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**Annex A
MALAWI**

A Report to the Congress on

**DEVELOPMENT NEEDS
and OPPORTUNITIES for
COOPERATION in
SOUTHERN AFRICA**



United States Agency for International Development/March 1979

MALAWI

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I. Summary and Recommendations

Malawi is a small, landlocked country of 5.6 million people. When it was a member of the Central African Federation of Rhodesia and Nyasaland (1953 to 1963), the country attracted little interest because it lacked adequate infrastructure and an exploitable mineral resource base. Due to its scant resource base, government revenues had to be supplemented by British budgetary grant aid. Educational standards were low and when independence came in 1964, few qualified Malawians were available to administer the economy.

Despite its bleak prospects, Malawi has not only survived but prospered. Today, it feeds its own people and maintains a health export sector. Its development policies have been effective in terms of helping the rural poor and its liberal trade and payment policies have encouraged private sector and foreign investment.

Malawi remains one of the 29 least-developed countries in the world with a per capita GNP of \$140 even though the economy has grown at an average annual rate of 6.5% at constant prices from 1964 to 1976.

Malawi has done an extraordinary job with its poor resource endowment. Thus, it can claim the support and attention of the donor community not only on grounds of poverty but also on its record of sound policy, hard work, and effective use of assistance.

The basic development problem of Malawi is to improve the productivity, income and quality of life of the 90% of the population living in the rural areas. Despite impressive strides, the majority of the people have inadequate access to agricultural support services, markets and social services. Key constraints include: shortages of trained technical and managerial manpower, inadequate transportation facilities, and low levels of agricultural productivity.

For the foreseeable future, Malawi's overall economic well being will rely primarily on continued growth in the agricultural sector. Increase in agricultural production has been a function of increased acreage under cultivation. Since most arable land near areas of high population density will soon be in cultivation, existing crop yields need to be improved.

Foreign assistance supplements Malawi's development programs. Given Malawi's limited domestic revenue base, the financing of recurrent expenditures has become a major constraint in development activities, especially in the social service area. Assistance may be necessary to support short-term recurrent costs as well as the initial outlays for development projects.

II. General Background

A. Physical Features

Malawi is a long, narrow, landlocked country in south-eastern Africa. Topographically, it is dominated by the southern-most section of the East African rift valley system, which cuts through the high plateau of south-central Africa, forming a deep trough. Lake Malawi, which is 265 miles long and 10 to 52 miles wide, occupies two-thirds of the fault trough. The lake is drained by the Shire River which joins the Zambezi River some 250 miles from the lake outlet.

Malawi's 45,000 square miles (one fifth of which is lake surface) are agriculturally diverse, including tropical, sub-tropical, and temperate crops. The diversity can be categorized into three different regions. The central region consists largely of plateau of about 4,500 feet in elevation, with a strip of lower lying land along Lake Malawi. The northern region is mountainous with altitudes up to 8,000 feet. The southern region, which has some scattered mountains, is mostly low-lying plains of about 1,500 feet above sea level.

B. Demographic Profile and Cultural Characteristics

Malawi's population of 5.6 million is overwhelmingly rural; only 500,000 people (9% of the total population)

reside in urban areas. The country is divided into northern, central, and southern regions, containing 12%, 38%, and 50% of the population, respectively. In view of this uneven distribution of population, there is a growing population pressure on arable land. The largest cities are Blantyre, (estimated population 290,000); Lilongwe, the new capital, (estimated population 136,000); and Zomba (estimated population 36,000).

The age distribution is characteristic of high fertility/high mortality demographic patterns: 16% of the population is under 5 years of age, and 42% under age 15. Females outnumber males in all age groups except those over 54. The national rate of natural population increase has been estimated to be 2.6% per annum, and the total rate, including in-migration, to be 2.9%. The urban growth rate is 6.0% per annum, the rural 2.3%.

Because of historical events and various forms of inter-mixing, ethnic identification is not as important as in some other parts of Africa. More than 75% of the population understands Chichewa, which was declared the national language in 1968. In 1966, only 6% of the Malawian population understood English, the country's official language. Less than one-half percent of the population are non-African with Asians numbering 11,299 in 1977, and Europeans 7,395.

Current data will soon be available when the 1977 census is analyzed.

Although 75% of the population is Christian and 20% Muslim, many people maintain traditional beliefs and customs. Most people live in small social units under a village chief and support themselves by cultivating nearby land. Clan ties are strong and matrilineal descent and inheritance is predominant.

C. History and Political System

Before the 19th Century, the area was characterized by small scattered socio-political units. A long history of migration, cultural assimilation and intermarriage has tended to minimize the significance of ethnic identifications. This factor has undoubtedly contributed to relative stability and a single political identity which has facilitated economic growth since independence.

For 73 years, the area was under a British Protectorate. During this period, it was the poorest and least developed of Britain's southern Africa holdings, due to the lack of mineral wealth. Malawi achieved independence in 1964 with the dissolution of the Central African Federation. In 1966, Malawi became a republic within the Commonwealth. Dr. H. Kamuzu Banda, the country's first Prime Minister, was elected President of the Republic in 1966 and in 1970, he became the life President by the Malawi Congress Party.

Under the constitution promulgated in 1966, there is a Parliament composed of a president who is head of government and a National Assembly of 60 members, 15 of whom can be appointed by the president. Elections are held every five years. Malawi is a de facto one-party state. The central government is composed of 14 ministers. For purposes of administration, the country is divided into three regions and 24 districts. Although the three regions have ministerial representation at the cabinet level, regional administration operates only in limited activities. Local governments consist of district councils, city councils, and six town councils. Each district is headed by a District Commissioner (DC) whose administration is concerned with law and order, the collection of revenue, the stimulation of development at the local level, and the provision of certain social services. The DC also helps to coordinate the activities of government departments at the district level.

D. Planning

The Government of Malawi has developed an effective system of planning and management.

National development is the responsibility of the Office of the President and Cabinet and functions under three divisions:

- o the Development Division;
- o the Economic Planning Division; and

o the Physical Planning Division.

The President is Chairman of the National Development Council. There is also a National Development and Planning Coordination Committee.

The Development Division is an administrative body which is responsible for the administration of the National Development Program. Its main responsibility is the annual revision of the government's three-year rolling public sector development program. The Division works closely with the Ministry of Finance. Through the District Development Committees, the Development Division carries responsibility for rural development.

The Economic Planning Division is responsible for advice on national economic policy and priorities, research, planning and evaluation of development projects. This Division issues an annual Economic Report and a monthly Statistical Bulletin. A "Statement of Development Policies, 1971-1980" (DEVPOL) was produced by the Division as a guide to development programming.

The Physical Planning Division is made up of professional planning officers. The Division has been engaged in an integrated development plan for the new capital, Lilongwe, and the planning of a variety of development projects.

The DEVPOL plan is based on the proposition that economic progress and improvement of living standards will derive primarily from the agricultural sector. It also stresses the importance of improved infrastructure and the role of the private sector in development. The government's main objectives for the period are:

- (i) to achieve an average real annual growth of GDP of 7.8%, partly through increased small-holder output but also through parallel development of estates in agriculture and industry;
- (ii) to raise productivity and living standards in the rural areas;
- (iii) to promote more balanced regional development;
- (iv) to improve internal communications in order to reduce transport costs and therefore increase the competitiveness of exports;
- (v) to promote industrial development and increase local participation in the economy.

The private sector is viewed as an engine of growth. The Plan encourages investments directed toward estate agriculture and manufacturing. Public expenditures will be directed primarily towards small-holder agriculture and infrastructure. Social services are viewed as important but available resources for education and health are recognized as limited. Improvements in rural areas are sought through, 1) stimulation of estate agriculture to provide employment and foreign exchange, and 2) government-sponsored rural development projects to increase agricultural productivity.

A revision of DEVPOL is now being undertaken. There will be no changes in the basic objectives, but the program will be extended until 1985, and projections regarding output, investment, savings, and the balance of payments will be reviewed in the light of new developments in the domestic economy and the changing international situation. There will also be a shift in emphasis with respect to the agricultural sector. Instead of emphasizing capital intensive area projects, DEVPOL will adopt a more comprehensive approach to rural development, which will be implemented largely through the new National Rural Development Program. (NRDP).

Present long range plans include the 15 year Health Sector Plan and the 20 year Rural Development Program.

Since 1971, three year rolling development plans within the framework of DEVPOL and sector plans, have been used to bridge the gap between planning and implementation. This approach has (1) helped assure the availability of local resources committed to foreign aid projects, and (2) contributed to an enviable record of effective implementation.

While the Malawi planning capability is limited by shortages of trained staff and data problems, it is an effective effort in program development. The government takes its planning procedures seriously and believes that donor assistance should be offered within its general framework.

E. Progress and Commitment of the Government of Malawi

Malawi has achieved remarkable progress through effective planning and management. Both public and private sectors have achieved an average GDP growth rate of 8% since 1965. While this growth is most visible in the agricultural sector, the manufacturing sector has also improved.

In addition to fostering economic growth, GOM policy prevents inequitable distribution of income between urban and rural sectors. Since urban wages have been held down, domestic terms of trade have not been turned against the rural sector. This lower urban wage structure encourages labor-intensive manufacturing methods.

While reliable data is limited, the World Bank suggests that income disparities between urban and rural areas have actually declined since 1968. As a result, extreme urban poverty is not conspicuous.

Malawi has been willing to allow high financial returns to those able to develop new productive enterprises. While there is a relative balance of incomes for most of the population, there exists a concentration of income for entrepreneurs and key officials.

The system of public finance started with a low-level of taxation on a narrow base which required budget support from Great Britain. By restraining expenditure (average growth rate of 8%) while revenues increased at 15% per annum, the Revenue Account was balanced without external assistance by 1972/73. The Development Account, of course, continues to be largely financed from external sources.

III. Economy ^{1/}

Malawi's economy is based on agricultural development and export growth. The private and public sectors aim at economic growth by promoting the participation of all Malawians in the process and benefits of development. Although Malawi has made economic progress, it still remains one of the world's poorest countries. External assistance will therefore be required for at least the next two decades to further develop the nation's productive capacity and establish self-sustaining growth.

A. Growth

Over the period 1964 to 1977, gross domestic product (GDP) grew at an average annual rate of 13.1% per annum at current prices or 6.8% per annum in 1964 prices. The corresponding growth rates on a per capita basis are 10.3% per annum and 4.1% per annum, respectively. Most recent estimates show that GDP reached K481.3 million^{2/} in 1977 or a 6.1% increase in real terms over 1976. The 1977 per capita increase was 3.4%.

Compared to other African countries at similar stages 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 1977, per capita income was only about US \$160.

^{1/} This section is mainly based on analysis included in the Malawi Government's "Economic Report of 1978," and the IBRD's "Economic Memorandum on the Economy of Malawi," Report No. 1966a - MAI, September 30, 1977.

^{2/} US\$1.00 equals 0.8998 Kwacha (July 1977).

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As a result of government policies to limit high wage differentials between urban and rural incomes, the nation's income distribution patterns is relatively favorable. The most reliable data in this regard dates back to 1969. At that time, it was estimated that the poorest 40% of households received 15% of incomes; the highest 20% received 53%; and the highest 5% received 30%. These figures compare favorably with those in most developing countries. Furthermore, it is expected that government emphasis on promoting small-holder agricultural production will assist in maintaining rural-urban wages within ranges conducive to balanced regional and sectoral growth and development (see Section V.B.).

B. Structure

Malawi's economic performance has been remarkable as evidenced by the impressive growth rates noted above. This success is attributed to the Government's strong commitment to development, its pragmatic well-conceived development plans, and its prudent management of the economy. The economy's present structure and the changes that have occurred since independence are indicated in the table below.

Industrial Origin of Gross Domestic Product*
1973-1976
 (percentage of total)

	<u>Old Series</u>		<u>New Series</u>	
	1964	1972	1973	1977 (Est.)
Agriculture, Forestry, Fishing	55%	51%	48%	46%
- Smallholders	n/a	n/a	(43%)	(40%)
- Estate/Government	n/a	n/a	(5%)	(6%)
Manufacturing	9%	12%	12%	12%
Building, Construction	4%	6%	5%	5%
Trade	9%	11%	12%	12%
Public Utilities	10%	1%	1%	1%
Services	23%	19%	22%	24%
GDP at Factor Cost	100%	100%	100%	100%
- Monetary	53%	65%	63%	67%
- Non-Monetary	47%	35%	37%	33%

*The National Statistical Office is in the process of revising the National Account Statistics. The revision has been completed for the years 1973-1977. The figures in the two series as shown above are not comparable. However, they are still indicative of the trends occurring in the structure of the economy.

Sources: "Economic Report 1978", Government of Malawi; and IBRD, "Economic Memorandum on the Economy of Malawi", Report No. 1966a - MAI, September 30, 1977.

The figures show that agriculture continues to dominate the economy and represented 46% of GDP in 1977. Following in importance are manufacturing (12%), trade (12%), and services (24%). Some shifts have occurred in the structure since independence, the most notable being the decline in agriculture's share from 55% in 1964 to 46% in 1977, and the increases in the share of manufacturing and trade from 9%

and 8%, respectively, to 12% for each in 1977.

