



MALAWI GOVERNMENT

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REPORT
ON
DONOR'S CONFERENCE
FOR MALAWI

BLANTYRE 28-29 FEBRUARY, 1984

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CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 The Government of the Republic of Malawi hosted its first ever donors' conference at the Kwacha International Conference Centre in Blantyre from 28 to 29 February, 1984. The Conference was organized in collaboration with the United Nations Development Programme (UNDP) which provided financial and technical assistance for the preparation of the conference, documentation and distribution of reports.

1.1.2 The Conference was one of the milestones in a continuous process which was initiated, as far back as the mid-1960's, by the international community (led by UNCTAD) to address itself to the special problems of the least developed countries. Since UNCTAD II in Delhi in 1968, several resolutions in various fora have been passed appealing to the international community to devise special measures to alleviate poverty in the least developed countries. The most significant is UNCTAD (V) resolution 122 (V), passed at Manila in 1979, which mapped out comprehensive action programmes for the least developed countries. Subsequent efforts henceforth bore the "Substantial New Programme of Action (SNPA) for the Least Developed Countries in the 1980s."

1.1.3 From 1979, several preparatory meetings, involving both the international community and the least developed countries themselves, culminated in the UN Conference on Least Developed Countries held in Paris from 1 to 14 September, 1981. The objective of the Conference was to finalize, adopt and support the SNPA. This was duly accomplished. However, the Conference recognized and recommended that in order to translate the success of the Paris Conference into actual aid flows to the 31 least developed countries, each of them, or in accepted groups thereof, should hold donors' conferences where a detailed examination of the respective governments' policies and programmes would be undertaken to enable donors to focus on specific forms of assistance which they could provide.

1.2 Objectives of the Conference

1.2.1 For Malawi, the purpose of holding the Conference could be summarized in the following terms:

- (a) to make better known its economic situation and problems, as well as the development policy pursued by the Government, so that the country could be better assisted;
- (b) to enlist the support and advice of the donor community with regard to the Government's policies and programmes as well as the country's external assistance requirements;
- (c) to enlarge the number of donor countries and organizations by involving non-traditional donors; and
- (d) to mobilize financial and technical assistance needed by the Government for its development programme for the period 1984/85 to 1986/87.

1.3 Procedural Arrangements

1.3.1 The conference was divided into plenary and sectoral committee sessions. The plenary sessions were chaired by the Minister of Finance, Honourable L. C. Chaziya and co-chaired by Honourable J. Z. U. Tembo, Governor of the Reserve Bank of Malawi and Mr. P. C. Damiba, UNDP Assistant Administrator and Regional Director for Africa. Sectoral Committees were chaired by Principal Secretaries of related ministries.

1.4 Attendance

1.4.1 Fourteen (14) countries and twenty-two (22) international organizations participated in the conference. *The countries were:* Algeria, Belgium, Canada, Denmark, Egypt, France, Federal Republic of Germany, India, Japan, Netherlands, Nigeria, South Korea, United Kingdom and the United States of America. *The International Organizations were:* African Development Bank, Commonwealth Development Corporation, ECA, EEC, European Investment Bank, FAO, International Civil Aviation Organization, ILO, IMF, ITC, ITU, UNCTAD, UNESCO, United Nations Department of Technical Cooperation for Development, UNFPA, UNCHS, UNDP, UNCDF, UNIDO, World Bank, WFP and WHO.

CHAPTER 2: OPENING SESSION

2.1 Summary of Opening Statements

2.1.1 On behalf of His Excellency, the Life President of Malawi, Ngwazi Dr. H. Kamuzu Banda, the Government and the people of the Republic of Malawi, the Minister of Finance, Honourable L. C. Chaziya, in his capacity as Chairman of the Conference, opened the meeting and extended a very warm and hearty welcome to all delegates. He asked them to feel free to visit any part of the country in order for them to appreciate the efforts that the people of Malawi were making to help themselves.

2.1.2 The Chairman expressed profound gratitude to all those countries and international institutions which have, in one way or another, assisted Malawi in its development efforts since independence. He said that the assistance provided had gone a long way to help raise the living standards of the entire population of Malawi.

2.1.3 In his speech the Chairman briefly outlined the past economic performance of Malawi, the present situation and prospects for the future. These are outlined in sections that follow.

2.1.4 Mr. Z. Gabre-Madhin, UNDP Resident Representative delivered a message from Mr. Jean Ripert, United Nations Director General for Development and International Economic Co-operation. The message was that Malawi's Roundtable was a major event in the country's economic and social history being held at a time when the African Continent is in the grips of world-wide stagflation and persistent drought, all leading to acute economic crisis for the continent. By holding the conference, Malawi was thus implementing one of the basic provisions of the Substantial New Programme of Action. The message went on to say that if Malawi had to successfully carry out measures necessary to improve the living conditions of its citizens, the country must be able to count on the increased provision of external assistance, both financial and technical. Since the country is landlocked and its traditional transport routes are frequently disrupted, resulting in additional pressures on its budget, he hoped the donors would not only provide funds for the purchase of equipment, but also defray the initial years' operating costs.

2.1.5 As far as the UN System was concerned, the Director General assured Malawi that the System would continue to give Malawi all possible support for the implementation of the country's development programme. He also hoped that the Roundtable would lead to concrete results, thus providing the Government with adequate information and commitments at the end of the conference in order to embark on its development programme on a realistic basis.

2.1.6 He then touched on the necessity of undertaking follow-up exercises, a topic which was covered at length by Mr. P. C. Damiba in his statement to the Roundtable. He finally wished Malawi every success in this conference with its partners in economic development.

2.1.7 H.E. Mr. Paul Faure, French Ambassador to Malawi, speaking on behalf of Donor Delegations, expressed great pleasure and satisfaction in participating in the Roundtable. He recalled the resolutions that had been adopted at the Paris Conference on LDCs in September, 1981, which subsequently led to follow-up actions in the form of Roundtables. He concluded his statement by congratulating the Government and people of Malawi for the warm welcome and kind hospitality extended to the delegates.

2.1.8 Taking the floor next, Mr. P. C. Damiba, UNDP Assistant Administrator and Regional Director for Africa, emphasized, among other issues, the necessity to embark on follow-up actions after the formal Donors' Conference. He outlined four possible modalities needed to streamline and strengthen the post-conference momentum for operational purposes:

- (a) periodic bilateral meetings between the Government and some of its donors;
- (b) fielding missions to donor countries;
- (c) in-country co-ordination meetings between locally-based donor representatives; and
- (d) mini Roundtables focussing on key sectors.

2.1.9 He also expressed the commitment of the Administrator of UNDP, Mr. Bradford Morse, to effectively deploy, at the request of the Least Developed Countries (LDCs), UNDP assistance in implementing SNPA as endorsed by the UN conference on LDCs held in Paris in 1981. He hoped he would be able to contribute usefully to the improvement and effectiveness of the Roundtables. He also praised Malawi for its political stability, realistic policies, prudent management of its economy and for being self-sufficient in food production. However, he informed the audience, Malawi was facing economic problems which led the country to convene the Donors' Conference in order to secure external assistance.

2.1.10 He concluded by saying that "the performance indication of a Roundtable Conference lies in the success of its follow-up implementation which coincides, to some extent, with the success of development itself".

2.2 Theme of the Conference

2.2.1 The Minister of Finance set the tone of the conference in his opening speech where he highlighted the past performance of the economy, present problems, proposed Government policies to tackle the problems and prospects for the 1980s.

2.2.2 The Minister said that although the economy had performed satisfactorily from independence (1964) to the end of the 1970s, intolerable external factors began to adversely affect the economy from 1979. These included declining terms of trade, disruptions to traditional transportation routes, drought conditions in 1979 and 1980, high international interest rates and inflation. These interplayed with rapid growth in government expenditure and borrowing on commercial terms. The consequences were slower growth in the economy (GDP growth rate fell from 5.5 per cent in 1979 to 0.4 per cent in 1980 and -0.8 per cent in 1981); increased deficits; intensified balance of payments pressures; and deterioration in the financial positions of many private and public enterprises.

2.2.3 The poor response of the economy to the above difficulties unravelled several underlying structural weaknesses, prominent among which were:

- slow growth of smallholder agricultural exports;
- lack of diversification in the agricultural estate sector;
- unsatisfactory management of public sector resources;
- the need to maintain and improve agricultural and industrial policies to cope with rapid expansion of population and the labour force;
- rising costs of energy resources; and
- rigidities in the system of administered prices and wages.

2.2.4 The Government responded to the above problems by embarking on a medium-term stabilization programme covering the period 1981/82-1985/86 in consultation with the International Monetary Fund (IMF) and the World Bank. Its objective was to restore internal and external balance to the economy.

2.2.5 On the external front, the balance would be restored by increasing the volume of exports through diversification while reducing the volume of imports. Price incentives to smallholders would be improved; more investments would be directed towards directly productive sectors such as agriculture.

2.2.6 Internally, demand would be restrained. Measures taken included expenditure restraint on the Government budget, new revenue measures to increase tax buoyancy, phasing out of subsidies on some products and introducing appropriate pricing structures for the parastatals. The implementation of the medium-term measures was generally satisfactory. To consolidate the achievements, additional policy actions were taken during 1982 as part of a revised programme looking forward to 1987/88. These actions included devaluation of the Malawi Kwacha by 15 per cent against the SDR; substantial increases in smallholder producer prices which were announced for 1983/84 crop season subject to review every year; a proportion of fertilizer subsidies was reduced with further reductions to be spread over two years.

2.2.7 To sustain the momentum of the performance of the economy, Government will continue to restrain demand and stimulate domestic supply by giving further incentives to smallholder farmers; encourage estates to diversify into crops otherwise traditionally grown by smallholders such as cotton and groundnuts; improve the performance of statutory corporations; and encourage local manufacturing as well as industrial development in general. To this end, Government has already streamlined the industrial licensing procedures and liberalized the system of price controls.

2.2.8 It is projected that if the above policy actions taken by the Government can be supported financially and technically by the international community the economy should attain an average annual growth rate of about 4 per cent over the period 1983 to 1987. Improvements are expected in major economic ratios; gross fixed capital formation is expected to rise from about 16 per cent of GDP in 1983 to about 22 per cent in 1987; domestic savings will increase while the rate of consumption will decline, enabling a higher proportion of investment to be financed from domestic savings; the current account deficit will decline from 8.4 per cent of GDP in 1983 to 4.8 per cent in 1987; exports will grow faster than imports leading to an increase in trade balance from K18.8 million in 1983 to K68.2 million in 1987; and the debt service ratio will improve by declining from 34 per cent in 1983 to an average of 30 per cent in 1987.

2.2.9 On the fiscal front, total revenues will remain at 19 per cent of GDP while total expenditures are expected to decline. Thus the overall budget deficit as a percentage of GDP will decline from about 6 per cent in 1983/84 to 4 per cent in 1986/87.

2.2.10 In support of the above objectives two scenarios of public sector investment programme have been prepared. One is a "core programme" which is the minimum investment designed to maintain growth. It aims at reducing the relative share of Government in total investment in order to release resources for the private sector; reduce the pressure of recurrent cost building up on completed projects and tailor government investment to the availability of local resources.

2.2.11 The second scenario of investment assumes that assistance will be available for all requirements on very improved modalities. These, in effect, would mean donors financing more local costs, reducing the requirement for local contribution to externally-financed projects, as well as providing more assistance for balance of payments support and programme of non-project aid.

2.2.12 Over the period 1984 to 1987 Government requires a minimum investment level of K532 million out of which donors are identified for K384 million leaving a balance of K148 million for which donors aid has to be found.

CHAPTER 3: SECTORAL PRESENTATIONS

After the opening speeches in the Plenary, Government Ministers took turns in presenting strategies and policies for their sectoral Ministries. These are summarized below.

3.1 Agriculture

3.1.1 Government policy places emphasis on attainment of self-sufficiency in food while encouraging production of cash crops for import substitution and exports. The objective is to increase productivity in both the smallholder and estate sectors. Higher productivity in the former sector is to be achieved through the National Rural Development Programme (NRDP) by putting emphasis on productive expenditures such as credit, marketing, extension, training and intensive farming practices. In order to sustain growth in the estate sector, extension services will be offered, which has not been the case heretofore.

3.1.2 Projects on farm mechanization are intended to break through the technological barrier. On the other hand, in order to reduce present reliance on few primary products, crop diversification will be encouraged. To complement crop diversification efforts, livestock and fish production will be encouraged too.

3.2 Transport and Communications

3.2.1 Malawi's policy objectives in the transport sector are aimed at ensuring an efficient internal and international communications network. In view of the recent transport disruptions experienced in movements of exports and imports along Malawi's traditional routes, there is an urgent need to develop alternative external routes. Consequently, the highest priority is placed on developing alternative routes and improving existing rail links to the sea.

3.2.2 Regarding internal transport, priority will be accorded to the completion of the south-north spine roads and upgrading of district roads. Rail and lake service will be developed further through the acquisition of rolling stock while development in telecommunications will focus on extension and improvement of internal and external systems. As for air transport it is intended to improve air links to the Northern Region and the Lakeshore tourist resort area.

3.3 Education, Labour and Manpower Development

3.3.1 In the Education sector, the major thrust to the end of the decade will be on intensifying the use of existing facilities. First priority will be given to primary education. More teachers will be provided in order to reduce pupil/teacher ratios, under-qualified teachers will be upgraded through training, and school supplies will be increased. Villagers themselves will continue to play a major role in construction of school buildings through self-help.

3.3.2 As for secondary education, emphasis will be on improvement in the utilization of existing facilities by increasing enrolments in existing boarding schools in order to reduce student unit costs. At the university level, the main objective will be to promote fuller utilization of facilities by increasing student/lecturer ratios. Technical and vocational education will be improved and expanded by the provision of facilities and equipment. Special attention will be given to education for the physically handicapped. Non-formal education and adult literacy will be expanded and consolidated.

3.3.3 In the Labour sector, the Government aims at reducing income inequalities, minimize rural/urban migration and ensure that every household enjoys an income which is sufficient to meet minimum basic needs. This will be done through monitoring trends in wages and salaries and statutory minimum wages. In manpower development and training, first priority will be given to fields of greatest constraint in order to reduce dependence on expatriate personnel. Posts most difficult to fill by Malawian personnel are in professional, technical and managerial categories.

3.4 Commerce, Industry and Tourism

3.4.1 An open outward-looking trade policy will continue to be pursued in the 1980s. The industrial development strategy will comprise encouraging agro-industries which maximize the use of domestic raw materials and encourage expansion of exports. To achieve this, a package of incentives will be provided such as liberalization of price controls, simplification of licensing procedures, tax rebates on depreciation allowances, et cetera.

3.4.2 In the tourist sub-sector, Government's direct involvement will be in the provision of essential infrastructure, but development of tourist facilities will be largely the responsibility of the private sector with support of a parastatal body. However, the Government will assist in training programmes and marketing efforts.

3.4.3 In the energy sector significant structural changes in the pattern of energy are expected during the decade, with an increasing reliance on domestic hydro-electric power and new and renewable sources of energy rather than petroleum-based sources. This should have a positive impact on the balance of payments.

3.5 Forestry and Natural Resources

3.5.1 The Government's policy objective in Forestry is to supply timber and other forest products; to prevent soil erosion; to protect water catchment areas; to encourage individuals and companies to establish forests; to carry out research and train staff.

3.5.2 The objective in National Parks and Wildlife activities is to conserve wildlife and soil resources of the country for the benefit of all people.

3.5.3 The objective in Fisheries is to encourage efficient, scientific and economic production of fish in the country's lakes, rivers and dams.

3.5.4 With regard to Mining, the Government policy is to carry out exploration and evaluation work on minerals and provide useful information to guide private investors. The Government also encourages small-scale mining.

3.6 Health, Sanitation, Water, Housing and Community Services

3.6.1 The objective of Health policy is to raise the level of the health of the people through sound health services delivery systems capable of promoting health; preventing, reducing and curing diseases; protecting life and increasing productivity. To accomplish this, the Government has emphasized the following areas in the health development sector since 1973: health infrastructure, manpower development, maternal and child health, disease control and prevention as well as improved drinking water supply and sanitation.

3.6.2 First priority in Water supply is given to increasing accessibility to safe drinking water for the population in rural areas through self-help gravity fed systems, wells, boreholes and dams using the most cost effective technologies. In urban areas water supply capacities are installed on the basis of projected demand and the water is provided at cost. In some rural areas water is provided free at communal stand-pipes, but future supplies will be designed in order to allow the connections at consumers' expense in selected communities.

3.6.3 The Government's policy with regard to Housing is to provide affordable houses with basic facilities which provide healthy environment. In urban areas, priority will continue to be given to site and service schemes in Traditional Housing Areas (THA) where plots are furnished with pit latrines, water is distributed by a kiosk system and roads are graded. On permanent housing, Government intends to gradually eliminate subsidies for public servants.

3.6.4 In Community Services, the Government promotes a sense of participation in local development by encouraging development activities and organizations at local level and helping the people in need. To accomplish this, the Government places emphasis on self-help programmes, home economics and local leadership programmes, functional literacy, rehabilitation and repatriation services.

CHAPTER 4: SECTORAL COMMITTEES

After the Ministers completed their sectoral presentations, the plenary turned into a Technical Committee of the Whole to discuss sectoral issues. These Sectoral Committees were instituted in order to facilitate maximum interaction between key Government representatives and donors. Donor delegations asked technical questions based on documents which were distributed two months before the conference, the speech by the Minister of Finance and sectoral policies as presented by various Ministers. From the questions by donors, detailed discussions ensued. Wherever possible, donors expressed their interest in specific projects.

4.1 Sectoral Committee on Agriculture

4.1.1 The Agricultural Committee was chaired by the Principal Secretary for Agriculture. The issues raised by donor delegations covered sectoral aid absorptive capacity, institutional organization, research, crop pricing and crop diversification.

