

## **Malawi: Poverty Reduction Strategy Paper Progress Report**

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**The Annual Review of the Malawi Poverty  
Reduction Strategy  
2002/03**

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## Acronyms

AGOA	African Growth and Opportunities Act
AIDS	Acquired Immuno-Deficiency Syndrome
BOP	Balance of Payments
CDSS	Community Day Secondary Schools
CHAM	Christian Health Association of Malawi
CID	Criminal Investigations Department
CIDA	Canadian International Development Agency
DFID	Department for International Development
EP&D	Economic Planning and Development
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
HIV	Human Immuno-Deficiency Virus
IDA	International Development Association
LRR	Liquidity Reserve Requirement
LRS	Local Registered Stocks
MCHS	Malawi College of Health Sciences
MPRS	Malawi Poverty Reduction Strategy
MPRSP	Malawi Poverty Reduction Strategy Paper
MSME	Micro, Small and Medium Scale Enterprise
MTEF	Medium Term Expenditure Framework
ORT	Other Recurrent Transactions
PPE	Pro-Poor Expenditures
PWP	Public Works Programme
RBM	Reserve Bank of Malawi
TB	Treasury Bills
TEVET	Technical, Entrepreneurial, Vocational Education and Training
TIP	Targeted Input Program
UPE	Universal Primary Education
WB	World Bank
WM	Ways and Means

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## **Executive Summary**

This first annual review of MPRS assesses progress towards the implementation of pro-poor activities with focus on inputs and annual outputs. The review process has shown that the allocation of resources in the MPRS is more comprehensive than in the budget. The MPRS allocations include wages and salaries and other administrative expenditures while pro-poor expenditures in the budget are for actual implementation of the pro-poor activities excluding any administrative costs.

A lot of challenges have emerged during the first six months of the implementation such as non-availability of Balance of Payment (BoP) support. The Government monetary programme for 2002/2003 fiscal year, which was the basis of the budget, assumed substantial amount of external assistance in the form of BOP. Lack of programmed external assistance, in the first six months, partly forced the government to increase its domestic debt to unsustainable levels. The poor flow of funds to ministries resulted in diversion of PPEs resources to fund ORT activities.

### **Review of Macroeconomic Targets**

The resource envelope of the MPRS and the budget were developed on assumptions of some macroeconomic targets. The main targets were economic growth, inflation and exchange rate. The MPRS assumed a growth rate of 3 percent, inflation rate of 11.5 percent and exchange rate of K71 to one US dollar during the first year of MPRS implementation while the 2002/03 budget framework assumed growth rate of 1.4 percent, inflation of 15.0 percent and exchange rate of K71 to one US dollar. These targets were based on the assumptions that the MPRS will be fully implemented and there will be no external shocks.

At the time of the review, GDP growth was 0.1 percent. This dismal growth has not come from the sectors where most of the poor are expected to participate and benefit. As such, the 0.1 percent growth has not been pro-poor. The challenge to Malawi Poverty Reduction Strategy is to ensure that there should be increased economic activities in declining sectors of the economy where the poor participate. Inflation rate was 11.5 percent and exchange rate was K87.1 to one US dollar. The depreciation of the exchange rate has been due to the slowing down of external assistance and increased budget deficit to support maize operations.

## **Expenditure Framework**

In the first year of implementation, the 2002/03 budget instituted some tax and expenditure control measures that were in line with MPRS overall goal of improving revenue collection and prioritising activities in the budget.

The Government has collected 53.1 percent of the targeted domestic revenue during the first six months of implementation of the pro-poor budget while external revenue has only amounted to 2.1 percent of expected total inflow. The unavailability of programmed resources has rendered fiscal policies ineffective in reducing interest rates.

The six months data (July-December) reveal that MK29.9 billion of the total expenditure has been funded of which PPEs amounted to K4.9 billion. The distributions of resources by pillar show that pillar 2 has been allocated the highest resources of MK2.6 billion, followed by pillar 1 MK0.5 billion, then pillar 4 MK0.2 billion and lastly pillar 3 MK0.1 billion.

During the review period, however, we note that the government budget is running a deficit of MK11.8 billion. The deficit has been financed through increased issuance of Treasury Bills. Consequently, the stock of domestic debt has increased from MK26 billion to MK42 billion within a short period of time. The current levels of domestic debt stock, if not reversed, will undermine the implementation of the MPRS.

## **Conclusion and Recommendations**

The link between the activities in the budget and the MPRS should be spelt out clearly for comprehensive analysis. Protected Pro-Poor expenditure allocations in the budget should be as comprehensive as those in the MPRS by including wages and salaries and administrative costs. Furthermore, in crafting the budget, a conservative scenario should be adopted by excluding donor funds. This is evident from the little funds that have been realised from donors in this year's budget. In addition, all activities funded by donors should be included in the budget. The review has also shown that there is little mainstreaming of cross cutting issues in their activities hence the implementing institutions are encouraged to mainstream.



## **1.0 Introduction**

The annual review of the Malawi Poverty Reduction Strategy (MPRS) is aimed at improving the implementation of the Strategy. The review of the implementation of the Strategy is an essential input into pre budget consultations. The MPRS is a living document which was launched in April, 2002. It is to be revised on a rolling basis to adapt to circumstances and reflect changing priorities. The annual reviews will be Malawi's central policy review process.

The MPRS is implemented through the Government budget. The 2002/03 budget was based on the activities that were spelt out in the MPRS. The macroeconomic and expenditure frameworks for the MPRS were designed to achieve and maintain macroeconomic stability and boost private sector participation in the development of the country.

This first annual review of MPRS assesses progress towards the implementation of pro-poor activities with a focus on inputs and outputs. The pro-poor activities of the MPRS and those in 2002/03 budget are analysed by Pillars. The execution rates based on six months data from the inputs are analysed, taking into account the seasonal nature of some of the activities. The analysis is based on funding figures instead of actual expenditures from the line ministries. This was due to the fact that expenditure returns from the line ministries are not in line with monitoring requirements.

In Chapter 2, macroeconomic targets, assumptions and policies are reviewed. Chapter 3 reviews progress in the implementation of Pro-Poor Activities by Pillar, Chapter 4 deals with conclusions and recommendations.

## 2.0 The Macroeconomic Framework

The MPRS recognises macroeconomic stability and efficient utilisation of public resources as essential conditions for economic growth and poverty reduction. However, during the review period, the economy has been characterised by high interest rates, declining inflation, volatility in the exchange rate, and diminishing import cover. The country also experienced slight food shortages. A total of 1.7 million metric tonnes of maize were produced, which were below the national requirement of 2.0 million metric tonnes. The long-term objective of the strategy is to achieve a balanced budget that will accelerate economic growth and poverty reduction. The medium term costing of the MPRS were harmonised with the overall medium term resource envelope in order to achieve this long-term objective.

### 2.1 Review of Macroeconomic Targets

The resource envelope of the MPRS and the budget were based on assumptions about the achievement of certain macroeconomic targets. The main targets were economic growth, inflation and exchange rate as shown in Table 2.1. These targets were based on the assumptions that the MPRS will be fully implemented and there will be no external shocks.

