5, 6 and 7 Skilled Level	31,186	100.0	26,962	86.5	4,224	13.5	14,028	45.0	13,843	98.7	185	1.3	17,158	55.0	13,119	76.9	4,039	23.5
All Levels	47,750	100.0	39,735	83.2	8,014	16.8	25,800	54.0	24,602	95.4	1,198	4.6	21,950	46.0	15,134	69.0	6,816	31.0

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The 1971 survey revealed numerous imbalances in the wage labor force. About 90 percent of HILMP was provided by males; the remaining labor provided by females was primarily in the fields of education and nursing. There was a high dependence on expatriate manpower, particularly in the private sector; expatriates, moreover, provided 75 percent of all wage labor in the senior occupational category.

The 1971 survey projects that the 3 percent shortage of HILMP would increase during the decade and reach 35 percent by 1980/1981; the shortage of intermediate and skilled categories, projected at 37 percent and 64 percent were to be the most pronounced. (See Table IV-13. Malawi: Shortage of HILMP.) Members of the World Bank staff made alternate projections in 1975 which indicated a much lower shortage for 1980/1981 and also included estimates for at least the next two decades. These projections, moreover, are based on the assumption that the number of expatriates in the labor force will remain the same through the period covered by the projections; such may not be the case.

### C. Problems and Constraints

In terms of internal organization and administration the formal educational system of Malawi is one of the best in East Africa. The Ministry of Education competently handles teacher training, inspection, and supervision. The ministry is somewhat cautious, however, about the introduction of reforms. Major areas for reconsideration include:

1. The structure of the educational system.
2. The duration of primary education.
3. The utility of secondary education.
4. Utilization of non-formal education.
5. Co-ordination with non-formal programs not run by the ministry.
6. Curriculum.

The issue of coordination between the formal educational system and non-formal programs under other ministries and agencies is especially serious in view of the fact that about 30 percent of the total recurrent government expenditure on education and training was channelled through programs not under the Ministry of Education. Duplication has resulted in certain areas and gaps exist in others. In an effort to facilitate coordination the National Council for Education and Training was established in the mid-1970s. Included in the membership of the council are representatives of a broad spectrum of groups. Although the authority of the council is limited, consolidation of duplicated programs has been initiated.

The efficiency of the educational system needs to be upgraded substantially, particularly in regard to primary education. At present most students in primary schools seek only five years of education--beyond this point school fees more than double--and only 40 percent of those students entering primary school com-

TABLE IV-13

MALAWI: SHORTAGE OF HILMP  
(by percentage)

	<u>1980/1981</u>		<u>1985/1986</u>
	Malawi Survey Estimate 1971	Bank Staff Estimate	Bank Staff Estimate
Senior Category (degree holder)	30	6	13
Intermediate Category (Sr. Sec. Certificate)	37	10	8
Skilled Category (Jr. Sec. Certificate)	64	34	43

plete eight grades. The quality of education offered during the first five years is difficult to assess, but repetition and dropout rates are high. An estimated 20 percent of all primary school teachers have no pedagogical training, and the overall lack of effective as well as qualified teachers is a major constraint on the system. The use of rote methods of instruction continues to characterize much of the instruction in primary schools, and efforts to introduce more progressive techniques have been opposed by both teachers and parents in several communities.

The system is in serious need of curriculum reform. Such practical subjects as agriculture and crafts are not introduced on the primary level until the sixth year--before which many students have left school--and only 20 percent of secondary school enrollments receive instruction in practical subjects. The Curriculum Development Unit and the Program Evaluation Unit of the Ministry of Education have formulated an undated syllabus. The introduction of changes associated with the new syllabus had been begun by the early 1970s but only a few primary schools and only about 20 percent of all secondary schools have the facilities necessary to teach the new program.

Primary schools are deficient in their supply of furnishings, blackboards, books, and other teaching materials. Equally serious is the very construction of the facilities themselves. Building primary schools is the responsibility of the villagers themselves. They often lack adequate light and ventilation and are built poorly and of poor quality materials. The useful life of such structures averages at about five years. Perhaps 1,000 new schools are needed to replace inadequate facilities and to meet immediate needs for increased enrollment.

#### IV. SECTORAL ANALYSES--INDUSTRY

##### A. Setting

In the years since independence manufacturing has been one of the more dynamic sectors of the economy. During the first half of the 1970s manufacturing provided an average of about 14 percent of total GDP at factor cost and about 20 percent of monetary GDP at market prices. By 1980 its contribution was expected to reach almost 18 percent of total GDP and about 21 percent of monetary GDP. In 1973 manufacturing provided employment for about 12 percent of the total number of wage employees in establishments having at least twenty workers, compared to about 13 percent in 1968.

Government policy gives emphasis to the expansion of existing import substitution consumer goods industries, the development of small-scale rural industries, and the expansion of food processing industries for export. Balanced regional development is a major goal and new industries are being encouraged to locate in Lilongwe and Liwonde. Government incentives for industrial development include:

1. Protective import tariffs.
2. Exemptions from customs of certain primary products and materials.
3. Depreciation allowances on capital expenditures.
4. Investment allowances for tax purposes.
5. Provision of government-developed industrial sites.

