

Malawi: Poverty Reduction Strategy Paper—Annual Progress Report

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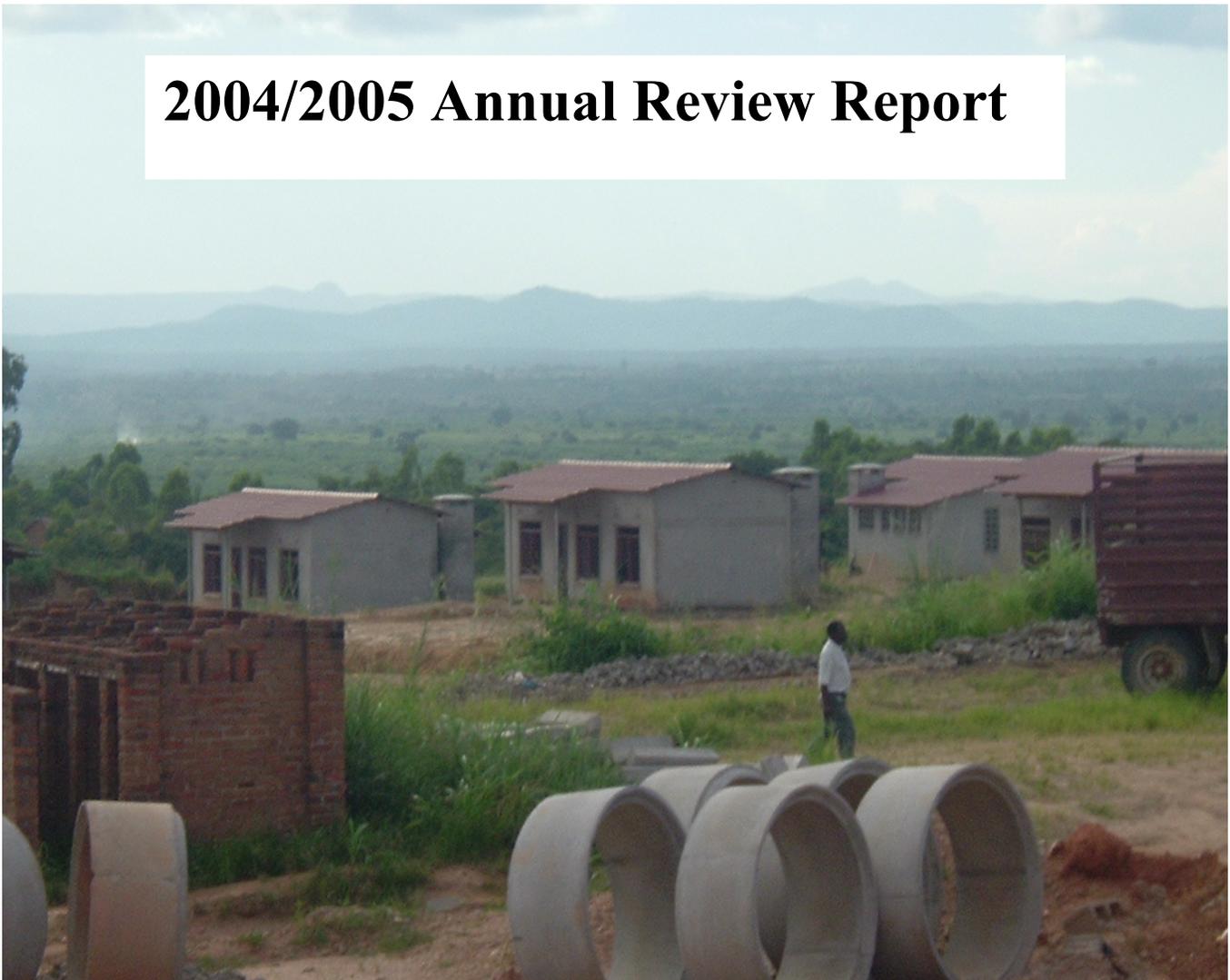
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Malawi Poverty Reduction Strategy:

2004/2005 Annual Review Report

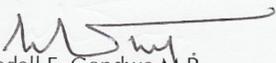


Foreword

The third Annual Progress Report (APR) has covered issues ranging from implementation of the strategy to monitoring and evaluation in 2004/05 fiscal year of the Malawi Poverty Reduction Strategy (MPRS). The APR has also covered salient issues that are being implemented in the current fiscal year 2005/2006 between July and December 2005. The report has presented inputs in the form of actual resources that flowed from Treasury to line Ministries. It has also presented outputs and outcome in most sectors. Notably, in some sectors outcome and outputs lack comparable targets against which to measure the progress of the implementation. The impact analysis has been presented in the MPRS Comprehensive Review Report which has also analysed the poverty levels of the country.

Since the third APR comes after the comprehensive review of the MPRS, the drafting process is somewhat different from the previous two annual progress reports. The first stage of the review process is to analyse progress made in implementing the MPRS for 2005/06 fiscal year arising from the comprehensive review reports. The second stage of the review process is extension of the analysis to six months of the 2005/06 fiscal year. Over the years of implementation, the annual reviews have formed Malawi's central policy reviews. Government has now developed the Malawi Growth and Development Strategy (MGDS) to replace the MPRS, which will be the overarching strategy for the next five years from 2006/07 to 2010/11. The MGDS will serve as a single reference document for policy makers. This strategy will also be reviewed annually.

This report is an off shoot of Comprehensive Review Report that was done through an extensive participatory process by government officials as well as development partners including the civil society. This was possible owing to willingness of participants to volunteer their time and ideas during the review period. The financial assistance from Department for International Development (DFID), European Union (EU) and United Nations Development Programme (UNDP) was crucial to ensuring that the review process be conducted successfully. Lastly, we would like to thank all people who came up with this report.



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ACRONYMS

AAH	Action Against Hunger
ABC	African Bible College
ACB	Anti Corruption Bureau
ADB	African Development Bank
ADD	Agricultural Development Division
ADMARC	Agricultural Development and Marketing Corporation
ADRA	Adventist Relief Agency
AFRONET	African Forestry Research Network
AIDS	Acquired Immune Deficiency Syndrome
APIP	Agricultural Productivity Investment Programme
ARR	Annual Review Report
ARV	Anti-retroviral
ASSOM	Aged Support Society of Malawi
ATCC	Agricultural Technology Clearing Committee
BMS	Breast Milk Substitutes
BVC	Beach Village Committees
CADECOM	Catholic Development Commission of Malawi
CAMA	Consumer Association of Malawi
CBCCs	Community Based Child Care Centres
CBD	Convention on Biological Diversity
CBM	Community Based Management
CBOs	Community Based Organization
CCA	Credit Ceiling Authority
CCS	Commitment Control System
CDSS	Community Day Secondary School
CFA	Core Functional Analysis
CHAM	Christian Health Association of Malawi
CHRR	Centre for Human Rights and Rehabilitation
CIDA	Canadian International Development Agency
CILIC	Civil Liberties Committee
CISANET	Civil Society Agriculture Network
CMS	Central Medical Stores
CPAR	Canadian Physician for Aid Relief
CRIMP	Central Region Infrastructure Maintenance Programme
CRSP	Chambo Restoration Strategic Plan
C-SAFE	Consortium for Southern Africa Food Security Emergency Programme
CSCQBE	Civil Society Coalition for Quality Basic Education
CSOs	Civil Society Organisations
CSR	Centre for Social Research
CSS	Conventional Secondary School
CU	Concern Universal
DA	District Assembly
DAHI	Department of Animal Health Industry
DANIDA	Danish International Development Association
DAPP	Development Aid from People to People
DC	District Commissioner
DCT	District Coordinating Team
DCP	Democracy Consolidation Programme
DEA	Department of Environmental Affairs
DEMAT	Development of Malawian Entrepreneurs Trust

DfID	Department for International Development
DIDC	Department for International Development Cooperation
DISTMS	Department of Information Systems and Technology Management Systems
DLGDA	Department of Local Government and District Administration
DNPW	Department of National Parks and Wildlife
DoPDMA	Department of Poverty and Disaster Management Affairs
DPD	Director of Planning and Development
DPP	Director of Public Prosecution
EAD	Environmental Affairs Department
EC	Electoral Commission
ECD	Early Childhood Development
EDRP	Emergency Drought Recovery Project
EE	Extension and Education
EHP	Essential Health Care Package
ESAF	Enhanced Structural Adjustment Facility
EIA	Environmental Impact Assessment
EMIS	Education Management Information System
EOC	Emergency Obstetric Complications
EMS	Environmental Management System
ESCOM	Electricity Supply Commission of Malawi
EU	European Union
FAO	Food and Agriculture Organization
FD	Forestry Directorate
FRIM	Forestry Research Institute of Malawi
FY	Fiscal Year
GDP	Gross Domestic Product
GMO	Genetically Modified Organisation
GOM	Government of Malawi
GSESI	Granted Support to Education Sector 1
GWAN	Government Wide Area Network
H/CCC	Household and Community Child Care
HIPC	Heavily Indebted Poor Countries
HIV	Human Immuno-deficiency Virus
HRMIS	Human Resource Management Information System
IFMIS	Integrated Financial Management Information System
IHS	Integrated Household Survey
ICT	Information, Communication and Technology
IDA	International Development Association
IEC	Information, Education and Communication
IFMIS	Integrated Financial Management Information System
IGAs	Income Generating Activities
ILTPWP	Improved Livelihoods Through Public Works Programme
IMF	International Monetary Fund
INSET	In Service Training
IPC	Internal Procurement Committee
JCE	Junior Certificate of Education
JEFAP	Joint Emergency Food Aid Programme
JICA	Japanese International Cooperation Agency
KNP	Kasungu National Park
LAMPS	Local Authority Managed Projects
LGFC	Local Government Finance Committee

LRR	Liquidity Reserve Requirement
LRS	Local Registered Stock
MABARIM	Malawi Backlog Road Maintenance Programme
M&E	Monitoring and Evaluation
MALGA	Malawi Local Government Association
MANEB	Malawi National Examination Board
MASAF	Malawi Social Action Fund
MASEDA	Malawi Socio-Economic Database
MASIP	Malawi Agricultural Sector Investment Programme
MBC	Malawi Broadcasting Cooperation
MBS	Malawi Bureau of Standards
MCF&W	Malawi College of Forestry and Wildlife
MDC	Malawi Development Corporation
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
M2	Money Supply
MEDI	Malawi Entrepreneurial Development Institute
MEGS	Malawi Economic Growth Strategy
MEHN	Malawi Equity Health Network
MEJN	Malawi Economic Justice Network
MEPC	Malawi Export Promotion Council
MEPD	Ministry of Economic Planning and Development
MFI	Micro-Finance Institutions
MHRC	Malawi Human Rights Commission
MHRCC	Malawi Human Rights Consultative Committee
MHRRC	Malawi Human Rights Resource Centre
MICAH	Micronutrient and Health Project
MIE	Malawi Institute of Education
MIITEP	Malawi Integrated In Service Teacher Education Programme
MIRTDC	Malawi Industrial Research and Technology Development Centre
MIS	Management Information System
MoA	Ministry of Agriculture
MoCI	Ministry of Commerce and Industry
MoEST	Ministry of Education, Science and Technology
MoF	Ministry of Finance
MoG	Ministry of Gender
MoH	Ministry of Health
MoWD	Ministry of Water Development
MoLGRD	Ministry of Local Government and Rural Development
MoLHS&PP	Ministry of Lands, Housing, Surveys and Physical Planning
MoLVT	Ministry of Labour and Vocational Training
MOU	Memorandum Of Understanding
MP	Member of Parliament
MPC	Monitory Policy Committee
MPA	Malawi Procurement Authority
MPRS	Malawi Poverty Reduction Strategy
MPS	Malawi Police Service
MPSR	Malawi Public Sector Regulations
MRA	Malawi Revenue Authority
MSCE	Malawi School Certificate of Education
MSMEs	Micro, Small and Medium scale Enterprises
MT	Metric Tonnes

MTEF	Medium Term Expenditure Framework
MTL	Malawi Telecommunications Limited
MVAC	Malawi Vulnerability Assessment Committee
NAC	National AIDS Commission
NALC	National Adult Literacy Centre
NAO	National Authorising Office
NASME	National Association of Small and Medium scale Enterprises
NATURE	Natural Resources Management And Environmental Support Program
NGOs	Non-Governmental Organisations
NCIC	National Construction Industry Council
NDF	Nordic Development Fund
NDI	National Democratic Institute
NICE	National Initiative for Civic Education
NORAD	Norwegian Aid for Development
NPK	Nitrogen, Phosphorus and Potassium Fertilizer
NRA	National Roads Authority
NRC	Natural Resources College
NRCM	National Research Council of Malawi
NSCPISM	National Strategy for Community Participation in Primary School Management
NSTED	National Strategy for Teacher Education Development
ODPP	Office of the Director of Public Procurement
OMO	Open Market Operations
OPEC	Organisation of Petroleum Exporting Countries
ORT	Other Recurrent Transactions
PAC	Public Accounts Committee
PAC	Problem Animal Control
PAYE	Pay As You Earn
PCAR	Primary Curriculum and Assessment Reform
P/CBCC	Pre-school and Community Based Child Care
PE	Personnel Emoluments
PEAs	Primary Education Advisors
PEM	Public Expenditure Management
PETS	Public Expenditure Tracking Survey
PERMU	Public Enterprise Reform and Monitoring Unit
PHAST	Participatory Hygiene and Sanitation Transformation
PLWA	People Living With HIV/AIDS
PMTCT	Prevention of Mother To Child Transmission
PPEs	Pro-Poor Expenditures
PRGF	Poverty Reduction and Growth Facility
PRISAM	Private Schools Association of Malawi
PRS	Poverty Reduction Strategy
PSIP	Public Sector investment Programme
PWP	Public Works Programme
RBM	Reserve Bank of Malawi
RCWP	Roads Construction Works Programme
SACCO	Savings and Credit Cooperatives
SADC	Southern Africa Development Community
SARPCCO	Southern Africa Region Police Chiefs Cooperation
SEDOM	Small Enterprises Development Organization of Malawi
SDIG	Skills Development and Income Generation
SOFTE	Social Forestry and Training Program

SWO	Social Welfare Officer
SWAp	Sector Wide Approach
TBs	Treasury Bills
TDCs	Teacher Development Committees
TEVET	Technical, Entrepreneurial, Vocational Education and Training
TEVETA	Technical, Entrepreneurial, Vocational Education and Training Authority
TRF	Textbook Revolving Fund
TIP	Targeted Input Programme
TNP	Targeted Nutrition Programme
TORs	Terms of Reference
TQS	Technical Qualifications Framework
TTCs	Teacher Training Colleges
TUM	Teachers Union of Malawi
TVM	Television Malawi
TWGs	Thematic Working Groups
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Science and Cultural Organization
UNICEF	United Nations Children Educational Fund
UNIDO	United Nations Industrial Development Organization
UNIMA	University of Malawi
USAID	United States Agency for International Development
VCT	Voluntary Counselling and Testing
VHWC	Village Health Workers Committee

Table of Contents

Foreword	iii
ACRONYMS	iv
Table of Contents	ix
Executive Summary	xii
Chapter 1.0: Introduction	1
Chapter 2.0: Background	2
2.1 Poverty Situation	2
2.2 Highly Indebted Poor Countries Initiative (HIPC) and Poverty Reduction and Growth Facility (PRGF)	2
2.3 Staff Monitored Programme	2
Chapter 3.0: Macroeconomic Developments	4
3.1 Macroeconomic Performance and Budgetary Issues	4
3.2 Macroeconomic Assumptions and Targets	4
3.2.1 Inflation	4
3.2.2 GDP Growth	4
3.3 Analysis of Sources of Growth	5
3.3.1 External Sector Competitiveness	5
3.4 Macroeconomic Policies	5
3.4.1 Monetary Policy	6
3.4.2 Fiscal Policy	6
3.5 Public Expenditure Management	7
Chapter 4: Overall Budget Performance	8
4.1 Revenue Performance	8
4.2 Government Expenditure	9
Chapter 5: Sectoral Performance	13
5.1 Pillar 1: Sustainable Pro-Poor Growth	13
5.1.1 Agriculture	13
5.1.2 Natural Resources	16
5.1.2.1 Fisheries Sector	16
5.1.2.2 Forestry	18
5.1.2.3 Parks and Wildlife	20
5.1.2.4 Tourism Sector	21
5.1.2.5 Mining	22
5.1.3 Rural Infrastructure	22
5.1.3.1 Road Sector	22
5.1.3.2 Water and Sanitation	23
5.1.3.3 Energy Sector	24
5.1.3.4 Telecommunications Sector	24
5.1.4 Commerce and Industry	25
5.2 Pillar 2: Human Capital Development	26
5.2.1 Education	26
5.2.1.1 Basic Education	26
5.2.2 Malawi Institute of Education (MIE)	31
5.2.3 Malawi National Examination Board (MANEB)	31

5.2.4	Better Technical, Entrepreneurial, Vocational Education and Training	31
5.3	Health	32
5.3.1	Promotion of Good Nutrition	35
5.4	Pillar 3: Improving the Quality of Life of the Most Vulnerable	35
5.4.1	Productivity Enhancing Interventions:	35
5.4.2	Welfare Enhancing Interventions	38
5.4.2.1	Targeted Nutrition Programs	38
5.4.2.2	Direct Welfare Transfers	38
5.4.2.3	Capacity Building Programmes	39
5.4.2.4	Disaster Management	39
5.5	<i>Pillar 4: Good Governance</i>	40
5.5.1	Political Will and Mindset	40
5.5.2	Improved Safety, Security and Access to Justice	41
5.5.2.1	The Judiciary	41
5.5.2.2	The Malawi Police Services	41
5.5.3	Public Expenditure Management	42
5.5.4	Fraud and Corruption	44
5.5.4.1	Prevention of Corruption and Fraud	44
5.5.4.2	Detection and Prosecution of Corruption and Fraud Cases	45
5.5.5	Decentralization	45
5.5.6	Democratisation	46
5.5.7	Human Rights	47
5.6	Cross Cutting Issues	48
5.6.1	Gender and Empowerment	48
5.6.2	HIV/AIDS	49
5.6.3	Science and Technology	49
5.6.4	Environment	50
Chapter 6: Monitoring and Evaluation		52
6.1	Strengthening monitoring and evaluation systems in Malawi	52
6.2	Evaluation Reviews of Programmes and Projects	52
6.3	Poverty and Vulnerability Monitoring	53
6.4	Malawi Vulnerability Assessment (MVAC)	53
6.5	Awareness and advocacy for the poverty reduction strategies	53
Chapter 7 CONCLUSION		53

List of Tables

Table 3.1: Macroeconomic Targets for the 2004/05 Fiscal Year	4
Table 3.2: Gross Domestic Product Growth Rates by Sector (2000-2005)	5
Table 3.3: Selected Monetary Policy Indicators	6
Table 4.1: Comparative Analysis of MPRS and Budgetary Figures (in million Kwacha)	8
Table 4.2: Share of Resource Allocations by Pillars 2004/05 Fiscal Year	9
Table 4.3: Functional Classification of Central Government Budget 2004/05 Fiscal Year	9
Table 4.4: Stock of Domestic Debt, June 2004 – Dec 2005	10
Table 4.5: Pro – Poor Expenditures by Pillar 2004/05 Fiscal Year	10

Table 4.6: Analysis of Protected Pro Poor Expenditure Activities by Pillar (July – December 2005/06 Fiscal Year)	11
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ANNEXURE

Annex 1: One Year Protected Pro – Poor Expenditures (2004/05 Fiscal Year)	55
Annex 2: Functional Classification of Central Government Budget (MK' mn)	59
Annex 3: Half Year Protected Pro Poor Expenditure Activities (July – December 2005/06 Fiscal Year)	60

Executive Summary

The Malawi Poverty Reduction Strategy (MPRS) was formulated in the year 2002 by the government and its development partners including civil society organisations. The aim of the Strategy was to reduce poverty through economic growth and empowerment of the poor. In order to assess the implementation progress of activities outlined in the strategy, it was recommended that annual reviews should be conducted each year of implementation. The previous reviews identified a number of challenging issues, which hampered implementation of the MPRS. These challenges included, failure to adhere to implementation of MPRS activities, poor linkage between the MPRS and the budget leading to diversion of resources to non-priority activities, poor macroeconomic performance, HIV and AIDS, and weak monitoring and evaluation systems at all levels.

