

Malawi: Poverty Reduction Strategy Paper Annual Progress Report

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Malawi Poverty Reduction Strategy

2003/2004 Annual Progress Report

Main Report

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and Development
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May 2005

Foreword

The second Annual Review Report (ARR) has analysed issues ranging from implementation of the strategy to monitoring and evaluation. It is evident from the report that there is considerable improvement in the presentation of findings. The report has presented inputs in the form of actual resources that flowed from Treasury to line Ministry. 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 not been presented in this report. The comprehensive report will dwell much on the impact of the strategy and on the poverty levels of the country.

The first stage of the review process is to analyse progress in implementing the MPRS and achieving targets within it. The second stage of the review process is the form of stakeholders' workshop and the third stage is the dissemination of the review report. The annual reviews are Malawi's central policy reviews. As such, complementary policy documents such as Malawi Economic Growth Strategy (MEGS) and Public Sector Investment Plan (PSIP) will be integral part of the review process. At the centre of the ARR is the availability of management information system that will form part of the monitoring and evaluation system. The in depth analysis of issues will depend on the vibrant monitoring and evaluation system.

This report is as a result of 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 of Foreign International Development, European Union and United Nations Development Programme was crucial to ensuring that the review process be conducted successfully. Lastly, I would like to thank the entire drafting team under the chairmanship of Mr. Ben Botolo for coming up with this report

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Hon. Goodall Gondwe
Minister of Finance

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
BVC	Beach Village Committees
CADECOM	Catholic Development Commission of Malawi
CAMA	Consumer Association of Malawi
CBCCs	Community Based Child Care Centres
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
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
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
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
IDEAA	
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
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
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
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
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
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
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
PERMU	Public Enterprise Reform and Monitoring Unit
PHAST	Participatory Hygiene and Sanitation Transformation
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
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

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Executive Summary

The government of Malawi and its development partners formulated the Malawi Poverty Reduction Strategy (MPRS) in the year 2002. The aim of the Strategy is to reduce poverty through economic growth and empowerment of the poor. The first review brought to light a number of challenging issues during the implementation period. These challenges included; little adherence to implementation of MPRS activities, lack of guidelines to assist sectors to translate MPRS activities into the budget and diversion of resources meant for MPRS activities to fund non-priority other recurrent transactions (ORT) related expenditures.

The second progress report has focussed on assessing inputs, outputs and to some extent outcomes of the implementation of the Strategy. In terms of inputs this report analyses expenditure by pillars, protected pro poor activities and functional analysis of government expenditure pattern. The outputs and outcomes analysis is presented in the rest of the report by comparing the planned activities and their targets outlined in the strategy to the actual progress and targets achieved over the second year of the implementation period.

Poverty Situation

Poverty in Malawi has remained a major challenge to government economic and social policies. The National Statistical office is in a process of finalizing 2004/05 Integrated Household Survey (IHS). The survey results are expected to update 1997/98 Integrated Household Survey findings. The 1998 IHS revealed that 65.3 percent of the population in Malawi lives below the poverty line.

On December 21, 2000, Malawi reached the decision point under the HIPC initiative following the approval of a three-year PRGF arrangement by the Executive Board of International Monetary Fund (IMF) and World Bank. Since then Malawi has not reached a completion point for HIPC initiative due to repeated policy slippages.

The key macroeconomic objectives during the 2003/04 programme period were to attain an average annual growth rate of at least 6 percent; reduce in inflation to 5 percent in line with MPRS target; increase gross official reserves to about five months of import cover. These objectives were to be achieved through efforts to substantially reduce domestic budget deficit by increasing revenues and containing expenditures; control the growth of money; and implement key structural reforms.

Macroeconomic Developments and Budgetary Issues

In the first year of implementing the MPRS (2002-03), performance in attaining macroeconomic stability was generally below expectations. The authorities made considerable achievements in lowering inflation rates but there were some attendant fiscal issues that still needed to be addressed with seriousness. The stock of domestic debt more than doubled from MK26.0 billion by end June 2002 but has risen to MK54.3 billion by end June 2003. During the period under review, the inflation rate rose from 8.5 percent in June 2003 to 11.6 percent in June 2004. It was noted that the MPRS and

the 2003/04 budget inflation targets were missed by 6.6 and 4.1 percentage points respectively. The real GDP grew by 4.6 percent during the period under review. This figure was comparable to both the MPRS and 2003/04 budget targets, which were 4.5 percent and 4.4 percent respectively.

The performance of the Malawi Kwacha against major currencies during the review period was somewhat mixed. During the first half of the fiscal year under review (June to December), the Kwacha depreciated by 12.1 percent thus from MK96.8010 to MK108.5669 per US dollar.

It is noted that both the MPRS and 2003/04 budgetary assumptions resulted into budgetary surpluses of 0.3 percent and 1.8 percent of GDP respectively. However, the exchange rate target did not hold. At the end of the fiscal year the exchange rate was MK 108.9080 per one United States dollar. The depreciation of the Kwacha coupled with other economic fundamentals not holding resulted into a higher than projected inflation rate of 11.6 percent at the end of the fiscal year. The overall resource envelope was 35.3 percent of GDP against total expenditure of 42.5 percent of GDP.

Protected Pro-poor Expenditures

The PPE expenditure as a percentage of total expenditure declined in the year under review. The MPRS and the 2003/04 budget projected that PPEs would be 25.2 percent and 20.5 percent of the total expenditure respectively. However, the actual outturn for the 2003/04 PPEs revealed that there was a decline by 9.2 percent and 4.5 percent of the projected MPRS and budgetary targets respectively. The actual outturn showed that the PPE amounted to 16 percent of the total expenditure for the fiscal year under review. This indicated that overall government expenditures were increased while PPEs were held constant in absolute terms.

Financing of the Deficit

The budget deficit during the review period was financed from domestic borrowing. Total domestic debt stock has been increasing steadily since end June 2003. It increased from MK54.9 billion to MK67.7 billion during the fiscal year under review. The rise of domestic debt was partly due to increased government expenditure and partly due to non-disbursement of budgetary support by various donors.

Medium Term Macroeconomic Prospects 2005-2007

The MPRS was designed to be implemented for three years. Therefore, the final year of implementation is 2004/05 fiscal year. The new medium term macroeconomic targets will be formulated with the aim of stimulating economic growth while maintaining the gains achieved during the first three years of implementation of the strategy. The achievements of these targets will largely depend on how government will implement its current and future budgets.

The average growth of the economy for the next three years is expected to be 5.5 percent. It is expected that by the end of 2006 the inflation rate will average 9.7 percent

and by the end of 2008 the annual average inflation rate will be 7 percent. The inflation rate targets will be achieved on the assumptions that the government fiscal targets hold for the entire period and authorities pursue prudent monetary policy. The exogenous shocks in the production such as drought will be fully mitigated by crop irrigation mechanism during winter cropping season.

It is assumed that the exchange rate will remain free of restrictions and multiple currency practices on the making of payments and transfers for current international transactions.

The programme will assume an average overall deficit including grants of 1.7 percent of GDP. This target will drive the current net domestic debt stock from 22.9 percent of GDP to around 17 percent of GDP by 2008. The reduction in government borrowing will influence monetary authorities to cut down on lending rate in line with prevailing economic fundamentals.

The revenue and grants were projected at 38.9 percent of GDP against total expenditure of 40.2 percent of GDP in the year 2005/06 fiscal year. The resource envelope for the year 2006/07 is expected to be 37.5 percent of GDP against total expenditure of 39.6 percent of GDP. The decline in the resource envelope is mainly due to overall decline in the external assistance. In the fiscal year 2007/08, the external assistance will further decline by 0.6 percentage points leaving a resource envelope of 36.9 percent against total expenditure of 38.7 percent of GDP.

For the past five years social and community services on average have received 30.8 percent of the total resources. The significant amount of resources went to education and health sectors. These two sectors still pose for a major challenge to the development of the country. The medium term forward looking framework assumes that the share of social and community Services will remain at 30 percent of the total expenditure. The general administration received on average 27.4 percent of total share of expenditure. For the next three years, it is assumed that the sector will require 27 percent of the share of the total expenditure.

The bulk of debt service was domestic debt and it constituted 20.6 percent of the total expenditure. It is assumed that the domestic debt services will average 16 percent or even less than 16 percent of the total expenditure for the next three years. The resources released from debt services will be used for economic sector to boost economic growth.

Analysis of 2004-05 Budget by Pillar

The share of total MPRS activities in the budget are less than the planned shares as laid down in the strategy by 18 percent. The remarkable increase in the expenditure is still due to interest payments on the domestic debt stock that constitute most of the statutory expenditure.

Analysis of Protected Pro-Poor Expenditure for 2004/05 Budget

The 2004/05 budget continues to hedge some priority activities in various sectors. In terms of the share, education sector has 10.23 percent seconded by health 3.94 percent and thirdly by agriculture 1.56 percent. As share of total budget, there is no significance difference between 2003/04 and 2004/05 pro-poor budget allocations.

The Process for the Formulation of the Successor to the Current MPRS

The Ministry of Economic Planning and Development will champion the formulation of the new strategy that will be crafted on the basis of State President Vision of the country. The initial draft will be developed by the core team composed of Ministry of Economic Planning and Developed, Ministry of Finance and Reserve Bank of Malawi. The Draft document will be discussed by various stakeholders in the form of thematic working groups. For 2005/06 budget, it is expected that issues raised in Malawi Economic Growth Strategy and Malawi Poverty Reduction Strategy will be the basis of the budget in the form of transitional agenda. Apart from the formulation of the economic strategy the Ministry of Economic Planning and Development will champion comprehensive review of Malawi Poverty Reduction Strategy linking it to the possibility of attaining various targets of Millennium Development Goals and Malawi's Vision 2020.

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, especially through Micro, Small and Medium Scale Enterprises (MSMEs). The sectors for diversification are manufacturing, tourism and small-scale mining, among others. In this review, we analyse the extent to which these sectors have participated to achieve the goals in poverty reduction.

Agriculture

Some of the most limiting factors impinging on agricultural productivity include: declining soil fertility and soil degradation; low access to credit; weak extension systems; low technology development; and over-dependence on rain-fed agriculture. Since the inception of the MPRS, a number of programmes and specific activities have been implemented with varying level of success.