4.1.2 On absorptive capacity both the ADB and EEC wondered whether the Ministry of Agriculture had enough manpower and financial resources to implement the proposed investment programme. In response, the chairman pointed out that the programme included a manpower training component geared to provide the required personnel. Regarding financial resources, the chairman said that their availability depended on the response of donors.

4.1.3 A question on institutional organization was raised with reference to Agricultural Development Divisions (ADD) and was asked by the UNDP delegation which wanted to know their role in NRDP. The chairman said that the country was divided into eight ecological zones, called ADDs. These provide a package of services to smallholders in the form of credit, extension and research.

4.1.4 A question on research was also raised by UNDP who wanted to know the kind of research undertaken in order to fulfill the immediate needs of the smallholders. The chairman explained that the research addressed itself to increasing smallholder production of various crops. Emphasis was on applied and adaptive research. The particular project on research presented to donors embraced a range of activities including re-organization of the Research Department to suit the requirements of the NRDP with particular emphasis on linkages between research and extension.

4.1.5 The chairman was asked by the UK delegation to elaborate a statement on crop pricing in the conference document which stated that prices of other crops would be raised relative to maize as an incentive for producing export crops. The chairman explained that the purpose of reviewing crop prices was to rectify the imbalance in the price structure which, over the past few years, favoured maize production at the expense of export crops which earn Malawi more foreign exchange.

4.1.6 UNDP, raising a general question on diversification, brought the attention of the committee to paragraph 4.48 on page 36 in volume I of the document which stated: "Crop diversification will be emphasized to include new crops of macademia and cashew nuts, wheat, and coffee, to reduce present reliance on tobacco, tea and sugar for foreign exchange earnings".

4.1.7 The chairman explained that the trend was that most estate owners were growing one crop with the result that when prices declined, these estates were in great difficulty. Several crops were identified as potentially good for diversification, e.g. tree crops like macademia and cashew nuts, wheat, beans, groundnuts and coffee.

4.1.8 The French delegation wanted to know if there was potential for irrigated wheat production in Malawi and, if there was any project, when this would start. It was explained that the places currently producing wheat comprised areas in Ntcheu and Mwanza cultivated by smallscale farmers. Irrigation potential existed in the estate sub-sector in Mchinji, Kasungu, Bwanje Valley and Shire Valley.

4.2 Sectoral Committee on Transport and Communications

4.2.1 The Committee was chaired by the Principal Secretary for Transport and Communications.

4.2.2 The first comments were on Civil Aviation and were raised by the International Civil Aviation Organization (ICAO) who indicated total support for the projects under Civil Aviation. The delegation supported the construction of an airport at Mzuzu because it would open up the Northern Region to essential internal air traffic operations.

4.2.3 The ICAO delegation also indicated that in order to improve the efficiency of Air Malawi's operations, the airline needed modern fuel-efficient planes. In addition to this, a management consultancy was required. The ICAO delegate assured the committee meeting that his organization would support Malawi Government efforts in seeking funds from potential donors. If the necessary funds were identified ICAO might assist in choosing a consultant for the task as well as help in reviewing the results of the study on its completion.

4.2.4 The French delegation indicated to the committee that they would be interested in financing the management consultancy and the construction of the Mzuzu Airport.

4.2.5 The International Telecommunication Union (ITU) appealed to the donor States/Organizations to support all the projects submitted under Posts and Telecommunications because all of them were important to the sector.

4.2.6 The French delegation intimated their interest in projects in this field, especially the Northern Region Telecommunications network. They also indicated that further discussions would be held with the Postmaster General on the requirements on the Blantyre/Zomba/Lilongwe network.

4.2.7 The UK and UNDP delegations expressed concern that while there was large investment in new roads, particularly bitumen roads, there was insufficient provision for finance to maintain existing roads. UNDP further pointed out that manpower training was absent from the programme.

4.2.8 The chairman of the committee assured the delegations that within the current road projects there were provisions for the training of maintenance staff. The training at professional level is carried out both within and outside the country. Road maintenance was already partly financed. The particular project presented for maintenance of Bitumen Roads was in fact, additional to an existing project which was being financed by the World Bank and ADB.

4.2.9 The chairman of the committee, in response to a question from the ECA delegation, explained that, in addition to developing an efficient internal road and rail network, the Government was most interested in links to the sea both in the short and the long-term. Any investment made in the rail and road networks in surrounding countries could only be of benefit to Malawi. The long-term solution to the problem of links to the sea lay in the improvement of the rail links to Nacala and Beira and the handling facilities in those ports. As a back-up to the rail system there was need for all weather roads to the North and the South.

4.2.10 The French delegation expressed their interest in the Malawi Railways Operations and pledged that they would contribute in financing:

- (a) the replacement of *M.V. Ilala*;
- (b) passenger coaches for Malawi Railways.

4.2.11 Lastly, the chairman indicated that immediate assistance was required for financing the emergency projects for international road haulage; the Northern Route to Tanzania; and improvements to the dust road to Mwanza joining the Tete route in Mozambique. This urgent assistance was required because a bulk of the country's exports (70%) was then transported by road and there was 200,000 tonnes of exports still stranded in the country.

4.2.12 Most delegations indicated their interest in the emergency projects, but they needed to have further detailed discussions with the Government so as to distinguish between emergency requirements and the long term transport projects.

4.3 Sectoral Committee on Education, Manpower and Labour

4.3.1 The sectoral committee was chaired by the Secretary for Education and Culture. The Deputy Secretary for Personnel Management and Training and the Principal Secretary for Labour were present to answer questions in their respective areas.

4.3.2 The discussions mainly covered manpower development and training policies. The French delegation wanted to know the manpower requirements of the country. On the same subject, the EEC delegation enquired as to whether there was any training policy outside the standard education system and the UK delegation asked whether there were any sectoral manpower studies being undertaken or planned.

4.3.3 In response to the questions, the chairman of the committee said that the manpower requirements of the country could be provided only after a properly planned manpower survey and this was an area Government had accorded top priority. On manpower training policy the Deputy Secretary for Personnel Management and Training said that there was no specific training policy. The perceived requirements of various Ministries constituted the basis for the current training programme.

4.3.4 Referring to sectoral studies, the chairman said that the Government carried out the studies from time to time and would continue to do so. Already, in the Ministry of Education and Culture, a Research Unit had been set up for carrying out such studies in the Ministry.

4.3.5 On the question raised by the French delegation as to whether the Government would open new technical schools, he said that the Government was already expanding the existing schools and consolidating them. There were no immediate plans to open new technical schools in rural areas.

4.4 Sectoral Committee on Commerce, Industry and Tourism

4.4.1 This committee meeting was chaired by the Principal Secretary in the Ministry of Trade, Industry and Tourism.

4.4.2 Commenting on priorities within the sector, the EEC delegation sought clarification on the resource allocation that emphasized Tourism which would get about 78 per cent of the sectoral allocation. The EEC expressed interest for market and product research. The delegation assured Government of its continued support for the Small Enterprise Development Organization of Malawi (SEDOM) and appealed to other interested donors to support the development of small-scale industry.

4.4.3 In response to EEC comments on resource allocation, the chairman said that the Government wanted to take advantage of the improved communications network to develop tourism. He thanked EEC for indicating their areas of interest in the sector.

4.4.4 The Canadian delegation indicated interest in the energy projects and sought clarification on the timing of the transmission line to be developed from Nkula to Kapichira Site and the feasibility study on Kapichira Hydro-electric Project. This was clarified by an explanation from ESCOM, which stated that the site at Kapichira had to be developed and in any case the transmission line to Kapichira would be used on completion of the Kapichira Scheme.

4.5 Sectoral Committee on Forestry, Natural Resources and Energy

4.5.1 The committee was chaired by the Principal Secretary for Forestry and Natural Resources. In the opening remarks the chairman identified projects which were already financed but had been shown as seeking funding. These were the Lake Malawi National Park Project and the Cyprinid Aquaculture Research Project.

4.5.2 A major issue raised by France on this sector was the setting of priorities among regional projects in Forestry which Malawi co-ordinates within the SADCC context. In response, the Chairman said that projects were ranked in order of their regional impact, those with the highest impact being accorded first priority.

4.5.3 Other delegations expressed their interest in specific projects. The EEC delegation showed interest in Fish Farming; the Belgian delegation assured Government of its continued support in investigations in curing tobacco by solar energy as a way of diversifying sources of energy. The Canadian delegation reported that, through SADCC, it has sponsored consultancy studies in the Forestry field.

4.6 Sectoral Committee on Health, Water and Sanitation, Community Services and Housing

4.6.1 This sectoral committee was chaired by the Principal Secretary for Health. Representatives from related Ministries/Departments were also available to clarify issues in their areas of competence.

4.6.2 Donor delegations raised questions on health manpower development, population development, allocation of resources for health, bilharzia control, functional literacy and access to clean drinking water.

4.6.3 The WHO delegation explained that in the past WHO had closely collaborated with Government particularly in the Health Sector, and would continue to do so. However, the delegate wished to know whether, in view of the acute shortage of manpower in the Health Sector, manpower development would be included in the revised National Health Plan. The delegation also advised that, according to UNDP and WHO consultancies, a Medical School in Malawi was an urgent priority. In reply the Chief Medical Officer said that review of the manpower requirements for the Ministry of Health was one of the items to be considered in the revised National Health Plan and Government recognized the need for a Medical School and had put forward a project submission for donors to consider.

4.6.4 On population policy, the UNFPA delegation said that it fully supported the decision of the Government of Malawi to start a child spacing programme and that UNFPA had already ear-marked two million Kwacha (K2,000,000) for the Malawi Population Programme. However, the delegation wondered why a project on Child Spacing had not been included in the conference documents.

4.6.5 In reply, the Chief Medical Officer explained that the Child Spacing programme was already off the ground. The training of members of staff to carry out this task had already commenced. However, a shortfall had been identified in infrastructure. It was for this reason that a request to extend the Kamuzu Central Hospital had been made. These extensions would include the building of maternity and paediatric wards, extensions to the kitchen, pharmacy, laboratories and other supporting facilities. He also added that with the assistance from the United States Government a survey on family formation had already commenced. In the same financial package, community nurses were also being prepared in the implementation of a Child Health Programme.

4.6.6 The EEC delegation agreed with the overall health objectives as presented in Volume I of the conference documents which emphasized preventive measures. However, he wondered why capital intensive projects like hospitals got top priority in terms of financial allocations.

4.6.7 In reply, the chairman explained that it was essential to have focal points of activities if the health programmes were to succeed. Since all the hospitals singled out in Volume II were so old and also inadequate in terms of facilities, it was considered necessary to have them replaced if at all they were to perform a proper referral and supervisory function. This was also true of the sub-centres proposed for

funding; they would also serve as focal points for all other activities which would include Primary Health Care and all other projects of a preventive nature. He emphasized that no project would succeed without the back-up of a good infrastructure.

4.6.8 The German delegation wished to know how Government intended to finance the bilharzia project once funds from the German Government were exhausted.

4.6.9 In reply, the chairman explained that this project was still at a pilot stage, having focussed on major irrigation projects initially and later covered highland areas like Nkhoma in Lilongwe. This project was initially financed with aid from the United Kingdom and later by G.T.Z. of Germany. The pilot programme would provide the basis for formulating the future strategy on bilharzia control and additional external assistance would be sought after 1985 when the present pilot phase would end.

4.6.10 The UNESCO delegation pointed out that UNESCO, with financial input from UNDP and UNICEF had been involved in a functional literacy programme which had made satisfactory progress, but was surprised that there was no functional literacy project in the conference document Volume II.

4.6.11 Replying to this, the chairman said that there was a related project on Rural Libraries. In addition, an official from Community Services explained at length that a follow-up project on the Pilot Functional Literacy Project had been prepared. Although it was not in the conference document, it was ready for submission to interested donors. Its total estimated cost was about K6 million.

4.6.12 Answering a WHO question on what had been planned to achieve the goals of the International Drinking Water Supply and Sanitation Decade (1981-1990) and whether this goal would be reached, the Controller of Lands, Valuation and Water explained that there were mainly two modes of providing water to rural areas. One was the gravity-fed water supply method which had so far covered about one million people and would cover an additional half a million people by 1986. The groundwater programme constituted the other method of providing water to rural inhabitants using boreholes and dug wells. A concerted use of these two strategies would enable the Government to cover about 3.5 million rural people by 1986.

4.6.13 In urban areas fully treated piped water was provided at cost.

4.6.14 With all the projects being implemented and others planned, it was possible to achieve the goals of the International Drinking Water Supply and Sanitation Decade by 1990.

CHAPTER 5: SUMMARY OF DONORS' STATEMENTS

5.1 Generally, the delegates congratulated Malawi on the work it had done in convening the conference, and thanked the Government of Malawi for having invited them to the Roundtable, and appreciated the collaboration of UNDP in convening it. They endorsed the efforts undertaken by the Government of Malawi in solving the difficult development problems facing the country, and commended Malawi's export-oriented growth strategy.

5.2 Convinced that the Government was taking the right steps in addressing short and long-term development problems, under the guidance and leadership of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, the donors, while recalling that they were supporting various projects in Malawi under bilateral and multilateral arrangements, pledged enhanced financial and technical aid to current and proposed programmes.

5.3 Specifically, some delegations expressed their interest in particular projects and programmes as follows—

5.3.1 Ambassador H. Djoudi of *Algeria* declared the interest of his Government in the project entitled "High Frequency Line Radio" between Chitipa in Malawi and Nakonde in Zambia, amounting to 200,000 US dollars.

5.3.2 The Country Programme Director for CIDA, Mr. F. Ward, hoped that under SADCC, Canada would be able to help Malawi in Forestry, Natural Resources, Transportation and Telecommunications. Bilaterally, he said, Canada was interested in energy and in mechanisms which would generate financial resources to support agriculture and water development. All Canadian assistance would continue to be on a grant basis. Finally, he said that they proposed to field specialists as soon as it was mutually convenient to follow-up on the above possibilities.

5.3.3 Ambassador A. R. Hassan of *Egypt* told the conference that Egypt would, through the Egyptian Technical Co-operation Fund for Africa, provide Egyptian experts in various fields, bearing the costs of their salaries and travelling expenses and receive nationals from Malawi for training in Egypt.

5.3.4 Ambassador P. Faure of *France* said that, apart from France's contribution at multilateral level such as to UN, IBRD, ADB, and EEC, his country was ready to contribute to the success of the Roundtable Conference by continuing her aid to Malawi. He pointed out that shortly new financial agreements would be signed between his country and Malawi.

5.3.5 Ambassador Dr. van Rossum of *Federal Republic of Germany* singled out specific programmes as of special interest to her country:

- (i) Continuation and extension of current co-operation within the NRDP; additional measures comprising, for instance, agricultural vocational training, beekeeping, fisheries development, alternative uses of timber, water supply and sewerage in rural areas, primary health and medical care.
- (ii) cattle raising, livestock and animal health;
- (iii) maintenance of main roads;
- (iv) utilization of natural resources;
- (v) promotion of smallscale industries;
- (vi) studies and consultative services for development organizations; and
- (vii) manpower training.

5.3.6 As for the immediate future, Dr. van Rossum told the meeting that Germany was appraising the following projects—

- NRDP (Balaka)
- Monkey Bay Shipyard
- Ceramic factory, and
- Supply of materials for the transport sector.

5.3.7 The High Commissioner of *India*, H.E. Mr. G. D. Atuk, expressed his country's interest in providing training facilities, in joint investment ventures and in playing some useful role in the transport sector.

5.3.8 Mr. Ryuichi (*Japan*) declared that his Government intended to strengthen its economic assistance to Malawi in several sectors including agriculture, transport and communications, education, health, *et cetera*.

5.3.9 Ambassador S. H. Kang of *South Korea* stated that his country would study the projects development programme of Malawi before deciding on what Korea could contribute.

5.3.10 The High Commissioner of the *United Kingdom*, H.E. Mr. H. Brind, welcomed the opportunity to discuss the difficult development problems facing Malawi, and stated that Britain would continue to do all it could to assist the Malawi Government to overcome these problems. In the short-term, he continued, the British aid programme sought to deal with such areas of immediate concern as shortage of foreign exchange exacerbated by the prevailing external transport problems, structural weakness of many parastatals, a shortage of skilled and experienced manpower and shortage of funds for the Government's recurrent expenditure.

5.3.11 For the longer-term he singled out one major external and one major internal problem for discussion. The external one concerned the acute transport difficulties and the internal one was the need to maintain and increase agricultural production in the face of rising population and decreasing arable land. For the former problem his Government was currently responding to a request by the Malawi Government to consider an immediate upgrading of the northern route into Tanzania, whereas for the later he said the British aid programme had been, and would continue to be, focused on the natural resources sector and they were actively contemplating further involvement in the Phalombe ADD and rehabilitation of smallholder irrigation schemes.

5.3.12 Ambassador J. A. Burroughs Jr. of the *United States of America* stated that the USA believed that the Government of Malawi was taking the right steps in addressing its short and long-term development problems and the former would like to be as helpful as it possibly could and join with the Government in attacking the problems of development in Malawi.

5.3.13 While in the past the United States assistance concentrated on agricultural production, technical education and rural health, in future his country was committed to diversifying its programme portfolio in support of the Government of Malawi's investment plan in areas such as primary health care, commercial transport, technical assistance to the Ministry of Transport and Communications, possibly a loan for truck procurement, and establishment of an agro-business revolving credit fund with INDEBANK.

5.3.14 Within the regional context of SADCC he said that the U.S. would give priority, where possible, to Malawi's transport problems in conjunction with other donor assistance. He also hoped that the country would benefit from SADCC's regional agricultural research activities of which U.S. AID was a major financing institution. Similarly, Malawi would benefit from SADCC's regional fisheries development activities once they were launched.