Poverty Situation

The poverty situation remained high over the implementation period of the MPRS. The government continued funding activities that were perceived to have an impact on the poverty reduction. However, the absolute poverty still shows that 6.3 million people in the country are poor.

Highly Indebted Poor Countries Initiative (HIPC) and Poverty Reduction and Growth Facility (PRGF)

During the implementation of the MPRS, the government failed to reach HIPC completion point due to continued policy slippages. In 2004/05, the government implemented its fiscal programme under SMP that witnessed turn round of events as presented in the MPRS Comprehensive Review. The current PRGF arrangement is anchored in the Malawi Poverty Reduction Strategy and Malawi Growth and Development Strategy.

Staff Monitored Programme

The final year of the MPRS was implemented through Staff Monitored Programmes (SMP). The macroeconomic programme under SMP was designed to establish good economic performance track record that would lead to a new design of the PRGF. The success of the SMP depended on the fiscal measures outlined in the 2004/05 government budget.

Macroeconomic Assumptions and Targets

The macroeconomic performance under SMP was deemed satisfactory and since then government has embarked on a new three year PRGF. During the period under review, the average inflation rate rose from 11.6 percent in June 2004 to 15.9 percent in June 2005. The increase in inflation rate was mainly attributed to increases in the prices of food especially cereals and increases in fuel prices by 19 percent during the review period. The real GDP grew marginally by 1.9 percent during the period under review.

Macroeconomic Policies

The MPRS outlined a number of macroeconomic policies that were to be adhered to in order to achieve the macroeconomic targets. These policies were mainly in the form of monetary, fiscal and structural policies. However, due to non adherence to good fiscal

management, all policies set in the MPRS to assist in the management of the economy were not relevant as government implemented policies outside the main framework of the MPRS.

Fiscal Policy

The core objective of fiscal policy was to increase efficiency in revenue collection and reduce the government deficit to sustainable level. During the year under review, the government implemented policies that were outlined in the SMP with the of ensuring that overall fiscal policies were in tandem with public expenditure management. The fiscal deficit declined from 12.9 percent of GDP in 2003/04 to 3.5 percent of GDP 2004/05.

Monetary Policy

Monetary policy plays a major role in containing inflationary pressure. In an effort to achieve this objective, the Reserve Bank of Malawi tightened its monetary policy by intensifying the open market operations (OMO), adjusting liquidity reserve requirement (LRR) and the discount rate. Further, the RBM also controlled the growth of money supply through targeting reserve money.

Agriculture

The agriculture sector contributes about 63.7 percent of total income of the rural poor. The sector also accounts for about 36 percent of GDP, 87 percent of total employment and supplies at least 65 percent of the manufacturing sector's raw material requirements (MPRSP 2002). One of the goals of the sector is to increase incomes among the poor. Thus, increased agricultural incomes are envisaged to lead to poverty reduction.

Crop Production

In 2004/05 season, crop production was not as satisfactory as planned in the MPRS due to poor rainfall and high costs of agricultural inputs. The unit production of crops such as maize, cotton, groundnuts and Soya beans failed to meet their MPRS target of 2000, 1500, 1000 and 1000Kg per ha respectively.

Animal Production

By the end of 2004/05 fiscal year, the following achievements were made: Cattle production increased from 764,061 in 2003/04 to 777,846 in 2004/05 seasons. Although there was this increase in cattle production, this figure however is lower than the MPRS target of 868, 373. On the other hand, there has been a general increase in red meat production.

Extension Services

During the 2004/05 financial year, Ministry of Agriculture undertook a number of activities to improve delivery of extension services. It trained 539 extension workers in order to impart marketing knowledge. It is also noted that 501 extension workers were trained in formation of farmer clubs and associations. During the period under review 66 farmer cooperatives were formed. The ministry trained 146 extension workers in cost effective irrigation methodologies

Promotion of Small Scale Irrigation Schemes and Drainage

Major activities in the MPRS under this strategy were to intensify awareness campaigns on utilization and installation of treadle pumps; procurement and distribution of treadle pumps on loans; encouragement of river diversion irrigation; facilitation of rehabilitation of dams and reviews of staff requirements and recruitment, and assessing the impact and performance of different irrigation methodologies; and testing of new irrigation technologies. It is noted that 10,677 treadle pumps were distributed against the targeted 23,271. In addition 98 motorised pump based schemes were installed and being utilised. The sector also experienced an excavation of 107.4 kilometres of canal for irrigation.

Reduce Land Shortage and Degradation

In the year under review (2004/05), the Ministry of Agriculture trained 36,599 extension workers and 205,460 farmers on soil conservation and soil fertility management techniques; while 232,490 farmers were trained in low cost soil fertility improvement techniques (organic manure management and making).

Promote and Expand Farm Mechanization

This strategy was aimed at increasing access to draught animals and animal drawn equipment and tractor hire scheme. In 2004/05, 200 draught oxen were procured and trained; 126 ha of land were ploughed and 44 ha were ridged using draught animals. On the Operationalization of the tractor scheme, in this year, only 17 tractors were operating.

Technology Generation (Research)

Most activities in this sub-programme were greatly affected because they were not funded since they were considered as pro-poor. However the research department carried out a number of activities that were not in the MPRS. These activities relate to GMO products, provision of export certification services, seed and phytosanitary activities, plant, feed, fertilizer and soil analytical services. The department also produced and published the agricultural research journal, developed and popularised prototypes of agro-processing equipment and streamlining gender and HIV/AIDS issues in research and technology development programmes.

Fisheries Sector

Interventions in the Fishery sector were implemented with the goal to increase sustainable utilization of fishery resources so as to contribute to the economic growth of the country. At least 49 credit groups were organized and 65 fishermen were trained in resource management; 507 farmers and 31 extension workers were trained in fish farming; 75 fish farmers were trained in pond management. The department of fisheries trained 60 extension workers in fish farming.

Forestry

The MPRS envisioned achieving sustainable utilization of forestry resources through devolution of management to the local level so that communities would take full

participation in forestry management. With funds from the Finnish Government through DIDC, the Malawi College of Forestry and Wildlife has taken steps to review the certificate and diploma curriculum to move with the changing needs of the forestry sector. The Ministry produced 3,100 copies of Community Based Forest Management supplement to forest policy

Tourism Sector

The tourism sector has been under developed and therefore government sought to regulate the sector by carrying out some of the following activities: Promote development and investment in diverse tourism products, develop and adopt an updated approach to tourism promotion and marketing and regulate tourism on the basis of defined standards.

Mining

The key objectives in promoting small-scale mining are to disseminate information on mineral availability; identify mineral resources suitable for small scale mining; encourage the development of small-scale mineral based industries; provide technical and financial support; ensure appropriate mining legislation; improve understanding of value adding methods and promote marketing. During the period under review about 100 small scale miners were trained in lime salt production.

Road Sector

The major roads outlined in the MPRS were not implemented during the whole MPRS process. However, some major works have commenced in construction of those roads in line with Malawi Growth and Development Strategy (MGDS). The routine maintenance of rural roads was done under various initiatives.

Water

The MPRS outlined four strategies in order to increase accessibility to potable water and improved sanitation. The strategies included; construction and rehabilitation of water. The Water sector completed the implementation of National Water Development Project, Lilongwe/Dedza Ground Water Project and District Water Supply III Project. The National Water Policy that will guide the activities in the sector was developed and is just waiting final approval. Complementing the National Water Policy is the Ministry's Strategic Plan launched in 2004.

Sanitation

UNICEF and a number of NGOs active in the sector implemented activities such construction of boreholes, shallow wells and springs; training of extension staff in Participatory Hygiene and Sanitation Transformation (PHAST) and Village Health and Water Committees in PHAST and Community Based Management (CBM) of water and sanitation facilities.

Energy Sector

The energy sector is an integral part of infrastructure development, particularly in rural areas of the country. The main strategy in the sector is to increase access to affordable

and sustainable rural energy. On expanding the distribution network to rural growth centres, trading centres and potential irrigation centres, the energy sector has managed to increase electrification of trading centres from 41 in 2003/04 to 45 in 2004/05. The MPRS annual electrification targeted is 55 rural trading centres.

Telecommunications Sector

The notable achievement in the sector was installing of an automatic exchange in Embangweni and this has increased lines from 50 to 150. The 670MB digital data leased network line countrywide was installed that has facilitated online services such as ATM and SMART CARDS.

Commerce and Industry

During the review period, 530 local entrepreneurs were trained in business management and technical skills. The Ministry also managed to link 152 MSMEs to technology, markets and service providers. The Ministry also implemented the salt iodisation project and commercialization of hides and skins project.

Education

The overall goal in education sector is to improve quality, access and relevance of education, and equity in boys and girls. The sub-sectors include, basic education (early child-hood development, primary, adult), secondary education, higher education and technical and vocational entrepreneur training.

Basic Education

Specific areas of focus include improving the quality and relevance of primary education, improving access and equity at the primary level, focusing on special needs education and girls, increasing and improving functional adult literacy and numeric, providing education to the out of school youth, expanding pre-school education or Early Childhood Development (ECD), responding urgently to problems created by the HIV and AIDS epidemic, and decentralizing administrative and planning responsibilities.

Early Childhood Development (ECD)

During the review period, the Ministry of gender and community services mobilised assemblies, NGOs and UNICEF to support ECD activities. The ministry acquired and supplied 566 learning materials to 30 CBCCs, involved communities in 11 districts to make local learning materials, produced 44,000 copies of ECD instruction materials and now awaiting distribution. The Ministry also developed 4 sets of monitoring tools.

Primary Education

In the year under review, Ministry of Education trained 3000 teachers under cohort 11, to reduce the pupil to qualified teacher ratio. The plans to reform teacher education curricula in line with primary education reforms are ready and implementation is expected to commence in January 2006. To provide quality In- Service Training (INSET) for primary teachers, the Ministry has constructed 315 Teacher Development Centre (TDC), has formed TDC management committees in all centres.

Secondary Education

During the review period, 22 new secondary schools were constructed in rural (17) and urban (5) centres by both government and development partners. As part of ensuring that all secondary schools meet minimum physical standards, the Ministry begun a rehabilitation program of Community Day Secondary Schools; and has maintained 2,739 classrooms out of 3,708.

Higher Education

The university increased student intake from 3,526 in 2002 to 7,400 in 2005; the number includes 1,302 students in parallel programmes. This exceeds the MPRS target of 6,824. The University Education Act was reviewed and submitted to the Ministry of Education but no further action was undertaken. The proportion of girls participating in tertiary education is currently at 31 percent surpassing the MPRS target of 30 percent.

Better Technical, Entrepreneurial, Vocational Education and Training

To ensure access to skills development by expanding and increasing outreach and coverage of technical entrepreneurial vocational education and training programmes through village polytechnics, the Ministry undertook a study tour to Kenya and Botswana and conducted consultative meetings to establish village polytechnics in Makande Estate area under Thyolo District Assembly; Maone site in Chiradzulu and KFCTA in Kasungu District Assembly. In trying to raise awareness on TEVET, the Ministry conducted career guidance and counseling in all levels of education. In order to promote recognition and appreciation of indigenous skills and competencies, Ministry of Labour conducted training for 20 assessors; trained 10 Trade test assessors; conducted trade test assessment and certification for 2987 apprentices.

Health

In the year under review (2004/05), the Ministry embarked on the emergency six year training programme and has doubled intake in its various training institutions. Besides increasing budgetary allocations for drugs, strategies aimed at ensuring that the drugs reach the intended beneficiaries and are prescribed properly. Reform of the Central Medical Stores (CMS) continued under the review period. Installation and maintenance of radio communication equipment in health facilities in 13 districts across the country was implemented; radio repeaters were installed in 5 districts.

Improving the Quality of Life of the Most Vulnerable

The safety nets were implemented in three forms namely, productivity enhancing interventions, welfare support interventions and improving disaster management. The strategy targeted resource constrained households. Specifically, TIP targeted resource constrained but land abundant households while PWP targeted the land constrained but labour abundant households. Most of the activities under this component are implemented by NGOs and other civil society organisations.

Improved Safety, Security and Access to Justice

In order to increase crime prosecution rate, the MPRS realised the need to construct more courtrooms in all districts. During the period under review (2004/05), little

progress was made due to unavailability of funds. In the period under review, additional judges and judicial officers were recruited to ensure adequate judicial staff and support.

The Malawi Police Services

The Malawi Police Service (MPS) aims at creating a safe and secure Malawi. The following activities were implemented under Malawi Police Service in the period under review: fingerprints and scenes of crime management workshops were conducted. The Malawi Police trained 60 prosecutors in basic prosecution and 20 paralegals at Mpemba Staff Development Institute.

The Malawi Prison Services

The Malawi Prison Service provided opportunity for education and skills development to 3000 rehabilitated prisoner; established eight learning centres; constructed one classroom block at PTS; established four woodlots; and recruited 3 officers with vocational skills.

Public Expenditure Management

In 2004/05 several activities were implemented in order to improve public expenditure management. The Public Accounts Committee (PAC) and the Budget and Finance Committee (BFC) were strengthened through technical and financial support from FIMTAP. In addition 120 Members of Parliament were offered training on the budget process apart from pre-budget consultation meetings.

Fraud and Corruption

The Anti Corruption Bureau implemented several activities with the aim of curbing the corrupt practices during the 2004/05 financial year. The ACB conducted six (6) inquiries in different institutions both public and private. The ACB also conducted 17 Managerial Accountability Workshops for Malawi Housing Corporation (4), Malawi Telecommunications Limited (2), Malawi Savings Bank, Southern Region Water Board (4), Directorate for Road Traffic (2) and MASAF (4). These workshops reached 255 public officers 198 males and 57 females. The ACB facilitated the process of developing a Corruption Prevention Plan for Southern Region Water Board (SRWB). During the year under review, Blantyre ACB office processed 360 complaints Lilongwe and Mzuzu processed over 500 complaints.

Decentralization

The two main objectives of decentralization in the MPRS are to develop institutional capacity for local governance and to transfer functions, resources and planning to districts. Government CODA accounting package was linked to local authorities' SAGE line 100 and all the 40 district and town assemblies complied with activity based budgeting. All district and town assemblies computerized primary school teachers' payroll system. In setting administration systems local government internal audit guidelines for district assemblies and financial guidelines for record management for local authorities were developed.

Human Rights

Malawi Human Rights Commissioners and Staff attended various training courses as one way of building their capacity. During the review period, an assessment on the capacity of civil society organizations involved in human rights was conducted with funding from Democracy Consolidation Programme (DCP). MHRC trained 540 public servants and 90 secondary school teachers on human rights. MHRC also conducted 57 sensitization campaigns on human rights targeting local populace and local leaders. MHRC also participated in radio and television programmes. These sensitization campaigns resulted in increased complaints during the year under review.

Cross Cutting Issues

The MPRS acknowledges the need to mainstream four crosscutting issues in the course of planning and implementing sectoral activities meant to reduce poverty. The crosscutting issues outlined in the MPRS are as follows: HIV/AIDS, gender and empowerment, environment, and science and technology.

Gender

The Ministry of Gender, Child Welfare and Community Services planned to implement activities in five major areas as enshrined in the national gender policy. These included strengthening capacity to implement the National Gender Policy, engendering sectoral budgets, promotion of a gender sensitive legal environment, and eradication of gender-based violence and enhance women participation in decision-making. Five training sessions were held for gender focal points in various ministries as well as departments in gender analysis, programming mainstreaming and monitoring and evaluation.

HIV/AIDS

The effects of HIV/AIDS are numerous and affect the productive people in all sectors who are central in poverty reduction. The Ministry trained 160 youths in the coordination of HIV/AIDS activities. In addition 1400 peer educators and 10000 youth club leaders have been trained in ways of promoting involvement of youth at all levels of planning, decision-making and delivery of HIV/AIDS activities.

Science and Technology

The MPRS appreciates the importance of mainstreaming science and technology in national economic development programmes, as there is a correlation between level of technology and economic growth. In intensifying the use of Science and Technology, the Ministry encourages different research institutions and even local people to initiate Science and technology programmes or projects. DISTMIS has also developed systems and websites for Immigration Border Control System, Tourism System, and is re-developing Malawi Government website. DISTMIS is assisting Ministries of education and Labour and Vocational Training by training school leavers in basic ICT skills and ICT long-term courses. DISTMIS has also assisted Ministries of Health and Gender and Community Services to develop their ICT strategic plans.

Environment

During the review period, the department implemented a number of strategies that were outlined in the MPRS. The strategies included; strengthening legal and institutional framework, which involved mainstreaming environmental management into local

government administration, developing alternative livelihood strategies which ensured that the poor could survive and thrive without damaging the environment, and creating mass environmental awareness. In the year under review, the department prepared and compiled a Technology Needs Assessment Report in Oct 2004 and established a Project Office. The NEP has got a Community Based Natural Resource Management (CBNRM) component. The department also coordinated reviews of national, regional and international project proposals under Global Environment Facility (GEF).

Monitoring and Evaluation

The government, through consultation with major stakeholders in monitoring and evaluation, developed a joint programme support for the national monitoring and evaluation systems in Malawi. The programme is aimed at strengthening the national and sub-national capacities for monitoring and evaluation of development policies, programmes and strategies. The Ministry of Economic Planning and Development in conjunction with the Ministry of Local Government and Rural Development carried out district assessment throughout the country to identify the capacity of local assemblies to carry out M&E activities.

Evaluation and Reviews of Programmes and Projects

In view of this, the Ministry of Economic Planning and Development managed to monitor development projects in eight sectors covering a total of 64 projects, notably in agriculture, health, water, education, energy, transport, fisheries and lands and housing. Progress assessment reports for each sector were compiled and presented to parliament.

Malawi Vulnerability Assessment (MVAC)

The Malawi Vulnerability Assessment Committee (MVAC), a collaborative committee of technical personnel from government institutions, UN agencies and NGOs/civil society, established a Secretariat during the period under review. Trained users of MVAC information on methodologies used to generate the information. The information generated from the MVAC has been widely used by the government and its development partners in designing safety nets programmes such as humanitarian food aid, targeted nutrition programmes and public works programme.