Table 2.1 Macroeconomic Targets for the 2002/2003 Resource Envelope

Indicator	MPRS Targets	Budget Targets	Review period Outturn
GDP Growth (real)	3 %	1.4 %	0.1
Inflation Rate	11.5 %	15.0%	14.8%
Exchange Rate Kwacha/US\$	71	71	76.7
% of external pledges honoured	80 %	80 %	2.1 %
Budget balance/ GDP	0.1	-1.4%	-12.3

#### 2.1.1 Economic Growth

Economic growth of not less than 6 percent is needed for meaningful poverty reduction<sup>1</sup> particularly if the growth is coming from sectors in which poor people are engaged, such as agriculture and manufacturing. Real GDP growth rate of economy as measured by Gross Domestic Product (GDP) in the MPRS was targeted at 3 percent in the first year of implementation. The

<sup>1</sup> World Bank (1998), Growth and Inequality in Malawi.

targeted growth rate was based on the assumption that the country would recover from the shock of the drought that happened in 2001/2002 fiscal year. The 2002/03 budget assumed economic growth of 1.4 percent which is below the MPRS target. The budget growth assumption was based on the fact that there would be minimal recovery in small-scale agriculture production and the manufacturing sector would continue declining due to persistent high interest rates. Real GDP grew by 0.1 percent in 2002. The growth emanated largely from agriculture, utilities (electricity and water) and construction sectors. The agriculture sector grew by 2.2 percent after experiencing a decline of 6.2 percent in the preceding year. The utilities sector grew by 4.8 percent due to new installations that necessitated increased demand. Output in the construction sector grew by 10.4 percent mainly due to government projects. The summary of economic growth by sectors is presented in Table 2.2 below.

Table 2.2 GDP Growth by Sector, 1999 - 2002  
(percent)

	Actual	Actual	Estimate	Budget	Review
	1999	2000	2001	Period	Period
GDP by Sectors				2002	2002
Agriculture	10.1	3.8	-6.2	-0.9	2.2
Small-Scale	13.4	1.6	-4.7	-0.8	-0.4
Large Scale	-1.9	13.0	-11.8	-1.1	12.8
Mining and Quarrying	3.4	10.8	7.5	2.8	-11.5
Manufacturing	1.8	-3.0	-14.2	-0.3	-11.4
Electricity and Water	-0.4	10.2	-7.0	1.8	4.8
Construction	15.5	-2.2	-4.7	1.6	10.4
Distribution	-1.8	-0.3	1.1	5.8	1.7
Transport and Communications	4.8	-4.2	-2.1	4.4	2.7
Financial and Professional Services	-0.3	2.0	-3.3	5.6	3.3
Ownership of Dwellings	2.1	2.6	2.8	2.8	2.8
Private, Social and Community Services	0.7	2.7	2.9	2.9	-0.8
Producers of Government Services	-1.7	-9.7	0.8	1.8	0.3
Unallocable Finance Charges	10.5	2.4	-5.8	14.5	11.8
Real GDP Growth	3.5	0.2	-4.1	1.4	0.1

Source: *Economic Report 2002*

About 80 percent of the rural poor are engaged in small-scale agriculture production. Therefore, growth in small-scale agriculture sector is important to poverty reduction. The preliminary estimates show that the agriculture sector grew by 2.2 percent in 2002. However, small-scale agriculture production declined by -0.4 percent in 2002. The small-scale agriculture sector was affected by drought, low uptake of inputs due to unaffordable

input prices and the scaling down of the Targeted Inputs Program (TIP) beneficiaries.

Apart from the small-scale agriculture sector, the manufacturing, mining and quarrying sectors, private social and community services also performed unsatisfactorily in 2002 as shown in Table 2.2. Manufacturing sector contracted by -11.4 percent. The contraction was attributable to closure of some companies compounded by high interest rates, exchange rate depreciation, high inflation rates and stiff competition from imported cheap goods from Zimbabwe.

The dismal growth has come from the agriculture and manufacturing sectors where most of the poor are expected to participate and benefit. As such the 0.1 percent growth has not been pro-poor and therefore contrary to the objective of pillar 1 of the MPRS. The challenge to Malawi Poverty Reduction Strategy is to ensure that there should be increased economic activities in agriculture and manufacturing sectors where the poor participate.

### **2.1.2 Inflation**

The strategy assumed an average annual inflation rate of 11.5 percent by the end of 2002 while the budget assumed an inflation of 15.0 percent by December 2002. Inflation rate as at June 2002 was 15.6 percent compared to 11.5 percent in December 2002. The decline in inflation was due to tight monetary policy and reduced food costs. The reduced food costs was due to timely importation of maize, which was sold at subsidised prices, and inflow of donor maize for free distribution.

### **2.1.3 Exchange Rate**

The strategy and the budget both assumed that the annual average exchange rate of Malawi Kwacha to a US Dollar would be MK71 per United States Dollar. However, by end of December 2002, the exchange rate was MK87.1 to a US dollar compared to MK76.6 end June 2002. The depreciation of the exchange rate has been due to the slowing down of external assistance and increased budget deficit to support maize operations.

## **2.2 Monetary Policy**

The MPRS recognises price stability (low and non volatile inflation) as the ultimate goal of monetary policy. High inflation discourages savings and investment and at the same time places a heavy burden on the poor through erosion of purchasing power. Monetary policy also plays a major role in reducing interest rates. High interest rates have an adverse effect on the poor by affecting real demand for and affordability of credit.

In order to achieve price stability and reduction in interest rates, several monetary policy instruments were outlined in the MPRS such as bank rate, open market operations and liquidity reserve requirement. The MPRS also proposes the review of the regulatory framework and institutional reforms such as increased independence of the Reserve Bank of Malawi (RBM).

On exchange rate policy, the MPRS also outlines several measures aimed at attaining a stable and competitive exchange rate. These include: encouraging the development of an inter-bank foreign exchange market, broadening private sector participation in exchange rate management and determination and diversification of exports.

## **2.1 Implementation of Monetary Policy**

Developments during the first six months of implementation of the MPRS indicate that monetary authorities have managed to reduce inflation rate through a tight monetary stance. This was through intensified open market operations, especially using RBM Bills. As such, inflation, which was at 15.6 percent at the time of MPRS implementation (June, 2002), came down to 11.5 percent by end December, 2002.

Due to the decline in inflation and private sector's outcry over high lending rates, the Bank rate was adjusted downwards from 46.8 percent to 43 percent in June, 2002. It was adjusted further to 40 percent in October the same year. This reduction, however, was minimal to lead to an expansion in money supply.

The authorities maintained the Liquidity Reserve Requirement (LRR) at 30 percent of the average deposits. However, the monetary authorities revised the modulus operandi on LRR in November 2002 such that the 30 percent are on the average deposit liability of the previous week and not on the

previous month as was the case before. The aim is to enhance liquidity management flexibility of the banks thereby improving the banks' efficiency and hence a reduction in interest rates.

With regard to the implementation of the exchange rate policy outlined in the MPRS, the authorities made concerted efforts to reduce instability in the exchange rate through the development of an inter-bank foreign exchange market which is currently very active. Private sector participation in exchange rate determination and management has increased in that a seller and buyer of foreign exchange negotiate and reach on a mutual rate. These efforts were, however, overshadowed by low donor inflows, hence the recent depreciation of the kwacha against its major trading partners' currencies in the recent months.

### **2.3 Implementation of the Budget**

The 2002-2003 budget was the first to be based on the MPRS with the underlying theme of "living within our means in the fight against poverty". Some of the strategies were incorporated into the budget in line with a number of tax measures aimed at increasing the disposable income available among the poor. The main aim of the budget was to come up with a conducive environment where the government would be able to operate within its means and reduce its ultimate dependence on donor inflows.

#### **2.3.1 Fiscal Policy Measures**

The MPRS recognises that government needs to improve its fiscal operations by strengthening accountability and transparency in the implementation of the strategy. The core objective of fiscal policy is to achieve a sustainable deficit level. In the first year of implementation, the 2002/03 budget instituted some tax and expenditure control measures in line with MPRS overall goal of improving revenue collection and prioritising activities in the budget.

Some of the tax measures implemented this fiscal year include income tax, surtax, custom and excise and administrative tax as reported in the 2002/03 budget statement.