However, it should be stressed that although manufacturing, trade, and other sectors have grown relatively faster than agriculture, the latter has still been the stimulus behind the growth in these other sectors. That is, as agriculture export has increased, accompanying increases in primary processing, distributive and commercial activities have occurred at relatively faster rates. The expansion of the manufacturing trade, and service sectors and the emphasis on increased agriculture for export is also reflected in the monetization of the economy. From 53% of GDP in 1964, the "monetized sector" had grown to 67% by 1977.

Not adequately portrayed in the above table are two structural developments that are causing some concern to the Government. These are the relatively slow growth in small-holder agricultural production and the shortage of educated and skilled human resources. For example, statistical data suggest that over the past decade, small-holder production as a percent of total agricultural exports, declined from 55% to 37% from 1964 to 1976. In addition, small-holder crop sales to the national marketing organization (ADMARC) have stagnated in recent years. Recognizing these trends, the GOM is re-orienting its traditional sector

development efforts. Now, less emphasis is being placed on infrastructure development involving heavy capital outlays and more is being given to the provision of basic inputs and services to stimulate more immediate term production responses.

The second area of growing concern to the GOM is human resources development. To promote traditional sector agricultural production, it is necessary to expand the quantity and improve the quality of technical and managerial expertise. While the GOM feels it has the capacity to prepare and implement its National Rural Development Program at the highest technical levels, the availability and quality of lower level personnel is likely to be a constraint. Two aspects to this problem are that (1) the general level of small farmers education is very low and (2) the present education and training system is now providing graduates sufficient only to meet the present need. Shortages of properly educated and trained personnel are also being felt in other sectors of the economy. In recognition of these weaknesses, the GOM is reconsidering the relatively low priority given education in the past. It is expected that, under the most recent three-year rolling development plan, education expenditures will be increased appreciably.

C. Economic Relationships to Neighboring Countries

As a result of political developments in the southern Africa region, economic relationships with Malawi's neighbors have shifted markedly since independence. Particularly noteworthy is the change in Malawi's major regional trading partner from Southern Rhodesia (Zimbabwe) to the Republic of South Africa (RSA). This shift began in 1965 following Southern Rhodesia's unilateral declaration of independence (UDI). Malawi abrogated its agreement with Southern Rhodesia, and as a result, Malawian exports to Southern Rhodesia fell from 14% of total exports in 1964 to 1% in 1977. Over the same period, the share of imports from Southern Rhodesia declined more significantly from 39% to 2%. Trade with South Africa began expanding noticeably in 1967 when Malawi signed a trade agreement with the Republic. Since then, the RSA has become the major supplier of Malawi's imports. Providing only 6% of total imports in 1964, South Africa supplied 36% in 1977. The share of Malawian exports to South Africa remained about the same in 1977 (6%) as in 1964 (5%).

Malawi's trade relationship with Zambia has not changed noticeably since independence. Over the 1964-1977 period, Zambia's share of both Malawi's exports and imports have averaged about 3-4%. With the closure of Zambian external trade routes through Angola in recent years,

trans-shipment of Zambian trade traffic through Malawi, to and from Mozambique ports, has become a significant element in Malawi and Zambian economic relations. Rail links between Malawi and Mozambique seaports at Beira and Nacala provide vital transport for Malawian foreign trade traffic as well.

Another major feature of Malawi's economic relationships with its neighbors is the employment of migrant workers, principally in the mining sectors of South Africa, Southern Rhodesia, and Zambia. Through a system of organized labor recruitment, 200,000 were employed in these countries at the end of 1973. Following a disastrous airplane crash in which many miners lost their lives, the Malawi Government banned organized recruitment in early 1974. By mid-1976, nearly all of the migrant workers had been reabsorbed into the Malawian economy, primarily in traditional subsistence agriculture.

In July 1977, in response to widespread public opinion, improved employment terms were negotiated and organized recruitment resumed on a limited scale. By mid-1978, 21,000 laborers had been hired, although this number is not expected to increase significantly in the future. It is also likely that underemployment will increase in subsistence agriculture as another result of this influx.

The impact of these developments on the Malawian economy is reflected in the the nation's balance of payments.

These accounts show that wage remittances fell from about K31.4 million in 1975 to less than K5 million in 1976.

D. External Trade

Malawi's external trade shows that: (1) over 90% of exports are agricultural; and (2) imports consist largely of machinery, equipment, and other materials used in efforts to develop the economy.

From 1964 to 1973, exports grew in real terms by about 7.5% a year. However, in recent years, unpredictable weather conditions often affected agricultural production causing export growth to fluctuate. For example, due to unfavorable weather, exports declined slightly in 1974 and grew by only 5% in 1975. In 1976, when the weather improved, exports increased 14% followed by a 15% real increase to K187.2 million in 1977. Tobacco is the main export crop and averaged about 48% of Malawi's domestic export earnings for the period 1975 to 1977. Following in significance were tea (21%), sugar (12%), and groundnuts (7%). Other minor export crops include cassava, tung oil, maize, rice, pulses, sunflower seeds, and coffee. Manufactured exports consist mainly of textile goods. Exports rose 10% in 1977 after recovering from a decline in industrial activity.

The composition of Malawi's imports basically reflects efforts to develop the economy. For example,

during the period 1975 to 1977, major categories included raw materials for industry (35%), machinery and equipment (14%), transport equipment (14%), and materials for building and construction (9%). The most significant change in the composition of imports since independence has been the decline in the share of consumer goods from 25% in the mid-1960's to about 10-12% in recent years. From 1964 to 1973, imports grew in real terms at an average annual rate of 6.5% compared to 7.5% for exports over the same time period. Imports rose by 4% and 14% in real terms, respectively, in 1974 and 1975, but fell by 24% and 7% in the subsequent years due to decrease demand and price increases.

Malawi's main trading partners are the United Kingdom, the United States, the Netherlands, South Africa, West Germany, Zambia, Rhodesia, and Japan. Following the closure of the Rhodesian border with Mozambique, South Africa became the largest single supplier of imports, followed by the United Kingdom, Japan, and the United States. Most of Malawi's exports went to the United Kingdom, the United States, and the Netherlands.

E. Balance of Payments

Prior to 1975, Malawi's balance of payments trend was favorable with surpluses on the overall account contributing to a gradual increase in international reserves. However, in 1975 and 1976, this trend reversed in response

to (1) a deterioration in the country's terms of trade by about 10% between 1973 and 1976; (2) precautionary stockpiling by traders and industrialists who feared disruption of external trade routes (note 1975 imports); and (3) the decision to suspend organized recruitment of migrant workers for South Africa, which caused remittances of those workers to decline from about K30 million in 1975 to not more than K5 million in 1976; and (4) unexplained capital outflows (shown in "errors and omissions") in 1975 and 1976. The latter can probably be attributed to the unsettled political situation in the southern Africa region. This is reported to have caused exporters abroad to insist on shorter payment periods which resulted in a net reduction in short-term credits. Another factor may also have been the transfer of savings abroad by Asian traders forced to give up their businesses in rural areas since 1975. Thus, from an overall surplus of K13.8 million in 1974, the accounts showed deficits of K13.8 million and K31.5 million in 1975 and 1976, respectively.

In 1977, there was a sharp improvement in the payments position with external balances reaching a record increase of K52.1 million. This turnaround is attributed to significant inflows on the capital account, particularly those of the public sector, and stabilization of the unexplained outflows which occurred in 1975 and 1976 (see

table below). At the end of 1977, international reserves totalled K81.6 million or about 5.4 month's imports. External public debt disbursed and outstanding at the end of 1976 was \$285 million. Debt service payments amounted to \$13.4 million and were equivalent to 6.5% of export earnings.

Summary Balance of Payments

1973 - 1977

(K million)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	(Est.) <u>1976</u>	(Est.) <u>1977</u>
Exports, goods and NFS	99.7	127.4	155.4	151.6	187.2
Imports, goods and NFS	136.8	179.8	246.0	159.9	184.4
Resource balance	<u>-37.1</u>	<u>-52.4</u>	<u>-90.6</u>	<u>- 8.3</u>	<u> 2.8</u>
Factor services, net	0.8	12.4	10.3	-18.0	-23.0
Current transfers, net	5.8	4.8	5.3	+16.0	-23.0
Balance on current account	-30.5	-35.2	-75.0	-39.1	-29.1
L-T private capital, net	17.2	20.1	16.3	+11.6	+22.5
L-T government capital, net	25.7	34.5	41.1	+26.8	+44.9
of which development grants	(.7.8)	(5.9)	(7.0)	(n/a)	(n/a)
Short-term capital, net	8.9	12.6	12.2	-30.8	+13.8
Errors and omissions	5.9	-18.2	-35.4		
Changes in reserves (minus equals increase)	<u>-27.2</u>	<u>-13.8</u>	<u> 40.8</u>	<u> 31.5</u>	<u> 52.1</u>

Sources: "Economic Report 1978," Government of Malawi; IBRD, "Economic Memorandum on the Economy of Malawi," Report No. 1966a - MAI, September 30, 1977.

F. Public Finance

As noted earlier, Malawi depended upon British budgetary support after independence. To obviate the need for this assistance, the GOM increased taxes, improved tax collection and exercised restraint in spending. By 1972/

1973, the revenue account was balanced and this support ceased. Budgetary performance in recent years is indicated in the table below.

Summary of Central Government Finances
1973/74-1977/78
(K million)

	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u> (est.)	<u>1977/78</u> (budget)
Revenue account receipts	63.1	78.7	89.7	94.2	111.9
Revenue account expenditures	61.7	73.8	84.4	93.6	111.1
<u>Revenue account balance</u>	<u>1.4</u>	<u>4.9</u>	<u>5.3</u>	<u>0.6</u>	<u>0.8</u>
Development account expenditure	30.2	40.8	70.0	55.9	95.7
<u>Overall balance</u>	<u>-28.9</u>	<u>-35.9</u>	<u>-64.7</u>	<u>-55.3</u>	<u>-94.6</u>
Financed by:					
External borrowing	21.0	24.9	36.6	28.2	46.4
Grants & reimbursements	3.7	1.3	11.0	9.4	36.2
Domestic resources	4.1	9.7	17.1	17.7	12.0

Sources: IBRD, "Memorandum on the Economy of Malawi," Report No. 1677a - MAI, September 30, 1977; "Economic Report 1978," Government of Malawi.

As shown by the recurrent accounts, recurrent revenues have continued to outpace recurrent expenditures although the rate of growth in revenues relative to expenditures fell in 1976/77 and 1977/78. This is evidenced by the drop in the recurrent account surpluses for those years. Tax measures announced at the presentation of the 1977/78 budget are expected to generate additional revenues which will maintain the balance on the recurrent account. These measures are

projected to increase income tax receipts on companies and the self-employed by 19% in 1977/78, and a surtax on imports by 32%. These taxes represent the major sources of Malawi's recurrent revenues over the period 1975/76 to 1977/78. The major categories of recurrent expenditures over this same period were education (14%), general administration (13%), and defense (11%).

Malawi's development expenditure have risen sharply in recent years from K30.2 million in 1973/74 to K95.6 million in 1977/78. Major funding allocations for the period 1975/76 to 1977/78 were transport (40%) and "agriculture and natural resources" (20%). In recent years, these expenditures have been financed primarily by foreign loans and grants. The proportion of external financing averaged 65% to 70% from 1975/76 to 1976/77 but rose to 86% in 1977/78. Domestic financing is primarily in the form of borrowing from the banking sector.

G. Constraints Upon the Poor

As discussed earlier in this section, the relatively faster rate of growth in the modern sector affects progress for a more equitable distribution of income. However, the National Rural Development Program, currently being implemented by the government and multi-donor support, will enable the small-holder farmers to increase their participation in and benefits from the cash economy.

The overwhelming majority of the rural population continue as subsistence farmers, living substantially in a barter economy of the periphery of the modern sector's health, education, and agricultural extension services.

IV. Profile of Development Sectors and Constraints

A. Agriculture

Agriculture is the most important sector of Malawi's economy producing 46% of GDP in 1977, 95% of export earnings in 1976 and supporting fully 90% of the population. Of the 240 million kwacha 1976 GDP, agricultural output accounted for K209 million. Exports accounted for K133 million. Incomplete 1977 data reflects significant growth in agricultural export earnings. Malawi is generally self-sufficient in food production, although there are significant imports of commodities, such as wheat.

Except for tobacco, both small-holders and estates cultivate different crops for export. Estate crops include tobacco, tea, and sugar. Small-holder crops include maize, tobacco, groundnuts, cotton, pulses, rice, and other crops. In 1977, exports of small-holder products amounted to K61 million and, of estate products, K108 million.

Clearly both small-holder and estate agriculture are essential to Malawi's economic survival for now and for the foreseeable future. While population is unevenly distributed and most of the productive land is already in use in densely settled areas, major increases in yields from current levels can be achieved. The Ministry of Agriculture

and Natural Resources estimates that improved techniques (not including irrigation) are well within the capability of Malawian farmers. These improvements could increase maize yields from 1,200 to 3,000 pounds per acre; groundnuts from 400 to 790; cotton from 450 to 880; rainfed rice from 1,500 to 2,500; cassava from 900 to 2,900. Irrigation is not widespread in Malawi but, of course, could add greatly to yields.

There are a number of constraints to growth in the agricultural sector, some of which are more likely to respond to development intervention than others. Problems that will not be easy to resolve include:

(a) The land tenure system does not generally encourage investment in land improvement. The eldest son inherits land, which limits fragmentation but affects work and investment incentives.