Weak Institutional Capacities

MEPD carried out various activities aimed at building structures for monitoring progress of implementation of government programmes. The Ministries and Departments visited included; Agriculture and Food Security, Natural Resources, Transport, Commerce and Gender. Regardless of the efforts made by government and its development partners to strengthen M&E systems during the implementation period, monitoring capacities are still weak at all levels. Lack of established M&E systems and facilities in most institutions affected effective monitoring of progress made on the implementation of the MPRS. The situation was worsened by inadequate skills to collect, analyse and disseminate information as a result of high staff turnover; Weak coordination between government, donors and other stakeholders at all levels in implementation of M&E activities; Weak link between planning, budgeting process and monitoring and evaluation systems.

Chapter 1.0: Introduction

The Malawi Poverty Reduction Strategy (MPRS) was formulated in the year 2002 by the government and its development partners including civil society organisations. The aim of the Strategy was to reduce poverty through economic growth and empowerment of the poor. The strategy was to be implemented in a three-year period starting from 2002/03 to 2004/05 financial year. In order to assess the implementation progress of activities outlined in the strategy, it was recommended that annual reviews should be conducted each year of implementation. Since the inception of the MPRS, the government with support from its development partners have carried out two annual reviews in 2002/03 and 2003/04 respectively.

The previous reviews identified a number of challenging issues, which hampered implementation of the MPRS. These challenges included, failure to adhere to implementation of MPRS activities, poor linkage between the MPRS and the budget leading to diversion of resources to non-priority activities, poor macroeconomic performance, HIV and AIDS, and weak monitoring and evaluation systems at all levels.

The two annual reviews made a number of recommendations in order to improve implementation, monitoring and evaluation of the MPRS. The main recommendations included; development of guidelines to assist sectors to translate the strategy activities into the budget; strengthen monitoring and evaluation systems in Planning Units of all Ministries and Departments and carry out impact studies in specific areas. Despite these recommendations the situation did not improve much as evidenced by continued implementation of non-MPRS activities by Ministries and Departments. Access to information for the review process continued to be a problem during the MPRS implementation period and this reflects weak monitoring and evaluation systems.

The 2004/05 progress report has continued to focus on assessing inputs, outputs and outcomes of the implementation of the strategy. Under inputs assessment, analysis of expenditure by pillars, protected pro-poor activities and functional analysis of government expenditure pattern have been carried out. The report has included analysis of outputs and outcomes by comparing the planned activities and their targets indicated in the MPRS to the actual achievement in the third year of strategy implementation. The impact and outcome indicators have not been included in this review, but are covered in another report, the MPRS comprehensive review.

Unlike MPRS Comprehensive Review Report, this APR focuses only in the last year of MPRS implementation. The 2004/05 annual progress report has six chapters. The first chapter contains introduction for the report while background issues to implementation are presented in Chapter 2. Macroeconomic performance is presented in Chapter 3 and Chapter 4 contains overall budget performance. Chapter 5 presents sectoral performance and lastly monitoring and evaluation issues are discussed in chapter 6.

Chapter 2.0: Background

The 2004/05 implementation period of the MPRS was a turn around of events as the new the government started to implement strategies that were aimed at fostering economic growth and creating wealth for the most of the Malawians. The most notable development was that the government adopted Staff Monitored Programme (SMP) in order to bring back confidence by various donors in the management of the economy.

2.1 Poverty Situation

The poverty situation remained high over the implementation period of the MPRS. The government continued funding activities that were perceived to have an impact on the poverty reduction. The current results of the Second Integrated Household Survey (IHS2) conducted by the National Statistics Office (NSO) in 2004/05 indicate that poverty rate for the country is at 52.4 percent. In absolute terms, this poverty rate implies that 6.3 million people in the country are poor. The impact of various initiatives on poverty levels is not presented in this APR. But suffice to say that at the end of the third year there has been no significant change in the welfare of the poor people.

2.2 Highly Indebted Poor Countries Initiative (HIPC) and Poverty Reduction and Growth Facility (PRGF)

During the implementation of the MPRS, the government failed to reach HIPC completion point due to continued policy slippages. In 20004/05, the government implemented its fiscal programme under SMP that witnessed turn round of events as presented in the MPRS Comprehensive Review. The government adopted the PRGF in August 2005. The current PRGF arrangement is anchored in the Malawi Poverty Reduction Strategy and Malawi Growth and Development Strategy. Under the PRGF arrangements, policies and issues articulated in the MPRS and its successor MGDS are required to be successfully implemented for at least one year in order to reach completion point of HIPC initiative.

During the 2004/05 fiscal year, some macroeconomic targets were outlined in order to achieve macroeconomic stability in the country. Among these were inflation rate, exchange rate, GDP growth, domestic debt and government fiscal deficit. There has been a sharp decline in the domestic debt and the bank rate due to fiscal and monetary prudent.

2.3 Staff Monitored Programme

This final year of the MPRS was implemented through Staff Monitored Programmes (SMP). The macroeconomic programme under SMP was designed to establish good economic performance track record that would lead to a new design of the PRGF. The success of the SMP depended on the fiscal measures outlined in the 2004/05 government budget. The macroeconomic performance under SMP was deemed satisfactory and since then government has embarked on a new three year PRGF.

Chapter 3.0: Macroeconomic Developments

3.1 Macroeconomic Performance and Budgetary Issues

This chapter reviews the performance of the economy as outlined in the Staff Monitored Programme targets as well as overall implementation of fiscal and monetary policies for the 2004-05 fiscal year. Unlike the first two years of the MPRS implementation, the third year witnessed a change in the economic management. In line with good macroeconomic management, the MPRS recognized that a stable macroeconomic environment is a prerequisite for attaining sustainable economic growth and poverty reduction. The first step that SMP took was to set a clear path that will lead to macroeconomic stability. The third year of MPRS implementation the government deficit was contained and the government started paying back domestic debt that was unsustainably contracted during the first two years of the MPRS. The original macroeconomic framework under MPRS was no longer valid. However, the government adopted new macroeconomic framework and targets under SMP that were achieved at the end of 2004/05 fiscal year as shown in Table 3.1

3.2 Macroeconomic Assumptions and Targets

The SMP laid down quantitative benchmarks in the areas of inflation rate, GDP growth rate and government fiscal deficit (See Table 3.1).

Table 3.1: Macroeconomic Targets for the 2004/05 Fiscal Year

<i>Variable</i>	<i>MPRS targets</i>	<i>2004/05 SMP</i>	<i>(Jul04-Jun05) Outturn</i>
Inflation (%)	5.0	15.0	15.9
GDP growth (%)	4.5	4.0	1.9
Budget Deficit/Surplus (% of GDP) incl. Grants	0.3	-4.3	-5.9
Exchange rate	-	-	-
Total Revenues & Grants (MK' million)	44,390.8	77,094.0	86,378.0
Domestic revenues (MK' million)	31,360.6	51,881.0	55,295.0
Grants (MK' million)	13,030.2	25,212.0	31,083.0
Expenditures (MK' million)	43,975.7	86,351.0	95,521.0
Budget (Deficit)/Surplus	415.1	(9257.0)	(9,143.0)

Sources: MPRS 2002, Budget Statement (2002/06) and Economic Report 2005

3.2.1 Inflation

During the period under review, the average inflation rate rose from 11.6 percent in June 2004 to 15.9 percent in June 2005. The increase in inflation rate was mainly attributed to increases in the prices of food especially cereals and increases in fuel prices by 19 percent during the review period. The SMP inflation target was missed by 0.9 percentage points due to exogenous shocks. The external shocks were in the form of persistent patches of drought in the country and continued rising of oil prices on the international market.

3.2.2 GDP Growth

The real GDP grew marginally by 1.9 percent during the period under review. This figure was below the SMP projections of 4.0 percent. The reduced real growth rate was mainly attributed to the under performance of small-scale agriculture which experienced negative growth (-11.6) due to poor weather conditions combined with high farm input prices.

Table 3.2: Gross Domestic Product Growth Rates by Sector (2000-2005)

Sector	2000	2001	2002	2003	2004	2005
Agriculture	5.3	-6.0	2.7	5.9	2.7	-9.1
Small-Scale	1.6	-4.8	-0.4	12.4	-1.4	-11.6
Large-Scale	21.0	-10.3	14.2	-15.4	20.5	-0.2
Mining and Quarrying	10.8	7.5	-38.7	18.6	-11.6	52.1
Manufacturing	-3.0	-14.2	-0.1	3.2	6.9	11.9
Electricity and Water	10.2	-7.0	5.8	2.4	7.5	6.0
Construction	-2.2	-4.7	14.1	13.3	10.9	14.7
Distribution	-0.3	1.1	1.6	-0.8	6.9	8.8
Transport and Communication	-4.2	-0.6	17.5	8.3	7.2	13.6
Financial and Professional Services	2.0	-3.0	6.7	6.1	7.3	6.1
Ownership of Dwellings	2.6	2.8	2.8	2.8	2.8	2.8
Private, Social and Community Services	2.7	2.9	2.9	2.9	2.9	2.8
Producer of Government Services	-9.9	0.8	-0.5	1.7	2.3	1.6
Unallocable Finance Charges	2.4	-0.3	13.5	9.6	7.5	16.1
Real GDP Growth at Factor Cost	0.8	-4.1	2.1	3.9	4.6	1.9

Source: Malawi Economic Report 2005

3.3 Analysis of Sources of Growth

As shown by figures in Table 3.2 above, Malawi's economy is largely influenced by seasonal activities of the agriculture sector. During the period under review the main sources of growth were mining and quarrying (52.1%), construction sector (14.7%), transport and communication (13.6%), manufacturing (11.9%), distribution (8.8%), financial and professional services (6.1%) and utility sector (6.0%). The agriculture sector grew by -9.1 percent of which -11.6 and -0.2 percent were from the small scale and large-scale agriculture respectively.

3.3.1 External Sector Competitiveness

The external sector performance of the economy remained stiff as the external current account deficit worsened from 17 percent of GDP in 2003 to 19 percent of GDP in 2004. The real effective exchange rate remained stable during most of the SMP period as the appreciation of the euro and rand offset higher domestic inflation. The kwacha-U.S. dollar exchange rate remained largely unchanged throughout MPRS implementation period.

3.4 Macroeconomic Policies

The MPRS outlined a number of macroeconomic policies that were to be adhered to in order to achieve the macroeconomic targets. These policies were mainly in the form of monetary, fiscal and structural policies. However, due to non adherence to good fiscal management, all policies set in the MPRS to assist in the management of the economy were not relevant as government implemented policies outside the

main framework of the MPRS. The broad short term macroeconomic policies as defined in the one year SMP were achieved even the economy was experience drought and price shocks

3.4.1 Monetary Policy

Monetary policy plays a major role in containing inflationary pressure. In an effort to achieve this objective, the Reserve Bank of Malawi tightened its monetary policy by intensifying the open market operations (OMO), adjusting liquidity reserve requirement (LRR) and the discount rate. Further, the RBM also controlled the growth of money supply through targeting reserve money; refer to the Table 3.3 below.

Table 3.3: Selected Monetary Policy Indicators

<i>Variable</i>	2003	2004	2005
Money Supply (M2) (MK' mn)	35,182.7	45,666.0	51,283.4
M2 Growth Rate (annual in %)	29.3	29.8	18.9
Reserve Money (MK' mn)	13,742.9	17967.5	21,032.5
Total Foreign Reserves ¹ (MK' mn)	19,832.7	20,382.0	17,874.8
Import Cover (months)	2.9	3.0	2.3

Source: Reserve Bank of Malawi

The controls that were put in place during the fiscal year have started to yield results as evidenced by a decline in the growth of the money supply from 29.8 percent in May 2004 to 18.9 percent in November 2005. Annually, the money supply grew by 22.1 percent, which was lower than the previous year (2004) recorded at 26.5 percent. This was largely due to increased agricultural earnings from sugar exports coupled with resumption of inflows for various donor-funded projects. Although the results in the period under review were encouraging, monetary developments were still expansionary.

Constraints and Challenges

The major constraints in the implementation of monetary policy during the review period included high interest rates and large stock of short-term domestic debt, which exerted pressure in the operations of the open money markets and the budget.

3.4.2 Fiscal Policy

The core objective of fiscal policy was to increase efficiency in revenue collection and reduce the government deficit to sustainable level. During the year under review, the government implement policies outlined in the SMP that were aimed at ensuring that overall fiscal policies were in tandem with public expenditure management.

Progress of Implementation

Some of the measures included reduction of surtax, reviewing the tax structure, sanctioning ministries that were still overspending and implementation of expenditure tracking mechanisms. The fiscal deficit declined from 12.9 percent of GDP in 2003/04 to 3.5 percent of GDP 2004/05.

¹ The total foreign reserves figures are for 2005 are from January to November

Constraints and challenges

- Shortfalls in enforcement of surtax compliance due to shortage of personnel.
- Delays in achieving targets for the PRGF programme to reach completion point for debt relief.
- High interest and inflation rates that prevailed in the economy exerted pressure on the budget, which made difficult to implement some of the contractionary fiscal policies.

3.5 Public Expenditure Management

The emphasis in Public Expenditure Management (PEM) was to link the strategy to the national budget through aligning the budget towards an output based approach. Prudent fiscal policy coupled with proper public expenditure management would ensure stable macroeconomic conditions and economic growth.

Progress of implementation

The government ensured that quarterly expenditure reports continued to be submitted to cabinet committee on the economy. These quarterly expenditure reports are still being posted on the government's website and print media as a way of cementing accountability and transparency.

Chapter 4: Overall Budget Performance

The new macroeconomic assumptions and targets set under the SMP defined new financial programme with a clear budget framework to be implemented over the 2004/05 fiscal year. The new programme re-emphasized the importance of strong political will in fiscal management.

4.1 Revenue Performance

The domestic revenue were estimated at MK51,881 billion and MK25,212 billion was an estimate from external assistance in the form of grants. The overall estimated total resource envelope for the fiscal year under review was MK77,094 billion. The revenue management was perceived excellent as the domestic revenue collection was above the target by MK9,284 million as shown in Table 4.1 below. However, the expected budgetary grants and projects grants were in line with actual disbursement over the fiscal year under review. The notable difference is that the original projection never took into account the expected inflow from HIPC debt relief.

Table 4.1: Comparative Analysis of MPRS and Budgetary Figures (in million Kwacha)

	SMP	2004/05 Approved	2004/05 Revised
Total Revenue and Grants	77,094	81,083.00	86,378
Tax Revenue	44,747	44,636.00	48,477
Non-tax Revenue	7,135	7,135.00	6,818
Grants	25,212	29,312.00	31,083
Total Expenditure	86,351	89,886.50	95,521
Recurrent expenditure	67,403	66,025.00	71,726
Development expenditure	18,947	23,861.00	23,207
Deficit	-9,257	-8,805.00	-9,143
Financing	9,257	8805.00	9,143
Foreign Loans (net)	5,063	2,791.00	2,538
Domestic Borrowing (net)	4,194	6,014.00	6,606
GDP at Current Market Prices	216,129	221,073.00	222,774
As a Percentage of GDP			
Total Revenue	35.7	36.7	38.8
Total Grants	11.7	13.3	14.0
Total Expenditure	40.0	40.7	42.9
Deficit	-4.3	-4.0	-4.1
Financing	4.3	4.0	4.1

Source: Ministry of Finance, MPRS

4.2 Government Expenditure

The broad aggregates of expenditure categories were in line with targets set in the SMP. The overall fiscal balance was the same as one set in the programme as shown in Table 4.1 above. The major outcome of the 2004/05 fiscal programme was that the domestic debt stock as a percentage of GDP declined and the economy was set for further stabilisation following the adoption of the PRGF targets.

i) Analysis of Resource Allocation by Pillars 2004/05

In the fiscal year under review, total MPRS projected allocations were scaled down from about 76 percent to 63 percent of the 2004/05 revised budget. It is noted in the Table 4.2 below that statehood allocation increased from 5.1 percent to about 13 percent of the MPRS projections.

Table 4.2: Share of Resource Allocations by Pillars 2004/05 Fiscal Year

MPRS costing		MPRS Costing	Approved Budget	Revised Budget
		Percent	Percent	Percent
MPRS Activities	Pillar 1	21.3	38.5	26.3
	Pillar 2	39.2	21.4	23.3
	Pillar 3	5.3	0.2	0.1
	Pillar 4	9.0	8.2	6.6
	Cross-cutting Issues	0.6	12.2	6.7
	M & E	0.1	-	-
Total		75.5	80.5	63.1
Statutory Expenditures		19.4	0.0	23.9
Statehood Activities		5.1	19.3	12.9
Total Budget		100.00	100.00	100.00

Source: Ministry of Finance (Output Based Budget, 2005/06)

ii) Analysis of Government Expenditure by Sector

The general administration was the largest recipient of government funding getting 12.4 percent of the GDP as shown in Table 4.3 below. The economic services received the second largest share of 10.6 percent of the GDP. The social and community services, which together with general administration used to receive the largest share in the last two years, was the third largest recipient accounting for 9.6 percent of the GDP. However, debt service still accounts for the largest part of the expenditure. The detailed presentation of the functional classification is presented in Annex 3

Table 4.3: Functional Classification of Central Government Budget 2004/05 Fiscal Year

	In percent of GDP			In percent of total expenditure		
	MPRS	SMP	Outturn	MPRS	SMP	Outturn
General Administration	7.8	10.9	12.4	29.3	26.9	29.7
Social and Community Services	10.4	9.6	9.8	38.8	23.6	23.5
Economic Services	6.4	11.4	10.6	24.0	28.0	25.6
Unallocable Services	2.1	0.0	0.3	8.0	0	0.7
Debt Amortization	0.0	8.7	8.5	0.0	21.4	20.4

Source: Economic Report (2005)

iii) Financing of the Deficit (Domestic Debt Stock)

The budget deficit during the period under review was financed by a combination of the foreign loans and domestic borrowing. Total domestic debt stock declined slightly between June and December 2004 from MK62.5 billion to MK60.2 billion and then increased to MK67.5 billion by end of June 2005 (see Table 4.4). The slight increase in domestic debt stock was in line with the fiscal programme.

Table 4.4: Stock of Domestic Debt, June 2004 – Dec 2005

	<i>End Jun 04</i>	<i>End Dec 04</i>	<i>End June 05</i>	<i>December 05</i>
TBs (face)	51,986	46,347	54,274	59,558
LRS	3,735	3,730	3,713	3,710
W/Mean	6,821	10,156	9,577	11,225
TOTAL ²	62,542	60,233	67,564	74,493

Source: Ministry of Finance

Constraints and Challenges

The biggest challenge during the period under review was drought and increase in the fuel prices. The enforcement of fiscal discipline by the authorities and the resumption of donor aid eased the pressure on the use of domestic instruments to finance the government deficit.

iv) Protected Pro – Poor Expenditure Activities

Protected Pro – Poor Expenditures are defined as expenditures on priority activities meant that have been defined in accordance with MPRS. The expenditures of these activities are supposed to be protected or not scaled down even in the event of unexpected shocks to the budget. The analysis of protected pro-poor is in two parts. The first part covers the entire 2004/05 fiscal year period and the second part focuses on the six-month period from July to December 2005.

a) Protected Pro – Poor Expenditures (2004/05 Fiscal Year)

This sub-section analyses the share of PPEs allocation in the entire budget and comparison is made between the initial shares in the MPRS and the budget as shown in Table 4.5. The actual outturn of the shares of PPEs in the total budget declined by 7.18 percentage points in the year under review.

