

THE REPUBLIC OF MALAWI
DONOR CONFERENCE
INTERAGENCY REVIEW ISSUES PAPER

PN-AY-520

15/5/84

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I. Schedule:

- A. Review Date: February 14, 1984, 2:30 p.m., Room 3668 N.S.
- B. Conference Dates: February 27-29, 1984, in Blantyre, Malawi

II. Country Situation

A. Background:

Malawi, formerly known as Nyasaland, became independent in 1964. With a population of about 5.2 million, the development of agricultural resources has enabled Malawi to feed its people and export produce to foreign markets. Given the importance of agriculture as an employer, it is likely that a substantial majority of Malawians will continue to depend on agriculture for many years in the future.

With agriculture as the base of the Malawi economy, it provides employment for more than 80 percent of the working population. Agricultural products are also the major source of foreign exchange earnings, comprising more than 80 percent of total exports in recent years. The primary export commodities are tobacco, tea and sugar, produced by two types of farming operations: estates and smallholders. The estates produce more than 65 percent of all agricultural exports while the smallholders concentrate mostly on Malawi's staple foods such as maize, groundnuts, pulses, and rice. In recent years there has been an increase in smallholder production of tobacco, tea and, on a smaller scale, sugar. The government-owned Agricultural Development and Marketing Corporation (ADMARC) is the export agent for smallholders, buying cash crops and reselling them for exports. ADMARC also buys other smallholder crops such as maize and cotton for storage and domestic resale, and is the country's distributor of fertilizer for smallholders.

The agricultural sector has also been the focus of the GOM's development strategy since independence. From the period of independence until the late 1970s, Malawi was able to achieve a relatively high rate of growth without incurring large fiscal or external payment imbalances. The Government pursued sound economic and financial policies and the country enjoyed a good prosperity, especially when compared to other African countries.

Malawi did have some natural advantage which permitted the development of a sound economic growth and social well-being. First, it had a relatively homogeneous tribal and linguistic structure. Secondly, the land was fertile with a wide range of climatic and soil conditions that permitted a variety of crops for local consumption and export.

The development strategy adopted by the GOM at independence was highly appropriate to the country's geographic location and resource endowment. Economic growth was accelerated by emphasizing agricultural production for exports while maintaining food self-sufficiency, undertaking efficient import substitution activities and agricultural processing. Foreign and domestic capital, both financial and human, was encouraged to participate in this process. In short, Malawi has not been plagued by distortions and inefficiencies which characterize many other developing countries.

Malawi has achieved striking success in the face of enormous odds. From 1973 to 1979, the real gross domestic product grew at 6.1 percent per annum. These gains were distributed equitably. The relative share of GDP accounted for by Government services has remained fairly constant over time--an indicator that the GOM is not expanding at a faster rate than the economy. Until recently, exports expanded at the same rate as imports (about 15 percent annually from 1964 to 1980).

Malawi is one of the few countries on the continent to have consistently achieved self-sufficiency in food production each year since independence--with the exception of the drought-induced need for corn imports in 1980. In more recent years, Malawi has not been severely affected by the drought as her neighboring countries have; however, the country has taken emergency measures when the rains were delayed in the south. Extension workers were sent to the area and farmers were immediately supplied with seeds of alternative, drought-resistant crops, such as cassava, sweet potatoes and sorghum. Malawi's policies have promoted production and improved the living standards of all its people--especially the rural population.

B. The Economic Crisis

Beginning in 1979, a combination of developments has caused a marked deterioration of the Malawi economy. Periodic interruptions in the rail routes in Mozambique due to insurgent activity and poor track maintenance have impeded the movement of imports and exports through the more direct and traditional routes. This situation has substantially raised transport costs and resulted in shortages of fuel, fertilizer and other critical imports. The drought of 1980 led to the emergency importation of maize, thus putting an added strain on the foreign exchange resources. Increased petroleum costs in 1979, coupled with declining international prices for Malawi's major export commodities (tobacco, sugar and tea), resulted in a substantial decline in the terms of trade in the face of a growing debt service problem. Policies in 1979-82 made the situation worse. The politicizing of parastatals, expenditures on large government undertakings such as the construction of the International Airport in Lilongwe as well as the Presidential Palace, and excessive credit expansion helped fuel the crisis. Government deficits and foreign and domestic bank borrowing rose significantly over the period from 1979 to 1982. As a result of these factors, inflation accelerated, external debt rose dramatically, and the real growth in gross domestic product declined.

C. Measures Taken to Remedy the Economic Crisis

The GOM is making a determined effort to cope with the economic crisis. It has devalued the kwacha; has limited imports to the most essential commodities and has restrained wage increases. International as well as bilateral donors, conscious of Malawi's past performance and the country's determined effort to resolve the present crisis, have been quick in responding to Malawi's needs. The International Monetary Fund, the World Bank, and the Paris and London Clubs have been especially effective in providing timely help to spur Malawi's economic recovery.

The IMF approved a one-year stand-by arrangement in August 1982 and a three-year extended arrangement in August 1983 amounting to SDA 100 million. The World Bank is providing two Structural Adjustment Loans. During the latter part of 1982, the GOM reached agreement with the Paris and London Clubs to reschedule Malawi's external debt, thereby allowing a more balanced pattern of annual debt service obligations. At a subsequent Paris Club meeting held in October 1983, the member donors unanimously agreed to reschedule debt service payments due in 1983-84. Based on the agreements reached at the Paris Club meeting October 1983, a bilateral U.S.-Malawi debt rescheduling agreement is expected to be finalized by the end of February 1984.

The IMF states that Malawi's performance under the 1982-83 stand-by arrangement program indicates that the process of financial stabilization has begun. The GOM has adopted a program covering the period from April 1, 1983 to September 5, 1986 which is designed to promote structural change in the economy and to address the related problems of low economic growth and financial imbalance. The overall balance of payments is projected to show a change from a deficit of SDR 38.5 million in 1982 to a small surplus in 1986.

There is general optimism among donors about Malawi's brighter future, but there is also consensus that the country needs a greater amount of donors' assistance, on concessional basis. The major objective of the forthcoming Donors' Conference is to make all donors fully aware of Malawi's present situation and seek their cooperation in helping the country regain economic stability.

III. Malawi Donor Conference - Background

According to documents presented by the GOM, the idea of the Donors' Conference resulted from the 1981 U.N. Conference on Least Developed Countries in Paris. As a follow up to the decision taken at that conference, the GOM decided on the February 1984 conference under UNDP auspices and sponsorship.

The purpose of the Conference is to present a request for assistance "from its present and potential partners in development," based on two primary considerations: (1) help Malawi with the medium term stabilization program agreed upon with the IMF under the Extended Fund Facility (EFF) arrangement as well as the Structural Adjustment Credit with the World Bank covering 1983-84 to 1985-86; and (2) review "Malawi's New Programme of Action for the 1980s" adopted at the September 1981 Paris Conference referred to above. The New Programme of Action subsequently has been modified to reflect the more recent economic developments.

Invitation for U.S. participation at the Conference has been through a letter from the GOM to the Secretary of State submitted through the UNDP and the USUN (copies attached). The American Embassy and the AID Mission in Lilongwe have also made a strong appeal for U.S. representation from Washington. The GOM has been notified via our Embassy that Deputy Assistant Administrator for Africa, Philip Birnbaum, will be the AID representative at the Conference. The Malawi Minister of Finance visited various

major-donor countries to elicit participation at the conference. On February 6, 1984, he met with AID Administrator McPherson who reconfirmed that Mr. Birnbaum would attend. The Minister also met with DAS Princeton Lyman during his Washington visit to discuss the forthcoming conference.

IV. U.S. Position

A. Background

U.S. assistance to Malawi in recent years has been in the areas of institutional development for the Bunda Agricultural College and the Polytechnic Institute, agricultural research and water development. In the more distant past we have provided loan assistance to Malawi for road construction. For FY 1984-85 we are considering support for several new projects: (1) Commercial Transportation; (2) Health Institutions; (3) Indigenous Agribusiness and Small Enterprise; (4) Agricultural Research and Extension; and (5) Commercial Fisheries Development.

There is general consensus in AID--and the view is probably shared by other U.S. Government agencies--that there are good reasons for extending and expanding U.S. assistance to Malawi. Aside from the fact that the country has been consistently supportive of U.S. policies, it has performed exceptionally well in making effective use of donors' assistance. Malawi's development efforts have concentrated in areas that bring direct economic and social benefits to the whole population. However, AID does not as yet have a development strategy for Malawi, which would be consistent with the country's needs and our ability to support them. Present plans are for the preparation of a Country Development Strategy Statement (CDSS) for Malawi to begin the latter part of February 1984. Thus, the type of future U.S. assistance to Malawi should be based on recommendations made in the CDSS. It is safe to

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anticipate, however, that two areas of present concentration by AID will continue to require our support: (1) the agricultural sector; and (2) transport. The latter will most likely be more concerned with external transport routes (road and rail) through neighboring countries such as Mozambique and Tanzania which have a direct bearing on Malawi's exports and imports. Malawi's transport problems, therefore, must be considered on a regional basis and will require multi-donor cooperation and support to resolve.

B. The U.S. Position

The GOM has indicated that this is not a pledging conference. It is obvious, however, that they will be expecting more than simply moral support from the participating donors. Accordingly, it is suggested that the U.S. representatives:

- a. note Malawi's current economic crisis caused primarily by external and uncontrollable factors, and indicate our readiness to help within our limited resources;
- b. indicate that we will continue with our present program, with major emphasis in the agricultural sector. We should stress, however, that in spite of agricultural policy changes already adopted by the GOM, additional changes are needed to stimulate greater agricultural production.
- c. stress the need for the GOM to restructure the parastatals which are badly managed and inefficient.
- d. point out that the population growth rate, estimated at 3.1 percent annually, needs focus by the GOM and donors.
- e. in view of the detrimental effects on the Malawi economy caused by the external transport routes, we will work closely with other bilateral and multilateral donors in helping the country cope with this serious situation;
- f. we will work closely with the GOM officials in preparing the CDSS from which we could plan some long-term development programs;

9. finally, consider as a possible issue the pending case of the Chirvas. The appeals court in Malawi has recently upheld the treason conviction and hanging sentence imposed last year on Orton and Vera Chirva. No date has been set for implementing the sentence, which will probably be reviewed by a committee appointed by President Banda. However, the conviction and sentence caused considerable shock last year among legal observers and human rights groups. Is this a subject which the U.S. and other donors should take into consideration regarding our participation and role at the conference?

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AFR/SA:LPompa ²9/84:632-4287:0751V

Clearances:

AFR/SA, RWrin (draft) _____

AFR/SA, RCarlson _____

DAA/AFR, PBirnbaum _____

DAA/AFR, GPatterson _____

AFR/DP, LSaiers/JWolgin (draft) _____

AF/S, SStanfield _____

PPC _____

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February 8, 1984

MEMORANDUM

To: See Distribution

From: AID/PPC/DC, Joan  Dudik-Gayoso

Subject: Malawi Donors' Conference
February 27-29, Lilongwe

The Interagency Review for the Donors' Conference on Malawi will be held on February 14, 2:30 p.m., Room 3668, State Department Building, to consider the U.S. position.

You or your designee are invited to attend. Papers will be distributed before the meeting. For further information contact Leonard Pompa, AFR/SA, 632-4287, or this office 632-8145.

Distribution

Treasury - Mr. Leland
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PPC/DC/UN - Ms. Becker
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State/EB - Mr. English
State/AF/S - Ms. Stanfield



MINISTER OF FINANCE
P.O. BOX 30049
CAPITAL CITY
LILONGWE 3
MALAWI

10th November, 1983

On behalf of the Government of Malawi, I wish to invite you to a conference of bilateral and multilateral aid donors to be held in Blantyre, Malawi, from 27th to 29th February, 1984.

The purpose of the conference is to seek external support for the country's five-year development programme (1983-1987) whose overall objective is to raise the living standard of the people.

The policies to be pursued by Government in the implementation of this programme and the level of resources needed to attain the objectives are stated in the enclosed documents—

Vol. I—Past Performance and Prospects for 1983-87

Vol. II—Project Abstracts

I also enclose for your reference an Information Handbook for delegates. I should be grateful if the names of your delegates, their flight details and, if possible, hotel preference would be communicated to me by 31st January, 1984.

On behalf of the Government of Malawi, I look forward to receiving you or your delegation to this conference.

A handwritten signature in black ink, appearing to read 'L. Chakakala Chaziya'.

L. CHAKAKALA CHAZIYA, M.P.
Minister of Finance

Secretary of State
State Department
Washington, D.C.

UNITED NATIONS
DEVELOPMENT PROGRAMME



PROGRAMME DES NATIONS UNIES
POUR LE DEVELOPPEMENT

OFFICE FOR PROJECTS EXECUTION
304 EAST 45th STREET • 9th Floor
NEW YORK, N.Y. 10017

TELEPHONE: 906-6226

CABLE ADDRESS: UNOPE • NEW YORK

REFERENCE:

15 December 1983

Madam,

I have the honour to refer to the Donors Conference for Malawi, scheduled to be held in Blantyre, 27-29 February 1984.

.... Please find herewith a letter from the Government of Malawi inviting your Government to be represented at the Conference as
.... well as the background documents of the meeting.

It will be greatly appreciated if the invitation and the enclosures would be forwarded to your Government. It will also be appreciated if the names of the delegates, their flight details and, if possible, hotel preference would be communicated by 31 January 1984 to: The Conference Secretary, Ministry of Finance, P.O. Box 30049, Lilongwe 3, Malawi.

Accept, Sir, the assurances of my highest consideration.

A handwritten signature in dark ink, appearing to read 'Bernt Bernander'.

Bernt Bernander
Director
Office for Projects Execution

Permanent Representative
to the United Nations
United States Mission to
the United Nations
799 United Nations Plaza
New York, N.Y. 10017

Action Taken
Initials
Date

1985 CONGRESSIONAL PRESENTATION

COUNTRY: (612) MALAWI

FY 85 CP ECONOMIC AND SOCIAL DATA

BASIC DATA

TOTAL POPULATION.. (THOUSANDS, MID 1983)	6,612
PER CAPITA GNP..... (DOLLARS, 1981)	200
ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81)	2.3%
ANNUAL RATE OF INFLATION (1970-81)	10.3%
NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION.. ()	. %
LIFE EXPECTANCY AT BIRTH, IN YEARS	
(1982) TOTAL 44.7 MALE 43.2 FEMALE 46.3	
(1970) TOTAL 41.6 MALE 40.3 FEMALE 43.0	
ADULT LITERACY RATE () TOTAL .% MALE .% FEMALE .%	

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE (1973-1982)	0.6%
AGRICULTURAL PRODUCTION AS % OF GDP.....(1980)	39%
POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979)	367
MAJOR CROP(S)	
SUBSISTENCE: CORN ,SORGHUM ,PULSES	ARABLE LAND YEAR
CASH: TOBACCO ,CORN ,SUGAR CANE	70% (1982)
	56% (1982)
MAJOR AGRICULTURAL EXPORTS:(1982) TOBACCO ,TEA ,ANIMAL PRODS.	
MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,DAIRY PRODS. ,ANIMAL PRODS.	
PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980)	80%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)	
(1978) 205 (79) 266 (80)	300
TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)	
(1978) 289 (79) 352 (80)	443
DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)	
(1978) -84 (79) -85 (80)	-143
DEFENSE EXPENDITURES,	
AS % OF TOTAL EXPENDITURES.. (1978) 9.9% (79) 13.5% (80) 12.4%	
AS % OF GNP..... (1978) 2.8% (79) 3.9% (80) 3.7%	
OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,	
(\$ MILLIONS, U.S.) (1980) 69 (81) 50 (82) 23	
EQUIVALENT TO 2.1 MONTHS OF IMPORTS (1981)	

FOREIGN TRADE

MAJOR EXPORTS... (1981) TOBACCO ,TEA ,SUGAR	
EXPORTS TO U.S.	
(\$ MILLIONS, US, FOB) (1980) 48 (1981) 79 (1982) 20	
AS % OF TOTAL EXPORTS (1979) 8% (1980) 16% (1981) 28%	
MAJOR IMPORTS....(1980) MANUFACTURES ,MACHINERY ,TRANSPORT EQPT	
IMPORTS FROM U.S.	
(\$ MILLIONS, US, CIF) (1980) 15 (1981) 15 (1982) 7	
AS % OF TOTAL IMPORTS (1979) 4% (1980) 5% (1981) 5%	
TRADE BALANCE(\$ MILLIONS, U.S.)(1979)	-89(80) -47(81) 5
TRADING PARTNERS: UNITED KINGDOM ,SOUTH AFRICA ,UNITED STATES	
EXTERNAL PUBLIC DEBT AS % OF GNP (1981)	53.0%
SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,	
(\$ MILLIONS, U.S.)..... (1981) 89	
AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (1981)	31.1%

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 2.3% (1978) 3.0% (1983) 3.2%	
POPULATION IN URBAN AREAS.....(1970) 6% (1980) 10%	
LIVE BIRTHS PER 1,000 POPULATION.....(1970) 52 (1983) 54	
MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (1977) 1.0%	
POPULATION (1980) IN AGE GROUP:	
(0-14YRS) 47.3% (15-64YRS) 48.9% (65+ YRS) 3.8%	
INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 164	
PEOPLE PER PHYSICIAN..... (1979) 41,607	
MAJOR CAUSES OF DISEASE (1981) MALARIA ,MEASLES ,INTESTINAL INFEC DEATH.. (1977) GASTROINTESTINAL ,FLU & PNEUMONIA ,MALARIA	
PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1977) 97%	
POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1980) 33%	
TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:	
PRIMARY..... (1979) TOTAL 59.0% MALE 70.0% FEMALE 48.0%	
SECONDARY..... (1979) TOTAL 4.0% MALE 5.0% FEMALE 2.0%	
POST SECONDARY.. (1976) TOTAL 0.2% MALE 0.4% FEMALE 0.1%	
ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) 16.4%	

U.S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. Fiscal Years - Millions of Dollars)

ECONOMIC PROGRAMS OF ALL DONORS
(Millions of Dollars)

COUNTRY MALAWI

PROGRAM	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82
	1978	1979	1980	1981	1982			
	I. ECONOMIC ASSISTANCE - TOTAL	3.3	4.1	5.9	9.5			
Loans	-	-	-	2.2	-	33.1	5.7	27.4
Grants	3.3	4.1	5.9	7.3	8.7	49.3	-	49.3
a. A.I.D. and Predecessor Agencies	3.1	3.5	4.4	6.0	7.7	53.2	5.4	57.8
Loans	-	-	-	-	-	30.9	5.4	25.5
Grants	3.1	3.5	4.4	6.0	7.7	32.3	-	32.3
(Economic Support Fund)	-	-	-	-	-	-	-	-
b. Food for Peace (PL 480)	0.2	0.2	1.1	2.9	0.1	7.5	0.3	7.2
Loans	-	-	-	2.2	-	2.2	0.3	1.9
Grants	0.2	0.2	1.1	0.7	0.1	5.3	-	5.3
Title I: Total Sales Agreements	-	-	-	2.2	-	2.2	0.3	1.9
Repayable in U.S. Dollars - Loans	-	-	-	2.2	-	2.2	0.3	1.9
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	2.2	0.3	1.9
Title II: Total Grants	-	-	-	-	-	-	-	-
Emerg. Relief, Econ. Develop. & World Food Program	0.2	0.2	1.1	0.7	0.1	5.3	-	5.3
Voluntary Relief Agencies	0.2	0.2	1.1	0.7	0.1	4.7	-	4.7
Other	-	-	-	-	-	0.6	-	0.6
c. Other Economic Assistance	*	0.4	0.4	0.6	0.9	11.7	-	11.7
Loans	-	-	-	-	-	-	-	-
Grants	*	0.4	0.4	0.6	0.9	11.7	-	11.7
Peace Corps	*	0.4	0.4	0.6	0.9	11.7	-	11.7
Narcotics	*	0.4	0.4	0.6	0.9	11.7	-	11.7
Other	-	-	-	-	-	-	-	-
II. MILITARY ASSISTANCE - TOTAL	-	-	-	*	0.1	0.1	-	0.1
Credits or Loans	-	-	-	*	0.1	0.1	-	0.1
Grants	-	-	-	-	-	-	-	-
a. MAP Grants	-	-	-	-	-	-	-	-
b. Credit Financing - FMS	-	-	-	-	-	-	-	-
c. Military Assistance Service-Funded (MASF) Grants	-	-	-	*	0.1	0.1	-	0.1
d. Transfers from Excess Stocks	-	-	-	-	-	-	-	-
e. Other Grants	-	-	-	-	-	-	-	-
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	3.3	4.1	5.9	9.5	8.8	82.5	5.7	76.8
Loans	-	-	-	2.2	-	33.1	5.7	27.4
Grants	3.3	4.1	5.9	7.3	8.8	49.4	-	49.4
Other U.S. Government Loans and Grants	-	-	-	-	-	-	-	-
a. Export-Import Bank Loans	-	-	-	-	-	-	-	-
b. All Other Loans	-	-	-	-	-	-	-	-

* LESS THAN \$50,000.

A. ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1981	FY 1982	FY 1983	FY 1984-85
TOTAL.....	152.8	29.2	57.0	574.7
IBRD.....	66.0	0.0	0.0	75.2
IFC.....	2.9	5.5	0.0	26.0
IDA.....	74.0	11.3	56.4	324.9
IDB.....	3.0	0.0	0.0	0.0
ADB.....	3.0	0.0	0.0	0.0
AFDB.....	14.5	8.6	0.6	86.0
UNDP.....	7.1	3.3	0.0	39.8
OTHER-UN.....	3.3	0.0	0.0	5.3
EEC.....	5.0	0.0	0.0	14.5

B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE

1. O.A.C. COUNTRIES (Gross Disbursements)

	CY 1981	CY 1982	CY 1978-82
United States	4.0	4.0	19.0
United Kingdom	30.3	23.6	143.1
Germany Fed. Rep.	29.9	21.7	134.3
Canada	10.0	6.6	85.9
Japan	9.9	5.7	36.8
Other	8.2	6.8	55.6
Total	92.3	68.4	474.7

2. O.P.E.C. COUNTRIES (Gross Disbursements)

C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES

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MALAWI

PROGRAM SUMMARY								
<i>(In millions of dollars)</i>								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	--	--	--	--	--	--	--	--
Grants	7,088	3,623	--	731	2,734	--	--	--
Total	7,088	3,623	--	731	2,734	--	--	--
1984								
Loans	--	--	--	--	--	--	--	--
Grants	7,600	3,000	1,400	1,000	--	2,200	--	--
Total	7,600	3,000	1,400	1,000	--	2,200	--	--
1985								
Loans	--	--	--	--	--	--	--	--
Grants	10,000	4,400	1,800	1,800	--	2,000	--	--
Total	10,000	4,400	1,800	1,800	--	2,000	--	--

FY 1985
PROGRAM HIGHLIGHTS

- Expanded private indigenous Malawi capacity for international transport of exports and imports, reducing Malawi's dependence on foreign firms and saving foreign exchange. (\$2.0 million)
- Upgraded primary health care and expanded family planning services available to Malawian villagers, decreasing infant mortality rate and the population growth rate. (\$3.6 million)
- Reorganized and improved agricultural and fisheries research and extension systems, increasing employment opportunities and assuring food security without decreasing the production of export crops or using foreign exchange for food imports. (\$4.4 million)

MALAWI

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	--	--	--
Grants	3,811	8,637	11,052
Total AID	3,811	8,637	11,052
P.L. 480**			
Title I (of which Title III is)	--	--	--
Title II	228	261	348
Total P.L. 480	228	261	348
Total AID and P.L. 480	4,039	8,898	11,400

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	5	6	7
PASA ^c	--	1	1
Contract	2	2	2
Total	7	9	10
Participants ^d			
Noncontract	10	12	12
Contract	10	12	12
Total	20	24	24

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

P.L. 480 PROGRAM SUMMARY
(000 MT/DOU)

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I						
Wheat	--	--	--	--	--	--
Rice	--	--	--	--	--	--
Feedgrains	--	--	--	--	--	--
Vegoil	--	--	--	--	--	--
Non-food	--	--	--	--	--	--
Title I Total (of which Title III is)		--		--		--
Title II						
Voluntary Agencies		--		--		--
World Food Programs		228		261		348
Gov't-to-Gov't		--		--		--
Title II Total		228		261		348
Total P.L. 480		228		261		348

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Development Overview

Nyasaland became the independent state of Malawi on July 6, 1964. At that time, the country not only lacked sufficient human, capital and natural resources to embark upon a promising future, but had difficulty maintaining its already low standard of living. Furthermore, Malawi's landlocked status has, through the years, led to a number of adverse effects including rising import costs, lowered export revenues and unreliable transportation links to sea ports in a volatile region.