5.3.15 Mr. King (*World Bank*) told the conference that the World Bank's project lending and sectoral economic programmes had been and would be geared to supporting the objectives of structural adjustment by investing in productive sectors and infrastructure essential for their growth. As an example he cited the fifth Highway Project which was meant to alleviate the problems that had risen as a result of transport disruptions on Malawi's traditional routes. Like the Highways Project, the World Bank intended to co-finance, with a variety of aid agencies, a number of projects, including the ones in agricultural research, rural development, water supply, health, transport, power and education. He went on to say the World Bank supported the Government's public investment for 1984/85 to 1985/86; however, some of the projects in this programme still needed external financing and he hoped the agencies gathered at the Roundtable would give them the consideration they deserved.

5.3.16 He concluded by saying Malawi most likely required non-project assistance to supplement the World Bank's SALs and extended facilities of IMF. He told the Roundtable that the worldwide problems affecting LDCs like Malawi and additional handicaps such as bad weather and being landlocked, had aggravated its economic difficulties. The Government had undertaken a number of difficult measures to address the problems it faced but it needed and, he believed, deserved additional concessional aid to help it overcome the problems it was facing.

5.3.17 Mr. Bell (IMF) outlined measures that the IMF had undertaken in view of Malawi's recent weak economic performance and increasing financial imbalances to assist the country, beginning with the two-year standby arrangement (1980/82) with the Fund which was followed by a one year standby arrangement (1982/83). He went on to say that the Fund mission would visit Malawi in April, 1984, to discuss the detailed programme for the second year of the extended arrangement. On the whole, he continued, Malawi had demonstrated a strong commitment to financial stabilization and structural reform, but this commitment needed to be sustained. The sustained growth would occur only if the country's economic base could be diversified away from its current export dependence on a limited range of primary commodities, so as to generate adequate domestic and foreign resources for investment. In order to achieve these objectives, investment would have to be directed toward promoting productive activities and providing the necessary infrastructural support. Malawi would, therefore, need to continue its programme of internal adjustment, supported by the continued increase of transfers and capital inflows, while at the same time avoiding external borrowing on non-concessional terms. The prospects for sustained economic recovery would be enhanced by appropriate assistance from external donors.

5.3.18 Mr. Manyeli (ADB) stated that the ADB/ADF would continue to support the development programmes of Malawi. To this end, their current programme allocated 37.7 per cent of any available ADB/ADF resources to agriculture while transport would get 29.4 per cent. He then pointed out the projects which the African Development Bank Group was interested in.

A fisheries study,
Mjira-Balaka Dam,
Changalume Cement Rehabilitation,
Northern Trade Route (long-term),
Kasungu Rural Development Project,
District Water Supply Phase II,
Zomba Integrated Wood Industry,
Champoyo-Mbowe Road Caption,
Mwarza Agricultural Development,
Forest Industries Development Project,
Agricultural Development Project,
Zomba Agricultural Development Project,
Purchase of Rolling Stock for Malawi Railways,
Rural Areas Primary School Construction,
Urban Areas Primary School Construction.

5.3.19 Mr. Speller (EIB) pointed out that among the projects submitted in the conference document, there were several of interest to EIB. These were:

Nkula Falls Hydro-Electric Power Station Extension,
Utilization of the Forest Reserve on the Vipha Plateau,
Kavuzi Tea Project,
Changalume Cement Rehabilitation,
Various projects in the Industrial Sector.

5.3.20 The Commission Delegate of the EEC, Mr. Westhoff, said that most of the resources under Lomé II had already been committed or earmarked for projects and they hoped to proceed swiftly with the implementation of these projects. It was EEC's wish to start discussion with the Government of Malawi, after the Roundtable, on the final allocation of funds for the rest of the Convention. He hoped the lion's share of uncommitted funds would be allocated to agriculture, fisheries and livestock. Assuming EEC and Malawi continued their co-operation after 1985 (when Lomé II expires) he felt future efforts should be directed to rural areas (in favour of agriculture, fisheries and livestock), non-farming rural activities, sector studies, technical assistance and training programmes.

5.3.21 Mr. Foday (ECA) informed the meeting that while ECA was not a funding agency, it had an executing relationship with UNDP, as a technical assistance institution. Moreover, after the Paris Conference in September, 1981, the UN General Assembly approved establishment of a unit within the ECA Secretariat to be a regional focal point responsible for the follow-up and monitoring the implementation of SNPA with particular reference to the African LDCs. The Secretariat, if requested by the Government of Malawi, and subject to availability of funding, could assist in undertaking, along with Malawian counterparts, the studies contained in the programme presented in the conference documents. ECA could also assist in the training of Malawi nationals. He concluded by pledging full support and assistance of ECA to the strategies and policies of economic development of Malawi.

5.3.22 Mr. Olcese (UNCDF) stated that the Capital Development Fund assisted in activities which aim at strengthening the basic social infrastructure particularly in rural areas in connection with provision of food, water, shelter and primary health care. In addition, the assistance was geared towards developing the productive sectors and the necessary economic and physical infrastructure which are meant to benefit the low income groups, particularly in rural areas. To this end, UNCDF had taken note of a number of projects and it would look into the possibility of funding them. These projects were: provision of improved credit facilities, on affordable terms to smallholders, for the purchase of seed and fertilizers; provision of shelter to low income population groups; and water sector projects on a co-financing basis with other donors (because of the magnitude of funds required to finance projects in this vital sector).

CHAPTER 6: CLOSING SESSION

- 6.1 The draft communique of the conference was presented by the Chairman in the plenary and considered paragraph by paragraph. After minor amendments it was adopted. In the communique delegates:
- 6.1.1 commended Malawi's macro-economic policies and sectoral strategies which had enabled it to achieve food self-sufficiency;
 - 6.1.2 paid tribute to the quality of economic management under the guidance and leadership of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda;
 - 6.1.3 pledged enhanced financial and technical assistance to current and proposed programmes and stressed the urgent nature of the external transport problem;
 - 6.1.4 called for effective co-ordination of external assistance by both the donor community and the Government;
 - 6.1.5 called on Government to initiate effective follow-up and inform donors what form this would take;
 - 6.1.6 called for wider publicity of the economic achievements of the Government of Malawi in order to attract wider support amongst the international community;
 - 6.1.7 expressed gratitude to the Government of Malawi for inviting them to attend the Conference and for the warm hospitality and friendship extended to them.
- 6.2 Mr. P. C. Damiba, then took the floor. He thanked most sincerely His Excellency the Life President Ngwazi Dr. H. Kamuzu Banda for the warm hospitality and excellent conference arrangements and reiterated his appreciation of the wise and enlightened leadership of His Excellency the Life President resulting in peace and calm which had made it possible for the country to undertake effective development efforts. He then thanked, through the Chairman, the people of Malawi for the welcome they extended to the delegates and, personally, he was also grateful for the invitation extended to him to co-chair the meeting. He also thanked the delegates for accepting the invitation to participate in the Roundtable which was aimed at enhancing assistance to Malawi's development efforts.
- 6.3 He informed the delegates that the Roundtable was a success in that most donors had shown interest in specific projects. It was, therefore, up to the Malawi Government to follow up those expressions of interest to bring them to fruition, along the modalities he had outlined in his opening statement. He reiterated UNDP's support for the country's efforts and that he had no doubt that the donors fully shared this pledge.
- 6.4 Her Excellency Dr. van Rossum, the Ambassador and leader of the delegation of the Republic of West Germany, spoke on behalf of the donors. She said that she considered it an honour for her country and herself, personally, to be requested to express the donors' gratitude to Malawi for organizing the Roundtable. She also thanked the Chairman and Co-Chairmen as well as the Secretariat and all participants. She concluded her brief address by wishing that partnership in development would be expanded to include new donors.
- 6.5 In his closing statement, the Chairman, on behalf of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, the Government and the people of Malawi, thanked the delegates for their participation in the Roundtable. He specifically thanked those donor delegations who had indicated their level of financial support and sectoral preferences. However, he reiterated the remark he made in his opening address that the Government of Malawi did not necessarily expect all donor delegations to make pledges, but, to those that had done so, he wanted them to know that the Malawi Government was grateful.
- 6.6 He affirmed his belief that the Roundtable could be considered as the beginning of a process which must be sustained until pledges were translated into actual resource transfers. The ways and means of carrying out these activities would probably differ from donor to donor and that they would be informed accordingly, but he had taken note of Mr. Damiba's suggestions.
- 6.7 The Honourable Minister informed delegates that he was pleased with the results of the conference and declared it closed after wishing departing donor delegations safe trips back to their countries or bases.

ANNEXES I—VIII

AGENDA

28th February, 1984

- 0900-0930 hours Opening Address by the Minister of Finance; Honourable J. Chakakala Chaziya, M.P.
- 0930-1000 hours Statements by:
- (a) Mr. Z. Gabre-Madhin, UNDP Resident Representative, on behalf of Mr. Jean Ripert, UN Director-General for Development and International Economic Co-operation.
 - (b) H.E. Mr. Paul Faure, France's Ambassador to Malawi, on behalf of Donor Delegations.
 - (c) Mr. P. C. Damiba, Regional Director for Africa UNDP (New York).
- 1000-1030 hours Tea Break.
- Presentation by respective Honourable Ministers of Sectoral Policies and Programmes*
- 1030-1230 hours (i) Commerce, Industry and Tourism (Honourable S. C. Hara, M.P.)
(ii) Transport and Communications, Roads, Posts and Telecommunications (Honourable G. A. Kandawire, M.P.)
(iii) Forestry and Natural Resources and Energy (Honourable S. Demba, M.P.)
- 1230-1400 hours Lunch Break.
- 1400-1545 hours (i) Education, Labour and Manpower Development (Honourable L. J. Chimango, M.P.)
(ii) Health, Sanitation, Water, Housing and Community Services (Honourable G. A. Kandawire, M.P.)
(iii) Agriculture (Honourable L. Chakakala Chaziya, M.P.)
- 1545-1615 hours Tea break.
- 1615-1700 hours Technical sub-committees on sectoral policies and programmes to be chaired by Ministerial Officials (to meet in the Plenary Hall as sub-committees)
- (i) Agriculture
 - (ii) Transport and Communications, Roads, Posts and Telecommunications

29th February, 1984

Continuation with Sectoral Committee Meetings

- 0830-0900 hours (i) Commerce, Industry and Tourism
- 0900-0945 hours (ii) Forestry, Natural Resources and Energy
- 0945-1030 hours (iii) Education, Labour and Manpower Development
- 1030-1100 hours (iv) Health, Sanitation, Water, Housing and Community Services
- 1100-1130 hours Tea Break.
- 1130-1300 hours (Plenary Session)
- Statements by Heads of Donor Delegations:
- Algeria
 - Canada
 - Egypt
 - France
 - Germany, Federal Republic of
 - India
 - Japan
 - South Korea: Republic of
 - United Kingdom
 - United States of America
 - The World Bank
 - I.M.F.
 - A.D.B.
 - E.I.B.
 - E.E.C.
 - E.C.A.
 - U.N.C.D.F.
- 1300-1500 hours Lunch Break.
- 1600 hours Adoption of the final communiqué.
- Closing Speeches*
- 1635 hours Mr. P. C. Damiba.
- 1645 hours Germany (on behalf of the delegate)
- 1650 hours Closing speech by the Honourable Minister of Finance.

LIST OF DELEGATES

<i>Country</i>	<i>Name of Delegate(s)</i>
Algeria	His Excellency Mr. Houine Djoudi Ambassador
Belgium	His Excellency Mr. Louis de Clerk Ambassador to Malawi (based in Lusaka)
Canada	Mr. Frederick Ward Country Programme Director (CIDA) His Excellency Mr. C. D. Fogerty High Commissioner to Malawi
Denmark	Mr. Lars-Henrik Worsoe Desk Officer for Malawi Mr. A. D. Christiani Consul-General
Egypt	His Excellency Mr. A. R. Hassan Ambassador to Malawi
France	His Excellency Mr. Paul Faure Ambassador to Malawi Mr. A. J. Bourdelat Chief of the African Bureau at the French Treasury Mr. L. J. L'Helias Commercial Counsellor Mrs. F. Mengin
United States	Mr. P. Bouyjou Cultural and Technical Co-operation Mr. J. Chastene Commercial Attaché Mr. P. M. Girault Bonque Internationale Pour L'Afrique Occidentale (Observer)
Germany, Federal Republic of	Her Excellency Dr. Theodora van Rossum Ambassador to Malawi Mr. Jobst von Laue KFW Dr. O. Sartorius GTZ Mr. G. Trumper Commercial Attaché
India	His Excellency Mr. G. D. Atuk High Commissioner to Malawi
Italy	Dr. Francesco Capponi Chargé d'Affaires (A.I. Lusaka) Mr. Pio Qvustivian
Japan	Mr. R. Ito Ryuichi First Secretary, Japanese Embassy, Nairobi
Netherlands	Mr. Robert van Houtum, Chargé d'Affaires, A.I., Royal Embassy, Lusaka
Nigeria	Mr. M. Sanusi Acting Nigerian High Commission, Lusaka Mr. S. I. Ajewole First Secretary, Nigerian High Commission, Lusaka
South Korea	H.E. Mr. S. H. Kang Ambassador Mr. S. W. Nam, Ministry of Foreign Affairs

<i>Organization</i>	<i>Name of Delegate(s)</i>
United Kingdom	H.E. Mr. H. Brind British High Commissioner to Malawi Mr. John V. Kerby Head of British Development Division in Southern Africa Mr. P. J. Sullivan Deputy High Commissioner to Malawi Mr. P. J. Ackroyd Economic Advisor J. Mulholland British Council
United States of America	H.E. Mr. J. A. Burroughs, Jr. Ambassador to Malawi Mr. Phillip Birnbaum Deputy Assistant Administrator, A.I.D. Mr. Leonard Pompa Malawi Desk Officer Mr. Sheldon Cole USAID Representative in Malawi
African Development Bank	Mr. K. M. Manyeli Executive Director Mr. A. M. Jarik Loan Officer for Malawi Mrs. Orraca N'diaye Economist
UNESCO	Mr. Keith E. G. Taylor Mr. P. L. Higgs
United Nations Department of Technical Co-operation for Development	Mr. Dan Hartstein Inter-Regional Advisor
UNFPA	Ms. Wilma H. Goppel UNFPA Deputy Representative Mr. H. T. Mwanza Programme Assistant, Lilongwe
UNCHS	Mr. J. Armstrong Human Settlements Adviser
UNDP	Mr. P. C. Damiba Assistant Administrator and Director for Regional Bureau for Africa, New York Mr. Otto B. Essien Chief, Division for Southern Africa, RBA, New York Mr. Z. Gabre-Madhin Resident Representative, Malawi Mr. D. G. Lawson Deputy Resident Representative, Lilongwe Mr. S. R. Nhongo Assistant Resident Representative, Lilongwe Ms. S. Sultana Assistant Resident Representative, Lilongwe Ms. M. Wassef Programme Officer, Lilongwe Ms. C. Sultanoglu Administrative Officer, Lilongwe Mr. P. M. O. Mbisa Conference Co-ordinator
UNCDF	Mr. Orlando Olcese Executive Secretary Ms. A. M. Smedler

<i>Organization</i>	<i>Name of Delegate(s)</i>
United Nations Industrial Development Organization	Mr. S. K. Henein Senior Industrial Development Field Adviser Ms. M. Pokane Industrial Development Officer
Commonwealth Development Corporation	Mr. J. R. Tuckett Mr. D. V. Johns
ECA	Mr. J. Foday Economic Affairs Officer, Socio-Economic Research and Planning Division, Addis Ababa
EEC	Mr. J. Westhoff E.E.C. Delegate to Malaŵi Mr. A. Tincani Country Officer Mr. R. Lehmen Economic Adviser
European Investment Bank	Mr. Rex Christopher Speller Head of Delegation Mr. John Michael P. Nevin
FAO	Mr. A. A. Odeurs Senior Adviser, Field Programme Division
International Civil Aviation	Mr. R. Peltier Technical Assistantce Officer at Regional Office, Nairobi
ILO	Mr. J. I. Othieno Director ILO Area Office, Lusaka
IMF	Mr. Michael William Bell Economist, South Central African Division
ITC	Mr. Kansu Senior Programme Development Officer, Geneva Mr. T. K. Markham Trade Promotion Officer, Geneva
ITU	Mr. J. Jipguep Deputy Secretary General, Geneva
UNCTAD	Mr. D. Caulfield Chief, Special Programme for Least Developed Countries
World Bank	Mr. Fred M. King Country Economist, East Africa Country Programmes Department Mr. Vincent J. Riley International Relations Adviser Mrs. Elene Makonnen Adviser to Executive Director
World Food Programme, Rome	Mr. Claudio Chavez Project Management Officer Mr. M. N. Fassih WFP Deputy Representative, Lilongwe
World Health Organization	Dr. A. Tekle Regional Officer Dr. S. W. Yun Programme Co-ordinator, Malaŵi
Observers North- South Development Agency	Mr. M. Raopple Vice President