Table 4.5: Pro – Poor Expenditures by Pillar 2004/05 Fiscal Year

Pillar/Sector	MPRS PPE as % of Total MPRS Budget	Approved PPE Budget as % of Total Approved Budget	Actual PPE Expenditure as % of Total Actual Expenditure
Pillar 1: Pro-Poor Growth	7.29	1.98	1.81
Pillar 2: Human Capital Development	13.26	13.86	11.51
Pillar 3: Improving the Quality of Life of the Most	2.62	-	-

Vulnerable			
Pillar 4: Good Governance	2.88	0.73	0.70
Crosscutting Issues	1.33	5.36	6.18
Total PPE	27.38	21.93	20.20

Source: Ministry of Finance

In most cases the actual expenditures were less than what was provided for in the approved budget apart from HIV and AIDS component. At pillar level, PPEs on Pillar 2 in particular education sector received more funding than the rest of the sectors as shown in Annex 1. The share of actual expenditure on Pillar 2 to total actual expenditure is 11.5 percent and 7.4 constitutes education sector alone in the pillar. Most of the expenditures in education sector occurred in execution of primary education sector. The share of health expenditure in total expenditure was 3.8 percent and most of it was on drugs and curative health services. The most notable decline in shares of expenditure is Pillar 1. The paradigm shift from pro-poor economic growth to sustainable economic growth resulted in redefining priority setting within the framework of economic growth.

b) Half-year Protected Pro Poor Expenditure Activities (July – December 2005/06 Fiscal Year)

The MPRS implementation period expired in the year 2004/05. The authorities have embarked on the development of the new strategy called Malawi Growth and Development Strategy (MGDS). The implementation of the new strategy will commence in the fiscal year 2006/07. However, the authorities extended the MPRS policy framework for the period 2005/06 fiscal year. This sub-section analyses funding rates of various pro-poor activities in the MPRS framework for the first six months period of 2005/06 fiscal year.

The actual cumulative PPEs as the percentage of the total approved budget was about 53 percent as shown in Table 4.6 below. This implies that the funding of the activities is in line with the budget framework. The detailed funding rates are presented in Annex 3. The funding rate for Sustainable Pro – Poor Growth is 63.3 percent mainly due to seasonal nature of activities related to rural feeder roads and expenditures related to agricultural activities. The funding rates for other pillars were in accordance with the budget framework except pillar 3.

Table 4.6: Analysis of Protected Pro Poor Expenditure Activities by Pillar (July – December 2005/06 Fiscal Year)

Pillar	PPEs Approved Allocation (MK 'mn)	Actual PPEs Cumulative (MK 'mn)	Cumulative PPEs as % of Approved Allocation
Pillar 1: Sustainable Pro-Poor Growth	13,575.61	8,595.31	63.31
Pillar 2: Human Capital Development	14,933.83	7,600.91	50.90
Pillar 3: Improving the Quality of Life of the Most Vulnerable	0.00	0.00	
Pillar 4: Good Governance	978.43	485.79	49.65
Crosscutting Issues	5,549.95	1,875.62	33.80

Total PPE		35,037.81	18,557.62	52.96
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Source: Ministry of Finance

Chapter 5: Sectoral Performance

The third APR assesses the performance of the sectors in accordance with the pillars of the MPRS and some cross cutting issues.

5.1 Pillar 1: Sustainable Pro-Poor Growth

Agriculture sector is the key source of pro-poor economic growth, but efforts are also made to diversify into other sectors with greater value-addition such as manufacturing, tourism and small-scale mining, among others. This section analyses the extent to which these sectors have performed to achieve the goal of poverty reduction.

5.1.1 Agriculture

The agriculture sector contributes about 63.7 percent of total income of the rural poor. The sector also accounts for about 36 percent of GDP, 87 percent of total employment and supplies at least 65 percent of the manufacturing sector's raw material requirements (MPRSP 2002). One of the goals of the sector is to increase incomes among the poor. Thus, increased agricultural incomes are envisaged to lead to poverty reduction.

In this sector, the MPRS planned to improve agricultural productivity (crops and livestock) and increase incomes through: expanding and strengthening access to agricultural inputs, improved research and extension services, promotion of small scale irrigation and drainage, reduction of land degradation, reduction of gender imbalance, and preventing and mitigating HIV/AIDS.

i) Achievements in Crop production

- In 2004/05 season, crop production was not as satisfactory as planned in the MPRS due to poor rainfall and high costs of agricultural inputs. The unit production of crops such as of maize, cotton, groundnuts and Soya beans failed to meet their MPRS target of 2000, 1500, 1000 and 1000Kg per ha respectively.
- Actual production volumes for maize fell by 29.3% in the 2004/05 season from the 2003/04 season production
- Production of pulses (i.e. beans, pigeon peas, cow peas, field peas, ground beans, velvet and Soya beans) dropped by 15.3%.
- Cash crop production trends have been unsatisfactory in the year under review. Tobacco production decreased from 106,187 MT in 2003/04 to 93,598 MT in 2004/2005
- Cotton and tobacco market environment was far from being favourable for poverty reduction. However, tobacco fetched better returns than cotton such that in 2005, the average price of cotton was MK26/kg while that of tobacco was approximately US\$1.88/kg (approx. MK210/kg).

ii) Achievements in Livestock Production

The MPRS outlined two major strategies in order to improve livestock production in the country. The strategies included provision of training to livestock producing groups and disease prevention and control services. These strategies came about after observing that past government programmes emphasized on disease prevention services with less emphasis on production. By the end of 2004/05 fiscal year, the following achievements were made:

- Cattle production increased from 764,061 in 2003/04 to 777,846 in 2004/05 seasons. Although there was this increase in cattle production, this figure however is lower than the 2005 target of 868, 373.
- On the other hand, there has been a general increase in red meat production. For example, production of red meat increased from 32,000 tonnes in 2003/04 to 33,000 tonnes in 2004/05, representing a 3.1 % increase.

iii) Achievements in Accessing Micro-finance for Agriculture Productivity

In 2004/05, 175 village banks (SACCOs) were formed based on farmers' cooperatives and associations and 180,137 clients accessed loans through APIP and MRFC.

Technology Generation (Research)

During the review period (2004/05), only one activity in the MPRS was carried out that is six studies were conducted on the control of contagious diseases in crops and animals. Most activities in this sub-programme were greatly affected because they were not funded since they were considered as pro-poor. However the research department carried out a number of activities that were not in the MPRS. These activities relate to GMO products, provision of export certification services, seed and phytosanitary activities, plant, feed, fertilizer and soil analytical services. The department also produced and published the agricultural research journal, developed and popularised prototypes of agro-processing equipment and streamlining gender and HIV/AIDS issues in research and technology development programmes.

Extension Services

During the 2004/05 financial year, Ministry of Agriculture undertook a number of activities to improve delivery of extension services. The achievements were as highlighted in Text Box 1 below.

Text Box 1: Summary of achievements in extension services

- The ministry filled 535 vacant positions.
- 539 extension workers trained to impart marketing knowledge.
- 501 extension workers trained in formation of farmer clubs and associations.
- 66 farmer cooperatives were formed.
- 12 market bulletins were produced and distributed.
- 55 campaigns and exhibitions on gender and HIV/AIDS were conducted.

Promotion of Small Scale Irrigation Schemes and Drainage

Major activities in the MPRS under this strategy were to intensify awareness campaigns on utilization and installation of treadle pumps; procurement and distribution of treadle pumps on loans; encouragement of river diversion irrigation; facilitation of rehabilitation of dams and reviews of staff requirements and recruitment, and assessing the impact and performance of different irrigation methodologies; and testing of new irrigation technologies. Substantial achievements in 2004/05 were made as summarized in Text Box 2.

Text Box 2: Summary of achievements in small-scale irrigation

- 10677 treadle pumps were distributed against the targeted 23,271
- 107.4 Km canals were excavated
- 98 motorized pump based schemes were installed and being used
- 16 old sites of sprinkler irrigation rehabilitated
- 5 dams were rehabilitated against a target of 39.
- 146 extension workers were trained in cost effective irrigation methodologies
- 5 irrigation schemes were rehabilitated

Reduce Land Shortage and Degradation

In the year under review (2004/05), the Ministry of Agriculture trained 36,599 extension workers and 205,460 farmers on soil conservation and soil fertility management techniques; while 232,490 farmers were trained in low cost soil fertility improvement techniques (organic manure management and making).

Promote and Expand Farm Mechanization

This strategy was aimed at increasing access to draught animals and animal drawn equipment and tractor hire scheme. In 2004/05,

- 200 draught oxen were procured and trained;
- 126 ha of land were ploughed and 44 ha were ridged using draught animals.
- On the Operationalization of the tractor scheme, in this year, only 17 tractors were operating while 547 ha, 57 ha and 189 ha of land was respectively ploughed, harrowed and ridged using tractors.

Reduce Weakness in the Institutional and Policy Framework

This entails redefining core functions of the Ministry in line with MPRS, privatise and contract out non-core functions, implement cost sharing/recovery schemes and conduct civic education through extension workers. So far the core function analysis has been completed; however, the report is awaiting to be implemented.

Strengthening Sector Wide Policy Making and Co-ordination

This is intended to strengthen coordination of farmer groups, NGOs and other stakeholders; develop a Malawi Agriculture Sector Investment Programme (MASIP) as a framework for coordination between stakeholders and prepare decentralization of agriculture sector. So far a national medium term investment plan was developed under NEPAD and three projects have been formulated. The Ministry has also devolved its functions to all District Assemblies.

5.1.2 Natural Resources

The broader goal of the sector is to encourage sustainable utilization of natural resources such as forestry, fisheries and wildlife. Each of these sub-sectors implemented a number of activities during the year.

5.1.2.1 Fisheries Sector

Interventions in the Fishery sector were implemented with the goal to increase sustainable utilization of fishery resources so as to contribute to the country's economy. The strategies implemented in the 2004/2005 financial year were to:

- Strengthen legal and institutional framework;
- Strengthen user institution capacity for fisheries resources management
- Facilitate the identification, protection and management of key sites of unique biodiversity, breeding sites, migratory routes and sanctuary sites
- Ensure fisheries resources are managed according to operational management procedures
- Promote off-shore fishery of untapped stocks in Lake Malawi to provide affordable fish products on the market
- Promote fisheries enhancement technologies and fish farming in local communities
- Promote establishment of better markets and marketing practices for fish
- Create mass awareness of environment and natural resources management

Implementation Progress

i) Facilitation in Identification, Protection and Management of Key Sites of Unique Biodiversity, Breeding Sites, Migratory Routes and Sanctuary Sites

The following activities were undertaken under this objective:

Development of Chambo Restoration Project Proposal

This activity was a continuation of last fiscal year project proposal and implementation of salient issues affecting the production of chambo. Thus, the project will establish management and institutional frameworks for the restoration of the Chambo fishery and this will include: revision, harmonization and strengthening of the policy and legislation in order to increase conservation and management awareness among the stakeholders on issues affecting Chambo fishery.

Law Enforcement

Enabling activities to implement and ensure effective law enforcement were undertaken during the year under review (2004/05). The summary of achievements is presented in Text Box 3.

Text Box 3: Summary of achievements in law enforcement

- Over 300 identity cards were produced for extension workers;
- Protective clothing (belts, sloth hats, haversacks, dustcoats, raincoats, gumboots and lather boots) for extension workers were procured;
- Produced a legal tool box to aid fisheries legislation;
- 15 motor vehicles and 3 boats were maintained for the enforcement section
- 12 patrols were conducted to enhance monitoring of stock exploitation
- Two fisheries information centres established at Domasi and Mpwapwe
- Seven sensitization meetings on fisheries conservation were conducted

ii) Promotion of Offshore Fishery of Untapped Stocks in Lake Malawi to Provide Less Expensive Fish on the Market

In the year under review,

- At least 49 credit groups were organized and 65 fishermen were trained in resource management;
- Fishermen in Nkhotakota, Salima, Nkhatabay Likoma and Mangochi were trained in credit management;
- 507 farmers and 31 extension workers were trained in fish farming;
- 75 fish farmers were trained in pond management; and
- Training for communities in various fish handling methods were also undertaken.

iii) Promotion of Fisheries Enhancement Technologies and Fish Farming in Local Communities

The small-scale fish-farming programme was implemented in the 21 districts. The common species stocked were *Talapia rendalii*, *Oreochromis shirunus* and *Oreochromis karongae*.

Progress of Implementation

- 60 extension staff were trained in fish farming
- 751 ponds were constructed for fish farmers
- The ponds constructed were stocked with 6,631,164 fingerlings.
- The Draft Standards and Procedures on fish farming was produced. These standards focus on site selection; pond construction; live fish farming handling and transportation; fish seed production; fish culture systems; pond management (feeds and feeding, pond fertilizers and fertilization, pond liming, fish harvesting, integrated agriculture aquaculture, predation control).

iv) Promotion of Establishment of Better Markets and Marketing Practices for Fish

There were no activities that were implemented under this strategy due to unavailability of funds.

v) *Mass Awareness of Environment and Natural Resources Management*

The process of updating curriculum for Mpwepwe Fisheries College started towards the end of the financial year with a review of the entire structure and recommendations for upgrading it to be affiliated to the University of Malawi (UNIMA).

Other achievements included: production of a frame survey report, production of 1,000 leaflets and brochures, and *Usodzi wa Lero* Program on participatory fisheries management was also aired on various radio stations in the country.

Constraints and Challenges

- Lack of fingerings and adequate funds hampered stocking of ponds in some districts.
- Regardless of the policies put in place, the fish production in the country still remains very low.

5.1.2.2 Forestry

The MPRS envisioned achieving sustainable utilization of forestry resources through devolution of management to the local level so that communities would take full participation in forestry management.

Implementation Progress

i) Privatisation of Industrial Plantations to Supply the Demand for Timber.

In 2004/05, the Forestry Department advanced in the preparatory work towards privatisation of industrial plantations with the aim of fostering improved industrial forestry. Some of the activities undertaken were as follows:

- Prepared privatization plan and approach
- Valuation and assessment of resource
- Drafted regulatory framework and code of practice
- Drafted legal agreement document
- Developed communication strategy

ii) Provide access to forest products by small & medium scale wood processors

To achieve this strategy the following activities were implemented by the department of Forestry during the period under review:

- Undertook licensing of pit sawyers and mobile saw millers
- Allowed access to firewood, non timber forest products (wild mushrooms)
- Monitored volume off-take, local levels of employment and remuneration in sub sector

iii) Improve Forestry Curriculum at Malawi College of Forestry (Dedza) for Staff:

With funds from the Finnish Government through DIDC, the Malawi College of Forestry and Wildlife has taken steps to review the certificate and diploma curriculum to move with the changing needs of the forestry sector. The college has done stakeholder and training needs analyses, compiled occupational profiles and drafted curriculum objectives and courses.

iv) Implement National/Regional Protocols and Conventions:

The Forestry sector has participated in a number of international meetings and conferences such as:

- Convention on Biological Diversity (CBD): Various projects and activities have addressed the CBD for tree planting, management of village forest areas on customary land, management of public reserves
- UNCCD: 1 country report on activities related to the convention and country profile was produced
- SADC Forestry Protocol: Regional Meetings and two projects on Indigenous Forestry Management and Support to Forestry College Curriculum Revision
- Attended 4 meetings on United Nations Forum on Forests
- AFRONET meetings
- FAO meetings

v) Promotion of Mass Tree Planting Campaign as an Economic Benefit:

In 2004/05, the Forestry Department facilitated and encouraged local communities to plant indigenous and exotic species to improve the forest cover and generate economic benefits. Political support is required towards increased reforestation efforts in order to narrow the gap between wood demand and sustainable supplies. The following were the achievements made:

- More than 50 million trees were planted
- Lilongwe Village Forest Fund was created
- National Forestry Month Programme was launched
- Degraded areas were rehabilitated

vi) Forestry Environmental Awareness

As part of forestry environmental awareness campaign, the department of forestry improved forestry curriculum at Dedza for staff and VNRMCS; Conducted stakeholder consultative forums; translated 10 years research into user friendly information material and manuals; and undertook a mass campaign on forest policy, act and by-laws through media, posters. The achievements on mass campaign were as follows:

- Produced 4,000 posters on Afforestation
- Produced and distributed 600 newsletter
- Aired shows and radio programs
- Produced 3100 copies Community Based Forest Management supplement to forest policy

Constraints and challenges

- Inadequate financing to pay for improved forestry and livelihoods management, core functions.
- Devolution of financial responsibility to local government has increased the workload of assemblies because of insufficient capacity.
- Weak cross-sectoral policy coordination, synergies and implementation especially in the area of rural development
- HIV/AIDS is depleting the human resource base that is supposed to implement some of the programs
- Unstable policy direction on privatisation has contributed to weak implementation of activities in forestry resources earmarked for privatisation.
- Government was unable to carry out basic plantation management operations including illegal harvesting and fires.

5.1.2.3 Parks and Wildlife

The Department of Parks and Wildlife (DNPW) implemented the MPRS with the goal to encourage sustainable utilisation of wildlife resources. To achieve this goal the key strategies were as follows: create mass awareness of environment and natural resource management as regards wildlife; minimize wildlife/human conflicts and strengthen legal and institutional framework.

Progress of implementation

i) Environmental Mass Awareness

- The Department of Parks and Wildlife undertook mass awareness campaigns in all protected areas in the country.
- Schools countrywide were visited to raise awareness of the importance of wildlife among students and pupils.

ii) Wildlife-Human Conflicts

- A 60 km electric fence around Liwonde National Park was constructed to reduce human/wildlife conflicts.
- Hunters were trained in crop protection and problem animal control while local communities were trained to enable them participate in crop protection

iii) The Legal and Institutional Framework

- The new act that promotes community participation in wildlife management has been enacted in parliament and adopted by the Department of Parks and Wildlife
- Community-Based Organizations were established around all protected areas
- Resource harvesting programs were introduced with the goal to encourage sustainable utilization and support community livelihoods.

iv) Promotion of Alternative Livelihood Strategies

- DNPW has privatised most of its lodges in Lengwe, Liwonde, Kasungu and Nyika-Vwaza
- Management of Majete Wildlife Reserve is under a South African company
- In some protected areas such as Lengwe and Nyika communities are involved in honey and baobab fruit juice production to complement other livelihood strategies

5.1.2.4 Tourism Sector

The tourism sector has been under developed and therefore government sought to regulate the sector by carrying out some of the following activities: Promote development and investment in diverse tourism products, develop and adopt an updated approach to tourism promotion and marketing and regulate tourism on the basis of defined standards.

Progress of Implementation

In order to promote community led tourism in 2004/05 fiscal year, the department of tourism constructed a tourism village at Mpale in Mangochi District and developed a tourism investment plan, which was submitted to Treasury.