Extension Services

During the period under review, the Ministry of Agriculture undertook a number of training sessions. Out of a planned target of 24,141 extension workers, only 4,683 workers were trained representing an achievement level of about 20%. Two yellow vans were procured against the planned 8 yellow vans; 40 Agriculture Extension Development Officers (AEDOs) were trained in participatory extension methods, HIV/AIDS prevention and mitigation, gender issues and business management. Implementation of the New Extension Policy was piloted in 4 districts. Participatory extension processes were implemented in all the 28 districts. In addition, 133 farmer cooperatives and 4 associations were formed

Marketing

The Ministry of Agriculture, managed to recruit 38 enumerators that were deployed in 38 major markets to collect market information. The information to be collected included, retail prices, horticultural prices, livestock surveys and input prices. During the year, two (2) refresher courses were conducted for the enumerators and their supervisors

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.

Specific Crop and Livestock Production

Achievements in 2003/04 are: 133 associations and 4 cooperatives were formed against a target of 300 association and 30 cooperatives respectively. Two-cassava associations were formed by IDEAA and Farmers Union of Malawi. With support from NORAD, NASFAM facilitated the establishment of another association for aromatic *Kilombero* rice. A total of 55,552 farmers were trained in general principles of crop production against a planned figure of 950 farmers.

With respect to provision of basic seeds, 4.5 metric tonnes of beans, 9.9 metric tonnes of maize, 85.4 metric tonnes of groundnut and 1.8 metric tonnes pearl millet were produced. Furthermore, 362 nurseries of cassava seedlings grown on 161.2 hectares, 821 nurseries of sweet potatoes covering 65.5 hectares and 30 nurseries of banana suckers covering 5.45 hectare were developed.

Under livestock production the following achievements were observed: 55 percent versus 80 percent of all feed manufacturing industries were inspected; 114 farmers were trained in specific animal husbandry practices, 32 dip tanks out of 50 were operational, 60 farmers out of 200 were provided with veterinary services at cost sharing basis. Private sector animal breeding and health services were monitored in 7 institutions. A total of 25 members of staff were trained in disease surveillance against a target of 411. Monitoring of the importation of livestock products was done at 6 border posts representing a 22 percent achievement.

Reduce Land Shortage and Degradation

New policy on land acquisition was developed and approved by government. A new project on consolidation of ownership of land and public acquisition and redistribution of land has not been launched.

Training on soil conservation and soil fertility management techniques was conducted to 4,683 farmers against a target of 24,141. The Ministry also trained 223,023 farmers in low cost soil fertility improvement techniques (organic manure management and making) and water conservation techniques against the original target of 183,330.

Promote and Expand Farm Mechanization

This strategy was aimed at increasing access to draught animals and animal drawn equipment and tractor hire scheme. The program had difficulties in acquiring work oxen, ox-drawn equipment and farm tractors. Tractor hire scheme had problems, which included limited number of tractors in good working condition. A total of 588 hectares were ploughed compared to a target of 43,200 hectares.

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.

Fisheries Sector

The stock assessment surveys reveal a potential of 30,000-35,000 tonnes per year from the unexploited deep-water fish, there has been localized over fishing near the shores as artisan fishers lack the resources to expand their activities inside the lake. In addition, small-scale fish farming lags behind because of lack of start up funds to enable farmers venture into the enterprise.

There is a consensus among different stakeholders that more understanding of the Chambo biology, testing of different enhancement technologies, restocking potential and the socio-institutional issues governing compliance and non-compliance of fisheries regulations is required for effective implementation of the national Chambo Restoration Strategy. The small-scale fish-farming programme was implemented in the 21 districts. The common species stocked were *Talapia rendalii*, *Oreochromis shirunus* and *Oreochromis karongae*.

Forestry

Forest Collaborative Management is a pro-poor approach aimed at rural empowerment to contribute to poverty reduction. Kasungu and Liwonde Forest Reserves have demonstrated the existence of a multiplicity of institutions ranging from local to national and from formal to informal each varying according to the particular socio-cultural and traditional context.

The Forestry Department has 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.

Parks and Wildlife

The Department of National Parks and Wildlife received about MK32 million of PPE funds in 2003/04 fiscal year. The funds were used for administration and management activities, extension services, research and supervision, and maintenance of vehicles. In addition, part of the funds was used for contractors who rehabilitated Mwabvi and Majete staff houses, law enforcement and crop protection activities. These resources were complemented by funds from USAID under Nature Program, which is coordinated by the DEA.

Tourism Sector

The Department developed community led tourism in form of cultural tourism as one form of diversification of the product. Groundwork and community mobilization was done for Yao cultural village at Mpale in Mangochi district. Other pilot sites were also identified for the Chewa, Ngoni and Tumbuka Cultural Villages in Kasungu, Mzimba and Rumphu districts respectively. In addition, preparatory work to identify sites for construction of curio stalls was also done during the period under review.

The Department trained 62 managers (27 in Salima, 16 in Karonga and 19 in Nkhata Bay) as part of capacity building for Small and Medium Enterprises Managers for accommodation units in visitor management. However, the Department failed to train tour guides due to inadequate funding.

The Department also carried out inspection and classification of tourism accommodation units in various parts of the country. Out of targeted 1,200 units, only 521 units were classified countrywide. Out of the classified accommodation units, 300 complied with published standards and were licensed.

Mining

The Mining sector offers the opportunity for generation of rural income and employs nearly 3,000 people. The scope for formal employment was projected to increase to 10,000 by 2004, while informal employment was expected to double within the same period by 40 percent. Whilst Malawi is endowed with a variety of mineral resources, such as bauxite, coal and uranium, the MPRS has been focusing on small-scale mining involving quarry stone, gemstones, pottery-ceramics, salt aggregate, limestone, sand and clay (pottery and brick moulding).

In order to encourage development of mineral based small-scale industries two projects were implemented. These projects included construction of lime demonstration kiln at Balaka and resurrection of a salt making demonstration at Nchalo. Relevant associations

were established for the two projects in order to add value to the industrial minerals mined. Salt production has increased as a result of these developments.

Road Sector

The following activities were funded by European Union: the construction of Dwambadzi, Kalwe, Liwaladzi, Kasangadzi and Lisasadzi bridges. 88 km Masasa-Golomoti-Monkey Bay at a cost of K1.02 billion. The work started in March 2003 and contract duration is 730 days. The EU funded Karonga-Songwe road was not constructed.

Another programme funded by EU included Malawi Backlog Road Maintenance Programme (MABARIM) mainly funded by EU. Apart from EU funded programmes, there are other development partners in this sector such as International Development Association (IDA) and Nordic Development Fund (NDF), African Development Bank, KFW, OPEC fund and other partners that also contribute to road construction and maintenance.

Water and Sanitation

During the 2003/2004 fiscal year, the Water and Sanitation sector completed the implementation of the National Water Development Project. The activities included; establishment and strengthening of regional water boards, construction and rehabilitation of rural and semi-urban gravity fed piped water supply schemes and construction and rehabilitation of boreholes.

In addition, the District Water Supply III, Lilongwe/Dedza ground water development projects were completed in the year. Activities involved in these projects included; construction and rehabilitation of boreholes and gravity fed piped water supply schemes.

Complementing the Ministry of Water Development's efforts, UNICEF through a number of NGOs active in the sector, implemented a number of programmes in the year under review. These include; borehole construction in communities and health centres, shallow wells construction and springs protection, training of extension workers in Participatory Hygiene and Sanitation Transformation (PHAST) and Village Health and Water Committees training in PHAST and Community Based Management (CBM) of water supply and sanitation facilities.

The MPRS also indicates that the baseline situation of the sanitation sub-sector is another area that has lagged behind in the sector. Only 81.4% of the households countrywide had sanitary excreta disposal services by 2002 and the target set was to have a scenario where all the households countrywide have access to sanitary excreta disposal services by 2005. In this area, UNICEF and other cooperating partners have done a lot of investment in communities, health centres and schools.

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.

The planned activities for the energy include: expansion of network to rural growth centers; encourage use of charcoal and other wood stoves (in order to improve efficient use of fuel wood); provision of credit for the production of stoves; use of biogas plants; provision of photovoltaic revolving fund; develop market for photovoltaic at household level; rationalize fuel distribution margins; promote low cost electrification technologies; improve efficiency in production of electricity; engage in interconnection with Mozambique and rehabilitation of existing power generating infrastructure.

The energy sector has set up revolving fund for financing photovoltaic systems in rural and peri-urban areas. The sector is negotiating with commercial banks how to administer the revolving fund for acquiring photovoltaic equipment. The sector failed to develop market system for photovoltaic energy.

Telecommunications Sector

The telecommunication sector plays important role in economic growth and poverty reduction. The government therefore is urged to treat telecommunication sector as an enabling sector for other economic activity to take place. The government should improve access to telecommunication services, postal services, radio and television broadcasting services and internet and computing services.

Commerce and Industry

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, 30 extension workers were trained in formation of clubs, associations and cooperative societies. Further, 2,500 members were also trained in business and association management. The trained group members were registered into cooperative societies.

Under the development of local agro-storage and processing industry, the Ministry managed to provide support to a fruit juice processing industry. However, no support was provided to Soya processing groups as provided in their planned activities for the year under review. A number of monitoring activities on the importation of poultry products were conducted and an importation ban on poultry products was also imposed in order to protect the local poultry producers and to encourage them develop to a competitive level.

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

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 ECD policy was launched and several supporting documents have been produced. District trainers for care givers and parents were trained. 387 caregivers were trained at Chancellor College and 735 ECD centers were opened. Of the 45 Social Welfare Assistants that were initially enrolled, 38 successfully graduated from Magomero College.

Primary Education

The aim is to provide quality and equitable free primary education to all children. It mainly focuses on the issues of access, quality, equity, relevance and that of HIV/AIDS. If the government is to reduce poverty, it needs to invest more in the primary education where social returns are more compared to other sub-sectors.

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

Functional Adult Literacy

At the beginning of the year under review, about 3,500 classes were opened in the country many of which were in the Southern Region. The learning cycle registered over sixty thousand learners with women comprising ninety percent of the total. This number however dwindled in the months of January and February due to engagements with farming activities.

In the 10 impact districts of the Skills Development and Income Generation (SDIG) Project, 400 classes were operational, registering 10,991 learners (9771 females). These 10 districts were Chitipa, Karonga, Dowa, Ntchisi, Salima, Ntcheu, Balaka, Machinga, Chikwawa and Mwanza.

To ease the problem of low staffing levels, an additional 1000 instructors were recruited but 499 of them dropped out mainly because of delays in payment of their honoraria.