However, Malawi was not without important advantages. First, it had a relatively homogeneous tribal/linguistic structure. Secondly, there was fertile land with a wide range of climatic and soil conditions that permitted a variety of crops and forest products to be grown. Third, the country has had political stability and a pragmatic economic policy framework.

The development strategy adopted by the Government of Malawi (GOM) at independence was highly appropriate to the country's geographic location and resource endowment. First, economic growth was accelerated by emphasizing agricultural production for exports while maintaining food self-sufficiency, undertaking efficient import substitution activities and agricultural processing. Foreign and domestic capital, both financial and human, was encouraged to participate fully in this process. Secondly, economic growth was to be efficient in that it would reflect the true costs of resources and respond to market forces. Historically, exchange rates have been kept realistic, real interest rates positive and wages low reflecting the abundance of unskilled labor. GOM policies and expenditures indicate that it has largely confined itself to providing infrastructure and services which could not be efficiently or optimally provided by the private sector. At the same time, however, it has ensured Malawian control, through a system of statutory bodies which own large portions of the economy. In short, private enterprise in Malawi is to an extent government owned yet fully responsive to market forces. As a result, the distortions and inefficiencies which characterize many other countries in sub-Saharan Africa are absent in Malawi.

Malawi has achieved striking success in the face of enormous odds. From 1973 to 1979, the real gross domestic product grew at 6.1 % per annum. These gains have generally been distributed equitably. The relative share of GDP accounted for by Government services has remained fairly constant over time - an indicator that the GOM is not expanding at a faster rate than the economy. Until recently, exports expanded at the same rate as imports (about 15% annually from 1964 to 1980).

Since 1979 a combination of events has caused a marked deterioration in Malawi's economic situation. Droughts led to the temporary importation of maize in 1981. Periodic interruptions in the rail routes in Mozambique due to guerilla activity and poor track maintenance have impeded the movement of imports and exports. This has substantially raised transport costs and led to shortages of fuel, fertilizer and other critical imports. Increased

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petroleum costs in 1979 coupled with declining international prices for Malawi's major exports (tobacco, sugar and tea) resulted in a substantial decline in the terms of trade in the face of a growing debt service problem. Government deficits and foreign and domestic bank borrowing rose significantly over the period from 1979 to 1982. As a result of these factors, inflation accelerated, the external debt rose dramatically, and the real growth in gross domestic product declined.

The GOM has attempted to come to grips with its problems. Malawi devalued its currency by 15% in April 1982 and by 12% in September 1983, increased producer prices for the 1982/1983 growing season (which led to a maize surplus for export), and accepted ceilings on non-concessional foreign borrowing and net (domestic) bank credit. In January 1982, bilateral donors agreed to reschedule debts for a one year period with a provision for further rescheduling if the economic situation warrants. That provision was exercised in November 1983 when donors agreed to reschedule debts for a second year.

Malawi's record of growth and development from 1974 to 1979, against formidable odds, offers proof that the GOM has embarked on a correct development strategy. Accordingly, the economic decline of 1979-1983 can best be seen as an aberration. At the same time, however, there are major difficulties on the horizon that could darken the prospects of even the best development strategy. It is to these difficulties, and how A.I.D. can best relate to their amelioration, that the A.I.D. program must now turn.

Malawi has one of the few open-market export-oriented economies in sub-Saharan Africa. Furthermore, domestic and foreign policies are developed in a rational manner and are periodically reviewed in terms of their relevancy. The GOM is quick to consider policy reforms when reasonable alternatives are presented.

In terms of domestic policy performance, the following major examples are cited:

Malawi is one of the few countries on the continent to have consistently achieved self-sufficiency in food production each year since independence, excepting the drought-induced need for corn imports in 1981. The GOM has not put in place policies which undermine the economic viability of smallholder farms by placing unrealistically low limits on producer prices to subsidize urban consumption. On the contrary, the profit motive is the foundation upon which the agricultural sector has been built.

U.S. Interests and Objectives

(1) Malawi has been traditionally hospitable to private enterprise and foreign investment. The economy is largely market-oriented with strong government intervention through monetary and fiscal policies, price and trade controls, regulatory activities and direct participation of public statutory enterprises. The GOM will grant exclusive licensing to foreign investors for a given period. Imported inputs are either duty free or are charged a low rate. Foreign investors receive attractive tax incentives and

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depreciation allowances. Also, there are relatively few restrictions on the number of expatriates who may be hired and on profit and dividend repatriation.

(2) GOM officials actively participate in the design, implementation and evaluation of development projects and are quick to point out areas for improvement on either the donor or the GOM's part. The GOM does not accept aid just because it might be available. It consistently raises questions about recurrent costs and other costs to the GOM, emphasizing the need for sustainability. The GOM also questions the ability of donors, when warranted, to provide certain types of assistance. The GOM is cognizant of the strengths and weaknesses of each donor and tailors its requests for assistance accordingly.

(3) The country has achieved a unique record of political stability. Malawi is not experiencing significant social or political problems. The Malawi Congress Party, the sole political party, has a dynamic structure from the national to the grassroots levels. At the village level, elected party officials participate in development committees that present the collective desires of villagers to appropriate government officials. The country's crime rate is extremely low. Corruption among political and Government officials has been traditionally rare.

Malawi's foreign policy has been consistently pro-Western, anti-communist and emphasizes dialogue rather than confrontation. For example, Malawi favors peaceful resolution of international conflicts, most especially those in southern Africa (e.g. Malawi supported the emergence of majority-ruled Zimbabwe and supports U.S. efforts for a negotiated settlement in Namibia). Malawi also has supported the U.S. on issues such as Lebanon, Grenada, Afghanistan, and the taking of hostages in Iran.

In sum, U.S. interests and objectives are best served by encouraging the GOM to continue with its open-market economy and its rational domestic and foreign policies. The U.S. Government should provide financial and other types of support to insure that Malawi will not only survive within an increasingly volatile region but may indeed serve as a development model for other countries.

A.I.D. Development Strategy

After nearly 20 years of uninterrupted growth, Malawi is facing an economic crisis due to its inability to transport fertilizer and other essential commodities via rail links through Mozambique. As a result, fertilizer, petroleum products and other basic commodities have to be imported through South African ports and transported to Malawi via Zimbabwean and Zambian road and rail links. The transport problem has also delayed or stopped the export of cash crops, such as tobacco, tea, sugar and cotton. The problem is exacerbated by the fact that the Malawi private sector does not have an international trucking capability. Therefore, the country must rely on South African, Zambian and Zimbabwean truckers for transport of its exports and imports.

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A.I.D. funded a transport sector survey in 1983 to assess the magnitude of the problem and to identify alternatives. The survey led A.I.D. to consider a project for the establishment of private Malawian trucking companies, thus discouraging the possible creation of a parastatal to fill the indigenous trucking void. Furthermore, this private sector trucking effort will save foreign exchange and generate spin-off activities, such as truck repairs and servicing businesses.

Policy dialogue in the population area during FY 1982 and FY 1983 yielded encouraging results. Discussions began in earnest when the Futures Group, a centrally-funded A.I.D. contractor, sent a representative to Malawi to organize a computer presentation for senior GOM officials regarding the impact of unabated population growth on Malawi's long-term development. As a result, the GOM requested A.I.D. support in initiating a family planning component as part of our health activity. Family planning will remain a core element of the USAID strategy over the long term since any gains made in other sectors will be negated unless the population growth rate is slowed significantly.

Substantial progress has been made in the health sector through the effective implementation of a well-designed gravity-fed water project. An FY 1983 GAO audit and A.I.D. evaluation of the self-help rural water project clearly demonstrated that this project is providing significant health, economic and social benefits to more than 400,000 Malawians. Therefore, A.I.D. is examining the possibility of a follow-on rural water project to provide the GOM with the additional resources needed to reach its goal of 100% water coverage of villages by the year 2000.

At present, Malawi is self-sufficient in food and earns its foreign exchange through agricultural exports. However, the best arable land is already under production. Fish production, which supplies 70% of the animal protein consumed, is declining. Fuelwood stocks are being depleted faster than replacement trees can produce.

An evaluation of the A.I.D.-supported agricultural research project in FY 1982 confirmed that Malawi's current food self-sufficiency status is no accident but a result of favorable GOM policies. However, it was also noted in the same evaluation that this status would not be maintained if the GOM did not immediately address a number of structural weaknesses in the country's agriculture and fisheries research and extension systems. Research activities are being planned in collaboration with the National Rural Development Program (NRDP), which is a comprehensive GOM effort to distribute equitably the benefits of development to more than one million smallholders. Extension workers generally receive adequate training but do not have sufficient new and/or relevant technical information to disseminate. The GOM has recognized these structural weaknesses and has initiated the preparation of a 15-year comprehensive master plan for agricultural research, extension and training. The IBRD and A.I.D. have been actively involved in policy dialogue on the plan; however, progress has been slow.

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It is clear that Malawi cannot maintain its current food self-sufficiency status without sustained agricultural research linked with an effective extension system. While A.I.D. is the only donor which now provides effective support for agricultural research, the IBRD is active in rural development programs and has indicated an interest in support for research. Thus, A.I.D. believes it should continue to take a major role in agricultural research and extension in conjunction with IBRD in order to expand production and productivity in the agriculture sector.

A.I.D. Program (FY 1983-84)

FY 1983: The major sectors of emphasis were, in priority order, agriculture, education and health. Private enterprise activities were initiated as an integral component in each of those sectors, not as a separate sector.

A. In agriculture, a \$795,000 grant was provided to a private voluntary organization (Save the Children) to undertake a rural development project in northern Malawi aimed at exploring new techniques in interfacing among rural communities and local development officials under the NRDP. A.I.D. undertook a major effort in 1983 to lay the groundwork for increased agro-business productivity and expanded U.S. investment in Malawi. This effort involved (1) a \$2,828,000 grant to Partnership for Productivity to expand Malawi's traders trust's capacity to provide high quality advisory support to rural traders and retailers, and (2) a U.S. private sector financed initiative to explore parastatal divestiture possibilities. As a result, several private U.S. businessmen expressed an interest in equity investments in divested components of a major parastatal (Spearhead). Subsequently, about \$150,000 from the Private Enterprise Bureau was committed to carry out a detailed feasibility study on the profit potential for beef exports to Egypt and the Middle East and for export of high value, low volume agricultural exports (coffee, macademia nuts, canned foods, etc.) to other countries. In line with long-range agro-industrial development efforts, the GOM requested and received a \$100,000 grant from the Trade and Development Program to undertake a hydroelectric plant expansion feasibility study.

B. In education, we provided a final tranche of \$2,734,000, for a total of \$8,314,000, to expand the capacity of the Polytechnic Institute to train engineers for the private and public sectors. Also, nearly \$400,000 in central A.I.D. grant funds was provided under the African Manpower Development project for graduate training and for short-term specialized training for key University of Malawi faculty members and GOM officials.

C. In health, a final tranche of \$731,000 was provided to fully fund the highly successful \$6.0 million Self-Help Rural Water Support project.

FY 1984:

A. In agriculture and rural development, \$455,000 million will be provided for a Rural Private Sector Development Project (612-0220) to establish agro-business revolving credit funds within the Malawi Union of Savings and Credit Cooperatives, a smallholder organization, and within the Investment

and Development Bank of Malawi, a non-government, autonomous, supervised credit institution geared toward assisting small to middle level agro-businesses. A.I.D. also plans to provide \$2,045,000 for the Rural Enterprises and Agribusiness Development Institutions project (612-0214) and \$500 thousand to extend the Agricultural Research project (612-0202) by one year. The extension of the project is necessary because of the delay in the development of the follow-on Agricultural Research and Extension project, which is contingent upon Ministry of Agriculture producing an acceptable long-term plan for research, extension and training.

B. In health and family planning, an initial \$2,400,000 (1,400,000 from population account and \$1,000,000 from health account) will be provided to begin a health institutions project which has a major family planning component.

C. Selected development activities, \$2.2 million will be provided to cover costs for the first phase of Commercial Transport project (612-0218).

Requested Year Program (FY 1985)

A. In Agriculture and Rural Development, \$1.0 million will fund the first phase of the Agricultural Research and Extension project (612-0215); \$1.0 million will be used for the Commercial Fisheries project (612-0217), scheduled to begin in FY 1985; and \$2.4 million will continue funding the Indigenous Agribusiness-Small Enterprise project (612-0214).

B. In Health and Family Planning, \$1.8 million from the Population account and \$1.8 million from the Health account will be used to fund the ongoing Health Institutions project (612-0211).

C. In Selected Development Activities, \$2.0 million will be used for the ongoing Commercial Transportation project (612-0218).

A.I.D. REPRESENTATIVE: Sheldon Cole

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: MALAWI

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH OBLIG ATIONS	FY93- EXPENDI TURES	-ESTIMATED OBLIG ATIONS	FY94- EXPENDI TURES	-PROPOSED OBLIG ATIONS	FY95- EXPENDI TURES	CP 85
AGRICULTURE, RURAL DEV. AND NUTRITION											
BUNDA AGRICULTURAL COLLEGE	G 612-0054	76	79	4,097	4,097	4,097	3,810	---	287	---	---
AGRICULTURAL RESEARCH	G 612-0202	79	84	9,000	9,500	9,000	4,317	500	2,000	---	2,000
MALAWI UNION OF SAVINGS COOP DEV (PVO)	G 612-0205	80	81	750	760	760	458	---	200	---	102
RURAL ENTERPRISES & AGRIBUSINESS DEVELOP	G 612-0214	84	86	---	5,100	---	---	2,045	500	2,400	750
AGRICULTURAL RESEARCH AND EXTENSION	* G 612-0215	85	88	---	15,000	---	---	---	---	1,000	450
COMMERCIAL FISHERIES DEVELOPMENT	* G 612-0217	85	87	---	5,000	---	---	---	---	1,000	500
MANAGEMENT ASSIST. TO RURAL TRADERS (PVO)	G 612-0219	83	83	2,828	2,828	2,828	---	---	500	---	500
RURAL DEVELOPMENT LINKAGES (PVO)	G 612-0220	83	84	1,022	1,250	795	---	455	250	---	250
TOTAL FOR ACCOUNT GRANTS				17,707	43,555	17,480	8,585	3,000	3,737	4,400	4,552
LOANS				17,707	43,555	17,480	8,585	3,000	3,737	4,400	4,552
POPULATION PLANNING											
HEALTH INSTITUTIONS DEVELOPMENT	G 612-0211	84	86	---	6,000	---	---	1,400	500	1,800	750
TOTAL FOR ACCOUNT GRANTS				---	6,000	---	---	1,400	500	1,800	750
LOANS				---	6,000	---	---	1,400	500	1,800	750
HEALTH											
RURAL WATER	G 612-0207	80	83	6,000	6,000	6,000	1,944	---	1,200	---	1,500
HEALTH INSTITUTIONS DEVELOPMENT	G 612-0211	84	86	---	6,000	---	---	1,000	200	1,300	750

* Refers to the planned project summary sheet

C Level of effort category

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

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SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

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01/19/84

PROGRAM: MALAWI

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83-		-ESTIMATED FY84-		-PROPOSED FY85-		
					OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	
TOTAL FOR ACCOUNT GRANTS LOANS				6,000 6,000 ---	12,000 12,000 ---	6,000 6,000 ---	1,944 1,944 ---	1,000 1,000 ---	1,400 1,400 ---	1,800 1,800 ---	2,250 2,250 ---
EDUCATION AND HUMAN RESOURCES											
MALAWI POLYTECHNIC INSTITUTE	G 612-0201	80	83	8,314	8,314	8,314	759	---	1,500	---	2,000
TOTAL FOR ACCOUNT GRANTS LOANS				8,314 8,314 ---	8,314 8,314 ---	8,314 8,314 ---	759 759 ---	---	1,500 1,500 ---	---	2,000 2,000 ---
SELECTED DEVELOPMENT ACTIVITIES											
COMMERCIAL TRANSPORTATION	G 612-0218	84	87	---	7,000	---	---	2,200	1,500	2,000	1,500
TOTAL FOR ACCOUNT GRANTS LOANS				---	7,000 7,000 ---	---	---	2,200 2,200 ---	1,500 1,500 ---	2,000 2,000 ---	1,500 1,500 ---
TOTAL FOR COUNTRY GRANTS LOANS				32,021 32,021 ---	76,849 76,849 ---	31,794 31,794 ---	11,288 11,288 ---	7,600 7,600 ---	8,637 8,637 ---	10,000 10,000 ---	11,052 11,052 ---

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column -- All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

PROGRAM: MALAWI

PLANNED PROGRAM SUMMARY SHEET

Title Agriculture Research and Extension		Funding Source	AG, RD & N	Health	PROPOSED OBLIGATION (In thousands of dollars)		
Number 612-0215	<input checked="" type="checkbox"/> NEW	Population	1,000 ED. & HR	Sel. Act.	FY 1985 1,000 Initial Obligation	Life of Project Funding 15,000	Estimated Final Obligation
<input checked="" type="checkbox"/> GRANT <input type="checkbox"/> LOAN	<input type="checkbox"/> CONTINUING				FY 1985	FY 1988	Estimated Completion Date of Project FY 1989

Purpose: To help the Government of Malawi (GOM) strengthen agricultural research and increase the effectiveness of the extension service to meet the needs of smallholders.

Project Description: This project will help identify the problems of the smallholders, will introduce solutions to those problems, and initiate problem-oriented research. The project is a rational evolution of the current Agricultural Research Project (612-0202). An evaluation of that project confirmed the need for (1) a comprehensive research and extension program to develop a system for research planning and setting priorities, and (2) the introduction of adaptive research approach involving research, extension and farmers in program identification, and evaluation of solutions. The adaptive research approach will insure farmer participation, particularly by women who account for up to 70% of the farm labor in some areas of the country. A study, completed in October 1983 by a joint Malawi/IBRD/USAID team, resulted in a master plan for research and extension. Thus, the new project will build on the foundation established by the current project and implement the initial phase of the master plan for research and extension. During recent policy dialogue, the Ministry of Agriculture agreed to the following: a research policy/planning unit, multidisciplinary food crop research teams, strengthened joint research/extension adaptive research units in all eight development divisions, and improved technical capability of extension staff to participate in the joint research/extension/farmer adaptive research activities in the field. USAID is expected to finance technical assistance and training components while the IBRD and other donors finance commodities and the construction of additional physical facilities.

Relationships to A.I.D. Country Strategy: The A.I.D. country strategy states that the continued growth of the Malawian economy—especially in terms of economic output and employment—will have to be achieved through improved international transportation links; a reduction in the population growth rate; an increase in the productivity of agricultural

producers, especially smallholders; and a greater diversification of agricultural export crops, especially commodities having low bulk and high value and labor intensive production techniques. The proposed Agricultural Research and Extension project directly addresses the latter two objectives. Continued assistance to the agricultural research and extension system is required to insure the development of a viable agricultural sector which provides the nation's food requirements, employment and income for Malawi's rural population, and continues to earn the foreign exchange needed by the economy. Malawi has reached the point where production cannot be expanded by bringing new lands into production. It is equally critical for the Malawian economy to maintain food self-sufficiency and increase agricultural exports. Thus, it must increase productivity of existing agricultural resources. An effective and efficient research and extension system, when coupled with an adequate agricultural credit and input delivery system, is expected to lead to greater agricultural productivity.

Host Country and Other Donors: In the proposed five-year project, A.I.D. will provide technical assistance and training estimated at \$15 million. The IBRD is expected to provide support for capital development and commodities estimated at \$28 million. The GOM contribution will be about \$10 million for participant's salaries, general support for U.S. technicians, local costs for construction and in-country travel.

Beneficiaries: The smallholder farmers, both men and women, who make up about 85% of Malawi's total population of 6.6 million will be the intended project beneficiaries. Benefits to this large and important group of people will be continued rural employment, assured income through diversifying farm enterprises, and improved nutrition as new varieties of fruits and vegetables are introduced into farming systems.

PROGRAM: MALAWI

PLANNED PROGRAM SUMMARY SHEET

Title Commerical Fisheries Development		Funding Source	AG. RD & N	Health	PROPOSED OBLIGATION (In thousands of dollars)	
Number 612-0217	<input checked="" type="checkbox"/> NEW	Population	1,000 ED. & HR	Set. Act.	FY 1985 1,000 Initial Obligation	Life of Project Funding 5,000
<input checked="" type="checkbox"/> GRANT	<input type="checkbox"/> LOAN	<input type="checkbox"/> CONTINUING			FY 1985	Estimated Final Obligation FY 1987
						Estimated Completion Date of Project FY 1989

Purpose: The purpose of the project is to promote conservation of the natural resources of Lake Malawi and to increase the efficiency for utilizing fisheries resources on a long term and sustainable basis.

Project Description: Lake Malawi is one of the country's most valuable resources. It has a large and diverse fish population (500 plus species of fish) which are a major protein source for human consumption and a minor source of foreign exchange earnings. However, over the past five years, annual catches have declined and it is evident from the examination of catches that the fish stock is being depleted. The Department of Fisheries, which is responsible for the efficient utilization and conservation of fisheries resources, has been hampered by a variety of constraints. These constraints include (1) poor linkages between fisheries extension personnel and fisherman; (2) the lack of a capability by the Department of Fisheries to monitor, analyze and interpret information on fish stocks essential to manage the utilization rate and methods of fisheries resources; (3) inadequate fish processing and/or inefficient methods of cold storage and marketing; and (4) a lack of credit for fishermen to modify traditional fishing methods in a manner which would maintain present income levels and reduce over fishing of the preferred varieties. This project will examine and test alternative extension and credit facilities for fishermen. The Department of Fisheries will work with the existing credit institutions - The Malawi Union of Savings and Credit Cooperatives and the Investment and Development Bank of Malawi - in developing a credit program for fishermen. Technical assistance will also be provided to small entrepreneurs in the area of fish processing, cold storage and marketing facilities. The project will also enhance the capacity of the Department of Fisheries to collect, analyze and interpret the current status and trends in fish species, population, and potential catch in lakes, streams and ponds. Mid-level Department of Fisheries staff will receive intensive in-service and academic training to improve the technical and policy making skills of current staff and to

qualify Malawian staff for promotion into senior positions which are currently held by expatriates or are vacant. The extension staff will receive training in educational methodology so that they can work effectively with fishermen to assist them resolve production constraints, increase the efficiency of fish catches and jointly implement actions to sustain or increase current fish stocks.

Relationship to A.I.D. Country Strategy: Maintaining self-sufficiency in food production will stabilize or increase rural employment and contribute to the national protein supply. This directly relates to the A.I.D. strategy of increasing employment and rural productivity. The project will also place Malawi in a better position to carry out its responsibility in SADCC as the lead country for fisheries.

