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MALAWI

COUNTRY DEVELOPMENT STRATEGY STATEMENT

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COUNTRY DEVELOPMENT STRATEGY STATEMENT

MALAWI

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JANUARY 1980

MALAWI

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COUNTRY DEVELOPMENT STRATEGY STATEMENT - MALAWI

Part I. ANALYSIS

A. Overview

The development of Malawi since independence has been very impressive. Between 1964 and 1978, real GDP has grown at an average rate of 6.8% while real per capita GDP has grown at 4.2%, faster than all but a handful of African countries even though there are no known exploitable mineral resources. Structural reforms were instituted during this time permitting Malawi to become more capable of self-sustained economic growth. This is evident in the improvement of several key ratios: (1) the ratio of modern sector employment to labor force has moved from 6.1% in 1964 to 9.9% in 1978; (2) gross fixed capital formation as a percent of GDP has increased from 9% in 1964 to 30% in 1978; (3) tax revenues as a percentage of GDP have increased from 6.5% in 1964 to 10% in 1978. All this has occurred while keeping inflation to 8% per year, while holding urban unemployment in check, and, while until recently, maintaining favorable reserves. The value of the Malawi Kwacha has remained strong.

Despite this remarkable progress, Malawi is still a very poor country; more a direct consequence of the undeveloped status of the economy at the time of independence than a result of inequitable distribution of post independence economic growth.

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The per capita income in 1978 of about $200,[1] places Malawi on the World Bank's list of the 25 least developed countries. The natural reciprocal of low per capita income is, correspondingly, low ratings in basic human needs indicators. As of 1975 literacy was about 25%, life expectancy 46 years, and infant mortality 143 per thousand. The need to upgrade rural housing remains urgent as does the need to provide clean water for the large majority of Malawi's rural residents. Although educational opportunities for females lag considerably behind those for males, employment related education is woefully inadequate for males and females. Population growth remains undesirably high increasing pressure on the land, social services, and employment opportunities. Given the state of development at the time of independence and the relatively short period of 16 intervening years, Malawi has reason to be proud of its accomplishments; however even greater strides are required in the future before Malawi can break through the poverty barrier.

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1. The World Bank Development Report and other sources report a per capita income figure for 1977 of $140. Recent growth and increase in the value of Kwacha does not explain this disparity completely. The figure used in the text is derived by converting reported GDP in Malawi in 1978 into U.S. dollars using the exchange rate of 1K=$1.25. Per capita income in other documents is listed at $180.

B. Socio-Economic Classification of the Poor

Who are the Poor

Absolute poverty is rare if at all existent in Malawi and the poverty indicators do not fit the clasical divisions of urban vs rural or high income vs low income. In this respect, Malawi is somewhat a phenomenon. The SADAP[1] report on Malawi stated that the latest reliable data on income distribution 1969, revealed that the bottom 40% of households received 15% of the total income, the highest 20% received 53% of the total income, and of this highest group, 5% received 30% of the total income. According to M.S. Ahluwalia, these factors would have placed Malawi at an above average level for low income countries and approximately in the middle range in Africa, more equitable than Kenya (1969), Ivory Coast (1970), or Tanzania (1967), while somewhat less equitable than Chad (1958), Uganda (1970), or Niger (1960), and at about the same level as Zambia (1969).[2] A further implication is that for the period around 1969, the per capita income for the bottom 40% of Malawian households was approximately $75 and that the net income level approximated $117 per capita. There are no conclusive data by which we might compare the range or income distribution since 1969. An important observation, however, is the absence of indications of wide disparity in the distribution of services between the most poor and the least poor.

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1. "A Report to Congress on Development Needs and Opportunities for Cooperation in Southern Africa, Annex A. Malawi," A.I.D., March 1979, p. 13.

2. M.S. Ahluwalia, "Income Inequality: some Dimensions of the Problem," in Hollis Chenery et. al.. Redistribution with Growth (Washington: Oxford University Press, 1974), pp. 8-9.

As a matter of policy, the Malawi development strategy for the decade 1971-1980 states explicitly:

> "The distribution of income between urban and rural areas is an important factor in Malawi's incomes and prices policy... it would be contrary to this broad policy (raising small-holders incomes) to create a privileged position for urban wage earners artifically inflating their incomes, since this would be reflected in increased prices of manufactured goods and cause a reduction in real incomes of farmers... rising wage rates tend to reduce employment... High differentials between urban and rural incomes also promote the flow of job-seekers into the towns, causing serious social and political problems... Accordingly, Malawi has adopted the policy of adjusting wages only in response to changed in productivity and, in particular, avoiding actions which increase the income gaps between urban and rural workers."[1]

The effectiveness of this policy is borne out by the following data: real wages between 1968 and 1978 in the urban sector fell from $417 per year to $288 per year, while rural incomes grew by between 1% and 2% per year. As a result, there appears to be few unemployed in Malawi's urban areas, although no reliable data exist at this time. On the other hand there is no available information by which to judge whether income distribution under the Government's policy increases disparities between profit-takers and wage-earners thus permitting high profit to a privileged few. Existing Labor

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1. Malawi, Republic of, Statement of Development Policies, 1971-1980, Zomba, Government Printers, 1972, pp.2.3

Organizations do not have the leverage to demand or achieve higher wages. The minimum wage, from 1965 to 1971 rose 14% to 19% depending on location.

Who then are the poor in Malawi? Poverty in Malawi is not strikingly visible. Nationally, technological poverty is omnipresent; but the facade is sufficient to delude. The specifics of individual poverty are primarily: (a) women and men who own no land, or have no access to land, or whose land holdings are less than four acres; (b) men and women farmers who are eligible for but excluded from the credit market; and (c) uneducated or undereducated rural and urban youth 15 to 24 years of age with no employable skills.

Absence of sufficient land

Smallholder

Agriculture is the economic lifeline of Malawi. There are, presently, few alternatives for life sustaining productivity outside the agriculture and ancillary sector. Probably 85% of all Malawians earn their basic livelihood as smallholders. For these farmers anywhere between 50% and 90% of their income is in the form of subsistence production of maize, pulses, cassava, millet, groundnuts and animal products. Government of Malawi accounts estimate that in 1978, the subsistence sector generated 73.5% of smallholder income nationwide. Estimated per capita income in the smallholder sector is $60 per year, which is supplemented by another $20 to $30 per year in off-farm activities such as fishing, traditional construction, petty trading, and seasonal wage labor.

Within the smallholder sector there are considerable disparities in income and asset-holding. Table I presents the distribution of land holdings estimated from the sample survey in 1968/69.

Table I: Percentage of Customary Land Holding By Size and Number[1]

Region	Size of Holding (acres)					Total Number of Holdings	
	1.9 and under	2.0 to 3.9	4.0 to 5.9	6.0 to 11.9	12.0+	Percentage	(000)
All Regions	29	34	18	17	2	100	885
Northern	32	35	18	14	4	100	117
Central	18	30	22	15	4	100	317
Southern	36	37	16	11	1	100	451

In the Central Region, small farmer income is higher than elsewhere but population pressures which continue to reduce the average size of private holdings since 1969, plus the threat of change in the export classification of tobacco suggest great reductions in smallholder income if remedial steps are not taken soon. Much of Malawi grown tobacco is exported to the U.S. under the classification "scrap tobacco" at 16.1 cents per pound duty. The proposed change is to reclassify this tobacco as "stemmed Leaf" at 45 cents per pound duty.

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1. Source: Malawi, statistical Yearbook, 1978. (Zomba:Government Printer, March 1979), p. 84. Figures are for 1968/69.

The average income per holding in Dowa District, Central Region in 1974/75 was $175. The likelihood of Central Region smallholder earnings dipping to the depths of smallholder earnings elsewhere - $135 in Chitipa District, Northern Region (1967 to 1977) and $97 in Nsanje District Southern Region - is worrisome. The Northern Region is considerably less developed than the Southern and Central Regions. This is due, in the main to historical development patterns, with colonial administration concentrating infrastructural and modern sector development in the southern half of the country.