<i>Country</i>	<i>Name of Delegate(s)</i>
Malawi	Honourable L. Chakakala Chaziya, M.P. Minister of Finance
	Honourable W. B. Deleza, M.P. Minister of Labour
	Honourable L. J. Chimango, M.P. Minister of Education and Culture
	Honourable S. Demba, M.P. Minister of Forestry and Natural Resources
	Honourable B. L. Kapichira Banda, M.P. Minister of Local Government
	Honourable S. C. Hara, M.P. Minister of Youth
	Honourable G. A. Kandawire, M.P. Minister of Community Services
	Mr. F. L. Makuta Deputy Secretary to the President and Cabinet
	Mr. C. L. Mphande Principal Secretary, Ministry of Finance
	Mr. H. M. Mbale Principal Secretary, Ministry of Agriculture
	Mr. R. N. L. Nkomba Principal Secretary, Ministry of Health
	Dr. W. S. Lipato Principal Secretary, Ministry of Labour
	Mr. R. J. King Principal Secretary, Ministry of Works and Supplies
	Mr. S. B. Mpata Acting Principal Secretary, Ministry of Transport and Communications
	Mr. S. Mwakasungula Acting Principal Secretary, Ministry of Community Services
	Mr. G. J. Chiundira Principal Secretary, Ministry of Trade, Industry and Tourism
	Mr. J. C. Malewezi Principal Secretary, Ministry of Education and Culture
	Mr. W. Manong'a Principal Secretary, Ministry of Youth
	Mr. B. L. Walker Principal Secretary (Finance), Office of the President and Cabinet
	Mr. F. A. P. Mkomawanthu Acting Principal Secretary, Ministry of Local Government
	Mr. D. T. G. Nyasulu
	Mr. H. K. Mwalwenje
	Mrs. E. J. Kalyati
	Mr. J. Mbekeani
	Mr. M. V. L. Phiri
	Mr. G. B. Chirwa
	Mr. N. A. MacDougal
	Mr. G. H. Padambo
	Mr. B. N. C. Kachama
	Mr. D. N. Tembo
	Mr. W. M. Ndovi
	Mr. J. C. Chatupa
	Mr. T. Jones
	Dr. M. C. Chirambo
	Mr. J. D. Manda
	Mr. S. Ng'oma
	Mr. F. N. Kunje
	Mr. B. H. Mwakikunga
	Mr. K. G. Robertson
	Mr. L. B. Ndovi
Mr. T. I. M. Vareta	
Mr. T. A. Kalebe	
Dr. C. T. Iwalwanda	
Mr. V. V. E. Phiri	

<i>Country</i>	<i>Name of Delegate(s)</i>
Malawi (<i>continued</i>)	Mr. A. Y. Bobe
	Mr. M. G. C. Nyirongo
	Mr. M. S. D. Magalasi
	Mr. A. N. C. Chadzala
	Mr. H. L. Chikhozi
	Dr. P. Higgs
	Mr. M. M. Chikonde
	Mr. R. Chilingulo
	Mr. T. M. Kaunda
	Mr. K. S. A. Moyo
	Mr. G. J. Chisi
	Mr. F. H. Sikwese
	Mr. T. N. Msusa
	Mr. E. G. Shaba
	Mr. J. W. Green
	Mr. J. L. Kalemera
	Mr. P. E. Kadzuwa
	Mr. P. M. S. Kamanga
	Mr. B. Y. C. Gondwe
	Mr. P. C. C. Chirwa
	Dr. H. P. Bandawe
	Mr. F. Z. Pelekamoyo
	Dr. S. S. Kamvazina
	Dr. H. Mwandemere
	Mr. R. F. Kavinya
	Mr. T. D. Thawale
	Mr. C. D. Nthenda
Mr. D. A. Kachimanga	
Mr. A. J. Mathotho	
Mr. M. T. L. Kumpumula	
Mr. F. R. D. Mwanza	

OPENING ADDRESS BY HONOURABLE L. CHAKAKALA CHAZIYA, M.P., MINISTER OF FINANCE

Members of the Central Executive Committee of the Malawi Congress Party, Honourable Ministers, Your Excellencies, Your Worship the Mayor of the City of Blantyre, Distinguished Delegates, Ladies and Gentlemen,

2. On behalf of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, the Government and the people of Malawi and on my own behalf, I wish to extend a very warm and hearty welcome to all our distinguished delegates to this Conference. Please feel free to visit any part of the country so that you can appreciate the efforts that Malawians are making to help themselves. I sincerely wish that you should enjoy your stay here as you have come, for some of you, a long way to participate in this Conference.

3. I feel very honoured to open this important Conference on behalf of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda. The decision to hold a Donors Conference for Malawi was taken following the resolutions reached at the United Nations Conference on the Least Developed Countries which was held in Paris, in September 1981. The resolution, for Malawi, coincided with severe economic and financial problems which the country had started experiencing. In the recent past, we have explained these difficulties in a number of fora. Before I explain the details of these difficulties, it is useful that I give some historical background for the benefit of those who have not had the chance and opportunity to read the Volume I of the Conference Documents.

4. When Malawi attained political independence in 1964, its economy was characterized by surplus labour, moderately favourable climate and relatively fertile agricultural land. We did not have, and still have not yet found, any substantial mineral resources. The country had largely a subsistence economy with non-monetary output accounting for almost one-half of Gross Domestic Product.

5. In view of these constraints and the poor state in which the country was, the Government, under the wise and dynamic leadership of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, was determined to pursue economic policies that would accelerate the pace of development. The main objectives and development strategies of the Government were:

- to improve the living standard of the rural population by encouraging increased production of both food and export crops;
- to increase employment opportunities for the majority of the population and regional balance in economic development;
- self-financing of the Government's recurrent budget and the reduction of the rural-urban income gap; and
- to encourage private enterprises, with indigeneous participation and, wherever possible, Malawian ownership.

6. When one looks at the statistics, the Malawi Government has achieved a lot of what we originally set out to do. Gross Domestic Product increased by an average of 6.6 per cent over the period 1964 to 1970, and 6 per cent over most of the 1970s. Fixed investment as a percentage of GDP grew from sixteen to twenty-three and in 1979, it had risen to twenty-nine per cent and Gross Domestic Savings had risen from four to twelve per cent by 1970, and seventeen per cent by 1979. These statistics are in Volume I of the Conference Documents.

7. In order to achieve these objectives and largely because of the type of our natural resources there was obviously the need to direct a fairly sizeable level of public investment to agriculture and in particular, specific rural development projects which were to act as both training grounds and catalyst for development for the rural population. Between 1964 and 1970, and during the early part of the seventies, large investments were made in the improvement of the north-south road system and secondary roads to support the agricultural sector, the construction of a rail link to the port of Nacala, improvements in all areas of education and the provision of improved medical facilities throughout the country.

8. I would like to mention here that these efforts were successful because of the interplay of a number of important factors. Firstly, this country has been blessed with wise and dynamic leadership in His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda. The Life President has insisted all along that Malawi has to help herself first and the assistance of others would be additional. The people of Malawi have responded to this call quite remarkably. Secondly, during the period in question, at least until 1977, total official development assistance on concessional terms accounted for over eighty per cent of public investment. Thirdly, Malawi has, under the pragmatic and distinguished leadership of His Excellency the Life President, experienced and enjoyed political calm and stability and had, therefore, concentrated efforts on development and the betterment of all her people. And fourthly, during the period that I am reviewing, the terms of trade for Malawi's traditional crops—tobacco, tea, cotton, groundnuts and later sugar—were generally favourable except for one or two seasons when the climate was unfavourable. These are just some of the factors.

9. This nation made progress. This nation wanted to continue with this progress. We wanted to consolidate our achievements and venture further in economic development. Then came the severe economic difficulties starting in 1979 until today. It is because of these economic difficulties that we now want additional assistance from all of you—the traditional, bilateral and multilateral donors, and the new partners who we would want to join us.

10. Although we have explained in fairly great detail in Volume I of the Conference Documents what these difficulties are, the actions that the Government has taken to try to solve them, and the levels of assistance required over the next five years, I feel that I should highlight some of these points again.

11. Towards the end of the seventies and continuing into the eighties, this country has experienced severe economic and financial difficulties, largely because of causes for which we had no control. These difficulties include:

- deteriorating terms of trade for our major export crops of tobacco, tea and sugar—to mention the three important ones;
- significantly higher costs for moving both exports and imports. This situation was caused by rises in the price of oil during the seventies, which was later in the eighties exacerbated by disruptions of the rail links to both ports that we have traditionally used to the Indian Ocean;
- high interest rates stemming from foreign borrowing on commercial terms; and
- rapid growth in government expenditure because of the need to maintain existing investment at a time when the growth in revenues was slowing or stagnant.

12. These and other difficulties, which have persisted up to now, revealed that there were underlying structural weaknesses in the economy which had not been apparent before. The dependence of the economy on a few agricultural crops such as tobacco, sugar and tea became evident when prices of these commodities plunged on the international market. The disruptions on the railway lines meant that vital inputs such as fertilizers and petroleum products did not arrive in the country when required; government had to find additional funds for purchasing and transporting these items. Hence, one of the reasons in the rapid increase in government expenditures.

13. Because of the interplay of these factors, it was, therefore, not surprising that GDP growth fell from 5.5 per cent in 1979 to 0.4 per cent in 1980 and -0.8 per cent in 1981. Agricultural production declined by 5.4 per cent in 1980. Almost all the sectors in the economy declined during 1979 to 1981 period and government deficit, as a percentage of GDP increased from 6.2 in 1977/78 to 11.1 in 1980/81. Debt service also rose and accounted for just over 40 per cent of total recurrent expenditure in 1981/82 compared to 15 per cent in 1978/79. The public enterprises did not fair well either and as a result, subsidies on the government budget increased.

14. In response to this economic crisis, the government formulated a medium term stabilization programme in co-operation with the International Monetary Fund and the World Bank. The main objective of the programme was to restore internal and external balance to the economy.

15. Externally, this was to be achieved by increasing the volume of exports, through diversification and expansion into new products such as livestock, forest industries and agro-businesses and the acceleration in the production of smallholders exports, while reducing the volume of imports. To ensure that these measures succeeded, the government was to introduce price incentives particularly to smallholder farmers, more investment expenditures were to be directed towards directly productive sectors such as agriculture, and public and private institutions responsible for planning and implementing investment programmes were to be improved.

16. Internally, the objective was to restrain demand. Measures were taken to improve the financial performance of government and public enterprises. These measures included expenditure restraints on government budget, new revenue measures to increase tax buoyancy, phasing out some of the subsidies such as the one on fertilizers and the introduction of appropriate pricing structures for the parastatals.

17. By reviewing and increasing the prices for smallholder agricultural export crops, it was hoped that the volume and value of exports would rise and with reduced imports, the balance of payments position would improve. Diversification into other export crops and increased activities into areas such as livestock and forest industries were expected to widen the agricultural base and reduce dependence on a few traditional crops.

18. With these policy measures, the government hoped that during this programme period 1981 to 1987, GDP would grow by 5.2 per cent per annum in real terms or 16.5 per cent at current prices. Inflation was projected to drop from 16 per cent to 11 per cent. Total investment at constant prices was projected to grow during the period under review. Exports were expected to rise much faster than imports, thereby reducing the current account deficit from 8.6 per cent of GDP in 1981 to 1.9 per cent in 1985. Domestic savings were forecast to increase from 9 per cent of GDP in 1981 to 10.6 per cent of GDP in 1985.

19. These policy actions, for achieving the medium term objectives, were supported by a standby arrangement from the IMF and a structural adjustment loan (SAL) from the World Bank.

20. The implementation of the programme was generally satisfactory. As a consequence of restraining demand, total government expenditure fell from 35 per cent of GDP in 1979/80 to 27 per cent in 1982/83, and similarly expenditure on the recurrent budget fell from 20 per cent of GDP to 18 per cent during the same period, and development expenditure fell from 14 to 8 per cent of GDP. On the revenue budget, although the new measures introduced to improve the performance of the tax system did not increase revenues as expected, and revenue as a percentage of GDP fell from 20.5 per cent to 16.6 per cent during the same period, the overall deficit on the budget declined from 11.5 per cent in 1980/81 to 7.3 per cent in 1982/83. The allocation of resources showed that more was going to sectors such as agriculture, public works for maintenance and road improvements and consolidation in education.

21. Because of the rapid rise in public debt stemming from the need to service commercial loans, it was decided that we request to reschedule both official and commercial debt. The effect of this was to bring down the country's debt service ratio from a high percentage of 44.0 to around 28 per cent. Although the results look limited for the first two years of the programme, a firm basis for future action appears to have been laid.

22. To strengthen the intended achievements of promoting financial stability, encouraging the re-emergence of growth, improving government's financial position and restoring the balance of payments to sustainable level, the government took a wide range of additional policy actions during 1982. First, in April 1982, the Malawi Kwacha was devalued by 15 per cent with respect to the SDR to which it was pegged in order to rationalize import demand, provide increased price incentives for export products and encourage domestic substitutes for imported raw materials wherever possible. Secondly, substantial smallholder agricultural producer prices were announced for 1983/84 season. Thirdly, measures were taken in the government to reduce the overall deficit as a percentage of GDP. Fourthly, a proportion of fertilizer subsidies was reduced immediately and the rest of subsidies were to be phased over a period of two years.

23. This revised medium term economic and financial programme, which is looking at the 1984 to 1987/88 time horizon, has been built upon the foundation laid during the first two years of the implementation of the recovery programme. The projections of the macro-economic framework and related resource requirements also reflect the intended objectives of the programme. In order to ensure that the targets can be achieved, the government will focus on policy actions which stimulate domestic supply and restrain demand.

24. To stimulate domestic supply, it is the intention of the government to continue giving incentives to smallholder farmers in the form of improved producer prices. We intend to encourage the estate sub-sector to start growing a selection of otherwise traditional smallholder crops such as cotton, groundnuts and to a certain extent wheat. To support diversification we are at the moment in the process of preparing an agricultural credit institution which will play a very vital role in the programme.

25. We also intend to continue to improve the performance of statutory corporations and provide them wherever necessary, adjustment of tariffs and user charges and to encourage local manufacturing and industrial development. To this end Government has already streamlined the procedures and liberalized the system of price controls.

26. We have taken hard and sometimes painful decisions in order to bring the economy back on course. However, there is a limit to which we can help ourselves. This is why we have decided to convene this Conference so that we can seek assistance to complement our efforts over the medium-term. We want to start growing but we want to achieve growth that we can or should be able to sustain. And this can only happen if assistance is forthcoming when we need it. This can be achieved if all of our bilateral and multi-lateral donors, all of you assembled here, take this Conference seriously and review with us our medium and long-term objectives and aspirations so that together, we can agree on how we should proceed. We are not forcing you to pledge in the traditional sense. We will, however, be glad to hear from those who are ready to indicate, during the course of this Conference, their level of financial assistance and preference for sector financing.

27. Having said all that, I now want to indicate to you what our macro-economic objectives are and how these can be achieved over the 1984 to 1988 period.

28. We want to attain an overall annual GDP growth rate of between 3.5 and 3.9 per cent. We project that output in the agricultural sector should achieve an average annual real rate of increase of 3.5 per cent, with the estate subsector contributing about 4 per cent, and the smallholder subsector about 3.3 per cent. The manufacturing sector output is projected to increase at 3.9 per cent. It is our intention to increase or improve the rate of Gross Fixed Capital formation and domestic savings, so as to try to finance a larger portion of our investments from domestic savings. This trend, we hope, will have the effect of reducing the rate of total consumption from 86.5 per cent of GDP in 1983 to about 82.0 per cent in 1987. The reduction in consumption will come largely as a result of restraining the growth of expenditures in Government Budget. Domestic inflation is expected to decline from 13 to 8 per cent during the period.

29. The current account deficit is expected to be reduced from 8.4 per cent of GDP in 1983 to 4.8 per cent in 1987. Exports are projected to grow at a faster rate than imports, resulting in an estimated increase in the trade balance from K18.8 million in 1983 to K68.8 million in 1987. Equally the capital account balance is projected to increase from K79.5 million in 1983 to K172.5 million in 1987. The debt service ratio is also expected to improve, that is, declining from around 35 per cent to 25 per cent over the period in question.

30. Total revenues are estimated to remain roughly at 19 per cent of GDP, while total expenditures are expected to decline from 25.1 per cent to 23.8 per cent during the period. Consequently, the overall budget deficit, as a percentage of GDP is projected to decline from 6.3 per cent in 1983/84 to 4.2 per cent in 1986/87. Recurrent expenditures will fall from 16.3 per cent to 14.8 per cent of GDP during the period. However, development expenditures, as a percentage of GDP should rise if they can be financed.

31. To support these objectives, we have prepared a Public Sector Investment Programme in consultation with the World Bank and the International Monetary Fund. The Public Sector Investment Programme essentially aims at retaining Government's investment at levels compatible with our structural adjustment objectives and the policy actions which I have outlined. The Public Sector Investment Programme contains on-going projects which are already funded and additional ones for which funds have yet to be found. But all these projects have been chosen on priority basis in the hope and belief that these will have the greatest impact on the economy in the short run in order to rehabilitate it to desirable historical growth rates. The highest priority sectors are, for reasons that I have given, agriculture, transport and education.

32. We envisage that during the period under consideration, because of the need to adjust and start on a course of sustainable growth, government investment—domestic resources in particular, will be constrained. There will be need, for instance, to release more resources for the private sector; the local resources that Government makes to externally financed projects are likely to get more scarce as the recurrent expenditures from completed projects get larger.

33. These requirements must, of necessity, be balanced with the need to ensure economic growth and, therefore, Government cannot continue to constrain all investment in the medium and long-term. It is for this reason that the Public Sector Programme reflects two positions. The first one is the minimum investment that is required to maintain growth, and the second one is the ideal situation if funds were available for all that we need. Volume II of the Conference Documents has details of the projects which if funded on concessionary terms could give the necessary fill up to the economy.

34. From 1984 through 1986 and 1987, we estimated that minimum investment required is K532 million. For reasons that I gave a few minutes ago, Government hopes that both its traditional and new partners in development will, preferably on concessionary terms, contribute to this requirement and indicate now or in the near future which projects in Volume II of the Conference Documents they are willing to fund. I would like to emphasize here that as has been the case in the past, we are willing to make contribution to our own programme. This responsibility, we will not abandon.