Host Country and Other Donors: Malawi's Department of Fisheries includes research, extension, marketing and fish farming sections. The Department operates the Mpwepe Fisheries Training Center and supplies some teaching staff for the Natural Resources College. The British support several operational positions at the college. The European Development Fund supports development of commercial trawling and fish farms. Research is supported by the U.S. National Science Foundation and the British. The United Nations, through its FAO, developed the Fisheries Data Collection System which is currently in use. The A.I.D. project proposes to support those areas not currently addressed by any donor - that is, improving fisheries extension, provision of credit to fishermen and development of a private sector response in the areas of fish processing, cold storage and marketing. The GOM contribution to this project is estimated to be \$1.0 million.

Beneficiaries: The beneficiaries of this project will be indigenous fishermen, who will be assured continued employment and adequate income, and rural and urban people who rely on fish for 70% of the animal protein in their diet.



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THE REPUBLIC OF MALAWI

**INTERNATIONAL CONFERENCE
OF PARTNERS
IN ECONOMIC DEVELOPMENT**

PAST PERFORMANCE AND PROSPECTS FOR 1983-1987

VOLUME I



THE REPUBLIC OF MALAWI

INTERNATIONAL CONFERENCE OF PARTNERS
IN ECONOMIC DEVELOPMENT

VOLUME I : PAST PERFORMANCE AND PROSPECTS FOR 1983-87

MINISTRY OF FINANCE
LILONGWE

ECONOMIC PLANNING DIVISION
OFFICE OF THE PRESIDENT
AND CABINET
LILONGWE

NOVEMBER 1983

REPUBLIC OF MALAWI

to

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FOREWORD

- 1.1 In September 1981, the United Nations Conference on Least Developed Countries was convened in Paris. As a follow-up to the decision taken at that Conference, the Government of Malawi has decided to hold a conference of the international community in February 1984, in Malawi, under UNDP auspices and sponsorship.
- 1.2 The purpose of the Conference is to present a request for assistance from its present and potential partners in development.
- 1.3 The request for donor assistance is primarily based on a medium term stabilization programme agreed upon with the IMF under an EFF arrangement, and a Structural Adjustment Credit with the World Bank, covering 1983/84 to 1985/86. Consideration has also been taken of Malawi's New Programme of Action for the 1980s adopted at the Paris Conference in September 1981, which was subsequently modified to confirm with the prevailing economic circumstances.
- 1.4 This document is intended to make known to the donor community Malawi's development objectives, policies, strategies, programmes and the financial requirements of the programme package.
- 1.5 The primary goal of Malawi's development policies is to continue to raise the standard of living of the entire population on the basis of full participation in the development process and equitable distribution of the benefits therefrom. With this objective in mind, the people of Malawi firmly believe and know that they will bear the primary responsibility of successfully undertaking the envisaged development programme.
- 1.6 Given that Malawi is essentially a society in which the majority of people live in rural areas, it is clear that there cannot be real social and economic development in the country unless the standard of living of this majority is improved. Consequently, Government efforts have been directed in boosting agriculture, the mainstay of the economy. Previous efforts to stimulate rural development and agricultural production have in general resulted in some of the most effective regional programmes in the Third World.

- 1.7 Malawi's pragmatic approach to development planning, prudent financial management and accounting have been instrumental in attracting many partners in development from various countries and international organizations. The present programme envisages a strengthening of the country's planning capabilities and absorptive capacity to ensure efficient resource allocation and management so as to achieve the stated objectives of the programme.
- 1.8 The development programme presented in this document calls for greater effort in both domestic and foreign resource mobilization. The nature and level of financial aid flows requested for are presented in two volumes. Volume I is the main report which covers past performance and the future prospects for Malawi while Volume II details Sectoral programmes and projects in the public sector investment programme. In addition, an Appendix is included which presents maps of development projects throughout the country.
- 1.9 It is the firm belief of Government that an open and constructive dialogue with its partners in development will achieve tangible results for the benefit of the people of Malawi.

CHAPTER ONE

BACKGROUND

PHYSICAL AND ECONOMIC SETTING

- 1.1 Malawi, is a landlocked country with a total area of 118,484 Square Kilometres of which 94,276 Square Kilometres is land, and 24,208 Square Kilometres is water.
- 1.2 Geographically, Malawi is dominated by Lake Malawi, Africa's third largest lake. Malawi experiences a tropical continental climate. Temperature and rainfall are greatly influenced by the lake and altitude, which varies from 37 to 3,050 metres above sea level. Malawi has three seasons: the dry, the cool and the wet. The rainy season extends from November to April. Annual rainfall varies between 635 to 3050 mm. Because of the wide range in climate, both tropical and sub-tropical crops are produced, such as maize, groundnuts, tobacco and cotton. Timber trees, tea and rubber are especially suited to high rainfall areas.
- 1.3 The population in 1983 is estimated at 6,430,000 with an average density of 68 persons per square kilometre. The population growth rate is estimated at 2.6 per cent per annum.
- 1.4 Maize, groundnuts and cassava are grown mainly for subsistence and tobacco, tea, sugar and cotton are the main exports. Mineral resources such as coal, bauxite, apatite and uranium are known to exist, but have not yet proved economically exploitable.
- 1.5 Industrial development, mainly agroindustry, is directed toward both import substitution and export markets. Although its finance depends largely on foreign sources, the Government also encourages small-scale local entrepreneurs chiefly through statutory bodies.
- 1.6 Average life expectancy at birth is 42 years, while infant mortality is 130 per thousand live births in rural areas. Population per physician is 41,000 and per nursing person, 3,800. About 36 per cent of the adult population are literate.

ECONOMIC STRUCTURE AT INDEPENDENCE

- 1.7 When Malawi won its political independence from Britain in 1964, a number of features characterised the economy and hampered development.
- 1.8 The inherited structure of Government was geared to administration, not development. Development at independence was concentrated in the Southern Region while the Central and Northern Regions were neglected. The recurrent expenditure that was shouldered at the time of independence was higher than the nation's revenue-generating capacity and budget deficits were covered by U.K. grants. Expertise to formulate and implement development policy was lacking and the country was heavily dependent on expatriate expertise. There was no capital to exploit physical resources, and domestic savings were almost non-existent. Almost all capital formation was financed from foreign sources. The absence of any lucrative mineral resources attracted little outside interest. The economic infrastructure at independence was at a very early stage of development and concentrated in the relatively richer South and transport links with the other regions were poor. Due to its landlocked position, Malawi had to rely on railway routes and ports in Mozambique
- 1.9 The economy was largely subsistence and non-monetary output accounted for about half of GDP. At independence, Malawi's agriculture accounted for 55 per cent of GDP, 90 per cent of domestic exports and 90 per cent of the resident labour force was engaged in this sector. Agriculture was composed of two subsectors, smallholder agriculture and estate agriculture. The former was basically a subsistence sector, which provided such staple foods as maize, pulses, groundnuts, sweet potatoes, and rice. It also supplied raw materials for domestic industries such as cotton and tobacco and accounted for nearly 50 per cent of total merchandise exports. The export-oriented estate sector was made up largely of foreign owned tea and tobacco plantations. Including other cash crops, the sector accounted for about 43 per cent of merchandise exports and employed a quarter of Malawi's wage earners in 1964. Tea and tobacco were the major exports at the time of independence.
- 1.10 Despite these difficulties, Malawi possessed good assets in its relatively fertile land, favourable climate and abundant hard working people. Given this initial resource endowment, an agro-based export oriented development strategy was adopted. Soon after the dissolution of the Central African Federation, the existing Development Plan for Nyasaland was replaced by a wholly new plan, the Development Plan for 1965-1969. Its main objectives was to accelerate the pace of development with special emphasis on the following:

- (a) expansion of agricultural production and exports;
- (b) improvement of internal communications with a view to reducing transport costs and thus increasing the competitiveness of agricultural exports;
- (c) expansion of facilities for secondary and post secondary education to provide skilled manpower essential for development, both in the Civil Service and in the private sector;

and

- (d) stimulation of the private sector, particularly of industrial development.

1.11 In support of these objectives, road communications were allocated 32.5 per cent of total proposed expenditures whereas 22.4 per cent was provided for education. Emphasis was also placed on ensuring availability of ample water and power supplies.

EXPERIENCE UP TO 1970

- 1.12 The implementation of the 1965-1969 Development Plan was impressive. Between 1964 and 1970, GDP increased by 6.6 per cent per annum in real terms. Fixed investment during this period grew from 16 to 23 per cent of GDP. Gross domestic savings rose from 4 to 12 per cent of GDP during the period.
- 1.13 The total value of exports rose at an average rate of 9.5 per cent a year. However, due to large increases in imports, the current account deficit on the balance of payments rose from 4 to 7 per cent of GDP.
- 1.14 Effective efforts to mobilize domestic resources combined with a budgetary restraint policy permitted Government to reduce its dependence on UK grants-in-aid from a third to a tenth of expenditure on revenue account. Public investment was concentrated in the key areas of agriculture and infrastructure and was largely financed from foreign sources.
- 1.15 Improvement of the north-south road system was given first priority in the development of infrastructure in order to link agricultural areas with commercial and administrative centres in the south. Construction of a rail link to the port of Nacala in Mozambique was considered

necessary to augment the single outlet at Beira.

- 1.16 Secondary education almost doubled its enrollment rate between independence and 1970 and a correspondence college was established to provide secondary education to those who were not absorbed in the limited school facilities. University enrollments more than doubled while many technical and vocational training facilities were set up. Constrained by the limited amount of resources, primary school enrollment remained almost the same as at independence. Health facilities which needed rehabilitation were not provided sufficient resources.

STRATEGY FOR THE SEVENTIES

- 1.17 During the 1970s Malawi's development strategy emphasized maximum use of the country's abundant production factors, land and labour, with economy in the use of scarce capital and high skilled personnel. Agriculture was expected to continue to be the backbone of the economy. The development strategy and policies pursued during the decade are stated in "Statement of Development Policy, 1971-80" (DEVPOL). DEVPOL set out the basic objectives of Government in its efforts to develop Malawi and provided a framework for long term development planning.
- 1.18 The main objectives set forth in DEVPOL were:-
- (a) increased agricultural productivity to improve the living standard of the rural population;
 - (b) economic growth of 8 per cent per annum, based on agricultural export expansion;
 - (c) increased employment opportunities for the majority of the population and better regional balance in economic development;
 - (d) self-sufficiency in food production and balance of the Government recurrent budget;
 - (e) reduction of the rural-urban income gap; and
 - (f) expanded private enterprise, particularly with indigenous participation and Malawian ownership.
- 1.19 In order to achieve the objectives, the strategies pursued were directed at a high level of public investment in the rural areas, through specific rural development projects with supporting transport and other infrastructure. Employment absorption in the modern industrial sector was

expected to be enhanced through introduction of labour intensive methods of production. Thus a wage restraint policy was pursued, with wage rises corresponding only to increased productivity.

- 1.20 In addition to low labour costs, the provision of moderate levels of taxation and minimum restrictions on repatriation of dividends and interests were seen as inducements for private investment.
- 1.21 The movement of the national capital from Zomba in the South to Lilongwe in the centre of the country was a major strategy to bring about a regional balance in development. This objective was also to be attained through building of roads in the Central and Northern Regions.
- 1.22 Producer price stability was expected to protect farmers against unfavourable fluctuations of commodity prices on international markets. To facilitate implementation of the producer price policy, the Agricultural Development and Marketing Corporation (ADMARC), a parastatal organization, was made responsible for purchasing and transporting smallholder output for both domestic consumption and export.
- 1.23 Health facilities and educational institutions were to be spread throughout the country. The needs for technical skills and other basic craft and engineering capabilities for industry were to be satisfied through the introduction of technical schools and colleges.
- 1.24 A liberal foreign exchange regime would be encouraged. With planned moderate levels of tariffs, there would be no over-valuation of the Malawi Kwacha. This coupled with wage restraint at all income levels would prevent over-pricing of labour and under-pricing of capital.

CHAPTER TWO

PERFORMANCE DURING THE 1970S

GROWTH AND CAPITAL FORMATION

2.1 During the period 1970-80, real GDP grew at an average rate of 6.1 per cent per annum (Table 2.1 and Table 2.2). GNP per capita grew at 2.6 per cent per annum during the period.

TABLE 2.1: GROWTH RATES FOR AGGREGATE AND PER CAPITA REAL GDP, GNP, GDY AND GNY

	<u>1970-73</u>	<u>1973-78</u>	<u>1970-80</u>	<u>1978-80</u>
<u>Gross Domestic Product (GDP)</u>	8.2	6.3	6.1	1.8
<u>Gross National Product (GNP)</u>	8.9	6.2	5.8	1.3
<u>Gross Domestic Income (GDY)</u>	7.2	6.2	4.6	0.7
<u>Gross National Income (GNY)</u>	7.8	6.0	3.8	0.2
<u>GDP per Capita</u>	5.5	2.5	2.9	- 0.8
<u>GNP per Capita</u>	6.2	2.4	2.6	- 1.2
<u>GDY per Capita</u>	4.5	0.1	1.4	- 1.5
<u>GNY per Capita</u>	5.1	2.2	1.1	- 2.0

NOTE: GNY equals GNP at constant prices, corrected for the income effect of changes in the terms of trade.

SOURCE: Economic Planning Division.

TABLE 2.2
(K million)

	1970	1973	1978	1980	1982
GDP at 1973 factor cost					
at 1978 factor cost	296.8	376.6	-	-	-
at 1973 market prices	-	545.5	742.5	780.0	797.3
at current market prices	318.0	401.6	-	-	-
GDP deflator (1973 = 100)	-	364.0	800.7	1,010.9	1,409.6
(1978 = 100)	84.0	100.0	-	-	-
Net factor Income	-	62.5	100.0	118.8	161.9
Exports of goods and NFIS	-6.1	0.8	-4.0	-42.3	-30.8
Imports of goods and NFIS	60.5	100.6	187.4	269.0	297.7
Domestic Export Indices (Unit value)	94.5	136.8	326.9	413.5	393.4
Import Indices (Unit Value)	100.0	115.8	228.3	212.7	-
Population	100.0	129.1	271.0	376.1	-
	4,604	4,972	5,669	5,992	6,307

SOURCES : For 1970, Statistical Appendix for "A Basic Report" by the World Bank, 1981. For 1973 the statistical appendix and "National Accounts Report 1973-1978". For 1978, 1980, 1982, Economic Report 1983.

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Over the same period, the GDP deflator rose at an annual rate of about 8 per cent. Up to 1978, the growth in GNP was equal to that of GDP. The expansion of GNP fell below that of GDP for the whole period 1970-80 due to a fall in net factor incomes after 1978. Due to a deterioration in the terms of trade over 1967-79, the growth in GDY was slower than that of GDP. Overall, the growth rates in GDP, GDY and GNP were in excess of the population growth rate of 2.6 per cent.

2.2 During 1970-79, the growth of the economy of about 6 per cent was widespread (Table 2.3).

TABLE 2.3 SELECTED SECTORAL GROWTH RATES, 1967-80

	<u>1967-70</u>	<u>1967-79</u>	<u>1970-79</u>	<u>1979-80</u>
<u>TOTAL GDP</u>	<u>1.4</u>	<u>5.5</u>	<u>6.8</u>	<u>0.2</u>
Monetary	4.0	7.4	8.6	0.6
Subsistence	-2.3	2.0	3.3	-0.7
<u>Agriculture</u>	<u>-1.3</u>	<u>3.3</u>	<u>4.9</u>	<u>-0.9</u>
Monetary	0.2	5.4	7.2	-0.7
Subsistence	-1.9	2.3	3.7	-1.0
<u>Manufacturing</u>	<u>4.2</u>	<u>6.3</u>	<u>6.5</u>	<u>3.9</u>
<u>Construction</u>	<u>5.7</u>	<u>7.6</u>	<u>8.3</u>	<u>-6.5</u>
<u>Transport</u>	<u>-6.9</u>	<u>5.5</u>	<u>9.9</u>	<u>2.5</u>
<u>Services</u>	<u>-0.5</u>	<u>4.1</u>	<u>5.7</u>	<u>0.3</u>

SOURCE: Economic Planning Division

Monetary output in the agriculture sector kept in line with overall GDP growth. Output in the building and construction sector grew at an average growth rate of 8 per cent, reflecting the high priority given to investment in infrastructure during the period.

2.3 There were however sizeable shifts in the composition of GDP between 1967 and 1980. The share of agriculture in GDP fell from 51 to 39 per cent during the period (Table 2.4). This was largely due to the slow rate of increase in output from subsistence production. This is also evidenced by the decline in total subsistence GDP from 42 in 1967 to 28 per cent in 1980. The shares of other components of GDP remained fairly constant during the period.

TABLE 2.4

SELECTED SECTORAL SHARES IN GDP

	<u>1967</u>	<u>1973</u>	<u>1980</u>
<u>Agriculture</u>	<u>51.1</u>	<u>44.9</u>	<u>39.4</u>
Monetary	14.7	13.9	14.5
Subsistence	36.4	31.0	24.9
Manufacturing	10.9	11.2	12.0
Construction	4.0	4.5	4.8
Transport	4.9	5.1	5.0
Services	13.0	10.5	11.1
Other	16.1	23.8	27.7
Total GDP	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Monetary	57.4	65.1	71.8
Subsistence	42.6	34.9	28.2

2.4 There was a significant rise in capital formation over the decade. Gross domestic investment grew at an average annual rate of 20 per cent, increasing its share of GDP from 20 per cent in 1970 to 28 per cent in 1980. Government investment increased at a faster rate than private investment raising its contribution to total gross domestic investment from 25 to 32 per cent. This reflected large investment spending in economic and social infrastructure.

2.5 The impressive investment trends were made possible by increased efforts in domestic resource mobilization. Domestic savings were almost negligible at independence and virtually all capital expenditure was financed from abroad. Between 1967-69 gross national savings financed only 8 per cent of investment. By 1979, this ratio had risen to almost 50 per cent, largely due to large gains in Central Government and private sector savings. The budget at the time restrained recurrent expenditures and surpluses emerged since 1972-73 to finance part of the development program. Private savings also grew rapidly to reach 90 per cent of private sector investment in 1979. As domestic savings increased, the share of foreign financing to total investment declined from 92 per cent in 1967 to 50 per cent in 1979. There was however an increase in foreign transfers as donors increased aid to Malawi.

PUBLIC FINANCE

2.6 Up to 1976/77, the performance of the budget was generally satisfactory (Table 2.5). Revenue increased at an annual average rate of 16 per cent, in line with the growth of GDP. Tax revenue grew at 18 per cent while non tax revenues expanded at 12 per cent per annum. Expenditure during the period also rose in line with GDP, averaging about 25 per cent of GDP. Revenue account expenditures grew at 13 per cent while those of development averaged 23 per cent per annum. Consequently, the budget deficit though growing larger, was moderate and averaged about 8 per cent of GDP.

Most of this deficit was financed by concessionary official capital inflows and domestic savings. The net contribution from foreign official sources to the financing of public investment from 1964/65 to 1977/78 ranged between 70 and 85 per cent. Resort to borrowing from the domestic banking system was modest during this period. On balance, domestic borrowing financed 15-20 per cent of the deficit and constituted about 2 per cent of GDP. Government credit from the domestic banking system grew faster than the expansion in nominal GDP.

2.7 The composition of development expenditure during the decade was largely in line with the targets set out in DEVPOL. The economic sectors such as agriculture and transportation absorbed 74 per cent of development expenditure. Of this, agriculture absorbed 20 per cent while transport took 40 per cent. The social sectors, including education (5 per cent), had a 10 per cent share in total government investment.

2.8 At Independence, the Government established Statutory Bodies to perform functions of national interest. Public enterprises were also expected to promote growth and employment. Up to 1977/78, parastatals functioned and performed well in providing essential services to the community. Most public enterprises were adequately capitalized and generated profits which financed a sizeable portion of their investment programs.

TABLE 2.5

<u>CENTRAL GOVERNMENT BUDGET</u>					
<u>SELECTED YEARS 1967/68-1977/78</u>					
(K Million)					
	1967/78	1970/71	1973/74	1976/77	1977/78
<u>Expenditures</u>					
<u>By Government Accounts</u>					
Revenue Account	42.0	82.1	92.0	149.5	184.9
Development Account	38.9	46.9	61.7	93.6	108.3
	10.1	35.2	30.3	55.9	76.6
<u>By Economic Classification</u>					
Consumption	49.0	82.1	92.0	149.5	184.9
Grants and Subsidies	28.4	31.6	38.9	60.4	72.1
Interest	6.5	8.8	11.4	14.9	11.5
Amortization	2.5	5.1	3.5	8.7	10.9
Capital Transfers	1.5	1.7	7.0	7.0	6.4
Capital Formation	1.9	15.8	6.4	11.7	15.5
	8.2	19.1	24.8	46.8	68.5
<u>Revenues</u>					
Tax Revenue	30.4	43.9	63.1	94.3	115.7
Other Revenue	18.0	26.5	41.6	70.5	87.3
	12.4	17.4	21.5	23.8	28.4
<u>Overall Deficit</u>	<u>-18.6</u>	<u>-38.2</u>	<u>-28.9</u>	<u>-55.2</u>	<u>-69.2</u>
<u>Financing</u>					
Domestic Borrowing	18.6	38.2	28.9	55.2	69.2
External Borrowing	2.5	5.0	6.3	4.0	16.0
External Grants	5.9	31.9	21.0	28.2	47.2
Other (Increase in Government Balances)	8.5	4.6	3.7	9.4	16.0
	1.7	-3.3	-2.1	13.6	-10.0
<u>Memorandum Items (percentages)</u>					
	1967/69	1970/73	1974/76	1977/78	
Total Expenditures/GDP	25.8	24.9	24.5	27.0	
Revenues/GDP	15.9	15.7	15.4	16.2	
Tax Revenue/GDP	9.3	10.3	10.9	12.7	
Other Revenue/GDP	6.6	5.5	4.5	3.5	
Overall Deficit/GDP	9.9	9.2	9.1	10.8	
Revenue Account/Total Expenditures	74.4	63.6	60.2	56.7	
Development Account/Total Expenditures	25.6	36.4	39.8	43.3	
Total Revenue/Total Expenditures	61.6	63.1	62.8	60.1	
Government Consumptions/Total Expenditures	53.5	42.4	39.6	39.0	
Capital Formation/total Expenditures	20.1	23.1	35.5	35.0	

EXTERNAL TRADE AND BALANCE OF PAYMENTS

2.9 Primarily as a result of a deteriorating trade balance, the balance of payments during the decade has been characterized by growing current account deficits. Over the period, real exports grew at an annual average rate of 6 per cent, while import volumes grew at 4 per cent (Table 2.6). As a result, trade deficits relative to GDP fell from 7 per cent to 4 per cent during the period. The latter half of the seventies saw a sharp fall in non-factor and factor services and some 30 per cent decline in terms of trade due to falling tobacco and tea prices and rising import costs. Consequently, trade deficits rose sharply and the current account deficit increased from 4 to 12 per cent of GDP during the period.