Priority in granting industrial licenses is given to Malawians and where foreign investment is necessary, participation with Malawian companies is encouraged.

##### B. Structure and Problems

Until the late 1960s the manufacturing sector was largely composed of industries processing agricultural commodities--particularly tea, tobacco, cotton, and sugar--for local consumption or export. By the early 1970s, however, the production of such import substitution consumer goods as soap, cigarettes, soft drinks, household utensils, and textiles had been introduced. Their introduction was the primary explanation for the rapid expansion of the sector at about 13 percent annually to the value added at constant prices between 1964 and 1971. The total share of consumer goods to manufacturing production increased from 19 percent in 1954 to 40 percent in 1971.

The net output of export industries dropped from 23 percent to 14 percent for the same period. The index of manufactured output for 1971 to 1974 indicates that the growth rate in 1972 increased at about 1.0 percent over 1971 but doubled to about 20 percent in 1973. (See Table IV-14. Malawi: Index of Manufactured Output, 1971-1974.)

TABLE IV-14.

Malawi: Index of Manufacturing Output, 1971-1974

(For annual indices, monthly average 1970 = 1.0; for the monthly indices, corresponding 1970 month = 100) -

	1971	1972	1973	1973				1974		
				March	June	Sept.	Dec.	March	June	Sept.
Goods mainly for private consumption	115.2	120.9	150.5	111.3	148.0	182.0	152.3	122.5	159.4	203.5
Food, beverages, and tobacco	112.3	127.6	169.4	104.2	174.9	220.5	159.8	119.8	191.0	237.8
Footwear, clothing, and textiles	118.1	118.0	115.2	110.8	110.1	144.2	92.5	127.0	128.5	154.5
Other	110.8	108.0	143.2	127.5	116.8	152.6	109.0	124.0	118.8	194.6
Intermediate goods	103.1	122.9	147.6	142.2	175.7	146.5	129.1	128.8	149.5	117.8
Total manufacturing for domestic market	111.0	121.3	150.0	118.3	154.3	174.0	131.6	123.9	157.2	183.1
Export goods	108.7	125.4	137.7	113.0	128.8	196.3	147.0	114.2	159.0	202.9
Total production	110.6	122.2	147.3	117.2	149.2	178.5	154.7	121.9	153.6	191.1

Sources: Malawi, Monthly Statistical Bulletin; and Economic Report 1974.

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The projected rate of growth for 1974 was in excess of 30 percent. Although domestic demand remained in 1974, the actual rate of expansion was slowed as a result of difficulties in procuring raw materials from abroad; some reports indicated that the rate of growth was less than half the projection. Transport links to the Indian Ocean were re-established by 1975, giving the expectation of renewed growth at levels comparable to previous years for the remainder of the 1970s. Investment in manufacturing in 1975, however, reached only slightly more than half the 1975 total and was twice as labor intensive; only 200 new jobs were created as compared to 770 the previous year. Some analysts felt that slower growth for the remainder of the decade was indicated.

In order to promote industrial development in 1964 the government established the Malawi Development Corporation (MDC), a totally government-financed institution. By 1973 the corporation had been issued capital valued at K2.76 million, some of which represented credit from such institutions as the African Development Bank, and outstanding investments reached K10.3 million. Investment policy is designed to assist either the expansion of existing firms or the establishment of new industries by providing finance in the form of:

1. Share capital.
2. Loans.
3. Combinations of the two.

Where no interest is evident among domestic entrepreneurs to establish an industry that the corporation feels would be in the national interest, the corporation directly creates an enterprise.

The major concern of the corporation in making an investment is the economic viability of a business. Such social considerations as the effect on employment, the level of capital intensity of an industry, and balanced regional development are also considered. In order to give greater freedom to the corporation in considering such social costs, a new development corporation INDEBANK has been established to concentrate on the more directly commercial projects. The original capital fund of K4 million of the corporation is supported by shares held equally by the Government of Malawi and the foreign assistance agencies of the United Kingdom, the Netherlands, and West Germany. INDEBANK was expected to finance joint ventures by foreign and domestic partners, and by the end of 1974 less than 10 percent of all commitments were to wholly Malawian-owned companies.

Three major constraints on future development characterize the sector:

1. Shortage of managerial skills. Although the country lacks skilled manpower in general, the short supply of managerial personnel is supportable only by the reliance on expatriates. Some sources indicate that the number of expatriates serving in managerial capacities was increasing by about 200 individuals annually during the 1970s.
2. Difficulties in obtaining adequate supplies of materials for processing.

- a. Transportation bottlenecks.
  - b. Difficulties in filling the needs of Malawian industry by the countries of supply.
3. Lack of credit for small-scale operation. At present there is no readily available institutional source of credit for amounts under K20,000 except commercial banks; most small-scale businessmen do not have the amount of security such banks require in order to obtain a loan.