The Northern Region, consequently although relatively sparsely populated, has had little agricultural development, particularly in cash crops. Income therefore, lags considerably behind those of the Central and Southern Regions.

Estate Workers

The 1976 census has not yet been published, but there are probably upwards of 400,000 people living on agricultural estates in Malawi, 8% of the population, which is near equivalent to the percentage of urban population. These estate workers, growing tea and tobacco mainly, receive about $160 per annum. For the most, housing and social facilities are substandard. On burley tobacco estates there appears to be a sharecropping system that ensures at least adequate food. On tea plantations, wages are paid on a piece-work basis resulting in unpredictable fluctuation in monthly income. There are no data with which to compare the well being of the estate worker to the smallholder but we do know that estate employment increased by 264% between

1969 and 1977, suggesting that for many Malawians, living conditions on estates are preferable to those of a marginal smallholder. One significant advantage that estate work has over farming one's own land is the reduction of risk, which can be an important benefit for the marginal farmer. Moreover, it is often possible for workers to combine working on estates with keeping their own gardens and thus supplement their cash incomes.

Wage distribution figures suggest that estate workers like those in urban areas have been affected by a drop in real wages. These decreases may have been translated into greater profits for the estate owners and worsening income distribution to estate workers.

Urban Dwellers

Traditional practices and Government Policy, reinforced by low wages paid to ordinary urban dwellers, prompt them to farm plots in their yards and cultivate open spaces near their homes to supplement earnings. A large number retain farm and pasturing rights in their home village. As inflation grows, and wage increases are restrained, and energy becomes more and more expensive, the city dweller, who is without farmable land could conceiveably become more disadvantaged than his smallholder or estate worker counterpart.

Bias Against Credit to Female Farmer Heads of Households

According to the Malawi Agro-Economic Survey, during the 1970s women spent at least as much time working in the fields as they did on all domestic activities (i.e. providing fuelwood, water, meal preparation, child care etc.). In a five sites survey, women provided more farm labor

input in three of the sites; farm labor input between women and men was equal at one site; and in one, men worked more agricultural labor hours than women. Proportionately women provided more agricultural labor input than men.

The credit situation for women, however, cannot be so clearly delineated. On the one hand some Malawians believe that women farmer heads of households have access to credit equal to men, the difference being that a male must sign for any loan taken out by women, in line with the British credit pattern. An international organization representative in Malawi points out that women smallholder farmers take full advantage of Government agricultural credit services and are active in the informal farmers associations, still others express the view that women's access to credit is only theoretically equal to men's for two reasons: a) women do not know what types of credit are available, and b) women own less property suitable for collateral with commercial firms. Although scanty, and not really addressing the problem head-on, government documents suggest that female access to agricultural credit is two-thirds less than that of males yet according to a 1977 enumeration, females outnumbered males by 9%.[1]

There are credit institutions in Malawi. The Malawi Development Cooperation (MDC) promotes joint venture undertakings with foreign investors as well as undertakes its own projects. The Investment and Development Bank of Malawi, Ltd (INDEBANK) is internationally financed and commercially operated. It provides medium and long-term

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1. Source: Population Census 1977 Preliminary Report, National Statistical Office, Malawi

financing for projects which show ability to repay loan financing and a reasonable recurn on capital investment. Needless to say, female farmer heads of household do not qualify for credit from these institutions for most are subsistence farmers with no collateral.

On the other hand, the Agricultural Development Corperation (ADMARC) a parastatal body operated on a commercial basis, various farmer associations and informal credit and cooperative unions, are the credit institutions with resources available to females. But there is no national standard of operational policy which ensures participation by all who qualify. Smallholder women are often excluded for spurious reasons.

Uneducated, Undereducated Urban and Rural Youth

Malawians in the 15 - 29 year age bracket amounted to 24.1% of the population in 1972.[1] Youth will remain the largest segment of Malawian population for decades to come. Yet approximately 42% of male youth and 67% of female youth in this age bracket apparently have no schooling or labor skills training.[2] Information on apprenticeships and artisans is not available. This is entirely too large a percentage of the most productive segment of the labor force to remain among the unskilled. Unskilled males are estimated to earn less than 20 cents per hour in urban areas if lucky and even less in rural communities. Eight dollars ($8) per week hardly sustains life in Malawi.

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1. Source: Malawi Statistical Yearbook, 1978 p.8 Note: The percentage excludes Europeans, Asians, and Malawians outside the country.

2. Ibid: pp 40, 42 through 51

Regional and Ethnic Disparities

Culturally, there are 9 major ethnic groups historically associated with present-day Malawi: Chewa, Nyanja, Lomwe, Yao, Tumbuka, Sena, Ngon and Ngonde Nkhonde. There are numerous sub-groups within these broad ethnic classifications. Cultural tensions based on ethnic background appear to be minimal for several reasons, not the least of which are: 1) complimentarity in traditional cultural configurations; and 2) early and continuous intermixing of lifeways by non-militaristic means - e.g. free inter-marriage between Chewa, Mang'anja, Tonga and Tumbuka - and organizationally decentralized groups conquered by centrally-organized militaristic groups - e.g., Ngoni and Yao.

Government of Malawi policy stresses Malawian unity. Linguistically, all traditional languages spoken belong to the Bantu language family. Since 1968, Chichewa and English have been the official languages. The former is spoken by about half the population and understood by about 97%. Other significant languages are Chilomwe (spoken by 15 per cent of the people), Chiyao ($\pm$15 per cent), and Chitumbuka ($\pm$10 per cent).

Although least developed economically, the Northern Region has a higher rate of primary school attendance than all other Regions and has been a major source of educated manpower at every level. A large proportion of Northerners are working as wage laborers in the Southern and Central Regions, as well as abroad in South Africa. In 1966, approximately 17% of Tonga and Tumbuka speakers (people native to the Northern Region) lived in the Southern and Central Regions.

Religious groups include traditionalist societies (autonomous with no centralized organizational structure), Christian denominations (nominally 75 per cent of the population), and African and Asian Muslim sects (about 20 per cent). Most people follow traditional religions to some extent. Exact national distributions are not known regarding traditional societies. Based on 1976 estimation, Christian denominations were represented as follows:

Anglican - 80,000

Church of Central Africa (Presbyterian) - 711,000

Roman Catholic (the largest single denomination) - 950,000 baptized members, and 90,000 catechumens.

Over half of the Asians were Muslims and about 25 per cent Hindu. The number of other groups such as Jehovah's Witnesses and the Evangelicals, is unknown.

Access to Education, Health and Nutrition

The Government of Malawi is actively trying to redress regional disparities in access to basic services where they exist, by providing primary health care and education to the whole population. Current emphasis seems to be on meeting the needs of the rural areas, both in health care and in primary education.

The World Bank has studied the distribution of educational services by districts and its results are shown in Table II.

Table II: Distribution of Primary Level Education Service By District.[1]

Distributional Base	Distributed Good/Service	Gini Co-Efficient
Age group population by sex	Enrollment by sex	0.2330
Age group population	Classrooms	0.2304
Age group population	Enrollment	0.2043
Enrollment	Recruitment Expenditures	0.1163
Enrollment	Qualified Teachers	0.0952

The distribution of educational services is least unequal in terms of Central Government allocations (Recruitment Expenditures and Qualified Teachers). Elements which are less equal, enrollment and classrooms, are a function of absence of local initiative, rather than disparity in Central Government allocations. Female enrollment has been traditionally well below that for males averaging 40% of total primary students. There is evidence that female enrollments have been increasing. Between 1973 and 1979, female enrollment increased 58% compared to 40% for males). However, it may be another 15 years before female primary participation equals that of males. Meanwhile, illiteracy among females is very high (over 80%) and close to a third of the females of primary school age are not enrolled in school.

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1. Source: Malawi Education Sector Survey: World Bank, 1978, p. 20.