TABLE 2.6 . BALANCE OF PAYMENTS 1970-80
(K MILLION)

	<u>1970-73</u>	<u>1978-80</u>
Merchandise Trade (f.o.b.)	-78.7	-167.5
Exports	253.4	585.8
Imports	332.1	753.3
Non-Factor Services (net)	-70.2	-270.9
Factor Services (net)	-12.2	- 70.6
Balance of Goods and Services	-161.1	-509.0
Private Transfers (net)	10.1	4.0
Government Transfer (net)	37.8	125.0
Current Account Balance	-113.2	-380.0
Long Term Capital (net)	117.8	303.1
Private Long Term (net)	25.7	29.8
Public Enterprises (net)	12.8	54.5
Government Long Term (net)	79.3	218.8
Short Term, Errors and Omissions	32.6	59.3
Net Movement in Official Reserves (-increase)	-37.2	17.6

- 2.10 Up to 1977, capital inflows to the private sector and Government increased rapidly and were generally more than enough to cover the growing current account deficits and build up gross official reserves. Debt service ratio in 1970 was 8 per cent, but this rose sharply to 18 per cent in 1980 as a result of increased commercial borrowing on above average terms.
- 2.11 While exports grew rapidly during the decade, the dependence on tobacco and tea exports prevailed. Estate crops grew at an average annual growth rate of 15 per cent while smallholder exports stagnated at 2.6 per cent. Consequently, the share of smallholder exports declined by half to 25 per cent over the period. Reliance on tobacco, tea and sugar increased during the period, hence the severity of the impact of the fall in international prices towards the end of the decade on the balance of payments.
- 2.12 While overall imports grew at about 4 per cent, the volume of imports of capital goods increased at roughly 6 per cent. The share of consumer goods in total imports fell during the period by roughly 30 per cent to 15 per cent while shares of intermediate and capital goods imports rose from 44 to 50 per cent and from 22 to 30 per cent respectively. While petroleum imports grew slowly in volume, their value reached 15 per cent of total imports in 1980 compared with a share of 8 per cent in 1973.

EMPLOYMENT AND MANPOWER

- 2.13 The encouragement of labour intensive methods of production and a policy of wage restraint resulted in substantial gains in wage employment. Wage employment grew at 8.5 per cent per annum during the seventies. By 1980, total wage employment had reached 360,000 representing 12 per cent of the total labour force. Of these, about 80 per cent were employed by the private sector. More than half of modern sector wage employment continued to be in the agriculture sector, with tea and tobacco estate workers constituting 75 per cent of this figure. The manufacturing sector accounted for 10 per cent of employment in the formal sector.
- 2.14 The expansion of employment opportunities was most marked in agriculture where private sector employment grew by over 11 per cent per annum. Employment in the Government sector grew less rapidly than in the private sector as a result of Government policy of encouraging the private sector to spearhead economic development.
- 2.18 Manpower needs for the country were first surveyed in 1971, and again in 1979. Education and training programmes have been based on these two studies. Localization policy has been directed towards ensuring that Malawians receive adequate training in skills previously possessed exclusively by expatriate staff. A deliberate policy aimed at increasing the participation of women in the modern sector has produced some results. Women now account for about 10.2 per cent of total wage employment.

CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND EMERGING STRUCTURAL ISSUES

RECENT DEVELOPMENTS

3.1 During 1979 and 1980, Malawi experienced severe economic and financial difficulties as a result of declining terms of trade, disruptions to traditional transportation routes, drought conditions in 1979 and 1980, rapid growth in Government expenditure, inflation, higher foreign borrowing on commercial terms and the increase in international interest rates. Consequently, the economy was characterized by slower growth, increased deficits, growing balance of payments pressures and deteriorating financial positions for many private and public enterprises. The difficult situation of the private sector was further accentuated by a tightening of private sector credit in order to accommodate the large credit demands by Government.

TABLE 3.1

GROWTH OF GDP BY SECTOR, 1979-81

Annual change (at 1978 constant factor cost)

	1979	1980	1981
Agriculture	4.5	-5.4	3.6
Smallholder	2.4	-7.3	5.6
Estate	15.6	2.7	-4.5
Manufacturing	6.5	3.7	1.8
Utilities	9.6	8.0	0.7
Construction	5.6	-7.2	-20.1
Distribution	4.7	7.6	-7.7
Transport	8.9	4.1	-6.9
Financial/Professional Services	0.0	8.4	-7.1
Ownership of Dwellings	5.5	-2.6	1.9
Private Social Services	5.6	1.8	3.1
Government	7.6	6.8	4.9
GDP at Factor Cost	5.5	0.4	-0.8

Source: Economic Report, 1983.

- 3.2 GDP growth fell from 5.5 per cent in 1979 (Table 3.1) to 0.4 per cent in 1980 and -0.8 per cent in 1981. Agricultural production, the mainstay of the economy declined by 5.4 per cent in 1980. Apart from the adverse weather conditions already mentioned, agricultural production was constrained by the rising costs and untimely delivery of imported inputs, and the low incentives provided by the prices of Malawi's major commodities in the international market. Output in the construction sector fell by 20.1 per cent while distribution, transportation and financial and professional services all contracted by about 7 per cent in 1981. Domestic savings fell from 14.9 per cent in 1979 to 11.4 per cent in 1980. Although Government development expenditure increased rapidly, the investment rate declined from 34 per cent of GDP in 1979 to 21 per cent in 1981.
- 3.3 The operations of the Government budget between 1977/78 and 1982/83 are presented in Table 3.2. From 1977/78 to 1980/81, the Government deficit had a markedly expansionary impact on aggregate demand as the fiscal deficits were accommodated by an increase in domestic bank financing. Commercial foreign borrowing was also required to finance the increasing deficits. The root cause of the fiscal difficulties was a sharp increase in total expenditure from 24 per cent of GDP in 1977/78 to 34 per cent in 1980/81. This expansion in expenditure more than offset the increase in the revenue/GDP ratio from 18 to 23 per cent. Apart from the rapid expansion of development expenditure on infrastructure projects, agriculture, education, health and water, the increase in expenditure was also due to emergency maize and fuel imports and larger payments on public foreign debt arising from higher levels of interest rates. For instance, during the period 1979 through 1981, the London Interbank borrowing rate, LIBOR, increased by 46.3 per cent. As a result, the debt service ratio of public and public guaranteed debt rose from 11.3 per cent to 44 per cent in 1982. By 1981/82, debt servicing accounted for 40 per cent of total recurrent expenditure compared with a share of 15 per cent in 1978/89.

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TABLE 3.2

CENTRAL GOVERNMENT BUDGETARY OPERATIONS, 1977/78 - 1982/83

(K million)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
Total revenue and grants	132.3	174.6	221.6	242.5	263.2	281.5
Revenue	116.3	148.6	187.0	199.2	221.0	243.1
Grants	16.0	26.0	34.6	43.3	42.2	38.4
Total expenditure	178.5	248.0	305.8	358.6	392.8	384.2
Recurrent	101.9	134.5	177.9	183.7	268.6	260.7
Development	76.6	113.5	127.9	174.9	124.2	123.5
Overall deficit	-46.2	-73.4	-84.2	-116.1	-129.6	-102.7
Financing	46.2	73.4	84.2	116.1	129.6	102.7
Foreign (net)	42.5	61.8	71.0	40.0	31.3	60.8
Borrowing	(47.2)	(66.6)	(76.1)	(62.3)	(63.1)	(74.6)
Repayment	(-4.7)	(-4.8)	(-5.1)	(-22.3)	(-31.8)	(-13.8)
Domestic	3.7	11.6	13.2	76.1	98.3	41.9
Of which:						
Banking system	(-11.7)	(10.9)	(22.8)	(48.1)	(85.7)	-
	<u>(Ratios to GDP)</u>					
Total revenue and grants	17.7	21.3	24.3	23.1	21.5	19.9
Revenue	15.6	18.1	20.5	19.0	18.0	17.2
Grants	2.1	3.2	3.8	4.1	3.4	2.7
Total expenditure	23.9	30.2	33.5	34.2	32.1	27.2
Recurrent	13.7	16.4	19.5	17.5	21.9	18.5
Development	10.3	13.8	14.0	16.7	10.1	8.7
Overall deficit	6.2	8.9	9.2	11.1	10.6	7.3
Foreign	5.7	7.5	7.8	3.8	2.6	4.3
Domestic	0.5	1.4	1.5	7.3	8.0	3.0

Source: Ministry of Finance

- 3.4 The deterioration in the performance of public enterprises since 1978 had an adverse impact on the budget. Not only did Government increase subsidies to these bodies, but debt servicing to Government was also deferred. Parastatals also relied on borrowed funds from the banking system to augment the assistance from Government. The reasons for the poor performance of statutory bodies are varied. As a result of the rise in oil prices, the disruption of transport routes leading to high input costs, low export prices and relatively inflexible output prices, the financial position of most statutory bodies was affected seriously. Institutional problems such as weak management and prolonged delays in getting approval for new prices contributed to the financial difficulties on parastatals.
- 3.5 With over 50 percent of its traffic lost, the Malawi Railways made substantial losses and Government stepped in with much needed cash grants and debt deferment. Admarc also suffered heavy losses during the period as a result of higher fuel costs which led to high transport cost. The Corporation was also burdened with slow yielding investments made during the 1970s and with the costs of subsidizing fertilizer purchases for smallholders. The Malawi Housing Corporation and Capital City Development Corporation have debt servicing difficulties on external loans contracted when high interest rates prevailed. The hump in debt repayments and low income from rents has necessitated subsidies from Government. The Malawi Development Corporation has experienced a steady deterioration in its finances. Lacklustre performance of its subsidiaries arising out of the general downturn in economic activity has resulted in substantial losses for the Corporation. External debt servicing requirements have also increased. Government, as guarantor, also took over the debt obligations of Press Holdings Limited which made heavy losses.

- 3.6 The balance of payments was strained by the escalation of import prices, particularly that of fuel. The import bill of petroleum products more than doubled between 1978 and 1981 despite a decline in volumes imported. The prices of essential inputs such as fertilizer and capital goods also rose sharply. The use of alternative longer and costly transport routes than rail through Mozambique contributed to the increase in the import bill and increased the current account deficit. Import prices on average rose by 60 per cent between 1978 and 1981.
- 3.7 The drought during the period reduced agricultural production and consequently export volumes. The world recession worsened the situation. Export prices declined by 40 per cent, especially those for tobacco and tea. As a result, the terms of trade deteriorated by 30 per cent and the current account deficit rose sharply. From 7 per cent of GDP in 1977, the current account deficit rose to 18 per cent in 1980. While capital inflows increased, they did not cover current account deficits and foreign reserves fell from the equivalent of over 5 months of imports to less than two months cover between 1977 and 1981.

EMERGING STRUCTURAL ISSUES

- 3.8 While the primary causes of Malawi's recent economic difficulties were the sharp deterioration in the country's international terms of trade and the disruptions on the traditional transport links to the outside world through Mozambique, several underlying structural weaknesses emerged. These are:
- (a) the slow growth of smallholder agricultural exports;
 - (b) lack of diversification in the Estate Agricultural Sector;
 - (c) the need to improve the management of public sector resources
 - (d) the need to maintain and improve agricultural and industrial policies to cope with rapid expansion of population and the labour force;
 - (e) rising cost of energy resources; and
 - (f) the increasing economic adjustment difficulties caused by the rigidities in the system of administered prices and wages.

SLOW GROWTH OF SMALLHOLDER AGRICULTURAL PRODUCTION

- 3.9 While estate agricultural export volumes have been growing at 13 percent per annum, smallholder exports have stagnated over the past ten years despite sizeable public investment in smallholder agriculture. Where such performance can partly be attributed to the limited coverage of past agricultural projects, inadequate price incentives have played an important role.

LACK OF DIVERSIFICATION OF THE ESTATE SECTOR

- 3.10 Estate exports are heavily concentrated in tobacco, tea and sugar. While further expansion in tobacco output is possible, growth will be slower because of the constraints of managerial talent, credit, and fuel and scarcity (which affects flue-cured, but not burley). Growth of tea will be hampered by lack of suitable land and falling world real tea prices. The recent drop in sugar prices and the imposition of quotas by the United States has brought uncertainty about the expansion of sugar production. If the estate sector is to maintain its share of total exports, increased diversification into other crops is necessary.

THE NEED TO IMPROVE THE MANAGEMENT OF PUBLIC SECTOR RESOURCES

- 3.11 Since 1977/78 a number of problems have arisen on Government finances: the underfunding of recurrent budget operations, growing budgetary deficits, and the declining financial performance of the public enterprises.
- 3.12 The pressures toward underfunding of recurrent budget requirements are likely to intensify because of domestic revenue constraints, the need to expand Government savings to finance development and the rapid capital investments in the late 1970ies and early 1980ies in agriculture and the social sectors which imply heavy commitment toward recurrent expenditures.
- 3.13 With the onset of the economy's recent economic crisis in 1979, the financial position of all public enterprises have deteriorated as a result of long-run structural problems, namely, the failure to adjust prices sufficiently to compensate for costs, the existence of some marginal investments and managerial constraints.

POPULATION GROWTH AND EMPLOYMENT OPPORTUNITIES

- 3.14 The continued rapid expansion of population growth (growth rate between 1966 and 1977 censuses 2.9 per cent per annum) is probably the largest obstacle to an improvement of incomes and living standards of the population. It augments pressures on the economy's scarce land resources and raises the need for measures which will increase land productivity and improve conservation.
- 3.15 In the past, the expansion of the economy's modern sector provided for rapid growth in employment opportunities. However, given the modern sector's small size (which employs only 10 per cent of the labour force) the sector will be unable to absorb more than a small fraction of new labour force entrants. The majority of the workforce will therefore continue to be absorbed in the smallholder agricultural sector or in the rural and urban informal sectors.

RIGIDITY OF PRICE CONTROLS, SALARIES AND WAGE POLICY

- 3.16 The economic difficulties encountered by both the private sector and the public sector appear to have also been caused by increasing economic adjustment difficulties caused by the rigidities in the system of administered prices, wages and salaries.
- 3.17 The Government's salaries and wages policy which was adopted in 1969, was designed to restrain real wages and salaries increases in order to (a) encourage the expansion of labour-intensive manufacturing industries and the agricultural estate sector; (b) restrain inflation and maintain Malawi's competitiveness in international markets; and (c) moderate the rural-urban income gap. While success has been achieved in restraining wages, delays in granting wage increases for long periods have been destabilising.
- 3.18 Industrial price controls arose from the Government's wish to influence the pattern of industrial development through policies on (a) industrial licensing; (b) import licensing; (c) indirect taxes and duties; (d) tax incentives and allowances; and (e) price controls. The system of formal and informal price controls has therefore evolved for most manufactured goods. Formal price controls are exercised over a set of fairly homogeneous products such as cement, fertilizers, and sugar. In addition, formal price controls are also applied on commodities which form the backbone of the food basket for the low income groups. For locally produced goods prices are set at cost plus 12 to 18 percent, with the lower markup being applied on goods enjoying a relatively secure market. For imported products, prices are set by fixing margins to the c.i.f.

cost of imports. As a means of monitoring the performance of the industrial sector, Government has also adopted an informal price control system for practically all domestically produced goods.

- 3.19 Due to the big number of industrial products subject to the formal and informal price controls, delays between price increase application and approval have adversely affected the financial position of some business firms. Similar delays have also characterized the granting of tariff increases for the principal public enterprises.

ENERGY

- 3.20 The impact of inflation and transport difficulties on production and the balance of payments during 1979-81 exposed the dependence of the economy on imported petroleum and its vulnerability to external factors. The task is to reduce the modern sector's dependence on imported oil. Fuelwoods represents 80 per cent of total energy demand in Malawi and is the only source of energy for the rural community for cooking and for curing tobacco and tea. The expansion in tobacco production and population growth have led to an increased demand for fuelwood, surpassing the rate of supply.

CHAPTER FOUR

THE MEDIUM TERM ECONOMIC AND FINANCIAL PROGRAMME

MACRO-ECONOMIC OBJECTIVES

- 4.1 In response to the economic crisis which began in the late 1970's and the structural issues which have emerged over time, the Government formulated a medium-term programme covering 1981/82 - 1985/86. The major objectives of the stabilization programme were to restore internal and external balance to the economy. In the external sector, this was to be achieved by means of an increased volume of exports (relative to GDP), and by a reduced volume of imports. The growth in exports was to be achieved by diversifying the source of foreign exchange earnings by developing new agricultural crops, accelerating smallholder export crop growth, livestock and forestry industries and expanding agro-businesses. The diversification in turn was to rely on the improvement of incentives for export production, through increased prices, particularly among smallholders. To ensure that the supply of export and other crops could be expanded as rapidly as possible, investment expenditures were to be redirected towards agriculture. Finally, it was planned to improve the institutions, both public and private, responsible for the investment programme, in order to ensure that the available funds were spent as effective as possible.
- 4.2 In the domestic economy, the major objective of the programme was to restrain demand. Measures were to be taken to improve the financial performance of public enterprises and Government. The measures included new revenue measures to increase tax buoyancy, phasing out subsidies and appropriate pricing for the public enterprises.
- 4.3 Over the period of the programme (1981-1985), GDP was expected to grow at 5.2 percent per annum, or about 2.5 percent faster than population growth rate. Price inflation was projected to drop from 16 percent in 1981 to 10.7 percent in 1982 and thereafter. The overall GDP growth rate at current prices was projected at an annual average of 16.5 percent.
- 4.4 Total investment at constant prices was projected to grow by 1.5 percent per annum between 1981 and 1983. The slow growth of investment was mainly a result of contracting real investment by Central Government, whose share of total investment was projected to fall from 58 percent in 1981 to 52 percent in 1985.
- 4.5 Exports were projected to rise from K258.7 million in 1981 to K492.8 million in 1985 while imports were projected to grow from K297.7 million to K481.6 million. Approximately 24 percent of the increase in exports during the programme period was expected to originate from increased export volumes with the balance coming from higher unit export values.

For imports about 17 percent of the increase in import value was expected to result from an increase in volumes, and the remainder to increasing import prices. The current account deficit was projected to shrink from 8.6 percent of GDP in 1981 to 1.9 percent in 1985, assuming a sharp increase in Government's transfers. On the capital account, the identified capital flows were expected to contract sharply due to reduced public sector foreign borrowing.

- 4.6 During the period of the programme, the total resources available to the economy were projected to rise from K1,623.6 million to K2,870.0 million. The resources were allocated between consumption and investment in a ratio of just under 5:1. Both real savings and real per capital consumption were projected to grow during the programme period. Domestic savings were projected to increase from 9 percent of GDP in 1981, to 10.6 percent of GDP in 1985.

SPECIFIC GOVERNMENT POLICY ACTIONS

- 4.7 The Government policy actions for achieving the medium-term objectives were supported by a two-year stand-by arrangement from the IMF and a structural adjustment programme (SAL) from the World Bank. The specific policy measures were:
- (i) Balance of Payments. Increased prices for agricultural export crops with periodic reviews; increased budgetary allocation to the Ministry of Agriculture; review of the efficiency of the livestock and tobacco sectors, including diversification of tobacco estates; a study of the energy sector and continued adjustments in energy prices; and increased agro-industrial investment.
 - (ii) Price incentives and incomes. Government review of the price and wage control system with a view to introducing more flexibility and more frequent adjustments; increased public utility and transport tariffs with closer monitoring and adjustment in the future; studies of the railway and the airline; a detailed plan for implementing economic rentals of housing; and periodic review of the exchange rate.
 - (iii) Resource Management. Establishment of the Department of Statutory Bodies to assist public enterprises in planning and financial management; periodic review of interest rates; steps to increase Government revenue to its historic levels of GDP; strengthened control and monitoring of domestic expenditure; improved monitoring and management of public debt; limiting Government domestic and foreign borrowing to ceilings agreed with the IMF; a new five-year development programme with increased shares for directly productive sectors and social services; a commitment to adequate levels of recurrent financing for key development ministries.

- (iv) Institutional Improvement. Establishment of an Investment Coordinating Committee to oversee all major investments; technical assistance to strengthen key planning and budgeting ministries; and rehabilitation of the key public and private sector conglomerates (notably Press Holdings, Ltd.) through studies, improved management and financial structuring.

IMPLEMENTATION

- 4.8 The implementation of the programme was generally satisfactory. Additional funds were allocated to the agricultural sector, agricultural prices were increased, public utility tariffs were increased, an investment coordinating committee was established to screen all major investments, the budget deficit was reduced, a joint energy assessment study was carried out, and the management of statutory bodies was strengthened by the appointment of new boards of management.
- 4.9 In an effort to restrain demand by reducing the budget deficit, total expenditure fell from 35 percent of GDP in 1979/80 to 27 percent in 1982/83 (Table 4.1). Expenditure on the recurrent budget fell from 20 percent of GDP in 1979/80 to 18 percent in 1982/83. Drastic reductions were made on expenditures on goods and services which had previously displayed rising tendencies. During the period, development expenditure fell from 14 to 8 percent of GDP largely reflecting delays in implementation of projects as a result of transport difficulties which caused scarcity of construction materials. There was however, a significant cutback in expenditure on Government buildings. The system of monitoring expenditures whereby ministries receive monthly allocations of expenditure, was also instrumental in keeping expenditures down to their budgeted levels.
- 4.10 On the revenue budget, a number of new measures were introduced designed to improve the performance of the tax system. The revenue measures introduced in the 1982/83 budget were: an increase in the top rate of income tax for both individuals and companies from 45 to 50 percent; with effect from 1st April 1982 all insurance companies were to pay income at the standard rate; dividends received by taxpayers other than individuals were to be excluded from taxable income with effect from 1st April 1981; holding companies which had incurred income tax losses were not able to claim dividend credits on any dividends they received from their subsidiaries and the marginal rate of tax in respect of dividends expatriated abroad remained at 5 percent.

Table: 4.1: CENTRAL GOVERNMENT BUDGETARY OPERATIONS (1978/79-1983/84)

	(K Million)					
	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84 Budget
Total Revenue and Grants	174.6	221.6	242.5	263.2	281.5	328.5
Revenue	148.6	187.0	199.2	221.0	243.1	279.4
Grants	26.0	34.6	43.3	42.2	38.4	49.1
Total Expenditure	248.0	305.8	358.6	392.8	384.2	418.5
Recurrent Expenditure	134.5	156.6	183.7	231.9	260.7	266.0
Development Expenditure	113.5	127.9	174.9	124.2	123.5	152.5
Extra-budgetary Expenditure	---	21.3	---	36.7	---	---
Overall Deficit	-73.4	-84.3	-116.1	-129.6	-102.7	-90.0
Financing	73.4	84.3	116.1	129.6	102.7	90.0
Foreign Loans (net)	61.8	71.0	40.0	31.3	60.8	76.2
Borrowing	66.6	76.1	62.3	63.1	74.6	88.4
Repayments	4.6	5.1	22.3	31.8	13.8	12.2
Domestic Borrowing (net)	11.6	13.2	76.1	98.3	41.9	13.8
				(As percent of GDP)*		
Current Revenue	18.6	21.4	19.8	19.0	17.2	17.1
Recurrent Expenditure	16.8	17.9	18.2	20.0	18.5	16.3
Development Expenditure	14.2	14.6	17.3	10.7	8.7	9.3
Overall Deficit	9.2	9.6	11.5	11.2	7.3	5.5
*GDP at current market prices (K Million) on fisical year basis	800.7	875.0	1,008.2	1,160.6	1,408.0	1,636.0

SOURCE: MINISTRY OF FINANCE

- 4.11 Despite these actions, revenue as a percentage of GDP fell from a high rate of 20.5 percent in 1979/80 to 16.6 percent in 1982/83. The decline in these rates can partially be explained by a fall in taxes on company profits and marginal increases in duties on goods and services and non-tax revenues. Inflationary pressures also contributed to the non-buoyancy of the tax system given its limited tax base.
- 4.12 The overall deficit on the budget declined from 11.5 percent in 1980/81 to 7.3 percent in 1982/83.
- 4.13 Steps have been taken to improve the performance of statutory bodies. Government created the Department of Statutory Bodies to monitor the finances of statutory enterprises. Studies on operational strategy and management were undertaken for ADMARC, MDC, MHC and Malawi Railways. Significant changes were made in management staff as well as strengthening the boards of directors of parastatals. Government approved increases in rates for electricity, water, hotel rates and domestic passenger fares and at the same time agreed to service some of the external loans for statutory bodies.
- 4.14 Debt service obligations rose rapidly during 1979/80 and 1981/82. This was a result of the heavy borrowing in the commercial market at high interest rates to finance major investment projects. Faced by these large debt service obligations, Malawi approached the Paris Club and London Club (commercial banks) for the re-scheduling of official and commercial debt falling due in 1982 and 1983. This brought down the country's debt service ratio from 48.7 percent to 42.1 percent. In 1983, this ratio is estimated at 22 percent after debt relief of K64 million, compared with K20 million in 1982.
- 4.15 Although limited results were achieved during the first two years of the stabilization programme, a firm basis for future action was laid. There was room for strengthening the institutional aspects of monitoring expenditures and administration of price controls. The vagaries of weather and external transportation difficulties continued. Urgently needed fertilizer and fuel were imported at higher costs while cyclical swings in export prices of tobacco, tea and sugar continued, leading to a serious deterioration in the internal and external balances of the economy. With regard to the policy measures, the Government was to implement in the framework of the World Bank structural adjustment programme, there were some delays in the starting and implementation of a number of studies.