Future expansion of the manufacturing sector in general will be highly dependent upon the future growth of agricultural incomes. The immediate opportunities for establishing import substitution industries have been filled and future growth will come more likely from expansion of existing industries, including additional processing facilities for agricultural products. The success of one industry in particular, the Viphya pulpwood mill, will have a great effect on the sector: by 1980, when the project will begin to make its first impact on the economy, it is expected to account for about 25 percent of the value added by manufacturing as well as having spillover contributions for transport and distribution; it is also expected to provide about 20 percent of total export earnings.

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#### D. Government Economic Plan

Since independence there has been a substantial increase in the amount of public capital expenditure for development, most of which has been financed by bilateral or multilateral grants and loans from abroad. Public expenditures for development have been carefully planned; the private sector, which plays an important role in generating investment in the country, is not directly controlled but is indirectly guided through fiscal and monetary policies.

The first development plan covered the 1965-1969 period. It was followed by another five year plan for 1970-1974. In 1971, however, the government published a more comprehensive ten year plan for 1971-1980. Officially titled the Statement of Development Policies in 1971-1980, and often referred to as DEVPOL in government documents, this plan remains the framework under which national development in Malawi is being guided. Within the general framework there is a more specific rolling three year plan; at the expiration of each fiscal year an additional year is added and the entire program is revised in consideration of achievements and needs. This system is basically well constructed and operated.

Under DEVPOL a total public sector investment of K374 million is projected. (See Table II-10. Malawi: Public Sector Investment, 1971-1980.) Of this K110 million about 29 percent is earmarked for transportation; somewhat over half of this allocation is for road construction. Investment in agriculture of K72 million or about 19 percent is the next largest item. A total allocation of K55 million is projected for such social services as education, housing, and health, and another K50 million covers the construction of the new capital at Lilongwe. The two other sectors to receive major investment under the plan are utilities and telecommunications. These figures are subject to revisions but do reflect the relative allocation of resources envisioned under the plan.

DEVPOL provides a rather extensive discussion of the social objectives associated with economic development. Particular emphasis is given to efforts to:

1. Raise living standards and productivity in rural areas.
2. Achieve an average annual growth of the domestic product of 8 percent through the parallel development of small-holder output, estates, agriculture, and industry.
3. Promote a more balanced regional development with an emphasis on the central and northern regions.
4. Develop local initiatives with a gradual increase of local participation in the economy.

#### E. Government Budget

Upon the receipt of independence the government of Malawi faced a very restricted financial position. A very narrow tax base and low rates of taxation provided for only just over one-half of the expenditures on revenue account; the remainder

TABLE-II -10

MALAWI: PUBLIC SECTOR INVESTMENT, 1971-1980

	Kmillion	
Transportation.....	110	29%
of which roads.....	60	16%
Agriculture.....	72	19%
Social Services.....	55	15%
of which Education.....	20	5%
of which Health.....	15	4%
of which Housing <sup>1/</sup> .....	20	5%
New Capital.....	50	13%
Utilities.....	42	11%
of which Power.....	28	7%
Telecommunications.....	20	5%
Other.....	25	7%
	374	100% <sup>2</sup>
Total	374	100%

1/ Excluding project and C. C. D. C. financed Housing.

2/ Does not equal 100 because of rounding.

was provided by the United Kingdom mainly in the form of grants. By restraining annual increases in expenditures to an average of 8 percent and by increasing annual revenues at an average rate of 15 percent the government was able to balance the revenue account without external support for the first time in the fiscal year 1972/1973<sup>1</sup>.

Estimates for 1975/76 indicated a gross expenditure for revenue accounts of K75.9 million and total receipts of about K77 million. (See Table II-11. Malawi: Government Receipts and Expenditure on Revenue and Development Accounts 1966-1975/76.) This compared to a gross expenditure of K46.9 million and total receipts of 43.9 million in 1970/71. According to functional allocation the single largest expenditure was K12.7 million or about 17 percent of total revenue expenditure for public debt charges. (See Table II-12. Malawi: Functional and Economic Analysis of Revenue Account Expenditure 1966-1975/76.) Education at K11.9 million or about 16 percent of the total was the next largest single expenditure. The social services as a whole, which gave considerable emphasis to manpower, required K19.1 million or about 25 percent of the total, and such general services as administrative costs and defense required almost K20 million or about 26 percent of the total.

The major factor providing the rapid growth of receipts in the revenue account has been the growing support provided by taxes on goods and services and on income profits. Tax policy is based on both revenue maximization and socio-economic considerations relevant to overall development goals. In estimates for the 1974/76 budget direct taxes provided K20.1 million or about 30 percent of total revenue receipts. (See Table II-13. Malawi: Government Receipts on Revenue Account, 1964-1974/75.) There is a head tax of K3.5 on all males eighteen years of age and above. Personal incomes exceeding the minimum legal wage to K11,000 are subject to a 10 percent taxation and higher incomes are subject to a 40 percent taxation. Corporate income is also taxed at 40 percent, but there are generous deductions.