## **Income tax Measures**

Some of the income tax measures that were put in place in 2002/03 budget include:

- (a) An exemption of 10 percent withholding tax on dividends
- (b) Employees in international organizations and NGOs required to pay personal tax effective July 1<sup>st</sup> 2002
- (c) The threshold at which provisional tax begins to affect individual taxpayers will be increased from K30,000.00 to K36,000.00
- (d) The annual value at which a pension is commuted will be increased to K36,000.00
- (e) Penalty for late submission of accounts or returns to MRA will be increased from K1,000.00 to K50,000.00

## **Surtax Measures**

In 2002/03 budget Government extended surtax to wholesale and retail sectors of the economy. Overall the following surtax measures were put in place during the first year of the implementation:

- (a) Surtax will be extended to the wholesale and retail stages at the rate of 20 percent
- (b) All concessional rates of surtax of 10 percent will be increased to 20 percent
- (c) Salt will be taxed at zero percent as it is considered to be basic commodity
- (d) There will be 20 percent surtax on non-life insurance

## **Customs and Excise Measures**

The government instituted some excise tax policies measures. The main excise duty introduced in 2002/03 budget year was on alcoholic beverages. The policy states that excise duty on alcoholic beverages will be increased from 5 percent to 15 percent on opaque beer, from 35 percent to 45 percent on cane spirit and from 55 percent to 65 percent on other alcoholic beverages. The government also introduced a 20 percent excise duty on edible vegetables and tubers, poultry products and meat derived from cattle, swine, goat, sheep and similar animals. However, this policy was not implemented due to some technicalities.

## **Administrative Tax Measures**

Some of the administrative measures that were introduced during the current fiscal year included:

- (a) Funding for payroll will only be made when previous month's taxes have been remitted to MRA
- (b) The period in which goods are allowed to stay in temporary before duty is paid to be reduced from 28 days to 10 days
- (c) Exporters other than producers or manufacturers of the goods being exported will pay surtax and claim surtax upon submission of adequate documentation.

### **2.3.2 Revenue Performance**

The total resource envelope in the Strategy was MK41.5 billion in the first year of implementation. Out of these resources, about MK27.4 billion of the revenue would come from domestic sources while MK14.1 billion would come from external resources in the form of grants. The 2002/03 budget, however, has a resource envelope of MK43.2 billion. Of these resources, about MK27.1 billion would come from domestic sources while about MK16.0 billion would come from external sources, as shown in Table 2.3.

The Government collected 53.1 percent of the targeted domestic revenue during the first six months of implementation of the pro-poor budget. There has been a slowdown in the flow of external assistance to support budgetary operations. The country has, so far, received 2.1 percent of balance of payment support that was programmed in the budget. The non-availability of programmed resources has resulted in increased borrowing leading to high domestic debt.

### **2.3.3 The Expenditure Framework**

The expenditure framework developed in the strategy showed that government would spend approximately MK41.3 billion while the budget that was passed in parliament was MK45.3 billion as shown in Table 2.3. The government budget has an additional MK4 billion built in its expenditure plan. It was assumed that an extra MK4 billion would be financed through concessional borrowing from the World Bank and increased balance of payments support.



The six months data reveal that K29.9 billion of the total expenditure has been funded, of which PPEs amounted to K4.9 billion. The distribution of resources by pillar show that pillar 2 has been allocated the highest resources followed by pillar 1 then pillar 4 and lastly pillar 3.

If the Strategy is to be implemented as designed, the government will run a surplus of about MK196.24 million, that is, 0.1 percent of the gross domestic product. However, the current government budget has departed from the strategy by creating a deficit of about MK2.1 billion that would be financed mainly from external borrowing, as depicted in Table 2.3 below. In the review period, however, we note that the government budget is running a deficit of MK11.8 billion. The deficit has been financed through increased issuance of Treasury Bills.

Table 2.3: Expenditure Framework  
(K'Million)

	MPRS	Budget	Half Year Outturn	Half Year outturn
	2002/2003	2002/2003	July-Dec.2002	% of the Budget
Total Revenue and Grants	41,528.44	43,153.50	18,112.15	41.97
Domestic Revenue	27,370.60	27,144.10	14,407.90	53.08
Tax Revenue	24,683.90	24,258.60	12,835.61	52.91
Non Tax Revenue	2,686.70	2,885.50	1,572.29	54.49
Grants	14,157.84	16,009.40	3,704.25	23.14
Balance of Payment	8,423.20	9,041.80	188.37	2.08
Project Grants	3,010.24	3,558.10	1,901.36	53.44
HIPC Grants	2,724.40	3,409.50	1,614.52	47.35
Expenditure Allocation	41,332.20	45,262.95	29,960.86	66.19
Total PPE's	28,988.70	7,166.2	4,935.31	68.85
Pillar 1	8,013.60	1,481.8	516.1	34.8
Pillar 2	13,860.40	4,463.8	2,645.2	59.3
Pillar 3	1,209.00	518.0	159.0	30.8
Pillar 4	4,040.10	351.3	170.50	48.5
Cross Cutting	1,667.40	135.1	0.21	0.82
Implementation, Monitoring and Evaluation	198.20	0.00	0.00	0.00
Other Supporting Expenditures	12,343.50	38,096.75	25,025.55	64.52
Deficit	196.24	-2,109.45	-11,848.71	561.70
Overall Financing	-196.26	2,109.45	11,848.71	561.70
Foreign Financing(net)	3,124.38	5,087.50	-540.91	-10.63
Borrowing	7,872.88	9,714.60	1,910.75	19.67
Balance of Payment	2,862.00	3,420.00	0.00	0.00
Project	5,010.88	6,294.60	1,910.75	30.36

Repayment	4,748.50	4,627.10	2,451.66	52.98
Domestic Financing	-3,320.64	-2,978.05	12,389.62	-416.03
GDP at current market prices	198,418.10	198,418.10	99,209.05	

## 2.4 The Evolution of the Domestic Debt

The Strategy was to achieve a repayment of domestic debt at the end of the fiscal year of about MK3.3 billion while the budget was to retire domestic debt of about MK3.0 billion. In sharp contrast to the design of the strategy as well as budget, the six-months data has revealed that the government debt stock has increased from K26 billion to K41.9 billion as shown in Table 2.4 below. This translates into an over accumulation of K15 billion in domestic debt within six months period. This huge domestic debt accumulation is mainly due to maize imports and lack of donor assistance in terms of balance of payments support. The government borrowed from domestic market about MK7 billion in order to finance maize importation. The increased government borrowing has resulted into high interest rates. In order to bring down interest rates, the government needs to find ways of retiring a huge part of its domestic debt.

Table 2.4: Stock of Domestic Debt  
(K'million)

Type	End June 2002	End December 2002
W and M <sup>2</sup>	2,034	2,827
T Bills	13,257	28,933
LRS	3,802	3,777
RBM Bills <sup>3</sup>	6,924	6,425
<b>Total</b>	<b>26,017</b>	<b>41,962</b>

Source: Reserve Bank of Malawi

<sup>2</sup> W and M is an instrument used by government when borrowing from Reserve Bank

<sup>3</sup> RBM Bill is an instrument used by Reserve Bank for monetary policy purposes

### **3.0 Progress in the Implementation of Priority Pro-Poor Activities by Pillar**

The strategy is built around four strategic pillars: sustainable pro-poor growth, human capital development, improving the quality of life of the most vulnerable, and good governance. The MPRS also ensures that cross-cutting issues including HIV/AIDS, gender, environment and science and technology are mainstreamed in all the four pillars.

Several pro-poor activities are outlined in all the four pillars of the MPRS. Some of the activities formed the basis of the 2002/03 budget, implying partial implementation of the Strategy. The review, therefore, aims at assessing progress in the implementation of those activities that were taken into the budget. Since the expenditure framework of the strategy differs from that of the budget, the review therefore compares the amounts of resources allocated to the activities in the budget and in the strategy. The review also assesses the actual funding of activities approved in the budget including actual expenditures during the first six months of the 2002/03 fiscal year. The outputs are also reviewed in order to complement the inputs.