Secondary Education

During the review period, some new secondary schools were constructed in rural and urban centers by both government and development partners. At the central level, an efficient and reliable Education Management Information System (EMIS) was established in 2003/04 with plans to extend the facilities to divisions and then districts when the necessary structures are put in place. As one of the ways to bring back the out of school Pupils/Youths, Open Learning Centers have been established in most Conventional Secondary Schools (CSSs) and Community Day Secondary Schools (CDSSs).

The textbook revolving fund (TRF) was not successfully implemented during the review period because funds generated were remitted to the general government account making it difficult for the Ministry to access the funds to procure more textbooks.

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. To ensure that the disadvantaged access tertiary education, structures meant to provide a user-friendly environment for disabled were put in place. In addition, modalities were worked out to assist needy students to benefit from the Government Students Loan Trust Fund. Discussions were underway to establish a Public Universities Students Loan Trust Fund to benefit only the very needy.

In trying to make the tertiary education more responsive to the needs of the most Malawians, a collaboration agreement with the Central University of Technology (South Africa) was signed. Plans were underway to introduce university-wide HIV/AIDS generic courses by January 2005.

Health

Essential Health Package (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 health strategies in the MPRS are a replica of the EHP.

In the year under review, a total of K140.9 million was allocated in the 2003/04 budget for the ongoing training of health cadres. However, the budgetary provision fell short of financial requirements of students currently enrolled in the various institutions, whose estimate was pegged at approximately K200 million. Implementation of the accelerated training programme progressed in 2003/04, where a total of 809 health workers were trained.

The MPRS set minimum annual drug expenditure at the equivalent of US\$1.25 per capita. In the year under review, the approved budgetary provision for drugs was K1.2

billion, which translates to approximately US\$0.96 per capita. Although the allocation for drugs appears to be increasing annually in Kwacha terms, the minimum per capita equivalent is not yet achieved mainly due to the continuously weakening Malawi Kwacha against foreign currencies.

HIV/AIDS

In line with the Strategic Framework for the National Response to HIV/AIDS in Malawi, the Ministry of Health established a Unit, which deals with the clinical aspects of the HIV/AIDS pandemic. Responsibilities of the Unit include the scaling up of anti-retroviral therapy (ART), HIV Counseling and Testing and the Management of HIV-related diseases.

During the year under review, the Ministry finalized a plan for scaling up anti-retroviral therapy. Through this plan, the Ministry intends to provide free ART in a total of 54 health facilities countrywide in the period July to December 2004. Another scale up plan for counseling and HIV testing was finalized. The planned targets were to test a total of 750,000 clients at various sites in the years 2004 and 2005.

Promotion of Good Nutrition

The Ministry of Health managed to establish new baby friendly hospitals during the period under review. Further, the Ministry managed to conduct one integrated child health day campaign during which breast feeding week celebrations were incorporated. Two documentaries on infant feeding and HIV/AIDS were aired on TVM and MBC radio one. The Ministry also facilitated the establishment and training of community support systems for infant feeding.

A total of 5 nutrition sentinel surveillance sites were established in health centers during the period under review. There are 12 districts providing nutrition information to the system. Additionally, the process of establishing more sites is on going in the remaining districts.

Better Technical, Entrepreneurial, Vocational Education and Training

In the year under review, Ministry of Labour completed rehabilitating 90 buildings (including workshops, hostels, classrooms and kitchens) in the 7 colleges throughout the country. During the year, there has also been an increase in the number of non-apprenticeship students' enrolled full time to 880.

Overall, the total number of apprentices in the colleges has increased to 2,030. The increase was experienced because of the introduction of evening/parallel programmes that enrolled more students (1,150) than the normal system, which enrolled 880 students. The parallel programmes were introduced because of the increased demand for such training.

Safety Nets

It is recognised that in society there are some people who will need some interventions in their livelihood status. The interventions may be in the form of either productivity enhancing or welfare transfer.

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.

Targeted Input Programme (TIP)

The government TIP was the largest programme covering all the districts in the country. The package was composed of 5 kilogram of Urea and 5 kg of 23:21:0, 2 kg of open pollinated varieties (OPV) of maize and 1 kg of grain legume seed. The total cost of the TIP implemented by government was MK1.394 billion. DfID and government contributed approximately MK1.286 billion and MK108 million respectively. Government's contribution was in form of carryover fertilizer from the previous year's TIP.

Public Work Programs

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

Welfare Enhancing Interventions

The welfare support interventions were of three types thus 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.

Targeted Nutrition Programs

Unlike the previous year, there was no famine in the country during the 2003-04 period. Consequently, there was no widespread food distribution exercise. Instead, the NGOs that were general food distributors were involved in distributing food to vulnerable members of the communities in which they work. Some of the vulnerable members targeted included the children, the pregnant and lactating mothers and the sick. The WFP played an important role in providing food through the nutrition rehabilitation centers, the NGOs and hospitals

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. In 2003-04, the direct transfers included school fees assistance and distribution of food items for relief. In the central region, 156 students were given school fees assistance worth K572, 385. Red Cross, Lions Club-Lilongwe, and HIPC funds provided the school fees.

Disaster Management

During the 2003-04 financial year, the activities that were undertaken included implementing disaster preparedness and mitigation programs, provision of food and non-food items to disaster victims, rehabilitation and reconstruction and monitoring and evaluation of activities.

Good Governance

One of the factors affecting economic growth and development is good governance.

Political Will and Mindset

During the year under review government experienced change of leadership and it launched a road map on how Malawi can transform from a poor country to a middle income as articulated by the incumbent State President during the inaugural speech in May, 2004. The President, in his vision for Malawi, strongly emphasized that Malawi is not poor but the people. He was also committed to fight against poverty as a common enemy and appealed to Malawians to work together. In order to achieve his vision of transforming Malawi from a consuming to producing country, a number of strategic issues have been articulated in his Road Map.

Improved Safety, Security and Access to Justice

The issues of Security and Justice are closely linked to issues of poverty. The MPRS advocates an improved safety, security and access to justice to ensure safety of assets and wealth. Crime and insecurity impact the population negatively.

The Judiciary

The Malawi Judiciary realised that the objectives as outlined in the MPSR can never be achieved without a proper strategy. It is in that vein that in the year under review in November 2003 the Malawi Judiciary launched its five-year Strategic Plan and Development Programme.

The Malawi Police Services

The Malawi Police Service (MPS) in its bid to *create a safe and secure Malawi* engaged itself in various activities in response to the Malawi Poverty Reduction Strategy (MPRS) guidelines. The activities were implemented using both government and donor funding.

A series of training in various branches were conducted to improve capacity and professionalism. Several activities in relation to HIV/AIDS were held, as the police service is one of the major culprit of the HIV/AIDS pandemic. Additionally, the MPS recognizes the reality and existence of HIV/AIDS hence the intensified fight against HIV/AIDS among officers, their spouses and children.

During the period under review, the MPS recruited civilian staff in Finance Management and drafted a Civilian Management Policy. This was done to ensure good management of finances. The policy is however awaiting management approval.

Fraud and Corruption

During the review period, the ACB conducted a National Anti-Corruption Day in order to create awareness and a decision was made to observe the day annually. The Bureau organized seminars on promotion of free and fair elections. This activity was followed by anti-corruption campaigns in all the districts and through the mass media. Anti-corruption newsletters for two quarters were produced. The Bureau supported Anti-Corruption Clubs of the Universities. The ACB also produced and distributed posters and T-shirts. Public awareness campaigns through the radio and talk shows during the review period were also conducted.

Decentralization

During the period under review, the Ministry of Local Government and Rural Development (MoLGRD) carried out a number of activities.

The MoLGRD managed to develop appropriate accounting and financial management systems during the year under review. Seven district assemblies have completed computerizing their accounting systems. However, there are still five assemblies that failed to carry out this activity. The failure was mostly attributed to under budgeting of funds allocated for procurement of equipment.

Democratization

There have been a number of activities undertaken by state institutions, political parties and civil society organizations. Most activities undertaken, mainly in year 2004 focused on the general elections. Some of these institutions that carried these activities included Malawi Electoral Commission, Human Rights Commission, Parliament, National Democratic Institute (NDI), Malawi Electoral Support Network (MESN), CISANET, CIDA, MEJN, MHEN, CSCQBE, LTF, CU, and NGO GCN Task Force on Women in Political-Decision Making among others.

Unlike in 1999, the 2004 elections saw the proliferation of a number of political parties that contested during the elections. Most of these new parties sprung mainly due to lack of internal democracy within political parties that resulted in some cases of imposition of candidates.

Human Rights

Human Rights Awareness Campaigns were conducted in almost all the districts by HRCC, CHRR, and faith-based organizations among others using drama, dances, debates, radio and TV among others on constitutional rights. In the year under review, the awareness campaign mainly focused on rights related elections. Due to the awareness campaign, there has been an increase in numbers of cases reported to various human rights organizations and state institutions such as the MHRC and Ombudsman and Legal Aid. In addition, media coverage of human rights abuse has increased.

Gender and Empowerment

In 2003/04 financial year, considerable effort was made to ensure that gender issues are mainstreamed in the budget cycle. A training session was held to equip officers from Planning and Budgeting units of government ministries and departments with skills on how to engender all sectoral budgets. By the end of 2003/04 fiscal year, the Ministry had already submitted to parliament some draft acts and bills together with some laws that had been reviewed with the aim of making the legal system fair to all gender groups.

HIV/AIDS

Malawi has one of the highest HIV infection rates of 15% especially in younger age groups. Research has shown that there is a clear link between HIV/AIDS and poverty. The effects of HIV/AIDS are numerous and affect the productive people in all sectors who are central in poverty reduction. Major highlights include the official launching of the national HIV/AIDS policy that emphasizes the commitment of the Government and other stakeholders to fight against the epidemic. The Government developed an implementation plan for ARVs programme.

Science and Technology

Some of the achievements realised by DISTMISI include drafting of the National ICT policy to coordinate utilization and development of information and communication technology. Further, maintained the Health Management Information System but failed to computerize Education, Health, Gender and Labor sectors.

Environment

The Department of Environmental Affairs facilitated the review and approval of several Environmental Impact Assessments, Environmental Audits and project briefs by the Technical Committee on Environment. The reviews covered development projects in the education, health, industrial and estate development sectors. On the other hand, some projects proceeded without complying without conducting EIAs. This was partly due to ignorance and also defiance of the law.

Monitoring Evaluation

The Ministry of Economic Planning and Development completed a study report entitled 'Design for a District based performance monitoring and evaluation system' in November 2003. This report brought out ten crucial recommendations to MEPD for the design and establishment of a practical district-based system. The Ministry also managed to produce the MPRS Monitoring and Evaluation Master Plan during the year under review. In addition, a database on project monitoring was developed during the review period.

