PN-ABE-881

Country Development Strategy Statement Action Plan

FY 1991

Malawi

BEST AVAILABLE

December 1989

Agency for International Development
Washington, D.C. 20523

TABLE OF CONTENTS

		Page
	Executive Summary	i
I.	Economic Performance and the Policy Framework for Development	1
	A. Macroeconomic Performance	1
	Economic Growth, 1964-1980	1
	Structural Adjustment, 1981-1985	2
	Exogenous Shocks and Economic Deterioration, 1986-1987	3
	Renewed Growth, 1988-1989	4
	B. Policy Framework for Development	5
II.	Problem Description and Analysis	8
	A. Inadequate Economic Growth -- Growth for Whom and How Long?	8
	Resource Constraints to Sustainable Growth	8
	Constraints Which Limit Broad-Based Growth	12
	B. Hunger -- The Great Dichotomy	17
	Dimensions of the Problem and Its Causes	17
	The Plight of Women Farmers	20
	Constraints to Improving Food Security	22
	GOM Policies and Efforts to Address Hunger	23
	C. Health -- Is there a Paramedic in the House?	23
	Dimensions of the Problem and Its Causes	24
	Government's Policy and Efforts to Deal with the Health Problems	25

		Page
	Constraints to Improving Health	26
D.	Education -- Working on a Better Report Card	29
	Dimensions of the Problem and Its Causes	29
	Government's Policy and Efforts to Improve Education	33
	Constraints to Strengthening and Expanding the Education System	33
E.	Population -- The Runaway Train	34
	Dimensions of the Problem and its Impact	34
	Government's Policy and Efforts to Deal with the Problem	35
	Constraints to Reducing Population Growth and High Fertility	35
III.	A.I.D.'s Experience in Addressing These Constraints	38
A.	Inadequate Economic Growth	39
B.	Hunger	40
C.	Health	40
D.	Education	41
E.	Population	41
IV.	Development Planning and Donor Assistance	43
V.	Proposed Country Development Assistance Strategy	44
A.	Goal	44
B.	Strategic Objectives	45
C.	Supporting an Environment Conducive to Broad-Based, Sustainable Growth	45

Page

D. Increase Agricultural Productivity and Production 47

E. Increase Off-Farm Employment 52

F. Reduce Fertility 56

G. Reduce Infant and Child Mortality and Morbidity 59

H. Control the Spread of AIDS 62

I. Increasing Access to Basic Education 65

J. Targets and Benchmarks 68

VI. Plans for Implementation 75

A. Level and Use of Resources 75

B. Monitoring, Evaluation and Reporting 76

C. Management Implications 78

D. Policy and Institutional Reform Agenda 82

Endnotes

Figures, Graphs and Tables

ANNEXES

1. Strategic Objectives "Decision Trees"

2. Women in Development Action Plan

3. USAID/Malawi's Action Plan for FY's 87-89: A Review of Implementation Performance

4. Statistical Annex

5. Donor Coordination

6. Natural Resource Management and Biodiversity

7. Transport

Economic Performance and Inadequate Economic Growth

Graph	EP1	Real Percapita GDP Growth
	EP1	Imports and Exports
	EP2	Budgetary Debt Burden
	EP3	Real Debt Service Burden
	EP4	Debt Service Burden
	EP5	Recurrent Budget and GDP
	EP6	Education and Health Expenditures
	EP7	Nominal and Real GDP
	EP8	Real GDP Percapita
	EP9	Growth of Total Real GDP
Table	EP1	Gross Domestic Product
	EP2	Balance of Payments

Hunger

Figure	F1	Child Malnutrition (0-60 months) in Malawi
Graph	F1	Preharvest Food Stock Depletion by February by Region and Holding Size
	F2	Prevalence of Low Height-for-Age by Children's Age and Gender
	F3	Cumulative Percent of Households by Landholing Size
	F4	Percentage of Families' Caloric Needs Met by Own Farm Production by Holding Size
	F5	Farm Size by Sex of Household Head
Table	F1	Minimum Daily Wages
	F2	Household Characteristics by Gender of Household Head
	F3	Characteristics of Households by Cultivated Area
	F4	Maize Yields and Fertilizer Responses

Health

Figure	H1	Infant Mortality in Malawi
Graph	H1	Changes in Infant Mortality
	H2	Immuization Coverage
	H3	Health Expenditures: Recurrent and Development Totals
	H4	Real Health Expenditures
	H5	Health Expenditures: Proportion of Budget Expended
Table	H1	Regional Distribution and Coverage of Health Facilities
	H2	Ratios of Health Personnel to Population
	H3	Complements and Grading Table

Previous Page Blank

Education

Figure	E1	Female Literacy in Malawi
Graph	E1	Education Expenditures: Recurrent and Development Totals
	E2	Real Education Expenditures
	E3	Education Expenditures: Proportion of Budget Expended
Table	E1	Basic Statistics on the Education Sector
	E2	The Development of Education in Malawi (1964-1984)
	E3	Education Unit Costs
	E4	Unit Cost as a Proportion of Primary

Population

Graph	P1	Total Population: Actual and Projected (1950-2025)
	P2	Available Arable Land per Capita: 1987 and 2002

EXECUTIVE SUMMARY

Since independence in 1964, Malawi has been one of the best economic performers in Africa: GDP has grown at nearly three times the rate of Sub-Saharan Africa as a whole. This growth, however, has not been uninterrupted: there have been significant periods of economic downturn which resulted from external factors -- e.g., oil shocks, closure of international transportation links, deteriorating terms of trade, and most recently, huge inflows of refugees -- and from rapid population growth and some poor economic management decisions in the 1970's.

The country has been successfully implementing stabilization and structural adjustment programs with the IMF and World Bank since 1981. As a result, Malawi became the first country to qualify for the IMF's Enhanced Structural Adjustment Facility (ESAF) in 1988. After several years of declining per capita GDP, economic growth bounced back in 1988/89, with first year performance under the Policy Framework Paper exceeding expectations. This growth, however, has come about in great part because of donor in-flows. True structural adjustment has been slower in coming, and there are serious questions about the sustainability of Malawi's growth. There are even more serious concerns that growth to date has not been sufficiently broad-based. At the people level, serious problems remain: per capita GDP is one of the lowest in the world; infant and child mortality rates are among the highest; the population growth rate is among the highest; per capita food production and consumption are falling, resulting in widespread malnutrition; a declining proportion of primary school age children are enrolled in school; and there are insufficient job opportunities for the increasing number of rural Malawians who cannot be productively employed on their shrinking farm plots.

The United States is committed to helping Malawi build on its economic successes to date and achieve broad-based, sustainable growth. Malawi, since independence, has been a strong supporter of the West and a good friend to the U.S. It has consistently adopted pragmatic, market-oriented economic policies, as well as pragmatic foreign policies which avoid ideological posturing and emphasize dialogue and peaceful resolution of international conflicts. It is clearly in the United States interest to ensure that Malawi is successful -- both for its own sake and as a development model for other African countries. It is also clearly in the United States interest to support Malawi's strengthened ties with its SADCC neighbors, as well as to engage senior Malawians in dialogue on the difficult internal economic and political challenges it still faces.

Malawi is facing several critical constraints to sustainable growth: rapid population growth, costly transport disruptions, low productivity, and inadequate domestic and external resources. In response to these constraints, the U.S. economic assistance program goal for the FY 90-95 period is to enhance the economic well-being of the average Malawian household. Reflecting the need to stimulate growth and improve the quality of life, the Mission's two subgoals are to (1) raise per capita income and improve food security, and (2) to improve health status and increase workforce productivity. We will achieve this by focussing our resources on five strategic objectives:

- Increase agricultural productivity and production
- Increase off-farm employment
- Reduce fertility

Previous Page Blank

- Reduce infant and child mortality and morbidity
- Control the spread of AIDS

These objectives are highly complementary and reinforcing. For example, most smallholders are dependent upon off-farm employment to meet food and cash requirements, including cash to procure inputs needed to increase agricultural productivity. However, that off-farm employment depends to a great extent on the expansion of small and medium enterprises (SME) which in turn is dependent on higher rural incomes to generate the demand for goods and services. Agricultural and off-farm employment strategies must therefore be followed in tandem. Similarly, poor health and high fertility limit productivity and undermine financial gains. Finally, rapid population growth clearly undercuts food production increases and employment generation and contributes directly to higher rates of infant and child mortality.

The strategy will be pursued with a mix of bilateral DFA funds ($20 million per annum), Southern Africa Regional Program funds, extraordinary infusions of African Economic Policy Reform Program funds ($25-30 million over the FY 91-95 period), and continued support from centrally funded projects. We anticipate a 40/60 split between quick disbursing non-project assistance (NPA) and traditional project assistance. Local currencies generated under the NPA sector assistance grants will generally be used to further respective program objectives.

Building on Malawi's significant economic gains since independence and the positive macroeconomic policy foundation which the country has already laid, the U.S. economic assistance program to Malawi will be directed toward broad-based sustainable economic growth and social development. By the end of the CDSS period, many Malawians should be sharing the benefits of economic growth.

I. *ECONOMIC PERFORMANCE AND THE POLICY FRAMEWORK FOR DEVELOPMENT*

A. *Macroeconomic Performance*

Malawi has been one of the best economic performers in Africa. Since Independence in 1964, its economy has grown at nearly three times the pace of Sub-Saharan Africa as a whole. And, perhaps more significantly, Malawi's growth outstripped that of the resource rich countries of Zimbabwe, Zaire, Zambia, Nigeria, and Gabon. Macroeconomic performance has not been even, however, and the period since Independence can be divided into four major economic periods: economic growth (1964 - 1980); structural adjustment (1981 - 1985); exogenous shocks and macroeconomic distortions (1986 - 1987); and renewed growth (1988 - 1989).

Economic Growth, 1964 - 1980

Malawi's economic growth between 1964 and 1980 was impressive: GDP doubled, resulting in real per capita growth of 3% per year. This growth was due in great part to liberal economic policies and to the diligence and discipline of its people. Growth was fueled by export-oriented agriculture, with modest contributions from a nascent manufacturing sector based on agro-processing and simple import substitution. The policy environment was particularly supportive: capital and labor were priced to reflect the country's abundance of labor; trade and foreign exchange policies maintained a competitive exchange rate, low import duties, and relatively high import levels; domestic savings were generated and plowed back into the estate sector, albeit in great part on the backs of the smallholder sector; and, tight monetary policies kept the inflation rate low.

By 1979, growth was interrupted as soaring oil prices, plummeting world prices for agricultural exports, and the gradual disruption of the country's traditional trade routes to Mozambican ports caused a marked deterioration in the current account. The deficit climbed to a record 21% of GDP in 1980. The effects of the external shocks were compounded by domestic drought, and by the growing weakness in domestic economic

management. At the beginning of the decade, the fiscal deficit stood at 8.7 % of GDP and real GDP, which had managed to rise by 3.3% in 1979, fell by 5.2% in 1981.

These shocks and subsequent reactions exposed underlying weaknesses in the economy:

- lack of export diversification;
- increasing trade and macroeconomic distortions;
- slow growth in smallholder agriculture; and
- import dependence in industry, energy, and transportation.

Stabilization and Structural Adjustment, 1981 - 1985

In response to the deterioration in Malawi's macroeconomic performance, the Government launched a broad-based stabilization and structural adjustment effort in 1981 designed to restore macroeconomic stability and reduce constraints to growth. The program was supported by three structural adjustment credits from the World Bank, with significant cofinancing from the donor community, and successive stand-by arrangements and an extended facility from the International Monetary Fund (IMF). The details of these policy reforms are presented in the following section. In addition, these reforms were complemented by a round of external debt rescheduling in 1982 and 1983.

These efforts helped restore domestic and internal balances while fueling GDP growth between 1982 and 1985:

- the fiscal deficit fell from 9.7% of GDP in 1983/84 to 8.4% in 1984/85, resulting from reductions in Government expenditures from 34.5% of GDP in 1981/82 to 28.2% in 1984/85%;
- the current account deficit improved markedly to 8.5% of GDP by 1985 largely as a result of reduced Government imports and devaluation to contain aggregate demand and reestablish international competitiveness; and

- real GDP grew by an average 4.1% annually between 1982 and 1985.

Closure of Mozambique's Beira and Nacala ports severely disrupted Malawi's recovery efforts. Southern road and rail links to Durban increased the transport distance to the sea from 800 kms to 3500 kms within a year, and resulted in CIF margins increasing from 25% of CIF value of imports to 40% between 1981 and 1984, one of the world's highest margins.

In addition to transportation, several other factors existed which increased Malawi's vulnerability to renewed external shocks and undermined future growth prospects. These included:

- compression of FOB imports from 35% of GDP in the 1970s, to 29% in 1979, to just 14% in 1984;
- reduction of Government investments, which fell from 14.5% in 1979-81 to 8.6% of GDP in 1982-85; and,
- increasing concentration of exports in a few agricultural commodities.

Exogenous Shocks and Economic Deterioration, 1986 - 1987

Malawi's strong macroeconomic performance was reversed, and the GOM's commitment to adjustment was suspended as further shocks caused the external environment to deteriorate substantially in 1986. These new shocks included: further deterioration of the terms of trade; drought and mealybug infestation; markedly increased transportation costs (nearly double 1983 levels); large military expenditures associated with regional political tensions; and extra budgetary expenditures incurred in providing assistance to a rapidly rising number of displaced Mozambicans. The budget was further strained by expenditures on debt services: earlier rescheduling had resulted in temporary relief, but 56% of 1986 export earnings were spent on debt service. Additional extra budgetary expenditures focused on food security and the strategic grain reserve. As a result, the fiscal deficit increased to 12.5% of GDP by 1986/87. This deficit was financed domestically: Government domestic

borrowings more than tripled to 3.5% of GDP in one year (1984/85 to 1985/86), thereby crowding out private sector access to domestic credit. Domestic prices were severely affected by these events, with inflation increasing from its 10-15% annual average to nearly 40%.

The private sector was squeezed hard by these changes. Import levels fell to just 12% of GDP, and contracted to the lowest volume levels since Independence. Compounding this, Government and parastatals absorbed an increasing share of total imports, up from 16% in 1981 to 40% in 1986. Combined with the credit squeeze, this crowding-out on imports led to a contraction in industrial output. With productive activities severely jeopardized, real GDP growth fell to 2.8% in 1986 and by 0.2% in 1987. Furthermore, administrative allocations of foreign exchange undermined the efficiency of domestic industries. The basis for future growth within the private sector was further weakened by falling savings. The reduction in real income available to the private sector resulted in a decline in private sector savings, from 12.5% of GDP in 1985 to 9.9% in 1986.

Renewed Growth, 1988 - 1989

After two years of severe fiscal and balance of payments pressures, the Government redoubled its efforts to restore domestic and external balances. Government constrained expenditures while increasing revenues, thereby reducing the fiscal deficit from 9.1% of GDP in 1987/88 to 6.6% in 1988/89. By streamlining parastatal activities and increasing their operational efficiency, both subventions and domestic borrowings were reduced. Government was able, therefore, to sharply reverse its domestic borrowing position and begin substantial repayments to the domestic banking system. The result was a significant decrease in monetary demand pressures and an increase in credit availability to the private sector. Inflation has cooled considerably, despite increases in the broad money supply, down to an estimated 12% in mid 1989. In addition to its own restraint, Government dampened aggregate demand by deregulating bank lending rates, increasing domestic deposit rates, and devaluing the kwacha by 20%.

Pent-up demand for imports remained high, however, and when combined with the import liberalization of raw materials and spare parts, nominal 1988 import levels were 120% of those for 1986. While this growth precipitated a decline in the trade surplus, increased imports were important to industrial recovery. By early 1989, industrial capacity utilization had doubled and the index of industrial production showed month-on-month increases when compared to 1988. Exports, too, rebounded, with the value of exports up by nearly 65% over 1984. The major problem in the current account remained transport: costs were estimated at over $100 million, and the resulting current account deficit increased to 8.3% of GDP. However, foreign assistance grants were greater than expected and thereby strengthened the capital account: the overall balance increased sharply. The result was a spectacular improvement in external reserves from virtually zero, after arrears, at the end of 1987 to 4.6 months of non-maize imports at the end of 1988.

The bottom line was real GDP growth of 3.7% in 1988, with projections for 1989 at 4.5%. In the Fund's words "the Malawian economy performed considerably better than envisaged under the program. Economic growth was more robust than expected, and private sector confidence improved." Thus, Malawi's economy appears to be starting a new decade in renewed health (see end graph EP7 and 9).

B. *Policy Framework for Development*

Despite a host of problems outside of its control -- landlocked, resource poor, deteriorating terms of trade, and high debt service levels -- Malawi has acted with strength and certainty regarding those factors where it exerts control and influence, and has developed a set of external policies which capitalize on its resource endowment and support economic growth: trade and foreign exchange policies which ensure that the domestic currency is not usually overvalued; wage and interest rate policies which favor labor use and discourage capital substitution; and investments which enhance future production.

However, as noted earlier, the policy environment began to erode in the late 1970s as the Government tried to "manage the economy" in response to external shocks. By the early 1980s, as real GDP plummeted, the external economy collapsed, and foreign borrowing mushroomed, Government recognized the need to reimpose the fiscal discipline and domestic and external policies which had marked its earlier years. The first phase of the return to rational policies was to stabilize the economic collapse. This was followed by efforts to restructure the policy environment for growth. The GOM's structural adjustment program was marked by: rationalizing agricultural and industrial policies; improving Government revenue collection and constraining expenditures; rehabilitating and restructuring parastatals; rationalizing domestic interest rates; and, realigning the exchange rate. Strong donor support for these changes was led by three World Bank Structural Adjustment Loans (SALs), a SAL supplement, and successive IMF Stand-by Agreements and an Extended Fund Facility.

Despite the slackening of real GDP growth by the mid 1980s, Government remained committed to the policy reform effort. With her redoubled efforts, Malawi became the first country to qualify for the IMF's Enhanced Structural Adjustment Facility (ESAF) (see detailed discussion in endnote EP1). The reform objectives included doubling economic growth between 1989-91 to three percent per annum and reducing domestic inflation by 5 percent a year. The World Bank has continued its support to structural adjustment with sector lending -- the Industrial and Trade Policy Adjustment Credit and the upcoming Agricultural Sector Adjustment Credit. The bilateral donor community has also generously supported the reforms. The series of reforms supported are clustered about several areas:

- agricultural pricing and marketing reform (including parastatal restructuring and divestiture, and liberalized marketing);
- industrial and services sector reforms (including deregulation of interest rates, import liberalization, increasing domestic investment, and eliminating trade arrears);

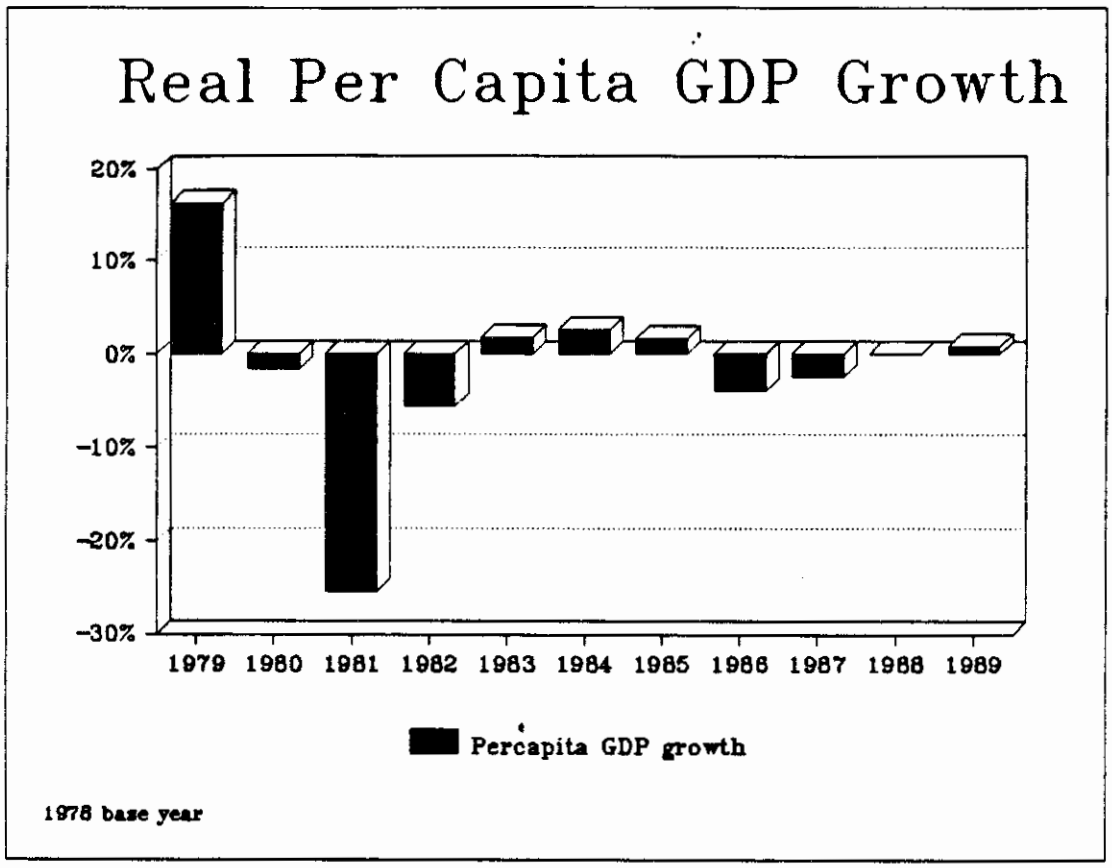
- external sector imbalances (including exchange rate adjustment) and;
- fiscal reforms and internal balances (including rationalized revenue raising measures, expenditure and monitoring control mechanisms, reducing the ratio of government deficit to GDP, and reducing inflation).

Reforms in each of these areas are closely linked to Government efforts to rationalize its own behavior as a major actor in the economy and to promote efficiency and competition in the private sector for sustained growth.

The aggregate economic impact of the structural adjustment program has been stronger than originally envisaged, as noted earlier: economic growth picked up significantly; fixed investment expanded; inflation, the subject of a mass persuasion campaign by Government, has been reduced; and, fiscal restraint, in terms of budget deficit to GDP ratios, has substantially exceeded Policy Framework Paper (PFP) targets (EP2).

However, current growth levels cannot be sustained without high levels of donor assistance, nor has economic growth been sufficiently broad-based for her growing population:

- per capita GDP figures remain among the lowest in the world, with infant and child mortality among the highest;
- per capita food production and consumption are falling;
- off farm employment opportunities are limited;
- real wages, already low, have been severely diminished;
- export earnings are produced by a narrow range of agricultural commodities; and,
- nearly two thirds of those export earnings are estimated to be spent on transportation and debt service alone.



Previous Page Blank

GROSS DOMESTIC PRODUCT (GDP), BY SECTOR OF ORIGIN AT

1978 CONSTANT FACTOR COST 1984-1989

(K million)

	1984	1985	1986	OS 1987	NS 1987	1988	1989
Agriculture	306.5	308.0	309.9	320.4	320.4	331.9	349.4
Smallscale	240.9	242.0	244.5	250.3	250.3	256.8	264.3
Largescale	65.6	66.0	65.4	70.1	70.1	75.1	85.1
Manufacturing	100.6	103.8	106.1	107.1	107.1	111.2	116.8
Electricity and Water	16.1	16.4	17.3	18.7	18.7	19.3	20.2
Construction	29.6	37.2	31.2	31.1	31.1	33.9	35.4
Distribution	104.1	114.0	109.9	107.5	107.5	106.7	109.0
Transport & Communications	47.0	49.5	51.8	49.1	49.1	51.8	55.6
Financial & Professional Services	51.2	55.0	53.8	53.8	53.8	55.9	59.1
Ownership of Dwellings	34.6	36.3	36.6	37.3	37.3	38.4	40.1
Private Social and Community Services	34.7	35.2	37.7	38.4	38.4	39.8	41.3
Producers of Government Services	101.7	108.2	118.0	120.8	134.5	141.6	146.3
Unallocable Finance Charges	-20.6	-22.2	-21.7	-21.7	-21.7	-22.4	-23.5
GDP at Factor Cost	805.5	841.4	850.6	862.5	876.2	908.1	949.7

NOTE: OS = Old Series

NS = New Series

Source: Department of Economic Planning and Development, National Statistical Office.

Treasury and Reserve Bank of Malawi

Previous Page Blank

II. PROBLEM DESCRIPTION AND ANALYSIS

A. *Inadequate Economic Growth -- Growth for Whom and How Long*

Although Malawi's economy has grown at relatively high levels since Independence, as noted above, it is not clear that this growth has been either sustainable or sufficiently broad-based. To achieve broadly based, sustainable growth, the economy must first overcome a number of resource constraints -- some of which are external and others of which are domestic -- as well as a series of constraints to broadening the benefits of development.

Resource Constraints to Sustainable Growth

Malawi faces several key external and domestic resource constraints to developing a pattern of economic growth which can be sustained. Principal among the external constraints are:

- concentration of exports in a narrow range of primary agricultural commodities;
- international transport linkages; and,
- availability of foreign exchange.

Exports have become increasingly concentrated in a few commodities, especially tobacco, since Independence. In 1964, tobacco accounted for barely 1/3 of export earnings, with tea, groundnuts, maize, rice, and other crops all making significant contributions (EP3). By 1987, tobacco alone accounted for nearly 2/3 of export earnings. Once tea and sugar were added, over 80 percent of export earnings were represented. The concentration problem was further underscored by stagnant export volumes.

Between 1980 and 1987, the volume of exports was essentially stagnant, with some inter-year fluctuations (see graph EP1). With neither export volume increases nor diversification, the current account balance became particularly susceptible to commodity price instability. Furthermore,

concentration of exports made Malawi more vulnerable to deteriorating terms of trade. Between 1984 and 1985, the terms of trade moved strongly against Malawi while export volumes actually increased. The net effect was a reduction in the nominal value of exports by 2.5%, despite the 19% increase in export volumes. Combining these problems with increasing imports and transport costs caused the current account deficit to decline by more than five fold. 1985 was an admittedly difficult year, but the impact on the current account, despite good export volume performance that year, highlights the extreme vulnerability posed by concentrated exports.

Transport costs also weigh heavily on Malawi and seriously affect resource availabilities. CIF margins are currently estimated at 40% of import values, one of the world's highest levels. In 1989, Government estimated that international transport costs the economy $100 million more than if traditional routes through Mozambique were open. Other direct costs imposed by the transport difficulties are the military efforts to maintain access to existing ports and the transfer of donor aid to develop additional transport corridors -- aid which would otherwise be devoted to internal development.

High transport costs also afford relatively high levels of protection to domestic industry. This, in turn, encourages production inefficiencies which the economy can ill afford. In addition, these same costs discourage exports and exacerbate the difficulty of diversifying exports: high CIF margins imply that Malawi must be an extremely low cost producer vis-a-vis neighboring countries so that transport does not price Malawian exports out of international markets.

The above problems -- export concentration, deteriorating terms of trade, extraordinarily high transport costs -- plus a heavy debt burden, have created a severe shortage of foreign exchange. The principal sources of foreign exchange are, in order, export earnings, foreign grants and loans, and private remittances. Primary uses are, in order, imports, international transport, and debt service. Particularly problematic is

the country's debt situation. Malawi has benefitted from Paris and London Club reschedulings, but approximately two-thirds of its current external debt is to the IMF and World Bank. Since these debts cannot be rescheduled, considerable foreign exchange inflows will be needed simply to cover these debt obligations. Lack of foreign exchange has dramatic effects on imports and domestic production as noted above. These statistics also show the vulnerability of the economy to wide fluctuations in foreign exchange flows. In its efforts to raise and stabilize these flows, Government has turned to the donor community for short term assistance. According to GOM records, nominal grant assistance increased by 24% between 1986 and 1987, and mushroomed by 200% between 1987 and 1988. This reliance on donor balance of payments support is in itself, however, problematic: it represents resources over which the Government of Malawi exerts little control. Both the absence of a sustained donor commitment and uncertain export earnings, therefore, present problems to Malawi's access to foreign exchange.

Domestic resources also affect sustainable growth, including:

- savings rates and investment levels; and
- size of and allocations within the Government's budget.

Malawi has historically saved and invested heavily in its own future. Between 1970 and 1980, savings and investment rates averaged 12.4% and 19.6% of GDP, respectively. Savings rates fell slightly to 10.5% of GDP between 1980-85, while investment rates soared to over 33%. (Compared to Africa as as whole, these rates were impressive: they are 22% greater and double, respectively, the averages for IDA eligible countries between 1980-85). Both levels declined, however, between 1986 and 1988: savings rates plummetted to barely 4% of GDP by 1988, while investment rates were 16%. The difficulty in maintaining savings rates in light of even diminished investments poses a critical constraint to development since it forces Government to rely on external sources for financing growth. On average for the 1980s, domestic savings covered just 45% of total financing needs. By 1988, these savings covered just 25% of the total.

While savings are expected to pick-up in the near future, this gap and its implications for foreign grants and borrowings will remain.

Three specific factors limit the developmental effectiveness of the Government's budget. These are:

- high public debt service;
- slow budgetary growth and resulting lack of operating funds; and
- allocative preferences for infrastructure development.

The size and composition of the country's development and recurrent budgets have changed significantly over the last ten years. Nominal growth in the development budget equaled 130% between 1979 and 1989. In real terms, however, the 1989 development budget was barely half that for 1979. The priorities of the development budget have also changed. In 1979, the top four development expenditures, in rank order, were transport, government buildings (associated with moving the capital to Lilongwe), agriculture, and power utilities. By 1989, priorities reflected greater attention to social concerns. The top item was still transportation, but agriculture, education and health were next.

Although the recurrent budget increased five fold in nominal terms over this period, this growth translated into only a 1/3 expansion in real terms. In 1979, general services -- essentially administration and military costs -- were the largest recurrent expenditure item, followed by social services (21.3% total, for education and health) and public debt service (21.2%). By 1989, however, public debt payments were the largest single item, accounting for 1/3 of the recurrent budget. Real debt service payments more than doubled compared to 1979, and were twice the recurrent budget for all social services by 1989.

Debt service payments have, therefore, placed a significant drain on budgetary resources (see Graphs EP2-4 and Statistical Annex). Given the recurrent budget's size, debt expenditures are the largest item in the overall budget, overshadowing agriculture by nearly a factor of four,

education by three, and health by four. Thus, despite impressive efforts to reorient development expenditures, the impact of these efforts is reduced by the predominance of debt service payments in the recurrent budget.

The overall lack of operating funds severely limits the effectiveness of government services. The lack of funds is caused, as noted above, by growing debt service levels. It is also, however, a consequence of the structural adjustment program, since strict expenditure controls limit the growth of the budget. An example of the impact can be seen in operations of the Ministry of Agriculture, where real budgetary resources for fuel fell between 1987 and 1989. Thus, extension agents are unable to reach farmers for want of fuel. Similarly, the World Bank has found that the GOM has been unable to maintain real recurrent expenditures for the national agricultural research program between 1985 and 1989.

Finally, Government's allocative decisions are not always cost effective from a service delivery perspective. Government expenditure patterns show a preference for infrastructure at the expense of institution building and service delivery. This can be seen in the decision to build a new Malawi Institute of Management campus rather than focus on expanded training opportunities, to build new National Statistical Office facilities rather than concentrate on data analysis, and to develop a new medical school rather than increase primary health care delivery. These choices are, obviously, overdrawn. But they highlight a persistent pattern which favors capital expenditures at the expense of service delivery.

The GOM has agreed with the World Bank to increase expenditures for social services as growth expands and revenues increase. However, these three principal budgetary features suggest that decisions to further reallocate expenditures to social services will be difficult.

Constraints Which Limit Broad-Based Growth

As noted earlier, Malawi's economic growth has not been sufficiently

broad-based for her growing population. While living standards for the average Malawian have clearly improved since Independence, too many people have been left behind -- and perhaps most seriously, the proportion of people left out may be increasing. (EP 4 provides a detailed analysis of the various categories of low income groups.)

If growth is to be broad-based, there must be productivity increases and expansion in the smallholder, estate, and small-medium enterprise sectors. Particularly critical will be the generation of jobs. The labor force is growing far faster now than in the country's high growth period, 1966-77. But, employment growth in the modern sector has been slower in the last decade (see EP5). Thus, the smallholder sector has been asked to absorb an increasing proportion of the expanding labor force. This does not bode well for broad-based economic growth.

Smallholder Production

Broad based economic growth requires greater agricultural production and productivity to increase rural incomes and reduce food prices. Specifically, improved agricultural productivity -- for those who have the capacity -- and increased off-farm employment -- for those smallholders with inadequate land resources to move to, or beyond, food self sufficiency -- are necessary.

Malawi's smallholder sector has been severely squeezed by:

- rapid alienation and depletion of arable land;
- planting restrictions prohibiting production of valuable cash crops e.g., burley tobacco;
- prices for smallholder produce only a fraction of estate prices or world prices due to high rates of implicit taxation and parastatal (ADMARC) inefficiencies;
- lack of access to inputs or appropriate higher yielding maize varieties to increase productivity; and,
- few new investments in agriculture.

Despite these problems, smallholder production managed to increase. The early 1980s saw national food production expand, with smallholder marketed maize increasing more than three fold in response to higher producer prices Malawi exported maize. In addition, production increased during the 1980s with maize production for 1988/89 estimated to be 10.2% greater than 1982/83. Nonetheless, production increases have not kept up with population growth rates and have not been enough to avoid serious food deficits in many households. Perhaps most seriously, the gains in maize production have come at the expense of other smallholder crops -- e.g., groundnuts. Thus, there have been shifts in smallholder production in response to producer price realignments, but not overall increases in productivity.

There are several key constraints to smallholder production which have followed from the squeezing of the smallholder:

- lack of arable land;
- low productivity;
- pricing and marketing distortions; and,
- low incomes.

Lack of arable land is the most fundamental constraint to increased smallholder agricultural production. Much of this comes from massive transfers of land from the customary to estate sector (25% of arable land) and much from rapid population growth. As a result, average farm size has fallen from 1.54 ha in 1968/69 to 1.16 in 1980/81. At the current rate, per capita arable land will decline to 0.45 ha by the year 2000. Already, 55% of smallholders have less than 1.0 ha, which is inadequate to produce a family's basic food requirements.

Low productivity also constrains the smallholder sector. Food production is primarily for subsistence using simple hand tools, family labor, traditional maize varieties and very little or no inputs. Less than 10% of the maize area is planted with high yielding varieties and only about 25% of the farmers use fertilizers. Consequently, yields average only

800 kg/ha for local maize rather than a potential of 2200 kg for composits. In looking toward the future, it is particularly worrisome that soil fertility is markedly declining, by as much as 35-40 percent in the last 25 years, due to shorter crop rotations and fallow periods.

Increasing smallholder productivity faces a series of major obstacles:

- technology development and transfer systems, geared to the better-off (top 20%) smallholders;
- inadequate access to credit;
- low incomes, which make inputs unaffordable; and
- peak-time labor constraints, particularly as a result of low incomes which force people to look elsewhere for wage employment.

Pricing and marketing distortions continue, to the disadvantage of the smallholder. Pan-territorial producer prices induce production and marketing inefficiencies. These, in turn, prey upon institutional weaknesses in ADMARC, and compound their marketing inefficiencies. The result is depressed producer prices. Another expensive limit to marketing efficiencies comes from limited rural transport capacity and high transport costs. Transport costs directly and indirectly affect marketing decisions, and limit the development of dynamic market linkages between rural and urban areas (see endnote EP6 for details of current policies and their effects).

Estate Production

Estate production growth has been critical to the economic health of Malawi, and estates will continue to play an important role in its future (EP7). In addition to providing the export base, estates generate an important source of off-farm rural employment. The estate sector faces particular constraints to its future well-being, however. Though estate production is up, problems remain which limit productivity:

- management inefficiencies;

- production inefficiencies, indicated by the high levels of idle land (currently only about 14% of estate land is productively used); and
- artificially limited competition in production.

Finally, with one of the highest per capita rates of deforestation in Africa (second only to Ivory Coast), linked strongly to the fuelwood demands of the tobacco estates as well as to heating and cooking requirements, environmental degradation must be seen as a medium term constraint to estate production.

Non-Agricultural Production (Industrial and Enterprise Growth)

As noted earlier, off-farm employment must expand to absorb the rapidly growing population. There are, however, many constraints to industrial and enterprise growth. Low income is the major constraint facing expansion of domestic industrial production and enterprises (EP4). The small size of Malawi's economy, combined with her large population, provided a nominal per capita GDP of $180 in 1988. Moreover, real per capita GDP has been virtually stagnant since the early 1980s. According to the 1980/1981 National Sample Survey of Agriculture, the average annual cash income for all smallholders was MK 110. While somewhat out of date, the backdrop of stagnant per capita income suggests little real change in this level. Such a low cash income allows very few other purchases: by the time food is bought, less than MK 50 is left per year for even basic purchases such as soap, kerosene, matches and clothes. These very low incomes demonstrate why there are so many people walking on Malawi's roads: bus rides are a luxury few can afford. Thus, the most important element to stimulating effective demand for domestic goods and services is increased incomes.

While low income is the key constraint, other closely related factors also limit productivity. Savings and investments, as noted earlier, are down relative to earlier years. Increased savings are important to increased investment, but inadequate financial markets also inhibit how investable resources are generated and utilized. Currently, the

BALANCE OF PAYMENTS 1984-1989
(K million)

	1984	1985	1986	1987	1988	1989
(A) CURRENT ACCOUNT						
Merchandise Trade Balance	219.3	118.2	175.3	222.8	139.4	70.0
Exports of Goods, f.o.b.	446.2	422.0	462.1	615.1	760.6	770.0
Imports of Goods, f.o.b.	228.9	303.7	286.8	392.3	621.2	700.0
SERVICES AND UNREQUITIED TRANSFERS						
Non-factor Services Balance	-184.1	-229.3	-222.4	-282.7	-446.0	-505.1
Receipts	38.2	48.5	42.6	49.9	66.7	72.9
Payments	222.3	277.8	265.0	332.6	512.7	578.0
Factor Services Balance	-78.8	-90.9	-112.9	-125.7	-143.5	-154.2
Receipts	5.2	9.4	6.1	7.2	17.7	19.3
Payments	84.0	100.3	119.0	132.9	161.2	173.5
Private Transfers Balance	22.1	17.9	33.6	54.2	180.5	75.3
Receipts	38.4	37.0	47.1	86.6	219.1	115.7
Payments	16.3	19.1	13.5	32.4	38.6	40.4
Current Account Balance	-23.5	-184.1	-126.4	-131.4	-269.6	-514.0
(B) CAPITAL ACCOUNT						
Long-term Capital						
Government Transfers Balance	34.5	42.1	53.6	66.4	200.7	220.6
Receipts	37.3	45.3	57.9	72.7	207.4	227.3
Payments	2.8	3.2	4.3	6.3	6.7	6.7
Government Drawings Balance	74.0	47.8	88.4	139.9	131.9	217.1
Receipts	131.1	108.2	195.6	246.1	282.3	341.1
Payments	57.1	60.4	107.2	106.2	150.4	124.0
Public Enterprises Balance	-18.7	-26.5	-20.2	10.3	30.1	33.8
Receipts	1.0	12.3	0.5	25.7	47.8	53.8
Payments	19.7	38.8	20.7	15.4	17.7	20.0
Private Sector Balance	-3.3	9.8	8.6	2.1	1.0	1.0
Receipts	9.7	17.2	25.3	13.8	15.0	15.0
Payments	13.0	7.4	16.7	11.7	14.0	14.0
Balance on Long-term Capital	86.5	73.2	130.4	218.7	363.7	472.5
Short-term Capital						
Financing Item	-3.5	-4.8	-119.0	-51.7	32.1	-7.1
Errors and Omissions	-1.8	-18.6				
Balance Before Debt Relief	57.7	-116.4	-115.0	35.6	126.2	-48.6
Debt Relief	33.3	11.7	5.3	49.9	121.0	48.6
Overall Balance After Debt Relief	91.0	-104.7	-109.7	85.5	247.2	0
Change in net Foreign Assets of the Banking System	-91.0	104.7	109.7	-85.5	-247.2	0
Average Annual Exchange Rate (MK: US$1)	1.4	1.7	1.9	2.2	2.6	2.7

Source: Department of Economic Planning and Development, National Statistical Office, Treasury and Reserve Bank of Malawi.

financial market is dominated by two large, comfortable commercial banks. These banks are supplemented by a number of institutions serving larger and smaller firms and individual entrepreneurs (Indefund, Indebank, SEDOM, MUSCCO), and a relatively innovative institution providing leasing finance. A savings bank is widely distributed throughout the country which accepts deposits but makes withdrawals extremely difficult. ADMARC and the Malawi Development Corporation have provided investment capital; and the New Building Society, Mercantile Credit Ltd, provident funds, and life insurance firms complete the profile.

Despite the number of financial institutions, which may appear large given the economy's small size, the distribution of service is limited and uneven. Commercial banks currently sit on near record liquidity ratios (EP8), and only some large firms have the access to financial services which they require. Most other firms claim that finances and financial services are the most severe constraint facing their business operations. And certain segments of demand, for example equity financing for most of the market, remain unserviced. Thus, financial market development is central to business development.

Two constraints remain which limit the development and expansion of businesses in Malawi. First, is Government's proclivity to "a place for everything and everything in its place" noted by one team of consultants. This perspective generates a number of production, locational and organizational barriers which limit the establishment of new firms as well as the growth of existing ones. Finally, low levels of adult literacy and numeracy, and limited commercial experience, combine to make entrepreneurial skills scarce. As a result, nurturing and developing those skills is critical.

B. *HUNGER -- THE GREAT DICHOTOMY*

Dimensions of the Problem and Its Causes

During the early 1980's, when much of the continent was reeling from the

Previous Page Blank

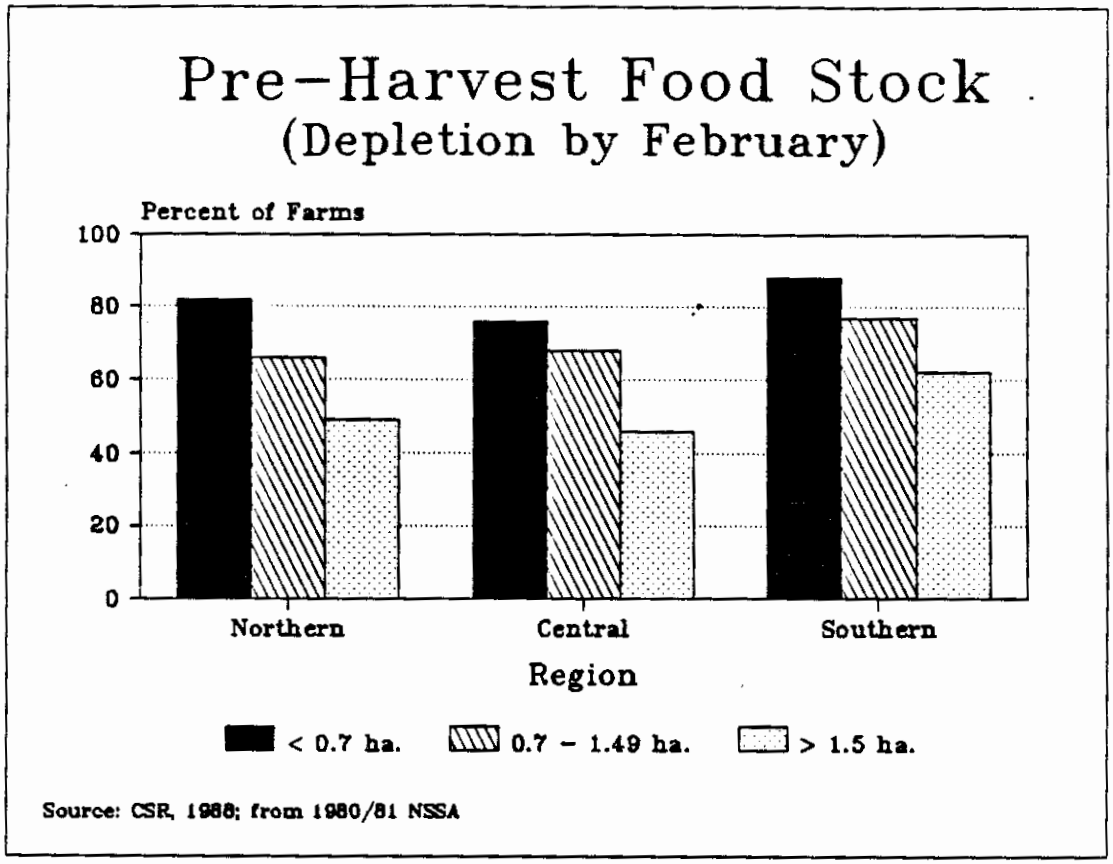
effects of drought and inadequate food production due to poor policies, Malawi's national food production steadily expanded and smallholder marketed maize increased more than three fold in response to higher producer prices. Malawi became an exporter and was deemed self-sufficient in food production. Underlying this apparent success, however, were increasingly serious, widespread household level food shortages, even during years of good harvest and exportable "surplus." Moreover, aggregate production increases were outstripped by rapid population growth -- per capita production of Malawi's staple food, maize, is estimated to have declined from 193 kg in 1983/84 to 181 kg in 1987/88.

The majority of smallholders in Malawi today are unable to meet their basic food requirements. It is estimated that seven out of ten rural families experience food shortages (see Graph F1), with some depleting their stocks as quickly as 2-3 months after harvest.