#### **3.1 Pillar 1: Sustainable Pro-Poor Growth**

Sustainable Pro-Poor growth is one of the Pillars identified in the MPRS to reduce poverty through offering the poor an opportunity to generate their own incomes, whilst providing the private sector an enabling environment for investment. Under this Pillar, several sectors were covered but the main source of pro-poor growth is agriculture. The Pillar also recognises diversification of economic activities from traditional products (tobacco, tea, sugar etc) into natural resources, manufacturing and agro-processing, tourism and small-scale mining as the other sources of pro-poor growth. The Strategy also spells out the creation of co-operatives, associations and clubs in order to maximise the operations of micro small and medium-scale enterprises (MSMEs). In the area of rural infrastructure, emphasis was placed on providing good rural feeder roads, water and sanitation and the provision of sustainable energy.

The analysis of sectors in Pillar 1 looks at the allocations in the MPRS vis-à-vis the budget as well as the funding status during the first 6 months of implementation as shown in the Table 3.1.

Table 3.1 Selected Pro-Poor Expenditures for Pillar 1  
(K'million)

Activity	MPRSP	Budget	6-months funding	Funding as % of Budget
<b>Pillar 1 – Sustainable Pro-Poor Growth</b>				
Improve agricultural production through improved research and extension services	664.22	238.4	100.3	42.1
Promote small scale irrigation schemes and drainage	174.04	290.2	129.6	44.7
Increase sustainable utilisation of fishery resources	167.36	82.9	29.9	36.1
Provide support to development of MSMEs	193	24.9	13.8	55.4
Tourism	192.5	91.3	33.8	37.0
Small Scale Mining	53.18	78.3	28.5	36.4
Construct and maintain rural feeder roads	1,077.20	400.00	80.00	20.0
Increase accessibility to good drinking water and sanitation	1,066.28	275.00	100.20	36.4
<b>Total for Pillar 1</b>	<b>3,587.78</b>	<b>1,206.00</b>	<b>516.11</b>	

### 3.1.1 Agriculture

Agriculture continues to be the main source of income among the rural poor. The MPRS, therefore, focuses on the provision of necessary services and conditions to farmers for increased wealth creation. To this effect, several activities in the MPRS were proposed to boost agricultural incomes. These are expanding and strengthening access to agricultural inputs; improving agricultural production through improved research and extension services; improving access to markets; promotion of small-scale irrigation; crop and livestock production; reducing land shortage and degradation; promotion and expansion of farm mechanisation, reducing weaknesses in institutional and policy framework, and lastly mainstreaming cross cutting issues in the agricultural sector. Out of these activities earmarked for increasing agricultural incomes under the MPRS, two broad protected pro-poor activities, extension services and irrigation, were included in the 2002-03 budget.

#### *Agriculture Extension*

Total allocation for agriculture extension in the MPRS was MK664.2 million compared to the MK238.4 million which was approved in the budget. The allocation in the MPRS includes both research and extension while the budget identifies extension as the only protected pro-poor activity.

At the time of the review, a total amount of MK100.3 million had been funded, representing 42.1 percent of the total allocation (see Table 3.1).

Activities implemented under the extension services included the training of extension workers and the co-ordination of extension activities. A total of 86,268 people were trained in various farming techniques between July and December 2002, of which 935 were extension workers, 85,048 farmers and 285 leaders. In addition a total of 960 and 4,098 campaign/awareness meetings and demonstrations were conducted, respectively. The achieved output, however, represent 19.2 percent of the planned outputs. The low output is largely on account of poor flow of funds under ORT. This led to diversion of funds earmarked for PPEs to fund other recurrent activities. The ratio of farmers to extension worker is still very low due to high attrition rate of extension workers. Factors contributing to the attrition rate include retirement, resignation and deaths. To address the attrition rate, the government is re-hiring retired extension workers who are in good health and also mainstreaming HIV/AIDs in their activities.

### ***Small-Scale Irrigation***

On promoting small-scale irrigation and drainage, a total amount of MK290.2 million was approved against MK174.04 million allocated in the MPRS. Six months data indicate that MK129.6 million has been funded, representing 44.7 percent of the allocation of the budget as shown in Table 3.1. This percentage is on the lower side, considering that most activities in agriculture occur in the first two quarters of the fiscal year. Hence, more funding should be done during this time as compared to the third and fourth quarters of the fiscal year. However, there are some activities in the irrigation sector which are being funded outside the budget.

The planned activities under irrigation development include procurement of treadle pumps, construction of canals, maintenance of irrigation equipment and support to tractor hire scheme. During the review period, a total of 2,295 treadle pumps were procured, representing 33.7 percent of the planned 5,000 pumps. The Ministry also planned to maintain 13 motorised pumps but only 7 were maintained. In addition, a total of 88.1 kilometres of canals were constructed which was above the programmed target of 72 kilometres. Overall output, however, was lower than anticipated mainly due to poor flow of funding.

### **3.1.2 Natural Resources**

Under natural resources, the MPRS recognises the role played by mining and quarrying, fisheries, forestry and wildlife resources in contributing to poverty reduction. The focus is on increasing the sustainable utilisation of these resources.

#### **3.1.2.1 Fisheries**

Fishing is an income generating activity for some people in the rural areas. Under this sector, the MPRS focuses on strengthening fisheries extension, increasing offshore fishery, technology enhancement, establishment of better markets and training in handling, processing and packaging of fish products. In the Strategy, the fisheries sector was allocated MK167.4 million while the budget allocation was MK82.9 million. Six months data indicate that 36.1 percent has been funded from the approved budget (See Table 3.1).

A total of 280 small-scale fish farmers were trained between July 2002 and January 2003. Out of these, a total of 130 small-scale fish farmers and 3 clubs were trained and assisted with pond excavation equipment in 18 districts. Out of the small-scale fish farmers, 20 fish farmers were female out of the 130 fish farmers. A total pond area of 52 hectares has been constructed, representing 24 percent of the intended target of 200 hectares by the end of the year 2003. A total of 190 farmers got fish ponds from the target of 500 farmers. The first funding towards this activity was disbursed in August instead of July, 2002. This low percentage in output is due to the delay in funding and implementation. The bulk of funds have been used to procure pond excavation equipment such as wheelbarrows, shovels, hoes, slashers, bend pipes, picks, pipes and hammers that have been distributed to farmers.

#### **3.1.2.2 Small-scale mining**

The small-scale mining sector creates rural income and employment opportunities. The MPRS, therefore, focuses on small-scale mining, which involves extraction of quarry stone, limestone, gemstones, ceramic clays for earthenware and brick moulding. Several activities are identified in the MPRS, which would enhance the promotion of this sector like providing technical and financial support, appropriate mining legislation and promoting marketing. Recognising the importance of this sector in poverty

reduction, the 2002/03 Budget allocated MK78.3 million, which was above the MPRS allocation of MK53.2 million. Between July and December 2002, K28.5 million of the total approved budget was funded.

Mineral production statistics during the quarter July to September 2002 indicate that 1,070 tonnes of limestone, 3,810 tonnes of terrazzo and 0.9 tonnes of gemstones were produced. It has been observed that there has been a temporary decline of 4 percent in gemstone production compared to the previous quarter.

Other outputs included rehabilitation of the mineral processing laboratory; maintenance of existing laboratory equipment and purchase of some laboratory equipment and chemicals; trained 100 small-scale gemstone miners in processing and marketing; provided extension services to about 75 small-scale miners on site; held a minerals exhibition in July 2002 to promote the Malawian small-scale miners by exposing them to international markets.