Emerging Issues

The previous review discovered that there were some issues that were omitted during the formulation of the MPRS namely lands and housing. Similarly, the current review also recognizes that these issues need to be taken on board. Although these issues were not included in the MPRS activities, during the period under review, a number of activities were implemented in relation to land and housing.

Conclusions and Recommendations

Notwithstanding the challenges, the macroeconomic performance remains far from achieving macroeconomic stability as targeted in the MPRS. It is noted that almost all the macroeconomic targets that were set both in the MPRS and the 2003/04 budget were not achieved as manifested by high inflation rate, sluggish GDP growth, increased domestic debt and continued depreciation of the Malawi Kwacha. Overall, the 2003/04 budget for the MPRS as a percentage of total expenditure was less than the programmed in the MPRS and budget. This reveals that government increased spending without proportionally corresponding increase in MPRS activities.

Chapter 1.0: Introduction

The government of Malawi and its development partners formulated the Malawi Poverty Reduction Strategy (MPRS) in the year 2002. The aim of the Strategy is to reduce poverty through economic growth and empowerment of the poor. One of the recommendations of the Strategy is to conduct annual reviews in order to assess progress in the implementation of activities articulated in the Strategy. Since the launch of the Strategy, the government supported by its development partners has conducted one annual review for the first year of the implementation. The first year of the implementation of the strategy was 2002/03.

The first review brought to light a number of challenging issues during the implementation period. These challenges included; little adherence to implementation of MPRS activities, lack of guidelines to assist sectors to translate MPRS activities into the budget and diversion of resources meant for MPRS activities to fund non-priority other recurrent transactions (ORT) related expenditures. There were also constraints that were faced during the review period such as lack of information related to implemented activities.

The 2002/03 annual progress report made a number of recommendations in order to improve efficiency in conducting annual reviews. Some of the recommendations included development of guidelines to assist sectors to link the strategy to the budget, establishment of planning units in all ministries and government departments, establishment of monitoring and evaluation systems in all sectors and the need to carry out impact studies in specific areas. Most of these recommendations are on going processes of the implementation of the strategy.

The second progress report has focussed on assessing inputs, outputs and to some extent outcomes of the implementation of the Strategy. In terms of inputs this report analyses expenditure by pillars, protected pro poor activities and functional analysis of government expenditure pattern. The outputs and outcomes analysis is presented in the rest of the report by comparing the planned activities and their targets outlined in the strategy to the actual progress and targets achieved over the second year of the implementation period.

The current process follows the MPRS formulation process where by thematic groups are formulated to look into implementation of the budget and progress in achieving MPRS targets. The review started with stakeholders meeting in the form of pre arranged thematic working groups. The original MPRS thematic working groups were about 21 of them and these groups were consolidated into nine working areas. It was also agreed that a drafting team should be formed to come up with first draft that will be discussed by various stakeholders. The drafting team was composed of government officials as well as some civil society officials.

The draft report was produced and it was submitted to the nine thematic groups for their comments and actions in areas of weaknesses. Apart from nine thematic groups the report was circulated to senior government officials (Principal Secretaries and

Directors) of various government departments and ministries and development partners including civil society organisations.

The drafting team held meetings with first senior government officials on January 2005, Second development partners on 11th January 2005 and civil society organisation on 17th January 2005. The draft report was also presented to the participants of the workshop that was analyzing the linkages of MPRS to budgeting and monitoring and evaluation. The workshop drew over seventy participants from parliament, government and civil society organizations. The drafting team finalized inputting comments from all stakeholders that were consulted by 11th February 2005.

The 2003/04 annual progress report has eight chapters. The first chapter introduces the report while background issues to implementation are presented in Chapter 2. The Chapter 3 looks at Macroeconomic developments while Chapter 4 presents progress in implementation by pillars. The cross cutting issues are presented in Chapter 5 while emerging issues are presented in Chapter 6. The report also looks at monitoring and evaluation issues which are presented in Chapter 7. The major highlights of conclusions and recommendations are presented in Chapter 8. These recommendations are meant to assist various sectors in the Implementation process. However, some of the recommendations are of policy in nature and they require some decisions to be made by government. Some of these recommendations are presented in various appendices.

Chapter 2: Background

The country made a decision to go on HIPC initiative after carrying out debt sustainability analysis. It was perceived that resources unlocked from debt service would assist government in its endeavor to foster economic growth and poverty reduction.

2.1 Poverty Situation

Poverty in Malawi has remained a major challenge to government economic and social policies. The National Statistical office is in a process of finalizing 2004/05 Integrated Household Survey (IHS). The survey results are expected to update 1997/98 Integrated Household Survey findings. The 1998 IHS revealed that 65.3 percent of the population in Malawi lives below the poverty line.

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

On December 21, 2000, Malawi reached the decision point under the HIPC initiative following the approval of a three-year PRGF arrangement by the Executive Board of International Monetary Fund (IMF) and World Bank. Since then Malawi has not reached a completion point for HIPC initiative due to repeated policy slippages. The PRGF arrangement was anchored in the Malawi Poverty Reduction Strategy. It required government to successfully implement policies and issues from MPRS in context of PRGF benchmarks for at least one year in order to reach completion point of HIPC initiative.

The key macroeconomic objectives during the 2003/04 programme period were to attain an average annual growth rate of at least 6 percent; reduce in inflation to 5 percent in line with MPRS target; increase gross official reserves to about five months of import cover. These objectives were to be achieved through efforts to substantially reduce domestic budget deficit by increasing revenues and containing expenditures; control the growth of money; and implement key structural reforms.

The main challenge to the 2003/04 PRGF programme was still budget management. The authorities failed to reverse the fiscal deterioration. In fact fiscal deficit worsened as explained in the following chapter. Consequently, further negotiations between the fund and Malawian authorities for the 2003/04 fiscal year were stalled. Since the formulation of the MPRS fiscal slippages were mainly on account of sharp increase in interest rates associated with the rising of domestic public debt; unstable wage bill and repeated bailouts of non-performing parastatals.

2.3 The Implications of non-committal to MPRS and PRGF Policies

The notable outcome for country's inconsistency policy implementation was withdrawal of budget support by various donors and development partners. The government was forced to finance its current outlays through domestic borrowing. However, this policy option had an impact on the soaring domestic and the increase in the interest rates.

Chapter 3.0: Macroeconomic Developments and Budgetary Issues

The MPRS recognizes that stable macroeconomic conditions are necessary for achieving economic growth and poverty reduction. Macroeconomic conditions are considered stable when there is low inflation, low interest rate, low unemployment rate, sustainable debt service and stable non-volatile exchange rate. In order to achieve these targets, the MPRS outlines the macroeconomic framework within which it would be implemented.

In the first year of implementing the MPRS (2002-03), performance in attaining macroeconomic stability was generally below expectations. The authorities made considerable achievements in lowering inflation rates but there were some attendant fiscal issues that still needed to be addressed with seriousness. The stock of domestic debt more than doubled from MK26.0 billion by end June 2002 but has risen to MK54.3 billion by end June 2003. The increase in domestic borrowing culminated into pushing bank rate to 45 percent.

Against this poor performance in the year 2002/03, the government put in place several measures that would assist in the implementation of tight fiscal policies. This chapter assesses the targets set in the MPRS and actual outturn as well as overall implementation of fiscal and monetary policies for the 2003-04 fiscal year.

3.1 Macroeconomic Assumptions and Targets

In both the MPRS and the 2003/04 budget, some macroeconomic conditions were outlined to achieve macroeconomic stability. Among these are inflation, exchange rate, GDP growth, domestic debt and government fiscal deficit (See Table 3.1).

Table 3.1: Macroeconomic Targets for the 2003/04 Fiscal Year

<i>Variable</i>	<i>MPRS targets</i>	<i>2003/04 Budget</i>	<i>(Jul03-Jun04) Outurn</i>
Inflation (%)	5.0	7.5	11.6
GDP growth (%)	4.5	4.4	4.6
Budget Deficit/Surplus (% of GDP) incl. Grants	0.3	1.8	-7.2
Exchange rate	74	89.46	108.9080
Total Revenues & Grants (MK' million)	44,390.8	59,973.0	65,574.76
Domestic revenues (MK' million)	31,360.6	36,014.0	42,576.99
Grants (MK' million)	13,030.2	23,959.0	22,997.77
Expenditures (MK' million)	43,975.7	56,536.0	78,471.41
Budget Deficit/Surplus	415.1	1,891.4	-12,896.65

Sources: MPRS 2002 and Economic Report 2004

3.1.1 Inflation

During the period under review, the inflation rate rose from 8.5 percent in June 2003 to 11.6 percent in June 2004. It was noted that the MPRS and the 2003/04 budget inflation targets were missed by 6.6 and 4.1 percentage points respectively. The increase in inflation rate was mainly attributed to increases in the prices of food and petroleum products. Other factors that contributed to the increase of the inflation were increases in farm input prices, the depreciation of the Kwacha and expansionary monetary policies that were aimed at accommodating uncontrollable government expenditure.

3.1.2 GDP Growth

The real GDP grew by 4.6 percent during the period under review. This figure was comparable to both the MPRS and 2003/04 budget targets, which were 4.5 percent and 4.4 percent respectively. However, the economic growth is expected to improve as government embarks on the implementation of the Malawi Economic Growth Strategy (MEGS). The moderate growth in real GDP was mainly attributed to the under performance of small-scale agriculture, which was caused by poor weather conditions combined with high farm input prices following the depreciation of the Kwacha. Despite concerted efforts by government and other stakeholders to implement activities outlined in the Malawi Economic Growth Strategy (MEGS), the economy still manifests growth of less than 5 percent. For poverty to change significantly, the economy requires to grow by at least 6 percent.

Table 3.2: Gross Domestic Product Growth Rates by Sector (2000-2004)

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

Source: Malawi Economic Report 2004

3.1.3 Analysis of Sources of Growth

The Malawi economy is driven by seasonal activities of agriculture sector. During the period under review the main sources of growth were construction sector (10.9), utility

sector (7.5), transport and communication (7.2), financial and professional services (7.3) and distribution (6.9). The overall growth in Agriculture sector was 2.7 percent of which small scale was -1.4 percent and large scale was 20.5 percent. Since the Malawi's economy largely depends on small scale agriculture, it is therefore recommended that necessary policies should be put in place to increase the size of large scale production. Details about sources of growth by sector are presented in Table 3.2.