35. However, we wish our partners in development to recognize the fact that one of our biggest constraints has been the inadequacy of local resources for contribution to development projects. Of the K532 million which we require between 1984 and 1987, we are able to identify donors for K384 million. We wish to request that the remaining K148 million is also taken. We want both our traditional donors and our new partners in development, to join hands with us to cover this balance of K148 million. This is the gap or the balance, as distinguished delegates know, of the investment programme that is required to achieve the objectives that I have outlined. If we cannot raise this minimum level of funding, we cannot hope to achieve our goals. There are more projects in the Conference Documents from which Donor countries can choose. We are not limiting the maximum level of investment. What we wish to avoid is to fall below the bare minimum of K532 million for the period under review.

36. Because of the nature of the problems that we have recently experienced, I would like to touch in general terms on the aid modalities that we hope the assistance will take. We obviously want to continue with project aid. This has been our line in the past. However, we now wish our donors to extend similar assistance for balance of payments support and programme aid. In the last few years, some of our traditional donors have offered, and we have accepted, assistance for programme aid. We want this type of assistance to increase because it alleviates the nation's problems on balance of payments and indeed the budget as well.

37. We also hope that the assistance, be it project, programme or balance of payments support, will in future cover a larger percentage of local currency costs than is the case now with some of our donors. We are aware that some donors insist on certain levels of local contribution. We appreciate the rationale. However, we would wish to assure all our partners in development that we in Malawi try. We have succeeded in most cases to implement our projects with maximum efficiency and consciousness whether fully or partially financed. After all, these projects are our own.

STATEMENT BY MR. PIERRE-CLAVER DAMIBA, UNDP ASSISTANT ADMINISTRATOR
AND DIRECTOR FOR REGIONAL BUREAU FOR AFRICA

Mr. Chairman, Members of the Central Executive Committee of the Malaŵi Congress Party, Excellencies, Honourable Ministers, Distinguished Delegates from the Donor Community, Colleagues from the United Nations System, Ladies and Gentlemen,

Before I left UNDP Headquarters in New York on mission to this beautiful country Malaŵi, "The Warm Heart of Africa", for this Donors' Conference, which I have the privilege to co-chair, Mr. Chairman, at your request, I had prepared the traditional formal statement which is, of course, expected on these occasions. But this morning, with your permission Mr. Chairman, and with the indulgence of the distinguished delegates, I would like to outline very quickly the highlights of that statement. Thereafter I shall have the statement circulated to all the participants because I feel I should go directly to one of the major substantive issues that is crucial to the success of the Round Table exercise. By this I am referring to the follow-up activities after the formal Round Table Conference has been held. I am sorry Mr. Chairman that, because of the importance which we in UNDP attach to these follow-up activities, I have had to begin from the end, so to speak. But we are in a circle; we are sitting around a "Round Table" and I therefore do not know where the window or the door is; nor can I determine where the circle begins or ends.

Mr. Chairman, my formal statement, first of all, expresses the commitment of the Administrator of UNDP, Bradford Morse, to carrying out, as effectively as possible, UNDP assistance to the Least Developed Countries (LDC's) at their request, for the implementation of the Substantial New Programme of Action (SNPA) endorsed by the U.N. conference on the LDC's which was held in Paris in 1981. The present Round Table, regarded as a co-ordinating arrangement, is a mechanism for regular and periodic review and implementation of the SNPA, applied to Malaŵi.

Secondly, I may say, Mr. Chairman that I myself am rather new with UNDP. I am only five months old in it. I am more familiar with West and Central Africa than with Eastern and Southern Africa of which Malaŵi is part. This is my first visit to Malaŵi. It is my third Round Table after Liberia and Burundi. I hope to be able to contribute usefully, with you, to the continuous improvement and effectiveness of this central exercise for those of the 24 African LDC's that have chosen this format of country review exercises.

Thirdly, may I say that your country, Mr. Chairman, opens its conference, with excellent trump cards: reliable assets of political stability, realistic policies, careful management and no food deficits; it has actually achieved significant food surpluses from year to year, especially at a time when the food shortage crisis characterizes the critical situation in sub-Saharan Africa. Nevertheless, and ultimately, your country remains a developing country, an LDC, a land-locked country, like my own country, Upper Volta, with severe problems of transportation and a high level of dependence on neighbouring transit countries, a small domestic market, no significant mineral resources, a continuing shortage of trained manpower, financial and budgetary constraints, and structural imbalances.

Malaŵi decided to convene this Donors' Conference because it needs external aid and assistance, particularly during this critical period of the last few years, in order to support the effective mobilization of the national energies focused on productivity, efficiency and self-help. I do believe that this Donors' Conference, Mr. Chairman, will be successful. However, to achieve this success on a long-lasting and effective basis, the follow-up stage of the Conference is crucial. In your opening statement, Mr. Chairman, you acknowledged the importance of the follow-up stage and you indicated the modalities already being used by your government.

Mr. Chairman, I would like to make, at this stage, some additional brief comments on the Round Table Conference follow-up. The Round Table Conference, indeed, would be an unfinished exercise without the setting up and implementation of follow-up mechanisms. It is clear that the Conference itself is only the beginning of a complex and elaborate process leading to extensive and continuous dialogue with the donor community. It is part of an on-going process which includes all levels between and among partners in development, to arrive at firm commitments for additional assistance to the LDCs as well as to convince the LDCs to carry out necessary internal economic reforms and needed policy adjustments. The modalities and the procedures of the Round Table follow-up should be discussed openly during the Conference so that before the end of the meeting, the government and the donors know what to expect with reference to the nature and timing of follow-up activities. These modalities may vary from country to country. Some experience has been acquired now about the possible modalities.

There are several ways of handling conference follow-up activities. The choice for action may vary but they have the same objective, i.e. to streamline and strengthen the post-conference monitoring and operational purposes. Let me illustrate, Mr. Chairman, only four possible modalities.

38. Our partners in development will be pleased to know that under the wise and dynamic leadership of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, Malaŵi, as a Nation, is self-sufficient in food. The people of this country have zealously taken heed of His Excellency the Life President's appeal for hard work in the fields. We, therefore, feel very proud that as a Nation, we are able to feed ourselves and we intend to remain self-sufficient in food – weather permitting.

39. To ensure that the momentum of follow up action is not lost we would like Donor Countries to indicate the preferred method. On our part, we have an existing practice with some of our traditional donors whereby we have either annual or biannual meetings to review progress of existing projects and to look to the future for new projects. This system has worked well so far and we would want to propose for new Donor Countries that this practice is worth considering. To us, follow up action is very important because the success of this Conference will depend on it.

40. Joining hands with the entire population of the Republic of Malaŵi, and indeed on behalf of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, and the Government, I would like to place on record our profound gratitude to all those countries and international institutions which have been associated with and have assisted our development efforts since the attainment of Independence twenty years ago. The financial and technical assistance that you provided to Malaŵi has gone a long way in achieving one of His Excellency the Life President's cherished desires—to raise the living standards of the entire population of Malaŵi. Most of the development projects have been designed in such a way that the people in the rural areas derive maximum benefits. I would, therefore, like to assure all of you that we value and appreciate all the aid, both financial and technical which we have received. It is our hope and prayer that this assistance will continue to flow into Malaŵi and that the new partners will join us and our traditional partners in development to move forward together in order to achieve sustained economic growth.

42. Distinguished delegates, this is all I wanted to say. I thank all of you very much.

I declare this Conference open.

- (a) Periodic bilateral meetings between the Government and some donors could be carried out on a formal or *ad hoc* basis. Bilaterally-agreed commissions may already exist between Malawi and particular major donors. Such arrangements could be employed in addition to those already developed and the related meetings will provide a good opportunity for follow-up to the Round Table Conference. These bilateral dialogues should help to go ahead not only with project related matters but, to some extent, with non-project requirements, trade questions, emergency issues, etc.
- (b) In agreement with some donor headquarters or countries, visiting missions could be arranged during the Conference, for close and in-depth discussions on particular conclusions of the Round Table Conference. For example Benin and Liberia have been the most ambitious, especially on external visits after their respective Donors' Conferences.
- (c) The organization of in-country co-ordination meetings between locally-based donors, including those donor representatives accredited to the country as well as those temporarily on missions in the country, such as World Bank and IMF missions, is essential and easier to implement. The objective could be to share and up-date information, to avoid wasteful competition and overlapping, to discuss project development activities and to review the progress made, to facilitate co-financing arrangements, to advise, if needed and requested, the government on aid co-ordination requirements. UNDP can and is ready to play a useful and supportive role through its Resident Representative in the country. Such meetings could be convened regularly according to locally-perceived needs.
- (d) *Mini-Round Tables* can be convened after the Donors' Conference to focus on key sectors like agriculture, transport and communications as well as sub-sector strategies or programmes—food, roads, etc.

In the situation of Malawi one could tentatively imagine two possible types of Mini-Round Tables. The first could be on transport and communications, not only because Malawi is a land-locked country but mainly in view of the difficulties encountered recently in the movement of exports and imports. It is an emergency situation as well as a structural and development issue. It is a strong case as well and needs long-term assistance and a continuing, careful, but active, approach and management. Alternative modes of transport, including a balloon system and river/lake navigation, could be considered. Malawi's partners interested in this could indicate their interest or intentions to participate in such a meeting if they were requested by the government. The Southern Africa Development Co-ordination Conference (SADCC) should contribute significantly in this respect.

The second type of Mini-Round Table could be on private sector-supported activities. The Government's policy based on the encouragement of the private sector, including small and medium-scale enterprises and the achievements registered so far, could lead to such a cluster meeting, consultation or Mini-Round Table. It could include commercial banks, the International Finance Corporation, industrial managers, local and foreign private sector representatives, multinational corporations, etc.

The meeting could review and assess the sectors concerned and, *inter alia*, consider ways and means of developing private entrepreneurs' inputs into projects in industry, commerce, mining, tourism and the mobilization of resources as well as the improvement of related incentives and various other relevant measures.

Mr. Chairman, the primary responsibility for development rests, indeed, with the LDC's themselves and external aid is only complementary to domestic efforts. Therefore, it should be clearly stated that the government is fully responsible for the Round Table follow-up activities. It may consider the setting up of a government follow-up committee. At its request, advisory support could be provided by external assistance. However, it is not always easy for the LDC authorities to meet the new or additional post-conference challenges. My experience—and yours as well—indicates that the country has at times encountered great difficulties in:

- (a) overcoming the constraints of low absorptive capacity for increased external assistance;
- (b) meeting the recurrent cost requirements and timely provision of local financial and human counterpart inputs.

UNDP has acquired some experience in assisting governments in these critical situations:

- (a) in one country it launched a project aimed at strengthening key segments of public administration;
- (b) intensive training has been supported in another country for the purpose of raising the skills and systems management ability of government officials in the Planning Ministry;
- (c) in a third case, the existing aid co-ordinating unit within the Ministry of Finance, was strengthened by additional technical assistance and training facilities for national courses. In this regard, carefully-designed short-term consultancy missions and intensive training programmes may be appropriate to consider for the LDC's by interested donors.

Finally, Mr. Chairman, it is obvious that follow-up activities to Round Table Conferences require an increase in the local capacities, or their better use, especially for project work: preparation, implementation, monitoring, evaluation and follow-up. The donors could consider favourably, in agreement with the government, to make available, as assistance to the follow-up stage, the human, technical and financial resources needed for these project related activities.

To conclude, Mr. Chairman, I may say that the choice is yours and that your partners, of whom UNDP is one, are open-minded. May I say further that the performance indication of a Round Table Conference lies in the success of its follow-up implementation which coincides, to some extent, with the success of development itself.

Thank You, Mr. Chairman.

STATEMENTS BY DONOR DELEGATIONS

ANNEX VII

ANNEX VII (A)

STATEMENT BY HIS EXCELLENCY M. HOINE DJOUDIC AMBASSADOR OF ALGERIA TO
MALAWI

Mr. Chairman, Distinguished Members of the National Executive Committee of the Malawi Congress Party,
Distinguished Delegates,

First of all I would like to renew our deep gratitude to the people and Government of Malawi for all what they have done and the way they did it to make our stay a most pleasant and profitable one.

Everyone recognizes the economic achievements of Malawi and the political stability it enjoys under the wise leadership of His Excellency the Life President, Ngwazi Dr. Kamuzu Banda. This gathering is a live and eloquent testimony of the confidence the international community has placed in Malawi.

The participation of Algeria in this conference must be looked upon against a background where, in spite of the international crisis and the difficulties we are confronted with as any developing country, we managed to promote and expand our co-operation in Africa with most of the member States of our continent.

We look at our participation at this conference merely as a duty of solidarity toward a sister African country in the spirit of the Charter of African Unity. It must also be considered as a beginning of a co-operation which could include in the future other areas such as trade, technical assistance.

Mr. Chairman, this being said, I would like to declare the interest of my government concerning the project entitled High Frequency Line between Chitipa and Nakonde (Zambia) and announce the contribution of Algeria for the amount of US \$200,000 for the implementation of this project. The necessary equipment for establishing this line will be provided by Algeria. The Ministry of Posts and Telecommunications has already sent to Malawi an expert in telecommunications who must be here today to engage in discussion on the study and implementation of this project according to the specification made in pages 259/60 of Document 2.

Thank you.

ANNEX VII (B)

STATEMENT BY MR. FREDERICK WARD, COUNTRY PROGRAMME DIRECTOR—CANADIAN
INTERNATIONAL DEVELOPMENT AGENCY

Mr. Chairman,

At the outset I wish to compliment Malawi on the excellent documentation for the conference. Not only did it contain all the information required but it was provided in time to allow us to study it carefully.

Malawi should also be complimented on the pragmatic strategy which it has adopted. We recognize that this has involved many tough policy decisions.

Canada very much appreciates the opportunity to participate in this conference. First, because we have been actively encouraging donor co-ordination and this conference has given us a better understanding of the programmes and interests of other donors. Second, because our current projects are nearing completion and the documentation and discussions have given us a better understanding of Malawi's specific needs and aspirations which will provide a sound basis for development of one/two major new projects. Under SADCC we hope to be able to help Malawi in forestry, natural resources, transportation and/or telecommunications. Bilaterally we are interested in energy and in mechanisms which would generate kwacha to support agriculture and water development. All of Canada's assistance will continue to be on a grant basis. We propose to field specialists as soon as it is mutually convenient to follow upon the above possibilities.

In closing I wish to thank you for the warm hospitality and friendship which has been extended to us. Although this is my first visit to Malawi, and a very short one at that, I can understand why it is called the WARM HEART OF AFRICA.

STATEMENT BY HIS EXCELLENCY MR. ABDEL RAHMAN HASSAN, AMBASSADOR OF
EGYPT TO MALAWI

Mr. Chairman, Members of the Central Executive Committee of the MalaWi Congress Party, Honourable Ministers, Your Excellencies, Distinguished Delegates, Ladies and Gentlemen,

It is an immense pleasure and a great honour for me and my country to receive your kind invitation to participate with you in the work of this *Donors Conference for MalaWi*.

This conference has special significance as it is being held while we in MalaWi acknowledge with great concern, the impressive economic, social and cultural progress that is taking place in MalaWi, under the wise and dynamic leadership of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda.

It is clear that the least developing countries have tremendous natural potentialities, hitherto untapped and this affords the North an opportunity to participate in the process of developing the South.

The South should no longer be regarded as a mere source of raw materials and market for the consumption of manufactured goods, it should be treated as a full partner in the process of development and economic recovery.

We have to infuse a new spirit of international co-operation in order to orient human endeavours towards peace, development and construction.

It is, therefore, understandable that the African and least developing countries in general, are united in the demand for redistribution of economic power and influence in world society.

We have noticed that the struggle in Africa on the political front, has brought successes, while there has been far less achievement on the economic front, where African Least Developing nations are fighting for a new international economic order.

Therefore, the continuance and escalation of Development aid, constitutes an essential element in relations between developed and least developing countries.

It is necessary to emphasize that the transfer of financial and material means should also comprise technical co-operation through which, transfer of 'know-how' can be effected. It is quite clear that scientific and technical knowledge and skills are very important for development.

In this respect, it is well to recall that Egypt participated in Donor Countries Conference to extend technical assistance in the form of delegating Egyptian experts thereto, and receiving its nationals for training in various fields. With that in view, Egypt established a special Egyptian Fund for technical assistance to African States through which, Egyptian Technicians, Doctors, Teachers, Engineers and other experts have been sent to these States, thus contributing to their Economic Development and the welfare of their people.

It should be noted that an agreement for technical assistance co-operation was concluded between Egypt and MalaWi in December, 1982. For the welfare and prosperity of the people of the Republic of MalaWi, Egypt has extended technical assistance to the Government of the Republic of MalaWi, by providing five medical doctors and one engineer, specializing in advanced methods of irrigation during 1985.

Moreover, Egypt would like to declare in the clearest terms, its total readiness—through the Egyptian Technical Co-operation Fund for Africa to provide Egyptian experts in various fields; undertaking the costs of their salaries and travelling expenses; and receiving nationals from the Republic of MalaWi for training, in order to assist its five-year development programme (1983-1987), whose overall objective is to raise the living standards of the people.

I wish this Conference full success.

THANK YOU VERY MUCH, MR. CHAIRMAN.

STATEMENT BY HIS EXCELLENCY MR. PAUL FAURE, AMBASSADOR OF FRANCE TO MALAWI

Mr. Minister, Ladies and Gentlemen delegates, Ladies and Gentlemen,

Permit me first of all to express my sincere thanks to His Excellency, Dr. H. Kamuzu Banda, Life President of the Republic of Malawi, and to the people of Malawi for their most cordial hospitality. I should also like to express my admiration for the organization of this Conference which is remarkable in all its aspects.

You know of the interest that France takes in the problem of development and of the importance that she attaches to the establishment of a new economic and international order which is just and equitable.

The French Government is concerned by the situation of the developing countries and in particular by that of the less advanced amongst them. Most of these are in effect situated in sub-Saharan Africa, and in this regard I should like to call to mind the priority which this region of the world constitutes for my country, especially in the allocation of public aid for development. The presence of the Minister delegate responsible for co-operation and development at the Conference of the Southern African Development and Co-operation Co-ordination in Lusaka on 2nd and 3rd February bears witness to the interest which France has in Southern Africa.