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<sup>1/</sup> Before 1969 the fiscal year ran from January 1 to December 31. A fifteen month year ran from January 1, 1969 until March 31, 1970. Since then fiscal years have run from April 1 to March 31. Reference throughout this study to fiscal years is simply indicated 1969/1970.

In addition to the central government, the public sector includes local authorities and thirteen state-owned corporations. Most of the funds used by local authorities come from the central government either through personal taxation collected by the central government or through direct grants. Public corporations generally operate on a commercial basis. In order to fulfill their capital requirements, however, they have access to both government and commercial sources.

The budget for the public sector is divided into two accounts: a revenue account which represents tax and other receipts and which finances mainly recurrent expenditure; and a development account into which foreign loans are paid and which finances mainly capital expenditures.

TABLE II-11

## MALAWI: GOVERNMENT RECEIPTS AND EXPENDITURE ON REVENUE AND DEVELOPMENT ACCOUNTS 1966-1975/76

Item	Year	Line	1966	1967	1968	1969/70 (15 Months)	1970/71	1971/72	1972/73	1973/74	1974/75 (Revised Estimate)	1975/76 (Estimate)
<b>EXPENSE ACCOUNT</b>												
Net Expenditure		1										
Expenditure financed from		2	35,472	38,874	40,340	44,584	37,936	39,931	43,981	48,132	55,385	59,610
Appropriations-in-Aid		3	-	-	-	7,859	9,009	10,530	13,050	13,601	17,500	16,336
Gross Expenditure		4	35,472	38,874	40,340	53,443	46,945	50,461	57,031	61,733	72,885	75,946
Ordinary and Special Revenue		5	25,942	30,316	33,660	37,122	34,920	39,723	43,895	49,496	56,499	60,734
Appropriations-in-Aid		6	-	-	-	7,859	9,009	10,530	13,050	13,601	17,500	16,336
Total Receipts (Excluding Grants-in-Aid)		7	25,942	30,316	33,660	44,981	43,937	50,253	56,945	63,097	73,999	77,070
British Government Grants-in-Aid		8	8,488	8,330	6,390	7,250	4,200	644	-967	-	-	-
Total Revenue Account Receipts		9	34,430	38,646	40,050	52,231	48,137	50,897	55,978	63,097	73,999	77,070
Deficit/Surplus before Grants-in-Aid		10	-9,530	-8,558	-6,680	-7,462	-3,008	- 208	+ 881	+1,364	+1,114	+1,124
Deficit/Surplus after Grants-in-Aid		11	-1,042	- 228	- 290	- 212	+1,192	+ 436	- 86	+1,364	+1,114	+1,124
Cumulative Balance at beginning of year		12	+1,112	+ 70	- 158	- 448	- 660	+ 532	+ 968	+ 882	+2,246	+3,360
Cumulative Balance at end of year		13	+ 70	- 158	- 448	- 660	+ 532	+ 968	+ 882	+2,246	+3,360	+4,484
<b>DEVELOPMENT ACCOUNT</b>												
Total Expenditure		14										
Total Receipts: of which		15	12,759	10,113	13,960	21,318	35,169	31,167	26,702	30,244	51,480	63,621
External Borrowing		16	9,211	9,170	13,896	21,185	37,361	29,792	26,152	31,600	47,395	58,636
Internal Borrowing		17	5,049	5,809	7,457	16,817	31,862	21,516	18,798	21,000	31,625	34,983
Grants and Reimbursements		18	2,120	2,500	6,100	4,008	5,000	6,182	5,600	6,277	13,500	13,470
Other Receipts		19	869	217	172	168	380	909	1,477	3,727	1,875	9,775
		20	1,173	644	167	192	119	1,185	277	596	395	408
Cumulative Balance at beginning of year		21	- 471	-4,019	-4,962	-5,026	-5,159	-2,967	-4,342	-4,892	-3,536	-7,621
Cumulative Balance at end of year		22	-4,019	-4,962	-5,026	-5,159	-2,967	-4,342	-4,892	-3,536	-7,621	-8,106