Qualitative deficiencies in the Malawi education system give rise to another problem, approximately 45% of those who enter primary school do not complete the fourth grade and are probably functionally illiterate. About 4% enter secondary school. The system is mainly oriented toward preparing students for higher levels of education rather than for dealing with life problems after they drop out: consequently drop-outs are doubly uneducated. This orientation is changing but slowly and somewhat reluctantly it would seem. In most, if not all, countries, those with the least economic and related locational and family advantages are the most likely to drop out. There is no reason to believe that Malawi is different in this respect. It seems fair to conclude, therefore, that the Malawi education system as currently structured favors those who are already most advantaged. This suggests the desirability of attention to the needs of dropouts and to non-formal education.

The health care sector has also been developed with the goal of meeting rural primary care needs. About 80% of the population has access to the mobile Under Five Clinics, and approximately 60% of children under the age of five, and 80% of the children under the age of two attend these clinics at least once a year. There is no evidence of discrimination in access to health care.

There are little data on the nutritional status of most Malawians. A 1973 study showed 30% of children under five having mild

to moderate caloric and protein deficiency. The quality of diet may be poorest in the cassava growing areas of the Lake Shore, although it is supplemented to some degree by consumption of fish. According to an FAO Food survey in 1977, Malawians on the basis of age-sex structure, received 104 per cent per capita of the caloric intake necessary to maintain moderate activity.

Given the lack of significant regional or ethnic difference in incomes or access to basic human need services, there is no justification for isolating a target group along these lines. Rather, it makes compelling sense to seek to provide assistance that will aid the Government to raise the income levels and the quality of life of smallholders throughout the country and to divert assistance to those who experience defacto discrimination, females, those who drop out of school, and those who haven't attended. Moreover, improving the quality of life of smallholders and females would have secondary positive effects on the urban poor and estate workers groups, by reducing the supply of labor to these sectors and raising real wages throughout the country.

C. The Causes of Poverty

Macroeconomic Concerns

Malawi's development so far has proceeded under relatively favorable terms. Recent changes in the world economic situation, the normal strain associated with development, and growing environmental pressures, are likely to lead to slow and more difficult growth in the future. The causes can be divided into four main areas - commodity prices; transport links to the international market; energy; population growth and attendant pressures on resources and environment.

International Markets

Malawi's commodity terms of trade in 1978 were at their lowest point since 1967 at 78.89 (1970 = 100). There is every indication that 1979 will see even further deterioration, as inflation in the developed countries raises the prices of imported goods, oil prices continue to rise, and the prices of key commodity exports, particularly tea, sugar and tobacco, continue to weaken. Imports in 1978 were only 19.5% greater in quantity than in 1970, but the unit value had increased by 198.9%. Most export prices are well above 1970 levels, but the price of tea dropped 31.5% in 1978 from 1977. Recent OPEC price increases of 15% could cost Malawi an additional $4.5 million in foreign exchange. In addition to competition from other exporters, Malawi's foreign exchange earnings may be further reduced if the classification of tobacco, described on page 6 of this report, is approved by U.S. Customs. Malawian U.S. export earnings in 1978

totaled $9.4 million.[1]

International Transport

Malawi's main transport links to the rest of the world currently are concentrated on rail lines to the Mozambique ports of Beira and Nacala. Due to limited carrying capacity of this line and military activity, Malawi has encountered increasing difficulty in importing and exporting goods. The country was recently struck by a petrol shortage even though it owns nine months supply of petroleum products stored in depots in Nacala and Beira. In addition to the logistical problems of moving goods to and from world markets, the costs of transport are becoming extremely burdensome. The net deficit of the invisible account was $94 million in 1978, or 48% of export earnings. The impact of transport costs is further illustrated by the difference between the f.o.b. and c.i.f. price of important exports and imports. Flue-cured tobacco in Malawi sold for 71% of its c.i.f. price in the U.S., while tea sold for 60% of its c.i.f. price in London.

The combination of worsening terms of trade, increasing transport costs, and a rapidly increasing development budget has led to a dramatic deterioration of Malawi's Balance of Payments. By September 1979, gross international reserves had declined to 1.7 months of projected 1979 imports. Consequently, Malawi negotiated a standby agreement with the IMF, which included a commitment by the GOM to increase government revenue (primarily through import duties) and reduce the growth of government expenditures. As a result, economic growth over the near term is likely to be somewhat lower than in the past.

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1. Source: Reserve Bank of Malawi, Financial and Economic Review, Volume X, Number 4, 1978, page 99.

Energy

As elsewhere, the rapid rise in energy prices in Malawi has created great difficulties. For the foreseeable future, electrical power is in adequate supply through hydroelectric sources. Indeed when the Nkula II hydroelectric dam project is completed in 1982, there is expected to be sufficient power to build and operate a nitrogenous fertilizer plant. However, even though gasoline and diesel fuel consumption have grown only 20% between 1970 and 1978, the petroleum products import bill has grown 330% over the same period.

Exacerbating the petroleum situation in late 1979, was a prolonged interruption of delivery of Malawi owned fuel stored in neighboring Mozambique. For a period, the Government was forced to close down all major development projects and some businesses furloughed employees without pay. The small farmer had no diesel. Had there been in-country fuel storage capacity, the interruption of deliveries might not have taken such a toll.

Extension of distribution and marketing of agricultural inputs and products to smallholders throughout the country will increase demands on petroleum product imports. The Government is searching for non-traditional sources of energy. The use of sugar cane or cassava to produce alcohol is under serious consideration. Malawi has also sent several teams to study Brazil's solution to the energy problem. The fuelwood problem is discussed below.

Population Growth and the Environment

Over the decade 1966 to 1976, the population of Malawi increased by 2.6% per year. Extremely high

fertility rates and a growing proportion of the population in the younger age brackets (47% under 15) imply that the rate of population growth will increase dramatically as health care and improved nutrition lead to a decline in death rates. Only 34% of Malawi's land area is considered good farming land, but over 36% is presently being cultivated. There is ample evidence that, except in the North the areas for inexpensive expansion of farming are gone.

While conservation is preached and, to some extent practiced, the cultivation of marginal soil is causing leaching and erosion. The escarpment and hill zones are already visibly changing. The effect of increased run-off rates have caused groundwater supplies to decline in certain areas. Though Malawi has good rainfall, its lack of groundwater due to absence of aquifers requires that the run-off problem not be ignored. Though the GOM currently reserves 20% of land area to forest and wildlife reserves, problems of population pressures, land management and optimum control continually threaten these resources.

In addition to soil and water problems, increased population growth is threatening fuelwood supplies, a problem exacerbated by the use of wood for curing tobacco. While the present forest acreage and replanting program is sufficient on a nation-wide basis, local shortages are already evident. The transport of wood from surplus to deficit areas is expensive. While the Government of Malawi is sensitive to these problems, careful

planning will be necessary to meet the myriad demands on the land imposed by increased population, better diet, increased use of livestock, increased incomes through cash cropping, and growing demands for fuelwood.

Smallholder Income

Smallholders in Malawi, despite impressive progress over the past 15 years, are earning anywhere from 25¢ to 75¢ per day (the minimum wage for estate workers is 31¢ per day). There are several reasons for the low level of returns to labor. The level of agriculture technology currently being employed is substantially below the "best" technology using labor-intensive methodologies currently in use in experimental stations. The Ministry of Agriculture and Natural Resources believes that existing technologies are available to increase yields in maize from 1,200 lbs. per acre to 3,000 lbs. per acre, of groundnuts from 400 lbs. per acre to 790 lbs. per acre, of cassava from 900 lbs. per acre to 2,900 lbs. per acre, and of pulses from 300 lbs. per acre to 650 lbs. per acre.[1]

Inherent in improving farm technology is the necessity to improve distribution of farm inputs (fertilizer, seeds, insecticide), the necessity to provide non-discriminatory credit with which to purchase inputs, and the necessity to provide knowledge about the proper use of inputs. To do so requires a rational credit system, good extension services and an efficient input distribution system.