3.1.4 Exchange Rate

The performance of the Malawi Kwacha against major currencies during the review period was somewhat mixed. During the first half of the fiscal year under review (June to December), the Kwacha depreciated by 12.1 percent thus from MK96.8010 to MK108.5669 per US dollar. The Kwacha stabilized during the second half due to sales of foreign exchange by the Reserve Bank.

The overall depreciation of the Kwacha during the period under review was attributed to several factors such as the decline in tobacco prices at international markets, importation of maize and the expected donor budget support that did not materialize due to failure by the government to meet the IMF-PRGF programme targets. Malawi sluggish export performance and large trade deficit on the current account over the period also contribute to the weakness of the exchange rate. These and other factors which included speculation caused gross official reserves to drop to as low as 1.9 months of import cover.

3.1.5 The Implications of Macroeconomic Targets on Overall Resource Envelope

The outlined MPRS targets were designed to achieve the overall domestic revenue of MK31.4 billion. External assistance was estimated at MK13.0 billion. Therefore, the total resource envelope was estimated at MK44.4 billion which was 27.6 percent of GDP against total expenditure of 27.3 percent of GDP. The MPRS targets assumed that in the 2003/04 fiscal year there would be an overall surplus of 0.3 percent of GDP, which would assist in bringing stability in the economy.

In translating the strategy into the budget, inflation and exchange rates targets differed from the MPRS targets. The inflation was projected at 7.5 percent and exchange rate was projected at MK89.46 to one US dollar. The change in the assumptions resulted in the change in the overall resource envelope. Domestic revenue was estimated at MK36.0 billion and external assistance was estimated at MK24.0 billion. Therefore, the overall resource envelope was MK60.0 billion which was 34.5 percent of GDP against total expenditure of 32.8 percent of GDP giving a budget surplus of 1.8 percent of GDP.

It is noted that both the MPRS and 2003/04 budgetary assumptions resulted into budgetary surpluses of 0.3 percent and 1.8 percent of GDP respectively. However, the exchange rate target did not hold. At the end of the fiscal year the exchange rate was MK 108.9080 per one United States dollar. The depreciation of the Kwacha coupled with other economic fundamentals not holding resulted into a higher than projected inflation rate of 11.6 percent at the end of the fiscal year. The overall resource envelope was

35.3 percent of GDP against total expenditure of 42.5 percent of GDP. The overall fiscal operations resulted into a deficit of 7.2 percent of GDP. The expenditures moved from 32.7 percent of GDP as approved by the parliament to 42.5 percent of GDP.

3.2 Macroeconomic Policies

The MPRS outlines some macroeconomic policies that should be followed in order to achieve the macroeconomic targets. These policies were mainly in the form of monetary, fiscal and structural policies.

3.2.1 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 (MK' Mn)

<i>Variable</i>	2003	2004
Money Supply (M2)	35,182.7	40,520.0
M2 Growth Rate (annual in %)	29.3	35.7
Reserve Money	13,742.9	16,108.5
Total Foreign Reserves ¹	19,832.7	18,113.8

Source: Reserve Bank of Malawi

Despite these controls, growth in money supply increased from 29.3 percent in May 2003 to 35.7 percent the same period in 2004. This was largely due to monetization of the budget deficit during the period under review. In addition, the mismatch between issues and maturities of OMO instruments resulted into expansionary monetary stance.

Progress of Implementation on Monetary Policy

During the period under review, there were a number of policy measures that were implemented in order to attain macroeconomic stability. Progress on the status of these policy measures are outlined in the attached Appendix 1

Constraints and Challenges

The major constraints in the implementation of monetary policy during the review period included lack of donor support and continuous speculative attacks on the Malawi Kwacha. The situation was exacerbated by excessive government domestic borrowing that contributed to higher interest and inflation rates.

¹ The total foreign reserves figures excludes the encumbered reserves

3.2.2 Fiscal Policy

The core objective of fiscal policy was to reduce the deficit to the level that could be sustained for a long period of time. The MPRS outlines some policies that will assist in ensuring that overall fiscal policies will be in tandem with public expenditure management.

Progress of Implementation on Fiscal Policy

In pursuit of achieving desired public sector aggregate demand, several policy measures related to revenues and expenditures were put in place as shown in Appendix 2.

Constraints and challenges

- Cost recovery and cost sharing measures were not fully implemented.
- Shortage of personnel in dealing with enforcement of surtax compliance.
- Non-commitment by the government to implement budget and PRGF programme led to temporary suspension of aid flows.
- High interest rates that prevailed in the economy exerted pressure on the budget, which made difficult to implement some of the contractionary fiscal policies.

3.2.3 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.

In this respect, government planned to implement some activities and policies on public expenditure management during the period 2003/2004 that were intended to bring public expenditure under control.

- Simplified and transparent budget structure
- Submission of quarterly expenditure reports to Cabinet Committees
- Strengthen PAC and BFC through technical support
- Training of Cabinet Ministers and Members of Parliament and controlling officers on issues concerning public finance
- Introduction of IFMS
- Reviewing and strengthening of Credit Ceiling Authority (CCA) and Commitment Control system (CCS)
- Public sector reform

Progress of implementation

The progress of implementation of the proposed activities is presented in Appendix 3. In addition, this section analyses financial performance for the fiscal year 2003/04 in terms of revenue, expenditure, sectoral budgets and protected pro-poor activities as they relate to the strategy.

3.2.4 Revenue Performance

The MPRS programmed a total revenue including grants of 27.6 percent of the GDP for the fiscal year 2003/04. The expected revenue for the approved budget was 34.5 percent of the GDP. However, the actual outturn for the revenue was 35.3 percent of GDP which was higher than those projected in the MPRS and 2003/04 budget as shown in Table 3.4. The increase was mainly attributed to increased external assistance in the form of project grants. In addition, there were also increases in the performance of tax revenues largely due to improvements in administration efficiency in tax collection and compliance as a result of enforcement.

Table 3.4: Comparative Analysis of MPRS and Budgetary Figures (in million Kwacha)

	MPRS Resource Envelop	2003/04 Approved	2003/04 Revised
Total Revenue and Grants	44,390.80	59,973.00	65,574.76
Tax Revenue	28,270.50	31,140.00	36,901.77
Non-tax Revenue	3,090.10	4,874.00	5,675.22
Grants	13,030.20	23,959.00	22,997.77
Total Expenditure	43,975.70	56,789.50	78,471.41
Recurrent expenditure		41,374.80	58,340.93
Development expenditure		15,414.70	20,130.48
Deficit	415.10	3,183.50	-12,896.65
Overall Deficit	415.10	3,183.50	-12,896.65
Financing	415.12	3,183.50	13,511.15
Foreign Loans (net)	1,028.18	8,808.00	-932.43
Domestic Borrowing (net)	1,443.30	1,991.50	14,443.58
GDP at Current Market Prices	160,654.20	173,551.85	185,865.90
Discrepancies	0.02	0.00	614.50
As a Percentage of GDP			
Total Revenue	27.6	34.5	35.3
Total Grants	8.1	13.8	12.4
Total Expenditure	27.3	32.7	42.5
Deficit	0.3	1.8	7.2
Financing	0.3	1.8	7.2

3.2.5 Government Expenditure

The MPRS programmed a total expenditure of 27.4 percent of GDP. However, due to increased current expenditure, the government budget projected an expenditure of 32.7 percent of GDP. The actual outturn indicated that government expenditure was 42.2 percent of GDP. This represented an increase of 14.8 and 9.5 percentage points from

the MPRS and budgetary targets respectively. The increase in expenditure was mainly financed through domestic financing of the budget.

Further, the strategy was built on the assumption that stable macroeconomic conditions would lead to overall surplus of 0.3 percent of GDP. On the contrary, 2003/04 fiscal year experienced a huge deficit of 7.2 percent of GDP as shown in Table 3.4. The government financed this deficit largely through domestic borrowing.

i) Fiscal Developments for 2002/03 and 2003/04

The main challenge to the implementation of MPRS is non-compliance to spending within the available resources. At the end of 2002/03 government incurred large fiscal deficits of 11.6 percent of GDP that crowded out private sector investment. The government needed to take decisive turnaround in fiscal policy in order to establish macroeconomic stability, halt the increase in the domestic public debt, and create an environment conducive to private sector led growth in 2003/04 fiscal year.

ii) Analysis of Government Expenditure by Pillar

The total perceived MPRS allocation were reduced from 74.3 percent for 2003/04 fiscal year to 50.2 percent for the revised budget. It is noted that there is remarkable difference in all pillars as shown in Table 3.5 below. The share of statehood activities increased from 5 percent in the MPRS allocation to 25 percent in the revised budget. The increase in expenditure of statehood activities undermined the implementation of MPRS activities.

Table 3.5: Resource Allocation

MPRS costing		MPRS Costings		Approved Budget		Revised Budget	
		2003/04		2003/04		2003/04	
		MK'bn	Percent	MK'bn	Budget percent	MK'bn	Budget percent
Total Budget		43,975.70	100.0	56,789.5	100.0	72,790.29	100.0
MPRS Activities	Total	32,675.30	74.3	31,943.4	56.3	36,513.3	50.2
	PILLAR 1	9,421.10	21.4	9,852.3	17.4	9,363.6	12.9
	PILLAR 2	15,356.60	34.9	14,501.7	25.5	18,605.8	25.6
	PILLAR 3	1,824.80	4.1	4,753.3	8.4	5,066.1	7.0
	PILLAR 4	3,783.70	8.6	2,836.2	4.9	3,477.7	4.8
Cross cutting		2,010.60	4.6	0	0	0	0
M &E		278.60	0.6	0	0	0	0
Statutory Expend.		9,023.70	20.5	10,469.0	18.4	18,139.9	24.9
Statehood activities		2,276.60	5.2	14,377.1	25.3	18,135.6	24.9

source: Ministry of Finance, Budget Documents and MPRS

iii) Analysis of Government Expenditure by Sector

The social and community services continued to receive a greater share of funding from the government as depicted in Table 3.6 below. The social and community services received 30.4 percent of the total expenditure, which was less than the planned MPRS, and the 2003/04 budget targets of 40.8 percent and 34.1 percent respectively. The second largest recipient of government funding in the 2003/04 fiscal year was the general administration that was allocated 27.5 percent of total expenditure. This was followed by debt repayment at 23.1 percent and then economic services at 19 percent. Although economic services was the least recipient, the actual outturn reveal that more funding (19 percent) was allocated to the sector than the budgeted 17.2 percent of total expenditure.

During the fiscal year under review, there was an increase in the amount of funds spent on debt repayment. The amount for debt repayment increased by 4.7 percent points from 18.4 percent of total expenditure in the budget to 23.1 percent in actual expenditure.