### **3.1.3 Micro, Small and Medium Scale Enterprises (MSMEs)**

The development of MSMEs plays a crucial role in poverty reduction as it allows the poor to generate their own incomes. In order to have vibrant MSMEs, the MPRS proposes the creation of an enabling environment, the provision of financial support and improving institutional co-ordination.

In the MPRS, a total of MK193.0 million was allocated for the development of the MSMEs, against the approved budget figure of MK24.9 million. For the first six months, MK13.8 million has been funded, representing 55.4 percent of the approved budget. Under MSMEs, three main programmes have been supported, namely agro-processing, poultry production and African Growth and Opportunity Act (AGOA).

#### ***Agro-Processing***

This program aims at promoting and developing local agro-products for small and medium enterprises. At the time of the review, 260 entrepreneurs have been trained in fruit and vegetable processing. In addition, some entrepreneurs have been trained in business management and food safety standards, but due to lack of working capital, trained entrepreneurs are not yet in production.

### ***Poultry Production***

The program aims at supporting poultry production through the provision of loans to small and medium scale producers. However, there is no mechanism in place for loan collection and the revolving fund. About 103 farmers have been supported through the distribution of 12,000 day-old chicks, including feed and medicine. Technical support has also been provided to farmers.

### ***African Growth and Opportunities Act (AGOA)***

The program aims at improving market access for Malawi's products on the United States market. This involves improving Malawi's entrepreneurship capacity in the production and marketing of exportable goods and services. Under this programme, 65 small and medium scale tailors have been trained in upgrading skills and linked to big textile companies.

A study has been conducted to assess the production capacity of garment and textiles firms and has also conducted an investment mission to Mauritius and the Far-East from which projects have been identified and a concept paper written to source funding.

#### **3.1.4 Tourism**

The tourism sector has been identified to be among prime sources of income and employment, particularly in the rural areas. In order to facilitate poverty reduction through tourism, the MPRS proposes the development and investment in diverse tourism products, tourism promotion and marketing, and regulating tourism basic standards.

The approved budget for the tourism sector was MK91.3 million compared to the MK192.5 million allocated in the MPRS. Six months data indicate that only MK33.8 million has been funded, representing 37 percent of the total approved budget (as shown in Table 3.1).

The major component undertaken under tourism was the training of artisans (curio carvers, basket/mat weavers, other crafts) as well as sellers in selected areas of the country. As of February, 2003, a total of 275 artisans had been trained. The target is to reach 800 artisans by 2004. In addition, a total number of 259 Tour-guides were trained.



Under parks and wildlife, activities implemented included wildlife management, extension and education, and research and planning. A total of 15 officers were trained in participatory extension methodologies. In addition, about 8,000 people were reached with messages on how man/wildlife conflicts can be minimised. Awareness creation also involved airing programs on the radio. A total of 5 programs were aired.

### **3.1.5 Rural Feeder Roads**

Rural feeder roads play a vital role in increasing accessibility and productive potential of rural areas. The Strategy aims at rehabilitating, grading and maintaining roads which are in poor condition and the construction of new feeder roads.

Reflecting the importance of rural feeder roads, the MPRS allocated a total amount of MK1,077.2 million. However, the budget has an approved amount of MK400.0 million. Out of this amount, MK140.0 million will be used for construction of structures such as bridges, MK115 million will be used for hand reshaping of earth network of rural feeder roads and MK145million will be used for grading rural roads. As of December 2002, MK80 million has been released for grading representing 55.2 percent of the resources earmarked for grading the rural roads.

This budget was earmarked to maintain 7,138 kilometres and 1,939 kilometres by grading and hand reshaping respectively. As of December 2002, a total road network of 3,482 kilometres has been graded. The exercise was suspended in December because of the rains and was expected to resume in April. The hand reshaping did not take place because of delays in the procurement process.

### **3.1.6 Water and Sanitation**

Increased accessibility to clean and safe drinking water and sanitation is also considered a major component in Pillar 1. The MPRSP has set water and sanitation targets which have to be achieved by 2005. These targets are that coverage of households with access to potable water should be 84 percent from the present 65.5 percent, 100 percent of the boreholes should be functional as opposed to 60 percent at present. All households in the country have sanitary excreta disposal as against the current coverage of 81.4

percent. The strategy involves the construction and rehabilitation of water facilities, extending water supply capacity, promoting community based management, and improving water resources conservation. As such, a total amount of MK1,066.3 million was allocated in the MPRS against the approved budget of MK275.0 million. Six months data reveals that MK100.2 million has been funded representing 36.4 percent of the total approved allocation.

The government targeted 6 dams for rehabilitation. As of December 2002, 95 percent of 3 dams have been rehabilitated while the other 3 dams are under survey. The number of boreholes targeted to be completed by end of the financial year is 3,800. Government has also targeted to rehabilitate three water schemes and piped water supply projects.

By December, a total number of 682 boreholes were drilled and constructed. In addition, 177 boreholes were drilled in an ad hoc programme. Under the Lilongwe-Dedza Groundwater Development Project, 36 boreholes have been drilled and constructed in Phase I and 80 boreholes are to be constructed in Phase II using the funds provided by the Japanese government. Community Based Management (CBM) of boreholes has been implemented where a total number of 197 committees were formed and out of these, 28 had been trained.

### **3.2 Pillar 2: Human Capital Development**

Human Capital Development is recognised in the MPRS as key to poverty reduction in that a healthy and educated nation leads to increased productivity, better income distribution and improved standard of living. Under this Pillar, four main sectors were identified to ensure the development of human capital. These are education; technical vocational and entrepreneurial education and training; health; and nutrition as summarised in Table 3.2 below.

Table 3.2 Selected Pro-Poor Expenditures for Pillar 2  
(K'million)

Activity/Goal	MPRS Budget	2002/03 Budget	6 months Cumulative	% of total Budget
<b>Total Pillar 2</b>	13,860	7,879.9	4,071.6	
<b>Education- improving quality and access to education</b>	8,710.2	4,953.8	2,857.4	57.7
Primary education		4,286.6	2,519.9	
Teaching and learning materials		436.3	139	31.9
Teachers salaries		3,184.8	2,021.6	63.5
Teachers training		351	152.9	43.6
Teachers housing		110	109	99.1
Secondary education		455.5	75.8	
Teaching and learning materials		61.9	19.7	31.8
Teachers salaries		319.8	20.3	63.5
Adult literacy		73.8	35.8	48.5
Labour-Better technical, vocational and entrepreneurial education and training	468.3	158.1	52.9	33.5
Health – Improved Health Status	4,568.6	2,768	1,161.3	42
Primary health care		858.8	392.1	45.7
Preventive health care		24.3	7.9	32.5
Secondary curative care		317.2	65.9	20.8
Health workers training		567.7	270.1	47.6
Drugs		1,002	425.3	42.4
<b>Total for Pillar 2</b>	<b>27,607.10</b>	<b>26,959.20</b>	<b>14,398.10</b>	<b>53.4</b>

### 3.2.1 Education

Education is the centrepiece for poverty reduction as an uneducated population does not understand and appreciate the need and means for achieving a higher quality of life. MPRS recognises that basic education, secondary and higher education are necessary for sustainable national development. Therefore, the Strategy aims at improving quality, access and relevance of education, and equity in boy and girl education.

#### 3.2.1.1 Improving the Quality, Access and Relevance of Primary Education

Improving the quality, access and relevance of primary education involves five main strategies: teacher recruitment, training and incentives, development of relevant curriculum, teaching and learning materials, supervision, inspection, construction of new schools and teacher houses and rehabilitation of old schools. In the current budget, purchasing of teaching and learning materials, construction of teachers houses, improving teachers salaries and teachers training were undertaken.