For all of these reasons, during the Conference in Paris in September 1981, the President of the Republic, Francois Mitterrand, undertook the commitment to provide 0.7 per cent of the Gross Domestic Product of France to public aid for development by 1988 and to reserve 0.15 per cent of the G.D.P. for the less advanced countries from 1985 onwards.

The Conference of Donors which is bringing us together today is a concrete application of the recommendations of the United Nations adopted at the Conference of Paris on the least developed countries. It is the chance given to the International Community and to the Financial Institutions to undertake innovative and constructive dialogue with responsible partners on a global medium term policy of development.

In the last twenty years Malawi has been able to show a remarkable performance in attaining a broad food self-sufficiency, and in beginning her industrialization. When one remembers that her population has increased from four million inhabitants in nineteen sixty-four to more than six million in nineteen eighty-four, one can measure the fullness of the task accomplished to succeed in feeding and providing work for this population.

The Government of Malawi has detailed in the documents which have been given to us, its plans for development for the years 1984 to 1990. This rests on a preliminary reorganization of the internal economy accompanied by an extended facility agreement with the International Monetary Fund of one hundred millions Special Drawing Rights during three years and a new structural adjustment loan from the World Bank, which constitutes an exceptional undertaking by the Institutions of Bretton Woods.

The investment plan which is proposed at the Conference of Donors defines the priorities which Malawi has endorsed: the *infrastructures* and *agriculture* represent nearly 60 per cent of the credit allocated. A land-locked country, dependent upon limited means of transport, Malawi is seeking to diversify its access routes, and to increase the flow of its agricultural products. The country seeks also to consolidate its strong points which constitute today its dynamic and diversified agriculture.

Social development is nonetheless not forgotten. In particular one can mention the intentions expressed in matters of *health* and *education*.

The development plan for Malawi for the nineteen eighties thus appears prudent in that it seeks to pursue the guidelines given for the past twenty years to the economy of the country but with the concern of re-establishing the financial equilibrium which was badly shaken at the end of the nineteen seventies. It is also ambitious in the volume of investment which it requires, but is without doubt equal to the challenges such as demography which this country must face.

The prudent and wise administration of this country has, over the past years, earned the active confidence of the international financial community. The plan for future years, presented up until today, which is inspired from related principles, should continue to be supported by the lenders for foreign funds.

Despite her historical responsibilities towards the French-speaking African States, France has endeavoured where possible, to help Malawi. She has offered the help of her experts, her technicians and her teachers. Several financial agreements have already been put into operation. On the multilateral level, she has contributed to the exploitation of resources, which organizations like the specialized bodies of the United Nations, the World Bank, the African Development Bank, and the European Economic Community, thanks to the European Development Fund, have put at the Government of Malawi's disposal.

France who has opened an Embassy in Malawi since the latter's independence, has followed with admiration the efforts made by this Government to face up to the challenge of under-development and avoid the snares of decolonization. These efforts have been crowned with a success beyond all expectations.

France declares her readiness today to contribute by the continuance of her donations of aid and by the imminent signing of a new financial agreement, to the success of the Blantyre Conference.

In conclusion, I should like to express the wish, Honourable Minister, that this Conference completely fulfils the desires and the need of the Malawian people and that it may also reinforce one of the most stable States of modern Africa.

ANNEX VII (E)

STATEMENT BY HER EXCELLENCY DR. THEODORA VAN ROSSUM, AMBASSADOR OF WEST GERMANY TO MALAWI

Mr. Chairman, Members of the Central Executive Committee of the Malawi Congress Party, Honourable Ministers, Excellencies, Distinguished Delegates, Ladies and Gentlemen,

On behalf of the German Delegation I want to thank the Malawi Government for the exceptionally warm welcome to this beautiful and friendly country, where with the assistance and advice of UNDP this Donors Conference has been so well organized. The flexible and pragmatic response of the Conference Secretariat to problems and suggestions arising in the course of the Conference has to be specially commended. It is our sincere wish, that it will bring more and well co-ordinated support for Malawi's continued and much appreciated efforts in balanced development.

The co-operation between the Federal Republic of Germany and the Republic of Malawi which goes back to 1964 is based on biannual agreements. This procedure offers both partners a suitable way of appreciating each others needs and possibilities in respect of development co-operation.

This Conference has offered a welcome opportunity to meet representatives of other donors in a large circle. The discussions on the basis of the excellent conference papers provided supplementary information on the prospects of international co-operation for development in Malawi. The assessment of the development policy and their claimed priorities coincide largely with our own views. However, it would have been appreciated, if intensive discussions in the sectoral sub-committees would have permitted the Malawi Government and the Donors Delegations to assess more precisely each other's plans, problems and policies.

For the future bilateral co-operation, if to be chosen from the projects and programmes mentioned in Volume II of the Preparatory Project Abstracts, the following sectors will be of special interest to the German side:

- continuation and extension of current co-operation within the NRDP; additional measures comprising for instance agricultural vocational training, book-keeping, fisheries development, alternate utilization of timber, water supply and sewerage in rural areas as well as primary health and medical care.
- cattle raising, livestock and animal health;
- maintenance of main roads;
- utilization of natural resources;
- smallscale industries promotion;
- studies and consultative services for development organizations;
- manpower training.

As to preparations for the immediate future financial co-operation the following projects are being appraised by Germany:

- NRDP Balaka;
- Monkey Bay Shipyard;
- viability of a ceramic factory;
- supply of material for the transport sector.

The German Government hopes that its afore-mentioned activities in Malawi can be co-ordinated with the supplement by other donors. An example would set with the nationwide implementations of the Rural Growth Centre project whose pilot phase draws to its end.

I repeat the German Delegation thanks for the generous hospitality of the Malawi Government and the City of Blantyre and I express the sincere hope that Malawi might find appropriate co-operation efforts for development and stability, which have been so successful and admired in the past.

**STATEMENT BY HIS EXCELLENCY MR. G. D. ATUK, HIGH COMMISSIONER OF INDIA
TO MALAWI**

Mr. Chairman, Members of the Central Executive Committee of the Malawi Congress Party, Honourable Ministers, Your Excellencies, Distinguished Guests, Ladies and Gentlemen,

I would like to put on record, on behalf of the Government of India, our heartfelt thanks to the Government of Malawi for inviting us to participate in this meeting.

India is not a donor country in the usual sense. I am certain that our gracious hosts have included us in the list of invitees because we have always been very deeply interested, as a friend of Malawi, in the economic development of this country. We appreciate this very generous invitation from our hosts.

I would like to mention that we in India, are highly impressed by the tremendous progress made by Malawi since its independence. We appreciate that this progress was made possible because of the leadership provided by His Excellency, Dr. H. Kamuzu Banda, the Life President of Malawi.

I have very keenly followed the deliberations in these two days meeting and I will report to my Government that India will find many areas of interest among the subjects discussed here. India has had, not in the too distant past, experience of development particularly relevant to Malawi at the present stage of development. We have been sharing these experiences with our friends in Malawi and provide training facilities. We hope that Malawi will take full advantage of these facilities. From our side we will do our best to meet training requests for Malawi.

Our host the Honourable Minister of Finance of Malawi on the opening address invited interested investors to Malawi for joint ventures. Here, I would like to point out that various Indian parties have already been here in Malawi in the last 2 years and closely examined some of the projects mentioned particularly in the field of paper, glass, cement, etc.

As I followed the speeches of the other speakers from Malawi side, I recognized many areas where India could play useful role particularly in the field of transportation.

The third World which is also a non-aligned world—the developing world, where both India and Malawi belong, welcome the efforts put forward by the host to get all of us together on the meeting. As the world is getting smaller the development problems of one country do affect others and as such must be shared by all.

Malawi has within it, what is needed to make it successful—an able administration, stability, peace, racial harmony and hardworking determined people.

There is every reason to believe that Malawi will achieve its goals. India is honoured to participate in this partnership to developments and wishes all the best to Malawi.

Thank you.

**STATEMENT BY MR. R. ITO RYUICHI, FIRST SECRETARY—JAPANESE EMBASSY,
NAIROBI**

First, I would like to thank the Malawi Government and UNDP for arranging such a significant meeting.

Japan greatly admires the efforts Malawi is making towards development and particularly appreciates efficiency in the production of staple foods has been achieved. Much progress has been made in spite of handicaps created by its land-locked location and its lack of petroleum.

In the past 6 years the Japanese Government has extended a total of 6 billion, 900 million Yen (approximately 37 million Kwacha) to Malawi in the form of concessional loans and grants. 5 billion Yen (approximately 27 million Kwacha) of concessional loan has been extended for the construction of the Kamuzu International Airport. A total of 1 billion, 900 million Yen (approximately 10 million Kwacha) has been given in the form of grants for fertilizer and chemicals, road maintenance equipment, water supply project and so on.

In the field of technical co-operation, Malawi has been the recipient of the largest number of Japan Overseas Co-operation Volunteers of any country. More than 100 Japanese Volunteers are working in several fields of development.

The Japanese Government intends to strengthen our economic assistance to Malawi in the several fields including agriculture, transport and communication, education, health and so on.

STATEMENT BY H.E. MR. S. H. KANG, AMBASSADOR OF SOUTH KOREA TO MALAWI

Mr. Chairman, distinguished delegates, ladies and gentlemen. First of all, I wish to pay a high tribute to His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, whose wise and dynamic leadership has laid a major foundation for attaining remarkable socio-economic development of Malawi since independence.

My tribute also goes to the UNDP. The Republic of Korea is a good example of how much close co-operation and the assistance of the UNDP as well as other International institutions can bear fruit in a poor country fighting for economic development. I have followed up the presentations of the Malawian projects and the programmes with great interest.

I would like to take this opportunity to highly praise the Malawian Government efforts in preparing the thorough and the careful development plan. It is a source of profound satisfaction for us that the Republic of Korea, as one of the developing countries, is participating in this meeting. We are firmly convinced that faced with the severe international economic situation the close co-operation between developing countries is as important as the relations between developing countries and the developed countries. In this regard I am particularly pleased to note that the close friendly co-operative relations between the Republic of Malawi and the Republic of Korea have been steadily strengthened.

Since 1980, South Korea has provided agricultural machinery and equipment to Malawians. South Korea has also provided technical assistance in training Malawians in Korea. In this year, 1984, for example, it is planned to continue extending technical assistance in surgical, medical and broadcasting studies. Currently two medical Korean doctors are in Malawi.

We are willing to take part in the development plan of Malawi, as envisaged at this meeting within the limits of our economic capacity and particularly on the basis, of the experiences we have acquired in the course of our own development plans.

We shall closely study the economic projects and the programme of Malawi, with the view to deciding what we could do to contribute to Malawian effort as a fellow developing country. In conclusion, I would like to express my sincere hope that the current meeting would achieve the successful outcome.

Thank you, Mr. Chairman.

STATEMENT BY HIS EXCELLENCY MR. H. BRIND, HIGH COMMISSIONER OF THE UNITED KINGDOM TO MALAWI

Mr. Chairman,

1. It is a timely moment to hold a conference of this nature. The British Government welcomes the opportunity which the Conference provides for a discussion between representatives of the Malawi Government and donors, both bilateral and multilateral. There can be greater harmonization of individual donor actions to ensure the maximum efficiency and effectiveness of the assistance available to the Malawi Government. We hope that this meeting might lead the way to series of Donor/Malawi Government meetings for particular sectors of programmes of a rather less formal nature. We welcome the lead which the Co-chairman gave in this respect.

2. Britain has been a traditional and major aid donor to Malawi. The British aid programme is currently running at some 25 million Kwacha a year and, despite the pressure on our aid resources, we intend to maintain that figure for the immediate future. The content of the British aid is continually being adjusted to meet Malawi's changing needs through the mechanism of our annual aid review, the last of which took place last December.

3. We have found the exposition of the problems and prospects for Malawi as set out in Volume I of the conference documentation most useful. We congratulate the authors. We note with satisfaction the close co-operation which this represents between the programmes agreed with the IMF and the IBRD in connection with a recently negotiated Extended Fund Facility and Structural Adjustment Loan.

4. We congratulate the efforts Malawi is making to address the problems identified and to adhere to the measures agreed in the IMF and IBRD programme. For our part, we are doing our utmost to ensure that our aid efforts accord with the priorities and policies identified and agreed in these programmes and would encourage all other bilateral donors to do the same.

5. Funds for new project activity so much as a question of maximizing the benefits from existing institutions and infrastructure, the areas of immediate concern would seem to be the chronic shortage of foreign exchange exacerbated by present external transport problems, the structural weakness of many parastatals, a shortage of skilled and experienced manpower at many levels and shortage of recurrent funds to finance Government activity. The British Aid Programme seeks to deal with these problems directly.

6. To help ease the foreign exchange situation, it has been agreed that 1983/84 will see the introduction of UK Programme aid to supplement the import financing assistance which has already been provided by the IMF and IBRD Programme. We hope to have final discussions with the Ministry of Finance and Reserve Bank in the next few weeks, with a view to finalizing details for an import financing programme aimed primarily at the private sector and parastatals. In addition to directly relieving the foreign exchange constraints in these sectors, the counterpart funds will be an additional useful budgetary resource for the Malaŵi Government.

7. A substantial part of our project aid is similarly concerned with making the most productive use of existing capacity. Examples are our Land-Rover Rehabilitation Project, and assistance with the maintenance of bitumen roads.

8. Parastatal efficiency, we have contributed to a major review of Malaŵi Railways which is now being followed up by a substantial capital aid and technical assistance programme. Phase I is already underway, and negotiations are well advanced for Phase II, which will incorporate many of the individual project activities identified in the conference papers for the Railway sector. We have also recently received a request for assistance with a management consultancy study of Air Malaŵi, which we are hoping to process speedily.

9. It is a great satisfaction to us that about half of our total programme is in the form of manpower assistance of one type or another. We are supporting more than 250 full-time personnel in the government and parastatal sectors, and providing about 200 training awards for Malaŵians each year. We regard these programmes to strengthen the administrative capacity and to train Malaŵian manpower to replace expatriate manpower of the greatest importance. We will be seeking through a series of manpower reviews with the Malaŵi Government, to concentrate our manpower assistance in those areas where its maximum impact is likely to be realized.

10. For the longer-term, we would single out one major external and one major internal problem for discussion. The external one concerns the resolution of the acute transport difficulties, which are a major contributor to Malaŵi's economic problems at the present time. We are aware of the investigations which are being made into various alternative transport routes and we are, ourselves, currently responding to a request by the Malaŵi Government to consider an immediate upgrading of the northern route into Tanzania. This is, however, a field where the solutions are likely to be beyond the reach of any individual donor and indeed concern not only Malaŵi but neighbouring countries. This we would therefore identify as a prime field for future donor/recipient co-ordination and we would hope that SADC would form the forum for a firmer line in resolving these regional problems. Meanwhile, a clear exposition of the costs and benefits of the alternatives would assist all donors to most effectively channel their aid.

11. The internal arises from the need to maintain and increase agricultural production in the face of rising population and decreasing arable land. The British Aid Programme has been, and will continue to be, focused on the natural resource sector and we are actively contemplating further involvement in the Phalombe ADD and in smallholder irrigation rehabilitation. We are pleased to note the progress which has been made recently on improving the policy environment for small-scale agriculture.

12. Major problems, however, are looming, due to the effects of crop specialization and the degradation of the soil through erosion. This is a problem faced in different degrees in all ADDs, and is another subject area where we believe that cross-fertilization of experience would be most valuable. We believe that the ADDs provide a viable network for working towards the solution of these problems and, in developing the second phase of the Phalombe Project. We consider that incorporating these as part of the overall development programme based on the ADDs may be preferable to trying to establish separate national programmes for each of these activities.

13. In short, we welcome the opportunity to discuss the difficult development problems facing Malaŵi. Britain will continue to do all it can to assist the Malaŵi Government to overcome these problems.

STATEMENT BY HIS EXCELLENCY MR. J. BURROUGHS, Jr., AMBASSADOR OF THE
UNITED STATES OF AMERICA TO MALAWI

The United States regards the economic development of Malawi as one of the remarkable success stories in the Third World. We attribute this success to the pragmatism and basic good sense of Malawi's leaders, and the industry and diligence of her people. The recent downturn in Malawi's economic performance stems from an unfortunate coincidence of negative external factors and underlying structural weaknesses in the economy.

The external economic situation is likely to remain somewhat difficult over the medium term. High interest rates, low prices for certain key commodities, particularly sugar, and transport dislocations in the Southern Africa region are likely to continue for some time. This difficult external environment makes it even more important that the Government of Malawi continue implementing the policy actions outlined in its revised Mid-Term Programme which emphasizes the need to restrain demand while at the same time stimulating production and exports.

In this light, we heartily commend the excellent documents and investment plan prepared for this conference. The investment plan, and the attendant policy changes are well thought-out, feasible, and based on sound economic principles. The document itself, is candid and lucid.

The United States believes that Malawi must continue its export-oriented growth strategy; that given uncertain prospects for key commodity prices as well as high transport costs, diversification into new, high value exports should be encouraged, that more emphasis must be placed on smallholder export production; and that, given land constraints and population growth rates, growth in employment opportunities in all sectors of the economy must be emphasized. This is the Government of Malawi's strategy, and we heartily endorse it.

We particularly endorse the efforts being undertaken by the Government of Malawi to:

- provide adequate price incentives and improved marketing facilities for smallholder crops;
- reform statutory bodies and improve their economic performance;
- eliminate agricultural input subsidies;
- review price and wage policies in order to introduce greater flexibility;
- control government expenditures; and
- retain a liberal foreign exchange system.

We are also gratified to note the recognition in the Conference Documents that "continued rapid expansion of population growth is probably the largest obstacle to an improvement of incomes and living standards".