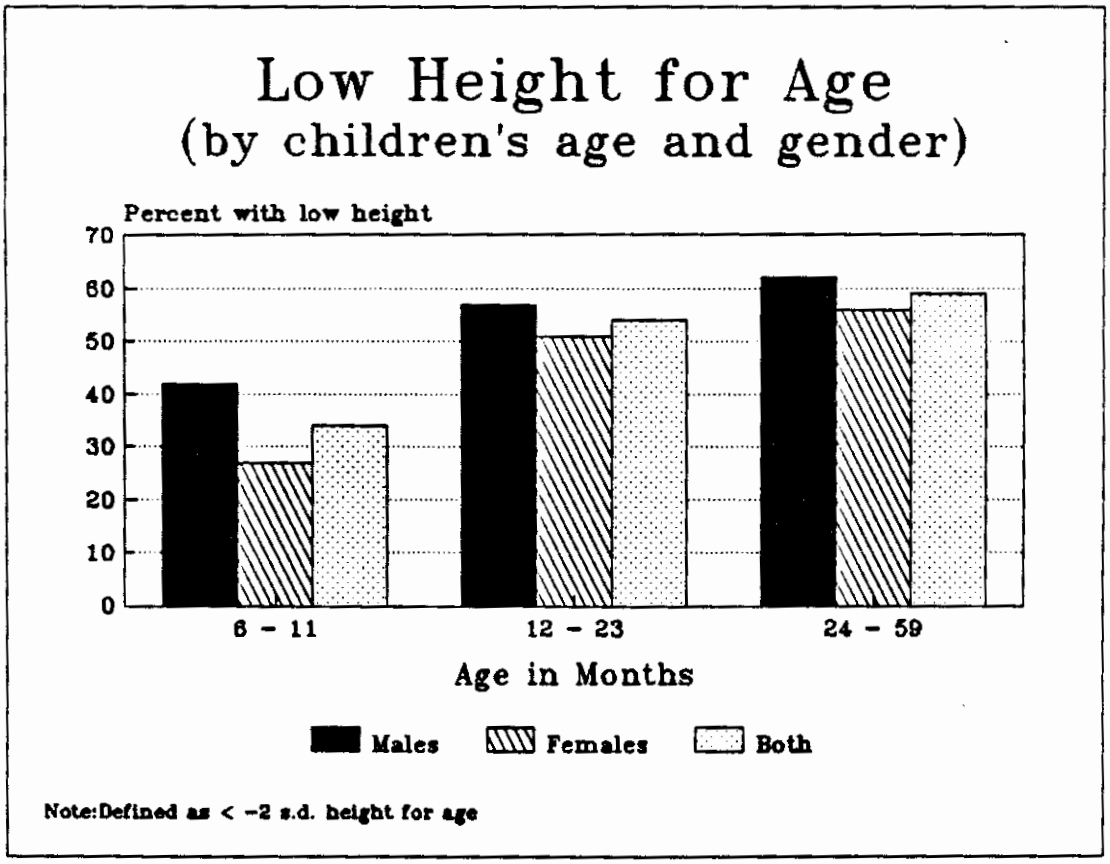
The severity of hunger in Malawi has a devastating impact on child health and survival. 55% of children under five are nutritionally stunted (low height for age) due to chronic and long-term food deprivation (see Graph F2 for age and gender distribution). Malawi has one of the highest incidences of undernourishment in the world, although it has a surprisingly low level (1.6%) of acute malnutrition. Official GOM statistics (1986) indicate that nutritional deficiencies were the leading cause of mortality among inpatients under five (accounting for 18% of deaths, as compared to 13% each for malaria, pneumonia and anemia). Malnutrition also weakens immunity and diminishes a child's ability to cope with the ravages of disease. Consequently, hunger is one of most significant problems to be resolved if infant and child mortality rates, currently estimated at 151/1000 and 320/1000, are to be reduced.

Ironically, the problem of hunger today is, in large part, the consequence of a successful effort to have commercial agriculture serve as the engine of economic growth. In retrospect, GOM policies and

Graph F1



Graph F2



programs have either contributed to, or failed to redress, the major causes of household food insecurity:

1) small landholdings, which are often fragmented;
2) low productivity;
3) pricing and marketing distortions; and
4) low income.

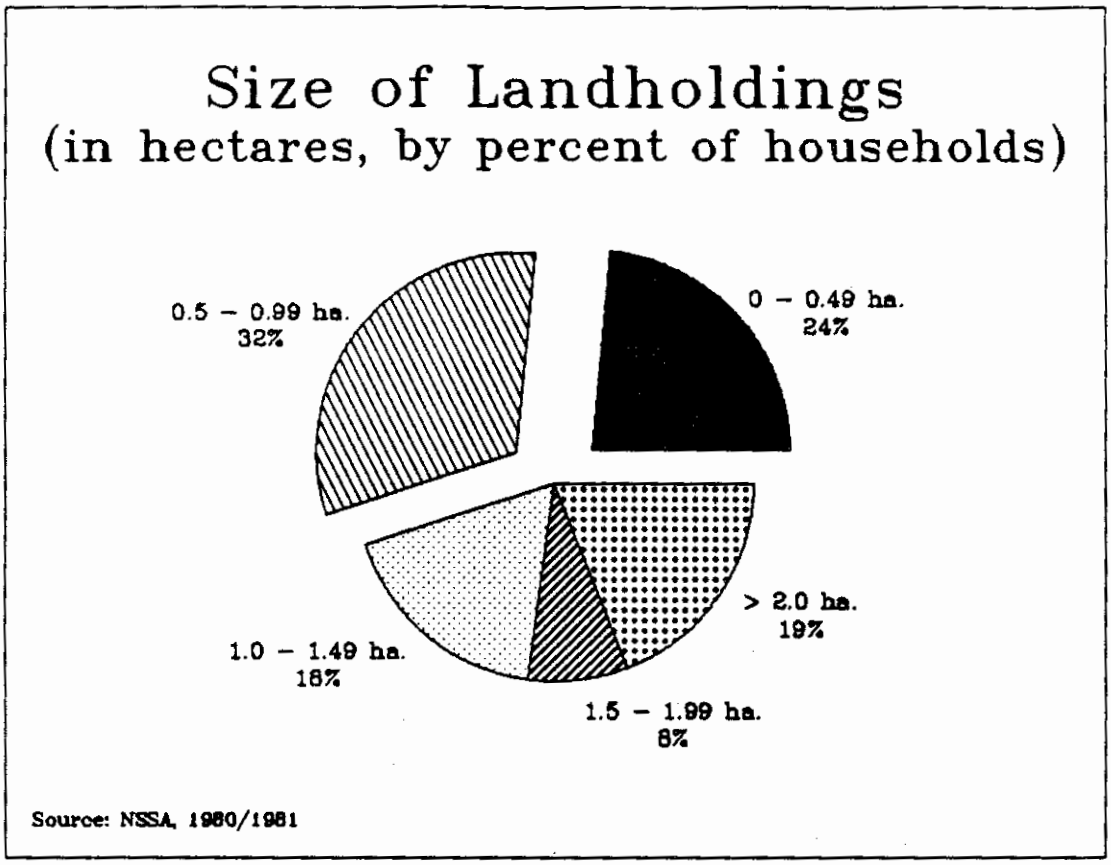
The most fundamental cause of both national and household food security is a severe shortage of land. Malawi has only about 2.4 million hectares (ha) of arable land, roughly 20% of total land mass, most of which is already under use. With little apparent regard for the smallholder sector which provides livelihood for 85% of the population, massive transfers of customary land were made to the estate sector to produce cash crops; unfortunately, much of this scarce, arable land is underutilized by estates. Farm sizes have also shrunk dangerously in the face of rapid population growth. Today, 55% of smallholders have less than 1.0 ha, which is inadequate to produce a family's basic food requirements; the food situation deteriorates dramatically for the 23% of farm families, predominately female headed households, holding less than 0.5 ha (see Graph F3 on household landholding sizes and Graph F4 on the nutritional consequences of different landholding sizes). Land fragmentation is a common feature among vulnerable farm families; in the densely populated Southern region, a study found that 30% of households were cultivating two or three small pieces of land, amounting to less than 0.5 ha in total.

Productivity is very low in the smallholder sector. Cultivation techniques are rudimentary, labor is a serious constraint at peak periods, over 90% of maize area is planted with low yielding traditional varieties, and only about a quarter of Malawian farmers use fertilizers. Consequently, yields are quite low.

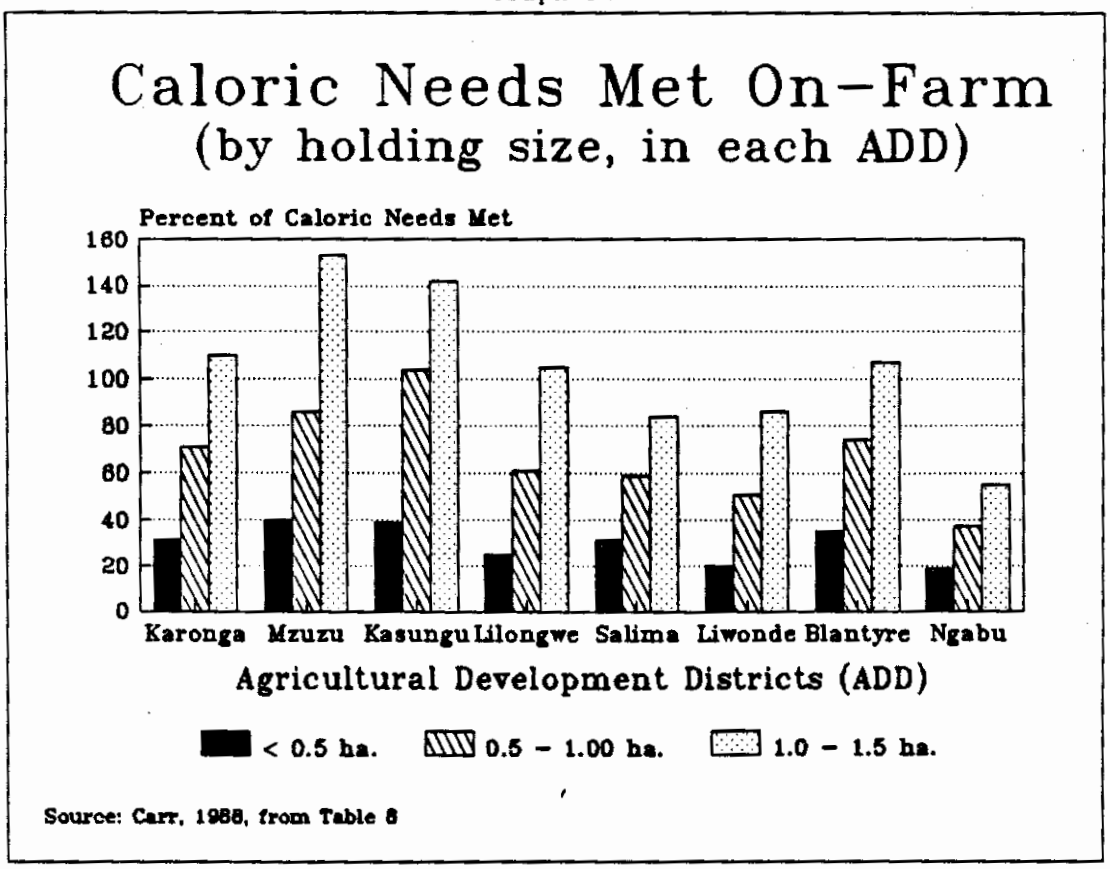
Pricing and marketing problems also impact on food security. The conventional wisdom that producer price increases stimulate production is

Previous Page Blank

Graph F3



Graph F4



a two-edged sword in Malawi: aggregate production expands, with a few larger farmers benefitting, (only 20% of smallholders are able to produce a surplus), while the majority of smallholders who are net purchasers of maize end up paying more, if possible, or make do with less food. Moreover, the effect of the GOM's pricing policy in recent years has been to change land use and crop production patterns rather than to encourage greater productivity. Serious inefficiencies in ADMARC, the national marketing board, serve to tax smallholders, and liquidity problems have led to delays and limits on the amount of smallholder produce purchased.

Because over half of Malawi's smallholders are not able to meet even subsistence needs, they are heavily dependent upon cash income to provide food requirements. Smallholders have been prohibited, however, to grow certain cash crops which would have generated the income necessary for ensuring household food security. Consequently, they are forced to pursue off-farm employment. More than 70% of all male smallholders earn some off-farm income, particularly by working on estates. As a matter of Government policy, though, wages have been kept low and purchasing power was progressively eroded (see Table F1). Even with the recent doubling of wages, the daily rate is only about U.S.$0.65, and women reportedly earn less. Many women, especially female heads of households, on the smallest farms, work as casual laborers on a neighbor's farm. Not only are wages low (often in-kind), but this "ganyu" labor pulls poor people away from their farms at peak periods so that their own production falls -- this creates a vicious cycle of dependency. (See Table F3 for characteristics of households by cultivated area).

The Plight of Women Farmers

Because hunger is so pervasive in Malawi, the problems of food insecurity are largely common across gender. However, the plight of women farmers is notably more severe and critical given their importance to national and household food security.

Women are the backbone of Malawi's smallholder agricultural sector; the country is dependent on them for its food supply. At least 70% of

full-time farmers are women and about one third of all rural households are female headed. These figures are rising as more and more men leave their farms in search of cash employment. Women stay on the land, struggling to make ends meet.

Generally, female headed households (FHH) fare much worse than male headed households (MHH):

- their landholding is much smaller (35% farm less than 0.5 ha vs. 18% of men) (see Graph F5, at back, for gender breakdown of farm sizes);
- labor is more constrained (33% of FHH had only 1-2 people vs 14% in MHH) and yet 66% women who head their own households do "ganyu" labor (as compared to 48% of men);
- only about 25% of beneficiaries of extension and credit programs are women;
- total household income is about half that of a male headed household, including significantly less earnings from food crops (38%), cash crops (17%) and labor (43%) in relation to men;
- not surprisingly, a woman has to spend a much higher proportion of her income on food (40%) than does a man (20%); and
- a woman farmer's work day is extremely long -- over 12 hours, as compared to a 5-7 hour day for most male farmers.

(See Table F2 on household characteristics by gender of household head).

Surprisingly, however, these extreme disadvantages may not necessarily result in greater hunger. A recent nutrition study found that children from FHH's were less stunted than children from MHH's even though the women had considerably less income and land than did men.

Nonetheless, cash income is critical to women meeting family food requirements, and there is a direct transfer of such income to food purchases. Consequently, household food security problems are

inextricably related to the constraints on women's off-farm employment opportunities.

Constraints to Improving Food Security

With land pressures worsening, it is critical that food production be intensified and that underutilized land be brought under cultivation in order to achieve both national and household food security.

The most serious constraint to intensification of production is the lack of affordable, appropriate technologies. At this point in time, fertilizer is the only means of increasing productivity significantly. (See Table F4 on maize yields and fertilizer responses). Yet, it is already too expensive for most smallholders, given their land size and lack of income, and the price continues to rise. (Its cost has doubled during the past four years; even though the GOM suspended its efforts to reduce subsidies). Malawian smallholders also need an improved flint maize variety which will be economically responsive to inputs and yet useable on the farm. (The current high yielding dent variety is grown for sale because of its susceptibility to insect infestation and the difficulty in milling it by hand on-farm).

It is also clear that socio-cultural attitudes and practices contribute to the problems of food insecurity. As indicated earlier, children of FHH's fare better nutritionally than do the children in MHH's with more land and income. Similarly, the fact that the highest rates of childhood malnutrition are in Malawi's richest tobacco-growing region suggests that higher, male-controlled incomes do not necessarily translate into more adequate family nutrition. (See Figure F1 for geographic distribution of stunting; it also shows lower prevalence of chronic malnourishment in the most densely populated Southern region). Child care and feeding practices also contribute to malnourishment; because mothers must give priority to the heavy labor demands of both their own farm and off-farm employment, young children are cared for by other young siblings and meals are prepared less frequently. Finally, although agricultural credit clubs are self-selecting and women have shown themselves to be

good money managers [in the SME sector, they are better credit risks than men], women are largely excluded from access to credit which might enable them to break the vicious cycle of ganyu labor and increase their own agricultural production.

GOM Policies and Efforts to Address Hunger

Although GOM policy has traditionally focussed on commercial export agriculture, during the last two years a clear consensus has developed among donors and within Government that a serious problem exists in the smallholder sector requiring concerted attention. Last year the GOM hiked the minimum urban and rural wages 95% and 125%, respectively to regain purchasing power for the poorest wage earners. The smallholder credit scheme is being strengthened to expand access. The Government, in collaboration with the World Bank and other donors, is developing an agricultural sector adjustment program which includes policy reforms critical to improving household food security: customary land transfers to the estate sector will be generally suspended and smallholders will be permitted to grow burley tobacco in order to generate desperately needed cash incomes. The GOM is now moving ahead aggressively to develop an improved maize variety which meets the needs of most small farmers. And finally, Government has embarked upon a pilot household food security credit program to reach poor households with low resource levels who previously had been bypassed by agricultural development activities, and it will also experiment with food for work and fertilizer or credit for work schemes targeted on food deficit farm families.

C. *HEALTH -- IS THERE A PARAMEDIC IN THE HOUSE?*

Malawi has some of the worst health conditions in the world, which are being addressed with some of the lowest per capita health personnel and financial resource commitments found anywhere. Neither the country's citizens nor its health care system is in good health.

Dimensions of the Problem and Its Causes

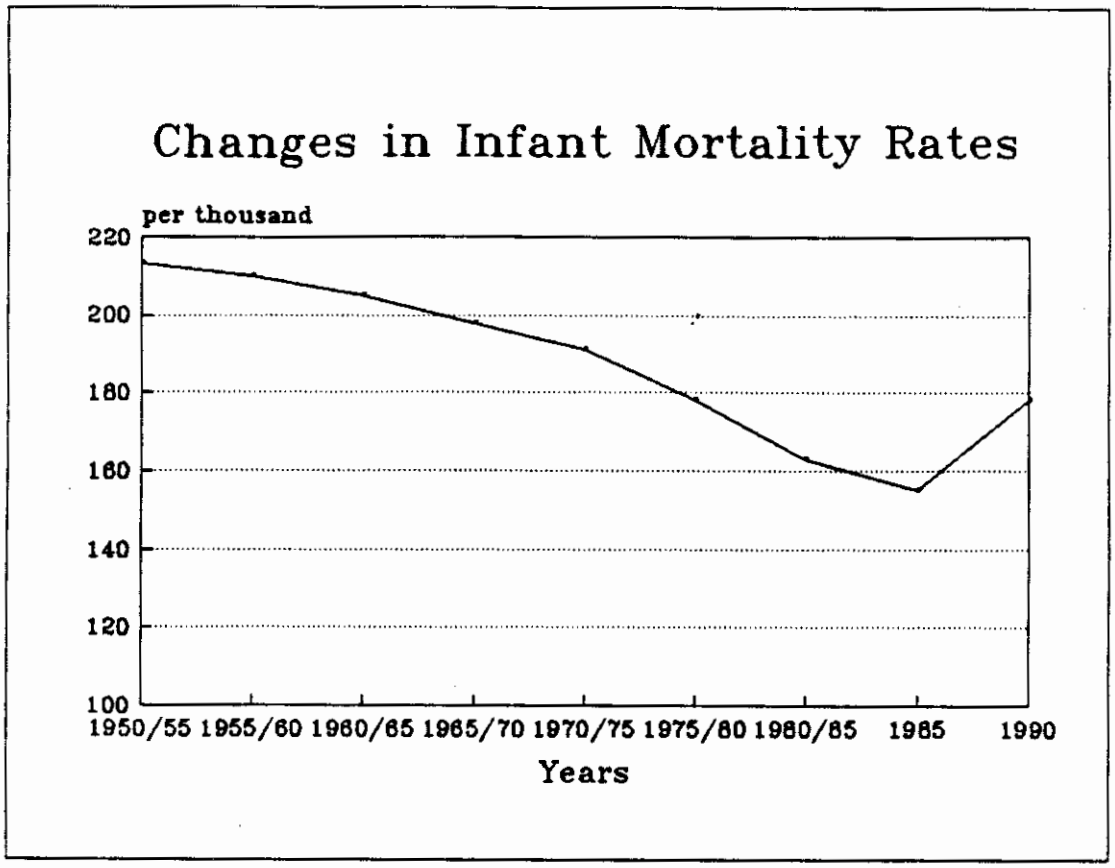
Basic indicators of health quality in Malawi are troubling:

- life expectancy at birth has risen steadily since Independence (from 39 years in 1965, to 42 years in 1975 to 46 years in 1987), but remains among the lowest in the world;
- infant mortality rates have steadily fallen but are still seriously high (see Graph H1), they vary dramatically between regions (see Figure H1), and they are estimated to have recently increased sharply as a consequence of AIDS, to about 170/1000.
- child mortality (under 5 years), already unacceptably high (estimated 320/1000), has probably climbed 10% higher because of AIDS;
- maternal mortality is quite high (250 per 100,000 live births); and
- the crude death rate (20/1000) is currently one of the highest in the world, twice the average for low income nations, and is likely to increase as a consequence of high rates of HIV positivity throughout the population. Because of the high rates of infant and child mortality, children under five, who comprise 19% of the population, account for roughly one half of all deaths in Malawi.

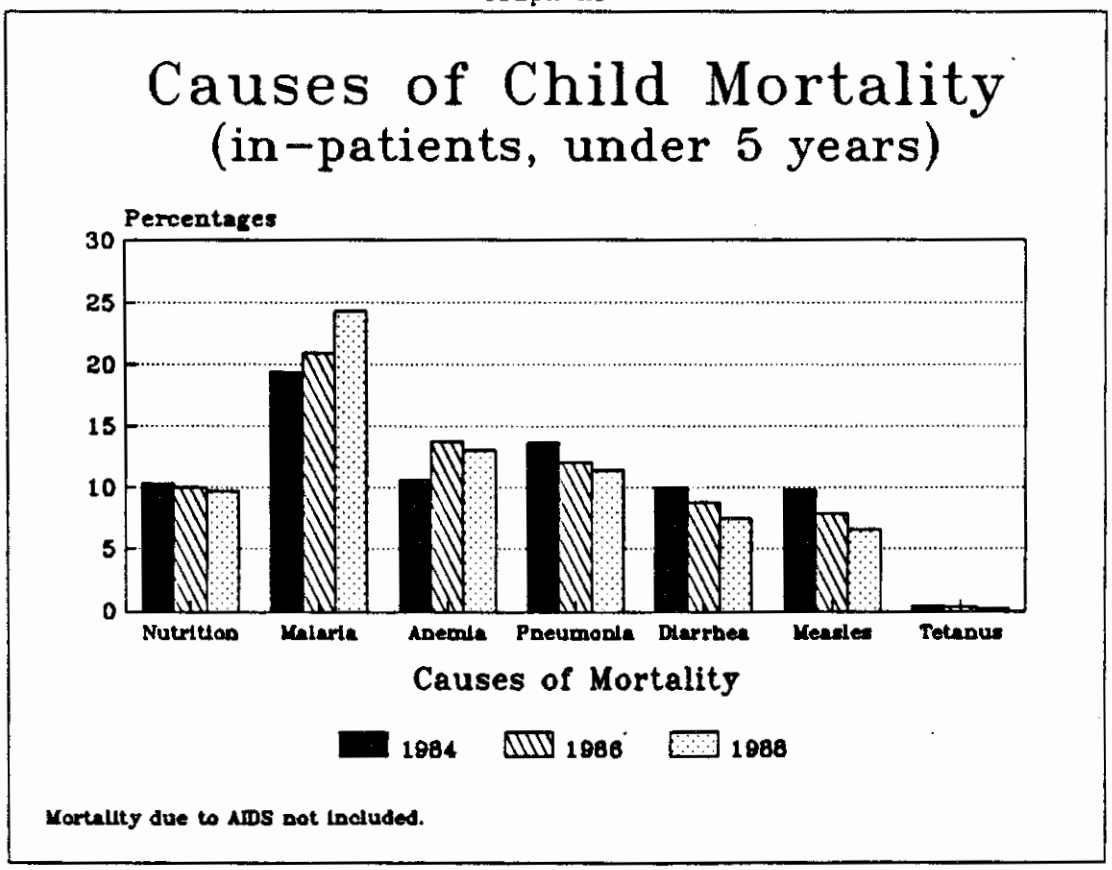
There are several pernicious diseases and deleterious health conditions which contribute to the very poor quality of health.

- Malaria: possibly the most critical health problem in Malawi today; it is the principal cause of sickness and death among children and, among adults, is terribly debilitating, affecting one's productivity as well as health.
- Nutritional deficiencies: including anaemias: malnutrition is widespread; it stunts the growth of over 50% of children and is a leading cause of child mortality.

Graph H1



Graph H3



- Communicable childhood diseases: no longer a major killer as immunization coverage for major diseases has reached about 80%.
- Diarrheal disease: continues to be a problem because of contaminated water supplies and poor hygiene, although over 40% of the population has access to ORT.
- High fertility: short birth intervals increase infant and child mortality and adversely effect a woman's health and productivity.
- AIDS: the newest, and potentially most serious, health concern in Malawi; HIV positivity is already one of the highest in the world (12-19%) and transmission is still very much on the rise.

(see endnote H1 for more details on these health problems).

The health problems of children have been changing in recent years. Most notably, malaria is a growing cause of mortality, nutrition and anemia continue to be a problem, while measles is steadily declining (see Graph H3).

Government's Policy and Efforts to Deal with Health Problems

The current National Health Plan emphasizes sensible approaches to Malawi's health problems, focussing on:

- the at-risk, under-five age group and pregnant and lactating women;
- prevention and early treatment of priority diseases;
- strengthening primary health care (PHC) delivery and expanding coverage into peripheral, underserved areas;
- institutional and human resource development; and
- expanding access to child spacing services as part of the maternal and child health (MCH) program.

Since Independence, there has been a considerable expansion of health care facilities in order to improve access. Hospital beds have been increased from 1 per 800 people, to 1 per 500. While 80% of all

Malawians (rural and urban) are now within 5 miles walking distance of a health facility, access to services is uneven and limited in many rural areas (see Table H1).

The Government has relied heavily on the private sector to help increase coverage. Today, the Private Hospital Association of Malawi (PHAM) is responsible for approximately 45% of total health services. PHAM's financing is split almost evenly among private donations/fees for services/GOM grants.

Despite the generally positive policy statements and the efforts to increase access to health care through both the public and private sectors, the GOM has had only limited success in providing services to address the most critical health problems. Implementation has tended to fall far short of plans.

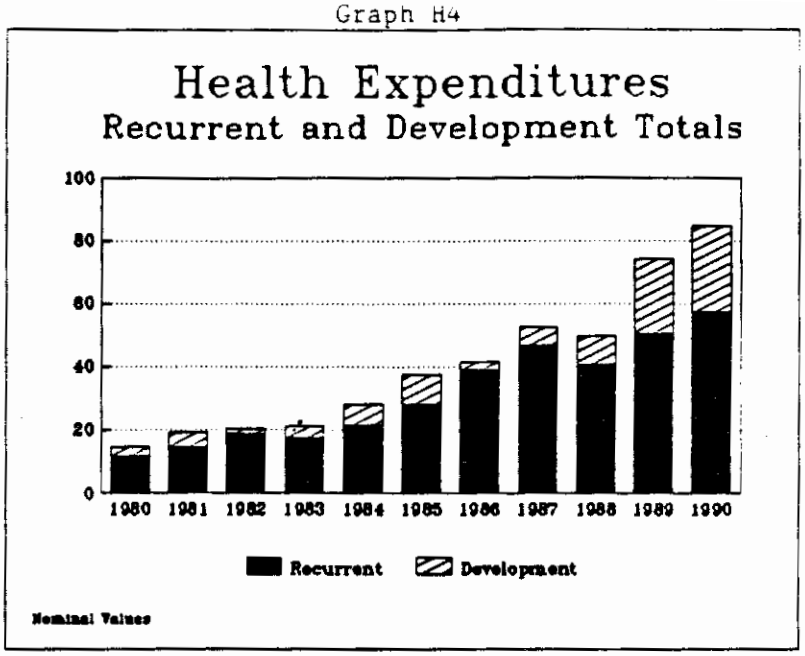
Contraints to Improving Health

Insufficient financial and human resources and institutional weaknesses are the most serious constraints to attaining national health objectives. There are also technical problems and Government policies which inhibit progress.

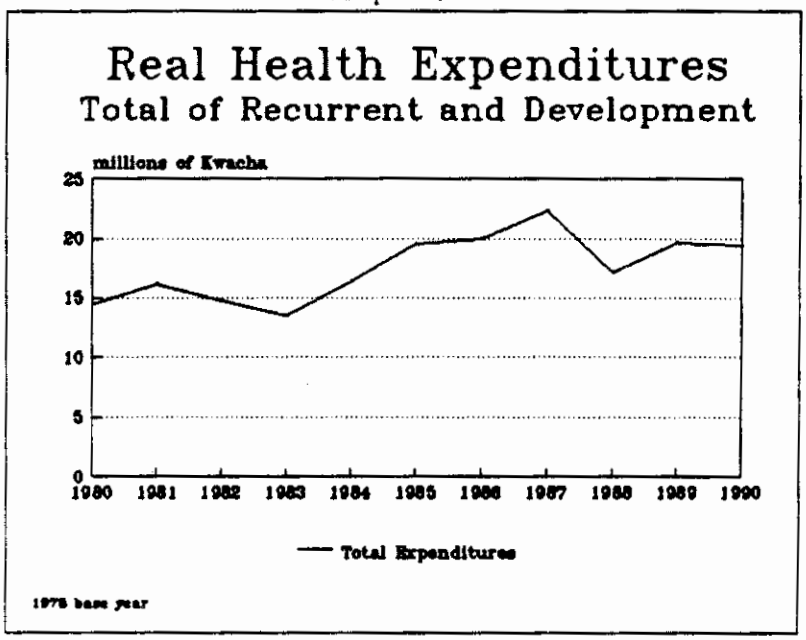
Insufficient Financing: The GOM has traditionally accorded social programs, including the health sector, low priority for budgetary support. Although health funding has increased markedly in the last couple years (see Graph H4), total expenditures on health, in real terms, have risen only slightly during the past ten years (see Graph H5). Development account expenditures (which are donor financed) for health, as a percentage of the total budget, have increased significantly during the period while recurrent expenditures (financed from GOM revenues) have declined (see Graph H6).

Recognizing the consequence of insufficient financing, the World Bank and GOM have agreed that expenditures on health should gradually increase to 11% of the recurrent budget by 1995 as the overall size of the national budget increases.

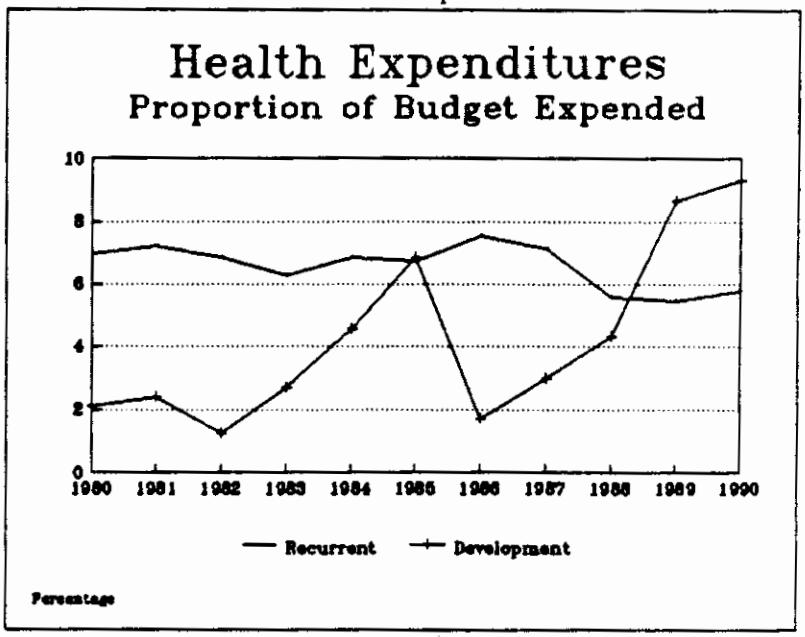
Graph H4



Graph H5



Graph H6



Compounding the overall lack of financial resources, however, is the low budgetary priority given preventative health care relative to curative medicine. Currently, only about 10% or MK 4.0 million (which is about 20 U.S. cents per capita) of the MOH's recurrent budget is directed to PHC programs. Thus, even the anticipated total increase for health services will not, by itself, result in a significant expansion of community-based health care services. A recent Health and Population Sector Review by a major donor concluded:

> "There is no MOH PHC budget at any level of health care. Community based services come under hospital budgets, which for the most part means the funds for PHC are virtually non-existent... Operational support for PHC programmes are mostly donor funded at present. The lack of government recurrent funding raises serious questions about sustainability and replicability."

Human Resource Contraints: The country's health system is woefully understaffed and inadequately trained. Ratios of staff per population are extremely high (see Table H2), much worse than the average for low income countries.

A health manpower assessment conducted by the GOM in 1989 indicated that to meet minimum staffing requirements in public and private sector health facilities, an additional 1460 health service providers are required immediately (26% increase) and over 3500 more are needed by 1995 (63% expansion) (see Table H3).

However, to reach even these comparatively modest levels would require an increase in personnel expenditures exceeding the current total annual MOH recurrent budget.

Institutional Weaknesses: Many health deficiencies relate to a shortage of properly trained manpower, and ultimately to the inadequate capacity of local training institutions. Other institutional problems are:

- overcentralized decision-making in the Ministry of Health;

Previous Page Blank

- lack of a multi-disciplinary approach in the MOH to major health problems;
- poor morale due to lack of promotion opportunities, low salaries, lack of guidance or supervision, and a bias toward clinical skills over PHC needs;
- insufficient senior management personnel to plan, implement and evaluate many key programs (e.g. a single individual manages both the malaria and diarrheal disease control programs, without any staff under his supervision);
- insufficient IEC activities to support health care delivery services; and
- weak administrative systems.

Technical Problems: Efforts to control both AIDS and malaria, the two major health problems in Malawi, are constrained by technical problems. In the case of AIDS, there is no affordable drug treatment for patients. Instead, the health care system has to cope with repeated admissions and expenditures on drugs to treat symptoms. Malaria control is hampered by three vector characteristics. The parasite prevalent in Malaria is most virulent. The infection rate in the local mosquito is very high and, hence, transmission is very efficient. Furthermore, there is a high and growing resistance to chloroquine, the cheapest and most available prophylaxis and treatment drug.

Policies: To date, the GOM has been reluctant to consider fee-for-service schemes within the MOH system. Cost recovery, however, is critical to the effective operation and expansion of health care delivery, especially in light of the severe GOM budget limitations. As indicated elsewhere, there is a basic bias within Government towards curative medicine rather than preventive health care -- evidenced in capital investments, recurrent budget support, health manpower development and personnel management. Until this orientation changes, the Government's health service delivery system will have a limited impact on improving the health conditions of most Malawians.

D. *EDUCATION -- WORKING ON A BETTER REPORT CARD*

With virtually no mineral resources and increasingly limited arable land, Malawi's human resource base is critical to raising agricultural productivity and enabling industrial and entrepreneurial development. Yet, the country's educational system has not been able to respond adequately to the needs of a changing and expanding economy and a rapidly growing population. Illiteracy remains extremely high, and the quality of education has progressively eroded as the number of children in school has overstretched teachers, classrooms and instructional materials.

Dimensions of the Problem and Its Causes

A report card of Malawi's educational system shows substantial room for improvement:

A - *A*ccess is limited, especially for females.
B - *B*asic education is particularly weak.
C - *C*urricula need strengthening.
D - *D*rop-out and repetition rates are high.
E - *E*ducators are insufficient in numbers and quality.
F - *F*inancing is inadequate and inefficiently allocated.

(See Table E1 for various statistics on the education sector).

The public and private sector educational systems are not meeting the growing demand, or need, for education. Even though there are more children enrolled in school, access today is more limited than ten years ago -- only 43% of primary school age children (6-13 years) are currently enrolled, as compared to 47% in 1980. School expansion has simply not been able to keep pace with the rapidly growing population -- since 1980, primary school enrollment has grown 3.5% annually while the primary school aged population has raced ahead at 4.5% per year. 55% of Malawians have had no primary education whatsoever.

Opportunities for further schooling constrict dramatically -- there are secondary school places available to only about 11% of those who successfully pass the primary school leaving exam, and only about 17% (less than 600 each year) of those eligible for university are actually able to enroll. This means that a mere 4% of Malawians are able to attend secondary school and less than 0.5% have access to tertiary education.

The educational opportunities for girls and young women are even more limited. Despite the social and economic importance of education for women, fewer girls have access to basic education than do boys and their participation declines markedly as they advance in school. Although boys and girls are almost equally enrolled in the first year of primary school, by Standard 8 only 31% of those enrolled are girls and their success rate on primary school leaving exams is lower than boys (64% vs. 75%). These gender discrepancies are then furthered at the secondary level; only 35% of Form 1 (9th grade) students are young women and this declines to 30% by Form 4. Female access to tertiary education then drops further; only 22% of all university students are women. The overall impact of such limited access is a very low female literacy rate -- ranging from about 10% in the Southern region to 35% in the Northern region -- and few women in professional, technical and managerial positions in the private or public sector. (See Figure E1 for adult female literacy rates by district.)

(See Table E2 for comparative data on enrollments, including female access, and education financing in 1964/1974/1984).

As the school age population has swelled, the quality of basic education has suffered. Although per pupil spending actually has increased in real terms (from MK11 in 1980 to MK15 in 1988) and the proportion of spending going to primary schooling has increased, the quality of education has clearly eroded. The pupil:teacher ratio has continued to climb, from 41:1 in 1970, to 62:1 in 1980, to 67:1 in 1988 (100:1 in rural areas). Classrooms are increasingly overcrowded, with 88 students per average

structure; in fact, most lower grades actually meet outdoors. They are of poor quality (generally dirt floored, built by the local villagers on a self-help basis), with insufficient furnishings (13 primary students enrolled per desk). Under such conditions, it is little surprise that drop-out and repetition rates are high and that basic literacy and numeracy skills are so low.

For those students who do persist through basic education, there is a serious question about the utility of what they learn because of the inadequacies of primary and junior secondary school curricula. They have not been revised since the early 1970's and are sorely out-of-date in terms of pedagogy and content. Emphasizing rote memorization, the curricula distract teachers and children from basic literacy and numeracy skills and do not encourage either creative work or cognitive thinking. They also do not reflect the socio-cultural environment of Malawi.

Drop-out and repetition rates are very high, especially in primary school. Only 40% of all pupils entering standard 1 make it to standard 4, and only 26% persist to standard 7. At present, 20.5% of all primary school students are repeating their current grade, and almost half of all standard 8 pupils are repeaters. This adds up to 16 years of schooling being financed for each primary school graduate.

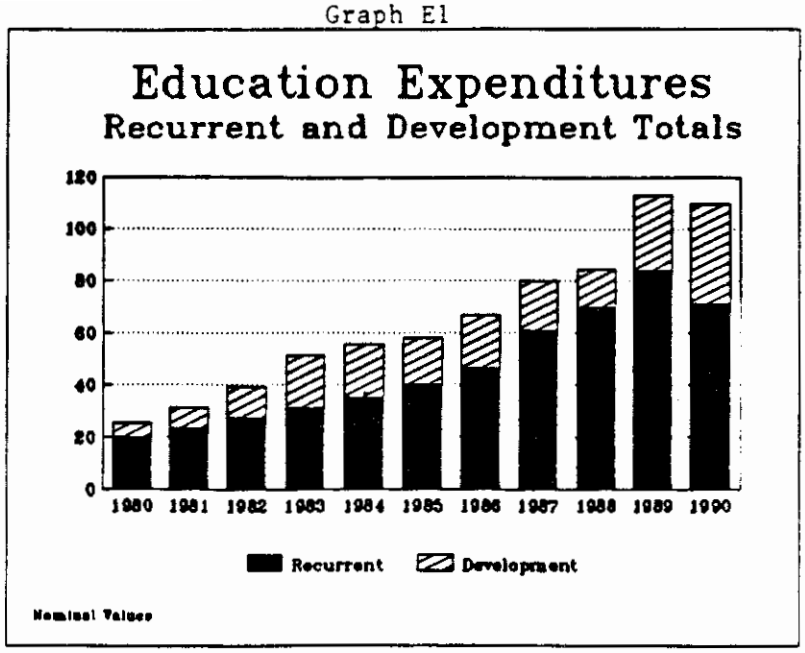
Despite the construction of three additional teacher training colleges (TCC's) and an impressive increase in the number of primary school teachers (4.5% growth per annum since 1980), in 1988 there was a shortfall of 5,900 qualified primary school teachers and pupil:teacher ratios were still worsening. There are also serious quality problems. Teachers continue to utilize rote learning methods, not having been trained in competency-based instruction. This may be due in part to the inadequate training of the Teacher Training College staff; only 28% have at least a University degree. At the secondary school level, inadequate numbers of teachers are being trained at the University of Malawi so that the correspondence secondary school system is largely staffed by unqualified primary school teachers.

Education has been seriously underfunded for many years. Despite significant increases, in nominal terms, on both the recurrent and development budgets (see Graph E1), support for the sector has stagnated in real terms (see Graph E2). The share of donor financing directed to education has significantly increased while the proportion of the GOM's recurrent budget has fallen dramatically, from 16.2% in 1974 to 7.2% in 1990 (see Graph E3). Malawi's recurrent expenditures per pupil is very small (see Table E3), about the lowest in Africa. Only about $1 is currently allocated for basic instructional material -- not enough to cover the cost of even one textbook.

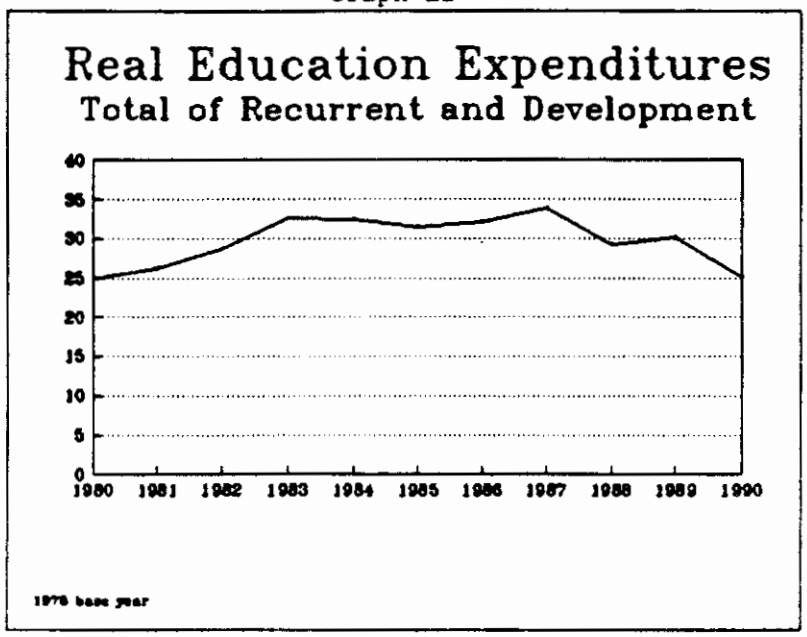
In addition to insufficient budget allocations, the quality and effectiveness of education, especially at the primary level, is affected by significant allocative inefficiencies and imbalances, including:

- heavy subsidization of tuition for the few that have access to post-primary education (the MK 30 annual tuition fee for secondary schooling recovers only 8% of costs while the MK 200 tuition for the University of Malawi recoups only 3% of costs);
- the highest fees are faced by secondary students attending a Malawi College of Distance Education (MCDE) which is about 50% more expensive than "fixed facility" schooling, although the MCDE offers a lower standard of education;
- strong bias toward resident secondary and university education, with the boarding costs being heavily subsidized (70% of secondary and 100% of university students' boards are paid by the GOM);
- pupil:teacher ratios of 67:1 for primary, 22:1 for secondary, and 9:1 for university education; and
- total expenditures per secondary and tertiary student are 12 and 150 times higher, respectively, than for a primary school pupil, while the amount spent by the GOM on a university student in a year is five times greater than its intervention to train a new teacher (see Table E4).

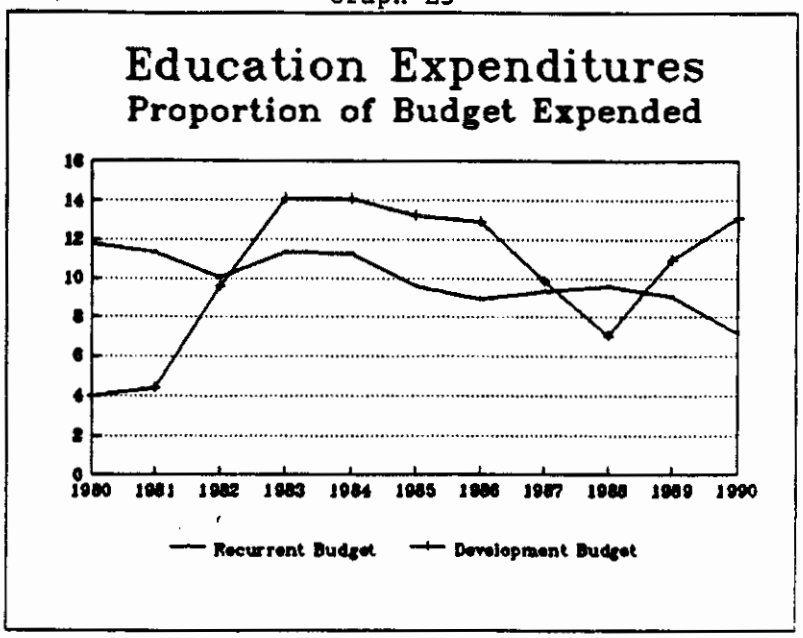
Graph E1



Graph E2



Graph E3



Government's Policy and Efforts to Improve Education

A recent A.I.D. assessment of the education situation concluded: "Malawi is poised to take some significant and positive steps to improving the overall state of primary education...Basically the necessary Malawian institutions and systems are in place but important adjustments are necessary" (R. Bonner and B. Fuller, May 1989). Over the next five years, the GOM has agreed with the World Bank to undertake a major reform of the education system to improve the quality of education and expand access, especially at the primary level. Its goal is to achieve 85% primary school enrollment by 1996. Government has already begun to increase the proportion of sector spending allocated to primary education, rising from 41% to 47% over the past 5 years. It plans to increase overall funding levels for education, with the sector's share of the revenue budget increasing to 15% by 1994, and annual development budget expenditures doubling in the same period. The GOM will also introduce various cost recovery schemes, including raising secondary and university tuition and reducing subsidies for room and board.

There are extensive interventions planned to: expand and improve physical facilities; revise curricula and textbooks; develop teaching aids; enhance the radio education and distant learning systems; improve teacher training; and strengthen education planning and management. (These are discussed in the section on other donor activities).

Constraints to Strengthening and Expanding the Education System

Given proposed actions to redress many of the policy issues and financial, human resource and institutional constraints, the most serious barriers to increasing education coverage are probably economic and socio-cultural issues.

The progressively declining female enrollment in primary schools may signal that many families with very limited resources see education as a means of preparing boys for entry into the modern economy. On the other hand, the contribution of a young girl to a poor household may simply be too great to forego. Significant variations between regions in primary

Previous Page Blank

school enrollment (North - 79%; Central - 41%, South - 37%) would seem to imply that the value of education is perceived differently in light of alternative employment opportunities. These are issues which merit additional research so that appropriate action may be taken to broaden access to basic education, especially for females.