(b) The most productive land in Malawi is already in use. New land being brought into production is often less fertile and more susceptible to degradation. Erosion is a serious problem in the escarpment area and hill zones in the rainy season. Erosion problems are magnified by rising demand for fuelwood and wood products.

(c) The rural population density is increasing. Fertility is high in Malawi. The crude birth rate is estimated to be 50.5 per 1,000 population and the average woman is estimated to have 7.7 births at the completion of her child bearing. High fertility and birth rates are responsible, along with declining death rates, for Malawi's natural rate of population increase of 2.6%. This rate is likely to increase to at least 3.2% per year before it can begin to decline.

(d) The social customs may dampen incentives. Many Malawian farmers by tradition will share wealth with members of the extended family who can claim a share of any profits. Communal land is owned by the village and allocated by the headman according to need. It normally cannot be mortgaged, bought, or sold. Because farmers often do not have a clear title to their land, they have less incentive to improve it and cannot use it as collateral for loans. Among the problems that can be ameliorated effectively through development programs are the following:

(1) Improved production packages of farming techniques, inputs (e.g., seeds, fertilizers), and management practices, adapted for Malawian conditions. This would require improved research programs and facilities for agriculture, fisheries, livestock and forestry.

(2) Adequate rural infrastructure (including feeder roads, market facilities, wells, land improvement and social services facilities). In particular, export and import costs, are high due to the distance and transport difficulties to the Mozambique ports. Poor feeder roads raise local transport costs.

(3) Availability of trained manpower. A 1971 Malawi Manpower Survey found that 70% of the high-level manpower positions in the country were filled by expatriates and there was a 20% vacancy rate. An updated Manpower Survey is now underway and the results are expected to show some light improvement in this situation. However, with the dynamic development programs mounted over the last seven years, the slight improvement in high, technical and intermediate manpower has not proven adequate to alleviate this critical manpower constraint on Malawi's development. Clearly, the performance of the Ministry of Agriculture and Natural Resources is constrained by lack of sufficient staff and training facilities.

(4) A credit system for small-land holders. ADMARC extends a limited amount of credit for the purchase of small farm items or equipment (sprayers, etc.), but does not extend credit for the purchase of fertilizer or seed. There is a government loan board that

makes loans to individuals and groups, but the process of loan review and approval is long and complicated, requiring review at several levels.

Discussions have been held within government regarding establishment of a central credit agency, but no decision has been made as to which agency would have administrative responsibility and the source and amount of capital. These issues are especially important for subsistence farmers. As progress is made toward more production for sale, the need for a broader based credit program must be addressed.

(5) An appropriate policy for agricultural pricing and incentives. The Agricultural Development and Marketing Corporation (ADMARC) is the purchaser of last resort at set prices for most Malawi crops. It also supplies many agricultural inputs, such as fertilizer, insecticides, seeds, and equipment at cost or near to cost. ADMARC has established market places throughout the country and provides short and long-term warehousing.

There has been some concern over the possible adverse impact of Malawi's agricultural price policies in terms of the farmers' incentives to produce. In general, the government, through ADMARC, pays low but relatively stable prices to farmers for their products. In some cases, ADMARC resells these products, particularly

small-holder tobacco, at a substantial profit. While bonuses are paid to producers when large resale profits are made, large ADMARC surpluses are turned over to the government, put in reserve, or invested in various development schemes.

ADMARC's minimum guaranteed buying prices are fixed in consultation with the government and are announced each season before planting begins. Therefore, farmers know what they can expect to earn when crops are sold in ADMARC's purchasing markets. ADMARC maintains relatively low prices on agricultural commodities, which may reduce farmers' incentives to expand production and increase incomes. On the other hand, increased production of some crops such as maize and tobacco might not necessarily find profitable export markets for various reasons. Pricing policy provides a rough but effective surrogate for rural taxation. The impact of agricultural price policy on Malawi's overall economic growth is a very complex problem which should be examined closely.

As in any developing country, there is an overriding problem of organizing the many elements of a modernizing agricultural sector so that farmers have timely

access to technology, inputs, services and markets at a cost which permits broad participation by the rural masses.

Malawi's response to this problem, as discussed below, is bold, comprehensive and, if it works, can carry the country into the 21st century as a unique development success story.

2. Plans for Agricultural Development

The Malawi government's development plan has put great emphasis on agricultural development by supporting it with about one-third of the national budget. Increased production in the past has come from expanding the area under cultivation. Since only marginal lands are left uncultivated, future production increase will have to come from higher yields.

Malawi's agricultural policy has taken four basic approaches: (i) integrated regional development programs implemented by semiautonomous projects, (ii) a national extension effort, (iii) settlement schemes, and (iv) producer price programs and market development for agricultural inputs and products. In addition, various departments in the Ministry of Agriculture and Natural Resources and other ministries carry out specific activities aimed at furthering food and fiber production. The National Rural Development Program is a new approach building on past experience to expand development throughout the country.

a. Integrated Regional Development Projects

The main emphasis of the government's development effort in the agricultural sector has been directed toward large integrated agricultural development schemes. These projects are intended to raise smallholder productivity especially in cash crops, by providing credit, extension, and marketing services, as well as establish basic infrastructure in the development areas. There are four projects: The Shire Valley in the southern region, concentrating on cotton production; Salima (cotton, groundnuts, and maize); Lilongwe (maize, groundnuts, tobacco, and livestock) in the central region; and Karonga (rice, cotton, and livestock) in the north.

These schemes now extend to over 10% of the rural population and have in general been successful in raising smallholder productivity, and in encouraging the cultivation of cash crops. This has been achieved, however, at a relatively high cost both in terms of the financing of infrastructure and deployment of scarce manpower resources. Meanwhile, smallholder production outside the schemes has not increased as rapidly as expected. In some cases production has declined, reflecting the effects of high prices and short supplies of fertilizer, lack of credit facilities, the scarcity of extension workers to advise on appropriate cultivation techniques, and low prices offered by ADMARC.

In order to address the first three of these problems and to shift the emphasis to general improvement among smallholders rather than on the large transformation schemes, the government has recently launched the National Rural Development Program.

b. National Rural Development Program

The National Rural Development Program (NRDP) is basically a phased expansion of the original intensive area projects over a 20 year period. Emphasis is on improving high yielding crop varieties and related cultural practices, inputs and market services, extension education, rural credit, and a basic rural road network. The cost of the NRDP program is estimated at \$13 per acre or \$26.50 per person over 17 years.

NRDP has three basic objectives:

- (1) To increase Malawi smallholder agricultural production for domestic needs, import substitution and export.
- (2) To increase agricultural productivity and thus smallholder welfare by assuring access to needed inputs and services.

- (3) To preserve Malawi's natural resources by encouraging conservation with crop production: i.e., developing multi-use conservation programs, and developing forestry reserves on customary land.

To plan and implement NRDP, the country has been divided geographically into eight agricultural development divisions (ADD), each with approximately 125,000 farm families. Each ADD is subdivided into development areas (DA) each with approximately 25,000 farm families. Each ADD will constitute a Rural Development Project (RDP). The development areas, and consequently projects, are further subdivided into a total of 180 Extension Planning Areas (EPA) of no more than 10,000 families each. EPAs should be more or less uniform in ecological characteristics, cropping patterns and conform to natural boundaries to facilitate administration. They will be under the extension management of one technical officer (T.O.) who will supervise 12 technical assistants (T.A.) handling approximately 600 farm families each.

3. Phasing

The Rural Development Program will be developed in four phases:

- (i) Preparatory Phase--This two to three year program will include land resource and agro-

economic surveys and the establishment of agronomy trials where necessary, followed by detailed physical and economic planning.

- (ii) Extensive Phase--This phase is expected to take about five years and will involve investment in production related items such as improved extension and training, marketing, supply of inputs and credit and the construction of essential supporting infrastructure.
- (iii) Intensive Phase--This five year phase will be more or less equivalent to the on-going major projects. It will involve more attention to research and the introduction of new crops and processing technologies.
- (iv) Consolidation Phase--This phase will involve a continuation of more intensive development, further improvements to social infrastructure and possibly the development of rural industries.

The plan calls for starting three Rural Development Projects (RDP) each year, shared evenly among the north, central and southern regions of the country. The specific areas will be selected by the following criteria:

- (1) Areas with high, but largely underdeveloped potential;

- (2) Areas where considerable initiative is being shown;
- (3) Areas of food deficit; and
- (4) Areas of ready accessibility.

NRDP is a very ambitious undertaking. It will require considerable international donor support to see it through. Support will be needed both for the expenses involved in preparing and managing the various projects and for the central government agencies that plan the overall program and provide necessary services. NRDP direct-project costs are projected over the 20-year life of the program at \$90 million, while costs for central services are projected at \$50 million, totalling \$140 million: Donor assistance is being sought for various aspects of NRDP.

B. Transportation

Malawi has a classified road system of approximately 6,650 miles, of which 1,002 miles is paved. Not included in these figures are over 1,200 miles of unclassified feeder and crop extraction roads, constructed in conjunction with major agricultural development projects. Malawi also is served by several thousand miles of undesignated earth tracks, some of which are to be absorbed as district roads. Unfortunately, the low quality of much of the network results in high transport costs.

Only 200 miles of paved roads existed at independence. Almost 600 miles, or about 60%, of the paved roads and about 25% of the gravel roads have been built since 1968. The existing system provides major links for the southern and central regions where the majority of the population resides. The links to the northern region are incomplete. Paved roads run from Bangula to Blantyre and on to Lilongwe and Nasungu. Completion of a paved network is complicated by a sharp escarpment which parallels the lakeshore creating two north-south corridors. As a result, a paired system with a coastal route and an interior route is planned as far as Rumphu. Links between these routes are planned at five strategic positions.

The government plans a major effort of 15 road projects which would complete the basic internal main road networks and the necessary links to neighboring countries. The objective of the program is to provide all-weather access to all districts and routes suitable to carry agricultural produce to markets in Malawi and abroad. As such, the road program is an essential complement of the National Rural Development Program.

Main and secondary roads in Malawi are generally well maintained by the Ministry of Works and Supplies. District road maintenance, however, presents serious problems since the local government units are not capable of

carrying out required tasks. A major World Bank financed program is planned to build the necessary capacity beginning with 7 of 13 districts and later extending coverage nationwide.

These programs will meet the transportation policy outlined in the Statement of Development Policies:

- To improve the administrative, social and economic integration of the country by linking all three regions with reliable all-weather connections;
- To support the country's rural development efforts by improving access roads to the rural areas; and
- To provide, within Malawi, efficient links with transport routes leading to seaports on the Indian Ocean, for exports and imports.

Significant investments are now underway or are planned in all modes of transport: This sector is expected to account for 46% of planned expenditures during the period 1978 to 1981. This percentage represents a substantial increase over the 29% expenditure over the 1971 to 1975 period. When these investments are completed, the transport share of the government's capital expenditures is expected to revert to its previous average.

In addition to roads, an adequate rail system is needed to ensure efficient shipment of exports and imports. The upgrading of the rail line to Salima and construction of the new line to Lilongwe will be completed by the end of 1977. The extension to the Zambian border should be completed by the end of 1980.

The ten year arterial road development plan (balanced with a vigorous program of rural road construction) will provide Malawi with an infrastructure which will permit a balanced rural development policy. Along with key links to neighboring countries, Malawi will have a transport sector which can support its capacity to feed itself, be competitive in international agricultural markets (and thus generate foreign exchange earnings to which no other sector is likely to contribute significantly), and facilitate development of small-holder agriculture in a crowded resource poor country. Given the marginal economic opportunities of Malawi, a sound transport system is essential to achieving economic efficiency.

C. Manufacturing

1. Introduction

Despite the recent fluctuations in the economy, the Malawi manufacturing sector has performed well. The share of manufacturing in GDP is about 15%, which is relatively high for a country whose per capita income is about \$140. Wage employment grew by an average of 8.5% per

year between 1968 and 1975, about as fast as real growth of monetary GDP, attesting to the success of the government's labor-intensive production policies. Fixed investments grew from 8.5% of GDP in 1964 to 22% in 1976. Large-scale industrial growth, defined as industries employing more than 20 employees, has been substantial, averaging 27% per year in current prices.

The manufacturing sector is based on cement; the processing of such agricultural products as coffee, tea, sugar, and cotton; and the production of a number of import-substituting consumer goods. Included among the latter are cigarettes, soft drinks, beer and hard liquors, blankets, clothing, soap, edible oil, cotton textiles, and agricultural implements.

2. Industrial Policy

After independence, the GOM strategy for industrialization was to encourage import substitution in those areas where there is a sufficient local market. The Industrial Development Act, enacted soon after independence, was designed to regulate the process of industrial development and to encourage joint venture in the consumer goods industry by acquiring both needed capital and foreign technical expertise. The first industry to expand appreciably was textile production which now employs a nearly 100% Malawian workforce. Sugar and cement industries subsequently developed into major elements of the economy.

This policy was designed to develop links with other sectors. For example, Malawi seeks to utilize its natural resources, mostly agriculture and forestry, to increase the size of local value added, provide additional income and employment opportunities for Malawians, and to relieve the pressure on the balance of payments caused by imports of capital and intermediate goods. Large capital intensive industries dependent upon imported raw materials and intermediate goods have been discouraged.