Table 3.6: Functional Classification of Central Government Budget (MK' mn)

	2003/04 MPRS	2003/04 Approved	2003/04 Revised
General Administration	15,084.02	17,213.23	21,613.35
General Public Services	12858.42	14,377.07	18,135.62
Other General Public Services (Defence and Public Order and Safety Affairs)	2225.6	2,836.16	3,477.73
Social and Community Services	17,932.11	19,363.84	23,832.26
Education Affairs and Services	10111.76	8,834.89	9,485.49
Health Affairs and Services	5995.57	5,579.40	9,040.49
Social Security and Welfare Affairs and Services	546.92	1,870.00	1,815.42
Other Social Services	1277.86	3,079.55	3,490.86
Economic Services	10,959.48	9,743.47	14,885.89
Energy and Mining Services	89.18	135.53	108.63
Agriculture and Natural Resources	3231.49	3,808.91	4,341.49
Tourism Affairs and Services	187.5	172.35	152.23
Other Economic Services	7451.31	5,626.68	10,283.54
Debt Amortization		10,468.96	18,139.91
Total Expenditure	43,975.61	56,789.50	78,471.41
GDP at Current Market Prices	160,654.20	173,551.85	185,865.90
<i>As a percentage of Total Expenditure</i>			
General Administrations	34.3	30.3	27.5
Social and Community Services	40.8	34.1	30.4
Economic Services	24.9	17.2	19.0
Debt Amortization	0.0	18.4	23.1

Source: Economic Report (2004)

iv) Protected Pro-poor Expenditures

The MPRS singled out a list of protected priority pro-poor expenditures (PPEs) from the MPRS costed activities. Appendix 5c shows the activities that were protected and their respective approved and revised allocations for the 2003/04 fiscal year.

The PPE expenditure as a percentage of total expenditure declined in the year under review. The MPRS and the 2003/04 budget projected that PPEs would be 25.2 percent and 20.5 percent of the total expenditure respectively. However, the actual outturn for the 2003/04 PPEs revealed that there was a decline by 9.2 percent and 4.5 percent of the projected MPRS and budgetary targets respectively. The actual outturn showed that the PPE amounted to 16 percent of the total expenditure for the fiscal year under review. This indicated that overall government expenditures were increased while PPEs were held constant in absolute terms. Generally, all the pillars listed under the PPEs were allocated less funding as a percentage of total funding as compared to amounts projected in the MPRS for 2003/04 and the 2003/04 budget.

Nevertheless, Pillar 2 specifically education and health sectors received more funding than the rest of the sectors. Out of the total PPEs under pillar 2, education alone was allocated 8.5 percent of the total expenditure while health was allocated 4 percent of total expenditure. In the education sector, teaching and learning materials for both primary and secondary education received over double the amounts approved in the budget. The other activities that relatively received more funding were teacher's salaries for both primary and secondary education, and teacher's training. On the contrary, tertiary education and teacher's houses were the worse affected components during the review period.

In the health sector, more funding was allocated towards preventive health care, health workers' training curative health services, health technical services and drugs while health infrastructure development and rehabilitation received less.

The PPEs under Pillar 1 were allocated 2 percent of the total expenditure as opposed to the MPRS and 2003/04 budget targets of 9 percent and 2.8 percent of the total budget respectively. Only agriculture extension received 1.1 percent of the total expenditure while the rest of activities spent less than what was estimated in the MPRS and the 2003/04 budget. Although food security initiatives, research and borehole/dam construction or rehabilitation were listed as pro-poor activities these were not funded during the year under review.

The overall expenditures under PPEs for Pillar 3 and Pillar 4 were very low. The PPEs under pillar 3 received 0.7 percent of the total expenditure while pillar 4 received only 0.4 percent of the total expenditure.

It was noted that some activities listed under PPEs were not funded for reasons which were not clear.

3.2.6 Financing of the Deficit (Domestic Debt Stock)

The budget deficit during the review period was financed from domestic borrowing. Total domestic debt stock has been increasing steadily since end June 2003 (see Table 3.7). It increased from MK54.9 billion to MK67.7 billion during the fiscal year under review. The rise of domestic debt was partly due to increased government expenditure and partly due to non-disbursement of budgetary support by various donors. The current stock of domestic debt can trigger fiscal crisis if the situation is not reversed.

Table 3.7: Stock of Domestic Debt, June 2003 – Dec 2004

	<i>End Jun 03</i>	<i>End Dec 03</i>	<i>End June 04</i>
TBs (face)	39,612	47,029	51,986
TBs (cost)	32,147	31,147	38,141
LRS	3,773	3,752	3,735
RBM Bills	9,212	2,914	5,199
W/Means	2,310	3,320	6,821
TOTAL ²	54,907	57,015	67,741

Source: Reserve Bank of Malawi (2004)

Constraints and Challenges

The following constraints and challenges were encountered during the period under review:

- Lack of PRGF to support the implementation of activities.
- Political interference that derailed economic programmes and the budget
- Increase in stock of domestic debt

3.2.7 Public Sector Reform

The MPRS has recognized that public sector reform is necessary for an efficient and effective service delivery in public sector. Implementation of activities in the public sector review would ensure improvements in competence of the civil service, which is entrusted with policy formulation, implementation and monitoring.

The MPRS planned that the following strategies should be pursued in order to reform the public sector: improving public sector conditions of service and work ethics, review the structure of the civil service, addressing capacity constraints across government, strengthening public policy by decentralization process, improving the effectiveness of parastatals.

Progress of Implementation

There were a number of activities that were carried out in order to improve performance of parastatals during the year under review. However, most of these activities were not fully implemented during the year. Appendix 4 highlights the major activities and progress of implementation.

² Total includes TBs (face value) that is it includes interest charges

3.3 Medium Term Macroeconomic Prospects 2005-2007

The MPRS was designed to be implemented for three years. Therefore, the final year of implementation is 2004/05 fiscal year. The new medium term macroeconomic targets will be formulated with the aim of stimulating economic growth while maintaining the gains achieved during the first three years of implementation of the strategy. The medium term macroeconomic framework for 2005/06-2007/08 is presented in the Table 3.8 below. The achievements of these targets will largely depend on how government will implement its current and future budgets. The main risk to the programme is the combination of current stock of domestic debt and high interest rates prevailing on the market.

Table 3.8: Medium Term Macroeconomic Framework for 2005-07 Fiscal Year

<i>Variable</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>
Inflation Rate	12.7	11.4	8.0	7.3
Real GDP growth Rate	4.7	5.1	5.5	5.8
Overall Balance (% of GDP) incl. Grants	-4.1	-1.3	-2.1	-1.8
Exchange Rate				
Total Revenues & Grants (MK' Mn)	76,703.0	99,406.0	109,463.0	121,844.0
Domestic Revenues (MK' Mn)	51,491.0	63,368.0	72,463.0	80,426.0
Grants (MK' Mn)	25,212.0	36,038.0	37,000.0	41,417.0
Expenditures (MK' Mn)	85,600.3	102,707.0	115,584.0	127,820.0
Overall Balance	8,897.3	3,301.0	6,121.0	5,976.0
Nominal GDP (MK' Mn)	227,656.10	255,457.0	291,724.0	330,174.0

Source: Malawi Authorities and IMF Staff

3.3.1 Gross Domestic Product Growth Rate

The average growth of the economy for the next three years is expected to be 5.5 percent. The economy can grow beyond 6.5 percent per annum for next three years if the government maintains fiscal discipline. It is unarguable fact that agriculture will remain a dominant sector in influencing economic growth of the country.

3.3.2 Inflation Rate

It is expected that by the end of 2006 the inflation rate will average 9.7 percent and by the end of 2008 the annual average inflation rate will be 7 percent. The inflation rate targets will be achieved on the assumptions that the government fiscal targets hold for the entire period and authorities pursue prudent monetary policy. The exogenous shocks such as drought in the production sector will be fully mitigated by crop irrigation mechanism during winter cropping season.

3.3.3 Exchange Rate

It is assumed that the exchange rate will remain free of restrictions and multiple currency practices on the making of payments and transfers for current international transactions.

3.3.4 Overall Balance

The programme will assume an average overall deficit including grants of 1.7 percent of GDP. This target will drive the current net domestic debt stock from 22.8 percent of GDP to around 17 percent of GDP by 2008. The reduction in government borrowing will influence monetary authorities to cut down on lending rate to around 12 percent by the year 2008.

3.3.5 The Resource Envelope for 2005/06-2007/08 Fiscal Year

The medium term assumptions and targets were used to come up with medium term resource envelope as shown in Appendices 5a and 5b. The revenue and grants were projected at 38.9 percent of GDP against total expenditure of 40.2 percent of GDP in the year 2005/06 fiscal year. The resource envelope for the year 2006/07 is expected to be 37.5 percent of GDP against total expenditure of 39.6 percent of GDP. The decline in the resource envelope is mainly due to overall decline in the external assistance. In the fiscal year 2007/08, the external assistance will further decline by 1.7 percent leaving a resource envelope of 36.9 percent against total expenditure of 38.7 percent of GDP. In order to reduce the interest rates and stimulate economic growth, the increased external assistance is needed.

3.3.6 Medium Term Indicative Sector Shares

For the past five years social and community services on average have received 30.8 percent of the total resources as shown in Table 3.9. The significant amount of resources went to education and health sectors. These two sectors still pose for a major challenge to the development of the country. The medium term forward looking framework assumes that the share of social and community Services will remain at 30 percent of the total expenditure. The general administration received on average 27.4 percent of total share of expenditure. For the next three years, it is assumed that the sector will require 27 percent of the share of the total expenditure.

The bulk of debt service was domestic debt and it constituted 20.6 percent of the total expenditure. It is assumed that tight fiscal policy will lower interest rate further than it is now. The tight fiscal stance will lead to reduced amount of debt service by the government. It is assumed that the domestic debt services will average 16 percent or even less than 16 percent of the total expenditure for the next three years. The resources released from debt services will be used to boost economic growth. Another sector of concern is the unallocable services. It is assumed that in medium term zero percent of the resources will trickle to this sector. This will encourage transparency in the formulation and implementation of the budget. The resources released from unallocable services and debt services will assist implementing some activities in

economic services that averaged 13.7 percent of total expenditure for the past five years. For the next three years it is assumed that the share of economic sector will average 27 percent of the total budget. The three-year expenditure framework will bring social and productive sector into a balance.