E. *POPULATION -- THE RUNAWAY TRAIN*

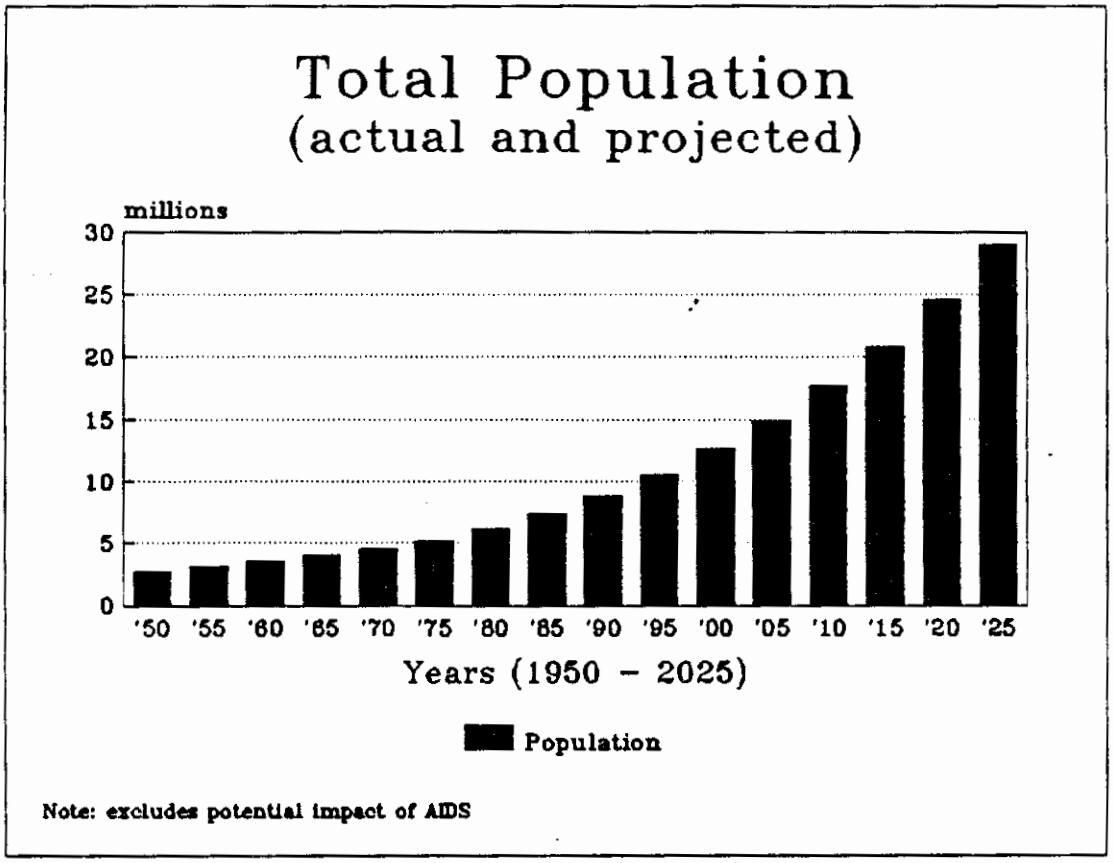
Dimensions of the Problem and Its Impact

Unabated, rapid population growth is probably the single most significant impediment to sustainable economic growth and social progress in Malawi. The population of this small country is 7.9 million and is hurdling on at high speed towards 12 million by 2000 and to 29 million by 2025 (see Graph P1). The current 3.6% annual increase, which ranks Malawi as one of the fastest growing countries in the world, threatens to undo or undermine virtually all economic and social development efforts and to trap more and more people in poverty. The amount of land available per farm family in this agricultural economy is already dangerously small (see Graph P2), threatening both national and household food security. (See endnote P1 regarding the tremendous strain which population growth puts on the country's economy, natural and financial resources, and provision of social services).

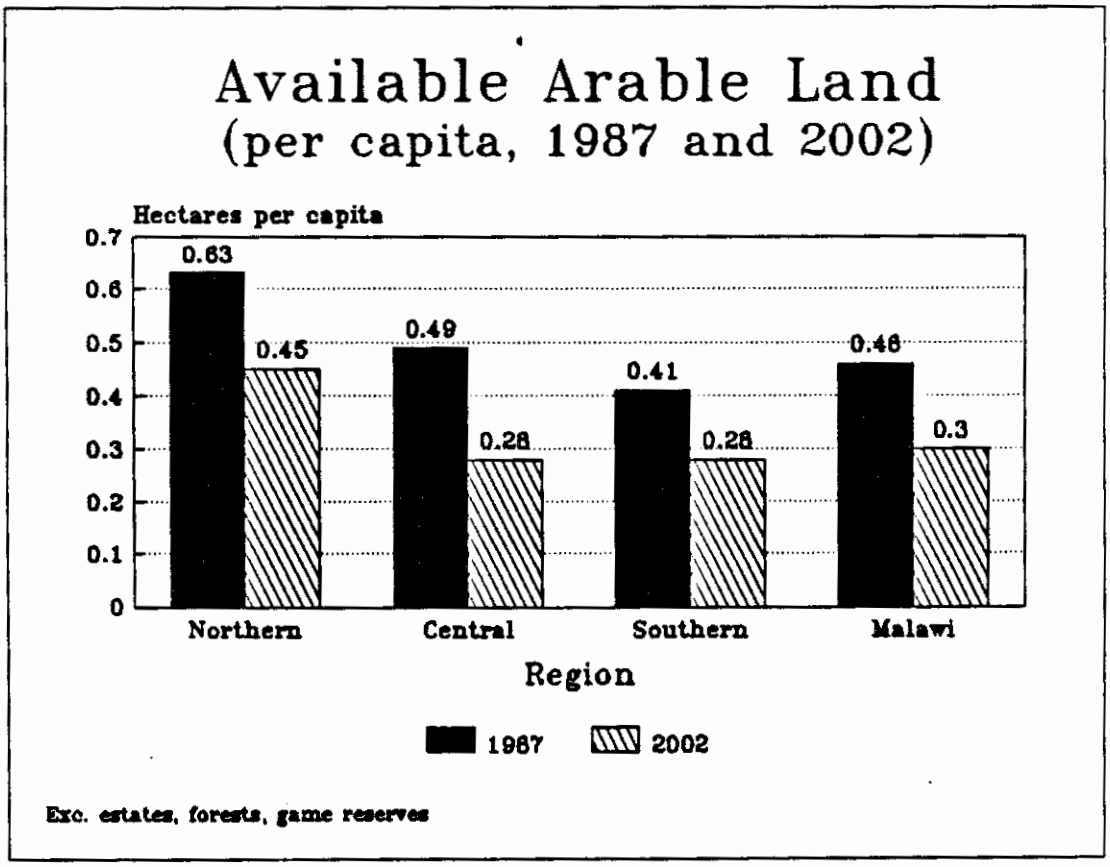
In addition to Malawi's high population growth rate, there are several other notable demographic characteristics:

- the population is young -- 46% under 15 years of age;
- fertility is extremely high (7.6) and has remained virtually unchanged during the past 25 years, even though infant mortality has declined appreciably during the same period (from 205/1000 to 151/1000);
- the average woman is not yet 18 years old when she marries and 44% of all women are of childbearing age;
- the crude birth rate (53/1000) has remained fairly constant for 30 years; and

Graph P1



Graph P2



- the crude death rate (19/1000) is still one of the highest in the world.

Given such demographics, the population growth rate could rise further. AIDS, however, is likely to have a tragic but dramatic impact on Malawi's population -- the annual growth rate could plummet to 2.9% as a consequence of widespread death.

Government's Policy and Efforts to Deal with the Problem

Although the Government does not have an explicit population policy, and "child spacing" is advocated solely for the health of mother and baby, there is increasing concern about the negative effects of high population growth and fertility on health and development, and some significant steps have been taken to cope with this problem. The August 1989 UNFPA/World Bank Population Sector Review Mission concluded: "Impressive progress has been achieved in all aspects of the population field during the [past] five years... The integration of population concerns into Malawi's development planning and programs is thus well underway..."

The Ministry of Health introduced child spacing as part of its maternal and child health care program in 1982/83. The Government's approach has involved: (a) training health service providers; (b) provision of contraceptive commodities and services (except abortion, which is illegal), through public and private sector channels; (c) information and education programs to increase awareness and create demand for services; and (d) strengthening population analysis and planning capacities.

Numerous important actions undertaken by Government during the past two years show a clear political commitment to deal with the rapid population growth problem and the quiet evolution of the GOM's population policy and strategy. (See endnote P2 for a listing of these developments).

Constraints to Reducing Population Growth and Fertility Rates

Despite these encouraging developments, there remain a host of institutional, cultural, socio-economic, financial and political

Previous Page Blank

constraints to reducing population growth and fertility rates in Malawi.

The growing demand for child spacing services is not being met by the current delivery system. At present, there is no community-based outreach system; services are provided through existing, fixed health facilities which are not readily accessible to most potential child spacing clients. Moreover, only about 40% of these facilities even offer child spacing services. (Services are available at over 80% of the MOH's clinics but at only 10% of the facilities run by PHAM; none are available at the Ministry of Local Government's facilities). These facilities generally are inadequately staffed, and there is a shortage of trained child spacing service providers. Because facilities are multi-purpose -- offering a wide range of curative and preventive services -- there is often insufficient space for child spacing clinics.

As noted earlier, there are serious budgetary constraints within the health sector. To achieve the GOM's child spacing program target of 10% contraceptive prevalence by 1992 would require expenditure on child spacing services at least equal to the total amount currently spent on all primary health care. This is unlikely, so it will be important that: other ministries, private voluntary organizations and the private sector share the burden of implementing Malawi's child spacing program; donors pick up some of the recurrent costs of the PHC delivery system; the GOM institutes cost recovery schemes; and a cost effective, community-based child spacing program be designed and implemented.

Large numbers of existing paramedical health personnel have received child spacing training at the Lilongwe School for Health Sciences. However, the University of Malawi's College of Nursing and Catholic training centers have not included child spacing in their programs. Supervision of paramedics is also inadequate.

Weaknesses in the supply and distribution systems have also limited the expansion and effectiveness of the child spacing program, and have distorted utilization patterns and demand.

There are also fundamental issues on the demand side. First, there still is a very low awareness among married couples of modern methods of contraception and their potential role in improving family health and welfare. According to the 1984 Family Formation Survey, only 4% of all women 15-49 years knew of the pill, the most familiar modern method of female contraception in Malawi. Prevalence of contraceptive use among married women of reproductive age has risen from near zero in 1984 to about 3% today, but is still far below the 14% average for Africa. Cultural factors clearly constrain demand, but inadequate information, education, and communication activities are probably more important. Demand is probably also constrained by the very low female literacy rate, 31%.

Finally, the policy environment is supportive but not proactive. This is slowly changing, but the lack of a clear government population policy statement tends to reinforce the idea that family planning is a "sensitive issue" and may discourage the dynamic leadership required for rapid and effective expansion of family planning information, education and communication (IEC) and service delivery activities.

In order to impact population growth, we need to think in a 15-20 year timeframe. There is hope, however, that we can start to put the brakes on this runaway train.

III. *A.I.D.'S EXPERIENCE IN ADDRESSING THESE CONSTRAINTS*

Since 1985, USAID/Malawi has pursued almost a dualistic program strategy: enhancing the social and economic well-being of the average Malawian was the goal which was aimed at direct impacts on people and provided the conceptual framework for more traditional interventions in agriculture, small and medium scale enterprise development, health and family planning services; a second program goal -- focussed on macroeconomic growth, or increasing GDP -- provided the strategic basis for policy-based cash transfer programs and transport sector assistance which would improve the environment for broad-based, sustainable economic growth and more indirectly impact on the lives of people.

The Mission's strategy was framed around four major development problems deemed to impede sustained growth:

- low per capita income due to low smallholder agriculture productivity and limited sources of rural income and off-farm employment opportunities;
- critical shortage of foreign and domestic financial resources;
- high population growth rate, low child survival rates and overall poor rural health quality; and
- insufficient technical, development planning, analytical and management capacities in both the public and private sectors.

The Mission's program essentially had six strategic objectives to redress the major development problems and to contribute to achieving the programs goals. These were to:

1) increase on-farm productivity;
2) expand off-farm employment;
3) decrease the population growth rate;
4) improve rural health, especially among children;
5) increase the availability of foreign exchange; and
6) improve the efficiency of domestic resource utilization.

Much of USAID/Malawi's program in recent years has been pertinent to addressing the constraints of inadequate economic growth, hunger, health, education and population. The high points of relevant experience and accomplishments are summarized below. A detailed review of progress made in implementing the Mission's Action Plan for FY's 87-89 is included as an Annex.

A. *Inadequate Economic Growth*

USAID has helped build requisite institutions and establish a positive policy environment to increase agricultural production and expand off-farm employment which are the cornerstones of economic growth in Malawi.

In the agricultural sector, USAID/World Bank/GOM policy dialogue on input and output pricing and marketing has resulted in reforms which have helped expand fertilizer utilization (41.5% since 1985) and increase food crop production (16.6% in four years); many farmers have been able to sell to private traders above the official producer price while the national marketing board, ADMARC, is more streamlined and has become a "buyer of last resort." Other important developments include:

- the expansion of adaptive research teams to identify appropriate, affordable technologies;
- the release of two new, drought resistant, maize varieties and several new varieties of beans and legumes;
- the identification of cost effective, soil enriching alternatives to fertilizer;
- the development of a pilot extension scheme which will now be replicated throughout the country; and
- the extensive production of new extension information.

An estimated 2,400 jobs have been created, 250 new businesses started and 2,000 existing enterprises expanded as USAID assistance has helped:

- reduce the policy barriers to SME development;
- improve and expand technical and business advisory services (last year 1,250 businesses received project development assistance and over 50% of these new or expansion proposals are being implemented);
- expand SME credit (300% increase) and enhance the viability of credit programs (loan delinquency rates have fallen markedly);
- mobilize rural savings (24% increase in savings between 1987 and 1988); and
- initiate new capital market mechanisms (unit trust).

Also, because of the balanced project/non-project mix of assistance, USAID has disbursed approximately $26.5 million of foreign exchange support, thereby helping the GOM liberalize import and foreign exchange allocation systems. This increased access to, and improved use of, foreign exchange has been critical to Malawi's economic recovery.

B. *Hunger*

While UNICEF has been in the forefront on increasing GOM and donor awareness of the severe problems of malnutrition, USAID financed research which was critical to better understanding hunger in a country which is reportedly food self-sufficient. The Mission also provided direct assistance in the form of food aid for Malawian victims of drought and mealy bug infestation (total 31,000 MT during FY's 87-89) and local currency financing of emergency inputs ("crop packs") to enable these farmers to get back on their feed the following season.

C. *Health*

USAID has made notable contributions to strengthening health care delivery which should make a qualitative improvement in rural health.

- Child survival issues have been integrated into all basic health training curricula and over 1,000 service providers were trained in primary health care.

- Mortality and morbidity rates associated with traditional childhood diseases appear to be declining as USAID has supported UNICEF efforts to increase immunization coverage from 60% to 80%.
- Oral rehydration therapy has been expanded (treatment "corners" were set up in each of 600 rural clinics and over 40% of the population now has access to and utilizes ORT).
- The incidence of diarrheal disease has declined an estimated 20% among the additional 148,000 rural Malawians who were provided potable water and training in hygiene and sanitation.
- American advisors helped the GOM establish a national malaria policy and developed training materials to implement the program.
- Finally, short-term advisors helped the GOM develop a national AIDS Control Plan, USAID is funding IEC activities, and a new curricula is being developed to train all health workers in the control and prevention of AIDS.

E. *Education*

USAID's assistance in education has been limited to improving tertiary services, including strengthening engineering and laboratory sciences and supporting new degree programs in economics, educational management, sociology of women in development, accountancy and marketing at the University of Malawi. A special scholarship program has also been initiated to encourage women to pursue non-traditional fields of study; to date, USAID support has enabled 54 women to embark on degrees in fields such as engineering, agriculture, management and business administration.

F. *Population*

USAID's assistance to and dialogue with the GOM has helped set the stage for a more open, proactive family planning program. Since the initiation of the Government's "child spacing" program in the early 1980's, the U.S. has been the principal supplier of contraceptives and short-term assistance in planning and logistics management. Family planning was

also integrated into all basic health training curricula and over 1,000 MCH/FP service providers have been trained in the last several years. The GOM recently accepted A.I.D.'s offer to mount a social marketing of contraceptives campaign. Then, most recently, RAPID was used to demonstrate to top administrators throughout Government the impact of population growth on development.

The Mission has taken into account its own experience, accomplishments and lessons learned, as well as the current and proposed activities of other major donors, in formulating a new development strategy for the next five years.

IV. DEVELOPMENT PLANNING AND DONOR ASSISTANCE

The GOM has a dynamic and increasingly disciplined planning process. The "Statement of Development Policies" sets forth sectoral policies and directions for "the achievement of rapid and sustained economic growth; an improvement in income distribution; and a reduction in the instability of welfare for the individual and the nation." The "Policy Framework Paper," prepared in collaboration with the World Bank and IMF, outlines the Government's objectives for the next several years, including key policy adjustments and external financing requirements. The "Public Sector Investment Program" (PSIP), which is reviewed and approved annually by the Bank, is essentially a rolling five year development program. The PSIP includes all priority programs and projects requiring external financing; these proposed investments are then reflected in the annual development budget. By this, the GOM ensures that donor-financed activities are consistent with national development priorities, especially since "off-budget" spending was eliminated as Government sought to control spending.

The GOM's 1989/90 development program before grants is MK 295 million (about U.S. $105 million), down about 15% in real terms compared to 1988/89. The development budget continues to be strongly focussed on transport, but agriculture, education and health are expanding. (See sectoral breakdown in Table 1). About 86% of the 1989/90 development budget is to be financed by foreign aid, indicating Malawi's heavy dependence on donors to achieve its development objectives. Tables II and III indicate the major donors to Malawi, their aid commitments over past years, and the sectors where their assistance is targeted. Despite large inflows and extensive financial management and reporting requirements, Malawi's absorptive capacity has been reasonably good: disbursements as a percent of commitments on the development budget were 74.4% in 1986, 81.3% in 1987 and 80.2% in 1988. The GOM is widely regarded as an effective manager of development resources.

Table I

GOM'S DEVELOPMENT BUDGET, 1989/90

	Millions of MK	Percent of Total
Transport	97	32.9%
Agriculture and animal services	44	14.9
Education and culture	39	13.2
Health	27	9.2
Post and telecommunications	17	5.8
Water supply and sanitation	15	5.1
Miscellaneous services	15	5.1
Forestry and wildlife	10	3.4
Finance, commerce and industry	9	3.1
Housing	7	2.4
Government buildings	7	2.4
Power	3	1.0
Surveys and lands	3	1.0
Community services	1	0.3
Fisheries	1	0.3
TOTAL	*295*	*100.0%*

Previous Page Blank

Table II

DONOR ASSISTANCE TO MALAWI

(Commitments, in millions of U.S. dollars)

	1986	1987	1988	1989 (6 mos)	Total (86-88)	Percent of Total
Multilateral						
World Bank	39.81	30.36	95.92	20.60	166.09	19
EEC	47.93	50.15	33.37	-	131.45	15
ADB/ADF	17.34	22.05	22.49	52.43	61.88	7
UN Agencies	6.66	10.24	8.00	-	24.90	3
IFAD	-	-	7.33	-	7.33	1
(Subtotal)	(111.74)	(112.80)	(167.11)	(73.03)	(391.65)	(45)
Bilateral						
West Germany	-	80.14	-	81.33	80.14	9
U.K.	16.37	31.41	41.04	45.15	88.82	10
U.S.*	35.12	13.31	50.23	24.78	98.66	11
Japan	59.11	16.16	13.37	38.44	88.64	10
Canada	12.73	3.41	16.26	-	32.40	4
Denmark	12.90	1.14	19.91	15.31	33.95	4
Netherlands	8.94	2.14	13.30	-	24.38	3
France	5.84	1.51	8.65	-	16.00	2
Norway	7.17	3.88	-	-	11.05	1
Taiwan	2.00	2.14	2.25	-	6.39	1
South Africa	.19	.26	.59	.59	1.04	-
Others	.22	2.13	1.58	-	3.93	-
Subtotal	(160.59)	(157.63)	(167.18)	(205.60)	(485.40)	(55)
TOTAL	272.33	270.43	334.29	278.63	877.05	100

* U.S. totals include food aid for Malawians, but excludes Mozambican refugee food aid

NB: These are GOM estimates, except U.S. which are from USAID records; some figures have not been confirmed with the respective donor.

Source: Dept. of Economic Planning and Development (as of November 1989)

Table III

SECTOR EMPHASES OF MAJOR DONORS

	Agriculture & Nat. Resources	Industrial & Enterprise Development	Health, Water, Sanitation & Child Spacing	Education & HRID	Transport	Energy, Communications & other Infrastructure	Structural Adjustment, & Gen. Commodity Aid
World Bank	X	X	X	X	X	X	X
EEC	X	X	X		X	X	
ADB/ADF	X		X	X	X	X	
U.N. Agencies	X	X	X	X			
West Germany	X	X	X		X	X	X
U.K.	X		X	X	X		X
U.S.	X	X	X	X	X		
Japan						X	X
Canada	X	X	X	X			X
France							X

V. PROPOSED COUNTRY DEVELOPMENT ASSISTANCE STRATEGY

The 1980's have been a difficult decade for Malawi and her people. The Government has pursued persistently and progressively an extensive program of stabilization and structural adjustment which has permitted the return of real economic growth, in the face of formidable odds:

- virtual dependence on two sole crops -- low yielding traditional maize for food security and tobacco for export earnings;
- low incomes and productivity;
- rapid population growth;
- costly transport disruptions; and
- the burden of nearly 700,000 Mozambican refugees.

There have been some gains, particularly recently, but it is not clear they are sustainable. Structural adjustment has also had its costs -- successive devaluations fueled inflation and severe budget constraints inhibited the expansion of basic services such as health and education. All in all, the quality of life for most Malawians has not improved markedly; for many, things may well have worsened.

In response, Government and donors are preparing to build on the solid macroeconomic policy foundation which has been laid to achieve broad-based, sustainable economic growth with greater attention to social development.

A. *Goal*

USAID/Malawi's program goal for the FY 90-95 period is to enhance the economic well being of the average Malawian household. Reflecting the need to simultaneously stimulate growth and improve the quality of life, the Mission's two subgoals are to:

- raise per capita income and improve food security; and
- improve health status and increase workforce productivity.

B. *Strategic Objectives*

To achieve this goal and subgoals, USAID has defined five strategic objectives.

1. Increase agricultural productivity and production.
2. Increase off-farm employment.
3. Reduce fertility.
4. Reduce infant and child mortality and morbidity.
5. Control the spread of AIDS.

("Decision trees" for each of these strategic objectives can be found in Annex 1).

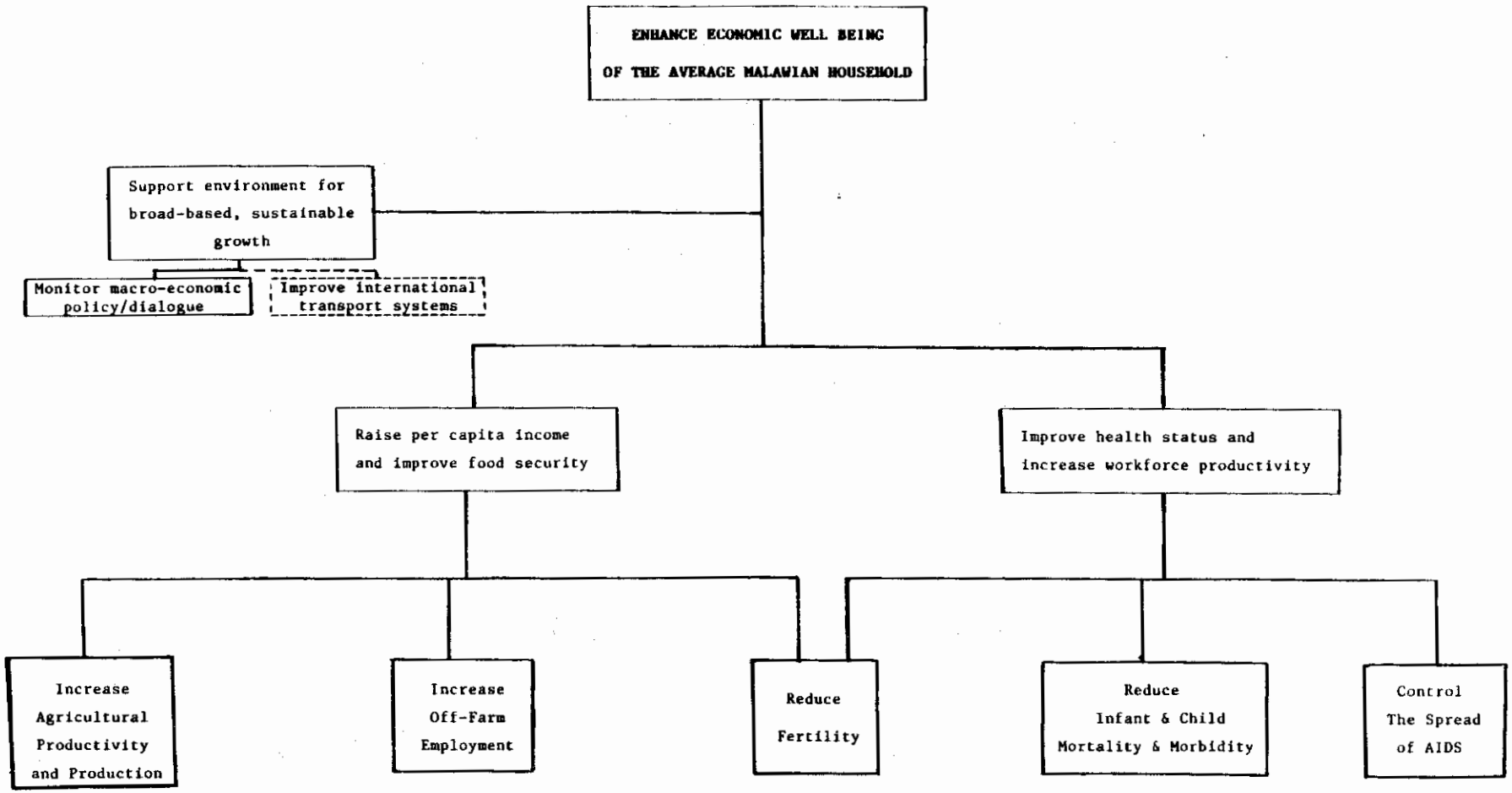
These objectives are highly complementary and mutually reinforcing. For example, our analysis concluded that there is currently a high degree of interdependence between the smallholder sector and off-farm enterprises. Most small farmers are dependent on estate or other seasonal employment to meet household food and cash requirements and to buy inputs necessary to increase agricultural productivity. Small and medium scale enterprise (SME) expansion is dependent on higher agricultural incomes to generate the demand for SME goods and services. Similarly, very poor health and high fertility limit productivity and undermine financial gains. Finally, rapid population growth clearly undercuts food production increases and employment generation and contributes directly to higher rates of infant and child mortality.

See the **Program Strategy** "tree" on the next page.

C. *Supporting an Environment Conducive to Broad-based, Sustainable Growth*

In executing its strategy, the Mission is mindful that a supportive environment for broad-based, sustainable growth is a prerequisite to achieving its program goal. The macroeconomic policy agenda is largely

USAID/MALAWI PROGRAM STRATEGY
1990–1995



Previous Page Blank

set: the Government's Policy Framework Paper was endorsed by the IMF and World Bank and these multilateral lending institutions will take the lead in that policy dialogue. Nonetheless, the Mission will closely monitor macroeconomic policies and will be heavily involved in sectoral policy dialogue. Also, because of the on-going assistance from Cornell University in assessing the impact of policy reform on the poor, the Mission should be able to help Government and other donors in our joint efforts to achieve broad-based and sustainable economic growth.

Non-project assistance will be critical to reinforcing an environment conducive to broad-based, sustainable growth. Not only will it provide USAID the entree for policy dialogue, but it will provide the GOM badly needed foreign exchange to continue its structural adjustment program and will generate local currencies to leverage change in budgetary allocations, particularly in support of critical sectors such as agriculture, small scale industry, health and education.

Malawi has been identified as one of the first beneficiaries under the "Brady Plan." The forgiveness of about $30.0 million in U.S. development assistance loans dating from the 1970's will greatly benefit the country. With the relief of the debt servicing burden, the GOM will have greater flexibility in budgetary programming and scarce foreign exchange will be saved.

Transport problems are the single most serious impediment to short-term growth. The loss of traditional routes via Mozambique to the Indian Ocean costs the country an estimated $100 million each year in higher transport costs. It also makes Malawi's exports less competitive and imported items for production more expensive. Thus, improving international transport systems is an important target of opportunity, especially for the programming of Southern African Regional Program (SARP) funds. U.S. assistance is currently being provided for upgrading the Northern Transport Corridor ($19.0 million) and strengthening Malawi Railways ($7.1 million). Should the Nacala Line, Malawi's cheapest and most direct international link, fully reopen, there will be need for

additional locomotives and possibly rolling stock. In such a case, USAID/Malawi would request additional SARP funding; the GOM has already begun lobbying the Government of Mozambique to have the Nacala Line placed on the SATCC/SADCC list of priority projects.

Strategic Objective # 1

D. *Increase Agricultural Productivity and Production*

Because of the preeminence of agriculture in the country's economy -- as the primary engine of economic growth, the major source of employment, and the lifeline of most Malawians -- and given USAID's predominant capability and longstanding involvement in the sector, agricultural development will remain a major component of the Mission's strategy.

The severe shortage of arable land, exacerbated by low smallholder productivity, is the primary constraint to national and household food security. The options available for dealing with the land constraint are:

- in the short term: (a) relief or quick-fix schemes for the resource poor (i.e. less than 0.7 ha) farmers, such as pilot credit schemes, food or fertilizer for work programs, and cash crop liberalization; (b) increased access to credit and extension services for marginal smallholders (0.7-1.0 ha) who have some prospect of food security with fertilizer and improved practices;
- in the medium term: (a) maize intensification and (b) improved off-farm employment through the estates and SME's; and
- in the long term: slow population growth.

In developing its strategy, the Mission had to come to terms with the plight of the smallest farmer and ask "what can be done for her/him?" We concluded that, in the face of rapid population growth which increasingly diminishes landholdings, the resource poor farmer does not have a viable future in agriculture. Instead, off-farm employment opportunities need to be created. Because the necessary transformation of the estate sector

and SME's will take time, the immediate relief programs for resource poor households, to be mounted by the UNDP and World Bank, are an appropriate short-term response. U.S. assistance, on the other hand, will be targeted towards solutions which will have a longer lasting impact on agricultural sector development.

USAID will focus its efforts on (a) intensification of production and (b) exploitation of underdeveloped lands, in order to increase agricultural productivity and aggregate production. The Mission will pursue policy dialogue, institutional strengthening, local currency programming and donor coordination to advance this strategic objective.

There are two potential short-term interventions which the Mission may utilize to meet immediate requirements of resource poor households. The planned PVO umbrella project, Services for Health, Agriculture and Rural Enterprises (SHARE), could be tapped by American PVO's or local NGO's for experimental food security activities. Also, the U.S. will remain ready to provide emergency food aid if it is required.

Diversification of production will not be a major concern of USAID, despite Malawi's heavy dependence on a handful of crops (tobacco, tea, coffee, sugar and maize), for several reasons. First, little has come of efforts to diversify smallholder production, nor is it likely due to the land constraint. Second, given the serious household food insecurity problem, we believe undivided attention needs to be given to intensification of food crops. Third, estates are in a better position, given land availability and more efficient marketing systems, to diversify; in fact, the larger ones are already starting to do so. And finally, a recent study ("Agricultural Policies for Liberalized World Trade," by SRI International Policy Center, for PPC/EA, August 1989), concluded that Malawi's primary commodities would flourish if international trade was liberalized; tobacco exports alone were projected to expand 30-50%.

Exploit Underdeveloped Lands

The Mission foresees activities on two fronts to exploit underdeveloped lands: (a) increase estate land utilization, including improved natural resource management; and (b) expand small scale, self-help irrigation schemes.

The estate sector holds almost one quarter of all arable land, principally for production of non-food cash crops, but land is seriously underutilized. Within the context of the World Bank-led Agricultural Sector Adjustment Credit (ASAC), USAID will pursue with the GOM policy reforms intended to halt additional land transfers which would adversely effect smallholders and to increase estate land utilization. Higher rents and enforcement of payment would encourage additional estate land to be put under cultivation, including for maize, which would increase employment, especially for resource poor households, and contribute to national food security. It could also help to promote crop diversification. Tobacco and tea estates cause extensive deforestation, accounting for 23% of annual wood consumption. A corollary regulatory reform will be to enforce reforestation requirements in estate leases. Technical assistance and training will be financed through the project component of USAID's new Agricultural Sector Assistance Program (ASAP) to reinforce the policy and regulatory reforms.

Given the lack of arable land, the GOM has identified as a high priority about 5,500 ha. for small scale (average 0.5 ha per farmer), self-help irrigation development. The Mission has indicated its willingness to program local currencies for pilot activities and would provide short-term technical assistance. This would also be an appropriate program for NGO involvement under the SHARE Project for longer-term technical and management assistance to farmer associations.

Intensify Production, especially of Food Crops

Because of severe land pressures and concomitant soil degradation, it is critical that smallholder production be intensified. In the short-term, this means expanding fertilizer use and increasing adoption of other

existing technologies, such as agroforestry, intercropping and contouring. In the medium term, new technologies must be developed which increase the return per unit of labor.

Local currencies will be used to expand seasonal credit for inputs, with an emphasis on increasing female farmer access, and to finance in-country transport and handling of fertilizer. Building on the Mzuzu pilot extension program supported by USAID, recurrent budgetary support and possibly short-term technical assistance will be provided to strengthen extension services for small farmers. The "infusion" technique extends appropriate technological packages while soliciting feedback from farmers to strengthen the technology transfer system and identify other constraints to smallholder agricultural development.

Under the ASAP project component, USAID would finance technical assistance to help intensify maize production, through enhancing the indigenous germ plasm and development of a higher yielding flint variety of maize. Local currencies will also be programmed to support the operations of Adaptive Research Teams and on-farm research trials.

Finally, there is potential for participation of an NGO in developing labor saving technologies which could help intensify production.

Supportive Policy and Institutional Framework

Given the shortage of GOM budget resources for the sector, it is critical that clear investment policies be developed and that budgetary allocations be made accordingly. Because the proposed agricultural sector reform program will generate substantial local currencies, the issue of budgetary allocations will be on our policy agenda with the GOM. (Other policy reform issues are highlighted above).

It is also necessary to improve the efficiency and effectiveness of GOM research and extension services. Technical assistance, training and recurrent cost support to the Ministry of Agriculture were earlier addressed. Another area of USAID involvement, however, will be the

strengthening of national training institutions. Bunda College of Agriculture will be assisted in the enhancement of specialized graduate degree programs so that students' skills will better meet the needs of public and private sector employers.

Malawi has accumulated a mass of data through the Annual Survey of Agriculture. Unfortunately, this information goes largely unprocessed and Government's economic and social analysis capacities are very limited. Consequently, fundamental development questions are going unanswered. USAID intends, through technical assistance and training to be furnished under the proposed Food Security Analysis and Production Project, to strengthen the GOM's institutional capacity for on-going policy analysis and planning.

USAID's Current and Planned Interventions

1) Malawi Agricultural Research and Extension (1985-92).
2) Human Resources and Institutional Development (1987-94): institutional strengthening of Bunda College.
3) On-going, centrally-funded activities, including the Bean and Cowpea CRSP and IITA East and Southern Africa Root Crops Research.
4) Agricultural Sector Assistance Program: NPA and project components (FY 91 start).
5) Increasing Female Access to Basic Education (FY 92 start).
6) Food Security Analysis and Production (FY 93 start).

Other Donors' Activities

The other principal donors assisting Malawi's agricultural sector are the World Bank, IFAD, the EEC, ODA, the FRG and Japan. Complementary assistance is also provided by UNDP, FAO and UNICEF.

The World Bank has four on-going projects, plus the upcoming ASAC program. A $23.8 million IDA credit finances infrastructure, commodities and T.A. to improve national research services, while a $11.6 million

credit strengthens planning and policy formulation capacity and extension services. (Both projects were designed and implemented in collaboration with USAID). Another project provides $18.3 million for technical assistance, training and equipment to improve marketing systems, and established a commercial line of credit for estates and agroindustrial development, transporters and private rural produce merchants. The smallholder credit system was restructured and additional seasonal and medium term credit provided, including a pilot credit scheme for the poor, under a joint World Bank ($5.9 million)/IFAD ($6.9 million) Project. In addition, IFAD funds two integrated rural development projects being executed by the Bank. While the Bank's previous three SAL's all addressed agriculture policy issues, the upcoming ASAC provides a comprehensive agenda of policy and institutional reforms for smallholder and estate agriculture, marketing, pricing, and public expenditure management.

The EEC is supporting several integrated rural development projects and has capitalized the 90,000 MT fertilizer buffer stock. ODA will be a co-financier of ASAC ($18.0 m) and will fund the establishment of an estate extension service to increase productivity and improve land management on small estates. During the past several years, West Germany has funded market town development ($30 m), an integrated rural development project plus livestock and fisheries development ($35 m); it has expressed interest in co-financing ASAC. Germany and Canada have both provided fertilizer annually for the smallholder sector. Japan has traditionally provided commodity assistance, including some fertilizer, and been a World Bank co-financier, to SAL III and to the upcoming ASAC ($30.0 m).

Strategic Objective # 2

E. *Increase Off-Farm Employment*

While Malawi's economy will continue to be dominated by agriculture, off-farm employment will be increasingly important as more and more rural

Malawians find life on the farm untenable. Furthermore, because Malawi is a relatively efficient producer of goods due to supportive labor and capital policies, the expansion of industry and commercial agriculture should help ensure a sustainable growth.

Over the past five years, USAID has been heavily involved in small and medium enterprise (SME) development. During the next five years, the Mission will concentrate its efforts on (a) expanding the number and sizes of SME's, and (b) enhancing estate land utilization, because of the efficiency of job creation in these enterprises and the strong linkages between such sources of income and smallholder agricultural development. To a lesser extent, in order to increase off-farm employment, USAID will also be concerned with (c) increasing medium and large enterprise production capacity, (d) expanding self-employment, including informal sector activities, and (e) financial market development. Policy dialogue, institution building and local currency programming will be important in advancing this strategic objective.

Expanding the Number and Size of SME's

As the GOM seeks to restore growth and spur industrial development, SME's can play an important role in stimulating competition and efficiency. However, given the nascent state of the SME subsector and the relative paucity of indigenous entrepreneurship, promotional and support services are key to SME development. A follow-on project to READI will continue efforts to provide better entrepreneurial training and business and technical advisory services through the Malawi Enrepreneurs Development Institute (MEDI) and the Development of Malwian Traders Trust (DEMATT), to strengthen SME financing institutions, and to rationalize the activities of these SME support institutions. The Mission will also encourage Government to move some of this organizations out of the public/parastatal sector and reestablish them as autonomous NGO's. A concerted effort will be made to strengthen Government's ability to support private sector development through improved planning and policy formulation. This new project will also provide the programming framework for local currencies generated under the Malawi Enterprise

Development (MED) Program, including: recurrent cost support for the service institutions; expansion of credit funds available to the Malawi Union of Savings and Credit Cooperatives (MUSCCO), Small Enterprise Development Organizations of Malawi (SEDOM) and INDEFUND; SME promotion program; site and service support; and credit guarantee programs to encourage commercial lending to higher risk enterprises.

Special facilities are being established to support women-owned enterprise development, including a separate business advisory service within DEMATT and set-aside lending windows in MUSCCO and INDEFUND.

Under the MED Program, the Mission is pursuing policy dialogue with the GOM on constraints to SME expansion, including: rationalization of Government's on-lending policies for SME's; liberalization of the regulatory framework for SME financial intermediaries; and establishment of a SME subsector investment promotion program. This policy agenda is likely to be modified to include reform of the Post Office Savings Bank so that it could serve as a dynamic rural savings and lending facility, and setting aside some Government procurement for SME's. USAID will continually monitor activities in the sector to identify new policy and institutional constraints which may need to be added to that agenda.

Enhancing Estate Land Utilization

The estate sector already accounts for 40% of all wage employment. Given the current low rate of land utilization, there is clearly potential for significant additional job creation. The policy reform program to enhance estate land utilization by at least 50% over the next five years is addressed under the previous strategic objective.

Increasing Medium and Large Enterprise Production Capacity

Due to a lack of foreign exchange to procure production inputs and spares and the lack of commercial credit due to Government and parastatal borrowing, production capacity of large firms fell precipitously; many were moribund. Policy reforms under MED are helping revitalize these enterprises by increasing their access to financial resources. Other

sectoral NPA grants also help overcome the serious foreign exchange constraint and enable the GOM to maintain a decontrolled foreign exchange allocation system. The MED project component provides a grant to the International Executive Service Corps (IESC) to provide senior management and technical expertise to assist medium and large enterprises to expand and diversify. The project will also finance T.A. requested by the GOM and parastatal bodies for privatization efforts. Finally, the proposed SARP-funded Export Enterprise Support Program will provide assistance for the expansion of medium and large Malawian enterprises.

Financial Market Development

Creative solutions to the lack of a capital market, including the creation of a Unit Trust and an Employee Stock Ownership Plan, are being tried under the Mission's privatization program. A.I.D. will also fund an 18 month research program on the financial sector in Malawi to better understand the constraint this poses to industrial and commercial development. As future opportunities present themselves, the Mission will consider providing support in this key area.

Expand Self-Employment, including Informal Sector Activities

The MED program will address regulations and ordinances which inhibit informal sector activities. Local currencies may also be used to capitalize the new "Mudzi Fund," Malawi's version of the Grameen Bank, aimed at assisting low income farmers and entrepreneurs who are not able to access credit through existing, formal lending facilities and financial institutions.

USAID's Current and Planned Interventions

1) Rural Enterprise and Agribusiness Development Institutions (1984-90).
2) Small Enterprise Transformation (FY 91 start).
3) Malawi Enterprise Development: NPA and project components (1988-94).
4) Parastatal Divestiture (1986-90)

5) Human Resources and Institutional Development (1987-94): strengthening of DEMATT and MUSCCO.
6) University of Minnesota's financial sector research (1990-92).
7) Increasing Female Access to Basic Education (FY 92 start).

Other Donors' Activities

The EEC, West Germany and U.N. are also major donors active in SME development. The EEC has provided extensive institutional and credit support to SEDOM under Lome III, which is expected to continue in Lome IV beginning in 1990. Germany is providing lending capital for SME and industrial development thru SEDOM ($4.5 m) and INDEFUND/INDEBANK ($3.5 m).

About 7% of the U.N.'s 1987-91 Country Program is dedicated to industrial development, with a particular concern for small and women-owned businesses. UNDP is providing technical assistance and equipment for MEDI ($2.4 M), as well as advisors to the Ministry of Trade, Industry and Tourism and to DEMATT. The UNCDF is committed to construction finance and revolving credit funds to expand SEDOM's operations ($2.0 m). Finally, Canada supports development of MEDI ($11 m).

Strategic Objective # 3

F. *Reduce Fertility*

Rapid population growth has already begun reducing the quality of life, in both economic and social terms. Unabated, it will undercut development investments and erode the natural resource base. Reducing fertility, to slow population growth, is critical to ensuring that growth is both broad-based and sustainable. As was stated in the last CDSS, "Perhaps A.I.D.'s most important contribution in Malawi will be to enable families to choose how many children they want."

The proposed activities for the strategy period build upon USAID's growing portfolio of assistance in family planning to both the public and private sector. We expect to initiate a bilateral project which will

consolidate centrally and bilaterally funded activities, and will provide a platform for policy dialogue with the GOM. The focus of Mission efforts will be to (a) increase contraceptive prevalence rates and (b) strengthen institutions and the policy environment. This strategic objective will be reinforced by efforts, which are discussed elsewhere, to (c) increase female access to basic education, (d) raise incomes through agriculture and off-farm employment, and (e) reduce infant and child mortality and morbidity.

Increase Contraceptive Prevalence

Knowledge of modern contraception is very low in Malawi; practice is almost nil. Improved contraceptive prevalence requires: (1) greater access, through increased supplies and more efficient distribution and marketing; and (2) higher demand, through increasing knowledge.

On the access side, the upcoming social marketing program will develop and supply an extensive private sector delivery system (i.e. through urban and rural stores and bottleshops). NGO's, such as FPIA and AVSC, will continue their work with the Private Hospital Association of Malawi (PHAM) to improve and expand service delivery, including surgical contraception, at fixed health facilities. Short-term technical assistance will continue to be provided to strengthen the GOM's planning and logistics management capacities.

On the demand side, the new PHICS Project will support IEC activities which will be important to increasing knowledge. The advertising accompanying the social marketing campaign should also help raise public knowledge and awareness. And finally, health manpower development supported by USAID will continue to include training in family planning so that health workers are better able to counsel and provide services.

Strengthen Institutions and the Policy Environment

At present, child spacing services are not fully integrated into primary health care or maternal and child health care. USAID's health sector project activities and dialogue will help to develop a viable,

community-based outreach system for the delivery of a full array of family health services, including family planning. Large numbers of community health workers will be trained and mobilized to deliver these services.

The Mission will also encourage the private sector to expand child spacing services. In addition to assistance to PHAM mentioned above, USAID has offered assistance in establishing a new Family Welfare Association which would serve initially as an IEC channel and later could be a service provision organization. Also, the Mission will explore the possibility of supporting private companies and agricultural estates in providing family planning services to their employees.

The Mission will continue to support and stimulate the evolution of GOM policymaking in this sensitive field. The RAPID Project will continue to be used to raise awareness of population and development linkages and to build a capacity within the GOM to utilize demographic data in development planning. Operations research will be funded to address technical and service delivery issues related to child spacing. Short term assistance will be proved in policy analysis and formation, as needed. The principal aim of such efforts will be to encourage the GOM to move beyond a policy of support for "child spacing," to a more proactive policy of "family planning," including the development of a clear policy statement.

USAID's Current and Planned Interventions

1) Promoting Health Interventions for Child Survival (1989-97): IEC; operations research; extension of child spacing services to the community level through health surveillance assistance (HSA's), including recurrent cost support for this new cadre.
2) Health Institutions Development (1989-92): training of HSA's and other health personnel in child spacing service delivery, and institutionalization of this training capacity.

3) Services for Health, Agricultural and Rural Enterprises (FY 90 start): support to the new Family Welfare Association and other NGO's.
4) Buy-in's to FHI II for contraceptives (1990-92).
5) Various centrally funded activities, including FPIA, AVSC, SOMARC and RAPID (1990-92).
6) Bilateral Family Planning Project (FY 92 start).
7) Increasing Female Access to Basic Education (FY 92 start).

Other Donors' Activities

UNFPA and the World Bank are the other principal supporters of Malawi's child spacing program. Support from UNFPA focuses on policy development, service delivery, data collection, demography, and IEC. The World Bank supports the construction and renovation of health facilities, orientation of village health committee members, IEC materials, and support for clinical contraception.

Strategic Objective # 4

G. *Reduce Infant and Child Mortality and Morbidity*

The poor health of the average Malawian has a significant impact on sustainable economic growth and the quality of life. The threat to life and well-being of infants and children is particularly acute. Efforts to redress and resolve the causes of some of the highest infant and child mortality and morbidity rates in the world will have spin-off benefits to the population at large.