The focus on import substitution (which has successfully encouraged establishment of over 200 industries with more than ten employees each) will now shift to greater emphasis on export industries.

DEVPOL policy explicitly rejected high protective tariffs to shelter inefficient industries or stimulate uneconomic investment. Tariff policy focused on providing a secure domestic market for internationally competitive producers. Price controls were imposed to reduce the impact of inflation, assure international competitiveness and reasonable prices for manufactured goods sold to the rural population.

The new industrial policies for the Third National Development Plan are substantially similar to the original, except for the following.

- More emphasis on improving the economic climate to attract foreign investment;

- More emphasis on local ownership and SSEs;
- Limited use of tax holidays;
- More emphasis on labor-intensive production;
- More emphasis on regional industrial balance; and
- More industrial sites.

Government policies to attract foreign capital are generous. There are no requirements for local participation, although the government encourages joint ventures with either parastatal institutions or with private Malawians. The GOM appraises projects to determine if they fall within government priorities, such as overall impact on industrial development, employment and exports. Foreign-owned interests at 100% are permitted and the government allows full repatriation of profits. In sum, the investment climate for foreign capital is favorable, as demonstrated by the increasing involvement of foreign financial institutions in Malawi.

The greatest share of industrial investment comes from private sources, most of which are foreign. Nevertheless, government parastatals, such as Indebank, Agmarc, MDC, and Press Holdings, Ltc., are increasing their share of the total. VIPCOR (Vipya Paper Corporation), a large paper and pulp concern being developed mid-way along the lake shore, is the largest single undertaking. More

processing of tea, rice, tobacco, and cotton will also absorb investment resources in the near future.

3. Program to Promote Small-Scale Enterprise

An emphasis on small-scale enterprise (SSE) in the Third NDP represents a change from focus of larger scale manufacturing enterprises.

Government policies may not have emphasized SSEs in the past since Malawi has not suffered from an acute shortage of local entrepreneurs. The entrepreneurs, however, consist mostly of Asian nationals. In recent years, the GOM has forbidden the Asian population to engage in commercial activities in the rural areas. Asian businessmen as of 1978 may only operate in Blantyre and the new capital city, Lilongwe. While the Asian population was gradually phased out of rural areas, no provision was made to train Malawians to replace them. As a consequence, the rural areas now experience shortages of a range of commodities.

A preliminary GOM survey of SSE indicates that: (1) there is a need for non-financial assistance; (2) many enterprises operate from small and unsuitable premises; (3) none of the interviewed entrepreneurs had more than primary education; (4) few kept records of business transactions; and (5) few applied for loans from financial institutions because they believed it would be fruitless.

In response to these problems, the Ministry of Trade, Industry and Tourism is establishing a small-scale industries unit (SSI). SSI will provide training and

extension services, pre-investment advice and guidance, and will initiate policies and legislation designed to promote and encourage the development of SSEs. In conjunction with this effort, a fund will be created, to be managed by the SSE Development Trust, a self-governing body under the Trustee Incorporation Act.

One small-scale development nucleus will be established in each of the Rural Development Project Areas (RDPs). Additional centers are also expected to be established in two of the main urban areas. Funds will be required to assist local entrepreneurs in the acquisition of adequate working premises, machinery and equipment, procurement of raw materials/parts, working capital, and marketing. This will be done through various types of controlled credit arrangements.

Indications are that such products as brooms and brushes, lamp shades, rubber sandals, and other traditional handicrafts, e.g., grassmats, straw hats and baskets, are suitable for manufacturing in Malawi with available resources and technical skills.

4. Policy to Promote Regional Distribution of Industry

In order to discourage migration from rural areas to Blantyre, the GOM plans to create major industrial centers throughout the country. Industrialization began in Malawi in 1964 with one industrial site in Blantyre. The government plans to create other sites in Blantyre, Lilongwe, and Liwonde.

A town designed to contain 17,000 persons will be established to support the planned paper mill at Vipya Plateau, about 200 miles north of Lilongwe. The area's natural resources include a plantation of about 114,000 acres of trees of various ages, suitable for the pulp/paper industry. The project is estimated to cost about \$500 million, which includes the paper mill as well as the basic infrastructure (water, electricity, roads, and housing). It is believed that the paper mill will provide the basis for the establishment of other industries catering to the 17,000 individuals and at the same time, provide a basis to support a larger population. The project will develop Malawi's northern region, create employment, and generate an estimated 180,000 tons of bleached kraft pulp for export annually.

5. Future Development Policies

The future direction of industrial growth in Malawi will be concentrated on domestic supply-base industries for the export market. Plans are currently being made for factories producing paper and pulp, sugar, and cement. These activities are expected to increase GNP earned from manufacturing from K31.9 million in 1970 to K81.0 million in 1980, a rate of growth of about 10% per year, compounded. Although a major increase is projected for SSEs, most industrial growth is expected to come from large-scale industry.

Labor absorption is not expected to increase as rapidly as output in the capital-intensive paper and pulp industry. Only small increases in labor productivity are expected. Labor in SSEs will probably increase due to the labor-intensive nature of this activity.

6. Constraints to Developing the Manufacturing Sector

a. Regional Political Instability

Malawi has traditionally imported most of its consumer goods from RSA. Goods previously were shipped by railroad via S. Rhodesia. After the border closure between Mozambique and S. Rhodesia, the price of transport doubled. It is estimated that Malawi paid an additional K50.0 million in 1977 in transport costs as a result. The closure of the border also resulted in a shortage of imported raw materials and equipment and led to a decline in production by the manufacturing sector. Moreover, a considerable portion of Malawi's exports are perishable agricultural commodities which need to be shipped rather rapidly in order to prevent spoilage. The GOM is clearly concerned about political instability in the region, which could further complicate economic conditions for Malawi.

b. Manpower Constraints

There is a shortage of properly trained Malawians to work in middle and upper levels of industry as

technicians and managers. The government is aware of this constraint and is adjusting its educational plans to produce trained manpower to meet the various levels and types of manpower requirements for the manufacturing sector.

c. Credit

There is no institution which provides loans and technical assistance to pioneering, risky, small-scale investors, and the development of SSE is greatly restricted by a lack of credit. Existing financial institutions are not interested in providing funding for SSE, but the GOM is currently developing an institutional framework for this function within the Ministry of Trade, Industry and Tourism (MTIT).

Capital supporting large-scale industry does not appear to be a major constraint. Malawi has been more successful in attracting foreign capital than many of the other majority-rule countries in the area.

7. Recommendations for Donor Assistance

a. Assistance to Small-Scale Enterprises

There are no institutions in Malawi which provide assistance solely to SSEs. The Ministry of Trade and Industry is seeking donor assistance to provide capital and technical assistance to SSEs and is considering opening a land bank to develop and support medium- to short-term undertakings. The GOM estimates an initial fund of

K7 to K10 million is needed. The bank will support both agriculture and industry, with funds to be allocated about equally.

The GOM would also like additional support to expand a survey being undertaken with Danish assistance to determine the needs of small-scale businessmen. This survey would provide the necessary information to define an overall program and policy. Initially, Malawi will need organizational, more than financial, assistance. It is recommended that assistance should be provided to strengthen MTIT capability in the SSE area.

The World Bank and the EDF are conducting a feasibility study of the potential for SSE which should lead to detailed project proposals for training, credit and technical assistance.

b. Manpower Training

Currently, the GOM is seeking funds and aid to establish a degree program in engineering -- civil, mechanical, electrical -- at the university level.

There is an acute shortage of business and management training in Malawi. Malawi now has a small indigenous business class but their training is inadequate. UNDP has a non-formal training project to provide basic skills and to increase management training for small businesses.

Given the obvious deficiencies in the SSE area, donors may wish to increase their assistance by strengthening existing training institutions and encouraging new schemes through the MTIT, possibly using existing facilities of the MTIT or the Ministry of Education or Youth and Culture.

The concern for SSE should not overshadow assistance that is necessary for Malawian managers and administrators at the medium- and large-scale levels. The number of expatriates in the country and their predominance in the more technical and higher managerial areas is a clear indication that more trained Malawians are needed.

D. The Health Sector

1. A Profile of the Health Situation in Malawi

a. Health Status & Patterns of Morbidity and Mortality

Many of the environmental and cultural factors associated with ill health elsewhere in Africa are also present in Malawi. The climate and geography favor the presence of important vectors such as mosquitoes which makes malaria difficult to control, the snails that transmit bilharzia, and the flies that transmit onchocerciasis. Poor soils coupled with traditional farming methods, means that agricultural output in many areas only partially meets subsistence needs, a contributing factor to malnutrition.

At independence, Malawi was once of the poorest African countries far behind many others in GNP per capita, literacy, and health status. The following are the vital rates that the MOH is currently using, derived in part from an analysis of a special enumeration study area:

Crude death rate:	28.2 per 1000 population
Infant mortality rate	: 163.8 per 1000 live births
Maternal mortality rate	: 1.9 per 1000 live births

More than half of all reported deaths occurred in children under 5 years of age, the principle causes in that age group were measles, malnutrition, malaria, respiratory disease, gastroenteritis, and neonatal problems.

Although the pattern of mortality is similar to that of many other African countries, there are some significant variations. The measles and tuberculosis mortality is extremely high, while pregnancy-related deaths account for only 1.6 percent of all deaths.

Unlike most other countries in southern Africa, Malawi has a high incidence of eye infections, which cause most cases of blindness in Malawi and of venereal disease, which is responsible for most cases of infertility.

Guinea worm, which can seriously affect agricultural production, does not occur in Malawi. Trypanosomiasis (sleeping sickness) has not been observed for some years in Malawi.

The diseases causing the most morbidity and mortality in Malawi (measles, pneumonia, malnutrition, malaria, gastro-enteritis, anemia, tuberculosis and tetanus) are largely preventable. In addition, many severe eye infections could be prevented by better nutrition and hygiene. Onchocerciasis and schistosomiasis are preventable, but major concerted efforts are needed to produce a significant impact. Venereal disease can be prevented, but special and intensive health education may be necessary. The alarming increase in traffic accidents could be reduced by an intensive program of speed control, vehicle inspections, and road maintenance.

b. Food and Nutrition Status

Maize and millet are the primary staples. Most families also grow some green vegetables. Perhaps half the families raise sorghum, cowpeas, chickens, and goats, while groundnuts and sweet potatoes are less common. The diet is supplemented by fish, beans, meat, and fruit.

Nevertheless, malnutrition is still a major problem in Malawi. Among the causal factors are: local food shortages due to poor soils, inadequate rainfall,

flooding, inefficient farming methods, and inadequate proportion of vegetable or animal protein in the diet. Infections, especially in childhood, are important contributory factors, the most important being gastro-enteritis, respiratory disease, measles, whooping cough, and malaria. Finally, both the productive land and the food produced must be divided among a rapidly expanding population. While this may not have been an important factor in the past, it may become so in the decades ahead.

c. Environmental Impacts on Health

Malawi's living environment is a strong determinant of the disease patterns. Without sanitation, almost any level of curative clinical interventions by the medical profession would still leave their environmental causes more or less intact. Moreover, broad-scale public health measures and "environmental sanitation" efforts produce limited benefits when they are not accompanied by significant public health education processes. To be truly effective, public health programs must be integrated into a variety of social services and development programs.

(1) Water

A recent World Bank mission estimated that about 70% of urban residents and 30% of the rural population have access to a water supply service. Water supply projects currently underway or planned are expected

supply projects currently underway or planned are expected to boost rural coverage to 50% by 1980 and urban coverage to 100% by 1985. A recent Presidential policy statement declared that one of Malawi's development objectives was to make a water supply available to all of the rural population. The World Bank mission considered achievement of this goal by 1990.

(2) Sanitation and Water Disposal

Water-borne sewerage systems are available to a very small portion of the population. Nevertheless, due to the relatively uncongested nature of urban development so far and to the MOH's promotional and educational efforts in public sanitation, the population appears to be relatively conscientious about waste and excreta disposal.

(3) Occupational Hazards

There are two areas of environmental and occupational hazards which are cause for concern lest they develop into serious threats to public health: 1) the relatively high incidence of intestinal bilharzia which is prevalent in irrigated agricultural areas and 2) the rising incidence of accidents, which is typically associated with rapid urbanization, industrialization and modernization.

(4) Population and MCH/Family Planning

Fertility is high in Malawi. The crude birth rate is estimated to be 50.5 per 1000 population, and each woman is estimated to have had 7.7 live births by the completion of her child bearing years. High fertility and birth rates are responsible, along with declining death rates, for Malawi's natural rate of population increase of 2.6% per year. This rate is likely to increase to at least 3.2% per year before it can begin to decline.

At present, there is no official encouragement of any family planning activities, nor any government agency or department engaged in planning or implementing such activities. Nevertheless, such activities do take place in the private and, to some degree, in the public sectors.

2. The Health Delivery System in Malawi:
An Overview

a. The Organization and Management of
Health Services

(1) Historical Perspective

Although early health efforts concentrated on the care of colonial personnel, between 1900 and 1921, a number of preventive activities were carried out among the African population because of epidemics of smallpox, sleeping sickness, and plague. Later, colonial administration became more oriented to concern for the welfare of the native population. Between 1921 and 1940, twelve district

hospitals and 93 rural dispensaries were constructed. After World War II, progress continued and although most work was curatively oriented, there were activities carried out in mass, such as smallpox vaccination, bilharzia control, malaria control, health surveys, and health education. Training of African auxiliary personnel was also stepped up. In 1958, the 571-bed Queen Elizabeth Hospital was completed in Blantyre. Since independence, in 1964, the staff of the Ministry of Health has increased by 50% and the share of recurrent expenditure devoted to purely preventive activities has increased from around 3% to 8%. Moreover, more and more preventive activities are being carried out in "curative" facilities.