4.16 In view of the serious imbalances and structural maladjustments that developed during the first year of implementation of the programme, the Government requested a further one-year stand-by arrangement from the IMF for 1982/83. The principal objectives of the stabilization programme with the Fund were to promote the re-emergence of growth, improve Government's financial position and to restore the balance of payments to a sustainable level over the medium-term. The programme envisaged a wide range of policy actions by the Government aimed at curbing demand.

- 4.17 In April 1982 the Malawi kwacha was devalued by 15 percent in domestic currency terms with respect to the SDR to which it is pegged in order to (i) rationalize import demand; (ii) encourage the search for domestic substitutes for imported raw materials; and (iii) provide increased price incentives for export products. The currency adjustment was also expected to provide the Agricultural Development and Marketing Corporation (ADMARC) with the necessary resources to pay substantially higher producer prices to the smallholder for export crops such as groundnuts, export rice, smallholder tobacco and cotton. Substantial increases were announced in the agricultural producer prices offered for the 1983/84 growing season based on a methodology developed in conjunction with the World Bank in an attempt to maintain the profitability of export crops. Measures were taken on both the revenue and expenditure sides of the Government budget so as to reduce the overall deficit. Fertilizer subsidies were reduced by 50 percent and the remaining 50 percent is to be phased out by the 1984/85 agricultural season.
- 4.18 In contrast to the two-year (1980/81-1981/82) IMF stabilization programme, performance in the one-year (1982/83) programme was satisfactory and all purchases were made.
- 4.19 The growth targets set out in the Government's medium-term programme two years ago will now not be realized judging from the performance so far, largely because of external factors. The Government has recognized these problems and is committed to correcting them. Revisions in the Original programme have been planned, in the following areas: (i) incentives for export crop production; (ii) institutional improvements in the institutions dealing with external debt and public investments; (iii) the managerial and financial strengthening of statutory bodies; (iv) implementation of the Press (Holdings) Limited restructuring plan; (v) the ability of the Government to budget, plan, implement and monitor the development programme; and revenue collection. The specific policy measures have been incorporated into the second World Bank Structural Adjustment Credit and IMF Extended Fund Facility which were approved during the second half of 1983.

THE REVISED MEDIUM-TERM PROGRAMME

- 4.20 The revised medium-term economic and financial programme has built upon the foundation laid during the first two years of implementation of the 1981-1985 Programme. The projections of the macro-economic framework and related external resource requirements presented in Chapter 5 are therefore based on the revised programme. The quantitative framework and resource requirements presented in Chapter 5 also serve as a test of Government's adjustment programme between 1983/84 and 1985/86 and as a verification of the consistency between the objectives and policies for the whole programme period 1983- 1987.

The Government is committed to achieve the targets of the revised Medium-Term Programme (see Chapter 5). In order to ensure that the targets can be achieved the Government will focus on policy actions which stimulate domestic supply and restrain demand. While there is considerable overlap between the supply and demand-oriented policies the policy actions are presented in these two broad categories for clarity.

A. SUPPLY-ORIENTED POLICIES

- 4.21 The policy actions to be implemented on the supply side include the stimulation of agriculture by means of improved incentives, improved operation of agricultural marketing organization, timely procurement and distribution of fertilizer and through the development of alternative routes. The policy actions will also include the adoption of a detailed public sector investment programme.
- (1) Agriculture
- 4.22 Malawi has an extensive system for purchasing smallholder crops for resale both domestically and abroad through the Government owned Agricultural Development and Marketing Corporation (ADMARC). Between 1977 and 1982 there were few adjustments in the schedule of prices paid for smallholder produce, the major one being a 67 percent increase in the price paid for maize for the 1981/82 growing season. This increase, prompted by severe shortages attributable to two years of poor harvests in 1977 and 1980, led to substantial increases in maize production in 1982 and 1983 at the expense of groundnuts and dark-fired tobacco. Steps were taken at the start of the 1981/82 and 1982/83 growing seasons to offset these effects by increasing prices of cotton, dark-fired tobacco, and export-grade groundnuts while keeping maize prices unchanged. In April 1983 prices for smallholder tobacco were increased further by more than 40 percent.
- 4.23 For the 1983/84 agricultural season, Government has already increased smallholder producer prices by between 10 and 130 percent for a substantial number of export crops. These recent increases in the smallholder crop prices are expected to shift the returns per labour day in favour of export crops.
- 4.24 The Government will continue to monitor producer crop prices, making adjustments as needed to maintain real rates of return to smallholders and to reduce any disparities in gross margins per labour day across competing crops. In particular, prices for the major export crops will be increased further relative to maize in order to provide additional incentive for production with the

aim of restoring exports of smallholder tobacco and groundnuts to at least the levels of 1970s. Further increases will be considered for cotton so as to maintain domestic production levels at no less than domestic spinning requirements.

- 4.25 The restrictions placed on the production of smallholder crops by agricultural estates have also been relaxed. Estates are now allowed to grow smallholder crops such as cotton, groundnuts and wheat. It is hoped that the removal of the restrictions will enable agricultural estates to diversify into other crops other than tea and tobacco, which will eventually lead to an increase in agricultural production and exports.
- 4.26 The fertilizer supply problem is being addressed by an IFAD/IDA financed project. The project is aimed at timely procurement and distribution of smallholder fertilizer through a newly created revolving fund.
- 4.27 The problems of the estate sector, particularly the managerial and financial problems of the tobacco estates are going to be tackled through a programme which will provide for improving the technical management of tobacco estates through extension and the establishment of a managerial training scheme. In the financial area, the Government is developing a plan to establish an agricultural credit institution which will provide finance for the diversification and restructuring of the estate sector from mono to multi cropping enterprises.
- 4.28 For the 1983/84 growing season, the Government has already imposed special production quotas on the production of burley tobacco, to prevent a recurrence of the excess supplies that developed during the 1982/83 season as a result of strong worldwide production and a major shift by both the Malawi estate and smallholder sectors to burley production. This action is designed to help stabilize auction burley tobacco prices at levels which will make the production of burley profitable.

(2) Industry

- 4.29 In addition to industrial incentives provided through taxes, repatriation of profits and import rebates to promote industrial development in the private sector, the Government is in the process of streamlining and liberalizing the system of price controls on industrial goods. The number of products subject to price controls is going to be progressively reduced and a time limit set within which the Government will respond to proposed price increases.

(3) Resource Mobilization and Management

- 4.30 While the Government is committed to reduce the budget deficit, measures have been taken to ensure that adequate recurrent outlays are provided for the priority areas of agriculture, road maintenance and education. The Government has introduced forward budgeting as a regular feature in the budgetary process. The public debt unit will monitor future borrowings and advise on future strategy. The monitoring system has been strengthened. A formal investment programme (see the core investment programme in Chapter 5) has been developed and will be updated each year so as to ensure that development resources are directed to more directly productive investments.

(4) Statutory Bodies

- 4.31 In order to improve the management and financial performance of the statutory bodies Government will, through the Department of Statutory Bodies' financial monitoring system, continue:

- (a) adjusting tariffs and user charges;
- (b) filling of high level management vacancies; and
- (c) implementation of the findings of ongoing studies for operational and financial improvements.

- 4.32 For the Press Group, a plan for the restructuring of Press has been drawn up. The primary objective of the plan is to establish Press as a viable entity operating on strictly commercial principles. Admarc has employed new management staff. The removal of subsidies on smallholder fertilizer purchases is in its second year of operation. Agreement has been reached with Government on the financing of the strategic maize stocks and the silos. Admarc has also produced a plan for rationalization of its investments. A major swapping of assets is currently underway between Admarc and Press and MDC. Ways and means of rationalizing transportations costs - a major expense item on Admarc's accounts - is being prepared. MDC is also reviewing its portfolio with a view to divesture and limiting its operations to its original mandate of promoting industrial development. The Malawi Railways finances are unlikely to improve in the medium-term due to problems in the international routes to the sea. However, tariffs are being adjusted whenever necessary and cost saving measures are being followed. A tariff study is to be conducted for ESCOM whose finances have since shown some recovery. The commitment of Government to economic rentals should improve the finances of MHC and CCDC. The proposed urban project with the World Bank will address the problems of MHC and CCDC.

B. DEMAND ORIENTED POLICIES

- 4.33 On the demand side, policies have been designed to continue the process of financial stabilization. These include appropriate policies with respect to the budget, monetary policies and pricing policies.
- (1) Fiscal Policies
- 4.34 The key objectives of fiscal policy will be to reduce the budget deficit to a level consistent with a sustainable balance of payments deficit and the availability of sufficient domestic credit for private sector expansion, and to allow sufficient funds for maintaining real government expenditures.
- 4.35 To achieve these objectives, it is Government's target to reduce the budget deficit from 7.3 per cent of GDP in 1982/83 to 4.6 per cent in 1985/86. For this goal to be reached, a combination of revenue measures and expenditure limitations will be implemented. Tax measures will include a constant review of surtax and import duty rates, user charges in utility companies, estate property taxes and other agricultural charges, personal taxes and increase in elasticity of fixed excise and duty rates on luxuries and other consumer goods. Consideration will also be given to ways of boosting non-tax revenues.
- 4.36 Expenditures during the programme period are expected to rise at about 9.5 per cent, slightly more than the projected rates of inflation. Restraint will be exercised so that expenditures are consistent with available financing. Total expenditure will increase from K419.8 m in 1983/84 to K519.0 m in 1985/86. That on development will grow at about 10 per cent per annum.
- 4.37 Given the limited scope of additional revenue measures, recurrent expenditures will be constrained to available resources. On average, recurrent expenditures are projected to grow an average annual rate of 8 per cent. Priority will be given to sustaining adequate recurrent outlays for agricultural services, road maintenance and education. The policy of wage restraint will continue and periodic adjustments of wages will be undertaken.
- 4.38 The need for new revenue measures and restraint on expenditure is important for achieving the Government's objective of reducing the budget deficit. The 1983/84 budget amplifies this point in

no uncertain terms and demonstrates Government commitment towards this objective. The main ingredients of the 1983/84 budget were a producer pricing policy designed to give incentives to small-holder producers, restraint in government expenditures; transfer of more banking system credit to the private sector; and a request for rescheduling of the country's external debt with its bilateral donors for at least one more year, to be in line with the London Club terms. The budget contained a number of revenue measures among which were, a simplification of the system of pay-as-you-earn (P.A.Y.E.) income tax system whereby nearly all deductible allowances were eliminated; with effect from midnight of 18th March 1983, customs duties were increased by 10 per cent on beer and 5 per cent on cigarettes, tobacco and snuff; a 5 per cent surtax on goods which had hitherto not attracted surtax, and an increase from 20 per cent to 25 per cent in surtax on luxury goods, an increase from 3 per cent to 4 per cent in import temporary levy, increase of duty on tyres and tubes from 15 per cent to 20 per cent and increase in duty rates on methylated spirits from 4 tambala to 15 tambala. Furthermore, effective from 1st April 1983 government levy on petroleum products, except paraffin, were to be increased by 4 tambala per litre, and the fee chargeable for changing ownership of all types of vehicles was to be uniform at MK25 as apposed to a system based on weight of vehicles.

- 4.39 The overall budget deficit in 1983/84 is now estimated at K105 million, which will be 6.3 per cent of GDP as opposed to 7.3 per cent in 1982/83. Total revenue and grants are projected to amount to K315 million. The 11 per cent increase in revenue over 1982/83 is expected to emanate partly from the new revenue measures outlined above. Recurrent revenues at K272.9 million in 1983/84 will be 11 per cent higher than in 1982/83 while grants will increase by 10 per cent to K42 million. Total expenditures are estimated to reach K420 million, an increase of 9 per cent over the previous year. At K272 million, recurrent expenditure will grow by only 4 per cent, less than the rate of domestic inflation. Government however maintained real levels of expenditures for agriculture, road maintenance and education. There was no general increase in wages in the 1983/84 budget. Development expenditures are projected to increase by 19 per cent to K148 million. Excluding "special" projects such as the fertilizer procurement project designed to last one year, the increase in development expenditure will be 10 per cent. The budget deficit of K105 million will be financed by net external borrowing of

K75 million and local borrowing of K10 million. In order to ensure that most domestic credit is directed to the private sector, the domestic banking system will provide no more than K23 million of the local borrowing requirements. To avoid further debt service problems in the future, the 1983/84 budget plans for no commercial borrowing.

(2) Monetary and Credit Policies

4.40 The Malawi Government intends to continue with periodic interest rate adjustments to reflect changes in price levels, maintaining interest rates at least equal to the underlying rate of inflation. In the long-run such a policy is expected to raise the level of domestic savings and the extent of financial intermediation.

4.41 To preserve credit for the private sector Government has planned to limit the financing of the deficit through domestic banking system. In addition, the Government, in consultation with the commercial banks and other financial institutions, has in principle agreed on the need for the establishment of a facility for medium-term agricultural credit. It is planned to launch such an institution before the end of calendar year 1984.

(3) External Sector Policies

4.42 In order to restrain import demand, the Government's medium-term programme includes policies to increase production of goods using local materials for the domestic market in substitution for otherwise imported goods. The Government has already embarked on a modification of the system of price controls for locally manufactured goods as a means of ensuring profitability in the industrial manufacturing sector.

4.43 The programme package also recognizes the need to maintain an appropriate and manageable debt service profile. For the short-term this has been achieved through the debt rescheduling with both the Paris and London Clubs. The rescheduling is expected to contain debt service ratio to around 20 percent.

4.44 In an effort to strengthen the competitive position of the Malawi economy, Government will follow a flexible exchange rate policy and maintain a liberal trade and exchange system that is free of restrictions on payments and transfers for current international transactions.

C. SECTORAL STRATEGIES

Agriculture

- 4.45 Agriculture policy will place emphasis on attainment of self sufficiency in food while encouraging production of cash crops for local industries and exports. Increased productivity will be sought in both the smallholder and state sectors.
- 4.46 The highest priority in agriculture will be placed on the National Rural Development Programme (NRDP) which is the main vehicle for increasing smallholder agricultural productivity. The NRDP will eventually cover the whole country. Emphasis is on directly productive expenditures such as credit, marketing, extension and training. Increased productivity will be achieved through encouraging intensive rather than extensive farming practices in view of the scarcity of cultivable land. Projects on farm mechanization are intended to break through the technology boundary and about seven and a half million kwacha is allocated to farm mechanization up to the end of the decade. At the same time, measures will be taken to ensure that adequate soil conservation measures are taken in order to minimize the damage caused by soil erosion. All NRDP projects have soil conservation measures.
- 4.47 In order to sustain growth in the estate sector, advice on extension will be provided. About 11 million kwacha of investments will be required to extend extension services to estates up to the end of the decade.
- 4.48 Crop diversification will be emphasized. There is potential for diversification into Macademia and cashew nuts, wheat, and coffee. The objective is to reduce present reliance on tobacco, tea, and sugar, for foreign exchange earnings. Cost implications for diversifying crop production have been worked out at 13 million kwacha. To complement the diversification efforts, livestock and fish production will be encouraged. Initially the policy aims at import substitution of products such as mutton and lamb and some dairy products. Eventually as supply exceeds internal demand possibilities for export to other countries will be explored. Distribution of livestock and dairy products will be improved.

Transport and Communications

- 4.49 In view of the difficulties encountered recently in movements of exports and imports along Malawi's traditional routes to the sea, there is now an urgent need to develop alternative routes in order to minimize adverse impact of bottlenecks on the economy. In this regard highest priority will be placed on developing alternative

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routes for external trade and improving existing rail links to the sea. Consequently a northern route by road will be opened connecting Malawi to the Tazara Railway. This will require investments in the Karonga-Songwe-Kyela Road of about 13 million Kwacha. Improvements in the Nacala railway line to the sea will also improve the transport situation.

- 4.50 Regarding internal transport, priority will be accorded to the completion of the north-south roads and upgrading of district roads to maintenance standards. To reduce damage on roads, weigh bridges will be used on a wider scale in order to charge for excessive axle loading. Road transport services will continue to be provided by private operators under liberalized road traffic regulations.
- 4.51 Rail and lake services will be developed further through the acquisition of rolling stock wagons, the construction of additional workshops and the purchase of equipment. About 5 million Kwacha will be required for the purchase of new rolling stock within the next two years. Capital investments on railways will continue to require Government subsidies.
- 4.52 , Developments in telecommunications will focus on extension and improvement of internal and external systems. Priority will be placed on improving internal telecommunications links by extending the system to the north. However, present links between Blantyre, Zomba, and Lilongwe are reaching saturation levels and will necessitate substantial investments to increase capacities. These improvements will require about 39 million Kwacha in new investments over the next seven years.
- 4.53 Air transport has received a new impetus with the opening of the Kamuzu international airport in the nations capital. To improve internal air links Mzuzu Airport in the Northern Region will be rebuilt on a new site. Studies have also been completed for Monkey Bay which requires improvements.

Commerce and Industry

- 4.54 Although Malawi is predominantly an agricultural country, industrial development is also important to the economy both for import substitution and for utilization of agricultural raw materials produced in the country. Industrial development strategy in the 1980s will therefore be aimed at encouraging those agro-industries which maximize the use of domestic raw materials. Delays in processing of industrial license applications will be minimized. As possibilities for further import substitution become narrow, firms will be encouraged to look at possible export markets, especially within the newly created Preferential Trade Area (PTA). Tariff protection will be selectively applied and will not be extended to firms which are likely to be non-competitive 'infants' for an extended period.

- 4.55 Private investment is expected to dominate the industrial scene while equity investment by government (through the relevant public enterprises) will only be considered for economically viable projects of national importance. Otherwise Government's role will be of a supportive nature, giving necessary incentives and infrastructure where required. Through the newly launched Small Enterprise Development Organization (SEDOM) project, it is hoped to encourage small and medium scale indigenous operators to participate in the industrial development of the country.
- 4.56 Every effort will be made to find new markets for Malawi's exports and in this regard the Export Promotion Council will continue to play a leading role. Participation in various trade fairs will continue. The objective for internal trade is to ensure efficient distribution of goods and services. Government has recognized the difficulties inherent with price controls. In this regard pricing will be liberalized by reducing the number of commodities subject to price control.

Energy

- 4.57 Forecast for the 1980s indicate that there will be continued dependance on wood as the predominant source of energy for Malawi. Fuel wood is expected to account for not less than 85% of primary energy supply through 1990. In the smallholder sector, energy demand is expected to increase at about 2.6% per annum. Demand in the commercial sector is expected to increase at a faster rate, averaging about 3-4% per annum. Efforts will be made to reduce the fuel wood consumption of the tobacco industry by about 30% by adopting efficient methods of curing.
- 4.58 Government is attempting to ensure that there will be an adequate supply of fuelwood energy to meet the needs of the majority of the population. Between 1984-5 and 1990-91 investment in fuelwood is projected at about K23 million. It is estimated that investment in power (excluding Kapichira Hydropower) will average about 3.2% of the Development Account expenditure over the next seven years to 1990-91. Significant structural changes in the pattern of energy supply are expected to occur during the decade. An increasing reliance on hydro electric power is projected in the investment programme. Increasing at about 7.1% and 6.0% during 1981-84 and 1985-90 respectively, hydroelectric power is expected to more than double its share of energy supply to about 5.8% by 1990 from 2.8% in 1980. Such structural shifts in the consumption of energy supply should have a positive effect on the balance of payments position. The cost of importing petroleum products is expected to absorb a decreasing share of total export earnings, falling from the early 1980s average of 23% to 18% by 1985 and further to about 12% by 1990.

Mining

- 4.59 Although government has encouraged mineral development in Malawi, actual exploitation thus far has been limited except for the utilization of limestone deposits at Changalume for cement production. Other mineral deposits have not been of sufficient quantity and/or quality to permit viable exploitation. Government will continue its efforts to supply data and services to potential investors who have the expertise, technology, and financial resources to carry out mining ventures. First priority will be given to private small scale mining activities in pottery, glass, and lime. A feasibility study has been undertaken on the establishment of a second cement factory in Kasungu with the intention of making Malawi self-sufficient in cement production. Over the next seven years government investment in mining is estimated at about 2.5 million kwacha.

Tourism

- 4.60 Government regards tourism as inter-disciplinary and seeks to promote joint efforts by all concerned - both public and private organizations. As a first step it is important to develop and preserve natural assets such as lakes, national parks, and scenic areas. Measures will be taken to safeguard the nation's cultural heritage while offering opportunities to visitors to share in it. Government's direct involvement will be in the provision of essential infrastructure. The development of tourist facilities will be largely the responsibility of the private sector with the support of a parastatal body that will make available development loans from domestic and international sources.
- 4.61 Few hotels in Malawi are presently up to international standards. These will have to be improved. Additional accommodation will be provided only when demand justifies it. Marketing efforts will initially be concentrated on attracting tourists to areas with the highest potential for tourism. Training programmes will be aimed at producing requisite skills and localizing some of the senior management positions in the hotel industry. Malawi has improved its road and transport systems so that the tourists can now readily visit the countryside. Therefore, together with the opening of the Kamuzu International Airport which directly links Lilongwe with the rest of the world, the improvement of tourist facilities will make this industry a promising sector for development in the coming years.

Water development

- 4.62 In keeping with Malawi's participation in the International Drinking Water Supply and Sanitation Decade first priority in the water development sector is to increase accessibility to safe drinking water supplies for the population in the rural areas. For urban water supply the policy is to anticipate demand and instal plant in good time. Development is planned in phases to meet the projected demand until 1990 with flexibility to provide supplies where usage proves to be greater than anticipated. Rural water supplies are constructed by self help methods and maintenance committees are assisted with training and back-up services. Gravity-fed systems, which are the most economical, are supplied wherever possible. Wells, boreholes, and dams, are provided where necessary, using the simplest technology feasible which will result in minimal maintenance problems. About 45 million Kwacha of the budgeted expenditure on water for the next seven years will be expended on rural water supplies. This represents about 50% of the budget on water. Water is now provided free to communal standpipes, but future supplies will be designed with modestly increased capacity where sufficient water is available so that metred connections can also be made at the consumer's expense.
- 4.63 A national pre-feasibility study will help in the preparation of sanitation plans for rapidly growing urban areas. A study of the needs and options for rural sanitation systems is also planned. Development of all water uses is supported by continual monitoring of ground and surface water sources, strategies for irrigation development are based on a national irrigation study. Labour-intensive methods will be employed where possible. Irrigation will become increasingly important for increasing agricultural production in the lower Shire river and selected areas along the lakeshore.

Government Services

- 4.64 To achieve the nation's economic objectives, Government relies chiefly on private investments to raise productivity. Some government intervention in the economic sectors is justified in the way of providing economic guidance. Such intervention is exercised through licensing and regulation in the interests of full employment, equitable distribution of income, maximum local participation in management, and a favourable balance of trade. Access to information and entertainment is provided through Government's information and broadcasting services. Measures to increase administrative efficiency will release funds for allocation to social services and development.