USAID has been instrumental in health manpower development during the past five years and has supported important research and service delivery activities. During the upcoming strategy period, the Mission will focus on (a) strengthening institutions and the policy environment, (b) reducing deaths due to malaria, (c) reducing deaths due to diarrheal disease, and, to a lesser extent on (d) improving immunization and (e) improving nutrition. Interventions to improve child spacing and reduce

fetal AIDS transmission, which will contribute to this strategic objective, are included under other strategic objectives.

Strengthen Institutions and the Policy Environment

Currently, the GOM has no functioning outreach system for the delivery of health care services. USAID's primary concern will be the development of an integrated, community-based, family health services delivery system. The Mission will continue support for health manpower development, including design and implementation of a training program for health surveillance assistants (HSA's), and the institutionalization of this training capacity. The new Promoting Health Interventions for Child Survival (PHICS) Project will develop and test various service delivery schemes and will initially provide recurrent cost support for the HSA's, a new cadre of community health workers.

The Mission anticipates an active policy dialogue with the GOM on health sector issues. The policy agenda will include: prioritizing health problems and directing resources accordingly; establishing strategies for dealing with the principal problems, such as malaria, AIDS and child spacing, and ensuring that these are truly integrated into health delivery systems; adequately allocating staff and budget resources for PHC and associated health training institutions; expanding fee for services and cost recovery schemes; and expanding the use of NGO's for PHC delivery. The PHICS Project and HRID will finance short and long-term technical assistance to address these issues and strengthen the GOM's health planning and policy formulation capacity.

Reduce Deaths due to Malaria

As indicated earlier, malaria is probably the most serious childhood killer and debilitates adult productivity. USAID will continue funding research by the Centers for Disease Control which is critical to establishing a sound strategy and program for dealing with malaria. Health training activities and mobilizing HSAs will also improve the diagnosis and treatment of the disease. Finally, IEC activities will

encourage people to take better protective measures and seek treatment earlier.

Reduce Deaths due to Diarrheal Disease

The Mission will continue funding the highly successful, gravity-fed rural water supply program to extend potable water and will finance the construction of simple latrines and sanitation training, in order to reduce the incidence of diarrheal disease. On the treatment side, IEC and operations research will be important to increasing the household use of oral rehydration salts (ORS).

Improve Immunization Coverage

IEC activities to be funded by USAID will reinforce the expanded program of immunization which is staffed and supplied by UNICEF.

Improve Nutrition

The principal contribution which the Mission will make to redressing the serious problem of child malnutrition is through our efforts to increase agricultural productivity and production (discussed above, under that strategic objective). However, IEC activities and operations research to be carried out under PHICS are intended to improve household feeding practices which currently disadvantage the younger, most vulnerable children. The Mission may also support continuation of appropriate, NGO-managed nutrition programs, such as IEF's Vitamin A service delivery project.

USAID's Current and Planned Interventions

1) Health Institutions Development (1984-92).
2) Promoting Health Interventions for Child Survival (1989-97).
3) Services for Health, Agriculture and Rural Enterprise (FY 90 start): support to PHAM and other health NGO's.
4) Human Resources and Institutional Development (1987-95): technical assistance and training to strengthen the planning and management capacity within the health sector.

5) CDC/MOH Malaria Research (1987-90; to be extended).
6) On-going, centrally-funded grants to PVO's such as IEF, Save the Children and ADRA.
7) Increasing Female Access to Basic Education (FY 92 start).

Other Donors' Activities

UNICEF is the principal donor behind the Expanded Program in Immunization (EPI) and supports a wide range of child survival activities through its "Child Survival and Development Program" (1988-92). It also supports: nutrition, supplementation, surveillance, and policy dialogue in the area of nutrition; ORT training for PHC teachers and field workers, as well as ORS packages; and, malaria control activities. More generally, the UN supports health worker training programs.

The World Bank supports child survival activities in the context of Malawi's MCH program, and assists in facilitating construction for health personnel training. It also provides malarial control commodities and supports training of health workers in malarial control and treatment. ODA supplies a number of health personnel for service delivery and have undertaken major health manpower training programs, and the African Development Fund has assisted facility construction. Finally, WHO plays a key role in the health sector but mainly as an implementing agency and not as a donor. Its principal activities are in the area of malaria research and nutrition surveillance.

Strategic Objective # 5

H. *Control the Spread of AIDS*

The prevalence of this deadly and debilitating disease is growing exponentially, largely because of lack of knowledge and unavailability of protective measures. The projected human and economic impact of AIDS is horrific (see endnote H2 for summary of recent assessment). While the AIDS problem inarguably requires immediate and serious attention, the GOM must avoid setting up parallel health worker training programs and service delivery systems, and protect against the AIDS program creating a

serious drain on health personnel and financial resources, away from other primary health concerns.

The U.S. has an undisputed predominant capability in AIDS control and the Mission's proposed activities build upon our health and family planning programs. USAID's efforts to control the spread of AIDS will focus on (a) strengthening institutions and the policy environment, and (b) affecting behavior.

Strengthen Institutions and the Policy Environment

The GOM was slow in responding to the AIDS problem but, now that it has clearly reached epidemic proportions, Government is in desperate need of assistance in forecasting, planning and managing a program. USAID will provide short-term and long-term advisors to fill the gap and to develop such a capacity within the Ministry of Health. The Mission will engage Government on the issues of budgetary and staff allocations and integration of AIDS training and control services into existing health programs. We will also encourage and support efforts to mount a prevention counseling program. Finally, USAID will lobby for a WHO/GPA allocation commensurate with the severity of the problem in Malawi; as one of the five worst hit countries in the world, Malawi should be a major beneficiary of WHO/GPA funding.

Affect Behavior

It is critical that people change their behavior if the spread of AIDS is to be arrested. USAID will encourage low risk behavior (monogamy, abstinence and "safe sex") through education, training and provision of condoms. Short-term technical assistance will be provided to develop IEC materials and design a school education program. Training of health workers in AIDS prevention and counseling will be done in the context of manpower development activities. And finally, A.I.D. will fund NGO work with community and clerical leaders to increase public awareness of the problem.

Why a Strategic Objective?

The Mission considered classifying this effort as a target of necessity. However, while the financial resource commitments are expected to be modest, we decided AIDS control was most appropriately a strategic objective for a number of reasons:

1) This is a severe problem which won't go away; long term assistance is required.
2) Staff time commitments are likely to be substantial.
3) The proposed AIDS control activities complement other Mission activities.
4) The uncontrolled spread of AIDS will undermine other strategic objectives and program sub-goals and threatens the sustainability of economic growth.

USAID's Current and Planned Interventions

1) Buy-in's to AIDSCOM, AIDSTECH and HAPA for long and short term technical assistance and training (1990-95).
2) Centrally-funded for condoms (1990-95).
3) Health Institutions Development (1990-92): training of health workers in AIDS control and prevention, and institutionalization of this training capacity.
4) Promoting Health Interventions for Child Survival (1989-97): IEC.
5) Various centrally-funded activities, including research by Johns Hopkins University and Project Hope's work with PHAM.
6) Increasing Female Access to Basic Education (FY 92 start).

Other Donors' Activities

The GOM's Medium Term Plan provides the framework for all donor assistance. Commitments to date, however, are few. WHO is providing technical assistance and some commodities. Complementing USAID's planned assistance, UNICEF is interested in funding the operational costs of the

school education program and the EEC has expressed willingness to finance IEC activities for high risk groups.

I. *Increasing Access to Basic Education*

Basic Education: Why Not a Strategic Objective?

Basic education is a prerequisite to the attainment of economic and social development objectives. It is critical to: the transfer of agricultural technology needed to intensify and diversify production; the success of SME development and expansion; improving health and nutrition; reducing infant mortality; and lowering fertility. Quality of schooling is important but simple access, especially to 4-5 years of basic education, is even more significant in paving the way for broad-based economic growth. In a country such as Malawi, with limited financial resources and extremely low enrollments, the priority for investment clearly needs to be on providing opportunities for more children to attain at least a primary school education.

Basic education is not strategic objective for several reasons:

1) The basic policy agenda has been set and the capital investments necessary for improving access to better basic education have been committed by other donors.
2) Basic education is a necessary input to the attainment of our various program objectives.
3) Female access to basic education, however, is not being adequately addressed by other donors and is a discrete but critical initiative within the management capacity of the Mission.

Other Donor Activities

The World Bank is by far the largest donor to the education sector in Malawi, with a program extending back almost 20 years. It has two on-going projects totalling $61.0 million which are funding extensive infrastructure development (3 Primary Teachers' Training Colleges, 25

MCDE's, 8 secondary schools, the Malawi College of Accountancy, 1500 primary school classrooms and 750 staff houses), the provision of over one million basic student textbooks, revision of primary and secondary school curricula, and strengthening of the Ministry of Education's planning and management capacities. The World Bank's proposed $37 million Second Education Sector Credit will extend support for most of these activities, including further infrastructure expansion and upgrading, in-service training for 4500 primary school teachers, redesign and expansion of radio instruction, and an extensive policy reform agenda aimed at increasing access, quality and efficiency of education.

Other donors include:

- African Development Fund: construction of 200 urban classrooms.
- UNICEF: $1.75 million for curriculum development, primary teacher upgrading, and functional literacy program support.
- ODA and Peace Corps: secondary school teachers.

USAID's Program to Increase Female Access to Education

The Mission's program will be focussed on (a) increasing female access to basic education, (b) encouraging women to pursue non-traditional fields of study at the university level and, to some extent, (c) supporting private sector expansion of educational opportunities.

Efforts to date to expand female access to primary and secondary schooling have been largely unsuccessful. A serious constraint to appropriate, prescriptive action has been the lack of understanding about the factors within the household which affect female enrollment. Under the HRID Project, the Mission is working with the University of Malawi to establish a stronger institutional base for examining these and other important issues relevant to the roles of women in Malawi's economic and social development. USAID will finance research to assess both school and household factors which impact on female access and persistence. Building on the findings of this research, the Mission would then initiate assistance (project and/or NPA) to overcome the constraints to broader female participation in primary and secondary education.

Increasing female access to basic education will help further our strategic objectives. The USAID-funded Family Formation Survey showed a direct correlation between level of female education and family size in Malawi -- in both urban and rural areas, women who had no formal schooling average 3.9-4.0 live births while those who had a primary education average only 2.9 live births. In turn, as fertility is reduced the health and productivity of a woman improves and the incidence of infant and child mortality declines. The educational experience will make the female farmer more receptive to new technologies, while literacy and basic math skills will enhance the woman entrepreneur.

The Mission will also continue funding the innovative scholarship program, initiated by USAID, which encourages women to pursue University training in non-traditional fields such as engineering, agriculture, management and administration.

Finally, private sector educational institutions already provide about 50% of secondary school places, but there is little involvement in primary school education. Under the upcoming umbrella PVO program, funds would be available to expand NGO provision of educational services. The Ambassador's Special Self Help Fund will continue to be used for construction and upgrading of primary school blocks and teacher's houses.

USAID's Current and Planned Interventions

1) Human Resources and Institutional Development (1987-94): women's university scholarship program; support to the Center for Social Research to assess WID constraints; establishment of a new program of research and instruction on WID at the University of Malawi.
2) SHARE (FY 90 start): expand NGO involvement in the provision of educational services.
3) P D & S-funded research on household and educational constraints to increasing female enrollments (1990-91).

4) New bilateral project to increase female access to primary and secondary education (FY 92 start).

J. *Targets and Benchmarks*

The Mission has identified a limited number of major targets and benchmarks against which it will measure progress towards achieving the five strategic objectives of the 1990-95 program strategy. We have set-out benchmarks for accountability in the short-run (through 1992, the normal period for an Action Plan) and impact targets for the period of the CDSS (through 1995). The Monitoring and Evaluation section puts forth two studies which are critical for the establishment of baseline data.

Objective 1: Increase Agricultural Production

Target 1-1: Intensify production, especially of food crops.

Benchmarks

1992:
- Maize production increased by 10% (from 1,500,000 MT in 88/89)
- fertilizer use up 20% (from 90,000 MT in 88/89)
- 30% of smallholders have access to credit (up from 25%)
- agroforestry and intercropping technologies utilized by ___% of smallholders (from ____% in 1989)

1995:
- maize production increased by 25%
- fertilizer use has expanded by 50% (to 135,000 MT)
- 40% of smallholders have access to credit
- a higher yielding, flint variety of maize released which yields 20% more than traditional varieties without fertilizer and 40% more with fertilizer

Target 1-2: Exploit underdeveloped lands.

Sub-target 1-2A: Increase estate land utilization.

Benchmarks

1992:
- land rents increased by at least 70% (from MK10/ha to at least MK17/ha)

- rent collections increased from ____% to ____%
- system developed and operating for differentiating rents according to land qualities
- extent of reforestation being done by estates has been determined and an enforcement system has been developed
- land under cultivation increasing 10% annually (from estimated 14% of all estate-held land to 17%)

1995:
- land rents being regularly adjusted to reflect the productive value of land
- estate reforestation programs reflect the actual replacement requirements; fines being systematically levied to encourage compliance
- at least 20% of all estate-held land is under cultivation

Sub-target 1-2B: Expand small scale, self-help irrigation

1995:
- locally managed schemes operating on 2500 ha

Target 1-3: Supportive policy and institutional framework.

Benchmarks

1992:
- land transfers to the estate sector have been generally discontinued (exception would be land surplus areas where there is not a need for/claim by smallholders)
- priorities for agricultural research have been clearly defined and are reflected in budget and staff allocations
- non-wage/wage ratios have been increased, particularly for the extension service and adaptive research teams
- aggregate recurrent budget allocations to the extension service increased by 20% annually
- Strategic Grain Reserve has been reestablished at 150-180,000 MT and a clear policy and accompanying procedures are in place to ensure its effectiveness as a food security instrument

1995:
- specialized graduate programs in agriculture have been established at Bunda College

- food security studies are being systematically undertaken by the GOM and factored into agricultural sector policymaking, planning and program implementation

Objective 2: Increase Off-farm Employment

[NB: Benchmarks to be quantified in 1990, based on economic baseline study]

Target 2-1: Expand the number and size of SME's.

Benchmarks

1992:
- 200 new SME firms established
- GOM has set-aside ____% of goods and services procurement for SME's
- credit funds for SME's through MUSCCO, SEDOM and INDEFUND have increased by _____%
- business and technical advisory services of DEMATT and SEDOM have been strengthened and expanded, reaching _____ new clients.

1995:
- planning and policy formulation capacity of the GOM has been strengthened.
- READI Project's promotional and coordinating functions have been institutionalized in the Chamber of Commerce or some other appropriate, non-governmental body
- SME goods and services have increased from ___% to ___% of GDP
- share of non-agricultural exports produced by SME's has risen from ___% to ___% of export earnings
- _____ new jobs created in SME subsector, and SME proportion of total employment has expanded from ___% to ___%
- commercial banks are increasingly lending to SME's, especially for expansion of existing businesses; credit to firms of 1-50 employees has increased by 30%, in real terms, over 1990.

Target 2-2: Increase medium and large enterprise production capacity.

Benchmarks

1992:
- foreign exchange liberalization continues, permitting greater access by private sector; USAID has provided $35 million in NPA to expand imports
- ten firms increase production by at least 10% as a result of business consultancy

1995:
- commercial credit generally expanding, and credit for firms of 50-200 employees increased by 20%, in real terms, over 1990
- equity investments in such firms increase from current level of zero to MK 10 million, in 1990 terms

Target 2-3: Financial market development.

1992:
- two new financial institutions created and operating (likely form: a Unit Trust and an ESOP)

1995:
- reform of the Post Office Savings Bank, permitting it to serve as a dynamic rural savings and lending facility

Objective 3: Reduce Fertility

Target 3-1: Increase contraceptive prevalence rate.

Benchmarks

1992/95:
- use of modern contraceptives rises from 3% in 1989 to 12% (to 15% in 1995)
- knowledge of modern contraception among married women of reproductive age increases from 10% in 1989 to 20% in 1992 (to 30% in 1995)
- supply of condoms expands from 2 million in 1989 to 8.8 million in 1992 (to 10 million in 1995)

Target 3-2: Strengthen institutions and policy environment.

Benchmarks

1992:
- Family Welfare Association established

1992/95: - the number of private sector outlets at which family planning information and services are available increases from 55 in 1989 to 400 in 1992 (to 1000 in 1995); private sales of condoms increase from close to zero in 1989 to a significant, measurable quantity
- child spacing services are fully integrated into PHC/MCH services and increasingly available at public and private health care facilities: from 170 (out of 350) in 1989 to 250 in 1992 (to 350 in 1995)
- health personnel trained in family planning service delivery increased from 1200 in 1989 to 1800 in 1992 (to 2400 in 1995)
- community-level health workers mobilized to provide information and services: from 300 in 1989 to 400 in 1992 (to 550 in 1995)

1995: - GOM has established a clear, formal policy on family planning and mandated numerous ministries to be involved in IEC and service delivery
- voluntary contraception widely available

Objective 4: Reduce Infant and Child Mortality and Morbidity

Target 4-1: Strengthen institutions and the policy environment.

Benchmarks

1992: - design of curricula for health surveillance assistants (HSA's), a new cadre of community health workers, and commencement of training
- plans developed for rationalization of Government and NGO health services, and expansion of PHAM network
- priorities for addressing major health problems are clearly defined by GOM
- plans developed for providing necessary financial and human resources to critical prevention and PHC programs
- MOH share of recurrent budget has increased from 5.7% in 1989 to 9% by 1992 (constant in outyears)

1995:
- proportion of recurrent and development budgets for PHC and associated health training facilities increasing relative to curative services (from 10% of recurrent budget to at least 25%)
- an integrated, community-based delivery system has been tested and is ready to be replicated
- fees for drugs will be introduced at fixed facilities and community-based, revolving drug funds will be tested

Target 4-2: Reduce deaths due to malaria.

Benchmark

1992:
- GOM's malaria policy will be revised and an implementation strategy will be prepared

1992/95:
- reduce the percentage of deaths due to malaria among MOH in-patients under 5 years of age from about 20% in 1989 to 17% in 1992 (to 14% in 1995)
- increase the percentage of childhood malaria cases treated at MOH clinics with the correct dosage of anti-malarial drugs from an estimated 25% in 1989 to 40% in 1992, and (to____% in 1995)
- increase the percentage of childhood malaria cases treated at home with the correct dosage of anti-malarial durgs from an estimated 30% in 1989 to 40% in 1992, and (to 50% in 1995)

Target 4-3: Reduce deaths due to diarrheal disease.

Benchmarks

1992/95:
- increase the percentage of children who receive the correct ORS/ORT treatment from MOH clinic staff from an estimated 10% in 1989 to 40% by 1992, (to 80% by 1995)
- increase community-level knowledge of the proper preparation of ORT/ORS from an estimated 25% in 1989 to 40% in 1992 (and to 60% in 1995)
- increase the number of people with access to potable piped water from 1,208,000 in 1989 to 40% in 1992, and (to 1,400,000 in 1995)

- increase the percentage of rural households with latrines from estimated 55% in 1989 to 65% in 1992 (and to 75% in 1995)

1995:
- reduce mortality associated with acute diarrheal disease in children aged under five by 35%

Objective 5: Control the Spread of AIDS

Target 5-1: Strengthen institutions and the policy environment.

Benchmarks

1992:
- a new training module on AIDS control and prevention for health personnel designed

1992/95:
- increase the number of health workers who have received AIDS-related training from 50 in 1989 to 2000 in 1992 (to 3000 by 1995)

1995:
- AIDS program integrated into PHC system
- prevention counselling routinely provided

Target 5-2: Affect behavior.

Benchmark

1992:
- extensive IEC messages developed and a school education program designed

1992/95:
- supply of condoms and access expanding to meet rising demand
- increase use of the condom from less than 1% in 1989 to 5% in 1992 (and to 10% in 1995)
- increase knowledge of the condoms as a means to prevent STD/AIDS from an estimated 5% in 1989 to 20% in 1992 (and 40% in 1995)
- increase the number of persons affiliated with PHAM health facilities, churches and schools who have received orientation health training in AIDS/STD from _____ in 1989 to _____ in 1992 (and to _____ by 1995)

VI. PLANS FOR IMPLEMENTATION

A. *Level and Use of Resources*

Programming Assumptions and Approaches

USAID/Malawi's new strategy is built on several premises.

1) The Mission's bilateral OYB will be $20.0 million of DFA funds annually; no ESF is anticipated.

2) Malawi will continue to be a recipient of SARP funds, particularly for export promotion and transport, assuming such interventions are on the SADCC priority project list.

3) There will be a 40/60 programming split between quick disbursing, non-project assistance (NPA) and traditional project assistance.

4) While the Mission will continue to utilize its own OYB for policy reform and sector assistance programs, it would expect additive African Economic Policy Reform Program (AEPRP) funds to reinforce such endeavors. If AEPRP funds were not forthcoming (a total of $25.0 million may be requested over the five years), the Mission, in collaboration with the GOM, would probably need to revise downward some of the program targets.

5) Local currencies generated under any NPA grant will be used, at least in large part, to further the respective program objectives.

USAID's Indicative Program
(obligations, in thousands of US Dollars)

Project/Program	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
Bilateral Resources						
Health Institutions Development	1250	1750	-	-	-	-
Human Resources & Institutional Development (HRID)	3500	3400	1776	-	-	-
Promoting Health Interventions for Child Survival (PHICS)	2375	3000	2355	2150	-	-
** PVO Program: SHARE (90)	5000	-	2000	2000	1000	-
Malawi Enterprise Development	7000	-	-	-	-	-
Program Development & Support	150	265	144	250	250	250
FHI II Buy-ins (contraceptives)	425	235	275	-	-	-
HRDA Buy-ins	100	50	50	50	50	50
AFGRAD IV Buy-in	-	100	100	100	100	100
AIDS Buy-ins (various)	200	200	300	300	300	300
** Agricultural Sector Assistance Program: NPA (91)	-	5000 *	5000	5000	-	-
** Ag Sector Assistance Project: TA & Training (91)	-	4000	2000	-	-	-
** Small Enterprise Transformation (91)	-	2000	1000	1000	2000	-
** Female Access to Basic Literacy & Education (92)	-	-	-	5000 *	-	-
** Family Planning Support: NPA and Project (92)	-	-	5000	2150	-	-
** Food Security Analysis and Production (93)	-	-	-	2000	3300	2000
** Health Sector Assistance (94)					13000 *	10000
Unprogrammed	-	-	-	-	-	8300
Total Bilateral	20000	20000	20000	20000	20000	21000
Proposed AEPRP Funding						
** Agricultural Sector Assistance Program		15000	-	-	-	-
** Female Access to Basic Literacy & Education		-	5000	-	-	-
** Health Sector Assistance		-	-	-	5000	-
Total AEPRP		15000	5000	0	5000	0
PROGRAM TOTAL	20000	35000	25000	20000	25000	21000

* additional funding proposed under AEPRP
** denotes proposed new program/project

B. *Monitoring, Evaluation and Reporting*

The Mission recognizes monitoring, evaluation and reporting (MER) as critical to the success of its investment portfolio and important to ensuring continued support for its program. The MER system will focus on overall program impact, both at the household level and the overall macro economy level, as well as progress in achieving the Mission's particular strategic objectives. The MER system will:

1) assess program performance;
2) evaluate specific interventions;
3) inform USAID and outside parties of the impact of U.S. development assistance, at the program and project levels; and
4) make changes in USAID's strategy, programming and particular activities, if so indicated.

Two key surveys will to establish the critical baseline data by which program and project implementation progress can be monitored and evaluated. The first of these will look at baseline economic indicators, while the second will examine demographic and health issues.

The economic baseline will be established during June-August, 1990. The specific areas are:

- employment (e.g. by gender, the number, size, type and distribution of jobs -- including formal, informal, seasonal, self-employed; average wages; labor force participation within family);
- income (e.g. by gender and age, levels, sources, frequency);
- expenditures (e.g. expenditures by category, differentiated by gender and household position).

Demographic and health data are also required. A comprehensive demographic and health survey (DHS) will be undertaken during mid 1990, which will explore the following areas:

- fertility rates; contraceptive prevalence rates, including knowledge, awareness and use of methods by gender and age;
- public health awareness, including knowledge of transmission and treatment of malaria, and AIDS awareness and transmission; and
- infant and child mortality and morbidity concerns.

These two central studies will be complemented by the Mission's resident research activity, the Cornell University Policy Reform and Poverty project. Under this, a researcher will reside in Malawi for the joint purpose of monitoring and evaluating the impact of adjustment on the vulnerable and strengthening GOM capacity to undertake these monitoring, evaluation, and reporting functions.

Progress made in advancing program goals and objectives will be systematically assessed by USAID. In conjunction with the Mission's PIR process, responsible divisions will report to the Mission Director on progress toward achieving strategic objectives as measured against the Action Plan's targets and benchmarks. Tha major findings will be incorporated into appropriate PIRs and the overview statement. Program evaluations will be conducted twice during the CDSS period, late FY 92/early FY 93 and late FY 95/early FY 96. The periodic monitoring efforts together with the evaluations, will allow the Mission to make any necessary mid-course adjustments as well as inform AID/W of program impact.

The proposed monitoring, evaluation, and reporting plan is comprehensive, though further detail needs to be developed. One point is very clear however: the MER plan will require substantial Mission resources, both human and financial, to generate meaningful results.

Benchmarks form the backbone of the MER system. However, certain issues of concern are not adequately identified by the benchmarks. These additional issues are specific to evaluation and management. The relevant items have been identified below, by strategic objective, and will be incorporated explicitly into our MER system.

1. Increase Agricultural Productivity:
   Management issue - timely analysis of Annual Survey of Agriculture data. Assistance will be provided to the MOA so that data can be analyzed in a timely fashion.

2. Increase Off-own-farm Employment:
   Evaluation issue - sustainability of job creation and business development.
   Management issue - indigenous analytical capacity to monitor and evaluate issues related to SME production and employment. The Mission will strengthen this capacity through integration of this component of the READI Project Coordinating Unit into the respective GOM ministry, and related training.

3. Reduce Fertility and
4. Reduce Infant and Child Mortality and Morbidity:
   Evaluation issue - areas of success and replicability.
   Management issue - the comprehensive DHS will require substantial effort to design, implement, analyse and interpret. These points, together with the population project design, indicate a major management burden for the Mission's HPN office.

5. Controlling the Spread of AIDS:
   Management issue - it is not clear that there is an adequate disease monitoring system in place. The GOM's health information system will be assessed by an upcoming consultancy and, if necessary, assistance will be provided to build such a capacity.

C. *Management Implications*

The Mission recognizes that it is proposing a complex program which has serious management workload implications. We nonetheless believe we can manage the program within our recently increased ceiling of 13 USDH positions if we are successful in recruiting and retaining a number of

key senior FSN Malawian employees, if we are successful in recruiting several project-funded US PSC's to help manage projects, if we continue to have staff prepared to work long hours, and if we are not overwhelmed by unexpected emergencies (e.g., the massive refugee inflows and drought and mealybug infestations of 1987-88). Also, in order to remain within this ceiling, we will need to realign office responsibilities and positions between now and late 1991 as some current staff depart post. The major changes will be to (1) consolidate our agricultural and off-farm employment activities into one office: Agriculture and Rural Enterprises; (2) shift as many project management responsibilities as possible out of the Program and Project Development Offices and consolidate these into one staff office which will focus on program budgeting, analysis, monitoring and evaluation, local currency programming, training, and project design and implementation support; (3) increase staff in the technical offices; and (4) expand use of project committees to ensure that achievement of strategic objectives, broad economic issues, and financial management concerns are brought to bear on project implementation and monitoring. Lastly, in a relatively small mission, the Deputy Director will need to continue to take on some project management responsibilities in addition to his/her broader management functions. Depending upon the background of the Deputy Director, these project management responsibilities could be for human resource development, transportation, or PVO activities, thereby reducing the management burden on the Program and Project Support Office.

In summary, by mid 1991, we would expect Mission staffing to look as follows:

Office of the Director:

Director (USDH)
Deputy Director (USDH)
Executive Assistant (USDH)
FSN Administrative Assistant

Executive Office:

Executive Officer (USDH)
USPSC (local hire - OE)
FSN Staff

Financial Management Office:

Controller (USDH)
FSN Staff

Agriculture and Rural Enterprise Office:

Supervisory ADO (USDH)
Private Sector Project Manager, PDO, or ADO with agri-business background (USDH)
FSN Staff
USPSC Ag. Economist (Project)

(Major Responsibilities: management of agriculture and SME portfolios, including sector specific program assistance; analysis and evaluation; food aid monitoring)

Health, Population, and Education Office:

Supervisory HPNO (USDH)
Population Officer (USDH)
FSN Staff
USPSC PHICS Project Manager (Project)
USPSC Education Project Manager (Project)

(Major Responsibilities: management of bilateral health, population, and education portfolios, including sector specific program assistance; analysis and evaluation; management of centrally funded HPN activities)

Program and Project Support Office:

Supervisory PO/PDO (USDH)
Program Economist (USDH)
Program Officer (IDI grad.) (USDH)

PDO (USDH)
FSN Staff
FSN Training Officer
USPSC SHARE Project Manager (local hire - project)
P-T USPSC HRID Project Manager (local hire - project)
USPSC Engineer (project) (if any new SARP transportation activities are approved)

(Major Responsibilities: program budgeting and monitoring; monitoring and evaluation of strategic objectives; analysis and monitoring of macro-economic environment; project evaluation; local currency programming; participant training; management of HRID Project; overall management of SHARE Project; residual management of SARP transportation projects; mission-wide private sector responsibilities, e.g., privatization, U.S. investment promotion, and financial market development; and project design and implementation support. In 1992, HRID project management and broader training responsibilities may be shifted into the Health, Population, Education Office

One of the most critical factors in implementing our new strategy will be the recruitment and retention of well qualified, senior Malawian employees. To date, we have been highly successful in recruiting outstanding FSN's, especially into our project management offices. But, retention is a problem. They will not remain unless the USG can become a better employer -- i.e., an employer who wants to attract top-notch employees and does not tie its hands with "prevailing practices." With a small number of American employees and a large program, we need the best available Malawian employees. However, if we continue to be an average employer, we will end up with average employees and our best staff will continue to go to UNDP, the World Bank and the private sector. With limited operating funds and the desire to minimize USDH staff, this is an urgent management problem which should be addressed by A.I.D. worldwide if USAID's are to be able to ensure the effective implementation of their programs.

While we believe that we can design and implement the proposed program with the proposed staff resources, there are two areas of concern: policy dialogue and monitoring of program impact. These are critical responsibilities which can too easily be pushed aside by the press of day-to-day A.I.D. management responsibilities. We will carefully assess our ability to perform these crucial functions; if we are not able to perform them adequately within existing ceilings, we will request an increase.

D. *Policy and Institutional Reform Agenda*

Policy and institutional reforms will be fundamental to the achievement of USAID's goals and objectives. Dialogue will be a central endeavor of the Mission in executing the proposed strategy; it will take place in conjunction with our on-going monitoring of the economic environment, as well as in the context of sectoral programs and projects.

In establishing its dialogue agenda, the Mission has differentiated between those policy and institutional reforms which directly relate to our program and others which relate indirectly but will be monitored and pursued if deemed necessary. USAID will closely collaborate with other donors in pursuing this extensive reform agenda. Good coordination with the World Bank, in particular, will be critical since it has drawn up wide-reaching programs for the agriculture and health sectors but does not have adequate staff in the field to monitor either the progress of reform nor its impact.

Increase Agricultural Productivity and Production

Directly related to USAID's program:

1) clearly defined priorities for agricultural research which are then reflected in allocations of financial and human resources.
2) closer linkages forged between adaptive (on-farm) research and commodity (on-station) research.

3) increased recurrent cost support for adaptive research and extension, to enable effective interaction with the farmer; higher non-wage/ratios.
4) reestablishment of the Strategic Grain Reserve, and management of it to serve as an effective food security instrument.
5) discontinue transfer of customary land to the estate sector, unless it can be shown not to have an adverse effect on the smallholder sector.
6) increase estate land rents and enforce payment to encourage efficient utilization of land; differentiate rents according to land quality and potential use.
7) estate reforestation programs reflecting actual replacement requirements.
8) institute "tree tenure" laws for smallholders which encourage the preservation of existing trees as well as new plantings.
9) continued divestiture and restructuring of ADMARC to strengthen its marketing function.
10) improve women farmers' access to credit and extension services.
11) closer linkages forged between food security analysis and agricultural sector planning and program implementation.

Indirectly related to USAID's program:

1) input and output pricing and marketing.
2) development of smallholder associations and cooperatives for production and marketing activities.

<u>Increase Off-Farm Employment</u>

Directly related to USAID's program:

1) rationalization of financial, advisory and promotional services for SME's, including the transfer to some of these from Government/parastatal status to NGO.

2) strengthen GOM's capacity to support SME development through improved planning and policy formulation.
3) establishment of a SME investment promotion program.
4) rationalization of Government's on-lending policy for SME's.
5) liberalization of the regulations constraining capitalization and lending practices of financial institutions.
6) reform of the Post Office Savings Bank to enable it to be a rural savings and lending facility.
7) Government procurement set-aside for SME's.
8) initiation of new mechanisms for capital market development, including a Unit Trust and ESOP.
9) continued liberalization of foreign exchange allocation.
10) further liberalization of import and export regulations.

Indirectly related to USAID's program:

1) minimum wage policy which encourages efficient use of labor, including comparable wage practices for men and women.
2) interest rate policy.
3) liberalization of regulations (e.g. Malawi Bureau of Standards, licensing, town and city ordinances) which constrain informal sector development.

Reduce Fertility

Directly related to USAID's program:

1) extend child spacing services to all existing MOH health centers and facilities, and fully integrate them with PHC/MCH services.
2) expand PHAM system provision of child spacing services.
3) Kamuzu College of Nursing and PHAM training facilities fully integrate training in child spacing into curricula for all service providers.
4) expansion of the types of services to be made available, including surgical contraception.

5) increased use of private sector channels for distribution of commodities and provision of services.
6) shift from supportive "child spacing" policy to a proactive policy of "family planning," including the development of a clear policy statement on the matter and the involvement of other Government ministries (e.g. Community Services, Local Government) in IEC and service delivery.

Reduce Infant and Child Mortality and Morbidity

Directly related to USAID's program:

1) development of an integrated, community-based delivery system.
2) priority given to peripheral facilities in the placement of incremental staff: mobilization of large numbers of HSA's, adequately trained to provide basic health care services.
3) clearly defined priorities for addressing health problems, reflected in allocations of financial and human resources.
4) modification of the GOM's malaria policy and development of a malaria control strategy.
5) increased budget and staff allocations to PHC and associated medical training institutions.
6) expanded NGO role in PHC service delivery and rationalization of MOH/PHAM health services.
7) increase fees for services and expand cost recovery schemes.
8) strengthen GOM's health planning and program management capacities.

Control the Spread of AIDS

Directly related to USAID's program:

1) integrate the AIDS program into PHC and existing facilities, and expand the involvement of other ministries (e.g. Education, Community Services) in AIDS control and prevention.

2) maintain a balance in budget and staff allocations relative to other major health problems.
3) strengthen GOM's forecasting, planning and program management capacities.
4) initiate a prevention counselling program.
5) extension of AIDS IEC activity in the schools to lower grade levels in order to educate greater proportion of sexually active children.

General Issues of Concern of USAID

1) continued supportive environment for development and expansion of the private sector.
2) implementation of the Policy Framework Paper.
3) National Commission on Women taking a more proactive role on WID issues and constraints to enhance female particiaption in the economy.

ENDNOTES

ECONOMIC PERFORMANCE ENDNOTES

(EP1) The ESAF was signed on July 15, 1988. Within the context of a Policy Framework Paper, this three year, $73 million facility outlined a series of policy reform measures designed to promote structural adjustment, double economic growth to 3% per annum by 91, and inflation by 5% per year.

(EP2) The guidelines set in the original PFP followed low-results and high results scenarios, since the strength of economic response was hard to anticipate. By year 2 of the PFP, the scenario was redefined in a high-middle range for performance, and even these targets may be exceeded.

(EP3) Composition of the Value of Domestic Exports:
(1964; 1974; 1987)

	1964	1974	1987
Tobacco	37%	44%	63%
Tea	29%	19%	10%
Sugar	-	10%	10%
Groundnuts	10%	5%	2%
Maize	2%	4%	-
Rice	1%	4%	-
Cotton	8%	3%	-
Other Crops	10%	4%	8%
Main Manufactures	1%	5%	6%
Miscellaneous	2%	2%	1%
Nominal value of exports:	MK 23m	MK 89.5m	MK 602m

(EP4) Details of income levels for low income groups follows:

Income of Low Income Groups

The small size of Malawi's economy, combined with her large population, provide a nominal per capita GDP of under $200 for 1989. Moreover, real per capita GDP has been stagnant since 1982. Thus, by one measure, virtually everyone in this most poor country could be considered low income. Poverty is not uniform, however, and despite the dearth of statistics, certain characteristics of Malawi's low income groups are known:

- low income groups appear in both urban and rural areas;
- they sell their labor as well as commodities for income;
- many are women;
- food is the major item purchased with earnings; and
- lower income groups are typically less educated.

Previous Page Blank

Who constitute low income groups and where can they be found? The following discusses three distinct sub-groups and their characteristics: urban, rural, and women.

Urban Low Income Groups are not talked about very much, given the extremely low proportion of people living in Malawi's urban areas. Nonetheless a significant proportion of urban dwellers earn extremely low incomes. According to estimates for 1984/85, urban incomes average MK 3,235 per household. Incomes were not equitably distributed, however, and poor, unskilled urban dwellers do not seem to have had markedly higher incomes than their rural counterparts. Low income, urban groups were defined, in 1979/80, as those earning less than MK 20 per month (group 1) or MK 20 to 40 per month (group 2). The percentage of income earning households falling into these two groups ranged from a low of 24 percent in Zomba to 45 percent in Blantyre. Since real per capita GDP had fallen dramatically between the late 1970s and late 1980s, these household levels are unlikely to have improved.

Not surprisingly, the major source of income for these groups was wages and salaries, which suggests that most low income urban dwellers work for someone else. In the lowest income groups, the vast majority of households have only one wage earner, regardless of household size and unlike higher income groups where the number of wage earners increases with household size. This intimates that the lowest income households may have dependency ratios higher than national averages, and may consist, therefore, of relatively large numbers of very young and very old people. The vulnerability of dependents to the AIDS epidemic in this sub-group is clear.

The lowest income groups spend a disproportionately large amount of total income on basic food stuffs when compared to higher income groups. The proportion ranges from 64.8 percent to 41.9 percent of the total. Although the proportions are high, absolute expenditures on food are lower than for other income groups. As a result, the highest proportion of food expenditures goes to purchase low price, high bulk starches. This one item consumed nearly 20 percent of low-income (MK 40) household income in Blantyre. Dried fish appeared as the most affordable protein source, and expenditures on sugar were equal to or just less than expenditures on fruits and vegetables or meat. Lean incomes support leaner diets.

Even in relatively well serviced urban areas, lowest income households had less access to clean water, energy, sanitation, or bathing facilities. And finally, these households were much more likely to be headed by someone with little or no education, a characteristic which limits future opportunities.

Rural Low Income Groups exhibit many similarities to their urban cousins, but many more households are represented here. Over 55 percent of rural households have land areas of less than one hectare, the amount of land considered necessary, given current technologies, to ensure on farm food security in an average year. These households must turn to the monetized sector to survive. Here there are three principal sources of income: sale of own farm production, sale of labor, and gifts and remittances. According to the 1980/81 National Sample Survey of Agriculture, the average annual cash income among all smallholders was MK 110. Net cash sources of this income were:

sale of agricultural products	37.2%
business proceeds	25.4%
sale of labor	19.4%
transfers and other	17.9%

These figures do not include an imputed value for subsistence production.

The situation for those approaching rural landlessness is likely to be worse than these average statistics. Certainly the conditions facing the rural landless are bleak. This group works principally as tenant farmers on estates and earned mean profits of MK 200-300 per year. The range around this mean was considerable, however, at MK 8 to MK 1000. For the tenant farmer household, this represents the total annual income unless another household member brews beer or otherwise produces a cash income. While there is not a clear correspondence between size of land holding and malnutrition in Malawi, total household income and expenditure are closely correlated with anthropometric indicators. Thus, these low income rural dwellers, especially the children, are more likely to suffer from malnutrition and physical stunting than their more wealthy neighbors.

Women constitute over 70 percent of Malawi's full time farmers. Fully 30 percent of rural households are headed by women, as men move off farm for better employment opportunities. Female headed households in urban areas are unusual. In most production indicators, female headed, rural households lagged behind their male headed counterparts. Thus in the areas of labor inputs, incomes, and commodity demand, female headed households were lower than those of male headed households. Women were also relatively under represented in credit programs and farmers clubs, and use less fertilizer or improved seeds. When women move off the farm into remunerated labor, they get lower paying jobs or receive less pay than their male counterparts for the same job. Women also face a tremendous time constraint, more binding than that for men, in

fulfilling their on farm responsibilities. In only one area did female headed households fare better than their male counterparts: child and family nutrition levels are better in female headed households than in the male headed equivalent. Although all the reasons for this difference are not clear, the statistical evidence shows that female headed households spend a greater percentage of their incomes on food than the male equivalent.

These observations point to women and female headed households as an important sub-group of low income groups, particularly in rural areas.

Characteristics of the low income groups discussed show that a transformation of Malawian society is taking place. No longer is the rural smallholder able to live exclusively on his or her own land from a food security perspective. This trend is obviously exacerbated by a rapidly growing population which has increased population densities dramatically and led to increasingly fragmented land holdings. The small size and fragmentation of holdings suggest that it will be difficult, and expensive, to try to improve, directly, maize production on these existing farms as a method of increasing on farm food security. Similarly, the low income flows for the majority of the population pose direct impediments to the growth of consumption based production. Thus, two options exist: one, to increase the pool of productivity used agricultural land, and two, to increase off-farm employment, especially as these opportunities initially substitute for imported goods or capital intensive domestic goods.

(EP5) Malawi Employment Growth and Absorption

(% per year)

	1966-77	1977-87
Labor force	2.8	3.6
Employment		
Modern Sector:		
Industry	6.1	5.9
Services	5.8	4.5
Large Estates	14.0	2.0
Smallholder	1.8	3.1

(EP6) CURRENT POLICY MATRIX

Policy Issue	Current Policy	Effect
Cultivation Restrictions	Estates face no restriction, but smallholders are not burley tobacco.	Reduces income opportunities for forces them to gr[illegible] maize.
Pricing	Market forces set prices for estates, which receive close to international prices.	Sufficient incenti[illegible]es for export-oriented production.
	Prices for smallholder output of export crops set by government, generally well below international prices.	Reduces smallholder income, incentives for production, and ability to apply new technology.
	Smallholder food crop prices set by government; have been raised to meet food requirements.	Prices rises ha[illegible] led to increased outpu[illegible] but further growth [illegible]ited by other constrai[illegible].
Land System	Regulations biased in favor of estate enterprises.	Increasing smal[illegible]der land alienated to es[illegible]es, but significant lan[illegible] remains uncultivated.
Marketing	Estate output sold at auction, but most smallholder output purchased by government parastatal agency. Some private trading has been introduced.	Inefficiencies in parastatal marketing activities raise marketing costs, create government deficits.
Input Subsidies	Estates in theory pay market prices for fertilizer; smallholders, but face limits in access.	Leakages to estates; many smallholders unable to pay for fertilizer or even access fertilizer when able to pay.
Credit	Smallholder credit administered by peer group "clubs" whch are responsible for repayment.	Access to credit limited to larger scale smallholders.
Exchange Rate	Exchange rate generally competitive.	No exchange rate constraint to agricultural exports.

(EP7) Reference to estates in Malawi is a reference to a land tenure arrangement rather than a land holding size. Estate leaseholds provide long term security of tenure, though it is not seen as critical to farmer investment behavior. Dickerman and Bloch; "Land Tenure and Agricultural Productivity in Malawi;" Land Tenure Center, University of Wisconsin, October, 1989. Leaseholds are, however, in two ways: first, they enable the farmer to grow higher value crops, specifically burley tobacco; and second, little can be used to secure credit. That holding size is not strongly linked to tenure is seen by average estate sizes between 1967 and 1983, the average size fell from roughly 40 to 10 hectares.

(EP8) Commercial Bank Liquidity Rations

Year	Liquidity Ratio
1976	25.84
1983	32.10
1984	43.61
1985	49.15
1986	65.16
1987	72.56
1988	62.79

as at 31 December

Source: Reserve Bank of Malawi; Financial and Economic Review; Volume XX - Number 4; Table 1.7.2.