To increase efficiency and effectiveness of tourism marketing, the department formed a Tourism Marketing Committee comprising of members from the private sector and the Department of Tourism; Re – launched the Malawi Tourism Product in South Africa; and participated at the international tourism fairs (WTM, ITB, Indaba).

To regulate the industry on the basis of defined standards, the department drafted minimum standards; developed and gazetted guidelines; and inspected, licensed and classified Old and new establishments.

On improving infrastructure to support tourism, the tourism department conducted surveys on all access roads along the lakeshore and Zomba. Preliminary works have started on the access road to Ku Chawe Inn.

Constraints and Challenges

- Funding of PPE activity under MPRS is erratic and incomplete. This affected implementation of PPE activities.
- The low funding on ORT indirectly affected the implementation of PPE activities since some PPE funds were diverted to settle ORT commitments such as water and telephone bills among others.
- Lack of adequate capital equipment such as vehicles and computers affected implementation of some activities.
- The Department was faced with high staff turnover and frequent transfer of accounts staff and this has led to misplacement and loss of records.
- Most projects were not completed due to funding problems and this negated the impact of the projects on the poor.
- Lack of monitoring and evaluation system made it difficult to assess the impact of programmes.

5.1.2.5 Mining

The key objectives in promoting small-scale mining are to disseminate information on mineral availability; identify mineral resources suitable for small scale mining; encourage the development of small-scale mineral based industries; provide technical and financial support; ensure appropriate mining legislation; improve understanding of value adding methods and promote marketing.

Progress of Implementation

During 2004/05 fiscal year, most of the funds provided were spent on provision of training and extension services to the small-scale miners, dissemination of information, ensuring appropriate mining legislation, encouraging the development of mineral-based small-scale industries and acquisition of various laboratory equipment to support value adding for the small-scale industries. Details of achievements are as follows:

- 200 small-scale miners were trained in appropriate mining techniques and skills in mineral processing including value adding;
- 100 small scale miners were trained in lime salt production;
- The department facilitated access to loans for small-scale miners; reviewed mining policy; updated the inventory on the mineral availability; and produced and disseminated 4 bulletins and 10 brochures on mining.

Constraints and Challenges

Inadequate funding affected implementation of activities in the Department and some of the affected activities included; "establishment of a formal channel" for minerals marketing export, and "establish a focal point". Slow pace in filling technical posts has affected implementation of the activities of the Department.

5.1.3 Rural Infrastructure

The MPRS outlines the importance of facilitating the development of the rural infrastructure for fast economic development

5.1.3.1 Road Sector

The provision of good roads as a way of reducing poverty in particular in rural areas is a key component in the rural infrastructure development. Good road networks will facilitate smooth movements of produce to markets where demand is high and at affordable prices to both buyer and seller.

The MPRS outlines the following activities: periodic maintenance of roads; refilling of potholes; rehabilitation; construction and upgrading of new road from earth/gravel to a bitumen standard road.

Progress of Implementation

The major roads outlined in the MPRS were not implemented during the whole MPRS process. However, some major work have commenced in construction of those roads in line with Malawi Growth and Development Strategy (MGDS)

5.1.3.2 Water and Sanitation

The MPRS outlined four strategies in order to increase accessibility to potable water and improved sanitation. The strategies included; construction and rehabilitation of water facilities, conservation and management of water resources, increase water supply capacity to meet domestic and industrial demand and reduction of water borne diseases.

The sanitation sub-sector is another area that has lagged behind over the years. Strategies that were outlined in the MPRS in order to increase access to improved sanitation included introduction of VIP latrines and other appropriate rural sanitation technologies.

Progress of Implementation

- The sector implemented a number of activities in order to achieve its targets. The Water and Sanitation sector completed the implementation of National Water Development Project, Lilongwe/Dedza Ground Water Project and District Water Supply III Project. The major activities involved in these projects included, establishment and strengthening of regional water boards, construction and rehabilitation of boreholes and gravity fed piped water supply schemes.
- The National Water Policy that will guide the activities in the sector was developed and is just waiting final approval. Complementing the National Water Policy is the Ministry's Strategic Plan launched in 2004.
- Communities were mobilized and trained on how to operate, manage and maintain water supply systems, environmental and water catchment protection.
- UNICEF and a number of NGOs active in the sector implemented activities such construction of boreholes, shallow wells and springs; training of extension staff in Participatory Hygiene and Sanitation Transformation (PHAST) and Village Health and Water Committees in PHAST and Community Based Management (CBM) of water and sanitation facilities.
- The Ministry of Irrigation and Water Development with funding from EU, CIDA and UNICEF is developing a National Sanitation Policy, due in 2006.

Challenges and Constraints

- The Water and Sanitation sector lacks a consolidated database of water point allocations and Management Information Systems (MIS); as a result some areas are over-served.
- Vandalism and theft of water supply and sanitation facilities is widespread in the sector.
- More emphasis has been placed on construction of new water points and little efforts on rehabilitation and sustainability of existing water facilities. As a result, most water points are non-functional.

- Poor coordination amongst stakeholders in the sector resulted in duplication of activities.
- Ineffective community based management approach resulted in communities not being responsible for maintenance and management of their water and sanitation facilities.

5.1.3.3 Energy Sector

The energy sector is an integral part of infrastructure development, particularly in rural areas of the country. The main strategy in the sector is to increase access to affordable and sustainable rural energy.

Progress of Implementation

The sector has made some progress in achieving its intended targets for the 2004/05 as follows:

On expanding the distribution network to rural growth centres, trading centres and potential irrigation centres, the energy sector has managed to increase electrification of trading centres from 41 in 2003/04 to 45 in 2004/05. The MPRS annual electrification targeted is 55 rural trading centres.

3000 stoves were produced and disseminated to encourage use of efficient charcoal and wood stoves in different areas.

The sector has also set up revolving fund for financing photovoltaic systems in rural and peri-urban areas. So far 10 people have been provided with credit for Solar Photo Voltaic system.

Constraints and Challenges

The sector faced a number of constraints and challenges during the period under review and these include the following:

- Lack of credit facilities to support artisans who were trained to produce stoves.
- Less attention provided to the sector by the donors as compared to other sectors forcing the sector to rely heavily on government subvention.
- Low funding levels for the establishment of coal distribution centers in rural areas
- Delays in transportation of imported materials into the country

5.1.3.4 Telecommunications Sector

The activities in this sector are classified as non pro-poor priority expenditures. However, telecommunication plays an important role in economic growth and poverty reduction. It acts as an enabling sector for other economic activities to take place through transmitting market information from one area to another.

Progress in Implementation (Telecommunication)

- The sector installed an automatic exchange in Embangweni and this has increased lines from 50 to 150
- Installation of the 670MB digital data leased network line countrywide, which is necessary for online services like ATM and SMART CARDS. This has increased Digital data Leased Lines from 207 in 2003/04 to 248 in 2004/05.

Constraints and Challenges

The following constraints and challenges were faced during implementation of the activities in the sector:

- Vandalism of telecommunication equipment is affecting expansion coverage
- Non-payment of outstanding bills by major creditors including government institutions

5.1.4 Commerce and Industry

The main aim of this sub-goal is to create a conducive environment for the private sector including Micro, Small and Medium Enterprises to invest in development activities. In order to deepen private sector activities, there was need to improve access to domestic and international markets, provide support of development of MSMEs, improve institutional coordination and support, broaden the industrial base, strengthen the institutional framework for the credit and micro-finance sector, reduce high default rates, expand competition and efficiency in the credit market and diversify and expand coverage of Micro Finance Institutions (MFI).

Progress of Implementation

The Ministry in collaboration with other institutions was mandated to facilitate formation and development of product specific farmer cooperatives and associations. During the review period (2004/05),

- 530 local entrepreneurs were trained in business management and technical skills.
- Only one factory shell was constructed
- Four meetings were held with the private sector to strengthen public – private sector linkages and 60 businessmen were reached.
- The Ministry also managed to link 152 MSMEs to technology, markets and service providers.

In the year under review, the Ministry also assisted and supported 320 poultry farmers, 100 beekeepers, and 150 mushroom producers. The Ministry also implemented the salt iodisation project and commercialization of hides and skins project.

The Ministry continued to integrate MSMEs into industrial development through improved access to finance, markets and infrastructure and the review of Malawi's competitiveness, value chain analysis of major industrial sub sectors. Implementation of these activities is continuous with no specific targets in the MPRS.

With respect to promotion of external trade, the Ministry established 3 trade promotion offices abroad; 40 exporters were trained in marketing, packaging, pricing and quality control and on bilateral regional and multilateral trade rules; 80 exporters

and producers were provided with advisory services on export requirements; 15 businesses participated in trade exhibitions.

In trying to strengthen the regional development projects (ZMM-GT), Nacala and Mtwara corridors, the Ministry developed 2 cluster-based industries in the year under review.

Constraints:

- The Ministry lacks capacity to coordinate the activities outlined in the document.
- Lack of human capacity as manifested by high numbers of unfilled posts.

5.2 Pillar 2: Human Capital Development

MPRS recognizes that an educated and healthy nation leads to increased productivity, better income and generally improved standard of living. The MPRS is addressing these problems through formal and technical education, health and nutrition programmes

5.2.1 Education

The overall goal in education sector is to improve quality, access and relevance of education, and equity in boys and girls. The sub-sectors include, basic education (early child-hood development, primary, adult), secondary education, higher education and technical and vocational entrepreneur training.

5.2.1.1 Basic Education

The aim of basic education is to improve quality of education for every child in an effective manner in partnership with relevant stakeholders. Specific areas of focus include improving the quality and relevance of primary education, improving access and equity at the primary level, focusing on special needs education and girls, increasing and improving functional adult literacy and numeric, providing education to the out of school youth, expanding pre-school education or Early Childhood Development (ECD), responding urgently to problems created by the HIV and AIDS epidemic, and decentralizing administrative and planning responsibilities.

i) Early Childhood Development (ECD)

This programme aims at providing care, protection, early learning and stimulation, and participation of young children (0-8 years) for their health, nutrition, and cognitive and emotional development. The National Policy on ECD seeks to provide guidelines and support and to enhance coordination and investment in Early Childhood Development Programmes in Malawi. This is implemented through; Household and Community Child care (targeting children 0-3 years); Pre-school and Community based childcare (4-8 years); and Parent Education and Support (0-8 years).

Progress of Implementation in ECD Programmes

During the review period (2004/05), the Ministry of gender and community services mobilised assemblies, NGOs and UNICEF to support ECD activities.

In trying to promote the health and nutrition of the children, the Ministry provided enriched porridge / food supplements to preschool children in the CBCCs and oriented ECD teachers and parents on the health and nutrition issues.

The ministry acquired and supplied 566 learning materials to 30 CBCCs, involved communities in 11 districts to make local learning materials, produced 44,000 copies of ECD instruction materials and now awaiting distribution. The Ministry also developed 4 sets of monitoring tools.

ii) Functional Adult Literacy

This programme aims at increasing the levels of literacy among men and women in order to make them self-reliant and participate fully in the national development. The main activities in the year under review were a carry over from the previous one and they included: recruitment and training of instructors, provision of teaching and learning materials and supervision.

Progress of Implementation

In the year under review, the following were the achievements:

- 869 new adult literacy projects (classes) were initiated
- To ease the problem of low staffing levels, the Ministry paid Honoraria to 98 % of adult literacy instructors. Some names were omitted and the problem was being rectified. In this year, the honoraria was increased from K200 to K500.
- 2665 communities were sensitised to promote equitable participation of men and women in adult literacy classes.

iii) Primary Education

The aim is to provide quality and equitable free primary education to all children. It mainly focuses on issues of access, quality, equity, relevance and that of HIV/AIDS. The MPRS outlines the following activities to be undertaken in the implementation of the strategy: provision of teaching and learning materials, improve teachers salaries, provision of primary teacher education and construction of teachers' houses.

Progress of Implementation

In the year under review (2004/05),

- Ministry of Education trained 3000 teachers under cohort 11, to reduce the pupil to qualified teacher ratio.
- In order to minimise differences across standards and between urban and rural areas, the Ministry constructed 154 houses for teachers; drafted guidelines on deployment of teachers from urban to rural areas and on incentives for teachers working in rural areas. These guidelines have been submitted for approval.

- The plans to reform teacher education curricula in line with primary education reforms are ready and implementation is expected to commence in January 2006.
- To provide quality In- Service Training (INSET) for primary teachers, the Ministry has constructed 315 Teacher Development Centre (TDC), has formed TDC management committees in all centres.

iv) Secondary Education

The focus is to increase access and equity, improving quality and relevance of secondary education in order to deal with the problems emanating from the introduction of free primary education. The MPRS identified a number of activities which include: increase access to public secondary schools by constructing new classrooms, increase number of girls gaining access to secondary schools education, review and reform of the curriculum, ensuring effective supervision of schools, recruiting and retaining of adequate number of secondary school teachers, increasing teaching and learning materials and increasing access and improving equity in teacher recruitment and training.

Progress of Implementation

During the review period (2004/05), 22 new secondary schools were constructed in rural (17) and urban (5) centres by both government and development partners. As one of the ways to bring back the out of school Pupils/Youths, night schools have been established in most Conventional Secondary Schools (CSSs) and Community Day Secondary Schools (CDSSs).

As part of ensuring that all secondary schools meet minimum physical standards, the Ministry begun a rehabilitation program of Community Day Secondary Schools; and has maintained 2739 classrooms out of 3708.

The textbook revolving fund (TRF) was implemented in all public schools during the review period and the funds generated were remitted to the general government account.

The Ministry continues to provide equipment for practical lessons for those subjects that need practicals like agriculture, physical science, home economics, and needlework.

To increase the number of secondary school teachers, the Ministry has expanded intake for Chancellor College, Education faculty and Mzuzu University. Domasi college has introduced a distance mode of education.

v) Higher Education

In the year under review, the University of Malawi implemented activities meant to increase access and equity; improve the quality and relevance; and reduce reliance on subventions in higher education.

Progress of Implementation

Access and Equity in Higher Education

The main aim of this strategy was to ensure that the capacity of facilities were fully utilised. In order to increase access to higher education, it was envisaged that the University Education Act would be reviewed to accommodate private sector initiatives.

Four main activities were lined up for implementation. The first was to increase the intake of full time equivalent public students by optimizing use of physical resources through introduction of double shifts and after-hour use of classrooms. This activity was not implemented as planned but was modified and replaced by the parallel programme.

- The university increased student intake from 3,526 in 2002 to 7,400 in 2005; the number includes 1,302 students in parallel programmes. This exceeds the MPRS target of 6,824.
- The Polytechnic is running the programme offering a diploma in transport that has 20 students. The programme is jointly run with Washington State University.
- The University Education Act was reviewed and submitted to the Ministry of Education but no further action was undertaken.
- The proportion of girls participating in tertiary education is currently at 31 percent surpassing the MPRS target of 30 percent.
- Efforts to introduce scholarship awards for female students in non-traditional areas have not been successful. Only 20 female students were sponsored by the Soko Fund and NORAD.
- The gender unit at Chancellor College was established and is operational but has been hampered by lack of human capacity and funding.
- Gender issues were mainstreamed into the University's strategic plans.
- The proportion of female teaching and research staff has improved from 15 percent in 2002 to 20 percent in 2005.

Increase participation of students from disadvantaged groups

- The University introduced scholarships and the loan scheme while the Ministry of education established a loan trust fund for disadvantaged students.
- There was low progress in making university facilities user friendly. Only the Chancellor College provides user-friendly facilities.
- Social mobilization campaigns were conducted to sensitize disadvantaged candidates on admission to university.

Quality and Relevance of Higher Education

The purpose of this strategy was to introduce programmes in non-traditional subjects including HIV and AIDS. This involved establishment of adequate research centers to address emergent development issues, provision of grants to graduate students to enable them participate in teaching undergraduate courses and work as research assistants. It also intended to review salary packages and encouraging private funded research as a means of increasing motivation of teaching and research staff.

Performance on Implementation

- The University of Malawi engaged a consultant to review salaries and incentives. And the report is still under discussion.

Quality of teaching and learning in tertiary institutions

This strategy faced implementation problems due to lack of funds. Some of the activities, which were supposed to be implemented, included:

- Annual maintenance of physical infrastructure at Mzuzu University
- Constructing new campus for Mzuzu University
- Provision of adequate training opportunities for professional staff
- Increasing number of science and technology laboratories and equipment
- Increase financial allocations for buying teaching and learning materials

Strengthen research and graduate programmes

- The implementation of the MPRS failed to encourage the establishment of private bookshops where students could purchase books. However, students were given MK 5,000 cash for the purchase of books.
- The number of postgraduate programmes in constituent colleges of the university was increased.

Re-orient tertiary institutions to make them more responsive to the needs of Malawian society

- Computer literacy was made compulsory but no new equipment was procured to meet the demand.
- A module on HIV and AIDS was developed to be offered to all students in first year.

Reliance of Higher Education on Subventions

This strategy was aimed at reducing the reliance of higher education on Government subventions through reduction in costs of higher education and generation of alternative sources of resources.

Performance on Implementation

- All the five constituent colleges and UNIMA developed demand driven strategic plans.
- The presence of the Pro-Vice Chancellor is facilitating implementation of reform programmes and business development. The reforms have resulted in redefining the roles of the University Office.
- The University employed a Public Relations Officer and Marketing Officer to strengthen public relations and social marketing activities.

Tertiary institutions to promote cost effective use of existing human and physical resources

- This strategy was not successfully implemented because the University Education Act has not been enacted. The activities that were not implemented included: commercialization of boarding facilities, utility bills,

separation of education and welfare services and abolishment of bursary systems and replacing with scholarships. The bursary system was replaced with the loan scheme. However, loan recovery is challenging.

Constraints and Challenges

There were a number of constraints and challenges that were encountered in the higher education sector and these included:

- Lack of funding coupled with inconsistent disbursement. This has affected the quality of teaching and learning
- Staff attrition during the past years has increased
- Lack of modern equipment to conform with technology advancement

5.2.2 Malawi Institute of Education (MIE)

In order to improve the quality and relevance of secondary education, the Institute oriented all the Education Divisions on the New Secondary School curriculum. Further, plans were underway to incorporate issues of population, Gender, Civics and HIV/AIDS in the new curriculum. It also designed new syllabi and these were printed. The Secondary sub sector also evaluated tenders for textbooks.

To promote efficiency gains of the operations of MIE, services like catering, hostelling, printing audiovisual and metal wood were commercialised.

The designing and conducting of INSET courses was done and finally, proposal writing, and dissemination and publishing of education research were done.

5.2.3 Malawi National Examination Board (MANEB)

In order to provide relevant and high quality exams through an efficient and cost effective manner, MANEB Trained 2 people in Testing & Measurement to Masters level and introduced Exams Critiquing Unit, provided training to examination setters, assistant examiners, invigilators, moderators at the start of each exams. Exams continue to be administered in cluster centers for cost effectiveness and efficiency.

On the part of decentralizing MANEB programs, consultancy on the review of management structure has been done and is awaiting the board's approval.