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1. Source: Malawi, Ministry of Agriculture and Natural Resources, National Rural Development Programme, Zomba, 1978

Equally important is the need to insure a significant ratio of profit to new technology.

Credit

Smallholder credit in Malawi is administered presently through regional development programs, credit unions and farmers associations. In 1976/77, $2.6 million was distributed to approximately 100,000 smallholders through regional development programs, around 10% of the total. Credit is available to groups at lower rates (10%) than individuals (15%). Repayment has been at an impressive rate of 95%, due largely to the practice of subtracting indebtedness for seasonal credit from payments for crops marketed through the parastatal Agricultural and Development Marketing Corporation (ADMARC). While the ability to extend improved technologies is likely to be associated with the extension of credit to farmers, evidence available implies that credit is not a critical bottleneck to other than farming women heads of households.

Extension

The GOM has since independence developed a dedicated, hardworking agricultural civil service. There is, however, a serious shortfall in extension workers, the average ratio of extension worker to farm family being 1:868, with a variation from 1:400 in the major project areas to 1:1,100 outside.[1] Aside from the unevenness in the quality of extension workers, there is also a severe

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1. Source: SADAP, "Agricultural Sector Assessment of Malawi," A.I.D., September 1978, page 100.

shortage of qualified women extensionists, important in a country where women play key roles in agricultural production. In large part, this is due to the inability of the GOM to recruit women for its training courses at Colby College, where attendance by women has averaged five per year since 1967/68, although space was available for three times that number. According to future projection of supply and demand, manpower shortages are likely to be most acute in the technical officer and professional officer ranks over the next decade.[1]

Pricing and Marketing

Setting agricultural prices, marketing of most smallholder crops, and distributing modern inputs is the responsibility of ADMARC. There is ample evidence that ADMARC operations have been a constraint to the development of the smallholder sector. In particular, ADMARC's pricing policy has been directed toward generating profit by paying much lower prices to farmers than ADMARC receives when it sells its produce in local and foreign markets. ADMARC's average profit has ranged from 21% in 1973 to 39% in 1977. In particular, net profits on tobacco trading reached 60% in 1976.[2] These profits are then turned over to the Treasury for its development budget.

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1. Source: SADAP, "An Agricultural Sector Assessment of Malawi," A.I.D., September 1978, page 102.
2. Source: IBRD, "Malawi: National Rural Development Programme (NRDP) Phase I Project," Working Paper No. 1, page 23.

While evidence is not conclusive, there are indications that Malawian farmers are highly responsive to producer prices. Recent increases in producer prices for cotton have led to substantial increases in the output of that crop, while groundnut production continues to fall in the face of stagnant prices. The World Bank has recommended the establishment of an Official Pricing Committee made up of members from the Treasury and Ministry of Agriculture and Natural Resources to insure pricing policy meets national objectives. Further, current pricing policy could be a regressive distribution policy. Data are not now available to compare net benefits and costs to smallholder government transfers and services.

Distribution of inputs and the evacuation of production in a timely manner is another area where performance is less than optimum. At times fertilizers and seeds arrive after the start of the planting season and at other times large supplies of fertilizer are inadequately stored resulting in deterioration.

Transport shortages and poor roads are responsible in part, but the more important factor is the inability of management to keep up with its vastly expanding responsibilities as marketing and distribution are extended to even more remote areas of the country.

Agricultural Research

While the agricultural research program of the Ministry of Agriculture has been successful in identifying some new higher yielding input packages and practices, little attention

has been paid to the underlying economic and sociological basis of farmer decision-making. More needs to be known about the micro aspects of individual crops, technological packages, farming systems, and crop and livestock combinations. There appears to be also insufficient knowledge of the effects of traditional societal patterns as inhibitors of increased agricultural productivity. In these areas, research efforts in Malawi have been woefully inadequate.

Future Problems

The combination of population growth, increased urbanization, environmental degradation, fuelwood demands, and lack of good quality, under-utilized land, imply that agricultural productivity must increase in the future if standards of living for the entire population - smallholder, estate, and urban worker - are to increase. Primarily, this means increasing yields of food crops so that more acreage can be employed for livestock, other cash crops, and forests. In order to do this, technologies need to be developed (including new crops) which are profitable for the smallholder. The extension service must be further developed to provide increasing numbers of smallholders with these technologies. Marketing, distribution of inputs, and credit have to be increasingly responsive to the needs of the majority of farmers.

D. Committment to Development

Overall GOM Strategy and Policies

In aggregate terms, Malawi has shown considerable progress in attaining and sustaining economic growth. The Gross Domestic

Product increased by 6.4% in real growth in 1978, permitting an increase in the development budget for year 1979/80 of 23%. The years since independence have brought about extraordinary economic achievements. Real GDP per capita has doubled since 1964. There is greater equity on a regional basis, and between urban and rural areas than was present at independence. Published statistics for Malawi record the following: (a) increase in agricultural production of 8.5% in 1978 of which 763 million pounds represented production surplus to national needs; (b) 10% increase in paid employment thus far for 1979 over 1978; (c) primary school enrollment increaseby 3.5% in 1978, secondary enrollment increase by 2.5% in 1978.

The health policy of the GOM is to establish a network of preventive health units in rural areas and similar units in main agricultural development areas. The policy also includes paramedical personnel training. Since 1977, 35 rural health centers were either improved, upgraded or newly constructed. A Medical Auxiliary Training school has been operating for two years. A group of 40 clinical officers will complete training in 1979.

The provision of traditional housing is also a focal point of commitment. Through the Malawi Housing Corporation 8,300 permanent housing units have been provided and 13,000 site and service plots throughout the country have been allocated for self help housing. The total current demand for housing units is estimated at 23,000.

Malawi is quite cognizant of the real need for conservation. The most evident is the effective conservation measures included in agricultural expansion and housing construction.

Total new funds planned for development expenditure during the period April 1979 to March 1980 amount to US$144.08 million. Agriculture and related transportation is allocated 46.5% of this amount. Education, health, housing and water are allocated 14.2%. These basic human needs activities total 60.7% of the total development budget. The remaining 39.9% is to be allocated to infrastrucutal needs and other sectors. This accomplishment is due to an extremely pragmatic policy of economizing on scarce resources.

By allowing relative scarcities to determine the price of capital and labor, the largely privately-owned, market-oriented modern sector has grown very quickly with estate output growing by 83%, manufacturing growing 78%, construction growing 115%, and services growing at 100% all in real terms over the decade 1969 to 1978. Real smallholder output over the same period has probably grown by 50%, although the value of that production grew only by 5% to 15%. With the basic institutional and infrastructural foundations in place, the task for the next decade is to increase growth in all sectors of the economy to create resources for concentration on the problems of the very poor.

The first integrated rural development program was inaugurated in 1977 after considerable planning. Now covering

a total rural population of about 1,000,000, the objectives of the integrated rural programs are to:

-- "Increase the general level of Malawian smallholder production, in particular to increase the production of cash crops for export and to feed the growing urban population.

-- Provide infrastructure such as road, storage facilities, markets, health facilities, schools, and water.

-- Improve land, including consolidation and irrigation.

-- Establish credit facilities for agricultural implements fertilizers, seeds, insecticides and oxen."

-- Provide inputs and services necessary to allow smallholder production increases; with particular emphasis on productivity per unit area; and

-- Preserve natural resources by:

1. encouraging high standards of crop husbandry combined with soil conservation;
2. Conserving watershed areas...; and
3. Maintaining forests through the replanting of trees in reserves and on customary and estate land."[1]

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1. Source: Malawi National Rural Development Policies, Strategy, and General Feature, Zomba, 1978, page 47-48.