(2) The Role and Functions of the Ministry of Health

The Malawi Ministry of Health, as in many former British colonies in Africa, is organized with an administrative branch and a technical branch, both under the Permanent Secretary (PS).

The Chief Medical Officer (CMO) supervises the District Medical Officers (DMO) who are in charge of all health personnel and programs in their districts. The CMO also supervises the technical division chiefs (e.g., nursing, MCH, sanitation, etc.), who direct individual health workers in the districts. Although it might be assumed that these technical divisions would perform primarily a "staff"

function (i.e., advice and technical support), in fact, the individual health worker reports both to the DMO and to supervisors from one or more technical division with which he or she is affiliated. Although such a dual system has resulted in conflicts in some countries, this does not appear to be the case in Malawi.

The highest priority is placed on technical competence in government positions. Expatriates have been gradually replaced as more Malawians have been adequately trained to meet government standards. Most senior positions at the MOH are now held by Malawians, but expatriates continue to serve as advisors in some of the technical divisions.

The Ministry of Health is responsible for the development of working objectives, plans, and strategies within the government's overall health goals. Its plans and budget proposals are reviewed and approved by the Ministry of Economic Planning which may conduct further analyses and make modifications. There is a significant amount of coordination with the rural development programs of the Ministry of Agriculture and the expansion of the basic health service network has been closely linked to that of the rural development projects.

The working objectives of the MOH are derived from the government's national health goal which is

"to raise the level of all the people of Malawi by providing a network of sound health facilities capable of reducing disease, protecting life, promoting better health, increasing productivity, and ultimately, promoting well being."

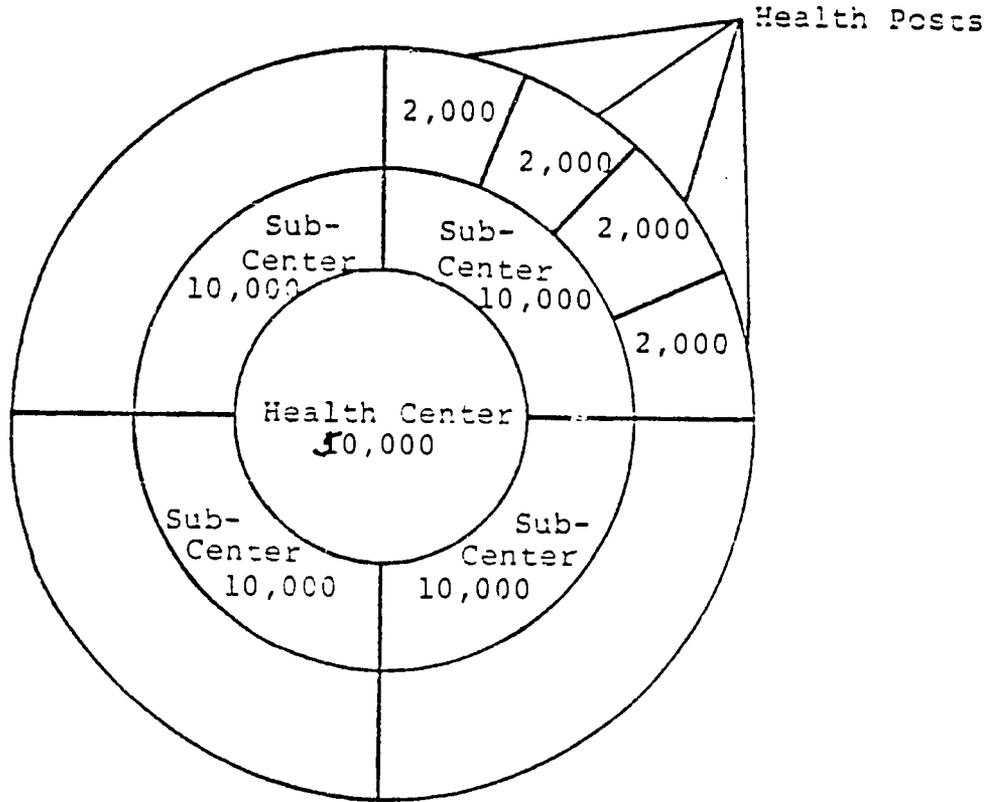
During the past 20 years, the MOH has undertaken a number of important initiatives in the health and nutrition field.

In 1972, a detailed, comprehensive long-term health plan was prepared with WHO assistance. It covered the 15-year period from 1973 to 1987, and its most important objectives were:

- to strengthen the MOH;
- to develop a network of basic health services (see Figure 2, page 65);
- to increase the quantity and quality of health manpower, stressing use of auxiliary personnel; and
- to control infectious diseases.

Since that time, the MOH has allocated resources in accordance with plan objectives. Due to the escalating costs of building and of staffing the peripheral facilities, the development of the network of basic health services has lagged behind schedule. However, the nationwide program under-fives clinics, begun in 1968, has proceeded according to plan. There are now 848 static and mobile clinics. This effort, together with agricultural development, comprises the major part of the government's

Figure 2
ORGANIZATION OF
BASIC HEALTH SERVICES FACILITIES



One health center covers 50,000 people, and also functions as a subcenter for its immediate catchment area. Each subcenter covers 10,000 and also functions as a health post for its immediate catchment area.

Source: National Health Planner, Malawi, 1973, WHO.

nutritional improvement program. Parallel to this under-fives clinics program has been the development of the antenatal and maternity services. Seventy percent of child-bearing women now receive antenatal care, and 44% of deliveries are attended by professional midwives.

Training of medical manpower has improved with the completion of the Medical Auxiliary Training School in Lilongwe, which has been operating for two years. The first group of 40 clinical officers will graduate in 1979 after three years of intensive training.

Current priority MOH plans are to:

-- continue expansion of the network of basic health services - especially in the main agricultural development project areas;

-- continue to strengthen the MOH; important here is a reorganization of the health information and statistics system;

-- expand efforts in communicable disease control - plans have just been completed for an expanded immunization program that will include measles vaccination; other plans have been made for a pilot schistosomiasis control program, malaria control by chemoprophylaxis, and increased emphasis on tuberculosis control;

-- expand urban peripheral maternity units - to relieve congestion at central hospitals;

- improve quality of the training of clinical officers and nursing personnel; and
- replace several antiquated district hospitals.

(3) The Role of the Private Sector and Other Government Agencies

Although the Ministry of Health is the dominant force in shaping health policy, objectives, and strategies, the private (mission) sector provides about 40% of total health services delivered in Malawi. Its plans and programs are being carefully coordinated with those of the government sector. In return, about 10% of the mission health facilities' operating expenses are being provided by a MOH subvention of K264,000 per year.

The remainder of the private sector consists of traditional practitioners and private physicians. Although many other agencies of the government are involved in health-related activities, the only other agencies that employ personnel providing some health services are the District Councils which employ homecraft workers.

b. Overview of Preventive Health Services

The government's principal preventive health care programs are communicable disease control, MCH services, environmental sanitation, and water supply.

(1) Communicable Disease Control

The epidemiology unit monitors the incidence of communicable disease and the occurrence of epidemics by means of the notifiable disease reports. In addition, it engages in specific activities to control cholera, tuberculosis, leprosy, schistosomiasis, and malaria.

The epidemiology unit is also very interested in preventing childhood illnesses through immunization. To further improve coverage of the childhood population with diphtheria/pertussis/tetanus (DPT), polio, and BCG vaccinations, and measles vaccination, the epidemiology unit has worked with the MCH division to develop a program of expanded immunization for which it is seeking WHO assistance and other external financial aid.

(2) MCH Services

The MCH program is the Ministry's strongest health program and probably is the most impressive in Africa. There are three major components: (1) the under-fives clinics; (2) the antenatal clinics; and (3) the maternity wards. There are now 848 under-fives clinics, of which 531 are mobile -- operating from hospitals, health centers and sub-centers. The program is designed to deal with the major causes of childhood mortality and morbidity.

There are at least 310 antenatal clinics and maternity wards. Seventy-five percent of deliveries have

at least one antenatal visit (1975 figures) and 44% of all deliveries occur in a maternity ward, staffed with a professional midwife. A number of new peripheral maternity units have been opened in urban areas to relieve congestion in hospital obstetric wards.

c. Output of Health Programs and Impact on Health Status

Various measures of the output of health programs indicate that Malawi has an effective health care delivery system. Not including traditional practitioners, there were 2.4 under-fives visits per child under age 5 and 41 hospital admissions, and 315 bed days per 1,000 population.

A fundamental question is whether these programs have improved, or are improving, health status. It is difficult to get accurate data to make valid comparisons and to determine if real changes have occurred. The 1977 census has not been fully analyzed and estimates for 1977 IMR and CDR are not available as yet.

There are two indicators which suggest that improvement in health status is occurring. One indicator is the maternal mortality rate for maternity deliveries, which fell from 2.4 per 1,000 live-births in 1975 to 1.9 per 1,000 in 1977 (1.9 per 1,000 is a very low rate for Africa, where rates are usually 5 to 15 per 1,000 live-births. In the USA, in 1930, the rate was 6.7 per 1,000 . The second indicator

is the percent of under-fives population served in under-fives clinics whose weights fall below 80% of standard weight for age. Statistics indicate that nutritional status is improving. This does not necessarily mean that the under-fives program is primarily responsible. Improvement could be due to general economic improvement and other factors.

Although various kinds of health care interventions can produce changes in childhood mortality rates rather quickly, it may be in the second generation, after the onset of such interventions, that one sees the most dramatic changes. This may be especially true in countries where maternal depletion has played an important role in childhood malnutrition. Thus, it may be between the year 1985 and 2000 that one will see the most dramatic changes in survival rates.

d. Overview of Financing Health Services

Level and Trend in National Health Expenditures

Current MOH expenditures (1978/79 fiscal year) are estimated at \$14,701,000, including capital expenditures. This represents 4% of total government expenditures, or about US\$2.70 per capita. The share of health spending in the development budget has averaged about 3% and in the recurrent budget, about 7%. Foreign donors play a major

role in providing grants for capital projects.

Total national expenditures on health, in both public and private sectors, shows that government health spending is less than two-thirds the national total (about 63%). The national health spending total currently represents 2.2% of the GNP, or US\$4.30 per capita per year.

In general, average MOH unit costs are low and suggest a very efficient delivery system. Preserving such efficiency has been, and will continue to be, important, since the government has had a longstanding policy that all health care services delivered in MOH facilities shall be free of charge. The only exception is care in the private-wing hospital beds and private OPD visits in MOH institutions.

3. Issues of Current Concern

a. Health Planning and Programming

The MOH and the Division of Economic Planning seem to have developed beneficial collaboration in health planning activities. The WHO National Health Planning document of 1972 provides a reasonable framework for health services development. However, careful analysis of capital costs and their future recurrent cost implications will be necessary to determine if the plan can be carried out successfully within available MOH resources. Moreover, health manpower

training projections need to be compared with projected staffing patterns to determine if future manpower availability will meet demand.

It is very important that, once definite plans and schedules of implementation are developed, all foreign donor aid is integrated into these plans and schedules. Foreign donor aid should not be offered or accepted if it would result in recurrent expenditures that are beyond projected long-term availability. Foreign financing of short-term recurrent expenditures should be considered in the context of a comprehensive program.

b. Plan Implementation

The government has made a serious commitment to rural health care and already its coverage of the rural population with health services may be the best of those African countries which gained independence since 1958. Nevertheless, the MOH has fallen behind its schedule for developing the network for basic health services outlined in the National Health Plan of 1973. It is likely that the greatest reductions in mortality and morbidity will occur as a result of work carried out in health posts, but it is this part of the program that has fallen furthest behind schedule.

The most important constraints affecting health plan implementation are:

- limited staff capacity in health planning (including statistics);
- limited recurrent budgetary funds to support full health plan;
- overproduction of some health personnel; under-production of some other types; and
- limited tutors and trainers of health personnel.

c. Allocation and Utilization of Health Resources

Up until now, Malawi has been fortunate in that there has been significant foreign donor aid for the health development budget. A steadily increasing real GNP has meant that increased recurrent budgetary funds could be allocated to operate these new programs and facilities. Because of the ambitious health facilities' construction program and the inflation in costs of construction and drugs, it appears that the recurrent budgetary allocation to the MOH may not be adequate in future years to operate all the programs and facilities planned.

It is urgent that detailed and realistic cost studies be undertaken of both current and projected programs and facilities. If the development and revenue budgetary allocations (especially recurrent) exceed the normal increases allotted to the MOH, then a decision should be

made whether the government should increase its percentage budget allocation to health. Foreign donors should be asked to support recurrent costs, programs should be scaled back, or alternate strategies should be considered. Foreign donors hesitate to support recurrent costs because this implies an indefinite commitment. However, such support might be reasonable if the recurrent budgetary aid were to be clearly limited in time, for example, for an acceleration of training or staffing to "catch-up" on under-served areas.

d. Population Policy

Fertility is high in Malawi. Malawi's natural rate of population increase of 2.6% is likely to increase to at least 3.2% per year before it can begin to decline. It appears that in some areas, population density is becoming a factor to be concerned with. It would seem appropriate for the government to formally consider its demographic situation and the implications of current and near-term growth rates on future development. A population office or study group within the Economic Planning Division might be useful.