Economic Performance -- Graphs

EP Graph 1 : Imports and Exports

EP Graph 2 : Budgetary Debt Burden

EP Graph 3 : Real Debt Service Payments

EP Graph 4 : Debt Service Burden

EP Graph 5 : Recurrent Budget and GDP

EP Graph 6 : Education and Health Expenditures

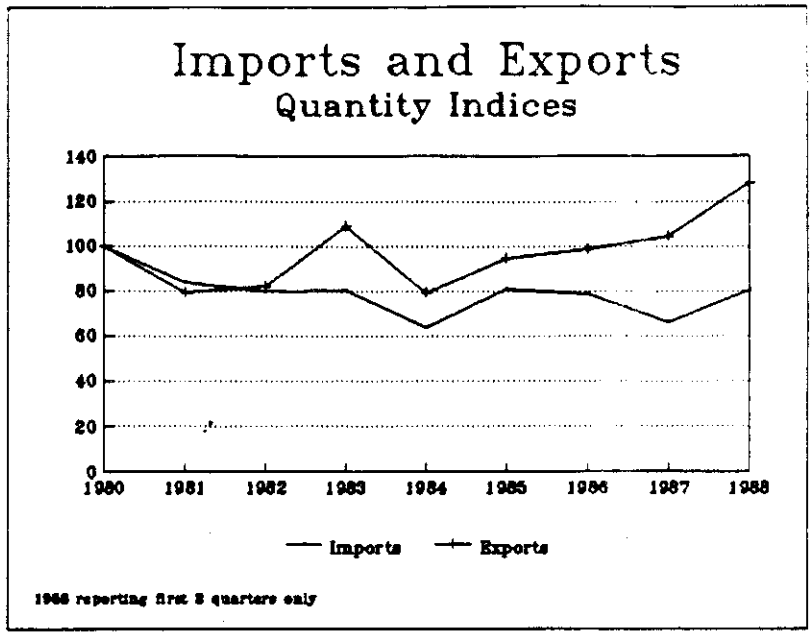
EP Graph 7 : Nominal and Real GDP

EP Graph 8 : Real GDP Percapita

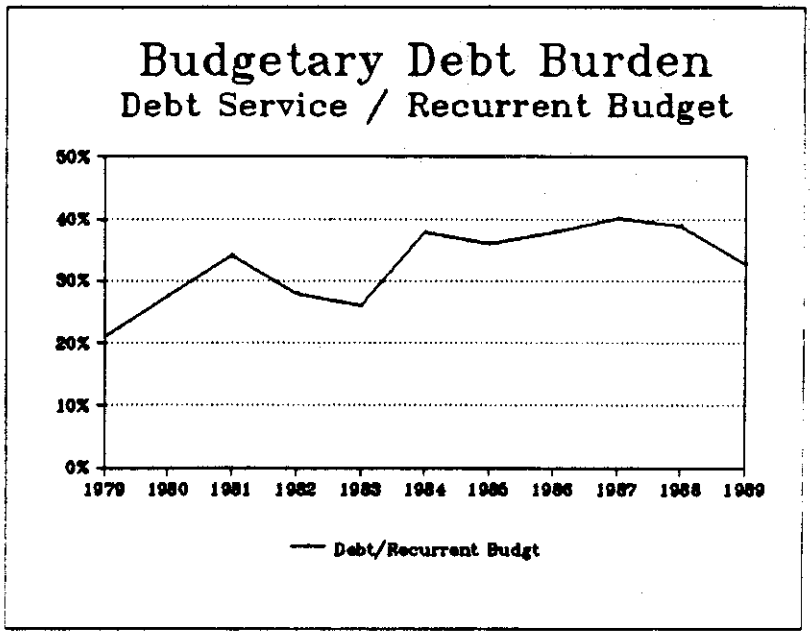
EP Graph 9 : Growth of Total Real GDP

EP END GRAPHS

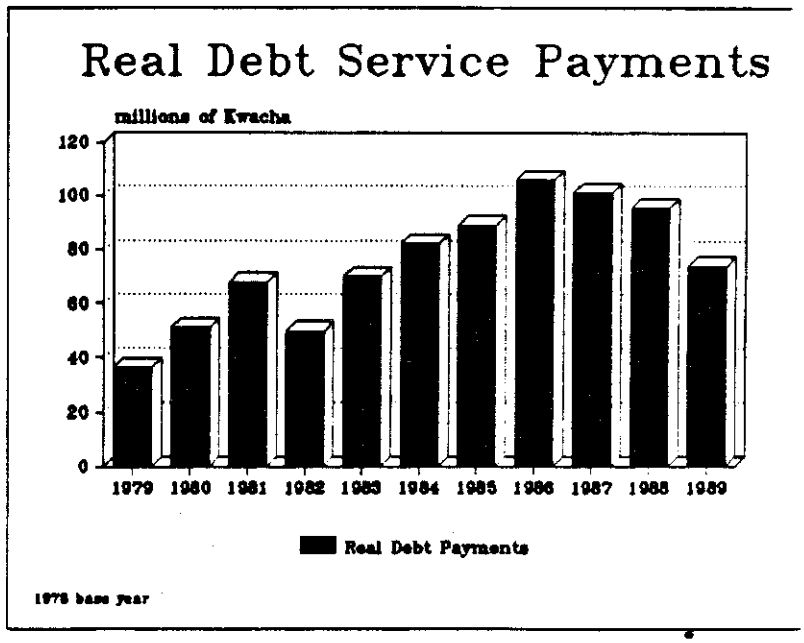
EP 1



EP 2

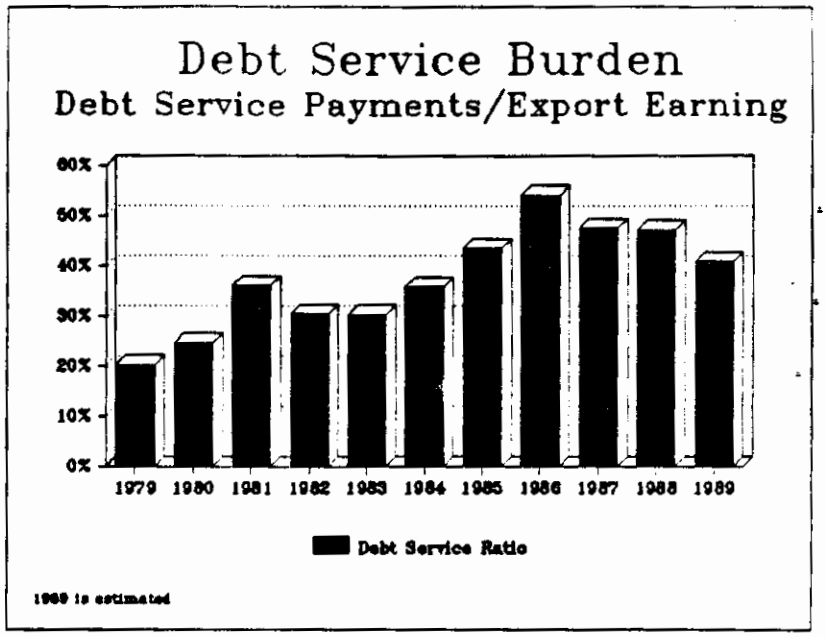


EP 3

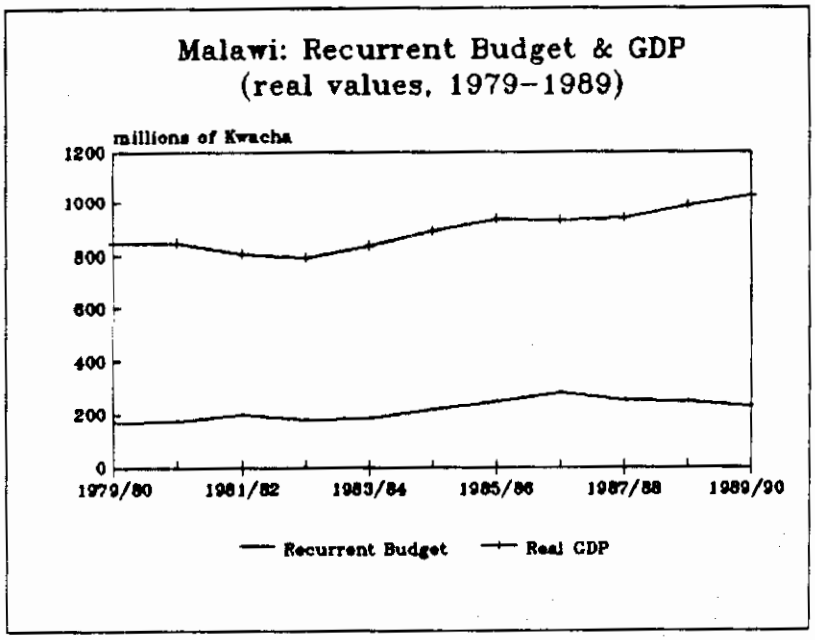


EP END GRAPHS

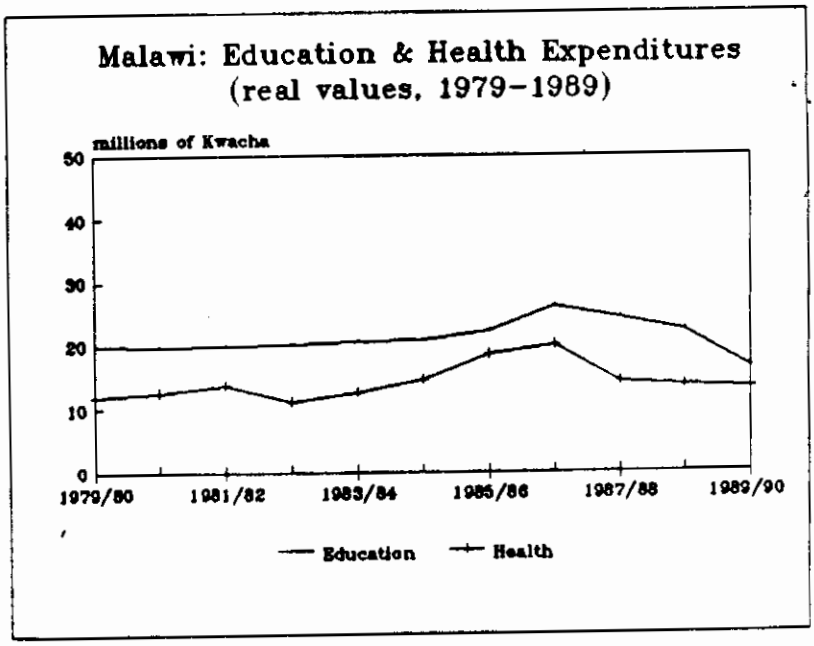
EP 4



EP 5

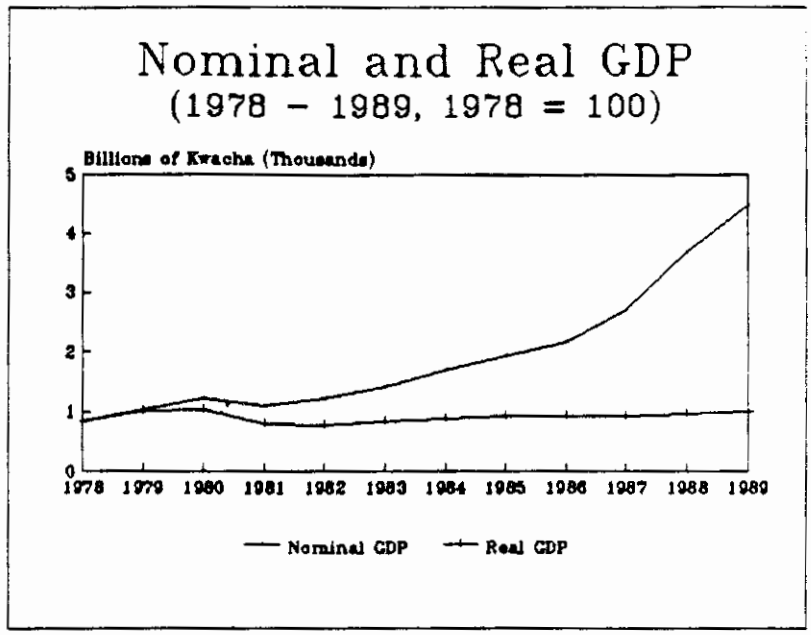


EP 6

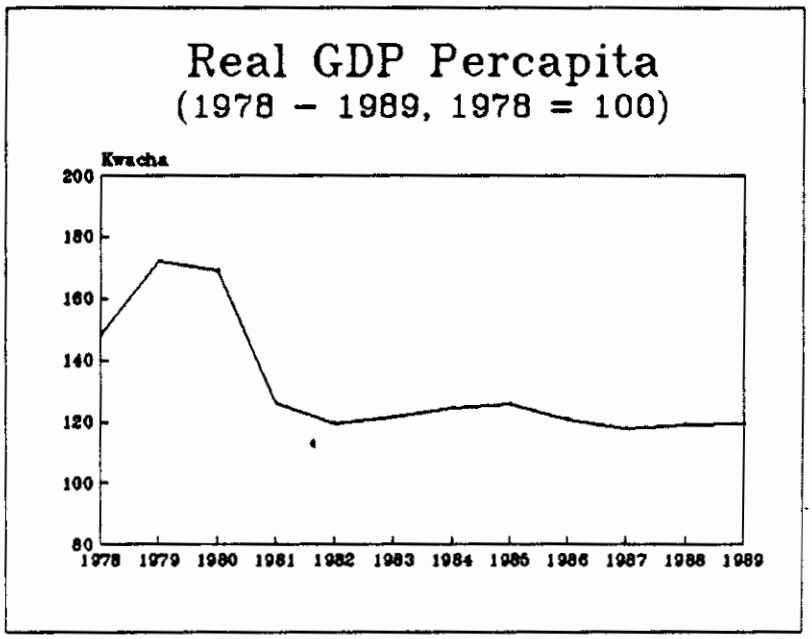


EP END GRAPHS

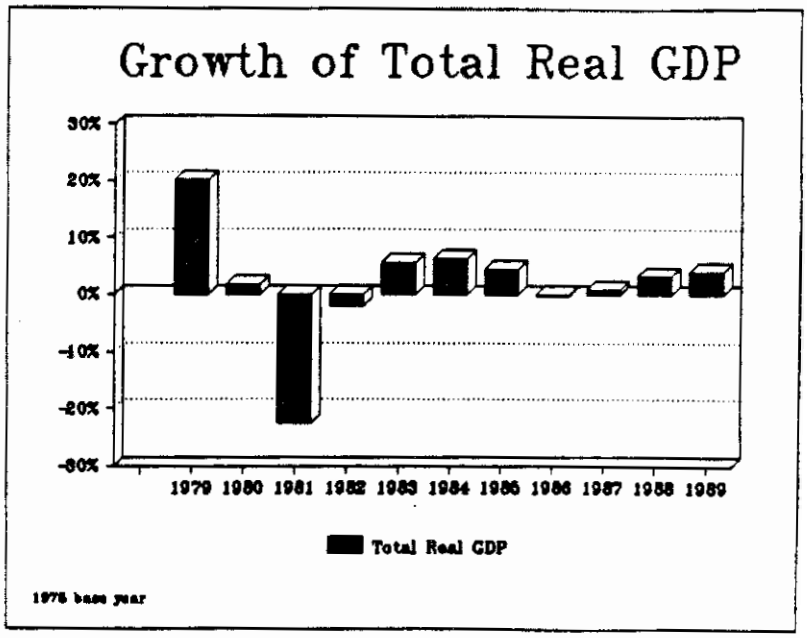
EP 7



EP 8



EP 9



ENDNOTE H2

Notes on the Sokal Report
"Estimation of AIDS Cases in Malawi 1985 to 1998"
dated September 1989

1. As of June 1988, there were 2586 laboratory-confirmed AIDS cases* reported by the Government of Malawi.

2. As of June 1989, there are expected to be 7000 laboratory-confirmed AIDS cases upon the completion of an MOH review of AIDS case records.

3. In 1989, 25-30% of adult inpatient admissions are estimated to be due to HIV-related illness.

4. In 1989, there are between 34,003 and 45,553 cases of AIDS in Malawi (14,075-19,089 cases among adults, and 19,928-26,464 cases among children under five).

5. In 1989, there are between 228,000(a) and 812,257(b) Malawian adults who are HIV-infected.

   (a) 19% (estimated HIV prevalence among adults in 1989) X 1,200,000 (estimated population 15-44 in 1987 according to the 1987 census) = 228,000.

   (b) 19% (estimated HIV prevalence among adults in 1989) X 4,275,037 (estimated adult population 15-64 in 1989) = 812,257.

6. By 1998, there may be between 581,236 and 1,004,528 cases of AIDS in Malawi (403,853-704,148 among adults, and 177,383-300,380 among children under five).

7. N.B. The MOH AIDS program believes Sokal's high estimates of projected AIDS cases (the "Worst" case) are underestimates. To calculate the worst case, Sokal used the assumption that 16% of adults in Malawi are HIV infected in 1989. The MOH believes that 19% of adults in Malawi are currently HIV infected.

---

* NOTE: "Laboratory-confirmed" means cases for which the MOH has a record which shows the case met 2 major and one minor WHO/GPA diagnostic criteria and for which lab tests were done. AIDS "cases" are to be read as tantamount to deaths. The MOH AIDS program is operating on the assumption that all people who are infected will ultimately die; that, on average, there will be 8 years between HIV infection and AIDS (approximately 90% of those infected will develop AIDS within 15 years); and two years between AIDS and death.

Previous Page Blank

POPULATION ENDNOTES

ENDNOTE P1

Malawi's population growth puts a tremendous strain on the country's economy, natural and financial resources, and provision of social services.

- Throughout the 1980's, the population growth rate has outpaced economic growth; the real per capita income of most Malawians has been falling.

- Almost 90% of the population derive their livelihood from agriculture. However, it is estimated that about 60% of farm families already have too little land to feed themselves adequately. The number of inhabitants per average square kilometer rose from 59 in 1977 to 85 just ten years later. Marginal lands are increasingly being brought under cultivation and fallow periods are being shortened. As population increases, the size of landholdings and soil fertility will continue to decline dangerously.

- Wood -- the principal energy source for 90% of the population and a critical element in the curing of Malawi's primary export, tobacco -- is being rapidly depleted; 150,000 hectares of forest are being cut each year and the 3.5% annual deforestation rate is the second highest in Africa.

- The labor force is currently expanding 2.6% annually, but the nascent, formal, private sector cannot grow fast enough over the next couple decades to absorb the swelling population and increasingly landless labor force.

- The GOM is already unable to keep up with the educational needs of its growing populace. Today, only about one fifth of the primary school graduates who qualify for secondary education are able to continue; there simply are not enough teachers or facilities to meet current population requirements. Pupil to teacher ratios have increased dramatically (from 41:1 to 67:1 between 1970 and 1987) and per capita expenditures on education have declined in recent years. Without any qualitative improvement in the education system, Government support would almost have to triple by the year 2000 in order to enroll all school age children. Limited government budgets and low household incomes cannot hope to meet the huge increase in need for basic education generated by the fast growing, young population in the years to come.

- Similarly, an already weak health care system will have difficulty keeping pace with population growth. Per capita expenditures on health care, currently less than $2, are expected to decline further, and to simply maintain the present configuration of health workers, which is among the leanest in the world, will require a 29% increase in health manpower by 1995.

- Urbanization is still relatively low (13%) but is growing rapidly (7.4% increase per year).

Previous Page Blank

ENDNOTE P2

Actions undertaken by the GOM the past two years which effect population policy and strategy.

- creation of a Population Planning Unit in the Department of Economic Planning and Development/Office of the President and Cabinet, charged with analyzing and integrating population issues into the planning and policy development process;

- establishment of a demographic unit within the University of Malawi to strengthen data collection and analysis;

- the Malawi Congress Party's endorsement of the national child spacing program at its annual convention (September 1987);

- convening of a "National Seminar on Population and Development in Malawi" (June 1989);

- Government's decision to incorporate population education into the public schools' curriculum (July 1989);

- GOM approval for the establishment of a non-governmental, national family welfare association (July 1989);

- Government's request to USAID for assistance to launch a national, private sector, contraceptive social marketing campaign (July 1989);

- GOM's concurrence to a private sector (PHAM) project to improve the quality and expand the availability of voluntary surgical contraception (September 1989);

- the national women's organization, CCAM, endorsement of the child spacing program and request for expansion of services at its recent national seminar (September 1989); and

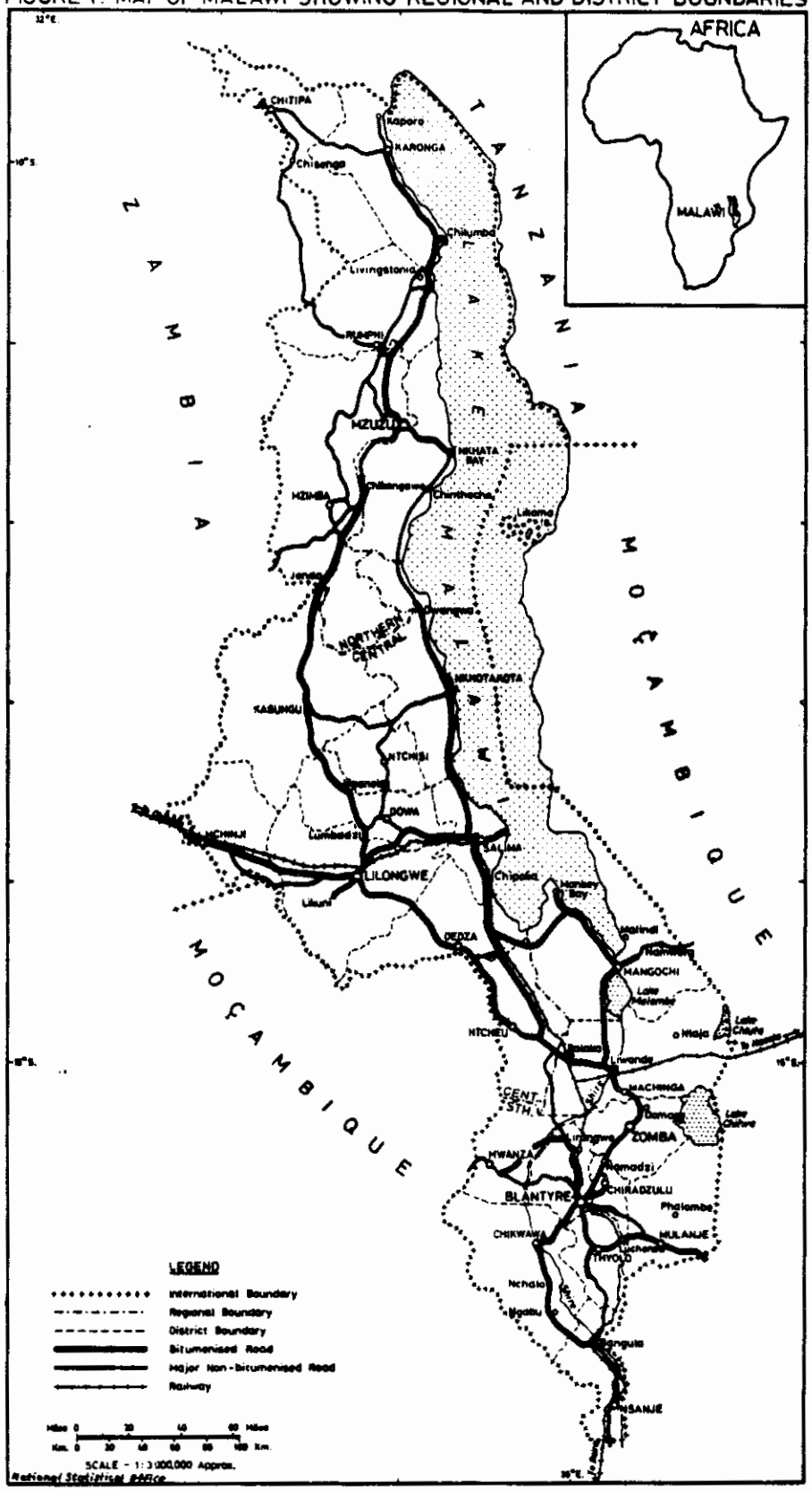
- use of the RAPID technology at a workshop for all Principal Secretaries to raise awareness of population and development linkages (October 1989).

Previous Page Blank

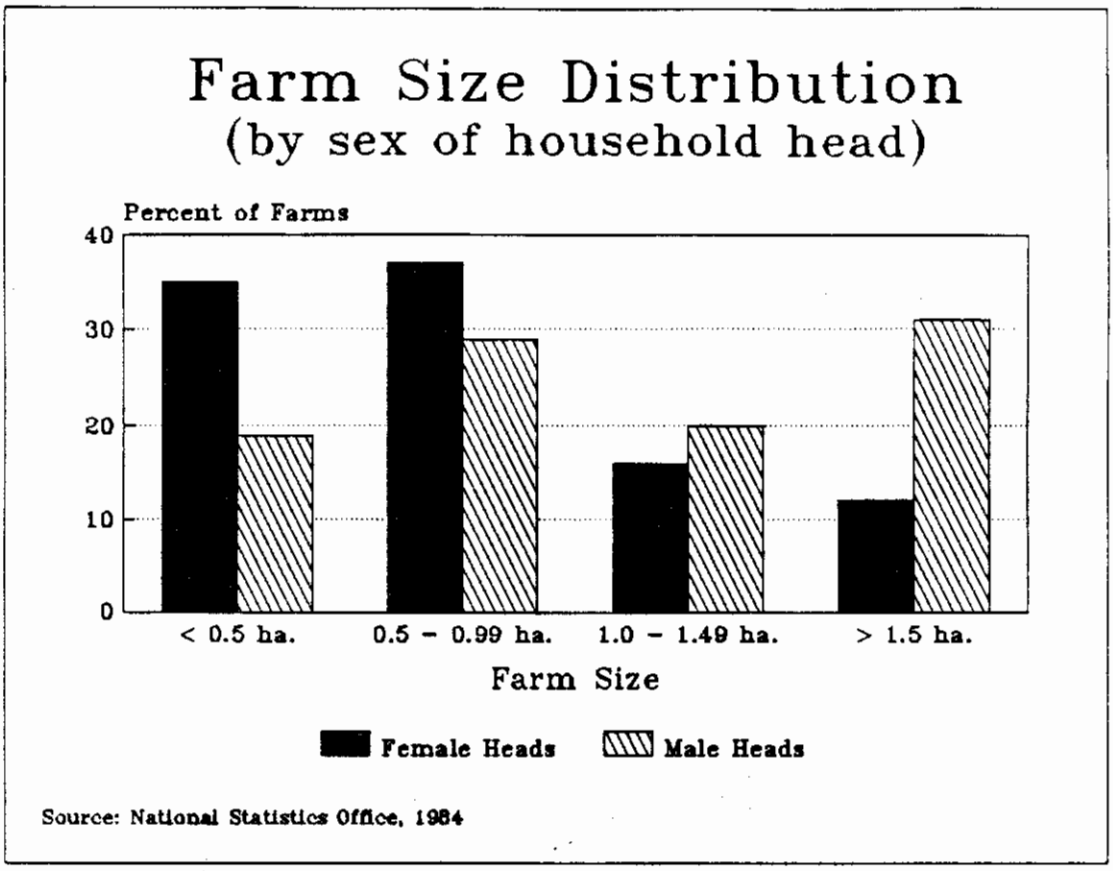
FIGURES, GRAPHS AND TABLES

(INCL. MAPS)

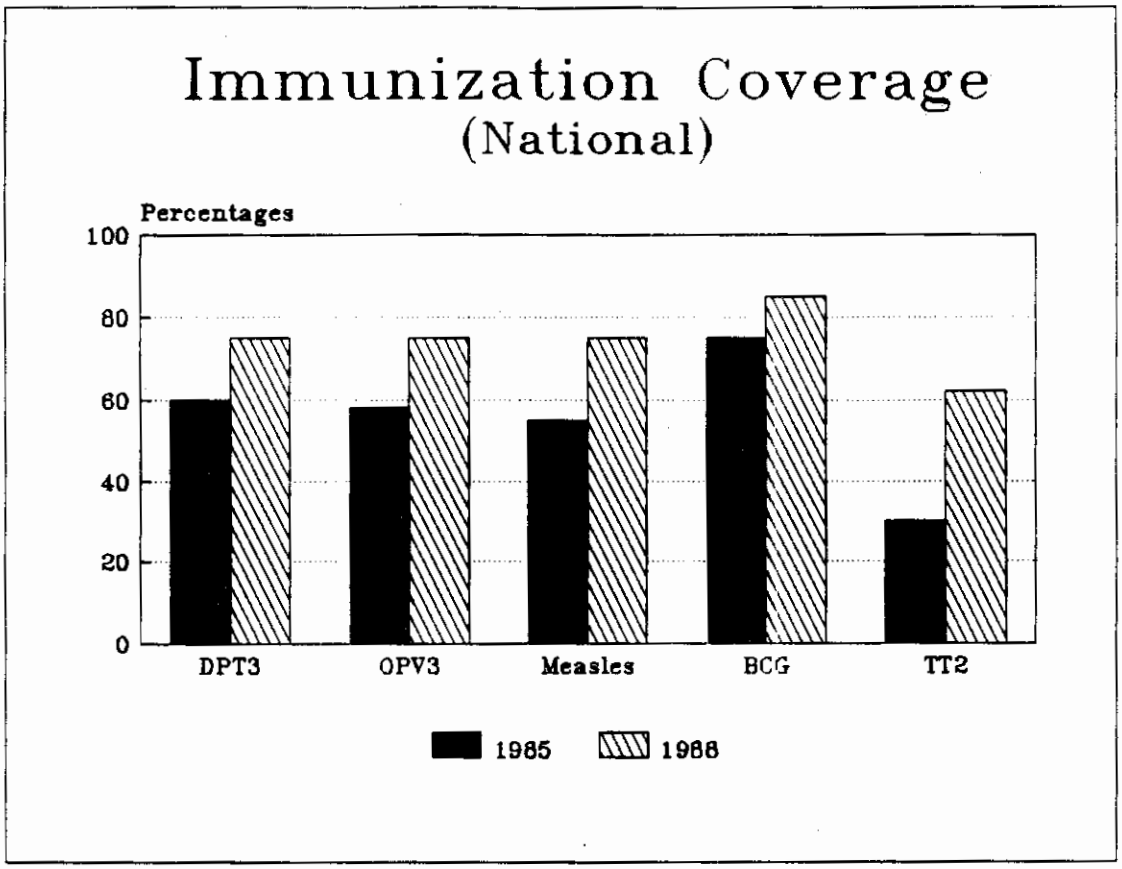
FIGURE 1: MAP OF MALAWI SHOWING REGIONAL AND DISTRICT BOUNDARIES



Graph F5


Farm Size Distribution
(by sex of household head)
Percent of Farms
40
30
20
10
0
< 0.5 ha.
0.5 - 0.99 ha.
1.0 - 1.49 ha.
> 1.5 ha.
Farm Size
Female Heads
Male Heads
Source: National Statistics Office, 1984

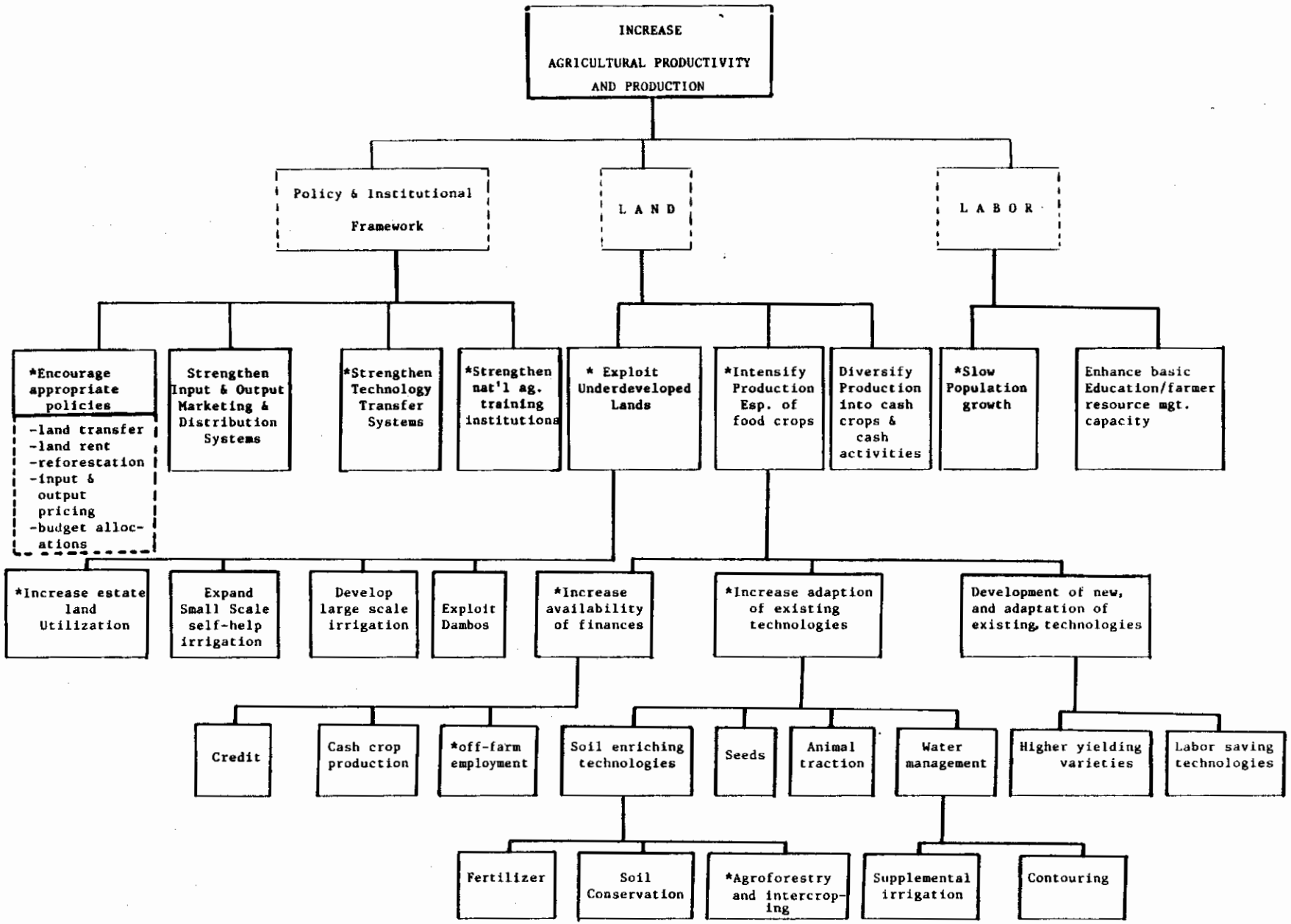
Graph H2


Immunization Coverage
(National)
Percentages
100
80
60
40
20
0
DPT3
OPV3
Measles
BCG
TT2
1985
1986

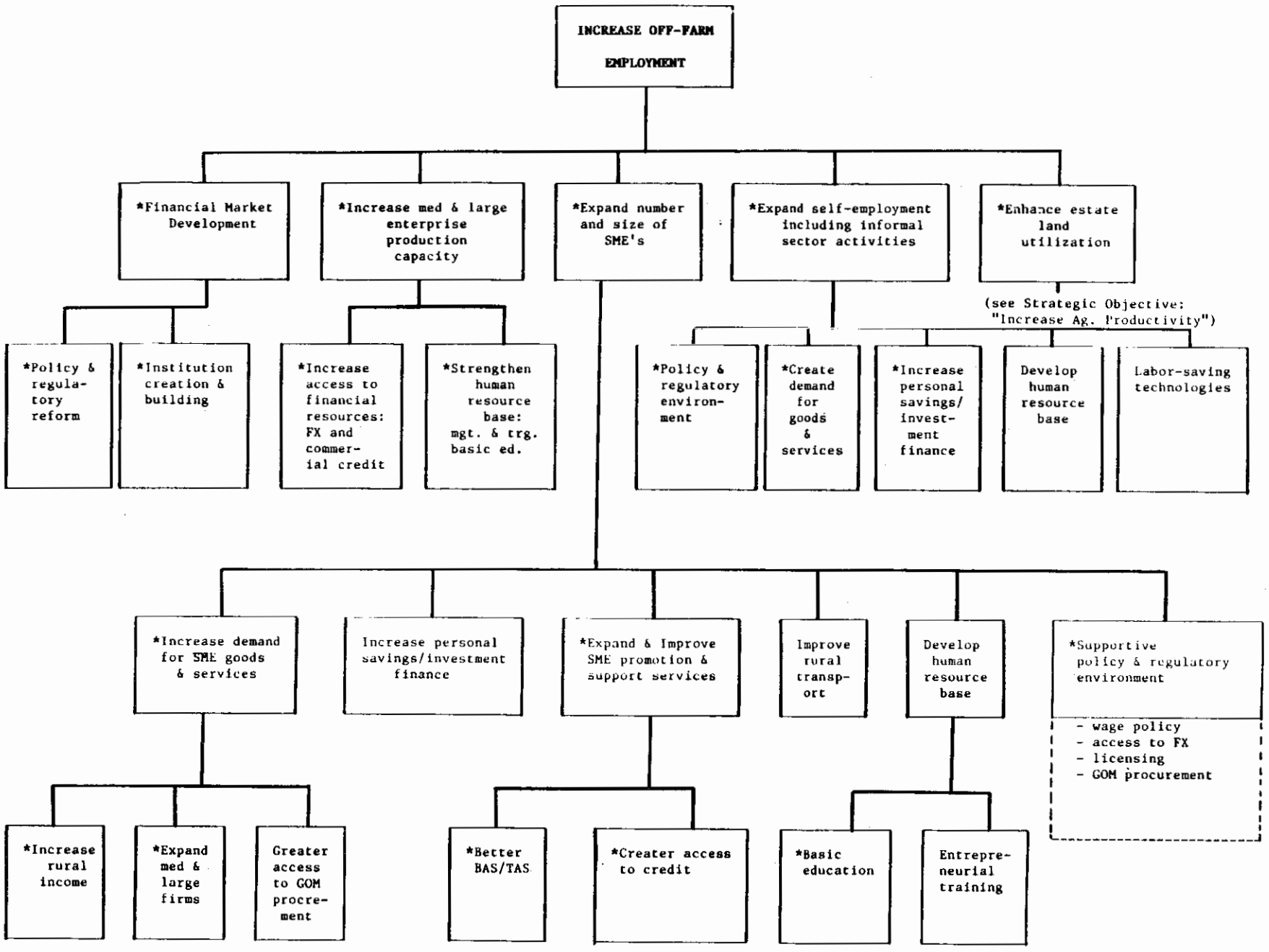
ANNEX 1

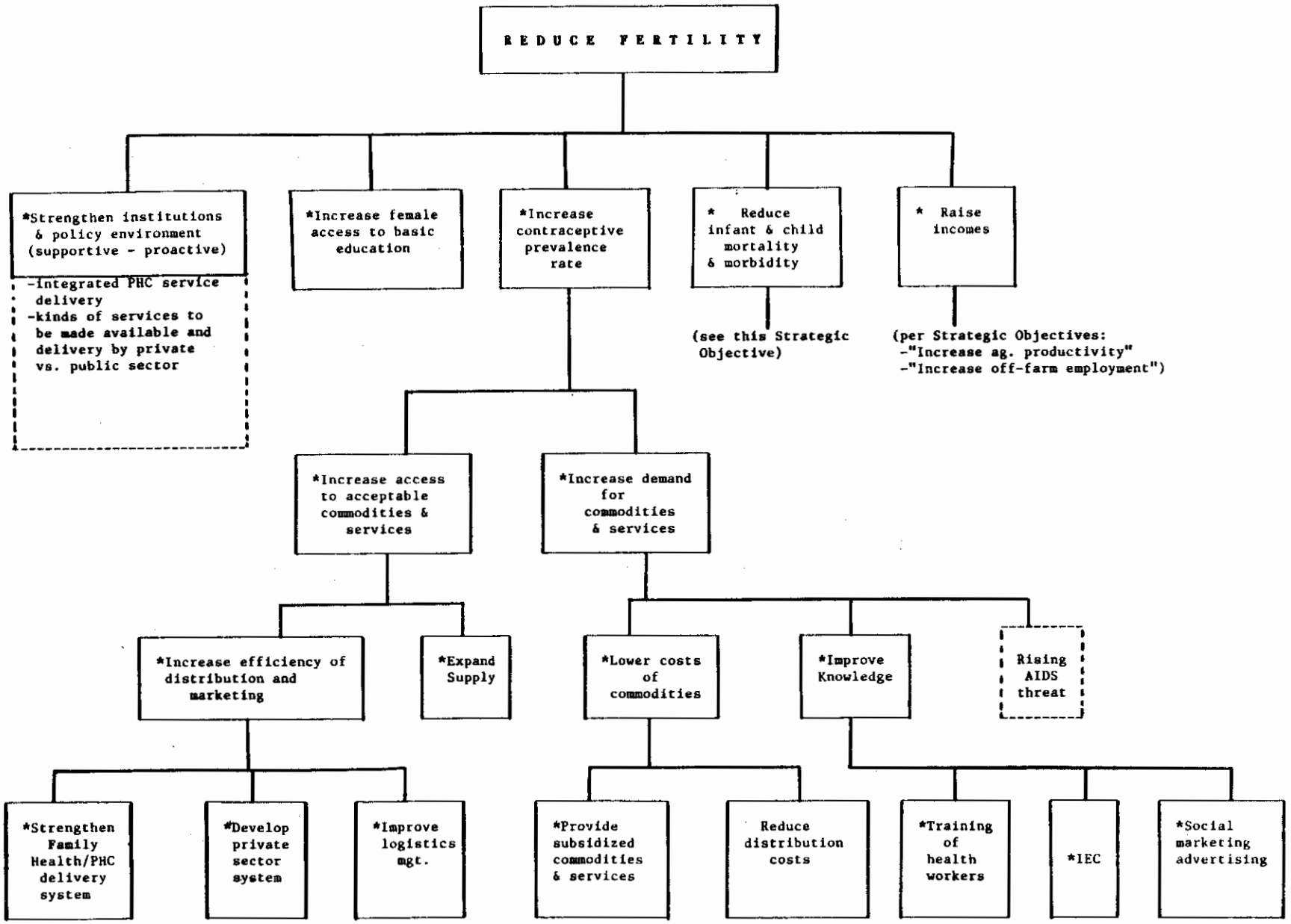
STRATEGIC OBJECTIVES

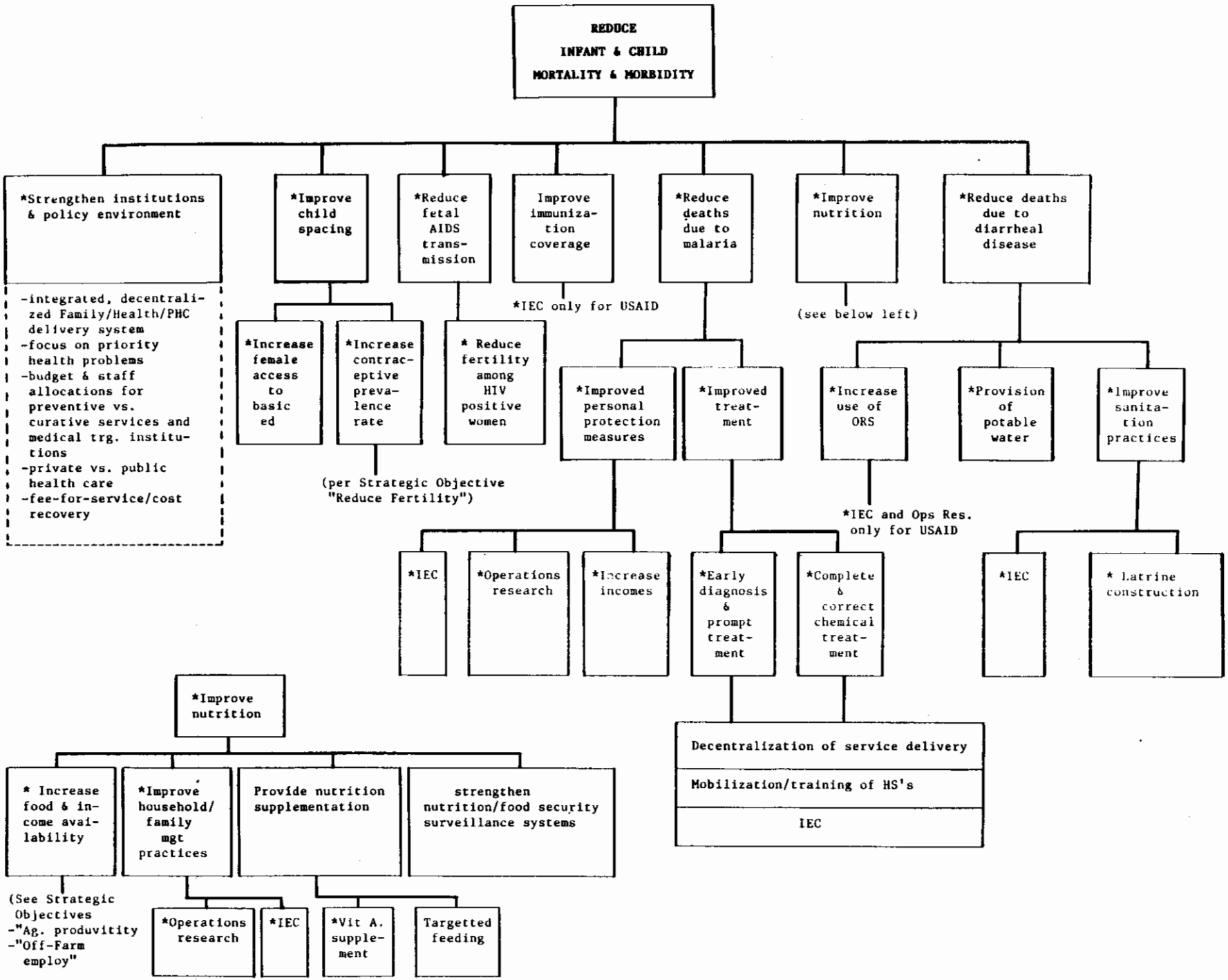
' DECISION TRESS'

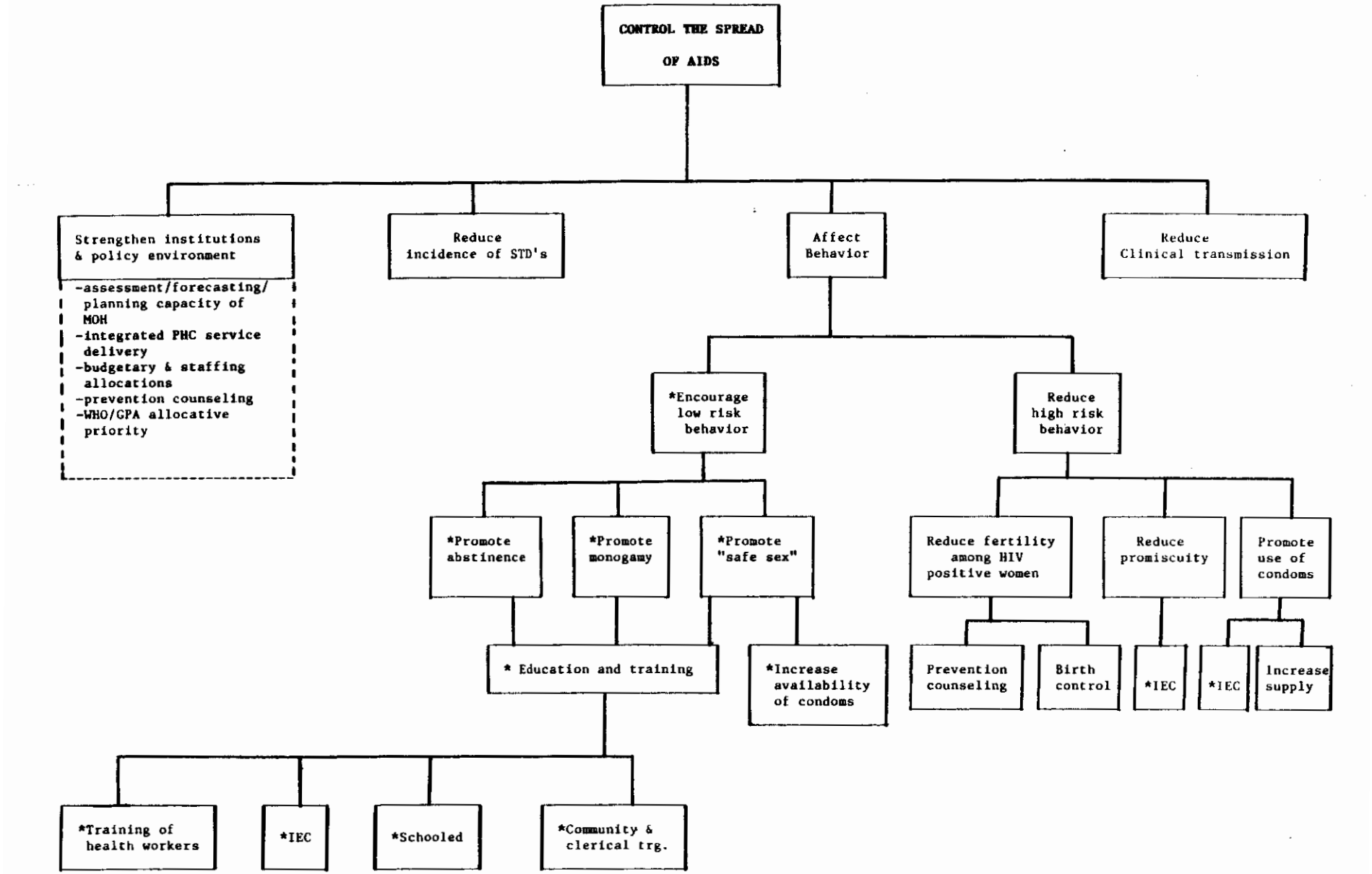


Previous Page Blank


INCREASE OFF-FARM EMPLOYMENT
*Financial Market Development
*Increase med & large enterprise production capacity
*Expand number and size of SME's
*Expand self-employment including informal sector activities
*Enhance estate land utilization
(see Strategic Objective: "Increase Ag. Productivity")
*Policy & regula-tory reform
*Institution creation & building
*Increase access to financial resources: FX and commer-ial credit
*Strengthen human resource base: mgt. & trg. basic ed.
*Policy & regulatory environ-ment
*Create demand for goods & services
*Increase personal savings/ invest-ment finance
Develop human resource base
Labor-saving technologies
*Increase demand for SME goods & services
Increase personal savings/investment finance
*Expand & Improve SME promotion & support services
Improve rural transp-ort
Develop human resource base
*Supportive policy & regulatory environment
- wage policy
- access to FX
- licensing
- GOM procurement
*Increase rural income
*Expand med & large firms
Greater access to GOM procre-ment
*Better BAS/TAS
*Creater access to credit
*Basic education
Entrepre-neurial training


REDUCE FERTILITY
*Strengthen institutions & policy environment (supportive - proactive)
-Integrated PHC service delivery
-kinds of services to be made available and delivery by private vs. public sector
*Increase female access to basic education
*Increase contraceptive prevalence rate
* Reduce infant & child mortality & morbidity
(see this Strategic Objective)
* Raise incomes
(per Strategic Objectives:
-"Increase ag. productivity"
-"Increase off-farm employment")
*Increase access to acceptable commodities & services
*Increase demand for commodities & services
*Increase efficiency of distribution and marketing
*Expand Supply
*Lower costs of commodities
*Improve Knowledge
Rising AIDS threat
*Strengthen Family Health/PHC delivery system
*Develop private sector system
*Improve logistics mgt.
*Provide subsidized commodities & services
Reduce distribution costs
*Training of health workers
*IEC
*Social marketing advertising


REDUCE INFANT & CHILD MORTALITY & MORBIDITY
*Strengthen institutions & policy environment
-integrated, decentralized Family/Health/PHC delivery system
-focus on priority health problems
-budget & staff allocations for preventive vs. curative services and medical trg. institutions
-private vs. public health care
-fee-for-service/cost recovery
*Improve child spacing
*Increase female access to basic ed
*Increase contraceptive prevalence rate
(per Strategic Objective "Reduce Fertility")
*Reduce fetal AIDS transmission
* Reduce fertility among HIV positive women
Improve immunization coverage
*IEC only for USAID
*Reduce deaths due to malaria
*Improved personal protection measures
*IEC
*Operations research
*Increase incomes
*Improved treatment
*Early diagnosis & prompt treatment
*Complete & correct chemical treatment
Decentralization of service delivery
Mobilization/training of HS's
IEC
*Improve nutrition
(see below left)
*Increase use of ORS
*IEC and Ops Res. only for USAID
*Provision of potable water
*Reduce deaths due to diarrheal disease
*Improve sanitation practices
*IEC
* Latrine construction
*Improve nutrition
* Increase food & income availability
(See Strategic Objectives
-"Ag. produvitity
-"Off-Farm employ"
*Improve household/ family mgt practices
*Operations research
*IEC
Provide nutrition supplementation
*Vit A. supplement
Targetted feeding
strengthen nutrition/food security surveillance systems


CONTROL THE SPREAD OF AIDS
Strengthen institutions & policy environment
-assessment/forecasting/ planning capacity of MOH
-integrated PHC service delivery
-budgetary & staffing allocations
-prevention counseling
-WHO/GPA allocative priority
Reduce incidence of STD's
Affect Behavior
Reduce Clinical transmission
*Encourage low risk behavior
Reduce high risk behavior
*Promote abstinence
*Promote monogamy
*Promote "safe sex"
Reduce fertility among HIV positive women
Reduce promiscuity
Promote use of condoms
* Education and training
*Increase availability of condoms
Prevention counseling
Birth control
*IEC
*IEC
Increase supply
*Training of health workers
*IEC
*Schooled
*Community & clerical trg.