All in all then, we believe that the Government of Malawi is taking the right steps in addressing short and long term development problems, and we would like to be as helpful as we can in joining with the Government in attacking the problems of development in Malawi.

Over the past few years the United States, in recognition of Malawi's performance and policies, has increased its aid programme to Malawi. In US fiscal year 1984, for example, the United States will provide nearly \$8 million in development assistance to Malawi and we have requested from our Congress authority to increase that level to \$10 million in fiscal year 1985.

Over the years, United States assistance has concentrated on agricultural production, technical education and rural health. We have in the past provided substantial support to Bunda College of Agriculture and we are continuing a major effort in agricultural research programmes. We have committed over \$8 million to the expansion of the highly regarded Polytechnic Institute located here in Blantyre. And, \$6 million in United States assistance has been contributed to the very successful village self-help rural water programme.

As we look to the future of United States assistance in Malawi, we are committed to diversifying our programme portfolio in support of the Government of Malawi's investment plan. For example, this year we will provide a grant to finance training of primary health care workers in support of your Government's new concept of community based health care. Design work is now being completed for a commercial transport assistance programme to include technical assistance to the Ministry of Transport and Communications, training, and possibly loan financing for truck procurement. The AID Mission in Malawi is working now with the Malawi Union of Savings and Credit Co-operatives and with the Investment and Development Bank of Malawi to establish an agro-business revolving credit fund.

In addition to these new aid projects, I would like to point out that President Reagan has recently requested from the Congress a new five-year 500 million aid programme for Africa, called the Economic Policy Initiative (EPI) which hopefully Congress will approve starting in US FY 1985. This programme will concentrate additional assistance in African countries which are in the process of implementing critical economic policy reforms, and will be over and above normal assistance levels. While we have not yet identified specific countries as recipients of the EPI, Malawi is clearly a candidate because of your sound record of policy achievement over two decades and your pragmatic approach to current structural problems.

I would like to refer to an important additional dimension to US assistance in Malawi. The United States places great importance on regional efforts to foster economic growth, particularly through the Southern Africa Development Co-ordination Conference. As a land-locked country, Malawi's transport problems are serious and solutions, in some instances, will require large investment outlays. We want to give priority, where possible, to Malawi's transport problems within overall regional transport programme of SADCC, in conjunction with other donor assistance. Second, we hope Malawi will be an active participant, and recipient of benefits flow from SADCC's regional agricultural research activities of which US AID is a major financing institution. Third, we are completing the design of a grant for technical support to SADCC which will include a potential contribution to Malawi for regional fisheries development activities.

We continue to re-examine our entire assistance programme in Malawi, both as to levels, and as to interventions where we believe we can be most helpful. We hope, in the next few months, to request bilateral discussions to develop with you a comprehensive, longer-term assistance strategy for Malawi which will incorporate the new initiative I have mentioned and lay the groundwork for an even more important development partnership for the benefit of the people of Malawi.

Thank you.

ANNEX VII (K)

STATEMENT BY MR. FRED M. KING, COUNTRY ECONOMIST—WORLD BANK

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen,

I would like to thank the Government of Malawi and the UNDP for their invitation to attend this conference and to congratulate them on the fine job they have done in organizing it.

The Government's presentation has described quite well the economic difficulties that Malawi has faced in recent years and I will not repeat it.

The World Bank has been a partner in Malawi's development for 18 years. Our first operation was an IDA project preparation credit for a highway project in October 1966. Since then we have approved 35 operations in a variety of sectors totalling more than \$500 million. Malawi has received twenty-nine IDA credits totalling almost \$400 million; and since 1976 Malawi has received six IBRD loans for slightly more than \$100 million. Malawi is one of the few least developed countries to have been found credit-worthy to receive IBRD funds. This is a tribute to the quality of economic management shown by the Malawi Government. Our lending operations have been carried out across a wide spectrum of sectors and activities. Agriculture has received 24 per cent of the funds, Roads 22 per cent, Education 21 per cent, Structural Adjustment 20 per cent, Power almost 8 per cent and the remaining 5 per cent has gone to Health, Water Supply, a development finance company, and technical assistance. Over to the Government at about the level of recent years, \$80-90 million annually depending on the availability of IDA resources, the development of appropriate projects and the Government's successful implementation of its structural adjustment programme.

I would like to say a little more about lending in support of the Government's structural adjustment programme. Following the economic difficulties of 1979 and 1980, when the balance of payments and Government budgetary deficits reached unsustainable levels and the debt service ratio began to rise rapidly, the Government in consultation with the World Bank and the IMF, developed a programme to return Malawi to a path of sustained growth. This programme has been supported by three IMF stand-by operations, and EFF and two structural adjustment loans, the second on IDA terms, approved just last December. The Government's programme focuses on measures to: (i) improve performance of the productive sectors, especially Agriculture; (ii) mobilize and manage resources better; and (iii) strengthen key institutions.

To accelerate growth of the agriculture sector, more attractive prices, better marketing operations and improved procurement and distribution of fertilizers will provide incentive for smallholders to raise their output, especially for export. For the agricultural estates, steps will be taken to help them upgrade their management, increase their access to credit and diversify their production. In the industrial sector, emphasis will be on relaxing the present system of price controls.

To improve resource mobilization and management, the Government has decided to increase revenue proportionate to GDP, emphasizing non-tax sources, to raising the efficiency of capital use through a sound public investment programme, and to expanding the parastatals' profits through improved policies (including pricing) as well as better management. The work begun under the first SAL in strengthening the Government's expenditure control, foreign debt management, and planning and budgeting capabilities will be continued, as will monitoring of recurrent allocations to key developmental agencies. The Government also will take steps to reduce the current high costs of its social services in housing, health and education: raise user charges and reduce or eliminate subsidies. Agricultural subsidies have been examined too, and a phased programme of eliminating them has been developed.

Strengthening key institutions continues to be an important part of the Government's action programme. Toward this end implementation of detailed action plans—produced from studies for restructuring ADMARC, MDC and Press Holdings, will continue. In addition, the programme calls for improving the management capacities of other key parastatals and the Government, particularly the Economic Planning Division of the Office of the President and Cabinet.

Malawi is one of the few countries in Africa in which the Bank is currently supporting structural adjustment programmes with rapidly disbursing assistance, because the Government has shown the capacity to address the serious problems that it faces. There are signs that the Government's policies are taking hold and that an economic recovery may be beginning. The current account deficit of the balance of payments has fallen from an average of 20 per cent of GDP in 1978-80 to less than 10 per cent in 1982 and 1983. The budget deficit has been reduced from an average of 13.6 per cent of GDP in FY 80/81 to an average of 9.1 per cent in FY 82/83 and FY 83/84, and GDP growth has gone from 0.4 per cent in 1980 and -0.8 per cent in 1981 to over 3 per cent in both 1982 and 1983.

Our project lending and economic and sector work have been and will be geared to support the objectives of structural adjustment by investigating in productive sectors and in infrastructure essential to the growth. An example is our efforts to help the Government deal with the serious deterioration in Malawi's external transport situation. Problems on Malawi's traditional routes have forced the country to accept significant delays in its shipments through its traditional routes or to re-route its exports and imports along longer and more costly routes. With 70 per cent of its annual production of sugar still in the warehouse, and a significant amount of fertilizer still undelivered, the delays in shipments and use of circuitous alternative routes have costed the Malawian economy over \$30 million in foreign exchange in 1983. In regards to this bottleneck, our recently approved Fifth Highway Project will provide funds to continue the transport secretariat which has been established to co-ordinate the flow of import and export traffic on a daily basis to minimize the excessive cost of using alternative routes and to ensure that shipments are made without serious delays. In the medium term the project provides funds to open a new route to the sea for Malawi by completing the north-south roads system in Malawi and surveying the work that will be necessary to complete the connection with the TANZAM/TAZARA corridor. We are producing a transport sector study giving our views on the actions and policies the government can take to address its transport difficulties and some suggestions as to possible concerted donor community assistance. Finally, we are providing funds to employ a transport planner in the Economic Planning Division.

The Highways project that I have mentioned and a number of other recent projects have been co-financed with a variety of aid agencies. Over the next few years we are contemplating a number of projects, including ones in agricultural research, rural development, water supply, health, transport, power and education, for which we are seeking co-financing.

As part of its structural adjustment programme, the Government has developed a public investment programme. We have examined carefully the proposed projects for FY 84-86 and believe they are appropriate for the country in its current circumstances giving proper sectoral emphasis and are within the budgetary and administrative capacity of the Government. Some of the projects in this programme still need external financing and I hope that the agencies gathered here will give them the consideration they deserve.

Malawi's need for assistance goes beyond investment projects. The Government has come to realize that it must improve its efforts to meet its recurrent existing capital stock and be as productive or more than the creation of new capital assets. These are likely to require non-project assistance to supplement the World Bank's SALs and the resources of the IMF. Unfortunately in recent years there has been little, if any, increase, in concessional aid flows to Malawi. Recent economic conditions have produced budgetary difficulties for many countries and aid programmes have been frozen or reduced. However, these same worldwide problems have affected less developed countries like Malawi and additional handicaps such as bad weather and being land-locked have exacerbated its economic difficulties. The Government has undertaken a number of other difficult measures to address the problems it faces but it needs, and we believe, deserve additional concessional aid to help it overcome these problems.

THANK YOU.

STATEMENT BY MR. M. W. BELL, ECONOMIST, INTERNATIONAL MONETARY FUND

Mr. Chairman, Distinguished Delegates, Ladies and Gentlemen,

Malawi has been a member of the Fund since 1965, and during these years has maintained regular contact with the Fund. In September 1983, the Fund approved an extended arrangement, amounting to SDR 100 million, in support of a medium-term programme covering the years 1983-86, and a staff mission was in Malawi in early December 1983, for discussions on certain aspects of the programme. It is on the basis of these contacts, especially those connected with the current programme, that I intend to comment briefly on the economic situation in Malawi.

Until the late 1970s Malawi achieved relative rapid economic growth, based largely on agricultural production oriented toward exports and the attainment of self-sufficiency in basic food production. The economy was able to realize relative high rates of domestic resource mobilization and investment, without incurring large fiscal or external imbalances.

The economic situation deteriorated sharply from 1979 as a result of a number of factors, many of them beyond Malawi's control. The increase in the world price of energy in 1979, combined with a decline in the prices of Malawi's primary commodity exports, caused a sharp deterioration in the terms of trade. High international interest rates, at a time when Malawi had resorted to larger commercial borrowing than previously, led to a considerable increase in its debt service obligations. Drought in 1979 and 1980 resulted in the partial failure of the maize harvest and the need for emergency cereal imports in 1981. Recurring interruptions in the rail routes to the Indian Ocean ports that handled the major part of Malawi's external trade in the past have caused substantially higher freight charges, delays or disruptions in the flow of critical imports such as fuel and fertilizer, and difficulties in the shipment of some exports, notably sugar. These developments contributed to a significant worsening in the financial position of the government, key enterprises in the public and private sectors, and many smaller industrial and agricultural concerns. The budget and balance of payments deficits increased and were financed substantially by external borrowing on commercial terms, thus to a rising debt servicing burden.

In view of Malawi's weak economic performance and increasing financial imbalances, the Government initiated a stabilization programme in 1980/81, supported by a two-year stand-by arrangement with the Fund. Some improvement was achieved during 1980/81 and 1981/82, particularly in the external account. Under a subsequent one-year stand-by arrangement in 1982/83 greater progress was made. Thus, after two years of stagnation, real GDP rose by about 3 per cent in 1982. Also, between 1980 and 1982, inflation declined from 18.3 per cent to 9.4 per cent, the Central Government's overall budget deficit was reduced from 11.1 per cent of GDP to 7.8 per cent, and domestic credit expansion slowed considerably. Moreover, the current account deficit of the balance of payments (excluding grants) fell from 12.8 per cent of GDP to 8.3 per cent, largely due to a decline in the volume of imports in 1982 associated with disruptions to external trade routes.

Although this improvement in the basic economic variables had been achieved by the beginning of 1983, the Government recognized that the economy remained vulnerable to external shocks, and that a number of aspects of Malawi's economic structure had still to be corrected. Accordingly, the Government formulated a medium-term programme that is designed to promote structural change in the economy and to address the related problems of slow economic growth and financial imbalances. This programme will involve measures to strengthen the productive sectors of the economy, in addition to the continuation of demand management policies. Incentives to productive enterprises will be improved. In the agricultural sector this will take the form of a regular and timely review of the producer prices offered to the smallholder sector, using the principle of farmgate export pricing to improve the returns to agriculture activity. Industrial policy is to be directed toward the development of agro-based production, increasing the use of domestic inputs, and, where possible, promoting the production of exportable goods. The phased liberalization of the existing price control system will enable domestic producers to set prices at market-determined levels. The Government has initiated the structural reform of key productive enterprises, designed to restore them to efficient and profitable operation. The core public sector investment programme prepared by the Government is intended to promote an improved allocation of resources. Measures to restrain total government expenditure and strengthen the tax effort are planned in order to reduce the Government's requirement for domestic resources. Accordingly, the programme's objective is to reduce the overall budget deficit from 7.8 per cent of GDP in 1982/83 to about 5 per cent in 1985/86. This will allow the banking system to expand credit to the private sector more rapidly than in the past while restraining the overall rate of monetary and credit expansion. The Government expects to maintain real interest rates at a level which is positive relative to the underlying rate of inflation, so as to improve domestic resource mobilization and to increase the efficiency of investment. The programme aims to reduce the deficit on the current account of the balance of payments from 8.3 per cent of GDP in 1982 to about 5-6 per cent by 1986. To achieve this objective, Malawi intends to manage its exchange rate more flexibly and will place tight limits on any new external borrowing on non-concessional terms. The external position has also been improved by the progress obtained in respect of official and commercial debt for a two-year period between 1982 and 1984. On the basis of present projections, the overall balance of payments deficit should decline in 1984 and 1985 and there should be equilibrium or a small surplus in 1986.

During 1983 and early 1984 a number of specific measures have been taken in support of the programme. The process of price liberalization was commenced initially by accelerating the processing of applications, and subsequently by removing control from a significant number of commodities. Agricultural producer prices were raised ahead of the 1983/84 growing season, and the Government intends to review regularly the price and tariff structures of the public enterprises. Interest rates on time and savings deposits were raised by two percentage points during 1983, in keeping with the Government's intention of maintaining positive real rates. Malaŵi has also taken steps to implement the programme's objectives with respect to the exchange rate: in September 1983 the Malaŵi kwacha was devalued by 12 per cent in local currency terms; in January 1984 Malaŵi ended the kwacha's link to the SDR and adopted a new currency basket more representative of the country's external trade, and simultaneously effected a further depreciation of about 3 per cent. These measures are expected to help to preserve Malaŵi's international competitive position. Also during 1983 progress was realized in the restructuring of the key productive enterprises: legal procedures were finalized for an appropriate corporate framework, and various measures to improve profitability were instituted, including cost control, streamlining management, the rationalization of investment portfolios, and reviews of prices and tariffs. Progress was made in the reorganization of the Press Group and the legal restructuring exercise was completed by the end of the year.

The recovery of economic growth that commenced in 1982 appears to have continued in 1983, largely because of agricultural expansion. In spite of earlier fears of a further year of drought, rainfall was adequate to allow increased production of some crops, particularly tobacco, the principal export. The increase in output was more than offset by a decline in tobacco prices, which adversely affected both the financial position of the producers and the external terms of trade. The economy continued to be seriously affected by the very low level of operations on the traditional rail routes to the Indian Ocean, and the need to redirect traffic to longer routes. The higher costs that have resulted were a major factor both in the acceleration of domestic inflation to 15 per cent in 1983 and the weakening of the balance of payments position in 1983. The external current account balance is now estimated to have represented 9.8 per cent of GDP in 1983 in contrast to the forecast of 8.0 per cent and the overall balance of payments deficit (at SDR 49 million) was also larger than initially envisaged. In spite of these adverse developments, current estimates suggest that fiscal developments will be in line with expectations, so that the government budget deficit in FY 1983/84 (April/March) will register a decline to about 6.1 per cent of GDP, from 7.8 per cent in the previous year.

Assuming normal weather conditions during the 1983/84 growing season, the rate of growth is provisionally expected to remain at about 3 per cent in real terms in 1984. The balance of payments position is expected to show improvement with some recovery in the terms of trade. A Fund mission will visit Malaŵi in April to discuss the detailed programme for the second year of the extended arrangement.

Malaŵi has demonstrated a strong commitment to financial stabilization and structural reform. This commitment needs to be sustained. Although temporary increases in output may result from favourable climatic conditions, sustained growth will occur only if the country's economic base can be diversified away from its current export dependence on a limited range of primary commodities, so as to generate adequate domestic and foreign resources for investment. The Government is also very much aware of the need to restore the medium-term viability of the balance of payments. In order to achieve these objectives investment will have to be directed toward promoting productive activity and providing the necessary infrastructural support. Malaŵi will, therefore, need to continue its programme of internal adjustment, supported by the continued increase of transfers and capital inflows, while at the same time avoiding external borrowing on non-concessional terms. The prospects for sustained economic recovery will be enhanced by appropriate assistance from external donors.

ANNEX VII (M)

STATEMENT BY MR. K. M. MANYELI, EXECUTIVE DIRECTOR—AFRICAN DEVELOPMENT BANK

Mr. Chairman, Excellencies, Ladies and Gentlemen,

It gives us a great pleasure to have participated in this important meeting concerning Malaŵi's development programme during the rest of the decade. Our operations in Malaŵi as a young bank started in 1969. Since then our efforts have concentrated largely on development, public utilities, and social services in health and education. During this programme the projects selected were in line with your Government's priorities to lay the foundation for physical and social infrastructure for post independence development. The commitment of this programme during the period up to end of 1983 are UA 50.95 million and FUA 69.1 million. In our current programme agriculture will receive 37.7 per cent of available ADB/ADF resources while transport which is geared to improving the alternative routes of Malaŵi's exports and imports as well as development of internal routes will be 11 per cent.