4.65 A strong organizational link between the central Government and the district and village levels promotes efficiency in resource allocation and involvement of the people in development. Government intends to strengthen these bonds for further co-ordination of efforts to achieve development objectives. A vigorous training programme for civil servants at all levels of Government provides means to improve the efficiency of the public services, and this programme is to be expanded.

NUTRITION

- 4.66 Government's policy is to promote nutrition education and services through under five clinics, nutrition clinics, and nutrition rehabilitation units. This prevention through health education will relieve some of the seasonal nutritional problems. The nutritional status of the population and the utilization of food supplements will be monitored.

HEALTH

- 4.67 The objectives in this sector are to raise the level of health of all people through a sound health care delivery system. The Government of Malawi is a signatory to the Alma charter, accepting the target of "Health for All by the Year 2000". To make sufficient progress towards achieving this goal, Malawi needs a cost-effective and comprehensive health care delivery system which can increase the coverage of the population through a network of primary health care facilities, health centres and rural sub-centres, with emphasis on the rural areas of the population. This will require substantial investments in health, averaging about 5.4 of the total Government Budget for the next three years. At the same time, Government will ensure enough resources on the recurrent budget to maintain this investment.
- 4.68 Maternal and child health services and health education will be strengthened and expanded, as will preventive measures. Since district hospitals form the apex of the rural health network, modern hospital facilities will be built in each district to replace antiquated and inadequate structures. General and specialized hospitals in urban centres are national referral facilities for cases that cannot be treated in the primary health care system. To meet the need for trained health personnel, existing training programmes will be expanded and new disciplines will be added. The training of traditional birth attendants will provide an important health service at the village level.

EDUCATION AND LITERACY

- 4.69 The major thrust of educational development to the end of the decade will be on intensifying the use of existing facilities. First priority will be given to primary education. The objective is to provide lasting education by improving the quality of education. More teachers will be provided in order to reduce pupil teacher ratios. Underqualified teachers will be upgraded by short training courses at the Institute of Education. School supplies in the form of textbooks, furniture and equipment will be increased. Expansionary school places will first be provided to less advantaged areas in order to even out access to school places throughout the country. School fees will be reviewed regularly. Primary school developments will take more than a third of the Education budget expenditures up to 1988/89.
- 4.70 At the secondary school level major emphasis will also be on improvement in the utilization of existing facilities. Increased enrollments in existing boarding schools will be encouraged wherever necessary in order to reduce student unit costs. Expansion is planned but mainly for achieving a more even distribution of school places per district. Correspondence centres which provide secondary education at relatively low cost and supplement formal schools will be improved and increased.

These development activities should increase the percentage of primary school pupils proceeding to secondary schools from the present 12% to about 15% by 1990.

- 4.71 At the University level no major additional investments are envisaged. The main policy objective will be to promote fuller utilization of facilities by increasing student/lecturer ratios especially in the science subjects. This, together with cost reduction measures is aimed at substantially reducing unit costs at the University. These measures alone should increase University enrollment ratio closer to one percent by the end of the decade. Improvement and expansion of technical and vocational education will be realized by the provision of facilities and equipment. Non-formal education will be co-ordinated and expanded to reach more people who are not in school. Adult literacy, which is still low, will be given special attention.

HOUSING

- 4.72 Government places highest priority on improvement of housing in rural areas where families are able to build their own houses with their own labour, using readily available local materials. Government will assist in the provision of clean water and sanitation by self-help methods and will make available technical guidance on shelter construction. Resources for public housing will be concentrated in urban areas, where the broad long-term policy is to house every family by the year 2000 at a standard which is more than the current level for the bulk of the people.
- 4.73 A higher priority will continue to be given to site and service schemes in Traditional Housing Areas (THAs), where plots are furnished with pit latrines, water is distributed by a kiosk system, and roads are gravelled. Within the limits of available funds Government plans to upgrade existing THAs with water reticulation, security lighting, bitumized bus routes, and waterborne sanitation systems. New site and service schemes will be established in urban areas of high population density. Core houses will be built and residents provided with loans for building materials and technical advice so that they will be able to complete the houses in accordance with their needs and resources. Although housing problems are less severe in smaller centres, some construction of service plots and permanent housing is considered desirable to stimulate development outside the main centres.
- 4.74 Some permanent housing administered by two public corporations is subsidized, chiefly for public servants. It is intended gradually to eliminate the subsidy, raising the rents by stages to economic levels.

MANPOWER PLANNING

- 4.75 Government's strategies to provide economic growth seek to increase the share of the monetary sector in the national economy and hence to encourage job creation. Industrial policies favour labour-intensive technologies and self-employment in small-scale enterprises. The greatest constraint to expansion of employment is the shortage of technical and managerial skills, which is being addressed through the orientation of education and training programmes to the manpower needs of the country.

- 4.76 To maintain the profitability of commercial and industrial enterprises and to encourage the establishment of new employment-generating activities, Government will continue to apply its wage restraints policy. Annual wage reviews in the private sector and periodic reviews in the public sector will ensure equitable application of the policy.

RURAL AND COMMUNITY DEVELOPMENT

- 4.77 Since the majority of the population lives in the rural areas, Malawi has made every effort to encourage development in these areas and to improve the standard of living of the inhabitants. The principal objective is to spread economic and social benefits more widely among the rural people, extending economic and social infrastructure and involving the people more directly in the monetary economy. A basic needs approach has been adopted, which depends to a large extent on the aspirations of the rural communities and their willingness to contribute their own labour and resources to self-help projects. The development of rural skills will be encouraged by the provision of training in technologies needed for self-reliance. District committees and voluntary organizations are already active in promoting self-help projects to improve the living standards of rural people while Government encourages their efforts by allocating funds and providing technical support.

URBAN PLANNING AND DEVELOPMENT

- 4.78 To reduce the disproportion in employment opportunities and the availability of services between rural and urban areas, a decentralized urban strategy has been adopted. The development of secondary towns will be promoted through the provision of infrastructure. This is aimed at reducing the flow of job-seekers to the large urban centres and will bring benefits to rural as well as urban dwellers. Facilities will be established in rural growth centres, which will be small market towns where social and administrative services will be provided.

OVERALL REGIONAL PLANNING

- 4.79 Diffusion of development to the Central and Northern Regions is an important part of Government's policy to spread the fruits of economic growth more equitably throughout the country. It is being achieved through strategies in every sector, and notably through the National Rural Development Programme (NRDP) and infrastructural development. NRDP has progressed from its pilot stage in four restricted areas to a country-wide application of proven techniques for the encouragement of smallholder agriculture and will continue to widen its influence throughout the decade. The roads programme is now penetrating areas of economic activity in all three regions. The provision of infrastructure in Lilongwe and secondary towns, is extremely important for the development of economic sectors. Following the same rationale, a mapping exercise is planned to identify places with growth potential for the siting of services. The rural electrification programme will bring an important industrial and commercial asset to many small towns.

INCOMES AND PRICE POLICY

- 4.80 In any development programme, the question of growth versus distribution has to be considered. As is well known, when the rate of economic growth is accelerating, the distribution of incomes becomes more uneven, because shortages of those factors of production, which play the greater part in

bringing about growth, are created. In Malawi's planning efforts major emphasis is being placed on increasing the supply of those resources whose scarcity is responsible for the uneven distribution of incomes.

- 4.81 Government incomes policy thus has the following objectives:
- (a) to ensure that every household enjoys an income at least equal to bare minimum basic needs;
 - (b) to reduce inequality in income-earning opportunities;
 - (c) to reduce the gap between urban and rural areas through fiscal and monetary measures, and by increasing rural income through domestic savings.
- 4.82 Price and wage restraints have played important roles in containing inflation, maintaining international competitiveness, providing incentives for employment creation, and moderating the rural-urban gap and hence the rate of internal migration. As a consequence of price and income policies, wage increases in Malawi have been quite moderate as compared with other African countries and also in relation to the prices of imported consumer and capital goods. Wage moderation has also kept the demand for labour high and has caused economic growth to be accompanied by a rapid expansion of employment opportunities. Malawi has been very successful in generating employment, especially at the low end of the wage scale.

CHAPTER 5

QUANTITATIVE FRAMEWORK

Macro-Economic objectives

- 5.1 Overall GDP is expected to grow at an average annual rate of 3.9 percent during the programme period, from 3 percent in 1983 to 4.9 percent in 1987 (Table 5.1). Output in the agricultural sector will achieve an average annual real rate of increase of 3.5 percent. It is expected that estate output will grow at 4 percent annually while smallholder output will increase at about 3.3 percent per annum in real terms. Manufacturing sector output is projected to increase at 3.9 percent average during the period.
- 5.2 Gross fixed capital formation is projected to rise from about 16 percent of GDP in 1983 to almost 22 percent in 1987 (Table 5.2 and Table 5.3). Domestic savings are estimated to increase appreciably over the period, rising from 13.5 percent of GDP in 1983 to 18.1 percent in 1987. An increasing portion of total investment is thus expected to be financed by the anticipated increase in domestic savings. The increased rate of savings will reduce the rate of total consumption from 86.5 percent of GDP in 1983 to about 82 percent in 1987. Most of this reduction in consumption is expected to derive from the Government sector where expenditures will be restrained. Domestic inflation, as measured by an index of retail prices for low income households is expected to decline from 13 percent in 1983 to about 8 percent in 1987.
- 5.3 The program also aims at reducing the current account deficit of the balance of payments from 8.4 percent of GDP to 4.8 percent in 1987 (Table 5.4). Exports are projected to grow at a faster rate than imports resulting in an increase in the trade balance from an estimated K18.8 million in 1983 to K68.2 million in 1987. The capital account balance is projected to increase from K79.5 million in 1983 to K172.5 million in 1987. The composition of foreign net capital inflows is expected to be even between loans and transfers by the end of the program period. The program calls for a marked increase in transfers whose growth rate the country has achieved in the past. The re-payments of debt relief granted during the past two years will commence in 1985 reaching a level of K23.3 million in 1987. The debt service ratio after rescheduling is expected to average 30 percent during the program period, in contrast to 34 percent before rescheduling. During the program period, Malawi will continue to maintain a liberal trade system and an exchange system free of restrictions on payments and transfers for current international transactions.
- 5.4 The overall deficit on the budget is projected to decline from 6.3 percent in 1983/84 to 4.2 percent in 1986/87 (Table 5.5). While total revenues are expected to remain at roughly 19 percent of GDP during the period, total expenditures will decline from 25.1 percent of GDP in 1983/84 to 23.8 percent in 1986/87. Recurrent expenditures will fall from 16.3 percent

to 14.8 percent of GDP during the period. A small acceleration is expected in development expenditure, from 8.8 percent of GDP in 1983/84 to 9 percent in 1986/87. Details of the public sector investment programme are given below. In order to allow for more credit to the private sector, it is projected that domestic financing of the overall deficit will decline from 1.8 percent of GDP in 1983/84 to 1.2 percent in 1986/87. Net credit to Government is projected at an annual growth rate of 8.7 percent during the programme period. Credit to statutory bodies will display little change while that to the private sector will grow at about 14 percent during the period.

Public Investment Programme 1983/84-1985/86

- 5.5 For the period 1983/84-1985/86, Government has worked out a Central Government Investment Programme in consultation with the World Bank and the IMF. The basic concept of the programme is to retain Government investments at levels compatible with structural adjustment objectives and policies outlined in the previous chapters. For convenience, this is called the core programme.
- 5.6 The Core programme is shown at sectoral level in Table 5.6 and summary details in Table 5.8. Factors taken into account in drawing up the Core programme are:
- a) the need to reduce Government share in total investment in order to release resources for the private sector;
 - b) local resources to contribute to externally financed projects have become the single most important constraint;
 - c) build-up of recurrent expenditure requirements from completed projects;
 - d) the need to channel funds to existing programmes so that they are carried out more effectively;
 - e) the present aid climate.
- 5.7 The projects which have been included in the Core programme are those already financed projects continuing from 1983/84 and additional unfinanced ones selected on priority basis i.e. those with the greatest impact on the economy in the short term in order to facilitate the re-emergence of historical economic growth. (The development expenditure figures in Table 5.5 assume actual expenditure of 90 percent of the total in 1984/85 and this ratio increases over the programme period).
- 5.8 Agriculture in the Core programme will continue to receive the highest priority followed by transport and education. However, the lumpiness of transport investments give it the highest sectoral share (27.6%) compared to 19.7 percent for agriculture and 10.3 percent for education.

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- 5.9 Table 5.7 indicates that the foreign component of the investment programme is fully funded in the base year 1983/84, 87 percent funded in 1984/85 and 77 percent funded in 1985/86. About K61 million are required in additional financing from external sources on the Core programme over the two years up to 1985/86. It is important that in working together with Government in its search for solutions to the problems, the international partners should give their fullest support so that the Core programme is fully financed. The Government also expects that there will be greater balance towards grants than loans. At present, grants are less than 40 percent of the Government investment programme. The loans should be concessional since commercial loans would worsen debt service problems.
- 5.10 As the economy emerges from a period of structural adjustment, extended and more assistance will be required to sustain and attain further improvements in the economy. The Government has prepared detailed programmes up to 1988/89 which are presented in Volume II of the conference documents.
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Table 5.1:

GROSS DOMESTIC PRODUCT(GDP) BY SECTOR OF ORIGIN 1983-1987

(K Million)

SECTOR	1983	1984	1985	1986	1987
Agriculture	338.9	348.1	357.9	368.1	381.0
Smallholder	268.8	275.8	283.0	290.3	299.0
Estate	70.1	72.3	74.9	77.8	82.0
Manufacturing	93.1	95.9	99.4	103.8	109.0
Utilities	16.5	17.0	17.6	18.2	20.0
Construction	37.2	38.3	39.7	41.4	44.0
Distribution	113.0	116.3	120.2	124.8	130.0
Transport	47.6	49.0	50.6	52.6	56.0
Financial Profes- sional Services	41.4	42.6	44.2	46.2	49.0
Ownership of dwellings	34.1	35.1	36.3	37.7	40.0
Private Social Services	30.9	31.8	32.9	34.1	36.0
Government	91.4	94.0	103.0	112.0	120.0
Unallocable Finance charge	9.4	-	-	-	-
GDP at 1978 Factor Cost	834.7	868.1	901.8	938.9	985.0
GDP at Current Factor Cost	1,460.7	1,661.5	1,892.0	2,133.2	2,426.1
Plus: Net Indirect Tax	158.0	182.0	209.0	232.0	253.0
GDP at Current Market Prices	1,618.7	1,843.5	2,101.0	2,365.2	2,679.1
GDP Deflator	1.750	1.914	2.098	2,272	2,463

GROWTH BY SECTOR OF ORIGIN

SECTOR	1983	1984	1985	1986	1987	AVERAGE 1983-87
Agriculture	5.7	2.7	2.8	2.8	3.5	3.5
Smallholder	5.9	2.6	2.6	2.6	2.9	3.3
Estate	4.7	3.1	3.5	3.9	5.3	4.1
Manufacturing	3.5	3.0	3.6	4.4	5.0	3.9
GDP at factor cost	3.0	4.0	3.8	4.1	4.9	3.9

SOURCE: ECONOMIC PLANNING DIVISION

Table 5.2: GROSS DOMESTIC PRODUCT AND EXPENDITURE 1983-1987
(K Million)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
GDP at Current Market Prices	1,618.7	1,843.5	2,101.0	2,365.2	2,679.1
Consumption	1,400.0	1,576.0	1,760.0	1,960.0	2,194.0
Gross fixed Capital Formation	259.0	295.0	361.0	459.0	584.0
Charge in Stocks	34.0	63.5	33.3	9.6	- 37.1
Trade balance	18.8	45.8	56.7	59.6	68.2
Non-factor services (net)	-93.1	-100.8	-110.0	-123.0	-130.0
Domestic savings	218.7	267.5	341.0	405.2	485.1

MEMORANDUM

Consumption as % of GDP	86.5	85.5	83.8	82.9	81.9
Fixed Capital formation as % of GDP	16.0	16.0	17.2	19.4	21.8
Domestic savings % of GDP	13.5	14.5	16.2	17.1	18.1

SOURCE: ECONOMIC PLANNING DIVISION

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Table 5.3:

INVESTMENT AND SAVINGS 1983-1987

(K Million)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Fixed Capital formation	259.0	295.0	361.0	459.0	584.0
Change in Stocks	34.0	63.5	33.3	9.6	- 37.1
Total Investment	293.0	358.5	394.3	468.6	546.9
Domestic savings	218.7	267.5	341.0	405.2	485.1
Net Factor Income	- 56.9	- 54.2	- 55.0	- 49.2	- 58.0
National savings	160.8	213.3	286.0	356.0	427.1
Private Transfers (net)	- 5.1	- 5.7	- 6.8	- 7.4	- 8.5
Short and long-term capital	79.5	82.0	119.5	136.0	172.5
Debt relief	56.8	32.9	- 4.4	- 15.5	- 23.3
Change in foreign reserves (+ = decrease, - = increase)	+ 1.0	+ 36.0	0.0	- 0.5	- 20.9

SOURCE: ECONOMIC PLANNING DIVISION

Table 5.4:

BALANCE OF PAYMENTS
(K Million)

	1983	1984	1985	1986	1987
CURRENT ACCOUNT BALANCE	-136.3	-114.9	-115.1	-120.0	-128.3
Trade Balance	18.8	45.8	56.7	59.6	68.2
Exports(f.o.b.)	282.7	345.8	406.7	454.6	508.2
Imports(f.o.b.)	263.9	300.0	350.0	395.0	440.0
Non-factor services (net)	- 93.1	-100.8	-110.0	-123.0	-130.0
Factor services (net)	- 56.9	-54.2	- 55.0	- 49.2	- 58.0
Private trans- transfers (net)	- 5.1	- 5.7	- 6.8	- 7.4	- 8.5
CAPITAL ACCOUNT BALANCE	79.5	82.0	119.5	135.5	172.5
Government transfers (net)	45.2	54.3	66.2	73.6	79.8
Government loans (net)	38.9	40.5	70.0	75.0	82.0
Private and Statutory Bodies loans (net)	- 24.8	- 30.0	- 28.0	- 12.6	10.7
Short-term capital, errors and omissions	20.2	17.2	11.3	- 0.5	- 20.9
DEBT RELIEF	56.8	32.9	- 4.4	- 15.5	- 23.3
<u>MEMORANDUM ITEMS</u>					
Current account deficit as % of GDP	8.4	6.2	5.5	5.1	4.8

SOURCE: ECONOMIC PLANNING DIVISION

Table 5.5:

CENTRAL GOVERNMENT BUDGETARY OPERATIONS, 1982/83-1986/87

(K Million)

	1982/83	BUDGET 1983/84	REVISED 1983/84	1984/85	1985/86	1986/87
Total Revenue and Grants	281.5	328.5	314.9	367.9	420.0	476.9
Revenue	243.1	279.4	272.9	313.9	354.0	400.9
Grants	38.4	49.1	42.0	54.0	66.0	76.0
Total Expenditure	384.2	418.5	419.8	468.7	519.0	580.5
Recurrent	260.7	266.0	272.3	298.0	327.8	360.6
Development	123.5	152.5	147.5	170.7	191.2	219.9
Overall deficit	-102.7	- 90.0	-104.9	-100.8	- 99.0	-103.6
Financing	102.7	90.0	104.9	100.8	99.0	103.6
Foreign (net)	60.8	76.2	74.9	70.8	69.0	73.6
Borrowing	74.6	88.4	84.3	95.2	103.2	119.8
Repayments	13.8	12.2	9.4	24.4	34.2	46.2
Domestic (net)	41.9	13.8	30.0	30.0	30.0	30.0
		<u>Ratios to GDP</u>				
Total Revenue and Grants	19.9	20.0	18.8	19.3	19.4	19.5
Revenue	17.2	17.0	16.3	16.5	16.4	16.4
Grants	2.7	3.0	2.5	2.8	3.0	3.1
Total Expenditure	27.2	25.5	25.1	24.5	23.9	23.8
Recurrent	18.5	16.2	16.3	15.6	15.1	14.8
Development	8.7	9.3	8.8	8.9	8.8	9.0
Financing of Overall deficit	7.3	5.5	6.3	5.3	4.6	4.2
Foreign	4.3	4.7	4.5	3.7	3.2	3.0
Domestic	3.0	0.8	1.8	1.6	1.4	1.2
GDP at current market prices on fiscal year basis (K Million)	1,408	1,636	1,674	1,907	2,167	2,443

SOURCE: MINISTRY OF FINANCE

Table 5.6 - Public Investment Programme by Sector 1983/84-1985/86 (MK'000)

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>Total</u>	<u>(% share)</u>
Agriculture	33,023	40,335	31,514	104,872	19.7
Veterinary	1,544	3,250	2,990	7,784	1.5
Fisheries	194	1,107	1,952	3,253	0.6
Forestry and Game	3,290	20,438	27,582	51,940	9.8
Surveys and Mines	50	2,581	2,890	5,521	1.0
Finance, Commerce and Industry	7,999	1,269	147	9,415	1.8
Power	2,388	9,137	4,096	15,621	2.9
Transport	37,265	44,665	65,002	146,932	27.6
Posts and Tele- communications	5,671	14,825	10,242	30,738	5.8
Water and Sani- tation	8,622	6,081	12,730	27,433	5.2
Education and Culture	22,599	20,767	11,433	54,799	10.3
Health	6,379	13,364	9,155	28,898	5.4
Housing	887	3,138	4,947	8,972	1.7
Community Develop- ment	158	101	100	359	-
Miscellaneous Services	3,090	393	1,302	4,785	0.9
Government Buildings	11,843	8,143	10,329	30,315	5.7
GRAND TOTAL	145,632	189,594	196,411	531,637	100

SOURCE: ECONOMIC PLANNING DIVISION

Table 5.7 - Additional Financial Requirements on Core Programme (MK'000)

	<u>1983/84</u>	<u>1984/85</u>	<u>1986/87</u>	<u>Total</u>
Total Programme	145,632	189,594	196,411	531,637
Total Foreign Component	109,973	164,653	170,408	445,034
Foreign Component (funded)	109,973	142,535	131,556	384,064
Foreign Component (unfunded)	--	22,118	38,852	60,970
Domestic Component	35,659	24,941	26,003	86,603

SOURCE: ECONOMIC PLANNING DIVISION

TABLE 5.8

DEVELOPMENT PROGRAMME 1983/84-1985/86 PROJECT TITLE	CORE PROGRAMME 1983/84 - 1985/86 (MK'000)								
	TOTAL ESTIMATED COST			EXPENDITURE TO 31/3/83			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
070 - COMMUNITY SERVICES									
1. Purchase of Books (Socweli) (MG)	0	10	10	0	0	0	0	10	10
2. Electricity Mains (Chilwa App.Sci.) (MG)	0	38	38	0	0	0	0	38	38
3. Electrical wiring (Mponda Boys Inc) (MG)	0	10	10	0	0	0	0	10	10
4. Electrification of DCs Offices (MG)	0	30	30	0	0	0	0	30	30
5. Hostel and teaching blk. (Magomero) (MG)	0	70	70	0	0	0	0	70	70
6. Rural Home Craft Centres	273	0	273	0	0	0	0	0	0
SUB-TOTAL	273	158	431	0	0	0	0	158	158
071 - EDUCATION AND CULTURE									
1. Polytechnic (IPA)	1940	215	2155	1591	147	1738	349	88	417
2. Third IDA	21093	2482	23575	18763	1912	20675	2330	570	2900
3. Fourth IDA	30600	5990	36590	10501	1100	11601	7900	2400	10300
4. Polytechnic (ADF)	4405	490	4895	1366	140	1506	1350	150	1500
5. Polytechnic (USAID)	4860	0	4860	200	0	200	1500	0	1500
6. Primary Schools (Blityre and Lilo) (ADF)	4405	490	4895	1995	222	2217	900	100	1000
7. Technical/Vocational Schools (UK)	6570	730	7300	0	0	0	3674	408	4082
8. Fifth IDA	36400	9100	45500	0	0	0	750	150	900
9. Malawi College of Accountancy	0	0	0	0	0	0	0	0	0
SUB-TOTAL	110273	19497	129770	34416	3521	37937	18753	3846	22599
072 - FINANCE, COMMERCE AND CULTURE									
1. Smallscale Ind. Development (EDF)	2846	188	3034	1000	68	1068	1096	119	1215
2. Dev. of Industrial Area (Chirimba) (EEC)	3088	550	3638	2588	450	3038	490	100	590
3. Purchase of Fertilizer (RSA.MG)	4986	8600	13586	4986	2600	7586	0	6000	6000
4. Malawi Bureau of Standards (RSA)	654	0	654	0	0	0	194	0	194
5. Est. of Craft Dev. Centre (Zomba)	195	0	195	0	0	0	0	0	0
SUB-TOTAL	11769	9338	21107	8574	3118	11692	1780	6219	7999