WOMEN IN DEVELOPMENT ACTION PLAN

I. WID Strategy

The objectives of the WID strategy for the USAID/Malawi program are to: 1) increase off-farm employment opportunities for women; 2) increase women's agricultural productivity; and, 3) slow population growth and improve maternal health by reducing fertility.

This strategy is based on several studies conducted for the Mission's CDSS which looked at gender considerations in Malawi's agricultural and SME sectors. The main WID study, an analysis of constraints women face in the agricultural and SME sectors, concluded that the major obstacles women farmers face are small land plots, limited access to credit, inappropriate technologies, excessive labor requirements, insufficient education or training, and agricultural policy constraints (especially pricing and wage policies). The major constraints which limit women's participation in higher return small and micro enterprise activities are low rural incomes and purchasing power, limited access to capital, technologies and labor time, inadequate access to transportation, insufficient market knowledge, and lack of basic literacy and numeracy.

This constraint analysis made it clear that to improve the conditions of a population precariously dependent on small farms for income and food security, it is necessary to implement a two pronged WID strategy which will enhance off-farm employment opportunities for women, as well as increase women's agricultural productivity. In addition, given that the average Malawian women gives birth to 7.6 children and maternal mortality is 250 per 100,000 live births, reduced fertility must be a major objective of the Malawi WID Strategy. In order to ensure that newly employed female off-farm workers and women farmers actually become productive, it is necessary to improve their health status and to slow population growth by reducing their fertility.

Previous Page Blank

II. Linkage Between Mission Portfolio and WID Objectives

As the previous section indicates, women face major constraints both on-farm and off-farm, and the Mission's WID strategy is designed to overcome these major constraints. Several of the projects/programs in our portfolio address these obstacles and are linked to our key WID objectives. (See Attachment I WID Action Plan Matrix and Annex 2 Project Desriptions).

The Mission's present portfolio of 15 bilateral projects includes one FY 90 new start, Services for Health, Agriculture, and Rural Enterprises (SHARE), a PVO umbrella project. In FY 91 the Mission will have two new starts, the Agricultural Sector Assistance Program and a Small Enterprise Transformation (SET) Project which will be a follow-on to the READI Project. Then, in FY 92, the Mission anticipates initiating a bilateral family planning project and a program to increase female access to basic education. Using the three key objectives outlined above, the Mission portfolio can be defined as follows.

Off-Farm Employment

In order to increase off-farm employment opportunities for women, USAID is helping to: (a) develop human resource capabilities; (b) expand women's self-employment opportunities; and (c) increase women's private sector employment opportunities.

a. Strengthening Human Resource Capabilities

Strengthening the female human resource base is important for a variety of reasons. First, the lack of basic education and literacy among rural women severely reduces their productivity and employment options. Secondly, development institutions are less supportive of women because of a general lack of qualified female professional staff. USAID is helping to develop this female human resource base via business

advisory services under the READI Project, through HRID Project training and institution-building, and through MARE Project overseas training and agricultural extension outreach to women. Future activities include support for a study of constraints affecting female access to basic education, with a follow-on FY92 new start, expansion and improvement of SME promotion and support services reaching women under the new SET Project, and development of the Sociology of WID program at Chancellor College through HRID funding.

In support of this human resource objective, the Mission will incrementally increase women's access to education and participant training. The target for female participation in short and long term training programs will be 45% by 1995. Planned interventions include continuation of AFGRAD and the HRID Women's Scholarship Program and buy-ins to HRDA. Additional information on participant training indicators is listed in Attachment 3.

b. Expanding Self-Employment Opportunities

Limited access to capital, appropriate technologies, and market knowledge are the major constraints to women's self-employment opportunities. USAID will assist with expansion of women's self-employment, including informal sector activities, through development or production of labor-saving technologies via NGO's under SHARE, and enhancement of personal savings/ investment finance for women through READI and SET. In addition, personal savings/investment could be increased via SHARE funding and MED local currency programming to the Malawi Mudzi Fund, Women's World Banking, or other intermediaries. Policy dialogue concerning low wage policies, import duties, foreign exchange access and post office savings policies will also help to expand opportunities for women.

c. Increasing Private Sector Employment Opportunities

Insufficient education or training and limited access to capital, transport, and appropriate technology are the major obstacles preventing women from taking advantage of private sector employment opportunities. The Mission hopes to improve women's private sector employment opportunities by expanding the number and size of SME's through READI and SET project funding as well as MED local currencies, by facilitating the entry of HRID Women's Scholarship graduates into the labor force, and by strengthening the female human resource base. Activities will include expanding SME promotion and support services for women (READI, SET); increasing women's access to capital (READI, SET, MED); providing incentives for core SME institutions to hire women as program and field staff and to include women on their Boards of Directors (SET); and creating a Registrar of Women's Studies position at the University of Malawi to promote the hiring of women graduates and to provide career counseling to scholarship recipients (HRID)

Agricultural Productivity

The major constraints to increased agricultural productivity are insufficient education or training, excessive labor requirements, small land plots and limited access to capital and appropriate technology. USAID will help to redress this by (a) intensification of women's production (especially food crops), and (b) exploitation of underdeveloped lands. In addition, the Mission will develop the female human resource base through agricultural training under MARE and HRID and will create a supportive policy environment via dialogue on low wage policies and the need for agronomic research on women's crops.

a. Intensification

The program will help to increase women's adoption of existing technologies and to utilize and/or develop new technologies for women. Under the MARE project, the technology transfer system is being

strengthened to increase women's involvement in both extension and adaptive research. Drought resistant varieties of maize and beans have been developed under MARE, and in the future the Mission plans to provide support for research, testing or production of labor-saving technologies of benefit to women through SHARE funds. In addition, women's access to agricultural credit will be increased through Agricultural Sector Assistance Program local currency generation or SHARE funding.

(b) Exploitation of Underdeveloped Lands

Policy reforms under the Agricultural Sector Assistance Program should lead to fuller utilization of estate lands, thereby generating more employment opportunities for women. Also, the SHARE Project could finance experimentation with dimba garden crops and cultivation techniques on women's farms.

Reducing Fertility

The major constraints to reducing fertility rates are (a) low educational attainment of women, (b) limited knowledge of and access to technologies, and (c) lack of a proactive population policy. In order to reduce fertility, the Mission is training all PHC workers in family planning through the HID project, providing contraceptives through S&T/POP and FHI buy-in funding, and teaching Malawian women about family planning via health education under the PHICS project and social marketing information from SOMARC. Future support to reduce fertility would include SHARE assistance to the Malawi Family Welfare Association for design and implementation of a Child Spacing/Family Planning program appropriate to Malawian women. In addition, the new FY 92 bilateral family planning project will focus on policy and institutional constraints and issues such as information and service delivery.

In conclusion, increased off-farm employment opportunities, increased agricultural productivity and reduced fertility are the three WID objectives which will continue to guide and form the basis of USAID's WID assistance to Malawi over the years ahead. For more specific information concerning the linkages between the Mission's portfolio and our WID objectives, see Attachment 2.

III. Management of USAID/Malawi WID Strategy

A major management objective of our WID strategy is the integration of gender considerations into all new project and program designs. The Mission will consider the legislative emphasis on proportional involvement of women in A.I.D. activities during design and will attempt to meet these proportional targets for new start activities. The SHARE and SET design teams in FY 90 will include at least one member who has participated in a PPC/WID gender considerations workshop, and a monitoring and evaluation system to provide gender-specific data will be designed for each new start.

Another management objective is to incorporate gender issues into the design of on-going or planned USAID and GOM research and survey efforts. This will be done through dialogue and training for USAID project implementors, GOM policy makers, reseachers, and donors on the importance of incorporating gender considerations into research efforts.

The third management objective is to improve Mission collection and analysis of on-going project/program gender-related data. Interventions designed to meet this objective include: 1) issuance of a Mission Order instructing USAID offices to collect and report on project gender disaggregated data whereever possible; 2) sensitizing USAID staff to WID objectives through AID/W training as appropriate; 3) providing in-country

USAID staff training on how project officers can increase women's involvement in project activities and how they can better monitor women's participation in AID-financed activities; and, 4) monitoring WID performance under all projects through mid-term and final evaluations and making necessary adjustments as required.

Management progress to date includes the training of 4 USDH and 2 FSN's through PPC/WID sponsored gender consideration workshops. The Mission's participants (2 FSNs and 1 USDH) in the recent Botswana WID workshop formed a Mission Gender Considerations Working Group in September 1989. Their first major task was to prepare this WID Action Plan. In addition to chairing the Working Group, the current Mission WID Coordinator has attended and will continue to attend UNDP sponsored WID/NGO working group meetings. The major purpose of these meetings has been to discuss women's on-farm and off-farm issues with other donors. The coordinator is currently liaising with REDSO/ESA and the Embassy on two future activities -- a regional legal project focused on women, and funding for Ministry of Community Services women's projects through the Ambassador's Self-Help Fund.

IV. Mission Monitoring of Performance under the WID Action Plan

The new Mission Gender Considerations Working Group is responsible for monitoring performance under the WID Action Plan. Most importantly, they will use the Attachment 1 Action Plan Matrix to monitor progress in achieving WID objectives and targets. This will be done primarily through the regular PIR process and project evaluations. However, because there are few baseline data for most of the objectives, detailed monitoring and reporting will be difficult.

More within our control will be the various management steps we have proposed to take to improve our WID performance. These management objectives and benchmarks are detailed below:

Management Objectives	Benchmark
1) Integrate gender considerations into project/program design	a) Include at least one graduate of the PPC/WID gender-considerations workshop on each new start design team beginning with FY 90 new starts.
	b) Require targets for proportional involvement of women in new activities beginning with FY 90 new starts. If targets are lower than proportional involvement, explain why the higher targets cannot be met (e.g. what constraints women beneficiaries/participants face).
	c) Require that all new projects have a monitoring and evaluation system specifically designed to disaggregate gender information.
2) Incorporate gender issues into the design of ongoing or planned USAID and GOM research efforts.	a) Design FY 90 and onward USAID surveys and research effort to include gender-specific data and specific policy and institutional problems relevant to women's work.

Objective	Benchmark
	b) WID Working Group and project officers dialogue with AID project implementors, GOM policy makers, researchers and donors on the importance of incorporating gender considerations into research efforts starting in June 1990. If there is sufficient GOM interest, the Mission will sponsor a gender considerations workshop for GOM and USAID funded project implementors in 1991 or 1992.
3) Improve Mission collection and analysis of on-going project/ program gender-related data.	a) USAID Mission Order instructing Mission project officers to collect and report on gender disaggregated data wherever possible is issued by April/May 1990.
	b) Future USAID programming documents such as PIRs; ABS, and CP's attempt to include information disaggregated by gender.
	c) USAID staff are sensitized to WID objectives through AID/W training from 1990-1993.

Objective	Benchmark
	d) Staff training workshop on how project officers can increase women's involvement in project activities and how they can better monitor women's participation in AID-financed activities is conducted by December 1990.
	e) WID working group begins to evaluate progress on WID benchmarks starting in December 1990 with follow-up assessments every 12 months.
	f) Starting in March/April 1990, WID working group begins to monitor WID performance of all projects with 2-3 years of implementation left via mid-term and final evaluations and recommends project modifications. Also, effective immediately, the WID Coordinator will clear on all evaluation scopes of work to ensure that gender concerns will be adequately addressed.

ATTACHMENT 1 WID ACTION PLAN MATRIX

CONSTRAINTS	TARGETS/SUBTARGETS	INTERVENTIONS (denotes planned activity)	PROJECTS/PROGRAMS
OBJECTIVE A: INCREASE OFF-FARM EMPLOYMENT OPPORTUNITIES FOR WOMEN			
1. Insufficient education or training Insufficient market knowledge Lack of basic literacy and numeracy.	1. Develop human resource base (entrepreneurial training and basic education for women).	- Increase the number of women trained in professional, technical and managerial areas.	- HRID
		* Increase female access to basic education.	* FY92 new start
		- Increase female access to entrepreneurial and management training	- READI * SET - HRID
2. Insufficient education or training Lack of management experience.	2. Increase women's private sector employment opportunities.		
	a. strengthen female human resource base.	- Increase the number of women trained in professional, technical, and managerial areas.	- HRID
		* Provide incentives for core SME institutions to hire women as program and field staff.	* SET
		* Encourage core SME institutions to include women on their Board of Directors.	* SET
b. Insufficient education or training.	b. Facilitate entry of women's scholarship program graduates into the labor force.	* Dialogue with prospective employers. * Career counseling for female graduates.	* HRID
c. Limited access to capital. Limited access to appropriate technologies.	c. Expand the number and sizes of SME's (especially those hiring women).	* Target credit to small-scale operators for rural transport enterprises.	* MED local currency * SET

CONSTRAINTS	TARGETS/SUBTARGETS	INTERVENTIONS (denotes planned activity)	PROJECTS/PROGRAMS
Insufficient market knowledge. Transport constraints. Limited access to capital.		- Improve SME promotion and support services for women.	- READI * SET
		* Conduct research on and utilize findings of rural labor market research (including part-time and seasonal enterprises) and role of women as traders research in improving SME promotion and support to women.	- MED * SET
		* Increase personal savings/investment finance for women by:	
		i. providing support to NGO's for non-collateral based loans especially for working capital.	*MED local currency
		ii. Targeting loans to SME sectors with high participation rates for women.	- READI * SET * MED local currency
		iii. Increasing number of female MUSCCO members.	- READI * SET
		iv. Reforming policies of post office savings schemes.	* MED
3. Limited access to technologies. Excessive labor requirements. Policy constraints. Insufficient market knowledge	3. Expand women's self-employment (including informal sector) activities.		
	a. Labor-saving technologies.	* Reduce import duties for production of labor-saving devices.	* MED
		* Policy dialogue to obtain tax holidays and other incentives to promote investment in SME's which produce labor-saving devices.	* SET * MED
		- Provision of potable water.	- PHICS
		* Expand availability and research on labor-saving devices.	* SHARE

CONSTRAINTS	TARGETS/SUBTARGETS	INTERVENTIONS (denotes planned activity)	PROJECTS/PROGRAMS
b. Policy constraints.	b. Policy and Regulatory environment.	* Policy dialogue to promote reform concerning: i. low wage policies ii. access to foreign exchange iii. import duties iv. Post office savings policy	* MED
c. Insufficient education/ training. Lack of basic literacy and numeracy. Insufficient market knowledge.	c. Develop human resource base.	See 1 a above.	
d. Limited access to capital.	d. Increase personal savings/ investment finance for women.	See 2 c above.	
4. Rapid population growth.	4. Slow population growth by reducing fertility.	See Objective C: reducing fertility.	
OBJECTIVE B: INCREASE WOMEN'S AGRICULTURAL PRODUCTIVITY			
1. Insufficient education/training. Lack of basic literacy/numeracy.	1. Develop human resource base (agricultural training and basic education for women).	- Increase the number of women trained in professional, technical and managerial areas. * Increase female access to basic education. * Increase female access to and participation in agricultural extension training.	- HRID * FY92 new start - MARE

CONSTRAINTS	TARGETS/SUBTARGETS	INTERVENTIONS (denotes planned activity)	PROJECTS/PROGRAMS
2. Policy constraints.	2. Supportive policy and regulatory environment.	* Policy dialogue to promote reform concerning: i. low wage policies. ii. importance of women farmers to the achievement of household food security. iii. agronomic research and development of new extension messages for women's crops.	*Ag. Sector Policy Reform
3. Limited access to capital. Limited access to appropriate technologies. Excessive labor requirements. Insufficient education/ training.	Intensify women's production (especially food crops).		
	a. Increase women's adoption of existing technologies.	* Increase women's access to small packages of agricultural credit. * Increase women's access to soil enriching technologies (e.g. fertilizer). - Increase female access to seeds. - Strengthen technology transfer system to increase women's participation in both extension and adaptive research.	* Ag. Sector Policy LC * SHARE pilot project - MARE * SHARE - MARE - MARE
b. Limited access to appropriate technologies. Excessive labor requirements.	b. Utilize and/or develop new technologies for women.	- Higher yielding varieties: i. policy dialogue with GOM concerning problems women farmers have experienced with hybrids. ii. development of drought resistant maize and beans. - Provision of potable water. * Improve crop storage technologies and and demonstrate them on women's farms. * Research and test of labor-saving technologies (e.g. food processing and energy-saving devices).	- MARE - MARE - PHICS * SHARE * SHARE

CONSTRAINTS	TARGETS/SUBTARGETS	INTERVENTIONS (denotes planned activity)	PROJECTS/PROGRAMS
4. Small land plots.	4. Exploit underdeveloped lands.	* Experiment with dimba garden crops and cultivation techniques on women's farms.	* SHARE
5. Rapid population growth.	5. Slow population growth by reducing fertility.	See Objective C.: reducing fertility.	
OBJECTIVE C: SLOW POPULATION GROWTH AND IMPROVE MATERNAL HEALTH BY REDUCING FERTILITY			
Low purchashing power. High population growth. Lack of basic education and literacy. Policy constraints. Limited access to technologies. Insufficient education or training. Poor maternal health.	1. Increase rural incomes.	See objectives A and B.	
	2. Increase female access to basic education.	* Female access to basic education project.	* FY92 new start
	3. Increase contraceptive prevalence rate.	a. Increase access to acceptable contraceptives by: i. improving distribution and marketing system via IEC and health worker training. ii. expanding supply of contraceptives and improving logistics management.	* FHI buy-in - PHICS - HID - FPIA - AVSC * SOMARC

CONSTRAINTS	TARGETS/SUBTARGETS	INTERVENTIONS (denotes planned activity)	PROJECTS/PROGRAMS
b. Insufficient education or training.		b. Increase demand for contraceptive commodities and services by: i. increasing knowledge about contraceptives via IEC, social marketing and health worker training. ii. affordable pricing of contraceptives.	- PHICS * SOMARC - HID
4. Policy constraints.	4. Strengthen institutional and policy environment.	a. Policy dialogue on integrated PHC service delivery of contraceptives and what kinds of services will be available by private vs. public sector.	* FY92 population project
		b. Support to conduct demographic health survey.	* FY92 population project
		c. Support to Family Welfare Association to design and implement child spacing programs appropriate to Malawian women.	* SHARE
5. Poor child survival rates.	5. Reduce child and infant mortality and morbidity.	Target to be addressed by child survival portion of Mission's health portfolio.	- PHICS - HID - SCF/ADRA Vitamin A - IEF/SCF Child Survival

ATTACHMENT 2

Description of Malawi WID Activities

A. 612-0211 - Health Institutions Development (HID)

This project is directed at strengthening health manpower in Malawi through retraining of Ministry of Health staff on the Primary Health Care (PHC) approach and child spacing. Since 1984, a total of 74 enrolled community health nurses (ECHN) have been trained, all of them women. In addition, five female ECHN tutors have been trained at the degree level. A total of 884 maternal and child health (MCH) trainers, MCH tutors and MCH nurse-midwives have been trained, all of them women. In addition, 92 female nursing supervisors, 69 preceptors, and 52 nurse-midwives were trained and one female health educator and one female nutritionist received degree training. Overall, out of 2,414 health workers trained by the HID project, 1,299 have been female and 1,115 have been male. HID is scheduled to end in December of 1992.

B. 612-0214 - Rural Enterprise and Agribusiness Development Institutions (READI)

READI primarily provides institutional support to core Malawian small and medium-scale enterprise (SME) organizations. The purpose of this project is to strengthen, diversify and expand the economic activities of small and medium-size Malawian entrepreneurs, particularly those involved in agribusiness, rural employment-generating, import substituting, or foreign exchange-earning types of activities. In addition to institutional support, the project has provided funding for technical assistance and training through OPG's with Africare and CUNA/WOCCU and a buy-in with VOCA.

Although the READI design team intended to include women as project beneficiaries, gender considerations were not incorporated into the 1984 project paper. DEMATT, an indigenous business and technical advisory service (BAS/TAS) organization, launched a Woman's Program subproject sponsored by joint UNDP/USAID funding in July of 1989. The Women's Program is focusing on business development for women and will aim to: 1) increase Malawian businesswomen's awareness of the Women's Program and other services in the country which can help them increase their income and improve their managerial and business skills; and, 2) increase and adapt DEMATT's understanding of the target group by developing a gender-disaggregated information system.

Since READI began in 1985, DEMATT has trained an average of 600 entrepreneurs each year, of whom 10% have been women. These female entrepreneurs received BAS/TAS training from DEMATT and loans from SEDOM, an indigenous small enterprise credit institution.

The number of cooperative societies under MUSCCO increased from 73 in 1987 to 95 in mid-1989. Twenty percent of the members of these societies are women. As of August, 1989, MUSCCO had 95 active loans totalling approximately $202,700 (US). Approximately 10% of these loans supported women.

INDEFUND, the institution providing loans ranging from $10,000 to $75,000 for larger enterprises has provided very limited assistance to women. However, INDEFUND is now establishing a set-aside women's program which will include BAS/TAS as well as credit.

Plans are underway to incorporate many of the current READI activities under a follow-on SME project which will commence in FY 1991. The project design team will include gender considerations and benchmarks in the design documents for the new project.

C. 612-0215 - Malawi Agricultural Research and Extension (MARE)

During the design stage of the MARE project in 1985, it was determined that about 70% of the agricultural activities on the farm were performed by women in the smallholder agricultural sector. In recognition of this fact, the design of the MARE project targeted women farmers as project participants and beneficiaries.

As part of MARE, a Women's Section was created within the Ministry of Agriculture (MOA) to address issues of concern to women farmers. Since 1987, the Women's Section has had the following objectives.

1) To increase women's participation in extension and adaptive research services in order to optimize adoption and agricultural productivity;

2) To increase household incomes through income generating activities related to agriculture and agribusiness; and

3) To improve home and farm management skills and utilize available resources in order to improve family health and well-being.

As a result of the above policy objectives women in Malawi are participating in agricultural activities at various levels. It is now an accepted policy of the Department of Agriculture that 30% of the activities in the Department are reserved for women. This is a deliberate attempt to increase resources for women's agricultural activities. As a result, some Agricultural Development Divisions (ADD's) have increased farmers participation above 50%.

As a result of staff training for the Women's Section of the Department of Agriculture, the Section is being legitimized and institutionalized within the structure of the MOA. One women participant returned from the U.S. with a Master's degree and is now the counterpart to the Women's Training Advisor who is expected to leave in January 1990.

The training component of the MARE project did not delineate participation rates for women in percentage terms. However, it turned out that nine out of forty-nine participants (18%) on long-term training were women and seven (25%) out of twenty-eight participants on short-term off-shore training were women.

The MARE project planned to send nine out of 28 women staff for overseas short-term training. However, only seven women went abroad and are back in the Women's Sections of their divisions helping ADD's improve their assistance to women farmers. It is expected that over 200 Farm Home Assistants will be given extra training in agricultural skills so that they can better assist women farmers by the end of the MARE project in September 1992.

D. 612-0218 - Commercial Transport Project

The purpose of this project is to increase Malawi's international road transport capability and security through development of the Malawian international trucking industry. To date, few if any women have benefited directly from project activities. Technical assistance has been provided to the Ministry of Transport and Communications in the areas of transport planning, equipment procurement and vehicle registration and monitoring. Commodities procured include 24 fuel tank trailers. Training provided to date has focussed on international truck drivers. However, local currency generated by project activities may be used to support development of domestic transport, and it is in this area that women's issues could be addressed with respect to transport.

E. 612-0220 - Rural Development Linkages

This project, initiated in 1983, aims to reinforce horizontal and vertical linkages between rural communities and existing government services around rural growth centers. It also assists selected communities in the development of infrastructure and services necessary

to promote community health and sanitation, in improving the learning environment of primary school children, and in providing the population access to farm markets and commercial centers.

Women have been major beneficiaries of and participants in this project. Attendance in the functional literacy component (80 adult literacy classes) is predominantly women. Eighty homecraft groups have been established or strengthened and women members have received training in homecraft, gardening, and income generation.

Over twenty revolving seed funds have been established for small gardening which augments women farmer's income and family food supply. In addition, a women's groups have participated in micro-enterprise activities such as poultry raising, breadmaking, soapmaking and peanut shelling under this project. The project is expected to end in June of 1990.

F. 612-0231 - Promoting Health Interventions for Child Survival (PHICS)

The PHICS project was obligated on 30 June 1989. The project purpose is to increase the institutional capacity of the Ministry of Health and of Works to deliver child survival services on a sustained basis, and to increase the supply and utilization of these services at the community and family level.

PHICS is basically a child survival project where women, along with their children, are the primary beneficiaries of the project-supported services. Women are the main beneficiaries of the water and service delivery components of this project. The benefits associated with piped water include improved health and time saved. Women in Malawi are the providers of water and in many instances have to walk a long distance to fetch water for family needs.

The services to be delivered under the Service Delivery component of this project will include child spacing commodities which allow women to space births. This will in turn allow women time to feed, immunize and seek medical attention for their children. Also included in this project is the information, education and communication (IEC) component which aims to increase women's awareness of health related problems and enhance their primary health care skills for the benefit of their children. The IEC will also increase women's awareness of the need for reducing high risk deliveries due to AIDS and for the control of HIV/AIDS. The PACD for PHICS is June 30, 1997.

G. 612-0232 - PVO Program (SHARE)

This FY 90 new start will provide services for health, agriculture and rural enterprise development activities through non-governmental institutions; strengthen private sector institutional capacity; and encourage self-help activities in the rural areas.

Rural Malawians, primarily women, will be the principal beneficiaries of this project. Not only will women's access to health care, family planning services and income-generating activities be improved, but also their ability to help themselves and to tap locally available resources. The project design team will design a project data collection system to provide as much gender disaggregated project data as possible.

H. 612-0233 - Malawi Enterprise Development (MED)

The purpose of MED is to stimulate the growth of the private industrial and commercial sector and to enable, in the long run, an increase in employment and incomes derived from a strong, dynamic private sector. The program has two components: (1) direct program assistance in support of policy and institutional reform; and (2) a project component to fund technical assistance, studies, and training in support of program

objectives and policy dialogue. The program places particular emphasis on expanding small and medium enterprises (SME's) and increasing employment opportunities for both women and men.

The project component of MED will fund business consultancies and workshops to address production, marketing, and management problems which Malawian businessmen and businesswomen face.

Local currency equivalent to $35 million will be generated by the program, of which 90% will be jointly programmed by USAID/Malawi and the Government of Malawi (GOM) mainly for budget support to indigenous SME institutions. Although programming discussions are still taking place, uses for this local currency will include: (1) support to credit and business advisory services in complement to READI activities; and, (2) replenishing the strategic grain reserve to meet emergency food grain needs. Additional uses may include: credit guarantee schemes, SME credit institution endowments and budget support for social services to ameliorate any adverse impacts of the structural adjustment process on vulnerable groups (especially women).

Future MED local currency uses could include set aside credit programs within core SME institutions for women and support to the Malawi Mudzi Fund (Grameen Bank model). MED policy dialogue which would benefit women includes policy reform to reduce import duties on labor saving devices, and policy reform of post office savings schemes. MED studies include continued research on product lines where women are represented in significant numbers to see how these product lines can be tied into growing segments of the market. The PACD for MED is September 30, 1994.

I. 612-0234 - Program Development and Support (PD&S)

As part of CDSS preparation, the Mission carried out several studies which looked at gender considerations in the agricultural and SME sectors funded through Program Development Support money.

The main WID study, an analysis of constraints women face in the agricultural and SME sectors was conducted by a two person team from Tropical Research and Development. The two reports the consultants prepared, "Expanding Off-Farm Income and Employment Opportunities for Women," and "Women Farmers in Malawi: Issues and Options for USAID's Agricultural Sector Strategy" summarized the constraints women face in these two key sectors and initiated Mission discussion concerning our WID strategy.

Other CDSS studies which considered women's roles in the SME and agricultural sectors were an informal sector assessment and a land tenure study. The land tenure study found that estate land underutilization and estate tenure issues rather than customary land laws were the major constraints women (and men) face in regards to land tenure. The Mission will attempt to address the underutilization of estate land through its FY 91 Agricultural Sector Assistance Program.

J. 612-0235 - Agricultural Sector Assistance Program

This proposed FY 91 program provides parallel financing for an extensive, World Bank-led, agricultural sector adjustment program. USAID's agenda is focussed on increasing estate land utilization and limiting the transfer of customary land to the estate sector. The program can contribute to the well-being of women by: expanding off-farm employment opportunities important to raising household incomes; and slowing the dimunition of smallholdings, which is a particularly acute problem among female-headed farm failities. A project component financed by USAID will support maize intensification efforts, particularly to develop a higher yielding variety appropriate to smallholder needs.

The World Bank's broader reform agenda will make additional contributions to improving the state of women farmers: access to credit and fertilizer will be expanded; resource-poor smallholders will be permitted to grow small plots (o.1 ha) of burley tobacco to generate income; and producer pricing and marketing system will be strengthened.

K. 612-PRAP - Policy Reform and Poverty Buy-In

The purpose of this buy-in, also known as the Cornell Vulnerability Study, is to develop a collaborative program of applied policy research with Malawian researchers to study the implications of macroeconomic policies on household incomes, consumption, and nutrition of vulnerable groups in Malawi.

These vulnerable households are more likely to be female headed; 72% of female-headed households have less than one hectare of land. The vulnerability study will profile these low-income groups and examine their production and consumption behavior and their involvement in various markets. Then, the study will examine key policy reforms being undertaken and/or anticipated in Malawi and how they impact upon vulnerable households.

L. 698-0421.12 - Mangochi Malaria Research (CCCD)

The Mangochi malaria research project is by design a research activity. The project participants have been 3,355 pregnant women enrolled in four antenatal clinic sites along the Southern shore of Lake Malawi. The project directly benefits women in that it focuses on delivering prophylaxis treatment for malaria, encourages women to deliver in health facilities where they can be provided with necessary medical attention should such a need arise, and provides follow-up visits of pregnant women. This ensures safety to the mother and the child. This project will be linked to the PHICS project through the IEC efforts of PHICS. The IEC messages which will be produced will be directed at increasing women's knowledge of the control of malaria in the home.

ATTACHMENT 3

Participant Training Portfolio and Indicators

A. Number of Men and Women in USAID Training Programs

Project	Academic Training		Technical Training	
	Men	Women	Men	Women
Polytechnic (612-0201)	15	2	0	0
HID (612-0211)	9	11	4	2
MARE (612-0215)	40	9	18	7
Commercial Transport (612-0218)	1	0	2	0
Fertilizer Subsidy Removal (612-0225)	5	0	36	1
HRID (612-0230)	7	39	11	2
AMDP (698-0433)	11	2	79	6
AFGRAD (698-0455)	10	5	0	0
Total	98	68	150	18
Total Percentage Women:	40.96%		10.71%	

Overall percentage: 86/334 = 25.74% women

B. USAID/Malawi has been successful in promoting the overall female participant rate in long term training to 40.96%. The short term training female participation rate for technical training has been lower at about 11%. The Mission's goal is to increase this to at least 20% by 1995. The target for female participation in short and long term training programs combined is 45% by 1995.

C. The major constraints to increased female participation in participant training programs are the limited pool of Malawian women in non-traditional professional and technical occupations, the limited number of women who advance to secondary and tertiary education, and negative employer attitudes towards hiring women for professional, technical and managerial positions.

D. USAID/Malawi strategies to overcome these constraints and to meet our 45% target include: 1) Continuation of the AFGRAD and HRID Women's Scholarship Program in order to increase the pool of Malawian women in non-traditional fields; 2) a buy-in to HRDA using a female participation target of 30% which will increase the number of women participating in non-degree technical training; and, 3) under HRID, the establishment of a Registrar of Women's Studies at the University of Malawi who will be working with secondary schools in order to encourage participation in higher education and to recruit prospective scholarship recipients. In order to ensure a successful transition into the labor force, the Registrar will also discuss the advantages of hiring women graduates with prospective employers and will provide career counseling to scholarship recipients.

E. The Mission's training objective is to incrementally increase women's access to training so that a target of 45% female participation is achieved by 1995. Our benchmark is that 45% of Mission's training participants will be women by 1995.

F. Description of the Mission's Training Portfolio

612-0230 - Human Resources and Institutional Development (HRID)

A primary objective of this eight year, $18 million project between USAID and the Government of Malawi is the increased participation of women in development. Increasing the number of women in professional, technical and managerial positions is a key objective

being addressed through several activities. In 1987 the Women's Scholarship Program was established at the University of Malawi to finance four-year undergraduate and two-year graduate study for women in non-traditional fields such as agriculture, management, business administration and other technical areas in which women have historically been under-represented. The first students ever enrolled in engineering were Women Scholarship recipients. The number of scholarship recipients has increased steadily from 7 in 1987/88 to 31 in 188/89 and to 54 in 1989/90.

This academic year (1989/90) will also see the establishment, under HRID, of the position of Registrar of Women's Studies at the University to facilitate the successful entry of scholarship recipient graduates into the labor force. The Registrar's discussions with prospective employees and career counseling with scholarship recipients will help to ensure a successful transition into these non-traditional fields for women. Additionally, the Registrar will be working with secondary schools in order to encourage participation in higher education and to recruit prospective scholarship recipients. A further role will be overseeing women's needs at the University of Malawi.

Two other HRID-funded programs which focus on women as participants in and beneficiaries of development are: (1) the Sociology of Women in Development Program at Chancellor College, University of Malawi. This program is currently introducing into the Sociology Department courses in the Sociology of Women in Development through long-term technical assistance, as well as providing graduate study in the States for a faculty member who will specialize in this new field of study; and (2) Center for Social Research Program in Economic Research into Women in Development. This program is providing graduate training for key staff members as well as computer equipment to strengthen the research capability of the Center to undertake research into WID subjects, such as female access to education.

Discussions are underway with the Commission on Women in Development in the Ministry of Community Services to identify other activities to encourage the meaningful participation of women in the development of Malawi. It is hoped that several activities might be launched this year with HRID support.

The value of increasing women's participation in development is reflected in all HRID-funded projects, both those described above, and those less directly involved in the subject. Thus, HRID is serving as a major vehicle to create opportunities for the women of Malawi.

698-0433.18 - African Manpower Development Program (AMDP):

The purpose of this project is to finance high priority academic and technical training programs for both men and women in areas of agriculture, family planning, education planning, private enterprise, project management, business administration and other related fields in order to improve the effectiveness and efficiency of professional, managerial, administrative and technical resources in both public and private sectors. The participation of women in this program has been minimal (only two participants) because of the limited number of women employed in mid and senior level positions by the public sector. The majority of participants in this program have been from the public sector.

698-0455:African Graduate Fellowship (AFGRAD) Program

The AFGRAD program offers highly specialized manpower training to selected men and women in Africa in order to prepare them for high level positions in the public and private sectors. This is a highly competitive program with nation-wide participation in which applicants must demonstrate superior academic ability to pursue the requested degree program. Awards are only given to applicants with high quality academic backgrounds.

In Malawi, men and women have benefited from the AFGRAD program at masters and doctorate degree levels. Three women will obtain doctorate degrees in agricultural economics, food science and technology, and education management. Two women have successfully completed their MBA degree in Finance under this program.

The Mission has not had problems locating qualified and suitable women under this program. In contrast to AMDP, AFGRAD has been broader based and nation-wide in coverage. This has maximized the participation of women. However, the low quotas assigned to each country is a limiting factor to high participation for both men and women in the program. This is the only training program which specifically requires the 30 per cent participation by women and this requirement has been met. For AFGRAD IV, we hope to achieve a target of 50% female participation.

612-HRDA - Human Resources Development Assistance (HRDA)

The purpose of this project which is scheduled to start in FY 91 is to finance high priority non-degree technical training programs for both men and women in areas of agriculture, family planning, education planning, private enterprise, project management, business administration and other related fields in order to improve the effectiveness and efficiency of professional, managerial, administrative and technical resources in both public and private sectors. This program will endeavor to achieve 40 percent female participation. It will be a highly competitive program for mid or senior level candidates. The Mission and GOM will give this program country-wide publicity in order to attract qualified personnel from a wide cross section of public and private organizations.

USAID/MALAWI'S ACTION PLAN FOR FY'S 87 - 89

- A Review of Implementation Performance -

When the USAID Mission prepared its Action Plan in early 1987, the goal of the U.S. economic assistance program to Malawi was "to contribute to national economic growth in a manner which enhances the social and economic well-being of the average Malawian." The USAID strategy was framed around four major development problems deemed to impede sustained growth:

- low per capita income due to low smallholder agriculture productivity and limited sources of rural income and off-farm employment opportunities;
- critical shortage of foreign and domestic financial resources;
- high population growth rate, low child survival rates and overall poor rural health quality; and
- insufficient technical, development planning, analytical and management capacities in both the public and private sectors.

Based on these "strategic constraints," the Mission identified 14 policy agenda issues and 21 program agenda items, with accompanying performance targets and management actions, for the three year period of the Action Plan. It was an ambitious plan.

At the time of the Action Plan, USAID/Malawi was pursuing almost a dualistic program strategy: enhancing the social and economic well-being of the average Malawian was the goal which was aimed at direct impacts on poeple and provided the conceptual framework for more traditional interventions in agriculture, small and medium scale enterprise development, health and family planning services; a second program goal -- focussed on macroeconomic growth, or increasing GDP -- provided the strategic basis for policy-based cash transfer programs and transport sector assistance which would improve the environment of broad-based, sustainable growth and more indirectly impact on the lives of people.

The Mission's program essentially had six strategic objectives to redress the major development problems and to contribute to achieving the program's goals. These were to:

1) increase on-farm productivity;
2) expand off-farm employment;
3) decrease the population growth rate;
4) improve rural health, especially among children;
5) increase the availability of foreign exchange; and
6) improve the efficiency of domestic resource utilization.

Progress has been made towards achieving all but one of the strategic objectives. Unfortunately, the population growth rate remains unabated, although considerable progress has been made in laying the groundwork for future action programs. This problem continues to be a serious impediment to sustained economic-growth and will undermine progress made in other strategic objectives.

Increase On-Farm Productivity

Some progress has been made on increasing on-farm productivity, due primarily to policy dialogue on input and output pricing and marketing. Although the advancements are yet to be widely shared by smallholders, there are encouraging process and intermediate indicators. Policy and program agenda items on which progress has been made during the past three years, which should contribute to increasing on-farm productivity and improving national and household food security, include:

- broad consensus on critical food security issues and constraints to smallholder development

- research
  - . better focus to maize research program
  - . expansion of Adaptive Research Teams
  - . identification of viable alternatives to chemical fertilizer

- extension
  - . more appropriate technical and credit packages
  - . improved agricultural communications service

- heightened concern for needs of women farmers

- inputs
  - . increased use of high analysis fertilizers
  - . focus on proper nutrient requirements for specific crops

- marketing: expanded private sector participation and more limited and efficient parastatal marketing board

Performance targets were not met on two agenda items:

- continued reduction of the subsidy on smallholder fertilizer; and

- identification of new crops to permit smallholder diversification.

The estimated production of maize, Malawi's staple food, has increased 16.6% during the the past four years*. This increase appears to be due to intensification of production; during the same period smallholder fertilizer utilization has expanded 41.5% and yields are estimated to have increased 9.5%. However, only about 25% of all smallholders benefit from current extension services and credit packages. Thus, for most farm families, those who are net purchasers of food, household food security has not improved. Their food security has been eroded by shrinking landsize and declining soil fertility.Despite the limited people-level impact to date, in reviewing the agricultural sector policy and program agenda set two years ago, there are promising process and intermediate indicators.

The November 1988 National Symposium on Agricultural Policies for Growth and Development, co-organized and sponsored by USAID, broadened the dialogue on food security and helped establish a consensus on the principal policy and technical constraints to smallholder sector development. Out of the seminar emerged the outline of a new World Bank-led, multi-donor $175 million agricultural sector adjustment program. Critical elements include halting the transfer to land from customary holding to the estate sector and permitting smallholders to grow high value cash crops previously controlled by estates. This should provide the resource-poor farmer adequate cash to buy fertilizer necessary to intensify food production.

Research efforts have been strengthened and some fruits have been borne. Although the GOM has had difficulty establishing research priorities for the allocation of staff and financial resources to various commodities, the maize breeding program is now better focussed. Two new, drought resistant, maize varieties have been released, and an aggressive research program has been mounted to develop an improved local maize variety (composite), led by a private American agribusiness firm, Cargill, which bought down ADMARC's holdings in the National Seed Company. Several new varieties of beans and legumes have been released for smallholder use. Adaptive Research Team's have been established in 7 Agricultural Development Divisions, an increase of 2, in order to identify appropriate, affordable technologies to increase food production. In addition, 5 National Research Commodity Units are cooperating on joint research projects to resolve constraints limiting productivity. The Agroforestry Unit has identified acacia albida and leucena as viable, cost effective alternatives to chemical fertilizers for smallholders.

---

* Note: The 1986/87 crop year, the first year of the Action Plan, does not serve as a good baseline since thee was widespread crop losses due to drought and mealy bug infestation. Consequently, agricultural production increases are measured against 1985/86.

Progress has also been made in strengthening extension services. A recent mid-term project evaluation concluded that the USAID-supported pilot extension program "provides field staff with technically accurate and locally appropriate information to farmers," although these qualitative improvements require higher staff and financial investments in the extension service. The dissemination of agricultural extension information has been dramatically increased through the establishment of a materials production system, which has already produced: over 1,000 radio programs; 20 circulars; 49 booklets/leaflets; 12 posters; 6 slide shows; and 6 videos. Finally, fertilizer demonstrations, conducted throughout the country, have been key to encouraging the uptake and proper use of new high analysis fertilizers.

A development which may have a significant impact on improving research and extension services is the increased sensitivity to gender issues in agriculture. The Ministry of Agriculture has recently issued a policy, formulated by the USAID-supported Women's Program Section, which sets forth policy objectives and strategies to expand women farmers' access to training, extension and credit services and to promote income generating activities for women. The Women's Program is effectively encouraging female farmers to obtain the credit needed to increase agricultural production; their participation in the seasonal credit scheme increased from 19% in 85/86 to 28% in 88/89.