4. Recommendations for Donor Assistance

Malawi is highly deserving of assistance for its health care system. It is still one of the poorer countries. Assistance which has been received has been carefully and appropriately used. When its development program is fully implemented, Malawi will have a model health care system in Africa. In many ways it already does.

There is a danger of an inappropriate mix of foreign aid to Malawi's health sector if Malawi's long-term recurrent budget cannot support the capital projects completed. For this reason, it is important that the MOH's rural health and manpower strategy be finalized and that its planning capability be strengthened. Once this is done, foreign aid should be offered only for projects which fall within the overall health strategy and schedule.

a. Support for Planning and Management

Malawi's planning capabilities need to be augmented. Participant training in health planning, statistics, health information systems and evaluation would be useful as well as in-country consultation.

b. Support for the Most Peripheral Components of the Basic Health Services Network

It would be useful to conduct a comprehensive health planning exercise to "finalize" rural health strategy and the role for foreign assistance. Some

activities of particular importance are:

- Training of community based workers.--
MCH assistants and any other community based workers who will carry out health related activities in the health posts or the community, such as homecraft workers, traditional birth attendants, or other village health workers.
- Drugs and supplies. (during acceleration phase of program development).
- Building of facilities. Especially sub-centers and health posts (the latter involving self-help). If a significant development is occurring at the periphery, then aid to construct one or more district hospitals could be considered as to provide important services to the rural poor.
- Supporting Services. This could include support for the training or orientation of clinical officers, public health nurses, district medical officers, and health educators. Orientation programs or short-term training of district medical officers could be very important as these physicians

must, in the long run, support and supervise the district health program. Professional health education assistance at the central level, either through resident or short-term consultation assistance, would be generally useful.

c. Categorical Disease Support

- Bilharzia - (schistosomiasis) program support has been requested from the British. Additional support will be necessary to implement an effective program. This would be a worthwhile area of involvement as the problem appears to be growing rapidly.
- Expanded Immunization Program - Any assistance to the effort would be fully justified. Provision of measles vaccine would be an extremely cost-effective contribution.

d. Health Components of an Integrated Rural Development Area

This could be done by loan or grant as separate health assistance or as a part of project under the rural development program.

e. Support for Water Supply Development

This is a model program and any assistance would be highly cost-effective.

E. Education - Human Resources Development

Since independence, the GOM has placed education as a third priority in terms of the overall development strategy of the country. The highest priorities are given to the agriculture and transport sectors. Due to this fact - the basic objections within the educational sector focus on improving the status of the rural smallholder by providing trained manpower for development programs. To meet these objectives, emphasis was placed in four areas: 1) provision of middle-level manpower training; 2) reorientation of primary and secondary education; 3) vocational-technical education expansion; and 4) farmer education. Major educational efforts have been to initiate non-formal and informal agriculture education, improve and rapidly expand secondary education, revise primary school curriculum, and develop post-secondary education through the University of Malawi.

To provide for manpower requirements, the government plans to expand training for middle-level and technical occupations at all levels. Preparations are presently underway to update the 1971 manpower assessment. This assessment was made by determining the existing stock of high and intermediate level manpower and projecting those requirements for the 1971-1980 period in both the private and public sectors. The overall projection

indicated that for the 1967 to 1987 period, Malawi would annually require roughly 250 to 340 degree holders; 3,190 to 3,770 diploma holders (or equivalent), and 7,820 to 8,180 junior secondary certificate holders. In terms of technical and vocational education, which included agriculture, a total of 18,920 certificate or diploma holders and 2,370 degree holders would be needed. The agriculture education and training programs are well organized and adapted to the local conditions. However, the output of trained staff is not sufficient to meet the manpower needs. In the framework of the National Rural Development Program (NRDP), several projects are being proposed, but the lack of skilled manpower at mid and higher levels (degree holders, diplomats, technical assistants) will be a problem in terms of implementation.

The objectives of education development in Malawi, as outlined in the 1973-1980 Education Plan, are (a) to base education development, particularly post-primary education, on the needs of the economy; (b) to develop curricula with greater relevance to the socio-economic environmental needs; (c) to ensure efficient utilization of existing facilities and resources; and (d) to achieve more equitable distribution of educational facilities and resources. To further enhance the quality of primary school education, teacher training is being improved and expanded. The government plans to expand training for

technical occupations at all levels and to increase secondary school enrollment in an attempt to meet the projected manpower requirements. The target for secondary school enrollment was placed at 8% for 1975 and 15% for 1980. This is due largely to budgetary constraints and lack of teachers. The government has projected extensive plans to address this problem.

In 1976, the government provided for an increase in expenditures in education and training. The priority areas were for technical and agriculture education, training for specialized occupations, and revision of primary school curricula to provide practical education and to expand adult education. The University of Malawi was given the responsibility to meet these objectives, as well as to provide forms of tertiary education ranging from lower level craft (vocational-technical), to full fledged degree programs. The University now offers these programs through three constituent colleges. These are the Chancellor College at Zomba, which offers the usual range of degree courses in arts, science, and social science teacher education, training in public administration, and in law; Bunda College of Agriculture with a diploma/degree program; and the Polytechnic Institute which offers a wide range of non-degree programs, leading to diplomas in engineering and business studies.

The government also operates a series of programs, both formal and non-formal, in an attempt to meet the needs of the farmer. In addition to the diploma/degree programs at Bunda College, these programs include Colby College of Agriculture which provides formal training for field assistants, who serve as field level workers for the Extension Service; Mikolongwe Veterinary Training School; Farmer Instructuress Training, a non-degree program closely related to specialized areas in home economics; Fishery Training Center, providing training as extension officers/assistants, boatbuilding, and special food processing courses; and the College of Forestry and the Farmer Training Centers - Extension Service Programs.

The planned expansion of the educational system will not provide the manpower required to implement projected development projects. Moreover, curriculum revisions will not provide the basic practical education necessary for school-leavers to join the labor force. In brief, to provide the country with trained personnel to meet the present manpower requirements, the government strategy calls for (a) expansion of the University of Malawi's enrollment to 2,200 by 1985; (b) development of a Natural Resources College which would increase the capacity of Colby College from 330 to 580 students; (c) gradual increase of secondary education enrollment; and (d) expansion of enrollment at

existing technical schools to provide skilled and semi-skilled workers for the growing industrial sector. In order for these programs to be implemented, the donor community will have to provide major capital investments.

V. Regional Cooperation

A. Transportation

The Government of Malawi has cooperated with its neighbors by providing Zambia with a transport route to Mozambique and access to the sea.

B. Manpower Development

Malawi has provided training in railroad operations and forestry for nationals in other majority-ruled countries. The potential exists for expanding this area of regional cooperation when Malawi's educational infrastructure includes agriculture and engineering.

VI. Recommendations for Donor Assistance

The Government of Malawi is in varying stages of implementing plans. Generally, these plans are consistent with donor organization policies that emphasize the role of the rural poor in the development process. Due to effective planning, Malawi has an impressive record of implementation.

Malawi appears to be capable of utilizing higher levels of assistance than it is presently receiving. However, there are internal constraints on absorptive capacity which must be carefully assessed. These constraints include recurring expenditure financing and availability of trained manpower.

In terms of financing of recurrent expenditures, it is recommended that prior to funding, donors give serious consideration to longer-term project viability.

BASIC DATASOCIAL INDICATORS

<u>Demographic Indicators</u>	<u>1960</u>	<u>1970</u>	<u>Most Recent Estimates</u>
1. Crude birth rate (per thousand)	49.0	49.3	47.7
2. Crude death rate (per thousand)	30.6	28.1	23.7
3. Infant mortality rate (per thousand live births)	-	-	142.0
4. Life expectancy at birth (years)	35.0	38.5	41.0
5. Population growth rate (percent)	2.2	2.6	2.6
6. Urban population growth rate (percent)	7.0	7.0	-
7. Urban population as percent of total	-	5.0	-
8. Percent of population 14 years or less	44.5	43.9	-
 <u>Employment Indicators</u>			
9. Labour force (000's)	1600	2000	-
10. Labour force in agriculture (percent)	93.0	88.0	-
11. Unemployment rate (percent)	-	-	-
 <u>Income Distribution</u>			
12. Percent of income received by highest 5 percent	-	29.5	-
13. Percent of income received by lowest 20 percent	-	5.7	-
 <u>Distribution of land ownership</u>			
14. Percent owned by top 10% of owners	-	-	-
15. Percent owned by lowest 10% of owners	-	-	-
 <u>Health and Nutrition</u>			
16. Doctors per 100,000 population	-	-	2.0
17. Nursing persons per thousand	-	-	.22
18. Hospital beds per thousand	1.1	1.6	1.3
19. Per capita supply of caloric input as percent requirements	86.0	93.0	95.0
20. Protein intake per capita grams/day	50.0	54.0	63.0
 <u>Education</u>			
21. Adjusted primary school enrollment rates; % of total	39.0	36.0	-
22. Adjusted secondary school enrollment rates	1.0	2.0	-
23. Years of schooling provided: primary and secondary	14.0	14.0	14.0
24. Vocational enrollment as a percent of secondary school enrollment	-	-	-
25. Adult literacy rate	-	-	-

	<u>1960.</u>	<u>1970</u>	<u>Most Recent Estimates</u>
<u>Housing</u>			
26. Average number of persons per room	-	1.9	-
<u>Consumption & Miscellaneous</u>			
27. Radio receivers per thousand population	9.0	20.0	23.6
28. Passenger cars per thousand population	-	2.0	2.0
29. Electric power consumption (kwh per capital per year)	10.0	32.0	40.0
30. Newsprint consumption per capita (kg per year)	-	-	0.1

TABLE I

Gross Domestic Product and Expenditure at Current Prices 1964-1976 (K mill)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976 (Est.)
GDP at market prices	153.4	180.2	204.4	215.4	225.4	246.4	272.0	335.9	373.6	401.6	487.1	571.0	646.0
Imports of Goods and Services	39.7	55.0	70.2	68.9	79.7	85.3	94.5	105.9	124.3	136.8	178.9	252.0	211.0
Less Export of Goods and Services	28.2	33.2	41.7	49.0	49.1	52.1	58.7	71.4	76.8	100.1	126.2	148.0	172.0
<u>Total Domestic Supply</u>	164.9	180.2	232.9	235.3	256.0	279.6	307.8	370.4	421.1	438.3	539.8	675.0	685.0
<u>Gross Fixed Investment</u>													
Non-monetary	1.3	1.6	1.6	1.9	2.0	2.1	2.1	2.1	2.5	2.3	2.9	3.7	4.2
Monetary: Private	4.0	4.3	11.6	10.0	17.3	22.9	19.5	26.4	33.2	28.6	34.9	52.8	51.5
Public	7.9	13.4	16.2	13.5	18.1	24.1	28.6	24.7	31.9	45.8	68.1	89.1	85.0
Total	13.2	19.2	29.4	25.4	37.4	49.1	50.2	53.2	67.6	76.7	105.9	145.6	140.7
<u>Consumption</u>													
Non-monetary	70.4	80.4	87.1	88.5	89.8	92.2	99.2	117.8	128.8	132.8	159.4	198.5	221.7
Monetary: Private	58.6	69.7	78.8	82.9	92.7	98.4	107.2	147.9	168.1	164.0	205.0	246.0	276.7
Public	23.8	26.8	31.6	34.5	36.7	41.5	42.9	44.0	50.7	50.7	58.7	68.9	73.9
Total	152.8	176.9	197.5	205.9	219.2	232.1	249.3	309.7	347.6	347.5	423.1	513.4	572.3
<u>Change in Stocks</u>													
Monetary	-2.0	5.4	4.4	2.8	-1.5	-1.6	7.9	3.0	5.0	9.4	8.0	-2.0	2.0
Non-monetary	0.8	0.4	1.6	1.2	0.8	0.0	0.4	4.5	1.0	5.0	2.0	18.0	-30.0
Total	-1.2	5.8	6.0	4.0	-0.7	-1.6	8.3	7.5	6.0	14.0	10.0	16.0	-28.0
Total Domestic Expenditure	164.9	180.2	232.9	235.3	256.0	279.6	307.8	370.4	421.1	438.3	539.8	675.0	685.0
Ratio of Consumption to GDP	99.3	98.2	96.6	95.6	97.2	94.2	91.7	92.2	93.0	86.5	86.9	89.9	88.6
Ratio of Gross Fixed Investment to GDP	8.6	10.7	14.4	11.8	16.6	19.9	18.5	15.6	18.1	19.1	21.7	25.5	21.8

Source: IIRD, Recent Economic Development and Prospects of Malawi, Jan. 1975; Malawi, Economic Report 1977.