Progress in Meeting Basic Human Needs

Population and Family Planning

The official position of the GOM with respect to family planning is that family planning information is to be furnished only on request. The GOM pursues this policy to the extent of not voluntarily discussing maternal and infant health problems related to child spacing and maternal age despite a fertility rate (births per child-bearing-age women) of over 7, one of the highest in the world, and despite the fact that 53% of live births occur to women under 20 or over 30 (13% in the 10-19 age group, 17% in the 30-34, and 23% over 35). The repeated rationale for this position on child spacing and maternal age is that the Government should not interfere with parents' freedom of choice. With population growth rates likely to rise over the 3% level in the near future, with a population density among the highest in Africa (154 per square mile) and with little good virgin land available, future development is likely to be severely affected by too many people on too little land.

Health and Nutrition

Malawi's performance and commitment in health has been impressive. Unhampered by an entrenched medical establishment, Malawi has channeled its resources to an unusual extent, into meeting the most widespread health needs in the most efficient ways; i.e., by emphasizing preventive health care through the use

of rural clincs and paramedical personnel. While the number of physicians in Malawi grew from only 84 in 1965 to 136 in 1976, and the numbers of nurses and midwives grew from 149 to 4,470, the numbers of village and district level health workers grew from 420 to 1,471. Although the number of hospitals grew by only 2 between 1972 and 1977, the number of Under Five Clincis, serving the pre-school population, grew from zero in 1968 to 290 in 1972, reaching 890 in 1977. Of these, 531 clinics are mobile.[1]

The health centers have achieved impressive results - innoculating 80% of children with BCG, 72% with first dose of DPT, and 57% with the first dose of polio vaccine. Seventy-five percent of all deliveries were preceded by at least one ante-natal visit in 1975, and 44% of the deliveries occurred in a maternity ward with a professional midwife attending. Reliable data on the health impact of these measures are not yet available, however, at least one indicator suggests health status is improving: the maternal mortality rate fell from 2.4 per 1,000 live births in 1975 to 1.9 in 1977, extremely low for Africa where rates are usually between 5 and 15 per 1,000.[2]

Construction of health posts and training of staff for them fell considerably short of goals. Only 41 health posts were

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1. Source: FHC/AFRICARE, "Health and Development in Southern Africa, Vol. IV, Malawi," pp. 64, 75.

2. Ibid., p. 95.

created against a target of 970. The target set for increased numbers of trained personnel also met with shortfall: funds had to be diverted to health post construction; qualification standards were not met by those applying; and there may have been overly optimistic funding forecasts. Much of the slack, however, was taken up by the Under Five Clincs.

The current three year government health plan includes a more pragmatic approach to the increase in construction of health posts and the training of health personnel. Government health expenditures were $2.70 per capita in fiscal year 1978/79, or 4% of total government expenditures of which 2% of the funds came from the development budget and 6.8% from the recurrent cost budget. Combined public and private expenditures on health represent 2.2% of GNP equalling approximately $4.30 per capita. Private health care expenditures come mainly from PHAM - "Private Hospital Association of Malawi." PHAM is a consortium of missionary operated hospitals.

There is no nutrition policy as such in Malawi, although the Family Health Care/AFRICARE SADAP report identified nutritional inadequacies particularly among weaning children. Exacerbating overall nutritional standards is the prevalence of parasitic diseases such as malaria, schistosomiasis and dysentry. The Under Five Clincs pay special attention to these disorders. On the positive side, a nutritional survey is underway under the auspices of the Ministry of Agriculture and Natural Resources.

Upon completion, we will be better able to assess the causes of nutritional deficiencies and identify the most vulnerable groups. In general terms, poor nutrition may be caused by: the absence of appropriate on-farm storage facilities which could lead to seasonal nutritional deficiencies; the increased attractiveness of cash cropping over subsistence cropping (or the absence of land for an appropriate combination of the two); or traditional practices of which we are unaware; or all of the above.

Education

The performance of the Government of Malawi in the education sector is commendable, demonstrated by the commitment to basic education. In the 6 to 14 year age group, school enrollment increased from 37% in 1969/71 to 53% in 1975/76. Secondary school enrollment remained constant at 3.2% from 1975/76 as has univeristy enrollment (approximately 1,200 students).[1]

The World Bank asserts that the GOM has been too conservative and that secondary and technical post-secondary output have not been sufficient to meet development needs. Expatriates continue to play leading roles in the public and private sectors. A participatory manpower assessment conducted by the World Bank and the Government of Malawi is expected to be available early in 1980.

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1. Malawi Education Survey, World Bank, 1978, pp. i - ii.

Without waiting for the results of the manpower survey, observations reveal both qualitative and quantitative difficulties in the educational system. A 1975/76 preliminary study documented that of those who entered primary school, less than 45% completed the fourth year.[1] Pupil-teacher ratios are extremely high. There is a substantial shortage of qualified teachers, due in part, to the rapid expansion of the system. There is also the inevitable question of relevancy of the structured educational system to the manpower development needs of the country. About 4% of all primary school children go on to post-primary schools, yet all primary instruction is structured to deliver purely academic or religious education useful to post-primary, academic education. This education, or absence of it, severely limits access to the productive labor force. The government acknowledges the problem and has taken a first step to rectify it. The primary school curriculum now includes courses in basic agriculture, basic health care, including the tenents of good nutrition. There is a move too, to upgrade teacher qualifications. On the whole, however, the academic persuasion persists. It is believed that more than 5,000 primary school teachers are underqualified. There is an in-service training program but it now accommodates only about 300 teachers a year.

As a result of the preference for academic study in the school system in Malawi, academic performance is the fundamental

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1. Malawi Education Survey, World Bank, 1978, Appendix, p. 3.

basis of upward mobility. This has created a narrow meritocracy which on the one hand is good because it brings with it efficiency in government and private enterprise management but on the other hand it stifles growth of the non-academically trained and entrenches social and economic immobility of the masses.

Employment

By far the most impressive aspect of Malawi's economic performance over the past 15 years has been the rapid growth of employment. Between 1969 and 1977, total modern sector employment grew by 88%, substantially faster than the work force as a whole, which probably grew by about 30% in the same period. Agricultural employment grew by 177%. Manufacturing and the private service sector also achieved solid grains by growing 79%. Government employment, primarily in the service sector, lagged, growing by only 8.6%. Over the same period, the value of output in current prices increased by 167% in modern sector agriculture, 167% in manufacturing, and 185% in services, indicating high employment elasticities, i.e., the percentage change in output, 1.06, 0.46 and 0.43, respectively. Elasticities of labor with respect to real output are probably double these values. These elasticities are extremely high, indicating that growth occurred through the use of labor-intensive techniques, fostered by a policy of keeping wages in line with the opportunity cost of labor. As population increases put pressure on limited land supplies, future growth must include more industrial development. Future growth with equity is inextricably linked to continued modern sector employment growth.

The employment problem has been made more severe by the substantial reduction of labor emigration from Malawi to other areas in the southern African region, particularly, the Republic of South Africa. At its peak, in 1973, there were, according to official statistics, 123,000 Malawians under contract to work in South African mines.[1] In 1974, an airplane crash resulted in the death of a large number of migrants. Malawi prohibited future contracting and asked its citizens to return home. By 1977, migration to South Africa had resumed, though on a substantially reduced scale, with 17,000 workers registered. Remittances, in 1974, were around $40 million, or 31% of export earnings, while by 1977, they fell to about $9 million or 4% of export earnings.

Reabsorbing these migrants into the domestic labor force must have created great problems, and the resumption of immigration to South Africa occurred after considerable political pressures arose from the villages. Most importantly, the cessation of migration had a very strong impact on rural incomes based on remittances, which mostly went to smallholder families, making up almost 15% of smallholder incomes at their peak.

Since neither South Africa nor Malawi are likely to encourage a substantial expansion of the migrant system, this surplus of 100,000 or more workers must be absorbed by the domestic economy.

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1. The 1966 census lists the dejure population as 266,000 persons larger than the de facto population.