### ***Teaching and Learning Materials***

The allocation of MK436.3 million was made towards the purchasing of teaching and learning materials in the budget. The review period, as presented in Table 3.2, has shown that MK139 million has been funded towards this activity. The Canadian government also assisted primary schools with teaching and learning materials to the tune of 498,972 teacher guide books and 15,477,447 textbooks, respectively in December 2002.

### ***Teachers Training***

The budget has an allocation of MK351.0 million for recruitment and training of new teachers. During the review period, a total of MK152.9 million was funded towards teachers training. It is expected that 5,000 primary school teachers will graduate in 2003. Consequently, the pupil teacher ratio is expected to improve from 122 pupils per teacher to 106 pupils per teacher.

A total of 3,156 trainees were enrolled under cohort 8 and expected to complete in May 2003 compared to 2,849 (cohort 7) teacher trainees enrolled in 2001/02. In addition, the targeted number of 315 Teachers Development Centres (TDC), only 65 are under construction and expected to be completed by June 2003.

### ***Construction of Teacher Houses***

The Government planned to construct 800 houses for primary school teachers in the current financial year. Phase 1 comprises construction of 360 teachers houses. The budget allocated MK110.0 million towards this activity. A total of MK109.0 million was funded during the review period. So far, 61 houses have been completed.

### ***Teachers' Salaries***

In order to encourage most teachers to stay in the profession, the government introduced some allowances in 2001/02 for the teachers as an incentive to the profession. A total of MK3,184.8 million were allocated in the budget. For the first six months of the fiscal year, the government has funded a total of MK2,021.6 million.

### ***Construction of Primary Schools***

The long-term objective is to achieve pupils per classroom ratio that is below 40 pupils per classroom in both public and private schools. The current situation shows that there are, on average, 95 pupils per classroom. Consequently, the government has embarked on building schools in order to lower pupil to classrooms ratio. Over 700 classrooms have been constructed and 1,000 have been rehabilitated up to December 2002.

#### **3.2.1.2 Improving the Quality, Access and Relevance of Secondary Education**

The demand for secondary education increased due to the introduction of Universal Primary Education (UPE) in 1994. The MPRS outlines the following strategies in order to improve quality, access and relevance of secondary education: upgrading secondary school facilities and equipment, teacher recruitment and training and remuneration, increasing teaching and learning materials, reformation of the curriculum, construction of new secondary schools, supervision, upgrading of unqualified teachers and increasing access to secondary education for girls, children from poor families and orphans.

### ***Construction of Secondary Schools***

Secondary education is facing significant challenges. The government with the development partners have embarked on construction of secondary schools as close as possible to the rural areas. By the end of 2003, the construction of 14 secondary schools will be completed and ready for use.

### ***Teaching and Learning Materials***

Government has provided some teaching and learning materials to all the secondary schools (both conventional and community day secondary school) with the support from the donors.

### ***Teachers Training***

As result of increased enrolment following the introduction of free primary education, the demand for qualified secondary school teachers is also increasing at a fast rate. In addition, the conversion of distance education

centres into Community Day Secondary Schools (CDSS) has increased the need for more qualified teachers in secondary schools. The current teacher requirement in Government and government aided secondary schools is about 8,000. Consequently, the University of Malawi has increased its intake of education students by taking an extra 170 students. In addition a diploma programme at Domasi College of Education was introduced to upgrade primary school teachers teaching in CDSS.

### **3.2.3 Technical Education, Vocational and Entrepreneurial Training (TEVET).**

TEVET is essential in providing the population (who leave the formal education system) with practical and usable skills that can be used to generate income. The MPRS, therefore, focuses on the promotion of self-employment through skills development initiatives, improvement of the quality and relevance of TEVET, the rehabilitation of existing infrastructure and equipment and finally, the strengthening of management and financing of TEVET.

The MPRS allocated MK468.25 million to TEVET activities. Under the 2002/03 budget, MK158.1 million has been allocated to these activities. From July 2002 to December 2002, MK52.9 million has been funded representing 33.5 percent of the total budget.

The Ministry of Labour and Vocational Training came up with various activities for technical colleges throughout the country to be implemented under the TEVET programme. Some of the technical colleges targeted in 2002/03: Salima Technical College; Lilongwe Technical College; Namitete Technical College; Nasawa Technical College; Soche Technical College; Mzuzu Technical College; and Livingstonia Technical College. In these colleges, the main activities targeted were the formation and maintenance of capital assets; training and other administrative costs.

#### ***Formation and maintenance of capital assets***

In all colleges, a total of 22 hostels and 27 classrooms were planned to be rehabilitated. During the period under review, a total number of 9 hostels and 17 classrooms were rehabilitated. It is also noted that a brick fence was constructed at Lilongwe Technical College and 1 classroom is under

construction at Mzuzu Technical College. At Namitete Technical College, four staff houses were rehabilitated.

### ***Training***

The target under this activity is to train internally 33 instructors to degree level and 45 instructors to be oriented in teaching ethics outside the country. At the time of the review, 21 instructors were undergoing a three year programme within the country.

In terms of enrolment, a total of 605 students and 850 students were enrolled in 2001/02 and 2002/03, respectively. Out of total number enrolled, 605 students (240 female and 365 male) and 640 students (246 female and 394 male) graduated during 2001/02 and 2002/03, respectively.

### **3.2.3 Health**

The health of an individual is directly related to economic and social well-being. An improved health status will strengthen the ability of individuals to lift themselves out of poverty and will lead to a general increase in productivity. To achieve an improved health status, the MPRS identified the overall objective as improving access to quality and equity of health services. This will be through the Essential Healthcare Package (EHP) which includes preventative healthcare, primary healthcare, secondary and tertiary healthcare. Other activities include health workers' training and the provision of drugs.

#### ***Preventative Health care***

Preventative healthcare involves prevention of common diseases, the improvement of nutrition status and provision of safe water and sanitation. The allocation in the budget is MK24.3 million. Data for six months indicates that MK7.9 million has been funded, representing 32.5 percent of total allocation.

#### ***Primary Health Care***

Primary health care aims at improving maternal and child health and the promotion of early treatment of common diseases. This can be delivered through health centres and clinics. In terms of funding, this activity has been

allocated the largest amount of MK858.8 million under health services. First and second quarters indicate that a total of MK392.1 million has been funded, representing 45.7 percent of the total allocation.

### *Secondary Healthcare*

Secondary health care is delivered through the district hospitals with the aim of treating more specialised conditions. In the budget, a total amount of MK317.2 million has been allocated. At the time of review, a total amount of MK65.9 million has been funded, representing 20.8 percent.

### *Health Workers Training*

Training of health workers is central for improving the delivery of health services. A total of MK567.7 million was allocated in the budget while MK270.1 million was funded in the first six months, representing 47.6 percent of the total allocation.

Student enrolment in various disciplines at the Malawi College of Health Sciences (MCHS) and the Christian Health Association of Malawi (CHAM) Training Schools are shown in Tables 3.3(a) and 3.3(b).

The year's target intake of students at MCHS was 372 students. However, the actual intake was 393 students. The current situation indicates that 371 students are available for training as shown in Table 3.3(a). With the implementation of the MPRS in year 1, the training of health delivery personnel has increased as shown in Table 3.3(b). The total intake of students in year 1 in CHAM training schools is 341 compared to 225 and 187 students in year 2 and year 3, respectively when there was no MPRS.

Table 3.3 (a) Students Training in Health Sciences (MCHS)

Cadre	2002-03 Target	Intake	Current
Medical Assistants	100	102	97
Clinical Officers	50	50	47
Environmental Health Officers	20	20	19
Laboratory Technicians	20	20	17
Pharmacy Technicians	20	20	20
Dental Therapist	10	10	9



Registered Nurses	100	36	36
Nurse Midwife Technician		65	60
Community Health Nurses	20	33	33
Psychiatry Nurses	12	17	17
Radiography Technicians	20	20	16
Total	372	393	371

Source: Ministry of Health

Table 3.3 (b) Students Training in Health Sciences (CHAM) 2002

Cadre	Year 1	Year 2	Year 3	Graduating
Nurses Technicians	228	202	156	202
Medical Assistants	74			
Laboratory Technicians	11	5	11	11
Clinical Officers	28	18	20	20
Nurse Midwife Technicians				156
Total	341	225	187	389

Source: Ministry of Health

Student intake at Kamuzu College of Nursing is shown in Table 3.3 (C) below.