The collaborative USAID/World Bank effort to reduce government subsidies on smallholder fertilizer was derailed shortly after the Action Plan. Following a significant maize production shortfall and facing the need to import food, the decided it could not raise fertilizer prices by the requisite 45% (a consequence of rebounding world prices, escalating external transport costs, compounded by a devaluation which then further raised the kwacha price to the farmer). However, as a consequence of the Mission's policy dialogue on the interrelationship of input and output pricing and the budgetary impact of freezing prices, the GOM raised maize prices by 35% and fertilizer prices, on average, 30%. The result: smallholder maize production and fertilizer uptake both hit record highs in 1987/88. Continuing program momentum despite the discontinuance of A.I.D. support, this past season the GOM raised fertilizer prices 11-15%, while maize producer prices were increased almost 45%... and again, input sale and estimated production increased, by 13% and 6%, respectively. Under this policy reform program the Mission also encouraged the shift to cheaper, concentrated fertilizers -- comprising 0% of the total supply program in 85/86 and 59% in 88/89 -- and marketing in smaller, more affordable quantities which has enabled many farmers, for the first time, to use fertilizer for maize production.

Finally, as a consequence of the liberalization of grain marketing, many farmers are now able to sell to private traders above the official producer price. ADMARC has become a "buyer of last resort," essentially ensuring a floor price for smallholder production.

Expand Off-Farm Employment

Business development and job creation has already occurred, on a small scale, as a direct result of USAID's efforts. However, the significant accomplishments to date are again in terms of the requisite "building blocks" for expanding off-farm employment. Progress has been made on advancing most of the Action Plan policy and program agenda items including:

- reducing the policy barriers to small and medium-scale enterprise (SME) development;
- enhancing the viability of SME credit programs and expanding credit;
- mobilizing rural savings;
- improving and expanding technical and business advisory services; and
- identifying viable rural enterprise and agribusiness opportunities.

Little progress was made on:

- rationalizing the roles of various institutions supporting SME development; and
- strengthening the institutional capacity of the GOM to provide policy and program guidance for SME development.

In terms of quantifiable results toward achieving this strategic objective, during the past three years USAID assistance has enabled 250 new businesses to be started and over 2,000 existing businesses to be expanded which has created 2,400 new jobs. More importantly, however, the policy reforms and institutional development during this period laid a foundation for expanding off-farm employment, through SME development, on a larger scale.

One of the most significant accomplishments of the READI Project has been to increase GOM awareness and recognition of the current and potential role that the SME sector plays in job creation, raising income and improving rural standards of living. A sector assessment by the project was the basis for much of the GOM's sector development policy and identified several institutional and policy constraints which USAID is now addressing through the Malawi Enterprise Development Program, a complementary AEPRP. The READI Project is assisting in the development of SME incentive programs, including a credit guarantee scheme, an equity participation program, and a site and services program.

The SME support institutions (INDEFUND, MUSCCO and DEMATT) are stronger administratively and programmatically, and are reaching out with better trained staff to more entrepreneurs. INDEFUND recorded its first annual profit in 1988. MUSCCO's rate of self-sufficiency has steadily increased -- from 19% in 1986, to 25% in 1987, to 30% at the end of 1988. DEMATT began its new Business Development Program in January 1989, which includes business opportunity identification, entrepreneurial training, and loan application assistance. During the past year alone, over 1,250 businesses have received project development assistance from DEMATT or the READI Promotional Team. Over 50% of these new expansion projects are being implemented either from the entrepreneur's own resources or with credit assistance from INDEFUND or SEDOM. Special promotion programs were started during the past year to increase the participation of women in main-stream private sector activities.

SME credit programs have been strengthened and expanded. To enhance their viability, the GOM agreed to reduce the on-lending rate for A.I.D. grant funds from 7% to 3%. USAID has increased the credit available for SME and agribusiness development by 300% during the past three years. Even as credit has expanded, management has improved: MUSCCO reduced its loan delinquency rate from 19% in 1987 to 1.4% in 1988, and INDEFUND also decreased its bad debt figures.

Another important development through USAID's support has been the mobilization of rural savings. During the past several years, the number of cooperative societies has increased over 100%, from 39 to 86. Between 1987 and 1988, savings increased by 24%, to MK 1.6 million ($615,000), a significant amount in light of the degree of rural underdevelopment.

Finally, through a series of policy and institutional reforms, the Malawi Enterprise Development Program is helping existing industries and businesses get back on their feed after a long period of economic stagnation; in the medium term, it will encourage the creation of new enterprises, especially SME's; and in the long run, it will increase employment opportunities and incomes and help divert the economy from its narrow agricultural base.

Decrease in the Population Growth Rate

Population continues to grow at a rate (3.6% per annum) which threatens to undermine efforts to improve food security, increase off-farm employment, and extend social services. While no measurable results have been obtained on this strategic objective, some progress has been made on the Mission's policy and program agenda items which are important for advancing this strategic objective.

There has been no formal change of GOM policy from its traditional "child spacing" approach. In terms of both policy and programs, this issue is considered a matter of mother/child well-being rather than a problem of rapid population growth. Consequently, the GOM continues to resist even the use of the term "family planning" and has been reluctant to pursue a more aggressive promotion of FP services and commodities.

Recently there have been some encouraging developments. In the November 1988 national Agricultural Symposium, USAID was able to underscore the counterproductive impact of population growth on national and household food security. The Dept. of Economic Planning and Development, with assistance from RAPID, presented the impact of population growth on the economy and provision of social services at a special workshop for Principal Secretaries. The GOM has also requested USAID technical assistance and commodities, to be provided through SOMARC, to mount a social marketing campaign. Although this request was long in coming, we understand that it was approved "at the highest levels of Government." These requests may indicate an informal evolution of policy. Moreover, the SOMARC program will enable a more aggressive promotion of FP commodities.

A.I.D. continues to be Malawi's principal source of family planning commodities. To encourage greater utilization, health service providers are trained in the alternative contraceptive methods. A significant achievement of USAID's efforts under the Health Institutions Development Project has been the integration of family planning into all basic health training curricula; the Action Plan's benchmark of training an additional 500 MCH/FP service providers has been exceeded. Demand for services, however, while steadily growing, is still low. Quantities of condoms supplied by A.I.D. has expanded dramatically (over two million this year, up from about zero), but the increased demand is due largely to the threat of AIDS. It is hoped that the social marketing campaign will redress the low uptake.

Improve Rural Health, Especially Among Children

This strategic objective was too broad to ensure its achievement, and it is also difficult to quantify performance. At this point in time, in fact, statistics would indicate that rural health standards are not improving -- infant and child mortality rates, estimated at 151/1000 and 235/1000 respectively, remain unchanged. Moreover, the scourge of AIDS is already placing an overwhelming burden on health care services and is estimated to have recently caused a 10-15% increase in infant and mortality rates. However, USAID has made some notable contributions to strengthening health care delivery which should make a qualitative improvement in rural health.

During the past 2 1/2 years, about 1,000 service providers have received training in primary health care and family planning services, under the Health Institutions Development (HID) Project implemented by Howard University. The Action Plan's quantitative targets have been far exceeded, and a mid-term project evaluation concluded that the training was of unusually high standards. Through the HID project, child survival issues have been integrated into all basic health training curricula. Furthermore, the CCCD project had an extensive outreach program, providing short courses in childhood communicable diseases and primary health care (PHC) issues to over 4,500 community members and Ministry of Health staff. Under the CCCD/Healthcom activity, PHC training and motivation materials for health auxiliaries and community health workers were developed, pre-tested and published. These excellent achievements in health manpower development will help raise the quality of rural health care and health standards.

The CCCD Project helped significantly extend immunization coverage and diarrheal disease control. Working with UNICEF, immunization against killer diseases such as measles, polio and pertussis has increased from an average 60% to 80% coverage. There are tentative indications that mortality and morbidity rates associated with traditional childhood diseases are declining. The Mission's Action Plan target of increasing the number of functioning ORT centers from 85% to 100% was not achieved. However, it would appear that home treatment has expanded (estimated 50%) because the number of diarrheal disease cases being referred to fixed health care facilities has dropped dramatically in the last two years.

The control of malaria, given its devastating impact on health, has been an important focus of USAID's health program. CDC technical advisors helped the GOM establish a national malaria policy and developed training materials to implement the program. A research program is also being conducted to determine the impact of malaria on birth weights and child survival. An external assessment concluded that the research is likely to result in a change in national policy to better protect pregnant women and enhance the health of newborns.

The Action Plan's target for improving rural water and sanitation has been met two-fold. An additional 148,000 rural Malawians were provided potable water, bringing the number of beneficiaries under the Rural Water Supply Project to over 420,000. Hygiene education and sanitation has also been provided in order to achieve an estimated 20% decline in the incidence of diarrheal disease among children in the service areas.

An area of expanding USAID activity, not envisioned at the time of the Action Plan, is AIDS control and prevention. The Mission has provided short-term assistance through AIDSCOM and AIDSTECH to develop a national AIDS Control Plan, assist the GOM in institutionally organizing itself to fight this growing problem, and to assess the economic impact of AIDS. USAID is also the lead donor on IEC activities. Under a new component of the Health Institutions Development Project, curriculum is being developed and all health workers will be trained in AIDS control and prevention.

The Mission had intended to develop with the GOM a broad-based health sector support program which would, in part, have strengthened and expanded private sector provision of health care services. Unfortunately, in the course of the design it became apparent that Government lacked the management capacity for such a sector program. Consequently, the policy agenda item to "increase utilization of private health care delivery" has not been met. Nonetheless, private sector health providers' access to GOM-financed in-service training has expanded; approximately 20% of all trainees under the HID Project are from the Private Hospital Association of Malawi.

Increase the Availability of Foreign Exchange

Performance to date has been very good on this macro strategic objective. The foreign exchange (FX) approval system has been streamlined and access to FX has been liberalized, and yet FX reserves have increased markedly, from a low of only 3 weeks of import requirements to 3.5 months currently. However, the economic base necessary to sustain this increased availability of FX has not yet been established. The liberalization program, in the short-term, can be maintained only as long as the flow of donor concessional resources continues.

Good progress has been made on the Action Plan policy and program agenda items, including:

- improvement in the transport situation;
- more efficient use of fertilizers; and
- provision of quick disbursing assistance.

Transport problems due to regional instability are the single most important constraint to economic growth and availability of FX. It is estimated that the cost to Malawi of transport corridor disruptions is $100 million annually, in terms of high import bills and lost export earnings. USAID's three transportation projects will help redress this situation. The provision of 24 tractor/trailer rigs, in collaboration with West Germany, has strengthened the Malawian international trucking industry. The GOM has taken several policy steps encouraged by USAID -- including removal of customs duties on large trucks, introduction of a surtax rebate scheme, and liberalized FX allocations for vehicle spares -- which will further strengthen the industry. The substantial increase in the share of cargo entering the country in Malawian trucks -- 57% in 1988 vs 46% in 1987 -- is saving FX. Traffic flows over the Northern Corridor are gradually increasing as the system is improved. This directly translates into FX savings since the cost per container shipped is $400 lower on the Northern Corridor than through Durban, South Africa. Finally, the greatest potential source of transport savings is the reopening of the Nacala rail line. USAID's assistance to rehabilitate locomotives will increase Malawi Railways capacity to move cargo via this most efficient route.

USAID's encouragement to shift to "high analysis" fertilizers (fertilizers which have a high proportion of inert material) has made a significant contribution to conserving scarce FX resources, especially in light of increasing world prices of fertilizer, rising external transport costs, and a doubling of fertilizer imports during the past four years.

Despite these savings of FX, the increased availability of foreign exchange is due primarily to high levels of quick disbursing, concessional aid. During the period of the Action Plan, USAID has disbursed $26.55 million in non-project assistance ($11.55 million under Parastatal Divestiture Program and $15.0 million under the Malawi Enterprise Development (MED) Program). These programs were developed as components of broad, multi-donor supported, structural adjustment and sectoral reform programs which have been the source of the higher FX flows.

However, worsening balance of trade statistics would indicate that sustainable progress has yet to be made on this strategic objective. The most critical issues with regard to sustaining the increased availability of FX are: resolution of international transport constraints; revitalization and expansion of industrial production; and the increase and diversification of exports. The GOM has tried to establish the necessary policy framework for such growth. In addition to its export promotion efforts which have long been part of its extensive structural adjustment program, in 1988 the GOM initiated the multi-donor supported Industrial and Trade Policy Adjustment Program; USAID is providing $35 million in parallel financing through the Malawi Enterprise Development Program. To date, an Export Revolving Fund has been established, FX allocations have been liberalized for virtually all raw materials, many intermediate goods and industrial spare parts, and the import and export licensing systems are being streamlined. Industries which were operating at very low capacities have already begun to rebound. The GOM, however, estimates that it will take about three more years for exports to expand and its trade position to significantly improve.

Improve the Efficiency of Domestic Resource Utilization

Although it is difficult to quantify performance on such a macro strategic objective, significant achievements have been made on some of the policy and program agenda items related to:

- privatization;
- strengthening capital markets; and
- promoting domestic savings and expanding credit for investments in agriculture, industry and commerce.

The USAID-supported Parastatal Divestiture Program has had some notable accomplishments which contribute to improving resource utilization. To date, seven estates, two agricultural development projects and three assets have been fully or partially divested, worth almost MK 35.0 million. A recent evaluation concluded that: "...the ADMARC Divestiture program has been a success to date. While the program has at least another year to go, its success may be measured chiefly by the already visible improvement in ADMARC's liquidity and the manifest improvement in the ability of management to concentrate on ADMARC's basic function. Other evidences are the growing interest of GOM officials in privatization and the private sector, and the significant injection of capital and technical and management skills in many of the properties sold or to be sold." The program has also developed some creative solutions to the shortages of domestic resources: local currencies were utilized to establish a special lending facility to permit individual Malawian purchase of estates being divested; an Employee Stock Ownership Program has been developed to privatize one asset; a Unit Trust has been designed which can make shares available in small denominations to a large number of investors.

As discussed earlier, USAID's support to strengthening the Malawi Union of Savings and Credit Cooperatives (MUSCCO) has resulted in a 24% increase in rural cooperative savings. The restructuring of ADMARC has had the spin-off effect of increasing domestic banking resources and agricultural credit; as the Corporation turned a profit for the first time in years, it has cleared much of its formal and informal indebtedness to the commercial banks and the Fertilizer Revolving Fund. USAID has also allocated $3.0 million in credit funds, specifically for small and medium enterprise development and expansion.

Strengthening public sector planning and management capacity has been slower than anticipated. The Malawi Institute of Management, with assistance from the World Bank, is only now beginning to offer courses. USAID's Human Resources and Institutional Development Project will finance: new programs in economics, educational management, sociology of women in development, accountancy and marketing at the University of Malawi; establishment of an MBA program; management and technical assistance and training for the Ministry of Works; and staff development plans for the GOM's administrative common service. It will be some time, however, before these human resource development investments actually contribute towards improving domestic resource utilization. A significant accomplishment through the HRID programming structure has been to change Government's approach to human resource development. Decisions on staff development are being made on the basis of organizational need or institutional development objectives, rather than for self-improvement of an individual. Other major donors, such as the UNDP, ODA and World Bank, have adopted a similar approach with the GOM. Institution-building will continue to be an important consideration in the design and implementation of USAID's development assistance programs.

Annex 4

STATISTICAL ANNEX

Malawi: Composition of GDP (1978 - 1989)
(real values, 1978 Kwacha)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Agriculture	294.9	304.1	284.2	261	277.6	289.9	306.5	308	309.9	320.4	331.9
estate	48.6	51.3	53	50.4	61.7	66.1	65.6	66	65.4	70.1	75.1
smallholder	246.3	252.8	231.2	210.6	215.9	223.8	240.9	242	244.5	250.3	256.8
Manufacturing	84.8	88.5	88.8	92	91.7	98.2	100.6	103.8	106.1	107.1	111.2
Building/Construction	46.2	42.7	43.5	35.9	36.1	33	29.6	37.2	31.2	31.1	33.9
Utilities	12.5	13.2	14.2	14.3	14.6	15.8	16.1	16.4	17.3	18.7	19.3
Transport/Communications	44.7	51.5	52.3	48.5	47.2	46	47	49.5	51.8	49.1	51.8
Financial/Prof. Services	43.3	50.6	52	47.9	49	50.4	51.2	55	53.8	53.8	55.9
Government	67.2	72.3	78.4	83.3	87.9	92.2	101.7	108.2	118	120.8	141.6
Dwellings Ownership	29.3	31.5	32.4	31.9	32.8	33.8	34.6	36.2	36.6	37.3	38.4
Total GDP (nominal)	800.7	864.5	1005.1	1108.1	1245.1	1436.9	1707.7	1949.9	2191.2	2715.2	3699.3
GDP Deflator	100	102.3	118.8	137.1	157	171.6	191.8	209.4	235.8	289.2	375.9
Real GDP	800.7	845.1	846.0	808.2	793.1	837.4	890.4	931.2	929.3	938.9	984.1

Malawi: Composition of GDP (1978 - 1989)
(percentage contribution)

Agriculture	36.83	35.99	33.59	32.29	35.00	34.62	34.42	33.08	33.35	34.13	33.73
estate	6.07	6.07	6.26	6.24	7.78	7.89	7.37	7.09	7.04	7.47	7.63
smallholder	30.76	29.91	27.33	26.06	27.22	26.73	27.06	25.99	26.31	26.66	26.09
Manufacturing	10.59	10.47	10.50	11.38	11.56	11.73	11.30	11.15	11.42	11.41	11.30
Building/Construction	5.77	5.05	5.14	4.44	4.55	3.94	3.32	3.99	3.36	3.31	3.44
Utilities	1.56	1.56	1.68	1.77	1.84	1.89	1.81	1.76	1.86	1.99	1.96
Transport/Communications	5.58	6.09	6.18	6.00	5.95	5.49	5.28	5.32	5.57	5.23	5.26
Financial/Prof. Services	5.41	5.99	6.15	5.93	6.18	6.02	5.75	5.91	5.79	5.73	5.68
Government	8.39	8.56	9.27	10.31	11.08	11.01	11.42	11.62	12.70	12.87	14.39
Dwellings Ownership	3.66	3.73	3.83	3.95	4.14	4.04	3.89	3.89	3.94	3.97	3.90
Total GDP (nominal)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Previous Page Blank

Government of Malawi: Functional Classification of Central Government Recurrent Expenditures
(Nominal Values, 1979-1989)

Classification	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89r	1989/90e
General Services	56.51	59.58	73.54	84.17	95.00	101.30	143.55	157.25	174.62	239.34	291.47
Administration	22.69	24.21	28.73	38.14	50.56	44.07	67.04	61.86	81.05	138.42	187.73
Defence	17.56	18.03	22.33	19.04	22.53	26.97	38.25	49.27	47.32	53.33	54.12
Justice	16.26	17.34	22.48	26.99	21.91	30.26	38.26	46.12	46.25	47.59	49.62
Social Services	36.85	44.23	51.68	53.02	62.34	74.41	87.95	124.54	126.37	154.66	173.86
Education	20.40	23.60	27.46	31.58	35.46	40.08	46.45	61.40	69.95	83.94	71.27
Health	12.08	14.98	18.72	17.42	21.60	28.03	39.04	47.06	40.75	50.52	57.31
Community and Social Dev.	4.37	5.65	5.50	4.02	5.28	6.30	2.46	16.08	15.66	20.20	45.28
Economic Services	30.00	33.10	39.60	49.87	54.34	60.96	76.66	92.80	98.81	117.46	139.86
Natural Resources	14.35	17.44	22.58	24.64	29.61	30.10	37.74	47.89	48.45	56.87	64.94
Transport	5.83	5.50	6.32	10.32	12.52	14.19	15.26	17.89	21.11	20.54	22.89
Posts and Telecommunications	2.11	1.99	2.42	2.81	3.34	3.12	4.42	7.17	8.69	9.70	5.00
Other	7.71	8.17	8.28	12.10	8.87	13.55	19.24	19.85	20.56	30.35	47.03
Unallocable Services	49.69	70.73	108.20	91.39	103.60	180.12	211.10	283.18	329.05	410.72	383.47
Public Debt Servicing	36.61	56.99	93.08	77.55	82.11	157.60	186.86	249.50	292.72	359.46	324.06
Pensions and Gratuities	3.63	3.55	4.05	4.65	4.79	4.52	6.35	7.41	10.90	14.05	12.28
Other Unallocable Services	9.45	10.19	11.07	9.19	16.70	18.00	17.89	26.27	25.43	37.21	47.13
Total Recurrent Expenditures	173.05	207.64	273.02	278.45	315.28	416.79	519.26	657.77	728.85	922.18	988.66

- demands placed on the system by refugee services and food aid; and

- institutional constraints.

Equipment of all types is in very short supply in the country. This shortage limits the volume of domestic traffic, and undermines efforts to increase agricultural productivity (the inputs are not available in a timely manner) and rural incomes (marketing of agricultural surplus is extremely limited).

Regulations also restrict activity. The prohibition against importing second hand vehicles may save the country some foreign exchange for spare parts, but the combined impact of high priced, new vehicles with reduced domestic transport services far outweigh the concerns about spare parts. Rate regulation which places payments below cost results in a lower level of service. Other regulations similarly restrict activity.

Refugee services and food aid deliveries have placed tremendous demands on the limited domestic transport capacity. Ultimately this increased demand for transport services would be expected to lead to an increase in the supply of services. This situation is likely to take a long time to equilabrate, however, given the high cost of new transport equipment. The result is rising prices for transport.

Institutional constraints pose less of a problem to Malawi than they do in many other countries in the region. However, in domestic trucking, non-transportation policies such as foreign exchange restrictions, duties on imported trucks and parts, and high taxes have caused artificial barriers to entry into the domestic trucking business. And proper maintenance of the fleet and replacement of absolete vehicles is difficult. As a result, the Malawi domestic truck fleet is old and inefficient.

These problems suggest that the most direct actions to improve domestic transport include:

- increasing imports of both new and used equipment;

- identifying and removing key regulatory constraints;

- enhancing the operational efficiency of domestic transport firms by improved access to spare parts and operation/management training; and,

- reviewing financial policies for their impact on domestic transport and rationalizing where the impact is deemed deleterious.

Previous Page Blank

Security problems and regional instability have percipitated many of Malawi's transport difficulties, and they persist. For the most part, these are problems outside Malawi's direct control. They have, however, reduced Malawi's willingness to depend on others for vital transport services. The country has, therefore, embarked on expensive efforts to develop a base of international road hauliers, improve rail services, and militarily protect certain access routes.

Dominance of foreign operators also increases the foreign exchange component of transport for Malawi. While certain costs are ultimately denominated in foreign exchange (e.g. fuel and imported spare parts), others are not. Thus, when Malawi contracts with foreign hauliers for services, it pays in scarce foreign exchange for overhead, profit and salaries. A developed domestic capacity would reduce these foreign exchange costs.

Infrastructure remains a critical constraint, despite the substantial amount of donor activity in this area. The Nacala rail bed requires significant repairs and improvements, while the damaged Zambezi bridge, combined with insurgent activities, blocks Malawi's most direct access to the sea.

Finally, limited international cooperation reduces the effectiveness of current infrastructure development efforts and maintain the transport costs of high levels. Insufficient cooperation can result in the blockage of certain transport modes that make aggregate economic sense, but with lower financial payoffs to one country. Road transport in the Beira corridor is an example.

These problems suggest certain priorities for donor support:

- continued infrastructure development, e.g. Nacala rail line and Zambezi rail bridge, as insurgent activities allow, to improve access and increase competition;

- continued development of a Malawi based international haulage capacity; and

- improved international cooperation.

Domestic Transport

Domestic transport has received far less attention than international transport, but this area is now being recognized as a significant bottleneck to the country's development. The principal problems within domestic transport are:

- shortage of equipment of all types;

- regulations which limit activities and reduce service delivery;

TRANSPORT ISSUES IN MALAWI

-- A SUMMARY --

Landlocked Malawi has an agriculturally based economy dependent on low value, high bulk commodities: tobacco, tea, sugar, coffee, cotton, and maize. Its principal trading partners are far from the country's borders, and agricultural production is widely dispersed in this long, narrow country. These features form the base for the two critical problems facing transportation in Malawi today:

- high costs for international transport over lengthy, and politically unstable, routes which consume vast amounts of scarce foreign exchange, undermine the competitiveness of Malawi's exports, and reduce the country's capacity to import goods; and

- high costs for domestic transport, resulting from the country's topography and geography as well as the lack of transport equipment, which restricts the pace of innovation in agriculture and limits the potential for increasing rural productivity and incomes.

International Transport

While the international transport situation is much improved, a number of problems remain which constrain transport route development and undermine Malawi's ability to competitively engaged in commerce. These include:

- high cost of transportation services;

- security problems and regional instability;

- infrastructure and capital requirements; and

- issues of international cooperation.

With CIF margins estimated at 40% of the value of imports, Malawi faces some of the highest transport costs in the world. Much of this results from Malawi's landlocked and isolated location. Also, Malawi has few alternative routes to the sea, with few hauliers, and relatively low volume. These features suggest that Malawi may be subject to monopoly pricing for some transport services, and relatively high unit costs for transport. Finally, sea transport from Nacala and Dar-es-Salaam is provided by shipping conferences which have higher prices than those which serve Beira and Durban. Thus, many of Malawi's imports and exports face high sea transport charges in addition to the already high land charges.

- demands placed on the system by refugee services and food aid; and

- institutional constraints.

Equipment of all types is in very short supply in the country. This shortage limits the volume of domestic traffic, and undermines efforts to increase agricultural productivity (the inputs are not available in a timely manner) and rural incomes (marketing of agricultural surplus is extremely limited).

Regulations also restrict activity. The prohibition against importing second hand vehicles may save the country some foreign exchange for spare parts, but the combined impact of high priced, new vehicles with reduced domestic transport services far outweigh the concerns about spare parts. Rate regulation which places payments below cost results in a lower level of service. Other regulations similarly restrict activity.

Refugee services and food aid deliveries have placed tremendous demands on the limited domestic transport capacity. Ultimately this increased demand for transport services would be expected to lead to an increase in the supply of services. This situation is likely to take a long time to equilabrate, however, given the high cost of new transport equipment. The result is rising prices for transport.

Institutional constraints pose less of a problem to Malawi than they do in many other countries in the region. However, in domestic trucking, non-transportation policies such as foreign exchange restrictions, duties on imported trucks and parts, and high taxes have caused artificial barriers to entry into the domestic trucking business. And proper maintenance of the fleet and replacement of absolete vehicles is difficult. As a result, the Malawi domestic truck fleet is old and inefficient.

These problems suggest that the most direct actions to improve domestic transport include:

- increasing imports of both new and used equipment;

- identifying and removing key regulatory constraints;

- enhancing the operational efficiency of domestic transport firms by improved access to spare parts and operation/management training; and,

- reviewing financial policies for their impact on domestic transport and rationalizing where the impact is deemed deleterious.

Previous Page Blank

Security problems and regional instability have percipitated many of Malawi's transport difficulties, and they persist. For the most part, these are problems outside Malawi's direct control. They have, however, reduced Malawi's willingness to depend on others for vital transport services. The country has, therefore, embarked on expensive efforts to develop a base of international road hauliers, improve rail services, and militarily protect certain access routes.

Dominance of foreign operators also increases the foreign exchange component of transport for Malawi. While certain costs are ultimately denominated in foreign exchange (e.g. fuel and imported spare parts), others are not. Thus, when Malawi contracts with foreign hauliers for services, it pays in scarce foreign exchange for overhead, profit and salaries. A developed domestic capacity would reduce these foreign exchange costs.

Infrastructure remains a critical constraint, despite the substantial amount of donor activity in this area. The Nacala rail bed requires significant repairs and improvements, while the damaged Zambezi bridge, combined with insurgent activities, blocks Malawi's most direct access to the sea.

Finally, limited international cooperation reduces the effectiveness of current infrastructure development efforts and maintain the transport costs of high levels. Insufficient cooperation can result in the blockage of certain transport modes that make aggregate economic sense, but with lower financial payoffs to one country. Road transport in the Beira corridor is an example.

These problems suggest certain priorities for donor support:

- continued infrastructure development, e.g. Nacala rail line and Zambezi rail bridge, as insurgent activities allow, to improve access and increase competition;

- continued development of a Malawi based international haulage capacity; and

- improved international cooperation.

Domestic Transport

Domestic transport has received far less attention than international transport, but this area is now being recognized as a significant bottleneck to the country's development. The principal problems within domestic transport are:

- shortage of equipment of all types;

- regulations which limit activities and reduce service delivery;

TRANSPORT ISSUES IN MALAWI

-- A SUMMARY --

Landlocked Malawi has an agriculturally based economy dependent on low value, high bulk commodities: tobacco, tea, sugar, coffee, cotton, and maize. Its principal trading partners are far from the country's borders, and agricultural production is widely dispersed in this long, narrow country. These features form the base for the two critical problems facing transportation in Malawi today:

- high costs for international transport over lengthy, and politically unstable, routes which consume vast amounts of scarce foreign exchange, undermine the competitiveness of Malawi's exports, and reduce the country's capacity to import goods; and

- high costs for domestic transport, resulting from the country's topography and geography as well as the lack of transport equipment, which restricts the pace of innovation in agriculture and limits the potential for increasing rural productivity and incomes.

International Transport

While the international transport situation is much improved, a number of problems remain which constrain transport route development and undermine Malawi's ability to competitively engaged in commerce. These include:

- high cost of transportation services;

- security problems and regional instability;

- infrastructure and capital requirements; and

- issues of international cooperation.

With CIF margins estimated at 40% of the value of imports, Malawi faces some of the highest transport costs in the world. Much of this results from Malawi's landlocked and isolated location. Also, Malawi has few alternative routes to the sea, with few hauliers, and relatively low volume. These features suggest that Malawi may be subject to monopoly pricing for some transport services, and relatively high unit costs for transport. Finally, sea transport from Nacala and Dar-es-Salaam is provided by shipping conferences which have higher prices than those which serve Beira and Durban. Thus, many of Malawi's imports and exports face high sea transport charges in addition to the already high land charges.

d) Developing alternative fuel sources and energy conservation such as the experimental cookstove which uses maize husk instead of firewood, and tobacco drying technique which reduces fuelwood requirements by up to 50%;

e) Law enforcement activities to protect natural resources from agricultural encroachment, poaching, and other undesired impacts;

f) Research and management activities to conserve biological diversity such as those by the National Herbarium;

g) Permitting local community use of natural resources found within protected areas such as grass harvesting in many protected areas;

h) Small-scale enterprises based on sustainable use of natural resources found outside protected areas such as small scale enterprise which has been developed to make wine from wildflowers in Zomba.

i) Enhancing environmental awareness of local communities bordering protected areas and of decision makers;

j) Protecting crops from wildlife damage;

k) Collaboration between private sector, Government, and indigenous conservation related Non-Governmental Organizations in conservation efforts;

l) Small-scale farmer activities which promote biodiversity conservation such as cultivation of numerous varieties of maize, mango, banana, rice, cassava, and other food crops within their limited land area;

m) Commercial enterprises based on sustainable use of natural resources outside protected areas such as crocodile ranching at Dwangwa sugar Co. and the tropical fish export company at Salima; and

n) Promoting management of village forest areas of indigenous woodland by Village Action Committees.

Illegal and uncontrolled hunting of wildlife has caused certain populations to decrease significantly within protected areas. This, as well as population pressures, has resulted in a scarcity of wildlife outside of protected areas. All forms of hunting, except for crocodile hunting, were banned in 1988 in an attempt to allow populations to recover. In many areas, however, there is no longer appropriate habitat for wildlife populations to become reestablished. The DNPW, responsible for wildlife marnagement throughout the country, is critically short staffed. Of its total manpower requirements as estimated in 1983, only 60% of the posts are filled. Even if all posts were filled, the total estimated requirement of 514 is now considered to be far too low. With so few staff it is impossible to carefully monitor hunting should it ever be reinstated, and unrealistic to assume that poaching can be effectively curtailed. Scouts typically are responsible for patrolling large areas, a task made more difficult by existing transport constraints.

F. Promising Initiatives

Due to intense land pressures resulting from rapid human population growth throughout much of the country, most of Malawi's natural biological diversity is now found only within reserves. Much of the future success of conserving biological diversity in Malawi is, thus, dependent on the *maintenance of established protected areas*. Malawi has succeeded in protecting many of the critical watersheds on which its agriculture-based economy depends. It has also succeeded in conserving numerous plant and animal species endemic to the area as well as many that are rare, threatened or endangered, and has done this with very limited resources.

These accomplishments, however, cannot be maintained given the resources currently allocated to those agencies responsible for natural resource management in the country. Successes in natural resource management require continual management, research, and monitoring efforts. Without these, success is temporary at best.

A number of promising natural resource and biodiversity conserving initiatives have been identified in Malawi. Some of these successes are listed below:

1. Promising Initiatives Which Promote Conservation of Biological Diversity through Either Total Protection or Sustained Use of Natural Resources

a) Private small-scale enterprise based on sustainable use of natural resources found within protected areas, such as beekeeping clubs;

b) Enhancing environmental awareness of youth and promoting their participation in conservation;

c) Natural resource-related tourism;

C. Legislative Measures Taken to Conserve Biological Diversity

Malawi is signatory to the African Convention on Conservation of Nature and Natural Resources (Organization of African Unity), the Convention Concerning the Protection of World Cultural and National Heritage (UNESCO), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES-IUCN). It acceded to the latter two conventions in 1982.

A number of legislative acts relate to the conservation of biological diversity in Malawi. A new comprehensive National Parks and Wildlife Act is in the draft stage and will address wildlife management both within and outside of protected areas. This act will replace all existing laws administered by the DNPW including The Game Act and The Wild Bird Protection Act, as well as the National Parks Act.

D. Existing Conservation Oriented Institutions

Notwithstanding efforts to conserve biological diversity both within and outside protected areas, significant threats exist which may limit the success of these endeavors. Development itself, if not planned or unwisely planned, is the biggest threat to the conservation of biological diversity. According to Government policy, all proposed development projects should be scrutinized before being approved, and if deleterious effects are anticipated, an environmental impact analysis must be conducted. The Ecological Consultative and Liaison Group (ECLG) in the Office of President and Cabinet was established for this purpose, but it is hardly operational and has inadequate staff.

The biggest existing threat to the conservation of biological diversity in Malawi and as part of this, the sustainable use of resources, is the high population growth rate, now estimated at 3.3%. The population of Malawi has doubled over the last 20 years. The population is growing even faster than the growth rate suggests due to immigration. At least 700,000 refugees from Mozambique reside in the country. Although most depend on food aid for subsistence, some farm illegally, and all require fuelwood as well as physical space.

Also as a result of intense population pressure, fuelwood is becoming increasingly scarce. The Government has responded to the need to provide more fuelwood, but has done so at the expense of maintaining a diversity of trees. The Department of Forestry has been successful in promoting tree planting, but a disproportionately high percentage of these trees is comprised of only one species. Large areas of indigenous woodland have been cleared and replanted with faster growing exotics, especially eucalyptus. Such a preponderance of so few species is dangerous. The risk of disaster from an outbreak of pests or disease is greatly magnified by this lack of diversity. Given the current and anticipated shortage of fuelwood, it is necessary to emphasize fuelwood production, but several measures could be taken to ensure that biological diversity is not sacrificed while these needs are met.

The national parks generate significant amounts of revenue from tourism and research. In addition to income generated by parks from entrance fees, substantial revenue from air travel, car rental, accommodation, and restaurants is attributable to the existence of protected areas in Malawi. Although currently untapped, the potential exists for protected areas to generate revenue from the development of research programs. Malawi has numerous sites of scientific interest and conservation value. Nyika National Park alone, for example, contains more than 120 species of orchids. No other area in south-central Africa contains as many species. Nyika's montane grasslands are of great scientific interest, especially in the study of patch dynamics and the effects of fire on these ecosystems. Mwabvi Reserve in the south is one of few remaining homes of the rare black rhino. Lengwe National Park, also in the south, contains the most northerly population of nyala in Africa. Kasungu National Park contains a healthy population of elephants. Vwaza Marsh Game Reserve contains approximately 250 species of birds. All these areas and others provide outstanding outdoor laboratories for research, as well as reservoirs of numerous plant and animal species.

B. Measures Taken to Conserve Biological Diversity Outside of Protected Areas

Measures have also been taken to conserve biological diversity outside of protected areas. There is also greater emphasis in recent years on involving individuals directly in conservation. The DNPW is attempting to involve people more directly in conservation through their Education and Information Units. There are three regional sub-units. These sponsor School Wildlife Clubs, trips to National Parks, talks, films and conservation-related contests. Many of the activities are supported by the Wildlife Society of Malawi, the largest conservation related non-governmental organization in the country.

The Department has begun permitting villagers limited use of resources found within protected areas. People from villages surrounding protected areas are encouraged to practice beekeeping activities within parks, and are allowed to cut grass for thatch. The intent of the program is for villagers to gain a greater appreciation of protected areas. The program is especially directed at those villagers who live on the periphery of parks. For example, the beekeeping club from the village bordering Nyika National Park is allowed to hang their hives inside the park. They benefit from this because of the number of wildflowers in the park which attract bees and produce a special honey. They, in turn, help the park by reporting poachers to park personnel. It is in their best interest to do so because poachers often set fires that destroy their hives.

The National Herbarium and Botanic Gardens, a parastatal, is conducting important research to promote the conservation of biological diversity in the country. It conducts field research to document the existence of plant species both within and outside of protected areas. In addition, it investigates "new" and underutilized varieties of plants for food and medicine.

BIOTIC COMMUNITIES OCCURRING IN MALAWI

Community Type	% of Malawi	% in PA
Montane Evergreen Forest	0.26	42
Montane Grassland	4.00	23
Semi-evergreen Forest	0.81	0
Closed Canopy Woodlands of Wetter Uplands (tall Brachystegia spp.)	3.37	0
Open Canopy Woodlands of Plateaux (Brachstegia/Julbernadia/Isoberlinia)	26.06	7
Open Canopy Woodlands of Hills and Scarps (Brachystegia spp.)	22.86	15
Open Canopy Woodlands of Fertile Areas (Piliostigma/Acacia/Combretum)	4.69	0
Mixed Thicket/Woodlands of Drier Uplands	1.50	43
Mopane Woodland	1.74	32
Woodlands of Fertilizer Areas (Adansonia/Cordyla/Acacia albida)	2.25	0
Thicket/Savanna of Poorer Areas (Combretum/Acacia)	1.71	10
Woodland/Savanna (mixed species)	4.25	26
Sand Dune Vegation	0.30	0
Woodlands of Wet Fringes (Terminalis Sericea)	1.57	1
Grasslands-Seasonally Wet	2.75	6
Grasslands-Perenially Wet/Swamp	1.77	4
Lakes-Fresh	19.45	<1
Somewhat Saline Lakes-No outlet	0.61	0
Islands	0.03	18

---

*PA = Found within protected areas

Source: J.E. Clarke and R.H.V. Bell, 1986

2) What Purpose Do Protected Areas Serve in Malawi

Malawi's parks and reserves protect many of its most critical watersheds. Degradation of these watersheds would negatively affect agricultural production, and would result in increased incidence of both drought and flooding. Nyika National Park alone, for example, is the source of three major and numerous minor water catchments which flow throughout the year. Much of the agricultural production in the north depends on this flow, especially during the dry season. Another national park, Liwonde, serves to protect part of the catchment of the Middle Shire River, the most important river in the Southern Region.

Fisheries would suffer if protected areas did not exist. The Bua river, for example, runs through the Nkhotakota Reserve. It is the only remaining important spawning ground of the Mpasa or Lake Salmon, an important commercial fish. Other non-protected rivers which formerly were spawning grounds of this fish no longer support the species as a result of siltation, overfishing, or dams which prevent fish from going up river to spawn. A nascent industry in Malawi, tropical fish export would also suffer if areas were not protected. The most important habitat for Mbuna, the common term for a great variety of colorful species of cichlid, is within Lake Malawi National Park. There is a greater variety of fish in this lake than in any other in the world, and many of them are endemic to the lake. Last year, approximately 34,000 tropical fish, representing 250 different species were exported from Malawi. Fish in the lake are also a major source of protein for Malawians.

Given the high demand for poles and the need for fast-growing species that coppice for fuelwood, eucalyptus makes a lot of sense and seems to be the species of choice among small farmers. Because social forestry emphasizes listening to farmers and helping them grow the trees they want, eucalyptus will continue to be planted on farms. The impact this has on biological diversity and natural forest management needs to be addressed. Large amounts of natural forest have already been replaced by exotics and they are unlikely to be restored. The need to efficiently manage what little natural forest remains for a diversity of products becomes even more critical in this situation.

III. BIOLOGICAL DIVERSITY IN MALAWI

A. Measures Taken to Conserve Biological Diversity in Malawi Through the Development of a Protected Areas System

1) Description of the Protected Areas System

The Government of Malawi has taken meaningful measures to conserve the biological diversity of the country. The most significant effort has been through the establishment and development of a protected areas system. This system consists of five national parks and four game reserves which together comprise almost 11,000 sq km, or approximately 11% of the total area of the country. Few countries have protected such a large percentage of their area. Including forest reserves, Malawi has legally protected 20% of its total area, a significantly greater percent than the world average of 3%.

The protected area system includes examples of all major landscapes and most biotic communities found in Malawi. Table 1 indicates the major biotic communities occurring in Malawi and the percent of each community included in the protected area system. These areas contain numerous plants and animal species, many of which are endemic, i.e., they are naturally found nowhere else on earth. A list of these species is presented in the Protected Areas Master Plan for each area. The existence of detailed master plans for each protected area is indicative of the Government's serious commitment to conserve its biological resources. Few other African countries have elaborated and adopted such plans.

The Department of National Parks and Wildlife (DNPW) is the agency responsible for managing protected areas, as well as wildlife found outside of these areas. It has a total staff of 309, including game scouts, management, research, and environmental education personnel. The operating budget for the Department is approximately K1,118,000 (US$400,000). Malawi is the Southern African Development Coordinating Conference (SADCC) country responsible for coordinating activities for wildlife management and national parks.

are not even able to keep up with illegal wood harvesting and charcoal making, much less get out to contact small farmers and help them with their forestry needs. Increased prices for government produced wood is likely to intensify this problem as more marginal farmers are forced to poach wood.

The Malawi College of Forestry, established near Dedza in the 1950s is the only source of forestry training within Malawi. It offers two year certificates for technical/forestry assistants, three year licenses for foresters and short courses for guards, patrolmen and nurserymen. These short courses: 4-6 weeks, are barely enough time to learn some basic nursery and tree planting techniques, much less extension techniques, natural forest management and agroforestry. The number of female students has been limited to a handful due to a lack of housing. A women's dormitory is currently under construction and the Department hopes to eventually have at least 50% women students.

The College suffers from critical shortages in all areas. Instructional staff generally have little more training than the students they are teaching. Books and current literature are nearly non-existent. Information on extension techniques, so necessary for the current challenges facing Malawi's forestry sector, is hard to come by. Relevant information on Malawian forests must come from the Forestry Research Institute of Malawi (FRIM).

FRIM is called upon to support government and donors in their forestry activities from pine plantations to agroforestry. Yet the Institute rarely receives funds from these projects and therefor is extremely underfunded and understaffed.

This creates particular difficulties for foresters when attempts are made to enter new areas of forestry such as agroforestry or natural forest management. Although agroforestry has been largely left to the Ministry of Agriculture, FRIM is still called upon to identify promising species and provenances, planting densities and other silvicultural information. Through social forestry and land scarcity, foresty is being drawn inexorably into agroforestry. In trying to help small farmers plant trees, foresters and nurserymen should be well versed in agroforestry species and techniques. Similarly, there is a lack of information on natural forest management; basic research is needed.

The lack of natural forest management information brings up another area of concern within the forestry sector in Malawi. As mentioned earlier, the emphasis on plantations naturally led to an emphasis on monoculture. Given the low productivity of many of the native species, exotics such as pine and eucalyptus were chosen. Today, it's very easy to distinguish a planted tree from a non-planted tree: the planted tree is Eucalyptus spp. Government nurseries are typically stocked with 90% eucalyptus. Farmers probably plant more than 90% eucalyptus. Trials for suitable species consist of comparisons between 3 or 4 different species of eucalyptus.

C. Constraints and Concerns

The Forestry Department is being faced with somewhat conflicting messages from different donors. The World Bank's straight economic approach of raising prices and providing monetary incentives has little to do with the social and community forestry approach that emphasizes farmer participation and self-sufficiency. FAO's new program also uses monetary incentives but in a much more complex fashion that hopes to encourage community decision-making. Both of these approaches are less than a year old and its impossible to judge whether either will be a success or a failure. They should be carefully watched and monitored not only for how many trees they produce but for who the beneficiaries are.

Neither the FAO nor the World Bank approach builds upon the types of initiatives mentioned above where communities and individuals had decided to start their own woodlots or tree plantings with little more input than encouragement, seeds and some plastic tubes from the Forestry Department. This raises the question of long-term sustainability.

Malawi is now in the difficult transition period between straight production forestry and a combination of production and social forestry. Finding the proper balance between these two approaches will continue to be a challenge. The difference between these two approaches is simple but extremely important. A production forester deals with trees and forests, making them produce in a certain way according to his, or in the case of government plantations, the government's needs. A social forester deals with people, helping them to produce trees, or forest products, in a variety of ways depending on their needs. Each approach satisfies a different need and requires different operating and staffing patterns. Production forestry has no real need for extension workers; social forestry cannot produce without them.

Not surprisingly, given its historical orientation, the Forestry Department finds itself with a critical shortage of extension workers and a general lack of training in social and community forestry at all levels of the Department. The shortage of extension workers has placed the frontline workers - guards and patrolmen - in the unenviable position of having to be policeman and advisor at the same time.

The Forestry Department must rely on the better staffed and more extensive system to deliver their message. Forestry Department personnel understand this necessity and noted the importance of working together with agriculture. Given that agriculture extension workers have their own extension message and receive little to no training in forestry, this only a partial solution to the problem.

The problem of training, and specifically the institutional weaknesses of the Malawi College of Forestry and the Forestry Research Institute of Malawi, must be addressed if social forestry and agroforestry are to go forward in Malawi. Farmers, and particularly small farmers, are not being reached by the Department's limited field workers. Field workers

children (at three tambala each) and gives them to the children's parents to plant on their farms. This approach differs from the Forestry Department's own school woodlot program in that it pays the children for the seedlings. "A tree for every child" plans to purchase grafted tree seedlings and give them to village children. "Employment guarantee through forestry" is a bit more complex. Basically, the Department works with the village committee set up to work on the project to find a piece of land for a village woodlot. The community is then supposed to designate several families to manage this woodlot area. The Department will work with the village to manage the woodlot. Currently, the Forestry Department is clearing the land and carrying out species trials for eucalyptus. The village will decide how to distribute the woodlot production. In addition, each family will be paid a regular wage. Again, this is similar to the village woodlot and village forest area schemes of the Forestry Department except that here villagers are paid for their labor.

Both the World Bank and the FAO programs call themselves social forestry. Both have different approaches and therefor send mixed messages to the government in its fledgling attempts at implementing social forestry programs with farmers. Yet both programs have a common theme - paying people to plant trees. There's nothing very new in this idea. The question is, how sustainable is this approach and what kind of message is it sending farmers? How willing will farmers be to participate in the government programs mentioned above (no payments) when the World Bank and the FAO are handing out money down the road? What happens when the World Bank and the FAO turn to other things? Trees will have been planted. But will the Forestry Department be able to continue the program without the payments?