Housing

Over the past decade the urban population growth rate was estimated to be around 8% in contrast to a national population growth rate of 2.6% per annum. In absolute terms this means that the urban population, at present estimated at about 600,000, is increasing by about 50,000 persons per year. This increase is mainly concentrated in the two major urban areas of Blantyre and Lilongwe. Lilongwe, which has been designated as alternative growth pole to Blantyre and is the beneficiary of government planned economic investments, is experiencing a particularly high rate of urbanization.

Because the Government emphasizes development in the rural areas, especially incentives to enhance the smallholder farmer, urban drift in Malawi has not been as dramatic as compared to many other developing countries. Inevitably, though, as the population grows, government's capacity to contain the rural population, especially the landless agricultural laborer, is unlikely to continue. As pressures on the land increase, urban drift is likely to increase even more sharply.

Rural housing needs are being provided through aided self-help construction. In the rapidly growing urban centers, however, the government policy of providing low-income families with subsidized and minimally serviced plots for traditional types of semi-permanent self-help housing units, is being inadequately implemented to meet the requirements generated by an 8% annual urban growth rate.

The Traditional Housing Area (THA) concept is the cornerstone of the national housing policy in Malawi. Under the THA concept, the government provides free land for the development of urban site-and-service plots by the Malawi Housing Corporation (MHC), and in the new capital of Lilongwe, by the Capital City Development Corporation (CCDC).

PERMANENT HOUSING CONSTRUCTED BY MALAWI HOUSING CORPORATION (MHC), PUBLIC SECTOR, AND OTHER DEVELOPERS, INCLUDING THA PLOTS PROVIDED, 1965-77[1]

Permanent Housing

Year	MHC Housing	Public Sector[a]	Other Developers	THA Plots Provided	Total Units	Total Yearly Subsidy Element K.000
1965-73	2,712[b]	-	-	6,752[c]	9,464	3,785.6
1974	657	149	278	1,617	2,701	1,080.4
1975	501	430	98	1,920	2,949	1,179.6
1976	354	278	142	4,289	5,063	2,025.2
1977	380	n.a.	n.a.	2,400	2,780	1,112.0
						9,182.8

n.a. - not available

a. Includes CCDC and the Ministry of Works

b. In addition to houses constructed during this period by MHC, 3,959 houses, most in the low cost category, were placed under MHC control during this period. These are not reflected in this total.

c. Includes all THA plots developed during the period 1965-73.

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1. Source: Malawi Housing Corporation

The THA cornerstone is weakened, however, by three factors. First, dependence by the government on foreign donors and lenders to underwrite up to 90% of the infrastructure costs has resulted in a supply of site-and-service plots far less than demand in recent years.

Second, dependence on the recipients of these plots to build shelters using only their own limited skills and financial resources has resulted in mostly semi-permanent and block units which tend to continually divert household funds from personal savings. Third, the absence in the nation of a financial institution to provide housing loans to low and middle income families precludes small contractor construction of any appreciable amount of low-cost permanent type housing units.

In addition, substantial subsidies in the form of uneconomic rent controls and ground lease charges are limiting local capital resources available for housing investment, especially to meet the effective demand of low-income households. In addition, because of the high cost of borrowed funds and rapid inflation in construction costs, the parastatal organizations - MHC and CCDC - are failing to generate surpluses internally to self-finance new THA or construction activity. In view of donor objectives of developing shelter programs based on sound cost-recovery principles, these factors have made borrowing from external lending institutions very difficult.

Human Rights

Virtually all effective authority in Malawi is exercised by Life President H. Kamuzu Banda through a highly centralized governmental structure which interacts closely with the country's single party, the Malawi Congress Party. Malawi's political system has its base in popular recognition of President Banda as the architect of the movement for national independence, gained in 1964, and as the leader responsible for the country's consistent and widely recognized economic development ever since. There have been, however, periods of restraints on human rights, notably prior to 1977.

Since 1977, there has been a cautious but distinct loosening of censorship controls on news resulting in a climate of freer discussion and inquiry. Freedom of religion is officially protected and a variety of groups pursue personal religious beliefs without interference. The one exception is Jehovah's Witnesses whose practices were viewed as defiant of the secular authority of the state. The Government of Malawi, nevertheless, continues to resort to arbitrary detention of suspected political dissidents. The level and frequency of such detentions, however, are far below those of the period prior to 1977 as indicated by the estimated 20-30 persons now in detention.

During 1979 the press reflected an apparent easing of editorial policies regarding international and foreign issues. Criticism of the government, its officials and its domestic policies is still proscribed.

While the Malawi Government retains the features of a Parliamentary system, it is in fact, a one party system that actively seeks to encourage broad mass membership and participation. The Malawi Congress Party, the sole political party in Malawi, has an extensive and active network of local organizations especially for youth and women. These organizations interact in determining priorities for development. The Malawi Congress Party is also a highly effective avenue for channeling grievances, and together with the traditional sector, provide a voice for the people. The pervasiveness of the Party structure, and the breadth of the Life President's support diminishes the need to resort to political oppression as the means of maintaining authority.

While women have traditionally been cast in a subordinate role to men, government policy has in recent years begun to call for increased participation and recognition of women in all aspects of national life and development. The highly organized League of Malawi Women has an active mass membership throughout the country and is recognized as an influential source of political support for President Banda. Women are prominent in Party activities. Several women hold parliamentary seats and a few hold senior level government positions. Women are still under-represented in senior government positions but expansion of access for women to higher education holds longer-term prospects for advancement.

The labor movement in Malawi is centered in the Malawi Trade Union Congress (MTUC) which comprises unions in key sectors

of the economy. The MTUC is subordinate to the Malawi Congress Party. While union influence is generally weak and minimum wages are controlled by the government, negotiations in recent years have resulted in upward revisions of minimum wages in several sectors and actual wage levels in the modern sector have risen. Labor appears generally to have accepted government controls on wages as part of an anti-inflationary policy. Government's equal control on the cost of food staples and other basic necessities, including housing, education and health care, seem to appease labor.

E. Other Donors

Foreign development loans and grants to Malawi increased from $150 million in 1973/74 to $172.6 million in 1977/78. Britain and the IBRD complex provided two thirds of the funds while bilateral contributions and private banking loans accounted for the remaining third. In addition to Britain, the major donors include the European Economic Community, Canada, Denmark, Germany, South Africa, UNDP and Taiwan. The following table summarizes the distribution of donor assistance by type and sector.

Table III. Foreign Assistance Commitments to Malawi by Type and Sector, 1978 including the U.S.[1]

TYPE/SECTOR	VALUE (U.S. $000)
Technical Cooperation	
Agriculture and Natural Resources	8,218.0
Education	8,594.0
Transport, Communications and Industry	2,354.0
Health and Social Services	4,943.0
Planning	3,063.0
Grants and Reimbursements	
Agriculture and Natural Resources	25,447.4
Education	385.5
Transportation, Communication & Infrastructure	40,265.2
Health and Social Services	7,760.3
Miscellaneous	7,655.6
External Loans	
Agriculture and Natural Resources	7,548.7
Education	3,817.8
Transportation, Communication & Infrastructure	22,707.7
Health and Social Services	10,939.6
Energy and Power (hydro)	13,570.3
Miscellaneous	5,196.4
TOTAL FOREIGN ASSISTANCE COMMITMENTS:	172,529.5[2]

1. Source: USAID/Malawi, UNDP/Malawi, various Government of Malawi Reports. Contains only information voluntarily provided through public channels. Also, values are estimates since GOM Budget year is April-March.

2. Most of the assistance was disbursed and allocated in GOM Budget years 1977/78 and 1978/79.

In discussing other donor contributions to development in Malawi, it is important to understand the mechanism established for receipt of donor assistance. Recognizing that the majority of Malawians live in rural areas and depend for their livelihood on smallholder farming, the Government has embarked on an integrated approach to rural development based on the philosophy that improvement in the agricultural sector alone (or any other specific sector for that matter) without correspondingly improving access to basic needs, i.e. health, education, food and housing offers diminishing returns. Accordingly, the Malawi Government designed comprehensive Rural Development Programs by area for all rural Malawi. These plans requiring 20 years before completion are known as the National Rural Development Program (NRDP).