Table 3.3(c) Student Intake at Kamuzu College of Nursing

Year	Female	Male	Total
1	42	10	52
2	37	8	45
3	3	18	21
4	5	20	25

Source: Ministry of Health

Kamuzu College of Nursing intake in the generic programme indicates that the number has improved with HIPC resources compared to the past years.

It was noted that the number of nurses enrolled in the diploma programme has dropped from 24 last year to 16 this year. This was due to the fact that most applicants did not meet the entry qualifications. In addition, the overall intake has been hampered by the unavailability of adequate accommodation.

### *Availability of Drugs*

The availability of drugs and medical supplies is constantly required in health delivery services for the smooth running of health facilities. Consequently, the budget allocated MK1002.0 million for drug procurement. Funding during the first six months totalled MK425.3 million.

### **3.3 Pillar 3: Improving the Quality of Life for the Most Vulnerable**

The overall goal of Pillar 3 is to ensure that the quality of life for the most vulnerable is improved and maintained at an acceptable level by providing moderate support to the transient poor and substantial transfers to the chronically poor. The vulnerable refer to individuals or households affected by disasters, households headed by orphaned children, elderly and single parents (especially female headed); persons with disabilities, under-five children; lactating and pregnant mothers; unemployed and underemployed in urban areas, the land constrained in rural areas and technology constrained small-scale farmers. Vulnerability is determined by an individuals ability to meet basic needs.

To improve the quality of life for the vulnerable groups, government under the MPRS has designed a number of interventions in the form of safety nets and disaster management.

#### **3.3.1 Safety Nets**

Under safety nets, four strategies were outlined in the MPRS, namely: Targeted Inputs Programme (TIP), Public Works Programme (PWP), Welfare Support Programmes (WSP), and Targeted Nutrition Programmes (TNP).

#### ***Targeted Inputs Programme***

According to the MPRS, the programme is expected to provide packages of open pollinated maize and legume seeds and two types of fertilisers for a period of three years to the identified poor smallholder farmers. For the year 2002/03, the MPRS allocated MK505.4 million for Targeted Inputs Programmes. The budget approved MK100.0 million which is 20 percent of the MPRS allocation as shown in Table 11.5. From July to December, the

Ministry of Agriculture has received funding amounting to MK323.0 million. The increase in funding was due to an increase in the number of beneficiaries.

The MPRS targeted 340,000 beneficiaries each of them receiving inputs to cover 0.25 hectares. Since the majority of the households did not have food due to the 2001/02 drought, the government increased its TIP target from 340,000 to 3,000,000 beneficiaries. With the MK323.0 million funding 2,728,500 beneficiaries have received inputs under TIP to cover 0.1 hectares each.

### ***Public Works Programmes***

Public Works Programmes play a major role in providing alternative sources of income and food for the poorest segments of the population and also provide long-term benefits to the communities through the created socio-economic infrastructure.

Table 3.4 Public Works Programme

Indicators	Target 2002/03	Output 2002/03
Kilometres of rural roads built/constructed (kms)	1,440	1,482.00
Percent of unskilled component to the total project cost	40	48.00
Person days of employment created	5,670,000	1,529,163.00
Number of people benefited from employment	27,000	5,713.00
Number of people employed by gender	18,900 (male)	4,714 (male)
	8,100( Female)	999 (Female)
Total wage income	MK 83.2 m	MK10.0 m

The MPRS allocated MK333.3 million for Public Works Programmes for the year 2002/03. The allocation in the budget is MK326.0 million which is slightly lower than the MPRS allocation. Out of this amount, MK310.0 million came from IDA and the balance from government. During the review period, MK26.1 million from IDA budget has been funded.

Six months data reveal that 1,482 kilometres have been constructed which is slightly higher than the targeted kilometres (1,440 kilometres). During the construction of the rural roads, a total number of 5,713 people benefited

from employment against the targeted number of 27,000. Of this number 4,714 were male and 999 were female (as shown in Table 3.4).

### ***Welfare Support Programmes***

There are two types of welfare transfers: targeted nutrition interventions for malnourished children and vulnerable pregnant and lactating mothers, and direct transfers for the poor who cannot be supported by any of the other three programmes. The programme aims at supporting specific groups like the orphaned, elderly and the chronically ill.

The 2002/2003 budget allocated MK9.2 million for implementation of these activities. So far only MK4.6 million has been funded representing 50.0 percent of the allocation in the budget as shown in Table 3.5

Table 3.5 Selected Pro-poor expenditures for Pillar 3  
(K'million)

	MPRS	Budget	6-months	% of total allocation
Safety Nets				
Distribute free inputs to capital constrained poor farmers (TIP)	505.4	100.0	323.0	323
Public Works Programme	333.3	326.0	26.1	8.0
Welfare Support Programmes	288.6	9.2	4.6	50.0
Disaster Management	81.7	39.0	20.0	47.7
<b>Total for Pillar 3</b>	<b>1,127.3</b>	<b>474.2</b>	<b>373.7</b>	<b>78.8</b>

### ***Targeted Nutrition Programmes***

Under this component, the government and other stakeholders, particularly NGOs, are providing supplementary food items to malnourished children. The Government working jointly with donors have expanded the supplementary feeding programmes in clinics and schools for malnourished pregnant women, lactating mothers, under five and school going children. About 42,000 women are receiving supplementary food against a target of 40,000 per month while 42,000 children with moderate malnutrition are receiving food against a target of 65,000 per month. The programme is also serving 2,500 children per month with severe malnutrition against a target of

4,000 children per month. Lack of financial and technical capacity is the main cause of not meeting the targets.

### *The Direct Transfers Programmes*

This component is intended to provide support to the poor and vulnerable groups who have very limited access to factors of production, including people in disaster situation and orphans. The lessons learnt will provide input into the design of a national direct transfer programme.

### **3.3.2 Disaster Management**

The MPRS recognises the impact of weather-related calamities on the poor and the need to put in place adequate disaster management measures. Recognising that the different categories of the poor are affected differently and that the poor do not fall perpetual victims, the MPRS regards disaster management in a continuum that will address problems of preparedness, prevention, mitigation, reduction of impact, relief, rehabilitation and reconstruction.

The MPRS allocated MK81.7 million for the year 2002/03. The approved budget towards improving disaster management is MK39 million for this year, which is 47.7 percent of the MPRS allocation. From July to December, the department has received funding amounting to MK20 million for disaster management.

A total of 7,098 households had their houses damaged while 84,362 people had their crops damaged. The Government only assisted 3,535 households of those whose houses were damaged. Due to financial constraints, the Government has not assisted those people whose crops were damaged.

## **3.4 Pillar 4: Good Governance**

Development oriented governance is another important area of poverty reduction. The MPRS has outlined three elements of good governance which are crucial to poverty reduction, these are: political will and mind set; security and justice; and responsive and effective public institutions. However, the budget has included on board issues of security and justice, particularly the police.

### 3.4.1 Police

Under the police, two protected pro-poor activities were incorporated in the 2002/03 budget. The activities are community policing and police training.