Table:3.9 Share of Government Expenditure by Main Sector 2000/01-2007/08

Sector	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
General Administrations	26.67	26.97	28.33	27.54	27.5	27.0	27.0	27.0
Social and Community Services	24.54	36.91	31.72	30.37	30.4	30.0	30.0	30.0
Economic Services	14.09	13.83	9.85	11.73	19.0	22	28	31
Debt Amortization	19.82	8.72	28.18	23.12	23.1	21.0	15.0	12.0
Unallocable Services	14.87	13.57	1.92	7.24	0.0	0.0	0.0	0.0

3.3.7 The Process for the Development of the New Economic Strategy

The Ministry of Economic Planning and Development will champion the formulation of the new strategy that will be crafted on the basis of State President Vision of the country. The initial draft will be developed by the core team composed of Ministry of Economic Planning and Developed, Ministry of Finance and Reserve Bank of Malawi. The Draft document will be discussed by various stakeholders in the form of thematic working groups. The second draft will be taken to the districts for further consultations with various stakeholders in line with one village one product. The final document is expected to be launched towards the end of this year and it will cover five year medium term plan.

For 2005/06 budget, it is expected that issues raised in Malawi Economic Growth Strategy and Malawi Poverty Reduction Strategy will be the basis of the budget. Apart from the formulation of the economic strategy the Ministry of Economic Planning and Development will champion comprehensive review of Malawi Poverty Reduction Strategy linking it to the possibility of attaining various targets of Millennium Development Goals and Malawi's Vision 2020. The analytical process will commence with the analysis of Integrated Household Survey 2004/05 (IHS) in April 2005. Both processes will have close interface between government, development partners and civil society organizations.

3.3.8 Analysis of 2004-05 Budget by Pillar

The 2004/05 budget is the first budget to be implemented by the new administration. Prior to the new administration, there was no sound government budget. Consequently, each and every economic programme was characterised by not being satisfactorily implemented. The new administration has raised new hopes in the manner of running government businesses.

In order to reach the completion point for HIPC resources, the government needs to implement its economic programme successfully for one full year. Since reaching decision point in 2002, the government has never implemented its budget successfully

to attain completion point of HIPC. This section summarises 2004-05 budget on the assumption that the economic programme will be on track and the government will achieve its objective of 2004/05 budget. The targets set in the new economic programme will spill over to the next fiscal year. Therefore, the HIPC completion point will be benchmarked on the economic programme for 2004/05 budget and spill-over to the 2005/06 budget.

The allocation of resources by pillars for the fiscal year 2004/05 are presented in Table 3:10 below. The share of total MPRS activities in the budget are less than the planned shares as laid down in the strategy by 18 percent. The remarkable increase in the expenditure is still due to interest payments on the domestic debt stock that constitute most of the statutory expenditure. The implication of the 2004/05 budget is that substantial amount of resources are locked in the debt services instead of implementing priority activities as outlined in the MPRS.

Table 3.10: Resource Allocation by Pillar for 2004/05 Budget

MPRS costing		MPRS Costings 2004/05		Approved Budget 2004/05	
		MK'bn	Percent	MK'bn	percent
Total Budget		50,269.6	100.0	89,735.8	100.0
MPRS Activities	Total	39,516.9	78.6	54,359.7	60.6
	PILLAR 1	13,331.9	26.6	18,911.3	21.1
	PILLAR 2	17,188.3	34.2	27,989.2	31.2
	PILLAR 3	2,308.0	4.6	840.5	0.9
	PILLAR 4	3,952.8	7.9	5,647.8	6.3
Cross cutting		2,465.8	4.9	970.9	1.1
M &E		270.2	0.5	0	0
Statutory Expenditure		8,516.2	16.9	22,994.2	25.6
Statehood activities		2,236.6	4.4	12,382.2	13.8

source: Ministry of Finance, Budget Documents and MPRS

3.3.9 Analysis of Protected Pro-Poor Expenditure for 2004/05 Budget

The 2004/05 budget continues to hedge some priority activities in various sectors as shown in Table 3.11 below. In terms of the shares, education sector has 10.23 percent seconded by health 3.94 percent and thirdly agriculture 1.56 percent. As share of total budget, there is no significance difference between 2003/04 and 2004/05 budget allocations. The trend of 2004/05 is a replica of 2003/04 in terms of allocation of resources to the priority activities. The impact of singling out protected pro-poor activities is yet to be established during the comprehensive review of the strategy. The detailed presentation of the pro-poor activities is presented in Appendix 5c

Table 3.11: Protected Expenditures as a share of Total Expenditure

Ministry/Activity	Actual 2003/04	Approved 2004/05
Youth, Sports and Culture	0.04	0.03
Agriculture	1.34	1.56
Water Development	0.19	0.05
Education	9.97	10.23
Health	3.88	3.94
Gender, ChildWelfare and Community Services	0.15	0.10
Police	0.57	0.73
Labour and Vocational Training	0.26	0.27
Trade and Private Sector Development	0.18	0.08
National Roads	0.19	0.17
Natural Resources	0.17	0.12
Tourism	0.13	0.15
Total Share of Priority Expenditure to Total Budget	17.05	17.43

Chapter 4.0: Progress of Implementation by Pillars

The Malawi Poverty Reduction Strategy was developed around four major pillars namely: sustainable pro-poor growth, human capital development, improving the quality of life of the most vulnerable and good governance. In addition, the MPRS also recognized cross cutting issues such as gender, HIV/AIDS, science and technology and environment.

4.1 Pillar 1: Sustainable Pro-Poor Growth

The first pillar of the strategy deals with sources of economic growth. The role of the private sector is recognised as the driving force for the economic growth while the role of Government, NGOs and donors is merely to facilitate this growth, by creating the enabling environment such provision of good roads, power and other amenities.

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, especially through Micro, Small and Medium Scale Enterprises (MSMEs). The sectors for diversification are manufacturing, tourism and small-scale mining, among others. In this review, we analyse the extent to which these sectors have participated to achieve the goals in poverty reduction.

4.1.1 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.

The MPRS recognizes eight main objectives in addressing issues related to increasing agricultural incomes. These objectives are expand and strengthen access to agricultural inputs, improve agricultural production through improved research and extension services, improve access to domestic, regional and international markets, promote small scale irrigation schemes and drainage, encourage production specific crops, encourage production of livestock, reduce land shortage and degradation, and promote and expand farm mechanization.

Some of the most limiting factors impinging on agricultural productivity include: declining soil fertility and soil degradation; low access to credit; weak extension systems; low technology development; and over-dependence on rain-fed agriculture.

Progress of Implementation

Since the inception of the MPRS, a number of programmes and specific activities have been implemented with varying level of success. During

2003/04 period, various activities were implemented. The annex presents performance of each activity against planned targets. However, some of the main issues have been repeated in this main document.

i) Targeted Inputs Program (TIP)

The 2003/04 Targeted Input Programme was designed to benefit 1.7 million vulnerable farm families. For more details on administration and implementation, refer to Pillar 3 under Safety nets.

ii) Expanding, Strengthening and Increasing Access to Credit Through SACCOs and Village Banks

The target was to form 16 village banks. However, the activity was not conducted due to lack of technical expertise and coordination between implementing institutions, which include Ministry of Agriculture and Ministry of Commerce and Industry.

Text Box 1: Summary of Achievements in Credit

- 12 micro finance institutions formed a Microfinance Network
- 285,074 clients accessed loans

Although SACCOs and other micro finance organizations existed, only 11% of farmers had access to loans due to high interest rates, prohibitive repayment schedules and collateral requirements. Twelve micro finance institutions were operating in the country and disbursed loans to 285,074 clients. The total amount of the portfolio disbursed was MK1.9 billion.

iii) Technology Generation (Research)

The role of research in MPRS is to develop easily adoptable technologies with desirable characteristics. During the period under review, several activities were carried out in the areas of problem diagnostic, planning meetings and actual experiments as shown in the Text Box 2. However, most activities in this sub-programme were greatly affected because they were not considered as pro-poor as in 2002/03 review.

Text Box 2: Summary of achievements in research

- 10 problem diagnostic meetings and 8 Agriculture Research planning meetings were held
- 100 experiments in crop breeding, soil fertility management, animal husbandry and regulatory services implemented
- 40 technologies were approved by the Agricultural Technology Clearing Committee (ATCC)

iv) Extension Services

During the period under review, the Ministry of Agriculture undertook a number of training sessions. Out of a planned target of 24,141 extension workers, only 4,683 workers were trained representing an achievement level of about 20%. Two (2) yellow vans were procured against the planned 8 yellow vans; 40 Agriculture Extension Development Officers (AEDOs) were trained in participatory extension methods, HIV/AIDS prevention and mitigation, gender issues and business management. Implementation of the New Extension Policy was piloted in 4 districts. Participatory extension processes were implemented in all the 28 districts. In addition, 133 farmer cooperatives and 4 associations were formed. A crop production guide was developed and is awaiting publication. Currently, NASFAM has started drafting a cotton production manual to be used by both extension workers and the farmers.

Text Box 3: Summary of achievements in extension services

- Trained 4,683 extension workers
- Procured 2 yellow vans out of 8 targeted
- 40 AEDOs trained in participatory extension methods, HIV/AIDS prevention and mitigation, gender and business management
- Piloted the New Extension Policy in 4 districts

v) Marketing

The objective is to improve access to domestic and international marketing of Malawi farm produce. The strategy is to develop an effective marketing information system by creating and strengthening the central market intelligence unit and intensify market research, create dissemination centers in all districts, develop commodity specific information networks, strengthen regional and international linkages through trade fairs, and encourage formation of association and cooperatives; and Information Communication Technologies (ICT).

Text Box 4: Summary of achievements in marketing

- 38 enumerators trained in market information collection methods
- Conducted 2 refresher course for enumerators and their supervisors
- 3 associations trained in marketing
- 133 and 4 cooperatives were formed

The Ministry of Agriculture, managed to recruit 38 enumerators that were deployed in 38 major markets to collect market information. The information to be collected included, retail prices, horticultural prices, livestock surveys and input prices. During the year, two (2) refresher courses were conducted for the enumerators and their supervisors. Further, the Ministry also procured equipment (weighing scales and bicycles) to be used for data collection. Most of the activities under marketing strategy were not successfully implemented due to low human as well as financial capacity and weak coordination.

vi) Promotion of Small Scale Irrigation Schemes and Drainage

Text Box 5: Summary of achievements in small-scale irrigation

- 32,463 treadle pumps were installed against the targeted 60,000
- 301 Km canals were excavated
- 219 motorized pumps were distributed and maintained
- 16 old sites of sprinkler irrigation rehabilitated
- 8 dams were rehabilitated against a target of 60.
- 1,740 extension workers were trained and 370 farmers went on study tours

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 were made as summarized in Text Box 5.

vii) Specific Crop and Livestock Production

The main focus of this program is to encourage formation of livestock and crop production associations, conduct crop specific specialized training for associations for selected regimes e.g. winner cash crop production linked to MSMEs and to provide start up materials for key crops; and establish secondary nurseries. Achievements in 2003/04 are: 133 associations and 4 cooperatives were formed against a target of 300 association and 30 cooperatives respectively. Two-cassava associations were formed by IDEAA and Farmers Union of

Malawi. With support from NORAD, NASFAM facilitated the establishment of another association for aromatic *Kilombero* rice. A total of 55,552 farmers were trained in general principles of crop production against a planned figure of 950 farmers.