5.2.4 Better Technical, Entrepreneurial, Vocational Education and Training

TEVET offers practical and usable skills to the youth especially those coming out of the formal education system. Emphasis is on creating an environment that enables the youth to be self-employed through provision of skills and entrepreneurial development initiatives.

The MPRS identified several strategies that would empower the poor youth in both the formal and inform sectors. These strategies include: promotion of self employment through skills development initiatives, improving quality and relevance of TEVET, rehabilitating existing infrastructure and equipment, and strengthening management and financing of TEVET. In order to implement these activities, the Ministry of Labour and Vocational training, collaborates with a number of institutions,

which comprise MEDI, Technical Entrepreneurial, Vocational Education and Training Authority (TEVETA), an implementation arm of the TEVET Policy, Malawi Entrepreneurial Development Institute (MEDI) and other private institutions.

Progress of Implementation

In the year under review (2004/05), the Ministry in collaboration with MASAF and other stakeholders offered on job training to 96 youths. This was in specific occupations.

To ensure access to skills development by expanding and increasing outreach and coverage of technical entrepreneurial vocational education and training programmes through village polytechnics, the Ministry undertook a study tour to Kenya and Botswana and conducted consultative meetings to establish village polytechnics in Makande Estate area under Thyolo District Assembly; Maone site in Chiradzulu and KFCTA in Kasungu District Assembly.

In trying to raise awareness on TEVET, the Ministry conducted career guidance and counseling in all levels of education.

To promote recognition and appreciation of indigenous skills and competencies, Ministry of Labour conducted training for 20 assessors; trained 10 Trade test assessors; conducted trade test assessment and certification for 2987 apprentices.

To improve quality and relevance of TEVET, the Ministry developed 8 new curricula and 22 teachers were oriented in the use of the new curricula; 18 teachers were trained in teaching methodology and cross cutting issues while 51 teachers were trained in upgrading technical, entrepreneurial and vocational skills.

The Ministry of Labour also rehabilitated 56 blocks of existing public colleges, built one new hostel, provided learning materials and text books in 7 colleges, recruited 750 students against a target of 890 students.

Constraints and Challenges

There were a number of challenges that hampered implementation of activities. These include:

- Inadequate funding both on PPE and ORT
- Lack of knowledge in procurement procedures
- Lack of a proper monitoring and evaluation of the activities
- Unclear demarcations between PPEs and ORT
- Unfair downward revision of ORT
- Lack of training for the accounts and finance personnel
- Lack of training and monitoring and evaluation

5.3 Health

The health status of the population is linked to the productivity of the labour force and hence directly related to economic and social well-being. Repeated episodes of illness reduce the sufferer's capacity to work, with direct impact on output and

potential income. An improved health situation will therefore strengthen the ability of individuals to lift themselves out of poverty.

To achieve this, the health sector's strategy was the design and implementation of an Essential Health Care Package (EHP). The EHP is a bundle of health services provided at various levels and supported by the necessary administrative, logistics and management systems.

The EHP addresses the major causes of morbidity and mortality among the general population and focuses particularly on medical conditions and service gaps that disproportionately affect the rural poor. The EHP is also seen as having a particular equity focus, through guaranteeing access to a minimum standard of health care for everyone.

Progress of Implementation

EHP strategies were grouped under three main areas: improving the quality and availability of essential health care, improving access to and equity of essential health care and strengthening the administration and financing of the essential health services. The following sections summarize the progress made in implementing the health strategies for poverty reduction. The health strategies in the MPRS are a replica of the EHP.

i) Improving Quality of Essential Care

The first component of EHP is clinical human resource development, a critical delivery input to the implementation of the package. This involved expansion of capacity of training institutions, to accelerate the production of critical health cadres. Focus is on the training of health workers and increased production of health cadres.

In the year under review (2004/05), the Ministry embarked on the emergency six year training programme and has doubled intake in its various training institutions.

The following cadres have been trained during the year; 346 Nurse Technician; 19 nurse Mid wives; 52 registered nurses; 19 nurse technicians (upgrading); 89 medical Assistants; 41 Clinical Officers; 67 Technical Support services; 188 Post Basic Training; 412 Auxiliary nurses; and 240 HSAs

Payment of salary top-ups as a measure for retention of health workers through an incentive package, commenced and 5,773 health workers of various cadres and grades got an average salary increase of 52% (4,069 MOH, 1,534 CHAM and 170 new recruits). All health workers were paid in time and in full their salaries.

The second component is the improvement of availability of drugs and medical supplies in health facilities. Besides increasing budgetary allocations for drugs, strategies aimed at ensuring that the drugs reach the intended beneficiaries and are prescribed properly. They also include the reform of the Central Medical Stores, to enable it function more efficiently.

The MPRS set minimum annual drug expenditure at the equivalent of US\$1.25 per capita. In the year under review, the drug expenditure per capita was at US\$1.00

Reform of the Central Medical Stores (CMS) continued under the review period. The Ministry finalized revision of the Essential Drug List, in the light of the EHP. The CMS also rolled out a system of delivering drugs and medical supplies directly from Regional Medical Stores to Districts.

The third component was the expansion of clinical support services by ensuring that certain services such as laboratory, radiology and ambulances were available in district hospitals and health centres.

In 2004/05, essential basic equipment was procured for the various health centres across the country. Installation and maintenance of radio communication equipment in health facilities in 13 districts across the country was implemented; radio repeaters were installed in 5 districts. An inventory list of the existing and condition of equipment for all the health facilities was completed. 48 new ambulances were procured and distributed to all district health offices and Central Hospitals

ii) Improving access to and Equity of Health Care

The MPRS recognizes that effective implementation of the EHP entails improving access to health care facilities. These health facilities should meet all the requirements for the delivery of minimum standards of EHP services. Indeed, an inventory survey of health facilities conducted in 2002 revealed that only 54 health facilities country wide had all the prerequisites for delivering EHP services in full. A health facilities improvement programme is therefore in place, to increase the number of health facilities that are capable of delivering EHP services.

In the year under review (2004/05) no new plans were developed for the improvement of health facilities. The ministry continued implementing the plans that were developed in 2003/04 financial year.

iii) Strengthening Management and Financing of Essential Health Care

One of the strategies under this objective was the development of managerial resources through the training of administrative human resources.

The development of an integrated financing strategy for EHP was put on hold, and will be implemented as part of the six-year SWAp Programme of Work. Nevertheless, the Ministry of Health continued to work in collaboration with CHAM on the joint user fee initiative. In the year under review, consultations on the CHAM user fee exemption policy were finalized and a draft policy document has been produced. This policy will go a long way in removing financial barriers to the access of EHP services among the poor. Steady progress has been made on the development of the Sector wide Approach, which was finalized under the review period and this will play a major role in coordinating, strengthening and making more effective donor and government financing of the EHP.

Implementation of SWAp and in particular of the pool fund arrangement has improved on the resource flow into the health sector. SWAp Mid year review was conducted and major stakeholders participated.

In line with the Government decentralization policy, the Ministry of Health identified some precursor activities for the eventual devolution of health services to local assemblies. In the year under review, the Ministry prepared guidelines for the district health staff and local assemblies, on the management of district health services and were submitted to Decentralisation Secretariat.

5.3.1 Promotion of Good Nutrition

- Malnutrition was recognized as both a cause and a consequence of poverty. It has increased illness and mortality as well as reduced work productivity, which in turn have led to continued retardation on economic growth and development. In the MPRS, the goal of this section was to prevent and control protein, energy and micronutrient deficiencies through implementation of a number of objectives such as: Improving infant and young child feeding practices, diversification and modification of diets, and strengthening institutional capacity.

Implementation progress.

Different stakeholders continued to implement different activities to achieve these objectives. However the major activity in the period under review has been the finalization of the Food and Nutrition Security policy, which was approved by government. Currently an action plan is being prepared to guide implementation of the policy. Breast-feeding week was conducted which was used to disseminate different messages on importance of breast-feeding and also on child feeding practices.

Another noted achievement is that now there are 28 nutrition sentinel surveillance data sites countrywide (one in each district). This means that all districts are now providing information in nutrition.

5.4 Pillar 3: Improving the Quality of Life of the Most Vulnerable

The main goal under this pillar is to improve and maintain the quality of life of the most vulnerable in society through the provision of social safety nets. The safety nets were implemented in three forms namely, productivity enhancing interventions, welfare support interventions and improving disaster management.

Progress of Implementation

5.4.1 Productivity Enhancing Interventions:

Under this strategy, two main approaches employed were the Targeted Input Programme and the Public Works Programmes. The strategy targeted resource constrained households. Specifically, TIP targeted resource constrained but land abundant households while PWP targeted the land constrained but labour abundant households.

i) Targeted Input Programme (TIP)

The number of beneficiaries for 2004/05 was slightly more than those of 2003/04 (2 million farm families as opposed to 1.7 million in 2003/04). During the first two

years, the government's TIP comprised 5kg of Urea, 5kg of NPK fertilizer, 2kg of open pollinated varieties of maize and 1kg of grain legume seed (groundnuts, pigeon peas, cow peas, beans and Soya beans). The 2004/05 TIP package was more than doubled to 12.5kg Urea, 12.5kg NPK, 5kg open pollinated maize varieties and 1kg grain legume seed.

ii) Public Work Programs

There were three types of public works programmes that were implemented during the period under review. These were food for work, cash for work and input for work programs.

Malawi Social Action Fund (MASAF) Programmes

Some of the Public Works were implemented by MASAF which is a World Bank supported programme aimed at creating employment opportunities to labour-abundant but resource-constrained households. During the first two years of the MPRS (2002/03-2003/04), the government was implementing MASAF II and from 2004 government started implementing MASAF III.

MASAF implemented three safety net projects through the Local Authority Managed Projects (LAMPS). A total of 35,000 people benefited from wages paid under public works projects through cash transfers.

The MASAF component concentrated on the restoration of production capacity of the beneficiaries by assisting communities with the interventions aimed at strengthening their resilience to drought. Able-bodied poor people were engaged in labor-intensive works such as road rehabilitation, flood control structures, afforestation among others. These projects were implemented throughout the country.

GoM/EU Public Works Programme

The European Union in conjunction with the Malawi Government implemented cash for work public works program. The implementing agencies were the Ministry of Local Government and Rural Development and the District Assemblies. Activities carried out were:

- Improving awareness and understanding of rural travel and transport issues
- Grading of rural feeder roads
- Rehabilitation of rural feeder roads
- Construction of rural feeder roads
- Construction of infrastructure such as culverts, bridges and waterways.

WFP Public Works Programme

In 2004, WFP reported that under the Joint Emergency Food Assistance Programme (JEFAP) 1,337km of roads and 680 Indian tanks were built by communities participating in food for work scheme. There were a total of 128,109 beneficiaries from the program.

I-LIFE

I-LIFE a successor of C-SAFE is a long-term development program that seeks to improve household and community food security in rural parts of Malawi. The goal of I-LIFE is to have reduced household and community food insecurity in rural parts of Malawi. It is a five year program being implemented in 7 districts by Africare in Ntcheu, CARE in Lilongwe, CRS/CADECOM in Mchinji, Emmanuel International in Mangochi, Save the Children US in Dedza, The Salvation Army in Phalombe and World Vision in Thyolo.

I-LIFE's general food distributions and food for work are aimed at targeting the following vulnerabilities: households hosting chronically ill persons (using chronic illness as a proxy to HIV and AIDS, persons on TB and ART treatment) households hosting two or more orphans, households with under five children, elderly headed households hosting orphans and child-headed households. In addition, other criteria used are food insecurity; low income and poor farming household also apply to all the vulnerable households.

Activities that were implemented by I-LIFE from September 2004 to June 2005 include food distribution; general and food for work. Other programs started late in July, and most of the information is expected to be submitted by partners in July-September reports. In 2005 there were 11,973 beneficiaries in general food distribution and 10,073 in food for work programme

GOM/EU PWP: Food Security Programme

In 2004/05 the programme was scaled up to cover all districts of the Central Region. During this year, the programme added mainstreaming HIV and AIDS, gender, orphan care and human rights component. The following were the achievements:

Road Component

The road component used MK1.042 billion which resulted in 2,481km of road rehabilitated, 780 m wooden bridge replaced with concrete and 2481km of road maintained. There were 33,210 direct beneficiaries and 182,655 indirect beneficiaries. MK133 million was paid to contractors to the workers. The project created 2 million person-days of work. Two hundred and eighty-seven maintenance clubs were formed to maintain 2,481 km of road. About 2,431 people were employed with 85 percent of them being men and MK69.7 million was paid to maintenance clubs.

Forestry Component

The component used MK53 million which was given to communities for establishing forests. There were 76,300 beneficiaries with 52 percent being women. About 35.6 million trees were planted in 4,229 villages. About 18,729 fruit trees were also planted.

District Assembly Component

District Assemblies were given MK105 million which was used to implement 41 fish farming projects, 27 land conservation projects, 40 road rehabilitation projects and 38 irrigation projects. There were 139,000 direct beneficiaries and 764,500 indirect beneficiaries. The projects created 1.2 million person days.

Mainstreaming HIV and AIDS, Orphan Care, Gender and Human Rights

This project is aimed at mainstreaming vulnerable households in road rehabilitation, forestry and irrigation. Under this component, the following were accomplished

- 3 orphan care groups incorporated in road rehabilitation,
- 4,068 vulnerable people incorporated in road rehabilitation

Challenges and Constraints

- Work overload of District Assemblies due to proliferation of PWPs by various players
- Targeting problems of exclusion and inclusion still existed since in most cases the communities were asked to do the targeting. However, the NGOs did the verification of the beneficiaries before the actual distribution. In some cases, post distribution monitoring was conducted
- There was generally slow progress of the on-going sub-projects during the year because local assemblies were pre-occupied with the May 2004 general election activities. Inadequate staff at MASAF Zones also contributed the slow progress of the sub-projects implementation.

5.4.2 Welfare Enhancing Interventions

The welfare support interventions were of three types. These were the provision of food supplements and therapeutic feeding (targeted nutrition program), implementation of direct welfare transfers and implementation of capacity building programs. A majority of these interventions were implemented by NGOs.

5.4.2.1 Targeted Nutrition Programs

Targeted Nutrition Programmes provide supplementary feeding and therapeutic feeding to households facing chronic food insecurity and HIV and AIDS households and children including orphans and destitute families. Most activities implemented under this component were by the World Food Program.

The World Food Programme (WFP)

The WFP played an important role in providing food through the nutrition rehabilitation centres, the NGOs and hospitals. In 2004, WFP launched a pilot project on feeding households with TB patients as an entry point to supporting households with HIV infection. In total, 27,818 households affected with HIV and AIDS received food support. 28,000 metric tons of food was distributed per month to an average of 150,000 households. In 2004, all WFP programmes were providing food to 490,446 male beneficiaries and 618,492 female beneficiaries. This food was distributed through home-based carers and other support networks. Other groups fed are child and elderly headed households, chronically ill people and families hosting large number of orphans.

5.4.2.2 Direct Welfare Transfers

The direct welfare transfers are mainly the responsibility of the Ministry of Gender, Child Welfare and Community Services. The assistance is mainly from donor

organizations that channel their aid through the Ministry. It was envisaged that the programme would be implemented alongside TIP, utilizing community based targeted approach and alongside the targeted nutrition programme. It was planned that the programme would use specific support groups such as the elderly, orphaned and the chronically ill. After beneficiaries are identified, cash transfers would be made through the District Assemblies.

In 2004/05 MASAF approved 802 sub-projects through the social support projects. These included hammer mills, food security, and home-based care activities that were aimed at assisting different vulnerable persons such as orphans, the chronically ill and the elderly. The approved projects were to benefit 67,021 people.

5.4.2.3 Capacity Building Programmes

Capacity building programs in safety nets refer to assistance provided to communities so that they have increased capacity to assist vulnerable households. These are undertaken in several forms. These include formation of committees on community based organizations such as parent committees, home based care committees, community support groups, caregivers, support groups, people living with HIV/AIDS (PLWA) and orphan committees. These are usually targeted towards assisting communities mitigate against the effects of HIV/AIDS.

In 2004/05:

- 29 groups of 30 guardians were trained in orphan care
- Training of 320 volunteer counselors.
- Training and establishment of 84 home-based care committees
- Establishment of 1,288 care centers.
- The GoM/EU project trained people on gender, HIV and AIDS, orphan care and human rights. Specifically, the programme provides information on prevention and VCT.

Constraints and Challenges

- Targeting remained a potential problem.
- A number of organizations duplicated HIV/AIDS activities, which led to over-servicing some areas than others.

5.4.2.4 Disaster Management

The plan was to improve disaster preparedness, prevention, mitigation, relief as well as rehabilitation programmes. The major players in these activities were the Department of Poverty and Disaster Management Affairs, Department of Meteorological Services, Ministry of Local Government and Rural Development, Ministry of Economic Planning and Development, NGOs and District Assemblies.

Progress of Implementation

The following activities were carried in 2004/05:

- Food and non-food items were provided to 1,225 flood victims in Karonga, Ntcheu, Balaka, Mangochi, Blantyre, Zomba, Chikwawa, Neno and Phalombe Districts.

- On disaster preparedness and mitigation programmes the MVAC conducted two vulnerability assessments and mapping to assess food security status in the country.

Constraints and Challenges faced in Safety Net Programme

Poor farmers and rural communities continue facing dwindling income levels due to a multiplicity of factors that have rendered them helpless and in dire need of social protection measures specifically targeted to allow these groups to graduate out of vulnerability. Key challenges and constraints facing the poor farmers and marginalized rural communities include high cost of agricultural input and low prices of agricultural produce. The adjustments of the market have led to a majority of the people to be vulnerable to exogenous shocks. Hence effectiveness of the safety nets has implications on people's livelihoods.

Current safety net programmes by NGOs tend to be comprehensive but limited in coverage. On the other hand government programmes tend to be wide in coverage but limited in terms of what is being provided. Since most programmes are implemented by NGOs, coordination has been a challenge resulting in duplication of efforts by the implementers. There are some areas with more programmes while others have none. Additionally there has been work overload of District Assemblies due to proliferation of safety net programmes.

Effective targeting has been a problem leading to the poorest of the poor not benefiting. In most cases safety net programmes are carried out with vulnerability not quantified. Currently the beneficiaries of the safety nets are selected using generic set of criteria such as orphans, the elderly, widows and lactating and pregnant mothers without due regard as to whether those are actually vulnerable households. Therefore there is a need to strengthen the targeting mechanisms through a thorough data collection and analysis to identify vulnerable members in terms of their characteristics, location, challenges and needs.

With regard to PWP and TIP, only the relatively better off have benefited. The poorest segment of the population has consequently failed to benefit from the direct welfare transfers. Social safety nets programmes need to be formulated in such a way that they provide a type of investment in human capital formation in helping the vulnerable to keep access to basic social services.

5.5 Pillar 4: Good Governance

In the MPRS, the overall objective of good governance is to ensure that public institutions and systems protect and benefit the poor and the vulnerable groups. In addition, it recognizes the need for public institutions to be transparent and be held accountable to ensure responsiveness to the needs of the poor and broad based participation of civil society in budgetary management.