DEVELOPMENT PROGRAMME 1983/84-1985/86
FINANCE TABLE

	1984/1985			1985/1986			FINANCE		
	External	Local	Total	External	Local	Total	External	Local	Total
070 - COMMUNITY SERVICES									
1. Purchase of Books (SocWel) (MG)	0	0	0	0	0	0	0	0	0
2. Electricity Mains (Chilwa App.Sch.) (MG)	0	0	0	0	0	0	0	0	0
3. Electrical Wiring (Mpenba Boys Hme) (MG)	0	0	0	0	0	0	0	0	0
4. Electrification of DCs Offices (MG)	0	0	0	0	0	0	0	0	0
5. Hostel and teaching blk. (Magomero) (MG)	0	0	0	0	0	0	0	0	0
6. Rural Home Craft Centres	101	0	101	100	0	100	72	0	72
SUB-TOTAL	101	0	101	100	0	100	72	0	72
071 - EDUCATION AND CULTURE									
1. Polytechnic (UK)	0	0	0	0	0	0	0	0	0
2. Third IDA	0	0	0	0	0	0	0	0	0
3. Fourth IDA	8000	2000	10000	1280	475	1755	2919	15	2934
4. Polytechnic (ADF)	1689	200	1889	0	0	0	0	0	0
5. Polytechnic (USAID)	3160	0	3160	0	0	0	0	0	0
6. Primary Schools (Bltyre and Lilo) (ADF)	0	0	0	1510	168	1678	0	0	0
7. Technical/Vocational Schools (UK)	2896	322	3218	0	0	0	0	0	0
8. Fifth IDA	2000	500	2500	6400	1600	8000	27250	6850	34100
9. Malawi College of Accountancy	0	0	0	0	0	0	0	0	0
SUB-TOTAL	17745	3022	20767	9190	2243	11433	30169	6865	37034
072 - FINANCE, COMMERCE AND INDUSTRY									
1. Smallscale Ind. Development (EDF)	750	1	751	0	0	0	0	0	0
2. Dev. of Industrial Area (Chirimba) (EEC)	10	0	10	0	0	0	0	0	0
3. Purchase of Fertilizer (RSA/MG)	0	0	0	0	0	0	0	0	0
4. Malawi Bureau of Standards (RSA)	460	0	460	0	0	0	0	0	0
5. Est. of Craft Dev. Centre (Zomba)	48	0	48	147	0	147	0	0	0
SUB-TOTAL	1268	1	1269	147	0	147	0	0	0

	External	Local	Total	External	Local	Total	External	Local	Total
073 - GOVERNMENT BUILDINGS									
1. Malawi Army Buildings (MG)	0	73341	73341	0	70241	70241	0	3100	3100
2. Mnl. To Presidential Residences (MG)	0	2199	2199	0	2021	2021	0	178	178
3. State House (Lilongwe) (MG)	0	52150	52150	0	26650	26650	0	7500	7500
4. UNDP Third Housing Project (UNDP)	1045	0	1045	668	0	668	377	0	377
5. Customs Housing and Offices (MG)	412	0	412	0	0	0	0	0	0
6. Electrification of District Hqtrs. (MG)	0	150	150	0	0	0	0	0	0
7. Extension of Chief Res. Magist., LL (MG)	0	100	100	0	0	0	0	100	100
8. Road Weigh Bridges Attendant Hses. (MG)	0	51	51	0	25	25	0	26	26
9. Police Buildings (MG)	0	500	500	0	0	0	0	500	500
10. Alterations to Parliament Bld. (MG)	0	201	201	0	139	139	0	62	62
SUB-TOTAL	1457	128692	130149	668	99076	99744	377	11466	11643

074 - HEALTH

1. Machinji Hospital (ADB)	4660	150	4810	0	2	2	1350	148	1498
2. Salima Hospital (ADB)	3921	148	4069	0	1	1	1338	147	1485
3. Ntcheu Hospital (KFW)	1912	0	1912	1859	0	1859	53	0	53
4. Karonga Hospital (EEC)	4500	0	4500	0	0	0	1000	0	1000
5. Health Educ. - Rural Piped Water (AID)	49	0	49	28	0	28	21	0	21
6. Guardian Shelter (Domasi Nutr. and Reh.)	0	25	25	0	0	0	0	12	12
7. Guardian Shelter (Kamuzu Cen. Hosp.) (MG)	0	325	325	0	0	0	0	325	325
8. Food storage facilities (Hospital) (MG)	0	100	100	0	0	0	0	100	100
9. Primary Health Prog. Shire E. (GTZ)	800	0	800	0	0	0	0	0	0
10. Improv. to Health Services Sys. (IDA)	7844	1732	9576	0	0	0	1539	346	1885
11. Mzimba Hospital (ADB)	4890	0	4890	0	0	0	0	0	0
SUB-TOTAL	28576	2480	31056	1887	3	1890	5301	1078	6379

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	1984/1985			1985/1986			1986/1987		
	External	Local	Total	External	Local	Total	External	Local	Total
073 - GOVERNMENT BUILDINGS									
1. Malawi Army Buildings (MG)	0	0	0	0	0	0	0	0	0
2. Mxl. to Presidential Residence (MG)	0	0	0	0	0	0	0	0	0
3. State House (Lilongwe) (MG)	0	8000	8000	0	10000	10000	0	0	0
4. UNDP Third Housing Project (UNDP)	0	0	0	0	0	0	0	0	0
5. Customs Housing and Offices (MG)	113	0	113	299	0	299	0	0	0
6. Electrification of District Hqtrs. (MG)	0	30	30	0	30	30	0	90	90
7. Extension of Chief Res. Magist., LL (MG)	0	0	0	0	0	0	0	0	0
8. Road Weigh Bridges Attendant Hses. (MG)	0	0	0	0	0	0	0	0	0
9. Police buildings (MG)	0	0	0	0	0	0	0	0	0
10. Alterations to Parliament Bld. (MG)	0	0	0	0	0	0	0	0	0
SUB-TOTAL	113	8030	8143	299	10030	10329	0	90	90
074 - HEALTH									
1. Mchinji Hospital (ADB)	2000	0	2000	1310	0	1310	0	0	0
2. Salima Hospital (ADB)	2000	0	2000	583	0	583	0	0	0
3. Ntcheu Hospital (KFW)	0	0	0	0	0	0	0	0	0
4. Karonga Hospital (EEC)	2000	0	2000	1500	0	1500	0	0	0
5. Health Educ. - Rural Piped Water (AID)	0	0	0	0	0	0	0	0	0
6. Guardian Shelter (Domasi Nutr. and Reh.)	0	13	13	0	0	0	0	0	0
7. Guardian Shelter (Kamuzu Cen. Hosp.) (MG)	0	0	0	0	0	0	0	0	0
8. Food storage facilities (Hospital) (MG)	0	0	0	0	0	0	0	0	0
9. Primary Health Prog. Shire E. (GTZ)	268	0	268	268	0	268	268	0	268
10. Improv. to Health Services Sys. (IDA)	3737	836	4573	2568	550	3118	0	0	0
11. Mzimba Hospital (ADB)	2512	0	2512	2378	0	2378	0	0	0
SUB-TOTAL	12515	849	13364	8605	550	9155	268	0	268

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	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
075 - HOUSING									
1. Traditional Hse Area (South Lunzu) (CSC)	500	0	500	0	0	0	250	0	250
2. Rural Housing Programme (UNCDF)	1644	361	2005	0	0	0	365	72	437
3. Traditional Hse Area (Lilongwe) (UK)	1250	140	1390	0	0	0	0	0	0
4. Urban Sector Housing (IDA)	15000	0	15000	0	0	0	200	0	200
SUB-TOTAL	18394	501	18895	0	0	0	815	72	887
076 - MISCELLANEOUS SERVICES									
1. Rural Growth Centres (KFW)	4891	454	5345	4891	354	5245	0	100	100
2. Street Lighting (Lilongwe) (ISRAEL)	250	0	250	0	0	0	250	0	250
3. NSSA and NSSA Nutrition Component (UK/UN)	651	71	722	581	64	645	65	7	72
4. Micro-Projects Programme (EDF)	600	0	600	200	0	200	400	0	400
5. Loan to Local Authorities (OLDMUTUAL)	0	500	500	0	250	250	0	250	250
6. Voc. Training Institute (MG)	0	300	300	0	0	0	0	300	300
7. Compens. and Acquisition of land (MG)	0	1383	1383	0	1308	1308	0	75	75
8. Contribution to Self-help Projects (MG)	0	480	480	0	430	430	0	50	50
9. Dev. of District Centres (MG)	0	54	54	0	8	8	0	46	46
10. Physical Planning (MG)	0	93	93	0	58	58	0	35	35
11. Medium Wave Coverage MBC (MG)	0	1438	1438	0	1203	1203	0	100	100
12. Physical Planning in Malawi (MG)	0	40	40	0	0	0	0	0	0
13. Technical Assistance (IBRD)	1098	0	1098	0	0	0	0	0	0
14. Transport studies (Bityre/LL) (KFW)	552	0	552	0	0	0	0	0	0
15. Purchase of goods and services (ISRAEL)	1200	212	1412	0	0	0	1200	212	1412
SUB-TOTAL	9242	5025	14267	5672	3675	9347	1915	1175	3090

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	1984/1985			1985/1986			BALANCE		
	External	Local	Total	External	Local	Total	External	Local	Total
075 - HOUSING									
1. Traditional Hse Area (South Lunzu) (CSC)	250	0	250	0	0	0	0	0	0
2. Rural Housing Programme (UNCDF)	500	110	610	548	121	669	231	58	289
3. Traditional Hse Area (Lilongwe) (UK)	250	28	278	250	28	278	750	84	834
4. Urban Sector Housing (IDA)	2000	0	2000	4000	0	4000	8800	0	8800
SUB-TOTAL	3000	138	3138	4798	149	4947	9781	142	9923
076 - MISCELLANEOUS SERVICES									
1. Rural Growth Centres (KFW)	0	0	0	0	0	0	0	0	0
2. Street Lighting (Lilongwe) (ISRAEL)	0	0	0	0	0	0	0	0	0
3. NSSA and NSSA Nutrition Component (UK/UN)	5	0	5	0	0	0	0	0	0
4. Micro-Projects Programme (EDF)	0	0	0	0	0	0	0	0	0
5. Loan to Local Authorities (OLDMUTUAL)	0	0	0	0	0	0	0	0	0
6. Voc. Training Institute (MG)	0	0	0	0	0	0	0	0	0
7. Compens. and Acquisition of land (MG)	0	0	0	0	0	0	0	0	0
8. Contribution to Self-help Projects (MG)	0	0	0	0	0	0	0	0	0
9. Dev. of District Centres (MG)	0	0	0	0	0	0	0	0	0
10. Physical Planning (MG)	0	0	0	0	0	0	0	0	0
11. Medium Wave Coverage MBC (MG)	0	0	0	0	0	0	0	135	135
12. Physical Planning in Malawi (MG)	0	0	0	0	40	40	0	0	0
13. Technical Assistance (IBRD)	388	0	388	710	0	710	0	0	0
14. Transport studies (Bltyre/LL) (KFW)	0	0	0	552	0	552	0	0	0
15. Purchase of goods and services (ISRAEL)	0	0	0	0	0	0	0	0	0
SUB-TOTAL	393	0	393	1262	40	1302	0	135	135

PROJECT TITLE

	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
077 - AGRICULTURE									
1. NRDP-Phalombé (UK)	4357	484	4841	3515	391	3906	842	93	935
2. NRDP-Blantyre ADD (UK)	1369	152	1521	919	102	1021	450	50	500
3. NRDP-Agriculture Research (USAID)	7935	596	8531	4106	365	4471	2864	194	3058
4. NRDP-Ntchisi Phases I and II (EDF)	6820	848	7668	2200	247	2447	790	95	885
5. NRDP-Henga/Kasitu (EDF)	3062	373	3435	2494	158	2652	503	202	705
6. NRDP-Mzuzu ADD (EDF)	2474	527	3001	1886	270	2156	588	257	845
7. NRDP-Kawinga (KFW)	5193	755	5948	2365	255	2620	1264	223	1487
8. NRDP-Namwera (ADF)	5058	647	5705	3916	516	4432	613	87	700
9. NRDP-Ntcheu Phases I and II (IDA)	7606	1342	8948	2133	376	2509	373	66	439
10. NRDP-Rukuru/Kasitu Phases I and II (IDA)	6196	1093	7289	1612	284	1896	383	68	451
11. NRDP-Lilongwe ADD (IDA)	3886	686	4572	3372	595	3967	514	91	605
12. NRDP-LLAD Phase IV (IDA)	5204	918	6122	4654	821	5475	550	97	647
13. NRDP-Central Services Project (IDA)	4542	801	5343	2349	414	2763	1700	300	2000
14. NRDP-Thiwi/Lifidzi Phases I and II (IDA)	7615	1212	8827	1766	180	1946	256	45	301
15. NRDP-Karonga/Chitipa Phase III (IDA)	5716	1009	6725	1150	203	1353	1700	300	2000
16. NRDP-Henga/Kisitu (Phase II) (IDA)	5334	941	6275	0	0	0	0	0	0
17. NRDP-South Mzimba (IDA)	6495	1146	7641	0	0	0	0	0	0
18. NRDP-Namwera Phase II (ADF)	6868	1208	8076	0	0	0	0	0	0
19. NRDP-Balaka (RDP) (GTZ)	6093	676	6769	0	0	0	0	0	0
20. NRDP-Zomba RDP (ADF)	7859	873	8732	0	0	0	0	0	0
21. NRDP-Lilongwe N-East/Dedza Hills (IDA)	11000	3707	14707	0	0	0	1650	555	2205
22. NRDP-Nkhata Bay (IDA)	5049	891	5940	0	0	0	0	0	0
23. NRDP-LADD - Rural Ind. Project (USAID)	51	0	51	27	0	27	21	0	21
24. NRDP-Shire East (KFW)	4000	0	4000	0	0	0	0	0	0
25. NRDP-Dowa West (IFAD)	8922	1660	10582	1810	83	1893	3244	132	3376

PROJECT TITLE

	1984/1985			1985/1986			BALANCE		
	External	Local	Total	External	Local	Total	External	Local	Total
077 - AGRICULTURE:									
1. NRDP-Phalonts (UK)	0	0	0	0	0	0	0	0	0
2. NRDP-Blantyre ADD (UK)	0	0	0	0	0	0	0	0	0
3. NIDA-Agriculture Research (USAID)	965	37	1002	0	0	0	0	0	0
4. NRDP-Ntchisi Phases I and II (EDF)	130	46	176	500	60	560	3200	400	3600
5. NRDP-Henga/Kasitu (EDF)	65	13	78	0	0	0	0	0	0
6. NRDP-Mzuzu ADD (EDF)	0	0	0	0	0	0	0	0	0
7. NRDP-Kawinga (KFW)	1564	277	1841	0	0	0	0	0	0
8. NRDP-Namwera (ADF)	529	44	573	0	0	0	0	0	0
9. NRDP-Ntcheu Phases I and II (IDA)	2420	427	2847	377	67	444	2303	406	2709
10. NRDP-Rukuru/Kasitu Phases I and II (IDA)	1058	187	1245	1011	179	1190	2132	375	2507
11. NRDP-Lilongwe ADD (IDA)	0	0	0	0	0	0	0	0	0
12. NRDP-LLAD Phase IV (IDA)	0	0	0	0	0	0	0	0	0
13. NRDP-Central Services Project (IDA)	493	87	580	0	0	0	0	0	0
14. NRDP-Thiwi/Lifidzi Phases I and II (IDA)	1870	330	2200	788	139	927	2935	518	3453
15. NRDP-Karonga/Chitipa Phase III (IDA)	1700	300	2000	1166	206	1372	0	0	0
16. NRDP-Henga/Kasitu (Phase II) (IDA)	739	131	870	1597	282	1879	2998	528	3526
17. NRDP-South Mzimba (IDA)	2440	431	2871	2139	377	2516	1916	338	2254
18. NRDP-Namwera Phase II (ADF)	1020	180	1200	1700	300	2000	4148	728	4876
19. NRDP-Balaka (RDP) (GTZ)	540	70	610	1800	200	2000	3753	406	4159
20. NRDP-Zomba RDP (ADF)	2678	298	2976	2965	329	3294	2216	246	2462
21. NRDP-Lilongwe N-East/Dedza Hills (IDA)	3388	1142	4530	2783	938	3721	3179	1072	4251
22. NRDP-Nkhata Bay (IDA)	1606	284	1890	2210	390	2600	1233	217	1450
23. NRDP-LADD - Rural Ind. Project (USAID)	3	0	3	0	0	0	0	0	0
24. NRDP-Shire East (KFW)	0	0	0	1333	0	1333	2667	0	2667
25. NRDP-Dowa West (IFAD)	3868	1445	5313	0	0	0	0	0	0

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PROJECT TITLE	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
26. NRD-Lakehore IDA Phase IV (EDF)	9278	918	10196	0	0	0	0	0	0
27. NRD-Shire Highlands (ADF)	6847	1208	8055	0	0	0	0	0	0
28. Input Stores (MG)	0	500	500	0	0	0	0	0	0
29. World Food Programme (Local Costs) (MG)	0	29	29	0	0	0	0	0	0
30. Bean/Cow Pea Research Project (USAID)	322	0	322	39	0	39	74	0	74
31. Construction of ADMARC Markets (MG)	0	600	600	0	0	0	0	600	600
32. Meteorological Data Collection (KFW)	82	9	91	38	4	42	40	4	44
33. Purchase of Fertilizer (IFAD/IDA)	10000	1500	11500	0	0	0	4350	652	5002
34. Fertilizer Counterpart Fund (GTZ)	0	1021	1021	0	526	526	0	495	495
35. Natural Resources College (CIDA)	10962	1905	12807	5867	923	6790	4751	202	4953
36. National Seed Company (Loan to) (RSA)	1337	0	1337	642	0	642	695	0	695
SUB-TOTAL	177472	30235	207707	46860	6713	53573	28215	4808	33023
078 - FISHERIES									
1. Central Lakeshore Fisheries Dev. (EDF)	1610	506	2116	800	63	863	131	63	194
2. Central/Northern Fish Development	3629	0	3629	0	0	0	0	0	0
SUB-TOTAL	5239	506	5745	800	63	863	131	63	194
079 - FORESTRY AND GAME									
1. Lake Malawi National Parks (RSA)	120	0	120	30	0	30	90	0	90
2. NRD-Wood Energy (IDA)	12740	2300	15040	4785	865	5650	2390	431	2821
3. NRD-Energy Unit (IDA)	1060	200	1260	592	112	704	218	41	259
4. Timber Plantations (Local cost) (MG)	0	1300	1300	0	550	550	0	750	750
5. Liworde Pulp and Paper (IFC/IBRD)	32560	8140	40700	0	0	0	0	0	0
6. Mazamba Saw mill (Phase II) (UK)	0	0	0	0	0	0	0	0	0
7. Malawi College of Forestry (CIDA)	2250	250	2500	0	0	0	0	0	0
8. Dry Zone Fuelwood Trials	38	10	48	0	0	0	0	0	0
9. Beekeeping Development	446	73	519	0	0	0	0	0	0
10. Wood Processing (Viphya) (KFW/IBRD)	40700	5400	46100	0	0	0	0	0	0
SUB-TOTAL	89914	17673	107587	5407	1527	6934	2698	1222	3920

PROJECT TITLE

PROJECT TITLE	1984/1985			1985/1986			FINANCE		
	External	Local	Total	External	Local	Total	External	Local	Total
26. NRD-Lakeshore RDA Phase IV (EDF)	500	55	555	4363	485	4848	4415	378	4793
27. NRD-Shire Highlands (ADF)	425	75	500	850	150	1000	5572	983	6555
28. Input Stores (MG)	0	500	500	0	0	0	0	0	0
29. World Food Programme (Local Costs) (MG)	0	29	29	0	0	0	0	0	0
30. Bean/Cow Pea Research Project (USAID)	105	0	105	104	0	104	0	0	0
31. Construction of ADMARC Markets (MG)	0	0	0	0	0	0	0	0	0
32. Meteorological Data Collection (KFW)	4	1	5	0	0	0	0	0	0
33. Purchase of Fertilizer (IFAD/IDA)	4150	622	4772	1500	226	1726	0	0	0
34. Fertilizer Counterpart Fund (GTZ)	0	0	0	0	0	0	0	0	0
35. Natural Resources College (CIDA)	284	780	1064	0	0	0	0	0	0
36. National Seed Company (Loan to) (RSA)	0	0	0	0	0	0	0	0	0
SUB-TOTAL	32544	7791	40335	27186	4328	31514	42667	6595	49262
078 - FISHERIES									
1. Central Lakeshore Fisheries Dev. (EDF)	427	180	607	252	200	452	0	0	0
2. Central/Northern Fish Development	500	0	500	1500	0	1500	1629	0	1629
SUB-TOTAL	927	180	1107	1752	200	1952	1629	0	1629
079 - FORESTRY AND GAME									
1. Lake Malawi National Parks (RSA)	0	0	0	0	0	0	0	0	0
2. NRD-Wood Energy (IDA)	2203	398	2601	1055	190	1245	2307	416	2723
3. NRD-Energy Unit (IDA)	242	45	287	8	2	10	0	0	0
4. Timber Plantations (Local cost) (MG)	0	0	0	0	0	0	0	0	0
5. Liwonde Pulp and Paper (IFC/IBRD)	8000	2000	10000	12000	3000	15000	12560	3140	15700
6. Mazamba Saw mill (Phase II) (UK)	0	0	0	0	0	0	0	0	0
7. Malawi College of Forestry (CIDA)	0	0	0	0	0	0	2250	250	2500
8. Dry Zone Fuelwood Trials	0	0	0	0	0	0	38	10	48
9. Beekeeping Development	0	0	0	0	0	0	446	73	519
10. Wood Processing (Viphya) (KFW/IBRD)	6666	884	7550	10000	1327	11327	24034	3189	27223
SUB-TOTAL	17111	3327	20438	23063	4519	27582	41635	7078	48713