Donors find this well planned integrated approach attractive, for the system represents a fair distribution without political preference to one area, district or region. Donors select the activity most attractive to them. During the period 1977-1979, contributions to the National Rural Development Program were as follows: Agriculture $41.1 million; Health $23.7 million; Education $12.8 million;Transportation $65.4 million; Energy $13.6 million; and other development functions $16.0 million.

This method of soliciting donor assistance prevents duplication of effort and paves the way for collaborative donor assistance. Following is an example of other donor collaboration in projects in which the U.S. has interests.

Table IV. Other Donor Contributions to N.R.D.P. Projects Proposed for U.S. Funding. [1]

1. Rural Water - (612-0207)		
(a) African Development Fund	U.S.	$3,555,500
(b) United Kingdom		1,140,000
(c) United Nations Development Program		396,983
(d) Canadian International Development Agency		283,200
(e) Joint contributions from UNICEF and Christian Service Committee		189,900
(f) Danish International Development Agency		574,033
(g) Japan		932,400
2. Polytechnic - (612-201)		
(a) European Development Fund		650,000
(b) Joint contributions from UNDP & FAO		62,000
(c) African Development Bank		N.K.
(d) United Kingdom		N.K.
3. Manpower Development - (612-0206)		
(a) European Economic Community		2,236,198
(b) World Bank (IDA)		14,500,000
(c) UNDP		87,000
(d) UNICEF		856,800
(e) European Development Fund		4,800,000
(f) Federal Republic of Germany		113,500
(g) United Kingdom		256,000
4. Agricultural Research - (612-0202)		
(a) EEC	U.S.	$7,900,000
(b) IDA		4,500,000
(c) U.K.		6,384,000
(d) Germany		4,324,300
(e) ADF		2,661,700

All figures do not represent firm committments.

F. Host Country Absorptive Capacity

Since 1964, Malawi's expenditures on both revenue and development accounts have increased 380% from $50 million in 1964 to $240 million in 1978/79. This remarkable growth has been accompanied by an increase in tax revenues of 250%, from $40 million in 1964 to $140 million in 1978. This rapid increase in development expenditures and public investment has been accomplished with a degree of efficiency unmatched in most less developed countries. The British Aid Mission ranks GOM development management practices as the best in Africa, and among the two or three best in the world of those countries to which they provide aid.

While there are critical manpower shortages in many areas, these are, whenever possible, alleviated by the widespread use of expatriate personnel, most of whom are subsidized by the United Kingdom. For the near future, Malawi seems to have the manpower to absorb increasing amounts of foreign assistance in most sectors.

Recurrent Costs

Tax receipts have historically more than kept up with increases in GDP. At present, user fees are not charged for health care (such charges were a potent rallying cry for political dissidents during the Federation era). School fees, while failing to cover a substantial proportion of recurrent costs, have probably reached maximum levels. It has been tradition in Malawi for communities to provide self-help labor and local materials for capital improvements while the Central Government finances recurrent costs. Although the recurrent budget remains in surplus, Malawi's financial position is somewhat more precarious now than it has been in the past and Malawi is now asking the donor community increasingly to finance recurrent costs at the early stages of project development. Such requests are likely to continue due to external forces and some rather large domestic financial undertakings not wholly in the basic human needs rubric.

Constraints to financial absorptive capacity caused by unpredictable increases in the cost of fossil fuel; the possible re-occurence of difficulty in delivering fuel to Malawi; and the absence of alternative sources of energy; signal need for flexibility in willingness to underwrite a larger share of recurrent costs.

Table IV provides a summation of key economic indicators. The percentage of change has a direct bearing upon the ability to meet increasing recurrent costs from domestic revenue.

Table IV KEY ECONOMIC INDICATORS: MALAWI

All values in US$ million
represent period averages
unless otherwise indicated

Exchange Rate: US$1.00 = MK.84 Income, Production, Employment	1976	1977	1978	% Charge 1977-1978
GNP at current market prices	728.3	837.0	990.9	18.0
GDP at current market prices	771.1	915.8	1,066.9	16.0
GDP at constant 1973 prices	533.7	575.8	613.0	6.0
GDP per capita (current market prices)	145.5	166.5	187.2	12.0
Gross Fixed Investment	127.4	201.2	337.0	67.0
Index (1970 = 100) of manufacturing Output	198.3	199.1	219.9	10.0
Labor Force ('000)	259.0	308.8	336.0	8.0
ADMARC Domestic Purchases ('000 short tons)	181.0	195.4	229.0	17.0
Money and Prices				
Money Supply	116.7	146.0	158.6	8.6
Inflation Rate	8.7%	8.5%	12.0%	41.0
Balance of Payments and Trade				
Foreign Exchange Reserves	28.3	90.7	72.4	-20.1
External Public Debt	210.9	254.7	312.9	22.8
Annual Debt Service (public sector)	9.0%	9.0%	12.4%	37.7
Balance of Payments:				
Exports (f.o.b.)	180.5	214.7	187.1	-12.8
U.S. Share	22.0	19.6	11.1	-43.3
Imports (c.i.f.)	224.4	249.7	339.5	35.9
U.S. Share	7.7	12.5	15.6	24.8
Balance of Trade	-43.9	-35.0	-152.4	-335.4

Sources: Reserve Bank of Malawi Financial and Economic Review Vol. 1, 1979
Malawi Government Economic Report 1979
National Statistical Office Monthly Statistical Bulletin, October, 1979.

Part II - STRATEGY

A - GOAL

Long Term Goal

All past and future gains in real income must be equitably distributed among the population so as to sustain the social, economic and political stability currently present. In the short-run, requirements can be met through foreign assistance. In the long-term, however, Malawi must acquire the technological ability to distribute the fruits of economic progress through its own manpower and institutions (research, planning and operating). The long term goal, therefore, is to: Improve institution building in Malawi and produce appropriately skilled manpower for the institutions. A goal of this magnitude is usually not achievable by one donor alone, but the integrated approach to development adopted by Malawi, and the sound in-place institutional base, make it plausible to reach for such a goal.

Intermediate-Term Targets

The challenge at the intermediate term level is to provide intensive resources for the poor, described in Part I, of this statement. Specifically, we should:

-- Raise agricultural productivity in the smallholder sector.

-- Provide alternative means of employment for estate workers with capability to do more.

-- Provide educational opportunities for females, the urban and rural uneducated or undereducated.

-- Extend access to farm credit to all who qualify and teach those who need farm credit how to qualify.

-- Encourage a more positive ratio between people and land.
-- Contribute to the provision of essential services for rural communities.
-- Maintain the integrity of the environment with emphasis on reforestation.
-- Participate in discovering alternative sources of energy
-- Contribute to the solution of transportation and distribution difficulties
-- Accelerate the growth of labor intensive agricultural-based industry.

B. Strategy Implementation

In the short term, there are specific starting points for strategy implementation if the intermediate targets and long range goals are to be accomplished. These are:

1. The Agriculture Sector and Environment
2. The Education and Manpower Sector
3. The Health Sector.

Although appearing to be cross sectoral, the functions are developmentally integrated and optimally should not be disaggregated.

Agricultural Productivity

The fundamental requirement of Malawi's agricultural sector is to balance the need for increased food to feed a growing and increasingly urbanized population with the need for increased cash

crops to earn foreign exchange, and at the same time, to maintain environmental quality in the face of growing soil, ground water, and fuelwood problems. Given the land and environmental constraints, productivity (output per unit of land) must be increased to satisfy Malawi's needs for both food and export crops. To achieve increased agricultural productivity, it is also necessary to assure that adequate supplies of fuel are in-country.