5.5.1 Political Will and Mindset

These two concepts are behavioural in nature and take time to change. They require commitment of people in the decision-making positions as well as the local masses to

change their focus for the betterment of the nation. However, the MPRS did not specifically identify activities that would have been implemented.

5.5.2 Improved Safety, Security and Access to Justice

The MPRS advocates an improved safety, security and access to justice to ensure safety of assets and wealth. It is recognized in the MPRS that crime and insecurity impact the population negatively. To address the problems of crime and insecurity, the MPRS came up with the following strategies:

- Improved Access to and Delivery of Effective and Efficient Justice.
- Ensure respect of the Rule of law
- Crime reduction

5.5.2.1 The Judiciary

The MPRS provided the following objectives to be achieved by the Judiciary:

- Improve access to and delivery of effective and efficient justice.
- Ensuring respect of the rule of law.

The following activities were identified for implementation

- Construction of more court rooms in all districts.
- Ensure adequate judicial staff and support.
- Conduct awareness campaigns on judicial independence, for political leaders and the public.
- Design and implement separate funding system for Judiciary (to strengthen the independence of the Judiciary).
- Encourage and sustain community service for petty offences.
- Sensitise public on rights and responsibilities in the constitution and access to Justice. (To ensure appreciation and respect of the law.).

Progress of Implementation

In order to increase crime prosecution rate, the MPRS realised the need to construct more courtrooms in all districts. During the period under review (2004/05), little progress was made due to unavailability of funds.

In the period under review, additional judges and judicial officers were recruited to ensure adequate judicial staff and support. However training was not yet provided. To encourage and sustain community services on petty issues, Government has taken over funding of such services from DFID. Discussions are underway to implement a separate funding system for Judiciary

5.5.2.2 The Malawi Police Services

The Malawi Police Service (MPS) aims at creating a safe and secure Malawi. The following activities were implemented under Malawi Police Service in the period under review:

The Malawi Police Service recruited and deployed 80 detectives in order to increase police presence particularly in the rural and border areas. In order to strengthen anti- motor vehicle thefts, the police amounted about 111 operations targeting stolen vehicles within the SARPCCO Region. In liason with the Malawi Army, the Malawi Police conducted several operations that resulted in the arrest of active criminals, illegal immigrants, drug traffickers and sex workers. Some stolen properties worth millions of Kwacha were recovered together with illegal firearms.

In order to improve quality of crime investigation, 18 finger print officers were trained by the National Centre of the UK who are now working in the finger prints bureau. Fingerprints and Scenes of crime management workshops were conducted. The Malawi Police trained 60 prosecutors in basic prosecution and 20 paralegals at Mpemba Staff Development Institute.

In the same year (2004/05) the Malawi Police developed a training policy, competencies framework, performance appraisal system and human resource development plan as one way of improving organizational performance of the police force.

To develop effective rehabilitation programmes for prisoners, the Malawi Prison Service provided opportunity for education and skills development to 3000 rehabilitated prisoner; established eight learning centres; constructed one classroom block at PTS; established four woodlots; and recruited 3 officers with vocational skills.

Constraints and Challenges

The following constraints were met during the review period:

- Inadequate funding tends to hinder branches' efforts, as most of the planned work is never finished
- Inadequate capacity in specialized fields of forensic science, collection and processing and preservation of evidence affected the quality of evidence presented in courts and the outcome of cases
- Little understanding of the community policing concept among communities as well as the police officers themselves
- Limited accommodation, classrooms and teaching and learning equipment in the training institutions
- Lack of incentives
- Shortage of professional and technical personnel at different levels.
- Poor housing for staff and dilapidated offices affected the working conditions for police officers.
- HIV/ AIDS pandemic negatively impacted the MPS, which lost several officers to AIDS

5.5.3 Public Expenditure Management

Good Public Expenditure Management (PEM), as highlighted in the MPRS has increasingly been recognized as one of the prerequisites for poverty reduction. In 2004/05 several activities were implemented to achieve this objective such as:

Improve Budget Implementation by creating hard Budget Constraints.

- There was a continuous improvement in the presentation and correlation of outputs and activities in the annual budgets. The Public Accounts Committee (PAC) and the Budget and Finance Committee (BFC) were strengthened through technical and financial support from FIMTAP.
- 120 Members of Parliament were offered training on the budget process apart from pre-budget consultation meetings held by the Ministry of Finance annually with various stakeholders.

Financial Management and Expenditure Control Systems

To ensure that there was transparency and accountability in the management of public finances, the following were achieved:

- In the year under review, Government has been working on new software packages of Global and EPICOR respectively to replace earlier systems before replicating them to all Ministries.
- The review of Credit Ceiling Authority (CCA) and Commitment Control Systems (CCS) was done in line with the new IFMIS.
- The Finance and Audit Act was split into Public Procurement Act, Public Audit Act, and Public Finance Act. These three Acts were fully operational.
- Capacity in Government for expenditure monitoring, in terms of inputs and outputs is inadequate. Expenditures are tracked through monthly expenditure returns, which do not reflect activity based reporting. Public Expenditure Tracking Survey (PETS) has been done in the education sector. The programme has not rolled out to other sectors. New Treasury Instructions have been drafted and are now operational.

Predictability of funding in line Ministries

- There was an improvement with respect to resource projection that was achieved through quarterly revision based on cash flow projections on a monthly basis.
- High priority poverty activities were funded as recommended in the MPRS and the Protected Pro-poor Expenditures (PPEs) were published in the national dailies and the MoF's website.
- Progress was also made on introduction of mechanisms for coordinating donor inflows through the CABS.

Public Expenditure Planning and Budget Preparation

- The recurrent and development budgets were not fully integrated because the Medium Term Expenditure Framework (MTEF) was not implemented. However, government made strides in consolidating investment programs from Ministries into the Public Sector Investment Program (PSIP), which prioritizes projects according to the objectives in the MPRS.
- Budget submissions by line ministries to Treasury were in line with the MPRS. Protected Pro-Poor Expenditures were given priority in budget formulation and implementation. Ministers report annually to parliament on achievements of outputs of their respective Ministries.

5.5.4 Fraud and Corruption

Corruption is the enemy of growth and prosperity. It robs the government and the people, especially the poor, of their legitimate right to economic prosperity by diverting resources away from economic and social development into the coffers of the few. Corruption reinforces unequal distribution of wealth and power. The MPRS recognizes and stresses the need to improve the prevention of fraud and corruption and to increase detection and protection of corruption and fraud as the main objectives.

The following activities were implemented to achieve the stated objectives:

- Design and enforce (through MPA) clear and strict procurement guide times
- Conduct and encourage corruption campaigns
- Review legal framework and relationships between ACB, DPP, Judiciary, NAO and Parliamentary Public Accounts Committee
- Build capacity to improve coverage and timing of audit
- Build capacity for investigations and prosecution of corruption and fraud cases
- Ensure speedy processing of corruption and fraud cases.

5.5.4.1 Prevention of Corruption and Fraud

During the 2004/05 financial year, The Anti Corruption Bureau implemented several activities with the aim of curbing the corrupt practices. These activities are as follows:

The ACB conducted six (6) inquiries in different institutions both public and private. These inquiries involved 10 suspects and out 10 only 2 were women.

The ACB also conducted 17 Managerial Accountability Workshops for Malawi Housing Corporation (4), Malawi Telecommunications Limited (2), Malawi Savings Bank, Southern Region Water Board (4), Directorate for Road Traffic (2) and MASAF (4). These workshops reached 255 public officers 198 males and 57 females. Participants were sensitized on the issues of corruption and mechanisms, which the institutions can put in place to promote accountability and transparency in these public institutions.

The ACB also conducted spot checks during national examinations. A total of 75 cluster and lone examination centres in all the three regions were visited. This covered a total of 15 districts. The ACB facilitated the process of developing a Corruption Prevention Plan for Southern Region Water Board (SRWB). The strategy outlines the mechanisms that SRWB can do to detect, prevent, report, investigate and deal with corruption for the success of the board.

In order to enforce clear and strict procurement guidelines, the ACB conducted workshops and inquiries/audits in some key institutions. These have resulted in the ACB securing revisions to systems and procedures including in Procurement in order to prevent recurrence of corruption in that area.

The ACB has also taken steps to strengthen its Internal Procurement Committee and adhere to strict procurement guidelines. The Bureau invited experts from ODPP to sensitize the IPC on the Public Procurement Act and Public Procurement regulations

The ACB conducted the following awareness campaigns: Produced 13000 brochures, 13,000 posters, 2,000 leaflets, 3000 T/shirts, 1000 golf shirts, 400 umbrellas, 15 banners. In addition anti-corruption messages have also been aired on radio. 51 programmes aired on MBC, Capital Radio and FM 101, 3 jingles were produced, and 508 jingle slots were aired, produced 3 TV adverts.

5.5.4.2 Detection and Prosecution of Corruption and Fraud Cases

During the year under review, Blantyre ACB office processed 360 complaints Lilongwe and Mzuzu processed over 500 complaints. The Bureau also conducted the workshop for the judges in order to sensitize them on the amended act. The Bureau engaged private lawyers to try cases of corruption on behalf of the Bureau due to weak capacity of the Bureau. The arrangement resulted into 6 people being convicted. The ACB is negotiating with judicial authorities in institutionalising a Court Fast Track System with the judiciary to have specific magistrates and judges to try corruption cases on continuous basis.

Constraints and Challenges

The ACB encountered a number of challenges during the 2004/05 fiscal year and these included the following:

- Staffing levels were too low to carryout most of their activities on time. In addition, the organization is bottom heavy with a wide gap between high-level managers and the officers hence affecting execution of duties.
- Lack of incentives to lower rank officers resulting in high rates of staff turnover especially for prosecutors
- Over reliance on external lawyers to carry out prosecutions has also affected the speed of prosecutions
- Lack of qualified lawyers due to poor remuneration package
- Lack of purpose build office accommodation especially, Head Office

5.5.5 Decentralization

Good governance advocates decentralization, which empowers the local community to effectively participate and make decision on their development projects. The government is still undergoing a process of decentralization to devolve some of the functions that are carried out by the central government in order to improve participation of communities in the decision-making process. This was intended to promote accountability and efficiency in the district assemblies.

The two main objectives of decentralization in the MPRS are to develop institutional capacity for local governance and to transfer functions, resources and planning to districts.

Progress of Implementation

During the period under review (2004/05), the Ministry of Local Government and Rural Development (MoLGRD) carried out a number of activities to achieve the objectives highlighted above.

Development of institutional capacity for local governance

- Appropriate accounting and financial management systems were developed. Government CODA accounting package was linked to local authorities' SAGE line 100 and all the 40 district and town assemblies complied with activity based budgeting.
- All district and town assemblies computerized primary school teachers' payroll system.
- In setting administration systems local government internal audit guidelines for district assemblies and financial guidelines for record management for local authorities were developed. In addition, a review on financial reporting guidelines in view of devolved functions was also conducted.
- District and town assemblies secretariats were oriented in activity based budgeting and new Public Procurement Act, Public Audit Act and Public Finance Act. Finance Committees were trained in budget monitoring.

Transfer of functions, resources and planning to districts

- On the transfer of function to districts and primary school, computerized payroll system has devolved to districts.
- 10 meetings on fiscal decentralisation were held between the Ministry of Finance and sector Ministries.
- A study on assembly local revenue enhancement strategies was conducted and a system of ceded revenues was implemented. Local authority development planning was linked to budget during the period under review.
- The public was sensitized on decentralization and the role of district assemblies through production and distribution of IEC materials like T-shirts, posters, various radio and television programmes, and jingles.

Constraints and Challenges

There were a number of constraints and challenges that were encountered during the implementation period and they include the following:

- Lack of capacity at district level to takeover the devolved functions
- Delays in devolution by some sectors that retarded the whole process
- Limited support from development partners to the decentralization process
- Low levels of financial base for assemblies
- Limited knowledge on the decentralization process by the beneficiaries
- Weak participation by the civil society organizations in local government institutions.
- Lack of elected officials renders the whole process a problem for the devolution.

5.5.6 Democratisation

The main objective of democratization was to create conducive environment for effective governance in the country by empowering the electorate through elections, the existence of checks and balances to ensure government is accountable, and the effective working of institutions created to consolidate democracy.

Strengthening Formal Governance Institutions

- The 2004 Presidential and Parliamentary Elections, held in 2004 showed that there were inconsistencies in application of electoral law¹. For example, there was unequal access to the public media during the campaign period.
- The 2004 general elections were marred by inter and intra party conflicts. The intra party conflicts resulted in increased numbers of independent MPs, which was a sign of maturing democracy. On the other hand, inter-party conflicts resulted in escalation in violence amongst political parties.
- The Electoral Commission (EC) and civil society organizations conducted pre-voting civic education. Parliamentary Committees and MPs were trained on issues of democratization.
- Issues of rights and responsibilities were also disseminated to the general public through various fora such as sensitization meetings, television and radio programmes.
- Funding of political parties with representation in parliament was done. However, the parties were not transparent and accountable in the way the funds were utilized.

5.5.7 Human Rights

Human rights is an essential part of democracy and fundamental to poverty reduction. In the MPRS, the core objective is to develop capacity of all relevant human rights institutions and raise awareness of constitutional rights and their obligations to all the citizens.

Capacities of Human Rights Organizations

- Malawi Human Rights Commissioners and Staff attended various training courses as one way of building their capacity. The donor community provide resources that were used to procure equipment such as vehicles and computers for the MHRC
- The Office of the Ombudsman recruited a reasonable number of staff. Staff in the Ombudsman's office also attended a number of international meetings as part of capacity building.
- During the review period, an assessment on the capacity of civil society organizations involved in human rights was conducted with funding from Democracy Consolidation Programme (DCP).

Train all public servants, particularly those in enforcement agencies, in human rights issues.

- MHRC trained 540 public servants and 90 secondary school teachers on human rights.

Raising awareness of citizens about their constitutional rights and obligations

- MHRC conducted 57 sensitization campaigns on human rights targeting local populace and local leaders. Issues included cultural practices that have negative effects on the realization of rights of women and the girl child, among others.

¹ MHRC 2004 Presidential and Parliamentary Elections Monitoring, Report July 2004

- MHRC also participated in radio and television programmes. These sensitization campaigns resulted in increased complaints during the year under review. About 1136 complaints were received, 212 were resolved and assisted while 138 complaints were referred to others.
- There was an increase in number of cases reported and determined at the Ombudsman's Office.
- The Law Commission also incorporated issues of child rights, gender, and victim's rights in the reviews of the laws such as Penal Code review, Criminal Procedure and Evidence Code review among others.
- Civil society organizations conducted awareness campaigns on human rights through dissemination of civic education materials which included; copies of the constitution; leaflets on human rights; human rights promotional T-Shirts; and posters on election related violence and support for women and the physically challenged.

5.6 Cross Cutting Issues

The MPRS acknowledges the need to mainstream four crosscutting issues in the course of planning and implementing sectoral activities meant to reduce poverty. The crosscutting issues outlined in the MPRS are as follows: HIV/AIDS, gender and empowerment, environment, and science and technology.

5.6.1 Gender and Empowerment

Poverty has a gender dimension and therefore experienced differently by different gender groups. Generally, the degree of access to both social and economic resources is biased against women, the elderly and the disabled. Effective poverty reduction strategy should therefore take into consideration the special needs of the marginalized. To promote these efforts, the Ministry of Gender, Child Welfare and Community Services planned to implement activities in five major areas as enshrined in the national gender policy. These included strengthening capacity to implement the National Gender Policy, engendering sectoral budgets, promotion of a gender sensitive legal environment, and eradication of gender-based violence and enhance women participation in decision-making.

Progress of Implementation

In 2004/05 financial year, considerable effort was made to ensure that gender issues are mainstreamed in the programmes. Five training sessions were held for gender focal points in various ministries as well as departments in gender analysis, programming mainstreaming and monitoring and evaluation. Guidelines for gender responsive budgeting have been developed and are now awaiting dissemination.

On the eradication of gender-based violence the Ministry oriented Community based groups on gender based violence monitoring and 4600 women and 3400 men were reached with these messages. Some reference materials were produced and distributed to all community based groups.

On the promotion of gender sensitive formal and informal legal environment, the Ministry trained 302 (200 males and 102 females) community leaders and councilors on the effects of the harmful cultural practices, beliefs and values. Communities

(comprising of 31, 307 men, 32, 151 women, 12, 994 boys and 19,048 girls) were also sensitized. By the end of 2004/05 fiscal year, the Ministry had already completed the Wills and Inheritance and Family Law and is now working on the Gender equity law.

5.6.2 HIV/AIDS

The effects of HIV/AIDS are numerous and affect the productive people in all sectors who are central in poverty reduction. The strategies outlined in the MPRS to curb the epidemic include reducing the incidence of new infections; improving quality of life of those infected with HIV/AIDS; and mitigating against the economic and social impacts of HIV/AIDS.

Summary of achievements in HIV/AIDS

Several activities were done in the year under review, and the following are the achievements:

- 160 youths were trained on the coordination of HIV/AIDS activities.
- 1400 peer educators and 10000 youth club leaders have been trained in ways of promoting involvement of youth at all levels of planning, decision-making and delivery of HIV/AIDS activities.
- 3000 youth clubs and 2 youth centers have been established to promote participation of youth in the development and dissemination of HIV/AIDS IEC messages, particularly on radio and television
- Awards were provided to outstanding youth clubs to encourage and support competitive youth activities for youth organizations and among communities
- Life skills text books have been printed and teachers at primary and secondary levels have been trained in life-skills based HIV/AIDS education to strengthen their role in providing guidance to pupils;

5.6.3 Science and Technology

The MPRS appreciates the importance of mainstreaming science and technology in national economic development programmes, as there is a correlation between level of technology and economic growth.

Progress of Implementation

To improve the promotion, coordination and financing of Science and Technology, Ministry of Science and Technology held 6 collaborative meetings with local stakeholders and donors. In intensifying the use of Science and Technology, the Ministry encourages different research institutions and even local people to initiate Science and technology programmes or projects. So far 4 Science and Technology projects have been initiated. The Ministry also encourages extension and application of appropriate technologies in all sectors of the economy. So far 3 technologies have been identified for commercialization and also three study tours have been conducted. National Research Council also held a Science and Technology dissemination workshop in June 2005.

In the year under review (2004/05), DISTMIS extended the Government Wide Computer Network (GWAN), to offices around City centre, 2 GWAN staff attended

foundation level training on CISCO Servers and CISCO Routers. Anti Virus security standards have been drafted and Firewall and corporate network anti virus have been installed. Procurement procedures are in the process to ensure that capital hill installation servers have got a generator.

In order to improve financial management system, a consultant has been hired to commission the change of CODA Software to EPICOR Software. The Civil Service ICT policy and Strategic plans were developed and now 33 % of these have been adopted. DISTMIS has also developed systems and websites for Immigration Border Control System, Tourism System, and is re-developing Malawi Government website.

DISTMIS is assisting Ministries of education and Labour and Vocational Training by training school leavers in basic ICT skills and ICT long-term courses. Short courses, diploma, advanced diploma, degree courses are being offered at NACIT Centers. DISTMIS has also assisted Ministries of Health and Gender and Community Services to develop their ICT strategic plans.