TABLE II

SUMMARY OF CENTRAL GOVERNMENT FINANCES 1964-1977/78
(in Millions of Kwacha)

	1964	1965	1966	1967	1968	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78 (Est.)
Revenue Account Receipts (excluding budgetary support)	17.4	18.3	22.9	26.7	29.7	33.2	40.7	47.0	56.9	63.1	78.7	89.7	91.5	101.2
Revenue Account Expenditures	32.0	32.3	35.5	38.9	40.3	42.5	46.9	50.5	57.0	61.7	73.8	84.4	93.9	101.2
Revenue Account Balance (excluding budgetary support)	-14.6	-14.0	-12.6	-12.2	-10.6	-9.3	-6.2	-3.5	-0.1	1.4	4.9	5.3	-2.5	-
Development Account Expenditures	5.4	9.4	12.7	10.1	14.0	17.1	35.2	31.2	26.7	30.2	40.3	70.0	60.2	85.6
Overall Balance	-20.0	-23.4	-25.3	-22.3	-24.6	-16.4	-41.4	-34.7	-26.8	-28.8	-35.9	-64.7	-62.7	-85.6
Financed by:														
Budgetary Support (to Revenue Account)	14.4	15.2	11.5	11.9	10.4	9.1	7.4	3.9	-	-	-	-	-	-
External Borrowing	3.0	7.1	5.7	5.8	7.5	13.5	31.9	21.5	18.9	21.0	24.9	36.6	31.7	54.1
Internal Borrowing	0.1	2.1	2.1	2.5	6.1	3.2	5.0	6.2	5.6	6.8	13.8	13.7	17.1	13.0
Grants & Reimbursements					0.3	0.3	0.5	2.1	1.7	3.7	1.3	11.0	10.4	18.5
Drawdown of Reserves((- increase)	2.5	-1.0	6.0	2.1	0.3	0.3	-3.4	0.9	0.6	2.7	-4.1	13.4	13.5	-

Source: IBRD, Recent Economic Development and Prospects of Malawi, January 1975
Malawi, Economic Report 1977, Financial Statement 1977/78

Table III
Malawi: Central Government Development Expenditure 1964, 1972/73-1977/78
(K million)

	1964	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78 (Budget)
<u>Agriculture and natural resources</u>	1.16	7.86	9.60	13.10	13.98	12.92	15.62
Agriculture	0.22	5.84	7.10	8.86	10.40	9.11	11.16
Forestry and game	0.41	0.64	0.95	2.76	2.30	2.33	3.02
Veterinary services	0.07	1.00	0.97	0.94	0.80	0.94	0.55
Surveys and lands	0.46	0.25	0.29	0.28	0.25	0.18	0.26
Fisheries	-	0.13	0.29	0.26	0.23	0.36	0.63
<u>Social services</u>	1.18	1.96	2.80	3.39	2.94	4.43	7.84
Education	1.15	1.62	1.36	1.17	1.06	1.83	6.10
Health	-	0.30	1.27	2.10	1.78	2.41	1.69
Community and social development	0.03	0.04	0.17	0.12	0.10	0.19	0.05
<u>Transport and communications</u>	0.53	6.31	7.52	12.37	36.47	23.61	36.96
Transportation	0.41	5.24	5.92	10.67	33.21	21.33	32.64
Posts and telecommunications	0.12	1.07	1.60	1.70	3.26	2.28	4.32
<u>Other services</u>	2.21	10.57	10.32	11.91	16.61	19.19	35.09
New capital city	-	3.83	3.58	1.79	1.65	2.91	2.79
Power	-	2.56	0.59	1.14	2.27	6.24	9.28
Government buildings	0.20	2.01	3.97	6.82	8.69	4.07	3.39
Housing	0.20	0.63	0.70	0.39	1.44	1.22	1.79
Water and sanitation	0.72	0.62	0.37	0.72	0.78	1.28	5.10
Finance, commerce, and industry	0.06	0.37	0.59	0.35	0.66	1.84	0.75
Works organization	0.56	0.30	0.39	0.19	0.36	0.15	0.23
Miscellaneous	0.74	0.25	0.13	0.51	0.76	1.27	1.76
Total	5.37	26.70	30.24	40.77	70.00	60.19	85.57

Source: IBRD, Recent Economic Development and Prospects of Malawi, Jan, 1975.
Malawi Government, Economic Report, 1977; Financial Statement 1977/78

TABLE IV
Central Government Revenues 1964, 1972/73-1977/78
(K Million)

	1964	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78 (Est.)
1. Tax Revenue							
Direct Taxes:							
Companies	1.8	9.12	10.6-11	12.87	20.34	23.50	27.13
Individuals	2.8	7.11	8.09	8.94	10.37	10.81	11.82
Indirect Taxes:							
Import duties	2.3	10.37	10.63	13.57	14.82	12.15	13.71
Excise duties	0.5	2.85	3.52	4.19	4.78	4.25	4.41
Surtax	-	8.08	8.89	12.37	14.07	17.52	19.65
Licenses		1.56	1.67	1.63	1.83	1.94	1.90
Other	2.4	0.22	0.23	0.27	0.37	0.49	0.46
Total Tax Revenue	9.8	39.31	43.56	53.79	66.58	70.76	79.08
2. Non-tax Revenue							
Receipts in respect of departmental services	7.6	2.12	2.57	2.65	1.85	1.70	1.18
Rents		0.88	0.94	1.03	1.13	1.04	1.07
Miscellaneous		1.62	2.43	1.22	1.19	3.34	3.77
Appropriation in aid UK budgetary support	14.4	13.05	13.60	19.99	18.95	14.54	16.05
Total Non-tax Revenue	22.0	17.67	19.53	24.89	23.12	20.67	22.07
TOTAL REVENUE	31.8	59.98	63.10	78.68	89.70	91.43	101.15

Source: IBRD, Recent Economic Development and Prospects of Malawi, Jan., 1975
Malawi, Economic Report, 1977; Financial Statement 1977/78

TABLE V
Balance of Payment Summary
(K million)

	1970	1971	1972	1973	1974	1975
A. <u>Goods & Services</u>	-41.8	-38.0	-50.5	-38.6	-41.8	-94.7
Exports FOB	47.9	58.3	62.6	79.0	99.3	119.7
Import FOB	68.4	75.3	89.3	97.1	139.0	187.4
Trade balance	-20.5	-17.0	-26.7	-20.1	-39.7	-67.7
Sources (net)						
Factor	-15.3	-18.0	-20.5	-1.4	-12.6	8.0
Non-factor	-6.1	-3.0		-16.6	-14.7	-35.0
Balance	-21.4	-21.0	-23.7	-15.2	-2.1	-27.0
B. <u>Unrequested transfer (net)</u>	12.9	10.5	10.9	13.6	10.7	21.0
Private	1.9	1.9	2.4	3.9	3.7	5.0
Government	11.0	8.6	8.4	9.7	7.0	16.0
Current account balance	-29.0	-27.5	-39.6	21.7	-31.1	-73.7
C. <u>Capital Account (net)</u>	32.4	27.9	37.6	45.9	52.9	39.0
Private	2.6	11.7	22.3	27.8	24.3	12.0*
Government	29.8	16.2	15.3	17.8	28.6	27.0
D. <u>Errors & Omissions</u>	1.8	1.6	3.8	3.4	-8.1	-6.1
E. <u>Allocation of SDR's</u>	1.6	1.3	1.4			
F. <u>Overall Balance of payments surplus or deficit</u>	6.8	0.1	3.2	27.2	13.7	-40.8

* Excludes MK 25.9 with intermediate funds to public enterprises

Source: IMF Malawi, Recent Economic Developments, February 1977 and Reserve Bank of Malawi, Financial and Economic Review, Volume VIII, No. 3

TABLE VI
Domestic Exports by Main Commodities
(K million)

Commodity	1964	1972	1973	1974	1975	1976 (Estimate)
<u>Smallholder Crops</u>						
Tobacco	5.7	11.7	11.6	15.1	19.2	30.2
Groundnuts	2.2	71.	5.9	5.2	6.5	12.1
Cotton	1.9	2.6	2.0	2.7	1.9	2.7
Beans, Peas, etc	1.5	1.2	0.7	1.1	1.3	1.4
Maize	0.4	1.3	3.2	3.5	--	--
Cassava	0.1	0.8	1.0	0.2	--	--
Sunflower seeds	--	0.4	0.4	1.0	1.0	0.8
Rice	0.1	1.1	2.6	3.0	1.5	1.6
Coffee	--	--	0.1	0.2	0.1	0.3
TOTAL	<u>12.2</u>	<u>26.2</u>	<u>27.6</u>	<u>32.0</u>	<u>31.5</u>	<u>49.1</u>
<u>Estate Crops</u>						
Tobacco	2.7	13.3	18.2	24.1	31.2	36.8
Tea	6.7	12.0	13.7	17.2	21.1	27.5
Tung Oil	0.4	0.1	0.3	0.3	0.2	0.3
Sugar	--	0.4	3.3	9.2	12.3	17.3
TOTAL	<u>9.9</u>	<u>25.8</u>	<u>35.5</u>	<u>50.8</u>	<u>64.8</u>	<u>81.9</u>
<u>Manufacturers</u>						
Cattle cake	0.1	0.4	0.7	0.4	0.6	0.5
Wooden boxes	0.2	0.1	--	--	0.1	0.1
Clothing and footwear	--	0.3	0.5	1.2	1.4	1.2
Other	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
TOTAL	<u>0.5</u>	<u>1.0</u>	<u>1.4</u>	<u>2.0</u>	<u>2.5</u>	<u>2.2</u>
Miscellaneous Commodities	<u>0.4</u>	<u>2.1</u>	<u>4.2</u>	<u>4.6</u>	<u>5.2</u>	<u>6.2</u>
TOTAL EXPORTS	<u>23.0</u>	<u>55.1</u>	<u>68.8</u>	<u>89.5</u>	<u>104.0</u>	<u>139.4</u>

Source: Malawi Government, Economic Report 1977

TABLE VII
Imports by End-Use, 1971-76
(K million)

	1964	1971	1972	1973	1974	1975	1976 (Estimate)
1. Consumer goods	7.9	15.5	18.1	19.1	25.9	30.5	22.0
2. Plant machinery and equipment	2.0	10.4	12.3	14.5	19.2	27.0	25.5
3. Transport	3.7	12.5	16.8	16.4	22.1	35.2	28.0
4. Materials for building and construction	1.8	7.4	10.3	10.3	13.3	16.8	19.5
5. Basic and auxiliary materials for industry	6.1	31.1	31.5	39.2	55.1	87.1	63.0
6. Commodities for intermediate and final consumption	6.7	11.5	12.5	14.2	21.4	28.0	29.0
7. Miscellaneous	<u>0.5</u>	<u>1.4</u>	<u>1.4</u>	<u>1.0</u>	<u>0.7</u>	<u>1.0</u>	<u>3.0</u>
TOTAL imports (C.I.F.)	28.6	89.8	102.9	114.7	157.7	216.6	190.0

Source : Malawi Government, Economic Report, 1977

TABLE VIII
Manufacturing
Index of Manufacturing Output (1970 - 100)

	Year					Percentage Change			
						1973	1974	1975	1976
	1972	1973	1974	1975	1976*	on 1972	on 1973	on 1974	on 1975
A. Domestic Market Industries									
1. Consumer goods:									
Food, beverages and tobacco	127.6	169.4	192.1	225.7	231.2	32.8	13.4	17.5	2.4
Footwear, clothing and textiles	118.8	115.2	120.1	130.2	110.8	-3.0	4.3	8.4	-14.9
Other goods	108.0	143.2	175.1	189.3	163.8	32.6	23.0	7.0	-7.2
Total consumer goods	120.9	150.5	171.7	194.8	196.5	24.5	14.2	13.5	0.9
2. Intermediate goods									
Total domestic market industries	122.9	147.6	129.0	157.6	131.8	20.1	-12.6	22.2	-16.4
B. Export Industries									
TOTAL Manufacturing Industries	125.4	137.7	131.6	154.0	185.8	9.8	-4.4	17.0	20.7
	122.0	147.4	156.0	180.0	182.7	20.8	5.8	15.4	1.5

Investment and Employment-New Enterprises (1970 - 1976)

Year	No. of Licences Granted	Investment (K'000)			Employment	Capital Labour Ratio
		Domestic	Foreign	Total		
1970	22	2,910	950	3,860	872	4,400
1971	19	849	1,043	1,892	733	2,600
1972	12	727	141	868	403	2,200
1973	17	2,178	726	2,904	819	3,500
1974	18	2,891	1,075	3,966	770	5,200
1975	11	704	1,337	2,041	200	10,200
1976	11	1,883	348	2,231	218	10,234

Source: Malawi Government, Economic Report 1977

TABLE IX
EMPLOYMENT

Structure of Employment 1974-1976

	1974		1975		1976	
	No.	%	No.	%	No. ¹	%
Agriculture, Forestry and Fishing	80,381	35.4	93,023	38.0	104,538	39.8
Manufacturing	26,792	11.8	31,361	12.8	33,379	12.7
Mining and Construction	23,742	10.5	21,956	9.0	21,722	8.3
Transport, Power, etc. ¹	13,911	6.1	14,614	6.0	15,945	6.0
Distribution and Finance ²	23,084	10.2	22,631	9.2	24,630	9.4
Other Services n.e.s. ³	<u>58,956</u>	<u>26.0</u>	<u>61,172</u>	<u>25.0</u>	<u>62,583</u>	<u>23.8</u>
GRAND TOTAL	<u>226,866</u>	<u>100.0</u>	<u>244,757</u>	<u>100.0</u>	<u>262,797</u>	<u>100.0</u>

Notes:

- 1 Includes transport and communications, storage, electricity, water and sanitation.
- 2 Includes wholesale and retail trade, hotels, restaurants, banks, insurance and business services.
- 3 Community, social and personal services.