TABLE-II-12

MALAWI: FUNCTIONAL AND ECONOMIC ANALYSIS OF REVENUE  
ACCOUNT EXPENDITURE 1966-1975/76

YEAR	LINE	1966	1967	1968	1969 (Revised Estimate)	1970/71	1971/72	1972/73	1973/74	1974/75 (Revised Estimate)	1975/76 (Revised Estimate)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
FUNCTIONAL AND ECONOMIC											
GENERAL SERVICES	1	11,124	10,602	10,338	11,206	11,452	13,231	13,129	15,723	19,137	19,996
General Administration	2	6,566	5,578	5,166	5,996	6,035	7,378	6,798	8,165	9,960	9,152
Defense	3	1,012	1,116	1,122	1,204	1,228	1,441	1,565	2,725	3,707	5,035
	4	3,316	3,908	4,050	4,006	4,189	4,412	4,766	4,833	5,470	5,809
NATURAL RESOURCES	5	4,492	2,908	2,806	3,064	3,218	3,553	4,337	4,918	5,745	6,750
	6	10,704	9,764	10,694	11,876	12,426	13,455	14,910	16,250	18,827	19,052
Education	7	6,318	6,458	6,930	7,730	7,957	8,541	9,268	10,022	11,270	11,867
Health	8	2,690	2,694	2,740	2,898	3,141	3,304	3,626	4,232	4,572	4,628
Community Develop- ment, etc.	9	1,696	612	1,024	1,248	1,323	1,610	2,016	1,996	2,985	2,557
COMMUNICATIONS	10	7,680	2,800	2,882	2,236	2,255	2,323	3,436	2,671	3,965	4,244
Transport	11	7,680	1,254	1,248	1,388	1,320	1,351	2,396	1,615	2,776	2,798
Posts and Telecommuni- cations	12	—	1,546	1,634	848	935	972	1,040	1,056	1,189	1,446
OTHER SERVICES	13	6,116	4,068	3,566	4,070	4,727	4,496	4,428	5,249	5,281	6,002
PUBLIC DEBT CHARGES	14	3,868	3,994	4,026	4,914	6,755	8,103	9,912	10,449	12,591	12,714
UNALLOCABLE	15	4,248	4,738	6,028	5,140	6,113	5,300	6,879	6,473	7,339	7,188
Of which pensions and Gratuities	16	3,342	3,852	3,760	2,766	2,959	3,040	2,905	3,590	4,055	3,736
TOTAL (GROSS)	17	48,232	38,874	40,340	42,506	46,946	50,461	57,031	61,733	72,885	75,946
Gross Consumption	18	26,216	26,858	27,332	27,860	29,750	32,442	35,531	37,017	45,655	46,822
Wages and Salaries	19	16,198	16,734	17,224	17,186	17,560	17,330	18,230	19,943	21,675	24,495
Other Goods and Services	20	10,018	10,124	10,108	10,674	12,190	15,052	17,311	17,074	23,978	22,327
FEES, SALES AND RECOVERIES	21	2,840	3,732	4,634	4,520	5,607	5,609	5,940	6,649	6,125	6,851
CONSUMPTION	22	23,376	23,126	22,698	23,340	24,143	28,832	29,591	30,368	39,530	39,971
INTEREST	23	2,186	2,484	2,540	3,206	3,066	5,394	6,608	3,483	4,197	4,238
GRANTS AND SUBSIDIES	24	5,260	6,284	7,812	8,524	8,472	9,093	9,749	11,118	12,478	12,483
Local Authorities	25	3,032	3,058	3,708	3,822	3,715	4,492	4,682	4,408	5,925	5,986
Public Bodies	26	2,124	1,894	2,852	3,488	4,236	4,047	4,463	5,858	5,586	5,521
Private	27	—	1,056	1,008	1,016	102	260	248	502	466	442
Abroad	28	104	276	244	198	419	294	356	350	501	534
GROSS FIXED CAPITAL FORMATION	29	10,840	1,374	996	954	896	612	785	3,079	2,131	3,888
LOANS AND CAPITAL TRANSFERS	30	2,078	382	194	260	1,073	219	1,054	70	30	39
DEBT REPAYMENTS	31	1,652	1,492	1,466	1,702	1,689	2,701	3,304	6,966	8,394	8,476

Footnote: The 1966 figures include Development Account Expenditure

TABLE II-13

MALAWI: GOVERNMENT RECEIPTS ON REVENUE ACCOUNT, 1964-1974/75

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969/70<sup>1/</sup></u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>
<u>Direct Taxes</u>	<u>4.5</u>	<u>5.1</u>	<u>6.2</u>	<u>8.3</u>	<u>9.7</u>	<u>10.0</u>	<u>12.1</u>	<u>14.1</u>	<u>16.2</u>	<u>18.6</u>	<u>20.1</u>
Minimum tax: collected in Malawi	(	1.3	1.2	1.3	1.4	1.4	1.6	1.8	1.9	1.8	1.7
remitted from abroad	(	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.5
Graduated tax	(	0.6	0.6	0.7	0.9	1.0	1.1	1.2	1.3	1.5	1.5
P.A.Y.E. tax	0.9	1.3	1.6	1.9	2.0	2.5	2.7	3.1	3.5	4.3	4.5
Income tax on companies and self employed	1.8	1.8	2.7	4.3	5.2	4.9	6.1	7.7	9.1	10.5	11.8
<u>Indirect Taxes</u>	<u>5.2</u>	<u>7.4</u>	<u>9.9</u>	<u>11.0</u>	<u>11.2</u>	<u>13.0</u>	<u>17.0</u>	<u>22.0</u>	<u>23.2</u>	<u>25.0</u>	<u>27.3</u>
Import duties	2.3	4.2	7.1	9.0	8.9	9.6	10.0	10.5	10.3	10.6	11.6
Excise duties	0.5	0.6	0.7	0.8	1.0	1.8	2.3	2.7	2.9	3.9	3.6
Surtax	-	-	-	-	-	-	3.0	7.1	8.1	8.5	10.0
Other	2.4	2.6	2.1	1.2	1.2	1.5	1.7	1.6	1.9	2.0	2.1
<u>Total Tax Receipts</u>	<u>9.8</u>	<u>12.5</u>	<u>16.2</u>	<u>19.2</u>	<u>20.9</u>	<u>23.0</u>	<u>28.9</u>	<u>36.1</u>	<u>39.3</u>	<u>43.6</u>	<u>47.4</u>
Non Tax revenue	7.6	5.8	6.7	7.5	8.8	3.9	2.8	0.4	4.6	5.9	4.3
Appropriations and Aid	-	-	-	-	-	6.3	9.0	10.5	13.0	13.0	15.1
UK Budgetary support	10.0	11.9	-	8.3	6.4	5.8	4.2	0.6	-	-	-
Other UK Grants and Loans	4.4	3.3	3.0	3.6	4.0	3.3	3.2	3.3	-	-	-
<u>Total receipts</u>	<u>31.8</u>	<u>33.5</u>	<u>34.4</u>	<u>38.6</u>	<u>40.1</u>	<u>42.3</u>	<u>48.1</u>	<u>50.9</u>	<u>56.9</u>	<u>63.1</u>	<u>66.8</u>