5.6.4 Environment

Environmental issues are crosscutting and need to be streamlined when implementing activities in respective pillars. The department of environmental Affairs is mandated to facilitate and coordinate all environmental issues implemented by other Ministries and private institutions.

Progress of Implementation

During the review period (2004/05), the department implemented a number of strategies that were outlined in the MPRS. The strategies included; strengthening legal and institutional framework, which involved mainstreaming environmental management into local government administration, developing alternative livelihood strategies which ensured that the poor could survive and thrive without damaging the environment, and creating mass environmental awareness.

The Department of Environmental Affairs (DEA) facilitated the review of Environmental Strategy Plan for 2006-2011 and the NSSD was launched in Nov 2004. Under the International lobby for PRS support through convention, the Department planned to conduct a National Capacity Self Assessment and come up with a National Adaptation Programme of action. Thus in the year under review, the department prepared and compiled a Technology Needs Assessment Report in Oct 2004 and established a Project Office.

As part of strengthening the legal and institutional framework for PRS in environment and natural resource management, the department updated the National Environmental Plan and the Environmental Management Act and published them in 2004. The NEP has got a Community Based Natural Resource Management (CBNRM) component.

In support of the Vienna Convention- National Ozone Protection Unit, the department of environmental affairs trained 77 MRA officials and 8 portable refrigerant identifiers were given to MRA and phased out use of methyl bromide in tobacco. The

department also coordinated reviews of national, regional and international project proposals under Global Environment Facility (GEF).

Constraints and Challenges

There is a need to ensure that all agencies with the mandate to grant development licenses and permits are committed to the implementation of the EIA process and enforce the requirements of the EMA. In some cases, developers do not comply with EIA requirements due inadequate EIA awareness and lack of referral to EAD by licensing authorities.

There is a need for development of awareness in the public about the need for environmental protection and the benefits of healthy environment. This will require an improved involvement in awareness raising by Government and NGOs. Increased media exposure to environmental issues is a useful tool.

Chapter 6: Monitoring and Evaluation

The government of Malawi continued to attach great importance to the development and implementation of an effective monitoring and evaluation system in the 2004/05 fiscal year. This was mainly through the development of the Roadmap of the implementation of the monitoring and evaluation master plan, which was launched in November 2004. This was done to better coordinate M&E activities while ensuring improved collection and utilization of quality information for effective planning, resource allocation and decision-making.

During the review period, four main strategies were planned and these include; capacity building; public sector investment programme monitoring; poverty and vulnerability monitoring; and advocacy and awareness.

Progress of Implementation

6.1 Strengthening monitoring and evaluation systems in Malawi

The government, through consultation with major stakeholders in monitoring and evaluation, developed a joint programme support for the national monitoring and evaluation systems in Malawi. The programme is aimed at strengthening the national and sub-national capacities for monitoring and evaluation of development policies, programmes and strategies. All development assistance would be directed to supporting one programme in a form of basket funding arrangement, which would among other things lead to an effective coordination among key stakeholders.

The Ministry of Economic Planning and Development in conjunction with the Ministry of Local Government and Rural Development carried out district assessment throughout the country to identify the capacity of local assemblies to carry out M&E activities. Following the assessment, it was recommended that 40 M&E officers, one in each assembly should be recruited. Interviews for the prospective M&E Officers were conducted in December 2005 and it was expected that Officers would start working in January 2006. In addition, the government engaged consultants to prepare M&E training manuals for sector/assembly M&E officers and for the communities.

6.2 Evaluation Reviews of Programmes and Projects

The government recognised that a better and sustainable national monitoring and evaluation of development programmes and projects can lead to an improved utilization of government resources. In view of this, the Ministry of Economic Planning and Development managed to monitor development projects in eight sectors covering a total of 64 projects, notably in agriculture, health, water, education, energy, transport, fisheries and lands and housing. Progress assessment reports for each sector were compiled and presented to parliament. The Ministry is currently working on a report that synthesizes all sectoral reports to isolate emerging issues and that will form a basis for stakeholders' forum which will come up with the way forward to improve implementation of development projects.

The results from the two **reviews** were used for the development of a new strategy, the Malawi Growth and Development Strategy (MGDS) which government

formulated. This information was used to provide baseline information and target setting for the new strategy.

6.3 Poverty and Vulnerability Monitoring

The Ministry in collaboration with the National Statistics Office (NSO) and the World Bank carried out a comprehensive analysis of the second Integrated Household Survey (IHS2). This was a fresh assessment of the poverty levels in the country and its determinants. The preliminary results of the findings from the analysis were presented at two workshops organized in October and December 2005. The final report on Malawi Poverty and Vulnerability Assessment is expected to be ready May 2006.

6.4 Malawi Vulnerability Assessment (MVAC)

The Malawi Vulnerability Assessment Committee (MVAC), a collaborative committee of technical personnel from government institutions, UN agencies and NGOs/civil society, established a Secretariat during the period under review. The MVAC carried out three main activities in 2005 and these included; national early warning and acute vulnerability monitoring, setting up the MVAC Secretariat within the Ministry (MEPD) and Data management and data base development. A total of four (4) reports were produced and disseminated to the end users. Specifically, the following were the achievements.

- Updated the scale and severity of the vulnerability presented in the May 2004 analysis.
- A preliminary analysis was also carried in March 2005 to forecast the expected effects of the then expected reduction in agricultural output.
- A large, nation-wide assessment and analysis was carried out in April and May. This provided a forecast of the priority areas, the numbers of people affected and the missing food entitlements (in cash and food equivalents) for the country. The information from this work has been used to design and implement a large-scale emergency humanitarian relief programme for the agricultural consumption year 2005-2006.
- Updated the previous figures in the MVAC report of May 2005 in October-November 2005, following changes in the staple-purchasing price. Estimates of the areas affected, the numbers of affected people and the missing food entitlements were overall increased.
- Trained users of MVAC information on methodologies used to generate the information. In addition, nine new members were attached to experienced members in the field and during analysis as part of capacity building.
- A comprehensive mapping exercise was undertaken to organise all pertinent geographic units to be used for comparing various areas.

The information generated from the MVAC has been widely used by the government and its development partners in designing safety nets programmes such as humanitarian food aid, targeted nutrition programmes and public works programme.

6.5 Awareness and advocacy for the poverty reduction strategies

MEPD carried out various activities aimed at building structures for monitoring progress of implementation of government programmes. This included visits by the

Secretary for Economic Planning and Development to various key Ministries and Departments to discuss with them and create awareness of the importance of creating and supporting an M&E unit to generate information for management's decision making. The Ministries and Departments visited included; Agriculture and Food Security, Natural Resources, Transport, Commerce and Gender. This was then followed by visits to district and town assemblies to assess their capabilities to carry out monitoring and evaluation activities.

Constraints and Challenges

Regardless of the efforts made by government and its development partners to strengthen M&E systems during the implementation period, monitoring capacities are still weak at all levels. This was partly attributed to delays in the preparation of the M&E master plan, which was launched in 2004. This resulted in the following:

- Lack of established M&E systems and facilities in most institutions which affected effective monitoring of progress made on the implementation of the MPRS;
- Inadequate skills to collect, analyse and disseminate information as a result of high staff turnover;
- Lack of coordination between various data producers;
- Low appreciation of M&E as a management tool;
- Weak coordination of the existing M&E systems across institutions;
- Weak coordination between government, donors and other stakeholders at all levels in implementation of M&E activities;
- Lack of harmonization of indicators being collected; and
- Weak link between planning, budgeting process and monitoring and evaluation systems.

Recommendations

The following are some of the recommendations:

- The government and its development partners should fully support the implementation of the road map and avoid parallel support as this might undermine efforts made by government to establish an effective M&E system.
- The government should establish M&E units in all government institutions and ensure that management supports M&E activities.
- The need to strengthen coordination and capacity in districts, sectors and the central ministries of government and civil society organizations to carry out M&E functions.
- The government should strengthen the link in planning, budget process and monitoring to effectively inform resource allocation decisions. And subsequently, there should be systems in place to ensure that only policy strategies are implemented and monitored correctly.
- The government should continue to support MEPD to fully implement the road map through increased support. For the line Ministries, departments and assemblies, their budgets should clearly contain M&E as a budget item to ensure that funds are available for such functions.

Chapter 7 CONCLUSION

The final year of the Malawi Poverty Reduction Strategy was implemented within the environment of implementing the Staff Monitored Programme (SMP). The overall satisfactory macroeconomic performance during the SMP through sound fiscal and monetary measures bore improvements on some MPRS and approved budget targets during the period under review (2004/2005) compared to the first two years (2002/03 to 2003/04) of the MPRS implementation.

However, despite these gains, adverse factors like the spill-over effects of high domestic debt stock accumulated over the first two years of MPRS implementation, poor performance of the agricultural sector due to poor precipitation and high cost of agricultural inputs, rise in fuel costs and instability in exchange rate, resulted into poor performance in most of the major macro-economic indicators like GDP growth, inflation, interest rates, and exchange rate. Performance of these indicators during the period under review was therefore below the projected targets for both the MPRS and Approved budget.

As indicated in the detailed review above, attainment of a stable macro-economic environment as a strong foundation for sustainable pro-poor and overall economic growth remains a major challenge for Government and other stakeholders in the medium and long-term. This calls for the continuation of the current prudent and contraction fiscal measures which government has embarked upon. Other factors being equal, a combination of prudent fiscal and tight monetary measures and timely donor inflows will reduce government borrowing, net domestic debt, interest rates and inflation. The importance of these economic fundamentals in the future economic growth and development prospects for the country makes it imperative that these challenges should be clearly articulated and strategies developed in the Malawi Development and Growth Strategy which commences in 2006/07.

The second set of issues brought out in the 2004/05 review are as a result of the assessment of performances of the planned MPRS and Protected Pro-poor activities, outputs/outcomes and targets. Generally, the review concludes that there was under-funding of the MPRS and Protected Pro-Poor activities compared to MPRS and Approved Budget targets. Although there was an improvement in revenues and expenditures during 2004/05 compared to 2003/04, high increases in recurrent expenditure during the review period crowded out allocations in percentage terms for the MPRS and Protected Pro-Poor activities as compared to the MPRS projections and Revised Budget. This has generally resulted in poor performance the projected outcomes and targets in most sectors for both the MPRS and Approved Budget. Again, the major challenge in the medium term will focus on the implementation of sound fiscal management which should result in balanced allocation of resources to all sectors of the economy. The MGDS will also address and develop strategies that will promote balanced allocation of resources to all sectors including economic and pro-poor sectors. These strategies will also take into account the importance of developing a conducive financial and economic environment for private sector growth.

Last but not least, like in the past two reviews, the 2004/05 review has highlighted the importance for Government and other stakeholders to develop and build capacity for the Monitoring and Evaluation systems at central, sectoral, district and community levels. Well developed and efficient monitoring and evaluation systems

will improve the quality of analysis for policy formulation and implementation of economic and development programmes. Efficient monitoring and evaluation systems strengthens the coordination capacity of programme implementation between stakeholders and also strengthens the linkages between planning, budgeting and prioritisation and required adjustments of resource allocation.

The 2004/05 review has emphasized the importance of a coordinated approach to the implementation of the approved road map between Government, donor partners, NGOs and civil society and at all levels. As indicated in the review, capacity building for Monitoring and Evaluation will be an on-going activity in the medium and long-term. The MGDS should also feature the due importance accorded to capacity building for Monitoring and Evaluation.

Annex 1: One Year Protected Pro – Poor Expenditures (2004/05 Fiscal Year)

Pillar/Sector	Activity	2004/05 MPRS PPE as % of Total MPRS Budget	2004/05 Approved PPE Budget as % of Total Approved Budget	2004/05 Actual PPE Expenditure as % of Total Actual Expenditure
Pillar 1: Pro-Poor Growth		7.29	1.98	1.81
Agriculture	Food Security Initiative	0.00	0.31	0.25
	Agriculture Extension	1.62	0.82	0.80
	Research Extension and Farmer Linkage	0.00	0.01	0.01
	Technology Generation and Technical Services	0.00	0.42	0.31
Water	Rural Water Supply	2.14	0.04	0.04
	Borehole and Dam Construction/Rehabilitation	0.00	0.02	0.01
Natural Resources	Small Scale Fish Farming	0.39	0.07	0.07
	Small Scale Mining	0.07	0.05	0.06
National Roads Authority	Rural Feeder Roads	2.50	0.02	0.02
Trade and Private Sector Development	Industrial Development	0.00	0.02	0.01
	Enterprises Development and Promotion	0.35	0.03	0.03
	Cooperatives Development	0.00	0.03	0.03
Tourism	Tourism Services	0.00	0.05	0.08
	Conservation and Protection of Wildlife	0.22	0.09	0.08
Pillar 2: Human Capital Development		13.26	13.86	11.51
Education	Primary	0.00	6.87	5.49
	<i>Teaching and Learning Materials</i>	<i>0.00</i>	<i>0.41</i>	<i>0.47</i>
	Secondary	0.00	2.22	1.63
	<i>Teaching and Learning Materials</i>	<i>0.00</i>	<i>0.27</i>	<i>0.23</i>
	Teacher Education	1.09	0.43	0.28
Health	Health Workers' Training	0.00	0.28	0.21
	Curative Health Services	0.00	1.01	1.11
	Infrastructure Development, Rehabilitation and Maintenance	0.00	0.14	0.10

	Clinical Services	0.00	0.01	0.01
	Preventive Health Services	10.50	0.14	0.30
	Health Technical Services	0.00	0.68	0.43
	Drugs	0.00	1.67	1.62
Gender, Child Welfare and Community Services	Adult Literacy	0.53	0.07	0.07
	Family Welfare and Gender Services	0.00	0.03	0.04
	Child Care Services	0.00	0.01	0.02
Youth Sports and Culture	Youth Development Services	0.00	0.03	0.02
Labour	Technical and Vocational Training	1.13	0.27	0.17
Pillar 3: Improving the Quality of Life of the Most Vulnerable		2.62	-	-
	Targeted Inputs Programme	1.76	-	-
	Safety Nets- MASAF	0.86	-	-
Pillar 4: Good Governance		2.88	0.73	0.70
Police	Crime Prevention and Investigation	2.88	0.31	0.34
	Community Policing	0.00	0.17	0.17
	Police Officer Training	0.00	0.24	0.19
Crosscutting Issues		1.33	5.36	6.18
<i>HIV & AIDS</i>	Line Ministries	0.00	0.47	0.46
	NAC	0.00	4.89	5.72
Total PPE		27.38	21.93	20.20

Source: Ministry of Finance

Annex 2: Functional Classification of Central Government Budget (MK' mn)

	2004/05 SMP	2004/05 Approved	2004/05 Revised
General Public Services	14,705.56	24,193.48	27,314.65
General Administration	12,291.66	18,418.32	21,110.01
Other General Public Services (Defence and Public Order and Safety Affairs)	2,413.90	5,775.16	6,204.64
Social and Community Services	19,496.22	21,235.46	21,602.58
Education Affairs and Services	11,350.10	9,714.74	10,411.54
Health Affairs and Services	5,838.16	6,033.57	6,412.16
Social Security and Welfare Affairs and Services	890.04	3,973.46	3,241.40
Other Social Services	1,417.92	1,513.69	1,537.48
Economic Services	12,067.82	25,177.54	23,491.00
Energy and Mining	33.38	779.50	105.23
Agriculture and Natural Resources	3,105.40	8,543.40	7,552.28
Tourism Affairs and Services	172.50	0.00	0.00
Other Economic Services	8,756.54	15,854.64	15,833.49
Unallocable Services	4,000.00	0.00	677.28
Debt Amortization		19,280.00	18,752.00
Total Expenditure	50,269.60	89,886.48	91,837.51
GDP at Current Market Prices	188,279.00	221,073.00	221,073.00
<i>As a percentage of Total Expenditure</i>			
General Administration	29.3	26.9	29.7
Social and Community Services	38.8	23.6	23.5
Economic Services	24.0	28.0	25.6
Unallocable Services	8.0	0	0.7
Debt Amortization	0.0	21.4	20.4

Source: Economic Report (2005)

Annex 3: Half Year Protected Pro Poor Expenditure Activities (July – December 2005/06 Fiscal Year)

Pillar/Sector	Activity	2005/06 PPEs Approved Allocation (MK 'mn)	Actual PPEs Cumulative (MK 'mn)	2005/06 Cumulative PPEs as % of Approved Allocation
Pillar 1: Sustainable Pro-Poor Growth		13,575.61	8,595.31	63.31
Agriculture	Food Security Initiative	11,131.77	7,436.30	66.80
	Agriculture Extension	686.00	278.31	40.57
	Technology Generation and Technical Services	314.91	145.93	46.34
Water	Rural Water Supply	86.19	29.77	34.54
	Borehole and Dam Construction/Rehabilitation	149.00	33.00	22.15
Natural Resources	Small Scale Fish Farming	18.23	9.11	49.99
	Small Scale Mining	88.82	44.41	50.00
National Roads Authority	Rural Feeder Roads	870.64	503.44	57.82
Trade and Private Sector Development	Industrial Development	34.83	17.41	50.00
	Enterprises Development and Promotion	15.23	7.61	50.00
	Cooperatives Development	2.21	1.10	50.02
Tourism	Tourism Services	67.53	33.77	50.00
	Conservation and Protection of Wildlife	110.27	55.13	50.00
Pillar 2: Human Capital Development		14,933.83	7,600.91	50.90
Education	Primary	6,260.53	3,103.36	49.57
	<i>Teaching and Learning Materials</i>	<i>372.00</i>	<i>127.35</i>	<i>34.23</i>
	Secondary	1,879.62	967.96	51.50
	<i>Teaching and Learning Materials</i>	<i>243.00</i>	<i>118.25</i>	<i>48.66</i>
	Teacher Education	528.21	734.83	139.12
Health	Health Workers' Training	736.95	328.38	44.56
	Curative Health Services	1,574.45	787.50	50.02
	Infrastructure Development, Rehabilitation and Maintenance	750.08	387.25	51.63
	Preventive Health Services	424.57	212.28	50.00
	Health Technical Services	314.77	175.95	55.90
	Drugs	2,350.10	845.00	35.96
Gender, Child Welfare and Community	Adult Literacy	9.10	4.55	50.02
	Family Welfare and Gender Services	25.47	12.74	50.00

Services	Child Care Services	3.28	1.64	50.02
Youth Sports and Culture	Youth Development Services	17.84	8.92	50.00
Labour	Technical and Vocational Training	58.86	30.56	51.92
Pillar 3: Improving the Quality of Life of the Most Vulnerable		0.00	0.00	
	Targeted Inputs Programme	0.00	0.00	
	Safety Nets- MASAF	0.00	0.00	
Pillar 4: Good Governance		978.43	485.79	49.65
Police	Crime Prevention and Investigation	401.22	200.61	50.00
	Community Policing	169.91	81.53	47.98
	Police Officer Training	407.30	203.65	50.00
Crosscutting Issues		5,549.95	1,875.62	33.80
HIV & AIDS	HIV & AIDS Intervention	5,549.95	1,875.62	33.80
Total PPE		35,037.81	18,557.62	52.96

Source: Ministry of Finance

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