Table 3.6 Selected Pro-Poor Expenditures for Pillar 4  
(K'million)

	MPR	Budget	6-Months	% of total Allocation
Police	4,040.1	351.3	170.4	48.5
Community Policing		219.5	85.3	38.9
Police Officers training		131.8	85.1	64.6
<b>Total for Pillar 4</b>	<b>4,040.1</b>	<b>702.6</b>	<b>340.8</b>	<b>48.5</b>

As seen from Table 3.6, the MPRS allocated MK4,040.2 million to governance activities, but this year's budget allocated only MK351.3 million for crime management. During the first six months of implementation a total of MK170.4 million has been funded, representing 48.5 percent of the total allocation.

#### *Community Policing*

Community policing aims at promoting safety and security in communities through enhanced partnership. A total of MK219.5 million has been allocated in the budget. As of December 2002, a total of MK85.3 million had been funded.

The number of cases referred to police by community policing groups by end of 2002 was 558 and by March 2003, a total number of 802 cases were reported. The increase in reported cases partly indicates that the community policing groups are able to report cases that were not previously reported. So far, about 271 community policing groups are in place and 74 of them have been trained. These community-policing groups are at the Traditional Authority level. A total of 2,759 crime prevention panels have been set up at the group village headman level, and 20,649 crime prevention committees have been set at the village level. In addition, the Malawi Police Service has developed 33 Victim Support Units throughout the country.

### ***Police Officers' Training***

Police officers' training is a prerequisite for efficient and effective crime management. It enhances professionalism in crime prevention and detection. A total of MK131.8 million was allocated in the budget. Out of this amount, K85.1 million has been funded during the first two quarters.

A number of courses have been carried out during the first year and second quarters of this fiscal year, as part of the MPRS implementation process. These include command, responsibility, criminal investigation and prosecution. By the time of the review, several officers had already attended these courses. A total number of 150 officers attended a command course, 310 sergeants in responsibility course, 39 officers in criminal investigation and 37 officers in prosecution.

In order to address the problem of under staffing currently existing in the Malawi Police Services, the department has embarked on a recruitment process. Currently, 878 recruits are undergoing a training course at the Limbe Police Station and the Mtakataka Training School. The department would like to train 7,500 officers by the end of 2005. The police-population ratio is expected to improve from 1:1,377 in 2002 to 1:1,160 in 2003.

### **3.5 Cross Cutting Issues**

The review has shown that there was little mainstreaming of cross cutting issues in the implementation of pro-poor activities. However, some sectors were able to provide desegregated data by gender.

### **3.6 Monitoring and Evaluation**

Monitoring and evaluation is very important for successful implementation of any programme. The MPRS outlines a framework for monitoring the implementation of its activities. A number of monitoring indicators, ranging from input and output to outcome and impact indicators, have been provided from each component of the MPRS which will take place at national, district and local levels. District and local level monitoring and evaluation was planned to be designed and fully integrated after the first annual review process.

The Cabinet Committee on the Economy is the oversight body for all MPRS monitoring activities. Below it, is the committee of principal secretaries which is served by a Technical Working Committee composed of representatives from government, donor, civil society, media, researchers and parliamentary committees.

Progress during the period under review has shown that operationalisation of the institutional framework for monitoring has not been very effective. Representation of the PSs committee was based on individuals and not institutions as such some important implementing agencies are not represented in the committee. During the time of the review, the committee has met twice and these meetings were mainly to define its terms of reference. The Technical Working Committee only met once since the launch of the MPRS.

Some of the reasons for the failure of these committees to meet regularly were lack of the monitoring masterplan and clarity on institutional roles. The absence of the monitoring plan also resulted into unsystematic collection of information from implementing institutions. In addition, there had not been any formal linkages between the PS's Committee and the Technical Working Committee.

However, a technical task force comprising the Ministry of Finance, National Statistical Office and Economic Planning and Development has drafted an MPRS monitoring and evaluation masterplan. This is to serve as a framework for monitoring the implementation of MPRS.

#### **4.0 Conclusion and Recommendations**

The purpose of this annual review was to assess the progress towards the implementation of pro-poor activities with focus on inputs and outputs. The findings will form part of the pre-budget consultations. The approach taken in the review process involved comparing amounts of resources allocated to the pro-poor activities in the budget and in the Strategy. The review also assessed the progress of these pro-poor activities during the first six months of the 2002/03 fiscal year.

Regarding the progress on the implementation of pro-poor activities, the review noted some strengths and challenges. The most outstanding strength is the link of activities in the MPRS and the budget, though not exhaustive.



Several pro-poor activities that were identified in the MPRS have been incorporated in the budget including their estimated costs. In general allocations in the MPRS were higher than those in the budget.

Another strength during the implementation of the MPRS has been the regular flow of funds earmarked for protected pro-poor activities.

Despite a substantial progress in the first implementation of the MPRS through the budget, significant challenges have been encountered. The protected pro-poor expenditure allocations in the budget were found to be less comprehensive compared to those in the MPRS since they excluded wages and salaries and administrative costs. This in some cases led to diversion of PPE funds to ORT activities by the implementing institutions. To this effect, government should ensure that the PPE funds include all costs (wages, salaries and other administrative costs) associated with the priority activities.

The review has shown that government accumulated a huge domestic debt which rendered implementation of the MPRS difficult. Factors that contributed to the accumulation of domestic debt were lack of donor inflows and maize imports. Out of the MK16.0 billion, crafted in the budget, only MK2.1 billion was disbursed. The huge debt that has been accumulated over the six-months period has resulted to an increase in interest rates. Among other things, lack of fiscal discipline was one of the factors that led to withholding of balance of payments support. Hence it is imperative for government to adhere to its theme of the 2002/2003 budget (Living Within Our Means) so as to get back on track with the IMF. To avoid further increases in both domestic debt and an increase in interest rates, government needs to find ways of retiring part of its domestic debt such as developing a debt and aid management strategy.

The findings of the review has also shown that spreading the available little resources to a large number of sectors has led to dismal performance of the economy. As such, there is need to allocate more resources in the sectors which are not growing but are crucial for poverty reduction. For instance, agriculture and the manufacturing sectors are considered as sectors where the poor participate and benefit. Thus government needs to make hard decisions in terms of prioritising implementation of the MPRS. This will also help government to reduce expenditure on non-priority areas which is also one of the contributors to the accumulation of domestic debt to

unsustainable levels. In addition, there will be need to revise the MPRS to take into account new priority activities.

It has been noted that expenditure returns from the line ministries are not in the proper format as per monitoring requirements, as a result, the analysis has been based only on funding figures. For a meaningful analysis of the pro-poor activities, there is need for implementing institutions to provide the breakdown of all expenditures and related activities to Treasury and not as per funding item which is usually aggregated. For instance, expenditure from the Ministry of Agriculture can indicate one item like Extension Services and Irrigation but within this item, there are several sub-activities which are carried out by the Ministry like crop and livestock extension.

Monitoring and evaluation is critical for effective implementation of the Strategy. The review has found out that there has been little monitoring and evaluation of the Strategy as evidenced by the few meetings by the MPRS Monitoring Committee (composed of Principal Secretaries) and Technical Working Committee (composed of government, donors, civil society, researchers etc) largely due to the delay in finalising of monitoring master plan of the MPRS. Hence, the analysis in the review is a little bit weak due to lack of monitoring format. For easy monitoring, evaluation and a comprehensive analysis of the Strategy in future, there is a need to finalise the master plan to ensure systematic reporting of issues.

It has been observed that there is little mainstreaming of cross-cutting issues by the implementing institutions. Hence the institutions are encouraged to mainstream these issues when implementing their activities. In future it will also be necessary to consult institutions dealing with cross cutting issues.

Finally, the review also noted that some donors have been funding pro-poor activities outside the budget however, institutions involved were unable to provide the data. This is contrary to the philosophy of the MPRS which states that all donor funded projects have to go through the budget. As a result this has led to either the duplication of efforts or under-funding of some activities. The recommendation, therefore, is that all activities funded by donors should be through the budget.