<sup>1/</sup> Due to a change in the fiscal year this period covers 15 months. Figures have been scaled down to 12 months equivalent.

Source: Budget Documents 1965-1974

Indirect taxation provided K27.3 million or about 41 percent of total revenue receipts. Emphasis is placed on consumption but food is excluded. A surtax on imports averaged about 15 percent. A sales tax of 5 percent was introduced in 1970 and increased to 10 percent in 1971. It was applied to most imported consumer goods and locally manufactured items and was the largest component of tax revenue on goods and services.

Estimates for the 1975/76 budget indicated a gross expenditure for the development account of K63.6 million and total receipts of K58.6 million. This compared to a gross expenditure of K35.2 million and total receipts of K37.4 million in 1970/71. (See Table II-13. Malawi: Government Receipts and Expenditures on Revenue and Development Accounts, 1966-1975/76.) According to functional allocation the largest single expenditure was K15.7 million or about 26 percent of the total for natural resource development, over two-thirds of which was for agriculture. (See Table II-14. Malawi: Functional and Economic Analysis of Development Account Expenditure, 1969-1975/76.) This was followed by K14.9 or about 23 percent for roads. Social services as a whole received K4.6 or 7 percent of total, and the transportation and communication sectors received K28.3 million or about 44 percent.

Comparisons between the 1971-1974 three year rolling plan and estimates for the comparable 1975-1978 plan projected an increase in the development expenditure from K88.1 million to 169.9 million. (See Table II-15. Malawi: Development Expenditures 1971-1978.) The allocation for transportation and communication, the largest single expenditure in the 1975-1978 plan, increased from 21 percent to 40.3 percent. The expenditure for social services declined from 7.9 percent to 5.6 percent. Natural resources increased slightly from 29.0 percent to 31.1 percent. The decline in the expenditure for other services from 28.4 percent to 23 percent was largely the result of the completion of the new capital at Lilongwe.

#### F. General Development Prospects and Problems

More than half of the time frame for the current ten year development plan has passed; both the international economic configuration and the domestic economy of Malawi have changed since the original projections on which the plan is based were made. More detailed discussions follow under the sectoral analyses but certain macro issues serve as an overall index of present development prospects and problems.

A recent economic analysis of Malawi by the World Bank suggests that the realization of the government goals of 8 percent growth in GDP and increased productivity, living conditions, and income distribution--especially in rural areas--will depend upon several factors:

1. The performance of the agricultural sector and related activities in associated sectors.
2. The success of such development projects underway as the Viphya pulpmill.

TABLE-II-14

## MALAWI: FUNCTIONAL AND ECONOMIC ANALYSIS OF DEVELOPMENT

ACCOUNT EXPENDITURE 1969-1975/76.