A third approach to reforestation is the Blantyre City Fuelwood Project (BCFP), a SADCC project funded in large part by NORAD. Although not a social forestry project it, like many other government-managed fuelwood projects, has references to project personnel working with farmers on their own farms in addition to running the plantations. Ten thousand hectares are allocated to fuelwood production for the urban population in Blantyre. They are currently being planted to Eucalyptus by the well-staffed and well-housed Forestry Department personnel. Traditional authorities allocated marginal land for these plantations, although there were some cases of the Department using better land. Local people are benefitting from the project through employment and some infrastructure improvements. Presumably they also have access to thinnings for fuel. They were not, however, able to purchase seedlings from the project when the government-run nursery in the area ran out. All the seedlings were needed for the plantations.

Another component of the BCFP is the 10,000 hectares designated for natural forest management. There appears to be no progress yet on inventories, management plans, etc. Yet other projects refer to using BCFP as a model for natural forest management.

woodlots on their land. These farmers often contact foresters at a government nursery or are prominent farmers and therefor known to agriculture extension agents. Village forest areas - while not as widely promoted as the programs above - seem to be growing in popularity as farmers and foresters realize that eucalyptus cannot be all things to all people.

Several donors, primarily the World Bank and FAO, are placing increasing emphasis on social forestry - helping farmers to grow their own trees. As discussed above, farmer-grown fuelwood is at least three times less expensive than government grown fuelwood. In addition to this reduced expense for government and donors, this approach also gives farmers the option of growing their own wood, thereby avoiding the expense and hassle of purchasing permits from the government or of gathering it from increasingly remote natural woodlands. In some areas in the south this latter option no longer even exists. Other donor project include: NORAD's Blantyre City Fuelwood Project; EEC's government fuelwood plantations; UNHCR's government fuelwood plantations, which are providing fuelwood for refugees and replacing some of the forest cover already lost due to increased population pressure; and ODA's funding for a women's dormitory at the Forestry College at Dedza.

The World Bank's Wood Energy Project has been in place since the mid-1970's and has been a major force in forestry in Malawi. In addition to much-needed materials and personnel support, the Bank has helped to set up the government-run tree nurseries throughout the country which, up to 1989, have sold subsidized seedlings to farmers. Starting in 1990, seedling prices will be raised from one to three tambala - full recovery cost. At the moment, the nurseries are one of the key components of the forestry extension effort and have been instrumental in helping communities and individuals establish woodlots. Although the species composition is dominated by eucalyptus, fruit trees will soon be available.

The newest phase of the Wood Energy Project has just recently started up. The Bank is encouraging the Forestry Department to move away from government produced fuelwood and towards farmer produced wood. Three key elements of this will be full cost-recovery of wood sold by the government, a bonus incentive scheme and greatly increased enforcement of existing regulations.

The FAO has a brand new forestry program in Malawi. It's main focus is social forestry and, although it has barely gotten off the ground, it's key programs have already been implemented in Southeast Asia. Briefly, there are three components: "learning by earning," "a tree for every child," and "employment guarantee through forestry."

The first two are fairly straightforward. "Learning by earning" involves school children. The Forestry Department helps the school in the target village to start a school nursery. It provides seeds, tubes, etc. When the seedlings are ready to outplant the project then buys them from the

Production forestry has held a prominent and important place in Malawi. Forest plantations, which are generally more productive than natural woodlands, provide important wood products and help to relieve pressure on natural woodlands by producing more wood on less land. Production forestry is particularly important to deal with the fuel needs of tobacco estates and to satisfy needs for sawtimber and other industrial products. In the south, local populations are benefitting from the opportunity to collect waste wood and thinnings at a small charge from nearby forest plantations.

The Viphya plantation in the north, is now providing charcoal on a small scale to industries and domestic users who would otherwise be burning indigenous (and illegal) charcoal. The potential for sustainable charcoal production from the Viphya and other plantations to help supply the energy needs of Mozambican refugees in the south, urban and rural Malawians and, perhaps most importantly, the tobacco industry is only now beginning to be explored. Although there are several limitations (such as transport costs for charcoal from the Viphya which, although it is an enormous plantation, is far from population centers) there is also great opportunity thanks to this past investment.

Government managed, production forestry to produce fuelwood for rural and urban populations is, however, a rather different proposition from the situations mentioned above. It produces a very expensive fuel for an impoverished market that has a strong tradition of not paying for fuel at all. Currently, government produced fuelwood is highly subsidized. But the World Bank is encouraging the government to raise fuelwood prices to equal replacement costs. The World Bank estimated establishment costs for one hectare of government fuelwood plantation at MK 894 at 1986 prices. By comparison, the same area of woodlot established by a small farmer was estimated at MK 258. The price charged for wood produced from government plantations is now MK 3.50/stacked cubic meter. It costs the government approximately MK 21.50 to produce this same quantity of wood. Even collecting the nominal sum now charged is difficult given the shortages of staff, the distances farmers must walk to obtain licenses and the general income levels of the average farmer.

In effect then, the government is currently spending money producing wood that, unsubsidized, is far too expensive for most of the population to afford. At the same time, the illegal cutting and sale of wood from natural forests, not to mention the production of charcoal, continues at a rapid pace.

The Forestry Department has a number of approaches to farmer-level forestry problems. Forestry Assistants and District Foresters work with traditional leaders encouraging them to start village woodlots. The Department provides training, seeds, plastic tubes for seedlings and follow-up. The community decides where the woodlot shall be located and organizes all labor. Foresters also work with schools and local branches of the Malawi Congress Party to set up similar woodlots. The Department works with individuals to help them establish their own nurseries and

to the nature of the operation but also to extremely inefficient barn design and management, some of which is now being addressed. Tobacco estates are also required to plant a certain percentage of their land in trees, something which will be discussed further below.

Communal land holds the greatest percentage of forest land in Malawi: approximately 56%. This land is held on a communal basis with Traditional Authorities and Village Headman allocating land to farmers. Although farmers do not have official title to land, there does not appear to be any ambiguity towards who has the right to a piece of land and the trees thereon. Farmers seem quite secure in their rights to the land that has been allocated to them and pass it on to the next generation according to both matrilineal and patrilineal customs, depending on the area of the country. Local authorities also have the authority to designate unused areas of land as sites for community woodlots. There are signs that growing population pressures and critical land shortages may be eroding the authority of these traditional structures in some areas.

Although local authorities have the right to designate areas for tree planting, the Forestry Department has authority over all natural forests and trees on communal land. Headloads of firewood from communal land for domestic use may be collected for free. Anyone selling wood from a natural stand, even from land allocated to the farmer, must have a license or permit. For any of the eleven protected trees the farmer must also pay a fee. Planted trees generally fall outside this rule and a farmer is free to sell any wood s/he has raised.

There are several problems with this system, which was set up to reduce deforestation. Currently, there is no way to transfer licenses. Therefor, while the woodcutter may have a license he cannot pass it on to the wood buyer. Further down the road, the wood buyer may be stopped by forest guards and asked for a license which he does not have.

In addition to the communal woodlots mentioned above, the Forestry Department has a strategy for the creation of Village Forest Areas which are areas of natural woodland that the village decides to maintain and manage. The Department assists the village with management plans and advises them on utilization. Before independence there were many of these Village Forest Areas. Since independence, however, they have been largely neglected by the Department. It is only very recently that farmers and the government are showing a renewed interest in Village Forest Areas.

B. Some Issues and Activites in the Forestry Sector

The Forestry Department is beginning a shift of emphasis from the straightforward task of production forestry (i.e. producing trees) to the complex task of social forestry. They are doing this in a variety of ways and with the help of several international organizations.

All wood from forest reserves must be purchased. There is some controlled wood removal in reserves both for commercial and domestic purposes. Headloads for domestic use must be purchased at 10-15t/headload. Grazing permits are also issued at most forest reserves.

In the last few years, several forest reserves have experienced extreme encroachment problems. These problems are concentrated, but not limited to the southern, more densely populated region. The Mulanje Forest Reserve, which is in an area of one of the highest population densities in the country, has had to redraw its boundaries to accommodate squatters and establish a police station on the edge of the reserve to discourage further encroachment. Other reserves, such as the Mvai reserve between Dedza and Ntcheu, are being severely overgrazed and deforested for fuelwood. Part, but certainly not all, of the problem stems from the influx and concentration of Mozambican refugees in these areas.

As mentioned earlier, forest plantations have been established in several parts of the country. The initial program focus, started in the 1950s, was to establish industrial timber plantations for sawtimber, pulp, veneer, etc. Much of this production was intended for export. These plantations are almost exclusively of pine (Pinus patula) with a small amount of eucalyptus. Due to transportation and market difficulties, some of these plantations have not been fully utilized. Shortages of manpower and management capabilities have led to stagnating stands with wasted wood and the risk of forest fires in some areas. The Forestry Department and donors are beginning to reconsider the original intent of these plantations and explore ways to use them more fully for the country's pressing energy needs.

The tradition of industrial plantations of exotic species set the stage for the initial method of coping with the growing fuelwood crisis: fuelwood plantations. Fuelwood plantations have been, and are continuing to be established, outside of the major urban areas of Lilongwe and Blantyre. All in all approximately 18,000 ha of fuelwood plantations have been established by the government. The initial species of choice were Gmelina arborea and Eucalyptus spp. with some pine. Now, these plantations are composed almost exclusively of eucalyptus.

Another small scale approach to fuelwood plantations is the creation of various community based fuelwood plantations. These have ranged from school to village woodlots. Although the emphasis is still on devoting a plot of land to trees, these approaches work in closer coordination with rural people. Village woodlots, for example, are created on a piece of land designated by the village headman. Labor is often organized on a communal basis. The village headman has an important say then in how the trees are eventually used and distributed. Again, the majority of these woodlots are stocked with eucalyptus.

The rapidly growing leadhold or estate sector in Malawi provides unique challenges for forestry. Tobacco estates require large quantities of fuelwood for curing tobacco and constructing barns. This is due not only

II. THE FORESTRY SECTOR IN MALAWI

Malawi has been well-endowed with forest resources. In 1987 forest land as a percentage of total land area was estimated at 38%. Miombo woodland, (Brachystegia -Julbernardia-Isoberlinia) is by far the most widespread forest formation in Malawi. This open canopy, broad-leaved forest is found primarily on the heavily populated plains and plateaus and on lower mountain slopes. It has a rather low productivity with a mean annual increment of approximately 1.5 cubic meter/ha/year. In areas of population pressure and consequent fires and clearing this figure is reduced to as low as .8 cubic meter/ha/year. Many of these miombo woodlands are being severely degraded through deforestation, burning and grazing.

Other forest types include 'Mopane' woodland (Colophospermum mopane), a few scattered relics of lowland rain forest, gallery forests along rivers, streams and lakes and montane, submontane and coniferous forests at higher elevations. It is in these forest areas that one finds some of Malawi's most unique and valuable forests and forest species, both from an ecological and and economic perspective.

Malawi is fortunate in having established early-on both forest reserves, which serve a protection role for watersheds and fragile areas, and forest plantations. Industrial plantations, composed primarily of Pinus spp. now cover approximately 75,000 hectares. The Viphya plantation in the north accounts for 53,000 hectares of this. These plantations give Malawi a much needed buffer against absolute wood scarcity for domestic needs, as will be discussed below.

In addition to industrial plantations, the Forestry Department has established fuelwood plantations, primarily of Gmelina arborea, Eucalyptus spp. and Pinus spp. The primary purpose of most of these plantations has been to supply urban centers with fuelwood. There are large plantations around Lilongwe and the Blantyre/Zomba area and proposals to establish more plantations.

A. Forest Classification and Use

In general forests in Malawi can be placed in five different classifications: forest reserves, plantations, national parks, forests on customary land and forests on leasehold or estate land. The Department of National Parks and Wildlife protects and manages forests in national parks. Harvesting and other extractive utilization is generally not permitted; however, in areas of extreme fuelwood scarcity as at Lake Malawi National Park, people are allowed to collect headloads of deadwood for a small charge.

Forest reserves were established to protect watersheds and fragile areas such as steep slopes and waterways. These functions are critical in Malawi which has an extremely dissected terrain and a high potential for erosion and consequent degradation of water supplies. In addition, the importance of Lake Malawi and the Shire river to the nation's economy and ecology require that very close attention be paid to watershed protection.

G. Loss of Biodiversity

Biological diversity is commonly defined as the variety and variability among living organisms and the ecological complexes in which they occur. Diversity can be considered at the genetic, species, and ecosystem levels, although it is most commonly discussed at the species level. Maintaining diversity at all levels is critical to sound ecosystem functioning.

Due to intense land pressures throughout much of the country, most of Malawi's natural biological diversity is now found only within reserves. Much of the future success of conserving biological diversity in Malawi is, thus dependent on the maintenance of established protected areas. Malawi has succeeded in protecting many of the critical watersheds on which its agriculture-based economy depends. It has also succeeded in conserving numerous plant and animal species endemic to the area as well as many that are rare, threatened or endangered, and has done this with very limited resources.

There is growing concern about the loss of genetic and species diversity within the forestry sector. The early plantations in Malawi were planted largely with one species - Pinus patula. Large areas of indigenous, and more diverse, forest were cleared for the establishment of these monocultures. More recently, the Forestry Department has focused its efforts almost exclusively on the production of Eucalyptus spp. for planting in its fuelwood lots, in community woodlots and for smallholder farmers. Government tree nurseries are usually stocked with about 90% eucalyptus. Initially, indigenous forest was cleared for the establishment of these plantations. Now, the Department tries to avoid clearing indigenous woodland whenever possible.

A similar loss of biodiversity has occurred in the agricultural sector. Although only a fraction of the maize crop in Malawi consists of hybrids, farmers are encouraged to grow one or two varieties of hybrid maize. An excessive reliance on a few varieties makes the food production system more vulnerable to losses from diseases to which those varieties are susceptible. The extension service has promoted monoculture, particularly of maize and tobacco, which has reduced both the varieties of each crop and types of alternative food crops grown by farmers.

H. Grazing Land Degradation

Land scarcity, decreased lengths of grass fallows, reduced grazing in forested areas, poorer quality fodder, overgrazing, and soil erosion are all contributing to the degradation of grazing lands. The dry season fodder provided by croplands and dambo grazing is reduced as increased amounts of grazing lands are taken up by winter vegetable gardening in the dambos. The land scarcity issue is forcing a trade-off between cropland and grazing land.

E. Soil Erosion

Soil erosion is a serious problem in most farming areas of Malawi. There are several trends which are resulting in soil erosion and topsoil loss. These trends which are often related to population pressure and land scarcity include: 1) increased cultivation of steep lands (slopes greater than 12%), 2) shorter fallow period, 3) increased amount of continuous maize or other row crops, 4) increased acreages of crops like tobacco which do not protect the soil, 5) reduced intercropping and crop cover, 6) failure to construct or maintain contour marker ridges, 7) overgrazing, 8) deforestation, 9) lack of farm planning services for farmers, especially those growing tobacco, and 10) lack of regulations and capability for enforcement of better land use and soil conservation practices.

The beneficial effect of protecting land against soil erosion does not stop with maintaining the productivity of the land. The reduction of siltation of fish spawning grounds, irrigation and hydroelectric dams, and increased stream flow are all important additional benefits of soil erosion control. Protection against siltation in the Bua river spawning grounds of the Mpasa or Lake Salmon, a commercially important fish species in Lake Malawi, is one of the important protection functions of the Nkhotakota Game Reserve. Many other non-protected rivers, which formerly were spawning grounds of this fish, no longer support the species as a result of siltation, overfishing, or dams which prevent fish from going up river to spawn.

F. Soil Fertility Decline

Because of increased population pressure and land scarcity the amount of land for bush fallow has been decreasing steadily. It has reached the point where very few farmers are clearing and utilizing land that has been fallowed for the fifteen years or more needed to restore soil fertility and tilth. Because this important way of restoring soil fertility is gradually being lost, smallholders must apply increasing amounts of increasingly expensive chemical fertilizers to maintain the yields of their staple food crops.

Continuous intensive cultivation of crops like tobacco and maize, which draw large amounts of nutrients from the soil, combined with a decrease in intercropping and the use of legumes in cropping rotations, which improve soil nutrient status, have resulted in steady declines in soil fertility. Some of the fertility decline has been hidden by the increased use of chemical fertilizers.

The increased rate of soil erosion and the subsequent loss of fertile topsoil and organic matter have aggravated the problem of soil fertility decline in Malawi. Because the acid and highly weathered upland soils do not have a high native fertility and nutrient supplying capacity they are not able to sustain crop production when subjected to moderate and high rates of topsoil erosion.

inclusion of forest reserves and national parks in the lower figure: areas which are not and should not be available for exploitation. Encroachment on forest reserves and other protected areas in search of fuelwood is common and extremely difficult to prevent. Farmers in all regions, but particularly in the south, are lopping mango trees, and burning maize stalks and cattle dung for fuel.

D. Growth of the Estate Sector

Between 1970 and 1988 the number of estates grew from 78,000 to 267,000. Most of these new estates were small, ranging in size from 5 to 25 hectares. About 95% of these estates produce tobacco, and because of price increases for tobacco and changes in the types of tobacco being grown by small farmers, the trend of growth in this sector is likely to continue.

There are some serious concerns about this growth. Virtually all of the small estate holdings have come from customary land that was in bush fallow or being cropped. This has resulted in less land being available for the rapidly growing number of small holders on customary land.

It has been estimated that about 40% of estate land is unused. One reason for this is because tobacco land must be fallowed for two years out of four, but there are even some indications that the estate sector does not use land very efficiently. Reduced availability of customary land, additional acreages of non-food cash crops, rapidly increasing human population, and the high proportion of fallowed land in the small estate sector have all combined to make less land available for food crops. This trend has serious negative consequences for land tenure attitudes, food security and natural resource improvements.

The expansion of the estate sector, particularly tobacco estates, has also caused considerable deforestation. The production of flue-cured and fire-cured tobacco requires large quantities of fuelwood and burley and sun-air cured tobacco require poles to build drying sheds. Although required by law to put 10% of their land into tree plantations to supply their wood needs, in practice it is universally agreed that this has not been done. Consequently, estate lands have placed extreme pressures on forests in two ways. Most directly, they have cleared large areas of indigenous forest both for tobacco establishment and for wood for tobacco curing. In 1985/86 tobacco estates consumed 300,000 tons of wood - only 40% of that came from plantations, and this does not include the amount of forest land cleared by new estates.

The estates seem to be making some recent efforts to establish the required tree plantations, improve their processing efficiency and explore alternative fuels such as charcoal from the Viphya plantation. A recent concession in the Viphya granted to General Farming may be an important step to full utilization of this enormous resource and reduced pressure on natural woodland.

In addition to high population density, Malawi has one of the highest population growth rates in Africa. The high estimated growth rate of 3.2% per year combined with a high percentage of rural dwellers, places considerable pressure on Malawi's scarce land resources and natural resource base and are of primary concern to natural resources management in Malawi.

Until population issues are addressed, little of long-term significance will be accomplished in the area of sustainable agriculture and natural resources management. The need for a population policy has only been raised as an issue by the government very recently. The National Seminar on Population and Development which was recently held at the University of Malawi was a very encouraging step forward in this direction.

B. Food Security

It has been estimated that 650,000 people in Malawi suffer chronic malnourishment and that up to 1/2 the population experience food insecurity during part of the year. This is not surprising considering that most farms in Malawi have less than one hectare under cultivation and that about 50% of farms have only 0.55 hectares cultivated. Overall only 20% of smallholder farmers produce a surplus of maize, their principal staple crop. One study shows that more than 70% of smallholder families in the Blantyre ADD run out of food by January and then must buy maize until harvest in April or May.

Female headed households, 42% of which cultivate less than half a hectare, are most often not visited by the extension service and have less access to agricultural credit. This same group is seldom able to implement extension advice at the recommended levels because they often require high cash investments in fertilizer and hybrid seed.

C. Deforestation

The primary cause of deforestation, rapid population growth, has put agricultural land at a premium and forced people to push farther and farther into marginal areas. One can see fields far up on steep hillsides in many parts of Malawi. These hillsides, which once provided fuelwood for the community, are gradually being cleared of forests and in some cases are used for food crop production. Today, only the hills that are protected as forest reserves have much tree cover, and in some areas even this important cover is being reduced.

In the search for more land on which to produce food and more wood with which to cook it, rural households have had to mine their resource base. Deforestation is estimated at 150,000 ha or 3.5% a year, the second highest rate in Africa. According to government sources, Malawi experienced a wood deficit of 1.6 million cubic meters in 1983 which is projected to grow to a deficit of 7.6 million cubic meters by 1995. These figures are conservative. Other sources cite deficits of over four million cubic meters in 1984. Some of the discrepancy may be due to

NATURAL RESOURCES MANAGEMENT AND BIOLOGICAL DIVERSITY

In July 1989, USAID/Malawi commissioned a Natural Resources Management Assessment by Chris Seubert and Karen McKay, and An Overview of Issues Pertaining to Biological Diversity Conservation in Malawi by Virginia Ravndal, under the Africa Bureau's Natural Resources Management Support Project. Excerpts from these reports are provided below covering three topics: (1) Critical Natural Resource Issues; (2) The Forestry Sector in Malawi; and (3) Biological Diversity in Malawi.

I. CRITICAL NATURAL RESOURCE ISSUES

A. Population Pressure and Land Scarcity

Land scarcity is a direct consequence of Malawi's rapid population growth rate. Farmers on very small acreages, no matter how marginal the land may be, cannot afford to put part of their land into trees or practice effective fallow. At 843 inhabitants per 1,000 hectares, Malawi is the fourth most densely populated country in continental Africa. With approximately 50% of the population under the age of 15 the situation can only become more serious. The population density is lowest in the North and highest in the South in the Shire Highlands. Parts of the Shire Highlands have population densities in excess of 300 persons per square kilometer. The projected land requirements presented below emphasize the seriousness of future land scarcity.

PROJECTED LAND REQUIREMENTS FOR DIFFERENT USERS IN MALAWI

Fertility Assumption	Percent of Land Vacant in 1985 Needed by 2000 for Growth in:			Percent of Land Vacant in 1985 Needed by 2015 for Growth in		
	Food* Production	Tobacco and Wood**	All uses	Food* Production	Tobacco and Wood**	All uses
Constant Fertility	41	29	70	121	57	178
Standard Decline	37	28	65	85	48	133
Accelerated Decline	29	26	55	53	37	90

* Assuming no improvement in current levels of food intake.

** Assuming high-yielding plantations, increased efficiency of fuelwood use on tobacco estates, and also that additional land for expansion of tobacco production will be able to produce sufficient fuelwood for the increase in production.

Source: World Bank

understanding of the priority development issues which need to be jointly addressed. It also has resulted in a more cost-effective use of local donor knowledge to practically and collectively tackle specific development problems by sharing information and expertise.

The Bank has taken an active leadership role in chairing the CG meetings, chairing the secretariat for the sub-group coordinators and the sectoral and macro-economic meetings for which it has primary responsibility. It has been strongly supported by the UNDP system and most bilateral donors. Time and personnel constraints have been the major impediment to closer donor coordination.

Previous Page Blank

including pricing, marketing and structural adjustment; and (3) food aid including intervention level programs. Close consultation is maintained with the agricultural sector sub-group. The committee is also working closely with a separate donor-GOM group formed to coordinate Social Dimensions of Adjustment activities.

The sub-group on integrated human resources development coordinated by the Bank and WHO, agreed that priority attention should be given to the Bank's human resource mission findings and the issues of AIDS, strengthening the population planning capability in the Economic Planning and Development Department, the management of the Ministry of Health and improving the health delivery system based on a primary health care approach. Special attention was given to the Bank/UNFPA-led Population Sector Review in Summer 1989 -- several donors provided experts for that review, as well as for a health manpower review.

The displaced persons sub-group, led by UNHCR and UNDP, is focusing on the quantity of donor assistance being given to the Mozambicans relative to the Malawians, as well as on the impact of refugees on development in Malawi. The sub-group has viewed the displaced persons issue as central to whether Malawi can achieve the growth targets set out in the Policy Framework Paper. The displaced persons are placing a significant strain on scarce Malawian resources.

The priorities identified by the macro-economic and SAL programs sub-group, chaired by the Bank, include: (1) stronger collaboration among multilateral and bilateral donor agencies participating in the structural adjustment process; (2) examination of steps which donors can take to strengthen the capacity of the Government to plan, manage and implement its adjustment programs; and (3) greater attention to distributional aspects and social dimensions of structural adjustment. There has been significant progress in coordination, especially through co-financing under the Industry and Trade Policy Adjustment Credit and Agriculture Sector Adjustment Credit. Donors have provided technical expertise to the Bank's appraisal missions, and the Bank has consulted closely with other donors as it has assessed Government compliance on conditionality. There appears to be a strong consensus among donors and the GOM on all policy programs. The Policy Framework Paper, and adjustments to it have been shared ex post with all donors.

The process towards more effective donor coordination has begun. The commitment on the part of donors and Government towards improved coordination has been strengthened and the mechanism for increased collaboration and dialogue has been instituted. There has been an increase both in the number and quality of the Government and donor consultations, particularly at the sectoral level. This sectoral, issue-oriented approach has gained support and led to an increased

further promotional measures to be taken by Government and on the organization of further donor funding activities have already been proposed to Government. The sub-committee has also been involved with coordination of co-financiers for the Bank's Industry and Trade Policy Adjustment Credit. The energy sub-group, led by the Bank, has held several meetings related to appraisal of the new Energy Project. It has also worked with Government to mobilize the co-financing needed for the Energy I project.

The agriculture sector committee, led by FAO and USAID, focused its early attention on preparing an agenda of issues for the October 1988 Agricultural Symposium. It also pushed for closer linkages between food security and agricultural concerns, thereby expanding the horizons of all donor and GOM efforts in the sector. The committee has also provided a forum for discussion of objectives and coordination under the Bank's proposed Agriculture Sector Adjustment Credit.

The donor sub-group on technical cooperation and institutional development, led by UNDP, initially identified four priority issues: (1) a lack of suitable counterparts and funds and limited on-the-job training; (2) inadequate coordination of technical assistance activities; (3) the absence of a system for evaluating and phasing out of most long-term experts; and (4) the need to support national capacity building to enhance the local capability to adjust quickly to the changing external circumstances and to utilize increased aid flows more effectively. This committee's work has evolved into a larger UNDP-led effort, NATCAP (National Technical Cooperation Assessment and Programme) which is working with Government's Department of Personnel, Management and Training to coordinate training and TA activities in all sectors. The committee has also been working with Government to standardize per diem and allowance rates for all donor-funded in-country training courses and workshops.

The sub-group on Non-Governmental Organizations, coordinated by UNDP, identified priority issues aimed at increasing the now limited NGO involvement: namely the need to (1) streamline the institutional arrangements affecting the relationships between NGO's, Government and donors; and (2) to strengthen the indigenous NGO's and their coordinating body. A consultant study financed by the Bank has been recently completed and will be circulated to Government shortly for comment and follow-up. The donor sub-group felt that the question of women in development should be discussed in all sub-sectors, most importantly, the agriculture and nutrition sub-sectors.

The nutrition sector sub-committee, led by UNICEF, is concentrating its efforts on three major issues: (1) food and nutrition systems including household food and economic security; (2) food and nutritional implications of agricultural and macro-economic policy

- o agriculture, FAO/USAID;
- o transport and infrastructure, UK;
- o industry and energy, Bank/EEC;
- o technical cooperation and institutional development, UNDP/Bank;
- o nutrition, UNICEF;
- o population, health and education, Bank/WHO;
- o non-governmental organizations, UNDP; and
- o displaced persons, UNDP/UNHCR.

The objective of the sectoral committees is to share information, eliminate duplication and help develop a concensus on major program and policy issues. The agenda for the meetings is set in advance and is based on agreed work programs which deal with highest priority development issues to be addressed over the short and medium-term. The Government sometimes participates in the sectoral discussions.

The sector donor committees have met with varying regularity. Early-on, each group identified issues for priority attention in their deliberations. Key issues identified by the groups and major activities are summarized below:

The core coordinator for the transport and infrastructure sector, the United Kingdom, identified four priority issues: (1) the transport bottlenecks, externally on the Tete and Nacala routes, and internally, due to the lack of haulage capacity; (2) the need to strengthen the institutional ties between the Ministry of Transport and the Ministry of Works; (3) the recurrent cost implications of aid-funded projects, particularly the Northern Corridor and First Infrastructure projects; and (4) the import duty burden on private haulers and its effect on the orthern Corridor. Working closely with the Northern Transport Corridor Coordinating Committee and Ministry of Works and Supplies, the committee has expedited implementation of the Northern Corridor Project and helped to coordinate co-financing for the Bank's First Infrastructure Project. Considerable recent attention has been given to the additional investments needed for the Nacala Line and Malawi Railways, specifically.

At a meeting chaired by the Principal Secretary of the Ministry of Trade and Industry, it was determined that the highest priority issue for the industrial sector committee, led by the EEC, is small and medium scale enterprises. The small and medium scale sub-group has discussed the medium-term development prospects for the SME sector in light of the DEVPOL Statement, including the institutional set-up and funding principles of promotional institutions. Some concrete proposals on

AID DONOR COORDINATION IN MALAWI*

In 1986, the Malawi Government chose to coordinate donor assistance through the World Bank led Consultative Group process. Since that time, there has been strong support from the Malawi Government and local donor representatives to improve aid coordination in Malawi. The Malawi Government has taken several important steps to improve donor coordination both at the local and Consultative Group levels. For example, it has established an Aid Coordination Section in the Economic Planning and Development Department to strengthen its capacity to plan, monitor and better integrate aid flows with the requirements of the Public Sector Investment Program. It has also formulated its own medium-term Statement of Development Policies and chaired numerous meetings for the coordination of sectoral investments. It has designated the Ministry of Finance to be the focal point for all GOM communication with donors; the MOF in turn, has been proactive in convening meetings of donors on specific project proposals and policy-based adjustment activities. The Government has normally called donor meetings to discuss IMF/World Bank findings on implementation of the Policy Framework Paper.

Local Donor Coordination Mechanism

In January 1987, the World Bank chaired the First Formal Aid Coordination Meeting for the purpose of discussing potential mechanisms to better coordinate donor efforts. It was agreed at that time that the success of any aid coordination initiative critically depends on the cooperation and active involvement of all donors. Working in parallel with the Government's efforts, the local donors agreed to a three part donor coordination mechanism: (1) frequent and informal sector group meetings chaired by a concerned and informed donor; (2) a secretariat headed by the World Bank and composed of the leaders of the sector groups which meets periodically to oversee progress and report on the economy and adjustment operations; and (3) plenary meetings of the Heads of Missions chaired by the Bank which meets twice a year to review issues of general donor concern and provide a venue for discussion, feed-back and advice on the results of the local aid meetings.

The sectoral approach adopted by the donors is intended to provide a framework for a more structured and focused dialogue among the donors and with the Malawi Government. Eight sector groups headed by lead donors have been formed, as follows:

---

*Based on paper prepared by Peter Hall, former World Bank Resident Representative to Malawi, at the June 1988 Consultative Group Meeting for Malawi.

Household Characteristics by Gender of Household Head

	Male		Female	
	MK/annum	Percent	MK/annum	Percent
Household Size				
1-2		14.29		32.63
3-5		51.73		51.04
6 +		33.08		16.33
Cultivated Area				
<0.7 ha		30.31		51.08
0.7-1.49 ha		35.60		35.39
>=1.5 ha		34.09		13.54
Household Expenditures				
All Sources	134.22	100.00	88.64	100.00
Farm	21.60	16.09	6.69	7.55
Business	9.78	7.29	6.70	7.56
Food Crops	12.26	9.13	12.51	14.11
Livestock	3.58	2.67	1.83	2.07
Other Food	14.96	11.15	13.34	15.05
Non Durable	34.47	25.68	24.50	27.64
Durable	26.45	19.71	17.58	19.83
Transfers	11.19	8.34	5.43	6.12
Household Income				
All Sources	158.17	100.00	85.27	100.00
Food Crops	40.92	25.87	15.75	18.17
Cash Crops & Prod.	17.93	11.34	3.13	3.67
Livestock & Prod.	14.67	9.28	3.74	4.38
Business	41.03	25.94	26.13	30.65
Labor	25.22	15.95	10.78	12.65
Transfers & Other	17.29	10.93	25.06	29.39

Source: Center for Social Research (1988) from NSSA 1980/81.

Expenditure on Food as a Percentage of Total Expenditure
by Town and Income Group

Income Group	Blantyre	Lilongwe	Zomba	Mzuzu
All Income Groups	23.6	26.3	27.3	36.0
Less than K20.00	49.2	41.9	63.3	64.8
K20.00 - K39.99	48.4	35.1	44.0	56.0
K40.00 - K69.99	42.3	39.7	48.8	45.9
K70.00 - K99.99	39.0	36.7	42.9	43.6
K100.00 - K139.99	36.1	33.5	37.3	35.5
K140.00 - K199.99	33.5	34.5	30.7	34.8
K200.00 - K399.00	25.0	29.8	24.6	27.8
K400.00 and over	14.3	14.5	20.0	15.5

Source: NSO, Urban Household Expenditure Survey, 1979/80.

Minimum Daily Wages (Nominal Tambala)

Year	Nominal Urban Wage	Blantyre CPI	Real Urban Wage	Nominal Rural Wage	Mzuzu CPI	Real Rural Wage
1975	40					
1976	40					
1977	40					
1978	40					
1979	40					
1980	45					
1981	70					
1982	81					
1983	81					
1984	81	100	81	58	100	58
1985	100	110.5	90	70	115.4	61
1986	111	125.9	88	77	127.0	61
1987	111	157.8	70	77	166.7	46
1988	111	209.8	53	77	209.2	37
1989	217	247.6 (e)	103	174	246.9(e)	83

Sources: World Bank, "Human Resources Development in Malawi: Issues for Consideration: Labor and Employment."

Government of Malawi, "Malawi Statistical Yearbook."

Economic Report, 1989.

Monthly Statistical Bulletin, November 1988.

Malawi Gazette Supplement, April 1989.

Government Notice No. 29, Ministry of Labor.

(e) estimated at 18% country wide for 1989. Current estimates suggest that the annual average may be lower.

Average Maize Production and Consumption by Holding Size

Holding Size (ha)	Summary Statistics by Holding Size: Percent of All Holdings	Percent of Total Area	Mean Holding Size (ha)	Mean Household Size
<= 1	54.20	25.60	0.55	4.20
1 <= 2	30.40	36.30	1.40	5.00
> 2	15.40	38.10	2.91	6.00

Holding Size (ha)	Average Maize Yields (kg/ha): Local	Hybrid	Composite
<= 1	961	2587	2030
1 <= 2	1095	2660	1740
> 2	1235	2596	1564

Holding Size (ha)	Average Maize Yields (kg/ha): Local	Hybrid	Composite
<= 1	528	1423	1117
1 <= 2	1533	3723	2436
> 2	3595	7554	4551

Holding Size (ha)	Average Daily Caloric Consumption Per Capita: Local	Hybrid	Composite
<= 1	1231	3314	2601
1 <= 2	2999	7284	4765
> 2	5860	12341	7418

Sources: Data by holding size from Summary Tables of Malawi Government, Annual Agricultural Survey. The calorie conversion factor of 3570 Kcal/Kg used here is from F.A.O. (1968).

Distribution of Landholdings and Percent Malnourished by District, 1980/81

	Percent of Households by Landholding Size		Percent of Children Malnourished Between Harvests	
	0.7 ha	0.7-1.49 ha	Stunted	Wasted
Karonga	42.9	37.9	64.2	1.0
Mzuzu	31.1	36.3	65.4	1.5
Kasungu	8.0	29.5	64.4	3.7
Salima	40.0	39.2	53.8	2.0
Lilongwe	24.9	39.1	58.1	1.1
Liwonde	46.8	40.6	55.1	1.3
Blantyre	57.4	31.6	50.4	5.5
Ngabu	30.4	36.8	47.1	2.8

Source: Pryor (1988) and CSR (1988), from NSSA 1980/81

RATIOS OF MALAWI'S PRODUCER PRICES TO INTERNATIONAL PRICES

Year	Tobacco	Groudnuts	Cotton
1970	0.22	0.69	0.24
1971	0.25	0.63	0.21
1972	0.23	0.70	0.22
1973	0.22	0.51	0.13
1974	0.23	0.28	0.15
1975	0.22	0.50	0.19
1976	0.21	0.51	0.13
1977	0.26	0.41	0.16
1978	0.26	0.41	0.17
1979	0.24	0.72	0.17
1980	0.23	0.84	0.14
1981	0.19	0.16	0.14
1982	0.24	1.28	0.17
1983	0.23	1.45	0.17
1984	0.25	1.40	0.18
1985	0.21	1.23	0.22
1986	0.22	n.a.	0.33

Source: Robert Christiansen and V. Roy Southworth, "Agricultural Pricing and Marketing Policy in Malawi: Implications for a Development Strategy," MADIA Report, November 1988, p. 4.

Malawi: Comparisons with Other SADCC Nations
(Social and Economic Indicators)

Indicator	Malawi	Angola	Botswana	Lesotho	Mozambiqu	Swaziland	Tanzania	Zambia	Zimbabwe
Pop. Growth	3.7	2.7	3.3	2.6	3	3.2	3.4	3.4	2.9
GNP/Capita($87)	160	na	1050	370	170	700	180	250	580
GDP Growth (80-87)	2.6	na	13	2.3	-2.6	2.4	1.7	-0.1	2.4
Life Expectancy	46	45	59	56	48	55	53	53	58
Ag/GDP (1987)	37	na	3	21	50	na	61	12	11
Ed/Gov. Expend	10.8	na	18.4	15.5	na	na	8.3	8.3	20.3
Health/Gov. Expend	7.1	na	5.9	6.9	na	na	5.7	4.7	6.1
Fertility (1987)	7.6	6.4	5	5.8	6.3	na	7	6.8	5.9
Primary Enroll (86)	64	na	105	115	82	na	69	104	129
Infant Mortality	150	137	67	100	141	na	106	80	72
Maternal Mortality	250	na	300	na	479	na	370	110	150

Previous Page Blank

Government of Malawi: Total Expenditures on Social Services
(Millions of Kwacha)

Nominal Terms	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89r	1989/90e
Social Services	44.70	56.09	65.17	76.46	89.15	102.28	111.49	149.04	151.79	208.11	241.14
Education	25.51	31.21	39.39	51.25	55.60	58.36	67.11	80.11	84.54	113.51	109.86
Health	14.81	19.23	20.28	21.19	28.12	37.49	41.79	52.72	49.68	73.96	84.74
Community Development	4.38	5.65	5.50	4.02	5.43	6.43	2.59	16.21	17.56	20.64	46.54
Real Terms (1978 = 100)											
Social Services	43.70	47.21	47.53	48.70	51.95	53.33	53.24	63.21	52.49	55.36	55.17
Education	24.94	26.27	28.73	32.64	32.40	30.43	32.05	33.97	29.23	30.20	25.13
Health	14.48	16.19	14.79	13.50	16.39	19.55	19.96	22.36	17.18	19.68	19.39
Community Development	4.28	4.76	4.01	2.56	3.16	3.35	1.24	6.87	6.07	5.49	10.65

Sources: Malawi Government, Economic Report, 1984 and 1989.

Government of Malawi: Functional Classification of Central Government Development Expenditures
(Percentage Contribution, 1979-1989)

Classification	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89r	1989/90e
Agriculture and Natural Resour	15.79	13.25	22.45	21.87	26.11	20.75	16.15	26.58	27.57	18.20	21.34
Agriculture	11.80	8.85	17.50	16.20	21.64	16.53	12.53	14.35	14.97	10.82	14.79
Forestry and Game	2.43	2.30	3.57	3.55	3.52	3.32	2.58	9.78	8.46	4.91	3.39
Veterinary Service	1.24	1.80	1.72	1.86	0.83	0.77	0.82	0.87	2.75	1.28	1.72
Surveys and Lands	0.09	0.06	0.07	0.03	0.03	0.04	0.06	1.33	1.17	0.62	1.04
Fisheries	0.22	0.24	0.39	0.23	0.09	0.09	0.16	0.25	0.22	0.56	0.40
Social Services	6.14	6.78	10.86	16.79	18.76	20.14	14.69	12.91	12.26	19.77	22.84
Education	3.99	4.35	9.61	14.09	14.09	13.21	12.89	9.86	7.03	10.94	13.10
Health	2.13	2.43	1.26	2.70	4.56	6.84	1.72	2.98	4.31	8.67	9.31
Community Development	0.01	0.00	0.00	0.00	0.10	0.09	0.08	0.07	0.92	0.16	0.43
Transport & Communications	34.64	39.33	39.60	25.65	23.51	36.50	40.63	37.93	33.46	40.32	38.97
Transport	32.22	38.07	37.59	24.08	21.50	34.87	32.89	30.58	28.57	31.62	33.07
Posts & Telecommunications	2.42	1.25	2.01	1.57	2.01	1.63	7.75	7.35	4.89	8.71	5.89
Other Services	43.44	40.64	27.09	35.69	31.63	22.60	28.52	22.58	26.72	21.72	16.85
Power	5.94	3.44	3.00	0.41	0.03	1.20	3.62	2.62	2.82	2.87	1.11
Government Buildings	25.31	22.72	14.44	12.74	8.99	9.45	10.04	3.11	2.78	1.17	2.23
Housing	1.24	1.62	0.64	0.00	0.05	0.09	0.19	0.35	0.56	2.32	2.42
Water & Sanitation	4.78	3.85	4.94	6.30	4.63	6.08	3.61	3.20	10.89	6.91	5.25
Finance, Commerce, Industry	1.87	0.81	1.02	15.08	16.14	4.45	8.58	9.67	5.76	2.43	2.77
Works Organization	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Misc	3.85	8.20	3.04	1.17	1.78	1.33	2.48	3.63	3.92	6.01	3.03
Total Development Expenditures	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Sources: Malawi Government, Economic Report, 1984 and 1989.

Government of Malawi: Functional Classification of Central Government Development Expenditures
(Nominal Values, 1979-1989)

Classification	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89r	1989/90e
Agriculture and Natural Resour	20.20	23.18	27.87	30.52	37.31	28.72	25.88	50.44	57.17	49.20	62.85
Agriculture	15.10	15.47	21.73	22.61	30.93	22.88	20.08	27.23	31.04	29.27	43.55
Forestry and Game	3.11	4.03	4.43	4.96	5.03	4.60	4.13	18.56	17.54	13.28	9.99
Veterinary Service	1.59	3.15	2.13	2.59	1.18	1.07	1.32	1.66	5.71	3.46	5.08
Surveys and Lands	0.12	0.11	0.09	0.04	0.04	0.05	0.09	2.52	2.43	1.67	3.06
Fisheries	0.28	0.42	0.49	0.32	0.13	0.12	0.26	0.47	0.45	1.52	1.17
Social Services	7.85	11.86	13.49	23.44	26.81	27.87	23.54	24.50	25.42	53.45	67.28
Education	5.11	7.61	11.93	19.67	20.14	18.28	20.66	18.71	14.59	29.57	38.59
Health	2.73	4.25	1.56	3.77	6.52	9.46	2.75	5.66	8.93	23.44	27.43
Community Development	0.01	..	..	..	0.15	0.13	0.13	0.13	1.90	0.44	1.26
Transport & Communications	44.32	68.78	49.17	35.80	33.60	50.51	65.10	71.99	69.39	109.03	114.78
Transport	41.23	66.59	46.68	33.61	30.73	48.26	52.69	58.04	59.25	85.49	97.42
Posts & Telecommunications	3.09	2.19	2.49	2.19	2.87	2.25	12.41	13.95	10.14	23.54	17.36
Other Services	55.58	71.08	33.64	49.82	45.20	31.28	45.70	42.85	55.42	58.72	49.64
Power	7.60	6.01	3.73	0.57	0.04	1.66	5.80	4.98	5.84	7.76	3.28
Government Buildings	32.39	39.74	17.93	17.78	12.85	13.07	16.09	5.91	5.76	3.17	6.56
Housing	1.59	2.83	0.80	0.00	0.07	0.13	0.31	0.66	1.17	6.28	7.12
Water & Sanitation	6.12	6.73	6.13	8.79	6.62	8.42	5.78	6.07	22.59	18.68	15.46
Finance, Commerce, Industry	2.39	1.42	1.27	21.05	23.07	6.16	13.74	18.35	11.94	6.57	8.15
Works Organization	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Misc	4.93	14.34	3.78	1.63	2.55	1.84	3.98	6.88	8.12	16.26	8.92
Total Development Expenditures	127.95	174.90	124.17	139.58	142.92	138.38	160.22	189.78	207.40	270.40	294.55

Sources: Malawi Government, Economic Report, 1984 and 1989.

Government of Malawi: Functional Classification of Central Government Recurrent Expenditures
(percentages)

Classification	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89r	1989/90e
General Services	32.66	28.69	26.94	30.23	30.13	24.30	27.65	23.91	23.96	25.95	29.48
Administration	13.11	11.66	10.52	13.70	16.04	10.57	12.91	9.40	11.12	15.01	18.99
Defence	10.15	8.68	8.18	6.84	7.15	6.47	7.37	7.49	6.49	5.78	5.47
Justice	9.40	8.35	8.23	9.69	6.95	7.26	7.37	7.01	6.35	5.16	5.02
Social Services	21.29	21.30	18.93	19.04	19.77	17.85	16.94	18.93	17.34	16.77	17.59
Education	11.79	11.37	10.06	11.34	11.25	9.62	8.95	9.33	9.60	9.10	7.21
Health	6.98	7.21	6.86	6.26	6.85	6.73	7.52	7.15	5.59	5.48	5.80
Community and Social Dev.	2.53	2.72	2.01	1.44	1.67	1.51	0.47	2.44	2.15	2.19	4.58
Economic Services	17.34	15.94	14.50	17.91	17.24	14.63	14.76	14.11	13.56	12.74	14.15
Natural Resources	8.29	8.40	8.27	8.85	9.39	7.22	7.27	7.28	6.65	6.17	6.57
Transport	3.37	2.65	2.31	3.71	3.97	3.40	2.94	2.72	2.90	2.23	2.32
Posts and Telecommunications	1.22	0.96	0.89	1.01	1.06	0.75	0.85	1.09	1.19	1.05	0.51
Other	4.46	3.93	3.03	4.35	2.81	3.25	3.71	3.02	2.82	3.29	4.76
Unallocable Services	28.71	34.06	39.63	32.82	32.86	43.22	40.65	43.05	45.15	44.54	38.79
Public Debt Servicing	21.16	27.45	34.09	27.85	26.04	37.81	35.99	37.93	40.16	38.98	32.78
Pensions and Gratuities	2.10	1.71	1.48	1.67	1.52	1.08	1.22	1.13	1.50	1.52	1.24
Other Unallocable Services	5.46	4.91	4.05	3.30	5.30	4.32	3.45	3.99	3.49	4.04	4.77
Total Recurrent Expenditures	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00