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PROJECT TITLE	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
080 - SURVEYS AND MINES									
1. Non-metallic Mineral Resources (MG)	0	707	707	0	607	607	0	50	50
2. Glass Sand Mining Development	420	47	467	0	0	0	0	0	0
3. Evaluation of Known Mineral Resources	358	40	398	0	0	0	0	0	0
4. Small Scale Lime Industry	65	7	72	0	0	0	0	0	0
5. Small Scale Lime Development at Chenkumbwe	473	52	525	0	0	0	0	0	0
6. Small Scale Pottery Development at Linthipe	594	66	660	0	0	0	0	0	0
7. Nephelina Syenite Development Studies	20	2	22	0	0	0	0	0	0
8. Geological Exploration of Lake Malawi	765	85	850	0	0	0	0	0	0
9. Development of Coal Analysis Laboratory	186	21	207	0	0	0	0	0	0
10. Airborne Geophysical Survey of Malawi	3489	398	3877	0	0	0	0	0	0
11. Photogrammetric Mapping Equipment	515	57	572	0	0	0	0	0	0
12. Hydrographic Survey of Lake Malawi	1076	119	1195	0	0	0	0	0	0
13. Land Registration Surveys	537	60	597	0	0	0	0	0	0
14. Drawing and Reproduction Equipment	126	14	140	0	0	0	0	0	0
SUB-TOTAL	8624	1665	10289	0	0	0	0	0	0
081 - VETERINARY SERVICES									
1. Disease Control (UK)	2607	291	2898	347	39	386	0	0	0
2. Integrated Livestock Dev. Project (UK)	1310	145	1456	1241	138	1379	69	8	77
3. Maize Smallholder Poultry Project (UK)	355	40	395	279	32	311	76	8	84
4. East Coast Fever Immunisation (Loc.C.)	0	358	358	0	69	69	0	0	0
5. Malawi/Canada Dairy Cattle Dev. (CIDA)	4006	2224	6230	2369	1530	3899	350	521	871
6. Malawi/German Livestock Proj. (KFW)	5500	825	6325	0	0	0	425	75	500
7. Disease Control - Swine Fever	2607	291	2898	0	0	0	0	0	0
8. Development of Dairy Industries (MG)	0	60	60	0	23	23	0	12	12
9. Trypanosis Survey and Tsetse Control	480	45	525	0	0	0	0	0	0
10. Artificial Insemination (DANIDA)	1925	0	1925	0	0	0	0	0	0
SUB-TOTAL	18790	4280	23070	4236	1831	6067	920	624	1544

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PROJECT TITLE

	External	Local	Total	External	Local	Total	External	Local	Total
080 - SURVEYS AND MINES									
1. Non-metallic Mineral Resources (MG)	0	50	50	0	50	50	0	50	50
2. Glass Sand Mining Development	131	15	146	129	14	143	160	18	178
3. Evaluation of Known Mineral Resources	145	16	161	129	14	143	84	10	94
4. Small Scale Lime Industry	58	6	64	3	-	3	4	1	5
5. Small Scale Lime Development at Chenkumbe	86	9	95	199	22	221	188	21	209
6. Small Scale Pottery Development at Linthipe	122	13	135	223	25	248	249	28	277
7. Nepheline Syenite Development Studies	20	2	22	0	0	0	0	0	0
8. Geological Exploration of Lake Malawi	315	35	350	450	50	500	0	0	0
9. Development of Coal Analysis Laboratory	46	5	51	89	10	99	51	6	57
10. Airborne Geophysical Survey of Malawi	-	-	-	1723	191	1914	1766	197	1963
11. Photogrammetric Mapping Equipment	423	47	470	20	2	22	72	8	80
12. Hydrographic Survey of Lake Malawi	372	41	413	247	27	274	457	51	508
13. Land Registration Surveys	212	23	235	100	11	111	225	26	251
14. Drawing and Reproduction Equipment	126	14	140	0	0	0	0	0	0
SUB-TOTAL	2056	276	2332	3212	416	3728	3256	416	3672
081 - VETERINARY SERVICES									
1. Disease Control (UK)	673	75	748	798	89	887	789	88	877
2. Integrated Livestock Dev. Project (UK)	0	0	0	0	0	0	0	0	0
3. Mzuzu Smallholder Poultry Project (UK)	0	0	0	0	0	0	0	0	0
4. East Coast Fever Immunisation (Loc.C.)	0	0	0	0	0	0	0	0	0
5. Malawi/Canada Dairy Cattle Dev. (CIDA)	67	61	128	12	61	73	1208	51	1259
6. Malawi/German Livestock Proj. (KFW)	1179	208	1387	907	160	1067	2989	382	3371
7. Disease Control - Swine Fever	0	0	0	0	0	0	2607	291	2898
8. Development of Dairy Industries (MG)	0	25	25	0	0	0	0	0	0
9. Trypanosis Survey and Tsetse Control	0	0	0	0	0	0	480	45	525
10. Artificial Insemination (DANIDA)	962	0	962	963	0	963	0	0	0
SUB-TOTAL	2881	369	3250	2680	310	2990	8073	1146	9219

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PROJECT TITLE

	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
083 - POSTS AND TELECOMMUNICATION									
1. Lilongwe Capital Exchange (DANIDA)	1024	0	1024	964	0	964	60	0	60
2. Rural Digital Systems (FRANCE)	8651	0	8651	0	0	0	2491	0	2491
3. Rural Telecommunications (DANIDA)	1524	0	1524	0	0	0	320	0	320
4. PABXs (7th DANISH LOAN)	3430	0	3430	0	0	0	1050	0	1050
5. T'phone line Doubler Equipment (ISRAEL)	250	0	250	0	0	0	250	0	250
6. Lilongwe Digital Overlay (SWEDEN)	9356	0	9356	0	0	0	0	0	0
7. Zomba Area Digital Overlay (SWEDEN)	3200	0	3200	0	0	0	0	0	0
8. MICROWAVE Link (Bltyr/ZA/SALIMA/LL)	6906	0	6906	0	0	0	0	0	0
9. Int./Nat. Gateway Telex Exch. (SWEDEN)	5500	0	5500	0	0	0	0	0	0
10. Time Division Multipler Equipment	3151	1349	4500	0	0	0	0	0	0
11. Local Telephone Growth (DANISH)	3302	0	3302	0	0	0	0	0	0
SUB-TOTAL	46294	1349	47643	964	0	964	5671	0	5671
084 - POWER									
1. Rural Electrification (ADF)	6254	0	6254	3623	0	3623	1152	0	1152
2. Niula Stage II Turbine 4 and 5 (KFW/EIB)	16261	2006	18267	0	0	0	1236	0	1236
3. Kapichila Falls Study (IDA)	750	0	750	0	0	0	0	0	0
4. Fuel Strategic Reserve (EEC)	4347	0	4347	0	0	0	0	0	0
SUB-TOTAL	27612	2006	29618	3623	0	3623	2388	0	2388

PROJECT TITLE

	External	Local	Total	External	Local	Total	External	Local	Total
083 - POSTS AND TELECOMMUNICATION									
1. Lilongwe Capital Exchange (DANIDA)		0	0	0	0	0	0	0	0
2. Rural Digital Systems (FRANCE)	6160	0	6160	0	0	0	0	0	0
3. Rural Telecommunications (DANIDA)	473	0	473	560	0	560	171	0	171
4. PABXs (7th DANISH LOAN)	1190	0	1190	1190	0	1190	9	0	9
5. T'phone line Doublor Equipment (ISRAEL)	0	0	0	0	0	0	0	0	0
6. Lilongwe Digital Overlay (SWEDEN)	3350	0	3350	5117	0	5117	889	0	889
7. Zomba Area Digital Overlay (SWEDEN)	0	0	0	120	0	120	3080	0	3080
8. MICROWAVE Link (Blityr./ZA/SALIPA/LL)	0	0	0	200	0	200	6706	0	6706
9. Int./Nat. Gateway Telex Exch. (SWEDEN)	1850	0	1850	3055	0	3055	595	0	595
10. Time Division Multiples Equipment	0	0	0	0	0	0	3151	1349	4500
11. Local Telephone Growth (DANISH)	1802	0	1802	0	0	0	0	0	0
SUB-TOTAL	14825	0	14825	10242	0	10242	14592	0	14592
084 - POWER									
1. Rural Electrification (ADF)	1479	0	1479	0	0	0	0	0	0
2. Niua Stage II Turbine 4 and 5 (KFW/EIB)	5604	0	5604	2274	300	2574	7147	1706	8853
3. Kapichila Falls Study (IDA)	750	0	750	0	0	0	0	0	0
4. Fuel Strategic Reserve (EEC)	1304	0	1304	1522	0	1522	1521	0	1521
SUB-TOTAL	9137	0	9137	2796	300	4096	8668	1706	10374

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	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
005 - TRANSPORTATION									
1. Janki/Liwona, Mlomo/Mzuzu Rd (ADB/IDA)	17880	3517	21397	12230	2406	14636	3877	762	4639
2. Mt. Mntochimbo Study (4th Hhway) (IHA)	480	85	565	429	75	504	51	10	61
3. Roads Training Centre (Expansion) (IDA)	515	207	722	117	50	167	366	147	513
4. Liwonde/Nsanama Road (KFW)	7088	0	7088	6769	0	6769	319	0	319
5. Salima/Dunya Road (KFW)	22294	0	22294	15179	0	15179	4215	0	4215
6. Benja/Nkhotakota Road (KFW)	3181	0	3181	2592	0	2592	589	0	589
7. Lirangwe/Mwanza/Border Road (EDF)	35000	20	35020	0	0	0	7132	20	7152
8. Village Access Roads (UNCDF)	4157	114	4271	0	0	0	1738	114	1852
9. Mzuzu/Nkhata Bay Road (UK)	1014	113	1127	957	106	1063	57	7	64
10. Dvungwa/Nkhata Bay Road	40250	5250	45500	0	0	0	0	0	0
11. Northern Access Route	12750	2250	15000	0	0	0	0	0	0
12. Blantyre/Lirangwe Road	5625	0	5625	0	0	0	0	0	0
13. Fifth Highway Road Project (IDA/ADB)	51100	0	51100	0	0	0	0	0	0
14. LL/Salima Rail Bridge Maint. (CIDA)	450	150	600	0	150	150	450	0	450
15. Salima Concrete Sleeper Factory (UK)	6134	116	6250	0	0	0	2203	116	2319
16. Monkey Bay Ship Yard	6000	0	6000	0	0	0	0	0	0
17. Purchase of Rolling Stock (KFW/RSA)	8000	0	8000	0	0	0	2700	0	2700
18. Limbe Workshop rehabilitation (KFW)	2000	0	2000	0	0	0	1000	0	1000
19. Kamuzu Int. Airport (Phase III) (ADB)	15000	2100	17100	0	0	0	4600	2100	6700
20. Aviation and Met. Equipment (FRANCE)	6024	20	6044	5889	10	5899	50	10	60
21. Mzuzu and Monkey Bay Aero. (Feasib.)	420	0	420	0	0	0	0	0	0
22. Civil Aviation Train. Equipment (ISRAEL)	255	45	300	0	0	0	255	45	300
23. Chileka Terminal Alter. and Improv. (MG)	0	68	68	0	0	0	0	68	68
24. Land Rover Rehabilitation (UK)	1251	139	1390	540	60	600	711	79	790
25. Lake Tanker Vessel (KFW)	3364	0	3364	0	0	0	3364	0	3364
26. Technical Assistance and Train. (IDA)	222	39	261	31	0	31	90	20	110
SUB-TOTAL	250454	14233	264687	44733	2857	47590	33767	3498	37265

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	1984/1985			1985/1986			BALANCE		
	External	Local	Total	External	Local	Total	External	Local	Total
085 - TRANSPORTATION									
1. Jomba/Luwawa, Mbowe/Mzuzu Rd (ADB/IDA)	1773	349	2122	0	0	0	0	0	0
2. Rtl. Maintenance Study (4th Highway) (IDA)	0	0	0	0	0	0	0	0	0
3. Roads Training Centre (Expansion) (IDA)	32	10	42	0	0	0	0	0	0
4. Liwonde/Nsanama Road (KFW)	0	0	0	0	0	0	0	0	0
5. Salima/Denga Road (KFW)	2900	0	2900	0	0	0	0	0	0
6. Benga/Nkhotakota Road (KFW)	0	0	0	0	0	0	0	0	0
7. Lirangwe/Mwanza/Border Road (EDF)	15000	0	15000	12868	0	12868	0	0	0
8. Village Access Roads (UNCDF)	681	0	681	1738	0	1738	0	0	0
9. Mzuzu/Nkhata Bay Road	0	0	0	0	0	0	0	0	0
10. Dwangwa/Nkhata Bay Road	0	0	0	8500	1500	10000	31750	3750	35500
11. Northern Access Route	0	0	0	8500	1500	10000	4250	750	5000
12. Blantyre/Lirangwe Road	1500	0	1500	2812	0	2812	1313	0	1313
13. Fifth Highway Road Project (IDA/ADB)	10000	0	10000	15000	0	15000	26100	0	26100
14. LL/Salima Rail Bridge Maint. (CIDA)	0	0	0	0	0	0	0	0	0
15. Salima Concrete Sleeper Factory (UK)	2500	0	2500	1429	0	1429	2	0	2
16. Monkey Bay Ship Yard	750	0	750	3000	0	3000	2250	0	2250
17. Purchase of Rolling Stock (KFW/RSA)	3000	0	3000	2300	0	2300	0	0	0
18. Limbe Workshop rehabilitation (KFW)	1000	0	1000	0	0	0	0	0	0
19. Kamuzu Int. Airport (Phase III) (ADB)	5000	0	5000	5400	0	5400	0	0	0
20. Aviation and Met. Equipment (FRANCE)	85	0	85	0	0	0	0	0	0
21. Mzuzu and Monkey Bay Aero. (Feasib.)	0	0	0	420	0	420	0	0	0
22. Civil Aviation Train. Equipment (ISR.)	0	0	0	0	0	0	0	0	0
23. Chileka Terminal Alter. and Improv. (MG)	0	0	0	0	0	0	0	0	0
24. Land Rover Rehabilitation (UK)	0	0	0	0	0	0	0	0	0
25. Lake Tanker Vessel (KFW)	0	0	0	0	0	0	0	0	0
26. Technical Assistance and Train. (IDA)	70	15	85	31	4	35	0	0	0
SUB-TOTAL	44291	374	44665	61998	3004	65002	65665	4500	70165

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PROJECT TITLE	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
086 - WATER SUPPLIES AND SANITATION									
1. Mulanje South RFW Project (CIDA)	397	0	397	376	0	376	21	0	21
2. Blantyre Water Board Phase V (IDA)	11962	0	11962	10463	0	10463	1499	0	1499
3. Lilongwe Water Supply Project (EDF)	2881	0	2881	2781	0	2781	100	0	100
4. Karonga RFW Project (CIDA)	357	0	357	338	0	338	19	0	19
5. Wells Programme (UNICEF)	251	20	271	159	0	159	92	20	112
6. Dombolo RFW Project (CIDA)	297	0	297	191	0	191	106	0	106
7. Kawinga RFW Project (DANIDA)	957	0	957	934	0	934	23	0	23
8. Rural Supply, Ev. Maint. and Tra. (AID)	266	0	266	141	0	141	42	0	42
9. Simulu RFW Project (USAID)	261	0	261	21	0	21	226	0	226
10. Mirala RFW Project (USAID)	108	0	108	0	0	0	94	0	94
11. Chikwawa RFW Project (USAID)	777	0	777	541	0	541	194	0	194
12. Kasinje/Nanyangu RFW Project (USAID)	83	0	83	64	0	64	19	0	19
13. Chitipa RFW Project (USAID)	136	0	136	38	0	38	54	0	54
14. Nthalire RFW Project (CIDA)	77	0	77	68	0	68	9	0	9
15. Blantyre Sewerage (Phase III) (KfW)	4200	0	4200	0	0	0	2000	0	2000
16. Champira RFW Project (USAID)	236	0	236	36	0	36	180	0	180
17. Mwanambo/Kasakula RFW Project (USAID)	157	0	157	121	0	121	36	0	36
18. Misuku RFW Project (USAID)	41	0	41	25	0	25	16	0	16
19. Makwava RFW Project (USAID)	93	0	93	0	0	0	80	0	80
20. Urban Communal Water Points (UNCDF)	751	0	751	400	0	400	351	0	351
21. Lilongwe Water Supply II (INDIA)	2786	2871	5657	2135	1111	3246	636	900	1536
22. Mara Irrig. Sch. Headworks Recons. (UK)	130	14	144	0	0	0	130	14	144
23. LL. Water and Sewerage Master Plan (IDA)	3502	198	3700	250	0	250	1069	198	1267
24. Taiwan Technical Assistance (L.C.)	0	389	389	0	289	289	0	100	100

PROJECT TITLE

	External	Local	Total	External	Local	Total	External	Local	Total
086 - WATER SUPPLIES AND SANITATION									
1. Milanjo South RPW Project (CIDA)	0	0	0	0	0	0	0	0	0
2. Blantyre Water Board Phase V (IDA)	0	0	0	0	0	0	0	0	0
3. Lilongwe Water Supply Project (EDF)	0	0	0	0	0	0	0	0	0
4. Karonga RPW Project (CIDA)	0	0	0	0	0	0	0	0	0
5. Wells Programme (UNICEF)	0	0	0	0	0	0	0	0	0
6. Dombolo RPW Project (CIDA)	0	0	0	0	0	0	0	0	0
7. Kawinga RPW Project (DANIDA)	0	0	0	0	0	0	0	0	0
8. Rural Supply, Ev. Maint. and Tra. (AID)	0	0	0	0	0	0	0	0	0
9. Simulu RPW Project (USAID)	42	0	42	41	0	41	0	0	0
10. Mirala RPW Project (USAID)	14	0	14	0	0	0	0	0	0
11. Chikwawa RPW Project (USAID)	14	0	14	0	0	0	0	0	0
12. Kasinje/Nanyangu RPW Project (USAID)	42	0	42	0	0	0	0	0	0
13. Chitipa RPW Project (USAID)	0	0	0	0	0	0	0	0	0
14. Nthalire RPW Project (CIDA)	44	0	44	0	0	0	0	0	0
15. Blantyre Sewerage (Phase II) (KFW)	0	0	0	0	0	0	0	0	0
16. Champira RPW Project (USAID)	1500	0	1500	700	0	700	0	0	0
17. Mwanambo/Kasakula RPW Project (USAID)	20	0	20	0	0	0	0	0	0
18. Misuku RPW Project (USAID)	0	0	0	0	0	0	0	0	0
19. Mkwawa RPW Project (USAID)	0	0	0	0	0	0	0	0	0
20. Urban Communal Water Points (UNCDF)	13	0	13	0	0	0	0	0	0
21. Lilongwe Water Supply II (INDIA)	0	0	0	0	0	0	0	0	0
22. Hara Irrig. Sch. Headworks Recons. (UK)	15	860	875	0	0	0	0	0	0
23. LL. Water and Sewerage Master Plan (IDA)	0	0	0	0	0	0	0	0	0
24. Taiwan Technical Assistance (L.C.)	1500	0	1500	683	0	683	0	0	0
	0	0	0	0	0	0	0	0	0

PROJECT TITLE

	TOTAL ESTIMATED COST			EXPENDITURE TO (31/3/83)			1983/1984		
	External	Local	Total	External	Local	Total	External	Local	Total
25. Mazu Water Supply Works (MG)	0	282	282	0	154	154	0	128	128
26. Sowerayo System at Stato Ikuso (ZA)	0	100	100	0	80	80	0	20	20
27. Self-help Irrigation - Salima	38	0	38	0	0	0	0	0	0
28. Miscellaneous Rural Water Supplies	4500	0	4500	0	0	0	0	0	0
29. Mlungazi Dam Site (Studies)	50	0	50	0	0	0	0	0	0
30. Mlungazi Dam Construction	400	0	400	0	0	0	0	0	0
31. Zomba South Piped Water Project	1610	0	1610	0	0	0	0	0	0
32. Msaka RPW Project	52	0	52	0	0	0	0	0	0
33. Chimaliro South RPW Project (USAID)	325	0	325	0	0	0	0	0	0
34. Chimaliro North RPW Project (USAID)	236	0	236	200	0	200	36	0	36
35. Mpira Dam	9000	1000	10000	0	0	0	0	0	0
36. Blantyre Water Board Phase IV (CDC)	1150	0	1150	0	0	0	210	0	210
37. Irrigation Development Programme	6600	0	6600	0	0	0	0	0	0
SUB-TOTAL	54677	4874	59541	19282	1634	20916	7242	1380	8622
GRAND TOTAL	859050	241163	1100213	177122	124625	301747	109973	35659	145632

PROJECT TITLE

	External	Local	Total	External	Local	Total	External	Local	Total
25. Mazu Water Supply Works (MG)	0	0	0	0	0	0	0	0	0
26. Sewerage System at State Ikuse (ZA)	0	0	0	0	0	0	0	0	0
27. Self-help Irrigation - Salima	3/1	0	3/1	0	0	0	0	0	0
28. Miscellaneous Rural Water Supplies	500	0	500	3000	0	3000	1000	0	1000
29. Mlungazi Dam Site (Studies)	50	0	50	0	0	0	0	0	0
30. Mlungazi Dam Construction	0	0	0	400	0	400	0	0	0
31. Zomba South Piped Water Project	0	0	0	768	0	768	0	0	0
32. Msaka RFW Project	37	0	37	15	0	15	0	0	0
33. Chimaliro South RFW Project (USAID)	282	0	282	43	0	43	0	0	0
34. Chimaliro North RFW Project (USAID)	0	0	0	0	0	0	0	0	0
35. Mpira Dam	0	0	0	2970	330	3300	6030	670	6700
36. Blantyre Water Board Phase IV (CDC)	610	0	610	280	0	280	50	0	50
37. Irrigation Development Programme	500	0	500	3500	0	3500	2600	0	2600
SUB-TOTAL	5221	860	6081	12400	330	12730	10522	670	11192
GRAND TOTAL	164377	25217	189594	169992	26419	196411	237586	29243	266829

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Table 5.9

TOTAL PROJECTS SUMMARY

Proposed Government Development Expenditure Programme by Sector 1984/85-1988/89

(in Current Prices) MK'000

Sector Project title	Total estimated cost	1984/85	1985/86	1986/87	1987/88	1988/89	Total 1984/85 to 1988/89	Carried forward	Percentage share
Agriculture	363,590	14,671	33,004	51,979	67,986	66,750	234,390	129,200	17.6
Veterinary Services	48,800	4,200	5,950	9,050	8,900	9,100	37,200	11,600	2.8
Fisheries	11,762	1,102	2,583	2,352	2,636	2,312	10,985	777	0.8
Forestry and Game	83,010	8,045	11,772	15,747	17,619	16,683	69,866	13,144	5.3
Surveys and Mines	9,582	2,282	3,678	2,566	597	419	9,542	40	0.7
Finance, Commerce and Industry	129,498	17,400	34,838	24,304	15,494	11,003	103,039	26,459	7.8
Power	175,901	30,366	39,846	54,309	34,230	17,150	175,901	-	13.2
Transport	486,132	14,867	51,219	48,304	58,180	91,465	264,035	222,097	19.9
Posts and Telecommunications	40,227	5,418	9,154	13,625	10,136	1,894	40,227	-	3.0
Water and Sanitation	113,045	4,906	11,682	21,966	23,398	19,348	81,300	31,745	6.1
Education and Culture	181,866	3,562	7,167	16,757	23,041	40,999	91,526	90,340	6.9
Health	141,680	3,148	9,532	9,955	11,331	19,226	53,192	88,488	4.0
Housing	82,670	20,802	22,764	20,877	8,787	8,049	81,279	1,391	6.1
Community Development	15,956	654	456	2,501	2,670	2,926	9,207	6,749	0.7
Government Buildings *	106,950	8,143	10,329	11,300	12,400	13,640	55,812	51,138	4.2
Miscellaneous Services	14,886	1,437	1,559	3,121	3,927	1,596	11,640	3,246	0.9
Grand Total **	2,005,555	141,003	255,533	308,713	301,332	322,560	1,329,141	676,414	100

* Government Buildings Projects write-up are not included.

** This excludes funded on-going projects.