FUNCTION	YEAR	LINE	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
			(15 Months)	(2)	(3)	(4)	(5)	(Revised Estimate)	(First Estimate)
			(1)	(2)	(3)	(4)	(5)	(6)	(7)
NATURAL RESOURCES		1	6,500	6,643	8,717	7,855	9,612	14,015	16,755
MANPOWER		2	2,784	2,365	2,191	1,971	2,795	4,331	4,610
Education		3	2,546	2,848	1,849	1,625	1,363	1,379	1,790
Health		4	205	105	339	302	1,266	2,699	2,698
Community Development		5	33	12	3	44	166	253	122
COMMUNICATIONS		6	6,993	18,504	7,359	6,311	7,515	17,712	
Transport		7	6,383	17,619	6,520	5,240	5,919	15,728	28,303
Roads		8	3,727	7,492	5,786	4,077	3,853	9,155	14,949
Railways		9	2,212	10,103	441	656	1,691	4,905	9,312
Posts and Telecommunications		10	610	885	839	1,071	1,596	1,984	3,328
OTHER ECONOMIC SERVICES		11	5,041	7,057	12,900	10,565	10,322	15,422	13,953
of which : Power		12	-	742	3,223	2,562	586	2,371	2,799
New Capital		13	1,602	2,530	3,390	3,834	3,584	1,990	2,078
TOTAL		14	21,318	35,169	31,167	26,702	30,244	51,480	63,621
GROSS CONSUMPTION		15	622	1,044	2,805	680	735	3,186	4,446
Wages and Salaries		16	225	261	435	127	186	244	359
Other Goods and Services		17	397	783	2,370	553	549	2,942	4,087
AGRICULTURAL SUBSIDIZES		18	524	356	458	380	214	10	10
OTHER GRANTS		19	550	50	41	-	173	-	-
GROSS FIXED CAPITAL FORMATION		20	14,224	19,193	17,816	18,385	24,112	45,706	53,091
Wages and Salaries		21	1,138	838	1,235	1,528	1,698	1,960	3,350
Buildings		22	4,248	3,863	3,761	3,518	6,278	9,689	10,496
Construction and Works		23	5,953	8,579	5,897	5,215	11,448	16,151	25,083
of which : Roads and Bridges		24	3,936	5,288	4,271	3,934	3,723	8,380	13,593
Services		25	865	1,124	426	395	361	761	1,342
Equipment		26	1,840	3,991	4,895	2,862	2,546	8,443	7,194
Other		27	180	748	1,602	4,867	1,799	8,702	5,626
LOANS		28	5,398	14,526	10,047	7,257	4,992	2,578	6,074
Public Enterprises		29	5,398	14,526	10,047	7,257	4,992	2,578	6,074
Local Authority		30	-	-	-	-	-	-	-
Other		31	-	-	-	-	-	-	-

TABLE-II-15

## MALAWI: DEVELOPMENT EXPENDITURES 1971-1978.

(In millions of Malawi kwacha; and in per cent of total)

	1971/72 -1973/74		1974/75		Three-year rolling program 1975/76-1977/78	
	Actual expenditure	Per cent of total	Budget estimate	Per cent of total	Total projected expenditure	Per cent of total
<u>Agriculture and natural resources</u>	<u>26.3</u>	<u>29.9</u>	<u>15.3</u>	<u>30.8</u>	<u>52.9</u>	<u>31.1</u>
Agriculture	19.9	22.6	9.7	19.5	39.5	23.2
Forestry and game	2.4	2.7	3.4	6.9	9.3	5.5
Veterinary services	2.6	3.0	1.2	2.4	2.4	1.4
Surveys and lands	0.9	1.0	0.7	1.4	0.9	0.5
Fisheries	0.5	0.6	0.3	0.6	0.8	0.5
<u>Social services</u>	<u>7.0</u>	<u>7.9</u>	<u>5.4</u>	<u>10.9</u>	<u>9.5</u>	<u>5.6</u>
Education	4.8	5.4	1.6	3.2	5.3	3.1
Health	1.9	2.2	3.5	7.1	3.8	2.3
Community and social development	0.3	0.3	0.3	0.6	0.4	0.2
<u>Transport and communications</u>	<u>21.0</u>	<u>23.8</u>	<u>17.2</u>	<u>34.6</u>	<u>68.5</u>	<u>40.3</u>
Transportation	17.5	19.9	14.2	28.6	59.2	34.8
Posts and telecommunications	3.5	3.9	3.0	6.0	9.3	5.5
<u>Other services</u>	<u>33.8</u>	<u>38.4</u>	<u>11.8</u>	<u>23.7</u>	<u>39.0</u>	<u>23.0</u>
New capital	10.8	12.2	1.8	3.6	0.6	0.4
Power	6.4	7.3	1.3	2.6	11.2	6.6
Government buildings	7.1	8.1	3.8	7.7	8.7	5.1
Housing	1.9	2.2	0.7	1.4	3.5	2.0
Water and sanitation	1.7	1.9	1.4	2.8	7.1	4.2
Finance, commerce and industry	2.3	2.6	1.3	2.6	5.2	3.1
Works organization	2.8	3.2	0.9	1.8	0.5	0.3
Miscellaneous	0.8	0.9	0.6	1.2	2.2	1.3
TOTAL	<u>38.1</u>	<u>100.0</u>	<u>49.7</u>	<u>100.0</u>	<u>169.9</u>	<u>100.0</u>

Source: Data provided by the Malawian authorities.

3. The outcome of efforts to deal with the shortage of skilled manpower.
4. The ability of the economy to generate and mobilize adequate levels of savings and investment.
5. The ability of technical and financial aid in the future.

In many respects government actions and policies provide a somewhat optimistic picture, although there are certain signs of slowed progress by the mid-1970s.

Expansion of agricultural production is clearly the key to future economic development. Both large estates and small-holders have demonstrated a responsiveness when presented with opportunities to increase profits. Government policy has focused direct programs primarily on small-holder production, and there has been little conflict between the two agricultural sectors. Continued expansion, however, will come to strain the supply of credit and inputs and complicate balanced growth for both sectors. Price policies, moreover, may have to be adjusted or farmers may shift their production away from food stuffs for local consumption to higher earning export crops; this could seriously endanger the overall food supply, especially should a season of adverse weather occur.