Allocation for other sectors will involve import substitution projects, wood energy development, social services (Health and Education). I should at this point state the projects our Bank Group is interested in:

- A fisheries study
- Mpira—Balaka Dam
- Changalume Cement Rehabilitation
- Northern Trade Route (long-term)
- Kasungu Rural Development Project
- Districts Water Supply Phase II
- Zomba Integrated Wood Industry
- Champhoyo—Mbowe Road Capon
- Mwanza Agricultural Development
- Forest Industries Development Project
- Agricultural Development Project
- Zomba Agricultural Development Project
- Purchase of Rolling Stock for Malaŵi Railways
- Primary School construction in Rural Areas
- Primary School construction in Urban Areas

Mr. Chairman, the performance of Malaŵi in the implementation of our projects has been impressive and as indicated we shall continue to support the development programmes of your country. Development is a complex process involving economic, social and political factors. We are happy that these factors are at favourable interplay in Malaŵi.

Thank you, Mr. Chairman.

ANNEX VII (N)

STATEMENT BY MR. J. WESTHOFF EEC COMMISSION DELEGATE TO MALAŴI

1. Introduction

Words of thanks.

We should like to express our gratitude to the Government of Malaŵi for organizing the present Conference and to the UNDP for its assistance. A Conference such as this offers a unique opportunity for Malaŵi and its development partners to jointly review past experience and build the basis for a more effective partnership.

By identifying problems and acting on them sufficiently early, Malaŵi has won a certain breathing space for tackling its structural problems and with less pressure from short-term considerations. We are confident in the long-term success of Malaŵi's efforts and it is indeed an honour for the EEC Commission to assist the Government in this effort.

2. Tentative Balance Sheet of eight years of Malaŵi/EEC Co-operation

Looking back at Lomé I and taking into account the way in which Lomé II is being implemented, a certain satisfaction prevails. During the first Convention (1975-80) the Community (EDF, EIB and Commission budget) committed (and disbursed or is disbursing) some 85 M ECU. For those who are not familiar with the ECU, a rough exchange rate of 1 ECU=1 MK can be used. As far as Lomé II is concerned, we are now more than half way through (1980/85) and probably over the five years of the Convention total commitments will amount to some 100 M ECU.

These figures refer to financial and technical co-operation within the National Indicative Programme, assistance provided under STABEX, and in cases of emergency, assistance provided by the European Investment Bank, as under the NGO Programme, as well as assistance from regional funds.

We should also like to recall hereto that Malaŵi-EEC co-operation is not only limited to financial and technical co-operation. Indeed, Malaŵi also benefits from the trade provisions of the Lomé Convention, and is a signatory to the Sugar Protocol— an instrument which has acquired renewed value at the present juncture. We are also pleased to have granted, in 1983, food aid to neighbouring countries from ADMARC. Two additional operations of the same kind are now being finalized.

If we focus our analysis on technical and financial co-operation (for EDF funds only, i.e. excluding the EIB) we note that the sectoral allocation of funds in both Conventions shows a heavy concentration in transport, agriculture and fisheries, industry and energy. This is broadly in line with the investment pattern of the Government for that period, and it could hardly be otherwise, as the sectoral allocation of funds is jointly agreed between the Government and the Commission at the beginning of each Convention.

Looking back at past co-operation, we note that:

- (i) The largest majority of investments have occurred either in urban areas or were primarily conceived for them. Apart from the agricultural projects, only the microprojects programme was specifically targeted towards the rural population.
- (ii) During both Conventions—and particularly during the present one—considerable amounts of funds have gone into roads.

This was probably inevitable, and we are the first to recognize that Malawi, as a land-locked country experiencing continued transit problems, needs a multiplication of outlets to the coast. We are heavily involved in the construction of an international link in the South and in the design of another in the North. Leaving aside the investment requirements in Mozambique itself, we tend to believe that once these international links are established and the main North South spine road completed, some slowdown in the construction of tarmac roads could take place.

- (iii) The programming exercise undertaken at the beginning of each Convention was meant to define objectives, policies and means, from which projects would naturally spring. However, we sometimes have the feeling that the programming exercise has been somewhat downgraded and that occasionally, behind the 'sectoral objectives' lies the old concept of a project shopping list.
- (iv) A considerable amount of EDF funds have gone into the industrial and energy sectors. Considering, on one hand, that EDF resources are either grants on very soft loans, and on the other, that the projects financed in these sectors are revenue-generating, one could have considered harder sources of finance and the limiting of EDF intervention to technical assistance.
- (v) A sizeable amount of our effort has gone into agriculture, particularly in the NRDP. We have learned and are still learning,—by doing.

At this point we would make the following remarks:

Malawi is one of the few countries in Africa which has, for several years, been implementing—and with success!—a national policy of integrated rural development. Few countries in Africa or elsewhere, can claim to be able to feed their population, and this is all the more to the credit of Malawi.

Once a country has decided to take the long and difficult path of a National Rural Development Programme, that Government, and the donor community, are then confronted with the not negligible problems of its implementation.

From the several years of involvement in the NRDP, we have drawn the conclusion that every effort by the Government and donors together must be made to ensure that smallholders are put in a position to generate revenue for re-investment within a reasonable time span. Absolute priority should be given to production and productivity increases. At the same time a fresh look should be taken at the cost components of NRDP projects and savings made whenever and wherever possible.

3. The Immediate Future

Most of the resources foreseen under Lomé II have already been committed, or have been earmarked for projects at an advanced stage of appraisal. We hope to proceed swiftly with the implementation of these projects, a matter just as important as looking for fresh funds!

There are moreover additional resources granted in mid 1983, in the context of the Convention's mid-term review, for which we are still awaiting an indication of use by the Government. At the same time we anticipate that funds earmarked for certain sectors will not—for a number of reasons—be fully utilized.

It is our earnest wish to start with the Government, after the Conference, discussions on the final allocation of funds for the rest of the Convention. It is our hope that the largest amount of uncommitted funds be allocated to the agricultural sector, including fisheries and livestock.

4. Post-Lomé II Co-operation

The ACP and EEC governments are at this moment negotiating on the successor to the Lomé I Convention.

On the hypothesis that our co-operation effort will continue after 1985, we should like to draw some lessons from our past experience. In particular:

- (i) We feel that our future efforts should be concentrated in rural areas, where the greatest majority of the population lives.
- (ii) Our efforts should be directed in favour of agriculture, fisheries and livestock.
- (iii) Non-farming rural activities should be equally promoted. We believe in the importance of fostering non-farming activities in rural areas with a view to relieving pressure from agriculture while avoiding migration to urban centres.
- (iv) We would be willing to assist the Government in the public and parastatal sector, mainly in the form of sector studies and technical assistance, as well as continuing the training programme for the public service.
- (v) Wherever and whenever we intervene, we would like to see our specific actions not as *ad hoc* piecemeal operations, but rather the result of a thorough policy dialogue with the Government. Our Commissioner, Mr. Pisani, attaches great importance to the policy dialogue and we believe it is a key prerequisite for the success of the specific actions we wish to undertake.

Thank you.

STATEMENT BY MR. R. C. SPELLER, EUROPEAN INVESTMENT BANK

Mr. Chairman, distinguished delegates, ladies and gentlemen, first of all let me take this opportunity to thank the Government of Malawi for their kind invitation to attend this Conference, and for the very efficient arrangements made for the organization of our work together over the last two days. I would also like to congratulate the Government on the quality of the documents produced in preparation for the Conference which got a comprehensive view of the current economic situation and its plans for development in the future.

The European Investment Bank has been closely associated with the development process in Malawi since 1975, when the first Lomé Convention came into effect. Since then, we have helped to finance a number of projects both directly and by means of channelling funds through the Development Banks in the country. The practice of the Bank is to provide financial assistance for clearly defined projects in the industrial, agro-industrial, tourism and mining sectors of the economy and also for economic viable infrastructure projects, notably in the energy sector which forms part of the total available assistance provided by the European Economic Community under the Lomé Convention.

We are also able to provide assistance in a variety of ways through the use of this capital for financing feasibility studies, equity investments and for long term loans. Agreement by the Bank to assist in the financing of a particular project depends on a thorough examination by the staff of the Bank of the financial, technical and economic merits of each project, selected in agreement with the Government as priority project for development. Thus since 1975, we have been able to provide finance for seven institutions in Malawi for a total amount of about K24 million.

Turning to the future, we note that among the projects listed in the documents submitted for consideration of the Conference, there are several that fall within our area of interest. Agreement has been reached with the Malawi Government to make funds available for some of these, such as the Nkula Falls Hydroelectric power station extension. And others are under active investigation by the Bank, including the utilization of the forest resources on the Viphya Plateau.

We are also willing to examine the Kavuzi Tea Project which figures in the list of projects submitted to this Conference. Another area which we consider of great importance, which is not specifically included in the project list, but was mentioned by the Honourable Minister in his speech yesterday, is the rehabilitation of the cement industry, in preparation for which the Bank has already agreed to make funds to carry out an extensive drilling programme in the area of Changalume.

A number of other projects, particularly in the industrial sector would also seem eligible for financing by the Bank as we have done in the past, indirectly, through the Development Banking Institutions in Malawi. We are willing, Mr. Chairman, to follow up all these projects and to identify other possible projects for financing by the Bank in Malawi.

Let me conclude by saying how much we enjoyed participating in this Conference and look forward to continuing our co-operation in the future.

Thank you.

STATEMENT BY MR. ORLANDO OLCESE, EXECUTIVE SECRETARY—UNITED NATIONS CAPITAL DEVELOPMENT FUND

Mr. Chairman, Members of the Executive Committee of the Malawi Congress Party, Honourable Minister, and Distinguished Delegates,

May I first of all express my good wishes for the success of this conference which is of such vital importance to the efforts of the Government of Malawi, in mobilizing the resources needed to achieve the development objectives outlined in the development plan covering the period up to 1985/86. Let me also express my appreciation for the excellent documentation prepared and presented to this meeting by the Government.

With your permission, Mr. Chairman, and in order to place the Fund's participation in the appropriate context, I should like to recall the Fund's legislative mandate, and give an overview of its financial resources as well as its programme activities.

The Fund was established by the General Assembly of the United Nations in 1966 and later placed under the authority of the Administrator of the United Nations Development Programme. The purpose of creating the Fund was to provide developing countries a supplementary source of capital assistance, designed to help them achieve accelerated and self-sustained economic growth, diversification of their economies and increased living standards for their population. The Fund proposes to assist these efforts through well identified and carefully formulated projects, which, with a relatively small capital input, can act as a catalyst for economic and social development. The focus of the assistance will vary with the specific needs of each country. However, two main directions of the assistance can be identified.

First, the UNCDF is assisting activities which aim at strengthening the basic social infrastructure, particularly in rural areas, in connection with provision of food, water, shelter, primary health care and education.

Second, the assistance is geared towards developing the productive sectors and the necessary economic and physical infrastructure, such as small scale industries based on local raw-materials, particularly from agricultural production and improved artisanal production. Complementing this, the fund will assist the establishment of food storage, improved distribution systems, transport and communications and other necessary economic infrastructure. Regardless of which sector the UNCDF is assisting, the main goal is to finance activities geared to produce direct and early benefits to low income groups, particularly in rural areas.

The Fund receives its resources through voluntary contributions from donor governments at the pledging conference held each year in November. In 1982, the Governing Council granted UNCDF the authority to receive trust funds tied to procurement in donor countries for financing of projects on a trial basis.

The UNCDF has also explored the possibilities to finance projects through untied trust fund arrangements, and through co-financing or parallel financing of projects with other prospective donors, as well as costsharing of the external components of some projects. The UNCDF has over the past few years thereby accumulated experience in mobilizing and administering additional and complementary resources, benefiting the recipient countries, and permitting full utilization of the capacity of the UNCDF, to operate in developing countries. Along the lines just indicated, the UNCDF would welcome the opportunity to explore future co-operation with donors present at this Conference.

I should like to take this opportunity to briefly inform the participants at this Conference about the activities of the UNCDF in Malawi, since their initiation in 1975. The UNCDF has approved ten projects of high priority to the Government for a total of \$9.4 million US dollars. Two large projects providing credit facilities for smallholders and health facilities have since been successfully completed, together with a smaller project to construct warehouse facilities for storage of WFP food supplies. Other projects are in various stages of implementation in sectors covering health, irrigated agriculture, water supply, credit facilities and a project for rehabilitation of the handicapped.

It is with great interest that we have studied the documentation presented by the Government to this meeting. We have, therefore, taken note of a certain number of projects and we shall look into the possibility of providing finance for projects which the Government has indicated to be their highest priority. A project to construct access roads and bridges in the northern part of the country, has just been approved, and to this end, the Project Agreement will be signed during this conference.

In connection with the strengthening of the agricultural sector, I should like to mention our interest in a project to provide improved credit facilities, on affordable terms to smallholders, for the purchase of seeds and fertilizers. A proposal has already been made to UNCDF to assist the Government in this area. The experiences gained during the implementation of the completed credit project will thereby be useful and an assistance would further strengthen small scale agricultural production. The UNCDF will favourably look into the possibility to finance part of this project.

Another sector of particular interest to the UNCDF, is the provision of shelter to low income population. The possibility to assist in financing the project to develop improved traditional housing in rural areas, throughout Malawi, is being studied. We are all aware of the social and economic problems caused by the non-availability of affordable housing for low income groups and the following development of squatter areas.

The UNCDF's assistance has also been solicited for continued support in the water sector. The Government has established an ambitious goal in this sector, which is to supply the entire population with potable drinking water. The UNCDF is very sympathetic to assisting the Government in attaining its objectives in a sector of such vital importance to the well-being of the population. However, the high cost of the projects mentioned in the Government's documentation exceeds the resources UNCDF could allocate at present. With great interest, we would, therefore, welcome the possibility to explore ways of joining hands with other donors in promoting the development of Malawi.

Thank you, Mr. Chairman.

DONORS CONFERENCE FOR MALAWI—FINAL COMMUNIQUÉ

1. The Republic of Malawi convened a Donors Conference in Blantyre on 28–29 February, 1984, in collaboration with the United Nations Development Programme (UNDP). This was in response to the recommendations of the Paris LDCs Conference regarding the convening of country review meetings for the purposes of assisting LDCs in the mobilization of the resources for the implementation of the Substantial New Programme of Action for the 1980s. Delegates to the Conference came from various Government and multilateral institutions including agencies of the United Nations system.

2. The Conference was officially opened by the Honourable L. C. Chaziya, Minister of Finance, who also chaired the proceedings of the meeting. The Honourable J. Z. U. Tembo, Governor of the Reserve Bank of Malawi and Mr. P. C. Damiba, Regional Director for Africa (UNDP) co-chaired the meeting.

3. In his opening statement the Honourable Minister of Finance presented an overall current situation report on Malawi's economy including Malawi's economic performance and factors leading to its current economic problems. The Minister informed delegates that Malawi was seeking finance for a minimum investment level of K532 million for projects in 1984/85–86/87. Of this requirement, K384 million has been identified. The balance of K148 million was being requested from both traditional and new partners in development. Donors were also called upon to assist Malawi in financing a greater share of the recurrent needs of the budget.

4. Respective Ministers of the Government of Malawi presented sectoral strategies, programmes and projects covering the following:

- (i) Commerce, Industry and Tourism;
- (ii) Transport and Communications, Roads, Posts and Telecommunications;
- (iii) Forestry and Natural Resources and Energy;
- (iv) Education, Labour and Manpower Development;
- (v) Health, Sanitation, Water, Housing and Community Services;
- (vi) Agriculture.

5. Following the plenary session, the Conference constituted itself into a Technical Committee of the Whole to discuss issues covering the sectors mentioned above. Delegates endorsed the government's efforts to ensure the availability of trained manpower to implement the proposed programme, the need for continued review of prices to ensure adequate incentives for increased production especially from the smallholder sector and the need to restrain demand while ensuring that resources were available to maintain existing and new investments.

6. In their statements, donor representatives expressed gratitude to the Government of Malawi and the UNDP for arranging and inviting them to participate in the Donors Conference. They commended Malawi's pragmatic sectoral strategies in its development planning and fully endorsed the strategy presented in the Conference documents. They specifically highlighted Malawi's success in achieving food self-sufficiency and producing significant food surpluses. Delegates further paid tribute to the quality of economic management in Malawi under the guidance and wise and dynamic leadership of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda.

7. Donors pledged enhanced financial and technical assistance support to current and proposed programmes. This support would cover projects mainly in the sectors of Agriculture, Transport and Telecommunications, Health, Water, Education, Fisheries and Energy. The need for increased non-project assistance was also emphasized by many donors. Donor representatives further stressed the urgent nature of the external transportation situation, and the need for both immediate and long-term solutions to this problem. The need for continuing assistance by donors and international institutions already active in this area was recognized.

8. Donors also made constructive proposals for enhanced co-operation with Malawi. It was understood that such support must involve more effective co-ordination of external assistance on the parts of the Government of Malawi and the donor community. They also emphasized the need for Government to initiate follow-up activities to the Conference in order to ensure that the support pledged during the Conference is translated into actual resource transfers and to further enhance external aid co-ordination. In this regard the Government of Malawi will take appropriate action to inform donors the nature of the follow-up action to be taken.

9. The Conference further recommended that a wider publicity should be given to the Malawi Government's economic achievements with a view of increasing the goodwill and attracting a wider support amongst the international donor community.

10. In his closing statement, the Honourable Minister of Finance thanked delegates for their useful and constructive contributions to the Conference the basic aim of which was to help mobilize external support for Malawi's Development Programme designed to raise the living standards of its people.

11. Delegates expressed gratitude to the Government of Malawi for the hospitality and friendship extended to them.

Blantyre, Malawi
29th February 1984