Average Monthly Earnings in Selected Sectors

	1975	1976	% Change 1975-76
Agriculture, Forestry and Fishing	10.75	11.10	3.2
Manufacturing	36.66	38.08	3.8
Building and Construction	31.63	33.64	6.3
Wholesale and retail trade, hotels and restaurants	41.72	43.85	5.1
Transport, storage and communications	62.23	62.21	-0.1
Community, social and personal services	40.10	39.78	-0.8
All sectors	29.90	30.11	0.7

Source: Malawi Government, Economic Report 1977.

TABLE X

Malawi: Public Sector External Debt^{1/} and Servicing, 1972-76

(In millions of U.S. dollars)

	1972	1973	1974	1975	1976 Projected
Loans	142.27	175.79	221.16	222.70	248.00
Governments	105.58	129.52	166.77	156.52	168.05
United Kingdom	(61.04)	(69.00)	(98.21)	(77.19)	(77.15)
South Africa	(23.13)	(34.17)	(32.27)	(24.80)	(23.79)
United States	(6.57)	(6.99)	(11.06)	(15.18)	(23.93)
Germany, Fed. Rep. of	(8.98)	(11.04)	(12.49)	(11.33)	(12.29)
Denmark	(5.18)	(6.85)	(10.48)	(12.73)	(13.11)
Canada	(0.68)	(1.47)	(2.26)	(15.29)	(17.78)
International organizations	36.69	46.27	54.39	66.18	79.95
IDA	(34.23)	(42.79)	(50.25)	(61.69)	(72.83)
African Development Bank	(2.46)	(3.48)	(4.01)	(4.31)	(6.69)
African Development Fund	(—)	(—)	(—)	(—)	(0.26)
UNDP	(—)	(—)	(0.13)	(0.18)	(0.17)
Suppliers' credits	6.70	6.00	5.28	3.91	3.13
United Kingdom	6.62	5.92	5.20	3.85	3.08
South Africa	0.08	0.08	0.08	0.06	0.05
Other privately held debt	14.53	19.28	17.40	42.78	40.61
Financial institutions	0.87	6.33	6.33	34.42	32.80
United Kingdom	(0.34)	(0.55)	(0.54)	(0.44)	(0.40)
United States	(—)	(5.25)	(5.25)	(4.20)	(3.15)
Multiple lenders	(0.53)	(0.53)	(0.54)	(29.78)	(29.25)
Other entities ^{2/}	13.66	12.95	11.07	8.36	7.81
Total	163.50	201.07	243.84	269.39	291.74
Debt service	11.01	14.30	12.73	13.11	13.83
Principal	4.91	6.66	7.80	8.23	8.90
Interest	6.10	7.64	4.93	4.88	4.93
As per cent of debt outstanding	6.73	7.11	5.22	4.87	4.74
As per cent of export earnings ^{3/}	11.53	11.73	8.24	7.47	8.05
As per cent of gross domestic product	2.37	2.66	1.93	1.73	1.70

Sources: IBRD, Statistical Services Division; and data provided by the Malawian authorities.

^{1/} Outstanding and disbursed at end of period.

^{2/} Holdings of publicly issued bonds.

^{3/} Exports of goods and nonfactor services.

Malawi: Summary of the Tax System

Tax	Nature of tax	Exemptions and deductions	Notes																								
1. Direct taxes																											
a. Minimum tax	A minimum tax is payable in each tax year by all male persons who have attained the age of 18. Malawians working abroad are also liable to pay the minimum tax. The due date for payment by any person liable to pay this tax is April 1.	Persons falling under this category but who are liable to other forms of taxation (i.e., graduated or income taxes); persons employed outside the country and who are liable for tax in the country of employment; inability to pay by virtue of age, infirmity, or sickness; and persons in educational institutions or under apprenticeship.	MK 3.50 per individual.																								
b. Graduated tax	This is a tax on wages which is imposed on employees whose earnings do not exceed MK 900 per annum. It is collected monthly or weekly (according to the intervals employees receive their pay) by the employer who is required to affix a tax stamp to the employees tax card.	Males (under 18 years of age) and females receiving less than the minimum wage fixed for adult males in respect of their occupations under the Regulation of Minimum Wages and Conditions of Employment Act.	<p>(In Malawi kwacha)</p> <table border="1"> <thead> <tr> <th>Weekly earnings</th> <th>Tax per week</th> </tr> </thead> <tbody> <tr><td>Up to 2.35</td><td>0.07</td></tr> <tr><td>2.36 - 4.62</td><td>0.11</td></tr> <tr><td>4.63 - 7.70</td><td>0.19</td></tr> <tr><td>7.71 - 11.54</td><td>0.28</td></tr> <tr><td>11.55 - 17.31</td><td>0.42</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Monthly earnings</th> <th>Tax per month</th> </tr> </thead> <tbody> <tr><td>Up to 10.17</td><td>0.30</td></tr> <tr><td>10.18 - 20.00</td><td>0.48</td></tr> <tr><td>20.01 - 33.33</td><td>0.82</td></tr> <tr><td>33.34 - 50.00</td><td>1.22</td></tr> <tr><td>50.01 - 75.00</td><td>1.82</td></tr> </tbody> </table>	Weekly earnings	Tax per week	Up to 2.35	0.07	2.36 - 4.62	0.11	4.63 - 7.70	0.19	7.71 - 11.54	0.28	11.55 - 17.31	0.42	Monthly earnings	Tax per month	Up to 10.17	0.30	10.18 - 20.00	0.48	20.01 - 33.33	0.82	33.34 - 50.00	1.22	50.01 - 75.00	1.82
Weekly earnings	Tax per week																										
Up to 2.35	0.07																										
2.36 - 4.62	0.11																										
4.63 - 7.70	0.19																										
7.71 - 11.54	0.28																										
11.55 - 17.31	0.42																										
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10.18 - 20.00	0.48																										
20.01 - 33.33	0.82																										
33.34 - 50.00	1.22																										
50.01 - 75.00	1.82																										
c. Assessed tax	A tax on income, other than wages, of individuals resident in rural areas and applies primarily to traders whose incomes do not exceed MK 900 per annum. It is assessed by rural assessment boards appointed by the Minister of Finance.	Interest on any sums deposited in the Post Office Savings Bank of Malawi, or on Malawi Government stocks.	<p>The scale of rates is as follows:</p> <table border="1"> <thead> <tr> <th colspan="2">(In Malawi kwacha)</th> </tr> <tr> <th>Taxable income</th> <th>Tax per annum</th> </tr> </thead> <tbody> <tr><td>Up to 122</td><td>3.0</td></tr> <tr><td>123 - 240</td><td>5.0</td></tr> <tr><td>241 - 400</td><td>9.0</td></tr> <tr><td>401 - 600</td><td>14.0</td></tr> <tr><td>601 - 900</td><td>21.0</td></tr> </tbody> </table>	(In Malawi kwacha)		Taxable income	Tax per annum	Up to 122	3.0	123 - 240	5.0	241 - 400	9.0	401 - 600	14.0	601 - 900	21.0										
(In Malawi kwacha)																											
Taxable income	Tax per annum																										
Up to 122	3.0																										
123 - 240	5.0																										
241 - 400	9.0																										
401 - 600	14.0																										
601 - 900	21.0																										
d. Personal income tax	A tax on incomes of individuals is payable on the basis of the previous year's income derived from sources within Malawi. Income tax is calculated under two schemes of taxation, the larger amount so calculated being the amount payable.	No account is taken of a taxpayer's personal circumstances, including marital status or size of family, but some deductions are permitted, such as contributions made to an approved pension fund.	The annual income tax rates applicable under this scheme range from MK 3.50 on incomes not exceeding MK 122 per annum to MK 61 on incomes in excess of MK 2,400 per annum.																								
	(1) Scheme 1. Tax is calculated on taxable income which in the case of employed persons is the amount of salary accrued.																										

Malawi: Summary of the Tax System (continued)

Tax

Nature of tax

Exemptions and deductions

Notes

(11) Scheme 2. Under this scheme a taxpayer's personal circumstances are taken into account, and personal allowances of MK 600 per single person and MK 1,400 per married person are deducted from taxable income to arrive at chargeable income.

An allowance of MK 1,000 is made to a person responsible for maintenance of a lawful child. The child allowance is MK 288 per child under 18 years of age, provided the child's income does not exceed MK 300 per annum. There are also allowances in respect of insurance premiums and interest paid by the Building Society. No tax is payable in respect of chargeable income of up to MK 408.

For income above MK 408, the rates are:

Chargeable income (MK)	Rate of tax (per cent)
First 1,000	10
Next 1,000	20
Next 1,000	30
Next 2,000	32.5
Next 2,000	35
Next 4,000	37.5
Over 11,000	40 (RAISED TO 45, MARCH 1977)

P.A.Y.E.
Employed persons with incomes in excess of MK 900 per annum pay tax under a Pay-As-You-Earn Scheme (P.A.Y.E.), under which the employer is required to deduct the tax in accordance with instructions supplied by the Department of Taxes, and to remit such tax to this Department.

Examples of tax payable under this head are as follows:

Income subject to tax	(In Malawi kwacha)			
	Tax payable			
	Single	Married	Married + 1	Married + 2
1,000	30.0	30.0	30.0	30.0
2,000	181.0	57.0	49.0	49.0
3,000	421.0	213.0	155.4	99.4
4,000	731.0	469.0	382.6	297.6
5,000	1,056.0	783.0	609.4	595.2
6,000	1,391.0	1,108.0	1,014.4	920.8
7,000	1,741.0	1,447.0	1,346.2	1,245.8
10,000	2,851.0	2,556.0	2,428.0	2,320.0
20,000	6,811.0	6,425.0	6,359.8	6,244.6

The company tax rate is fixed at 40 per cent, plus a further 5 per cent where companies are not incorporated in Malawi.

- RAISED TO 45 PERCENT, MARCH 1977

e. Company tax

Companies are subjected to a tax on chargeable income at a fixed rate. An additional 5 per cent charge exists in certain circumstances where dividends are disbursed to shareholders not residents in Malawi.

Provisions exist for the remission of the extra 5 per cent. Certain deductions from taxable income can be claimed by farmers and industrialists, including generous capital allowances. There is also provision for relief for certain mining expenditure.

f. Indirect taxes

a. Import duties

Malawi maintains a three-column tariff schedule based on the Brussels Tariff Nomenclature (BTN). This provides for a special preferential rate of duty for imports from the United Kingdom and the Isle of Man, an intermediate rate for the rest of the Commonwealth and certain other countries, and a most-favored-nation rate for the rest of the world.

Most raw materials intended for industrial use are admitted free of duty. Imports of semimanufactured goods and building materials are subject to low rates of duty. Manufacturers are granted rebates on imported materials required for further processing in Malawi, their effect being that, for most articles covered, no duty is paid on imports from the United Kingdom, while similar rates apply to imports from elsewhere.

The general rate of duty applied to most manufactured goods is 50 per cent, but a preferential rate of 20 per cent applies to such goods from the United Kingdom and other Commonwealth countries. Higher rates are levied on goods particularly suited to revenue earners, and, for protective reasons, on goods competing with domestic manufactures. Protective duties affect primarily clothing, textiles, beer, and spirits. An import surcharge of 2 1/2 per cent on most goods has since March 1971 been reduced to zero.

Malawi: Summary of the Tax System (concluded)

Tax	Nature of tax	Exemptions and deductions	Rates
b. Excise duties	Excise duties are levied on a large number of domestic manufactures, including cigarettes, snuff, manufactured tobacco, beer, spirits, soap, sugar, soft drinks, and woven fabric of cotton.	All goods which are free of import duty, or which would be free if imported from Commonwealth countries, are not subject to this tax. Specifically, no surtax is payable on basic foodstuffs, e.g., fish, rice, and maize. A surtax is also not applicable to imports of capital equipment and local goods produced for export.	The excise duty on cigarettes range from MK 0.75 to MK 1.275 per pound, while that on manufactured tobacco varies from MK 0.25 to MK 0.50 depending on the type of tobacco. The duty on beer is MK 0.10 for opaque and MK 0.55 for other types per imperial gallon. The duty on cane sugar is MK 10 per ton.
c. Surtax	Levied on imports (of mainly consumer goods) and on domestic manufactures.	All goods which are free of import duty, or which would be free if imported from Commonwealth countries, are not subject to this tax. Specifically, no surtax is payable on basic foodstuffs, e.g., fish, rice, and maize. A surtax is also not applicable to imports of capital equipment and local goods produced for export.	The basic rate of the surtax, effective July 26, 1976 is 15 per cent. The valuation basis of the tax is the notional wholesale selling price. In the case of imports, it is the value for customs duty purposes, plus the duty payable, plus 20 per cent. For domestic manufactures, the notional wholesale price is the normal ex-factory selling price including any excise duty payable.

Sources: Malawi; Income Tax (Amendment) Act No. 6 of 1972; Laws of Malawi, Customs and Excise (Chapter 42:01); Malawi Government Taxation Act No. 8 of 1966; and information provided by the Malawian authorities.