The government itself has reassessed the original targets set forth in the development plan. The growth rate for the monetary portion of agricultural production for the last half of the 1970s has been reduced from 10 percent annually to about 6.5 percent. Non-monetary agricultural production has been kept at the 2.5 percent annual growth projection, keeping it at an even level with the rate of population growth. The projected 10 percent annual increase for manufacturing is still felt to be realistic, but the overall adjusted growth in real GDP has been reduced to about 6.5 percent annually at market prices. (See Table II-16. Malawi: Projections of GDP by Sector.)

The development of skilled manpower is one of the crucial issues relevant to future growth in all sectors of the economy. The results of the manpower survey presently underway will provide a more accurate picture of both short and long-term needs. The scarcity of workers possessing secondary school education or special vocational or technical training cannot be overcome without a major increase in present levels of investment in education and modification of the structure of the education system itself. Disruption of the economies of South Africa or Rhodesia and the return of overseas workers employed in those countries could create a major crisis; the economy could not absorb the surplus labor, overseas remittances would be lost, and the government would be forced to expend scarce resources in order to support the returnees.

In order to meet the original growth projected in the plan, considerable investment and savings would be required beyond present levels by both the public and private sectors. Public sector investment would be mainly in infrastructure and agricultural development projects; private sector investment would be mainly in estates agriculture, manufacturing and housing and would be dependent upon the availability of profitable investment opportunities. Internal sources would not meet domestic needs, especially in view of projected increases in imports and

TABLE-II-16

MALAWI: PROJECTIONS OF GDP BY SECTOR(US\$ million at average 1967-69 prices and exchange rates)

	<u>1973</u>	<u>1975</u>	<u>1980</u>	<u>Annual Average Growth Rate (1973-1980)</u>
Agriculture	167.1	181.0	220.0	4.0
of which: monetary	52.4	59.0	82.0	6.5
non-monetary	114.7	122.0	138.0	2.6
Manufacturing	53.9	65.0	105.0	10.0
Other	165.6	192.0	275.0	7.5
<u>GDP at factor cost</u>	<u>386.6</u>	<u>438.0</u>	<u>600.0</u>	<u>6.5</u>
Indirect taxes	23.9	28.0	36.0	6.0
<u>GDP at market prices</u>	<u>410.5</u>	<u>466.0</u>	<u>636.0</u>	<u>6.5</u>
of which: monetary	237.7	333.0	480.0	10.5
non-monetary	125.8	133.0	156.0	3.0

continued international inflation. A projected resource gap of US\$142 million is estimated for 1980. (See Table II-17. Malawi: Projected Real Resource Gap and Financial Gap.) Although increases in grants and private capital inflows can be expected, much of the resource gap will have to be provided by external loans to the public sector the level of which may well reach US\$105 million by 1980. The discovery of new deposits of minerals would provide a long-run source of revenue but would require an even greater level of investment in order to exploit, process, and export such minerals. To a large degree actions have already been taken--in several cases by authorities external to Malawi--which have displaced the balance of payments effects of the outcome in Southern Rhodesia for Malawi.

The closing of the border between Rhodesia and Mozambique has largely eliminated the role of Rhodesia as a trade partner in 1976. In 1974 Rhodesia supplied about 15 percent of all imports and received about 8 percent of all exports from Malawi. Malawi was not expected to encounter any problems in replacing Rhodesia either as a supplier or as a market, but the initial loss is believed to have been equal to about US\$20 million to US\$25 million. Alternate markets, mainly South Africa and the United Kingdom, however, are expected to be less profitable. Transportation costs and delays and bottlenecks in obtaining raw materials will also contribute to an erosion in Malawi's terms of trade. If a peaceful transition is negotiated, however, there could be a net profit for Malawi.

Although information was not readily available on the number of Malawian nationals continuing to work in Rhodesia, by 1974 the value of remittances by Malawian nationals working in Rhodesia had declined to only 3.9 percent of total remittances and was valued at only about K833,000.

TABLE-II-17

MALAWI: PROJECTED REAL RESOURCE GAP AND FINANCIAL GAP.

(US\$ million)

	<u>1973</u>	<u>1975</u>	<u>1980</u>	<u>Annual Average Growth Rate (1973-1980)</u>
Imports at average 1967-69 prices and exchange rates	93.7	107.0	151.0	7.0
Import price index (1967-69 = 100)	170.9	229.0	309.0	8.8
Imports at current prices	160.1	245.0	467.0	16.5
Exports at average 1967-69 prices and exchange rates	75.5	90.0	142.0	9.5
Export price index (1967-69 = 100)	143.3	181.0	228.0	6.9
Exports at current prices	111.9	163.0	325.0	16.5
Exports, capacity to import (exports deflated by import price index)	65.5	71.0	105.0	7.0
Real resource gap	28.2	36.0	46.0	7.5
Financial gap	48.2	84.0	142.0	16.5