Agricultural Research

Among the problems indicated in the analysis of the smallholder sector, is the lack of information on the determinants of smallholder's behaviour. Consequently, research for smallholder's use is essential. In particular, the impact of input and output prices on the farmers decision to grow various crop combinations needs to be thoroughly investigated. Only good information of this sort will allow rapid adaptation of new technologies by rural farmers. The current adoption rate of new or different crops is not now thoroughly understood.

Agricultural Extension

The extension service also needs to be reinforced. The current average agent/farmer ratio of 1:868 limits the effectiveness of any agent in a given area. Given the problems of finding qualified applicants for entry into the extension program at Technical Assistant and Technical Officer levels, it would be useful to explore with the GOM the possibility of using lower level manpower (e.g. primary school leavers) as first line extension agents and communicators of information.

We should investigate also the training of selected villagers to disseminate technical information along the lines practiced by the Camilla Council in Bangladesh.[1]

Transportation and Distribution

The Government believes that the current dearth of all-weather roads, particularly in the underdeveloped North, is an inhibiting factor in extending development of the smallholder sector. Infrastructural support in the form of farm to market distributional road networks should not be excluded once convincing documentation of need is supplied.

We speak of "convincing" documentation" for there appears to be a cheaper, more effective intervention. Careful study of transportation routes and needs, using modern assessment techniques, might indicate ways to provide inputs and evacuate production without incurring the expense of new road construction at this time. The current practice is to bring fertilizer to depots during the dry season using large trucks which "dead-head" back to central stations. Appropriate study could determine whether agricultural outputs could be back-loaded to points of sale thus eliminating the need for all weather feeder roads.

Rural Agro-Industry

Limited land coupled with population growth is likely to lead to a considerable increase of unskilled, landless labor in the near future, despite impressive gains in modern-sector employment. Through the processing of agricultural products it should be possible to produce import substitutions, lower demand for basic food imports, reduce costs, provide employment opportunities,

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1. Camilla is a rural institutional development program in Bangladesh which uses villagers to disseminate technical information in rural areas. The villagers are given short term training periodically.

and increase agricultural incomes. The start-up of small-industry agricultural processing units would serve to lessen dependence on estate employment for those who now have no alternatives.

Agricultural and Non Agricultural Environment

Malawi must manage its limited resources efficiently and effectively if it is to expand or even maintain its present living standards, or meet the strategy goal. It is important, therefore, to consider now, how land should be allocated for forests, food, livestock, cash crops and non-agricultural uses. The need for continued evaluation of decisions made earlier-on, makes this a short and long term measure.

Energy

The vulnerability of the Malawi economy, due to expensive transport, congestion at ports of entry, rising foreign exchange costs, and increased demand for fuel, makes assistance in energy particularly important. There is currently, an urgent need for a three-months, in-country fuel storage facility. Urgent also is the need to take inventory of energy resources available in Malawi in order to proceed with the production of alternative sources. The Government of Malawi is actively investigating the possibilities of a substantial gasohol program, using sugar or cassava as an input. Even small shifts from imported petroleum to domestically produced alcohol would have a wide range of beneficial effects on smallholder income, if such a program can be made cost-effective.

Education and Manpower

Skilled manpower shortages appear to be Malawi's single most severe constraint. The formal educational system is designed to accommodate the academically inclined and there are few opportunities for on-the-job training or vocational/technical education. The need and opportunity to embrace vocational and technical education is now if the development pace is to be accelerated under full control of Malawians. Implementation is possible through the formal and non-formal structure. In the non-formal category, implementation should start at the pilot level in order to assess Malawi's acceptance of in-formal, short course training and apprenticeships similar to SENA in Columbia.[1] At the formal level, there should be encouragement to expand existing institutions to include more than academic activities in the curriculum. There are some courses in agriculture for secondary students but these are in few schools and agriculture is not the only vocational/technical need.

There is good reason to emphasize non-formal education in Malawi. The illiteracy rate is more than 75%; there is only a 53% primary enrollment and a 45% drop-out rate before completion of the fourth grade.

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1. SENA is a Columbian Government institution which provides technical training outside the school system.

An emphasis on non-formal education offers the additional advantage of making it possible to focus on females, who have lower school enrollment rates and higher dropout rates than males. Non-formal education can thus become a vehicle for promoting equity, for increasing women's contribution to development, and eventually perhaps, for facilitating the demographic transition.

The Ministry of Community Development, which is responsible for non-formal education is energetic and open to innovation, but so far has not had access to the resources it needs to expand the scope of its operations. The Peace Corps is currently involved in non-formal education in Malawi, though on a limited scale, and is favorably disposed to a substantial increase in the number of volunteers working in this area should U.S. interest in non-formal education evolve into an implementable project.

Health

We bring health into our strategy as it relates to the very basics of rural development. For a large number of rural Malawians, a clean and adequate supply of water is neither their lot nor an immediate prospect. Sources of good water are present in Malawi but distance diminishes use. Since water is essential for consumption and hygiene, at least a minimum supply should be available to the rural population as an integral part of providing essential services to rural residents. Along with water, the achievement of the medium-term

targets and the long term goal, requires sustained attention to health trained manpower.

C. The Form of Assistance

Our proposed strategy suggests large inputs of technical assistance. The start-up of some activities may require large short-term inputs of external technical assistance but we believe that through creative design the medium and long term management can be handled by Malawians. In fact, extensive use of Malawians is very much a part of the strategy. The intent is not that we will "do" projects for Malawians but rather projects will be implemented collaboratively "with" Malawians, using as much Malawian manpower as possible.

We expect other donors to supply technical assistance proportionate to the dollar value of their committment to collaborative activities. Technical Assistance supplied by other donors will reduce A.I.D.'s technical assistance burden.

Use of Peace Corps volunteers is planned as is use of U.S. Private and Indigenous Voluntary Agencies. We are aware of talents among these groups which can well be used in pursuit of the targets defined above.

The likelihood of need for PL 480 programs in Malawi is slim at this time. Malawi has not needed emergency donations of food nor has their been need to use food aid as development incentives. Except that radical negative developments occur, the prospects of need for PL 480, including Title III should remain nil.

Part III - Proposed Assistance Levels

A - Sectors And Activity Options	Fiscal Years in Million of Dollars 1982	1983	1984	1985	1986	Total
Total Agriculture Sector	10.5	14.1	15.0	17.0	19.6	76.2
Activity Options						
Research						
Extension						
Transportation/Distribution						
Fuel Storage						
Credit						
Small Ruminant Production						
Agro-Industry						
Total Environment/Energy	2.8	5.2	6.3	10.7	11.3	36.3
Activity Options						
Inventory of Energy Resources						
Fuelwood						
Total Manpower Training	3.6	6.0	6.5	6.9	10.3	33.3
Activity Options						
In-Country Non-Formal Training						
External Training						
In-Country Technical Training						
Total Health Sector	2.8	3.0	3.0	3.4	3.4	15.6
Activity Oprions						
Rural Water						
Health Manpower Training						
Grand Total	19.7	28.3	30.8	38.0	44.6	161.4

Note: Except for the year, 1983 -1984, the increase per year averages $7.7 million.

B. Explanatory Notes

The fact that Malawi is landlocked and the ports of entry available to Malawi are not now well managed, provide extremely good reason for the inclusion of fuel storage and agro-industry as a component of the agriculture sector. Without fuel, other efforts at increasing agricultural productivity or increasing food self sufficiency will be useless. The creation of agro-industries is a natural out-growth of increased agricultural production.

It is equally important also to seek alternative sources of energy for productivity in general. A start has been made but there is great need to accelerate the effort.

Many Malawian development needs alluded to in this statement are not included in the proposed assistance levels. These include cheaper and more reliable transport links to the Indian Ocean, better all-weather roads for long haul linkage to neighboring countries, a school of Veterinary Medicine, and a facility to increase capability in economic geological surveying and mineral exploration. We believe these to be more a function of regional than bilateral assistance. We very much look forward to the inclusion of activities described in this paragraph in the proposed Southern Africa Regional Program.