Text Box 6: Summary of achievements in crops and livestock

- 360 new extension agents were recruited reducing farmer: extension ratio to 865:1
- 21 cassava associations and one Kilombero Rice association formed
- 101.6 metric tonnes of basic seeds for beans, maize, groundnuts and pearl millet were distributed
- Developed a cotton production guide
- 55 percent of all feed manufacturing industries were inspected
- 114 farmers were trained in specific animal husbandry practices
- Decentralized the extension services to all the districts
- Monitored 7 private institutions providing animal breeding and health services
- 32 dip tanks were rehabilitated and dipping revived
- 411 veterinary staff trained in disease surveillance

With respect to provision of basic seeds, 4.5 metric tonnes of beans, 9.9 metric tonnes of maize, 85.4 metric tonnes of groundnut and 1.8 metric tonnes pearl millet were produced. Furthermore, 362 nurseries of cassava seedlings grown on 161.2 hectares, 821 nurseries of sweet potatoes covering 65.5 hectares and 30 nurseries of banana suckers covering 5.45 hectare were developed. Targets on secondary nurseries were not achieved due to erratic funding.

Under livestock production the following achievements were observed: 55 percent versus 80 percent of all feed manufacturing industries were inspected; 114 farmers were trained in specific animal husbandry practices, 32 dip tanks out of 50 were operational, 60 farmers out of 200 were provided with veterinary services at cost sharing basis. Private sector animal breeding and health services were monitored in 7 institutions. A total of 25 members of staff were trained in disease surveillance against a target of 411. Monitoring of the importation of livestock products was done at 6 border posts representing a 22 percent achievement.

viii) Reduce Land Shortage and Degradation

This activity was to be implemented by the Ministry of Lands, Housing, Surveys and Physical Planning. New policy on land acquisition was developed and approved by government. A new project on consolidation of ownership of land and public acquisition and redistribution of land has not been launched.

Training on soil conservation and soil fertility management techniques was conducted to 4,683 farmers against a target of 24,141 (see objective 1). 223,023 farmers were trained in low cost soil fertility improvement techniques (organic manure management and making) and water conservation techniques against the original target of 183,330.

ix) Promote and Expand Farm Mechanization

This strategy was aimed at increasing access to draught animals and animal drawn equipment and tractor hire scheme. The program had difficulties in acquiring work oxen, ox-drawn equipment and farm tractors. Tractor hire scheme had problems, which included limited number of tractors in good working condition. A total of 588 hectares were ploughed compared to a target of 43,200 hectares.

x) Reduce Weakness in the Institutional and Policy Framework

This will entail redefining core functions of the Ministry in line with MPRS, privatize 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 approval.

xi) Strengthening Sector Wide Policy Making and Co-ordination

The programme is intended to strengthen coordination of farmer groups, NGOs and other stakeholders; develop a Malawi Agriculture Sector Investment Program (MASIP) as a framework for coordination between stakeholders and prepare decentralization of agriculture sector. 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.

xii) Increase Gender Equity and Mitigate HIV/AIDS in the Agriculture Sector

The plan was to undertake extension strategic campaign approach and mainstream gender and HIV/AIDS in both village communities and at work place. 122 meetings in model villages were conducted and 43 meeting on HIV/AIDS at work place have

Text Box 7: Summary of achievements in gender and HIV/AIDS

- Conducted 122 meetings in model villages and 43 meetings at work place on HIV/AIDS and gender
- Conducted 105 diagnostic surveys related to HIV/AIDS in 14 model villages
- Produced 2,000 booklets on HIV/AIDS policy
- Conducted 2 national stakeholders meetings for NGOs and donors.

been conducted. Two (2) cluster meetings and 54 staff members attended orientation in HIV/AIDS and gender in agriculture and rural development. Diagnostic surveys were conducted for HIV/AIDS initiative. A further 105 diagnostic surveys conducted in 14 model villages. A situation analysis has been conducted in 112 out of 166 model villages. Policy documents on HIV/AIDS have been developed. A total of 2,000 booklets on HIV/AIDS policy and mitigation have been produced and are ready for distribution. The Agriculture Gender Roles Extension Service Systems (AGRESS) unit also developed 43 action plans for each cost center. During the period, no motorcycles were procured due to lack of funds. HIV/AIDS mainstreaming in the institutions is an on-going exercise.

Constraints and Challenges

The agriculture sector faced a lot of challenges, which were economic and natural. In particular, the following challenges were identified as critical:

- Limited extension services did not adequately address the problem of declining soil fertility and rampant soil degradation.

The unpredictable nature of the global weather patterns that result in poor on set of rains and its distribution since the country depends on rain-fed agriculture.

- The HIV/AIDS pandemic constraining the sector in terms of human capacity and lost time due to long opportunistic diseases.
- High staff vacancies due to high attrition rates.
- Human capacity in the irrigation sub sector is low constraining expansion rate of irrigation development.
- Non-existence of an agricultural or land bank creating low volumes of loans to service the demands of the sector.
- Weak technology generation and extension delivery system creating bottlenecks for adoption of new technologies.
- Reduced capacity of agricultural personnel due to reduced human development programs (these include training of extension personnel).
- Lack of commitment by implementers to translate strategies of the MPRS to activities.

Recommendations

- Give priority to programmes that enhance soil fertility and its management to improve productivity.
- Government (Ministry of Agriculture) should strongly consider fertilizer subsidy to increase its use in various crop production.
- Improve extension services by reducing extension to farmer ratio through retention of current staff and continued training and recruitment.
- Improve technology generation and dissemination through provision of adequate financial resources.
- Intensify multiplication programmes to support crop and livestock diversification initiatives.
- Conduct periodic sector policy reviews to keep pace with the changing environment.

- Implement the recommendations made in the Core Function Analysis report to streamline activities between public sector and private sector.
- Improve marketing information system and dissemination
- Mainstream and mitigate HIV/AIDS activities in the sector by increasing awareness and encouraging VCT in the sector.
- Increase the levels of financing for the irrigation sub-sector

4.1.2 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.

4.1.2.1 Fisheries Sector

Fish continues to provide 60 percent to 70 percent of total animal protein and 4 percent to the Gross Domestic Product (GDP) in Malawi. In 2003 the total catch was 43,000 tonnes valued at MK2.15 billion. The sector is a source of employment with 300,000 persons directly employed in the fisheries sector and other fishery related activities.

Over the years, fish production has declined by 20,000 tonnes/year from a peak in 1972. For example, Chambo production is down by 10,000 tonnes/year from over 14,000 tonnes in the early 1980s. In addition, total fish production in Lake Malombe has declined from 10,000 tonnes/year in the 1980s to 2,000-3,000 tonnes/year in the 1990s to date.

Despite all the threats to production, surveys show that there is a 30-35,000 tonnes/year potential to increase production from unexploited deep-water fish stocks. The commitment of the government through the Department of Fisheries is to promote fish production so as to improve the standard of living of the rural communities. The Department of Fisheries is mandated to increase and sustain fish production from rural small-scale farmers as well as large scale commercial aquaculture (fish farming) operations in order to improve fish supply within the country and for export.

While the stock assessment surveys reveal a potential of 30,000-35,000 tonnes per year from the unexploited deep-water fish, there has been localized over fishing near the shores as artisan fishers lack the resources to expand their activities inside the lake. In addition, small-scale fish farming lags behind because of lack of start up funds to enable farmers venture into the enterprise.

Various factors that adversely affected the fishery resources included, increasing levels of nutrients resulting in excessive growth of water hyacinth, dumping of toxins, sediments, habitat degradation, and alteration of water resources. Activities in the MPRS were structured to address this array of factors affecting the fisheries sector and the review is assessing the extent to which the sector implemented the strategies.

In order to contribute to the country's economy, the policy objectives, strategies and activities were implemented in the 2003/2004 financial year as to:

- Increase sustainable utilization of the fishery resources;
- 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

Progress of Implementation

Text Box 8: Summary of achievements in sustainable utilization of the fishery resources

- 27 reports on district state of environment on fisheries were produced
- 27 reports on district environmental action plans on fisheries were produced
- One (1) report on management plan for the fishery resources in Lakes Malombe has been developed.
- A Fisheries Legal toolbox that aims at implementing fisheries legislation has been produced
- A devolution plan for the Department of Fisheries has been developed
- 24 Beach Village Committees have been sensitized on fisheries management
- Guidelines on co-management were produced
- Seven (7) training sessions out of the planned 22 have been conducted representing 35% of achievement
- Eight (8) appraisal meetings were held and a total of 8 priority areas for co-management were identified.
- A consolidated report was produced where recommendations are outlined that will later be used to produce management guidelines and community based conservation plans.
- A Chambo Restoration Strategic Plan (CRSP) has been launched
- A draft research project proposal for the implementation of the CRSP was developed
- Three (3) management plans have not been produced
- None of the three (3) planned management agreements have been produced
- Policy review not done

Constraint and Challenge

- Inadequate funding crippled the progress to complete the activities under this strategy

Recommendations

- There is need to provide training in order to enhancing co-management of fishery resources
- The sector should focus on implementing priority activities considering the low levels of funding received

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:

A. Development of Chambo Restoration Project Proposal

The proposal aims at addressing some major strategic components that are contained in the strategic plan in order to ensure restoration of the Chambo fishery. The project will involve research initiatives relevant to the management of the Chambo fishery. There is a consensus among different stakeholders that more understanding of the Chambo biology, testing of different enhancement technologies, restocking potential and the socio-institutional issues governing compliance and non-compliance of fisheries regulations is required for effective implementation of the national Chambo Restoration Strategy.

Thus, the project will also establish management and institutional frameworks for the restoration of the Chambo fishery and this, among others, 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.

B. Law Enforcement

Enabling activities to implement and ensure effective law enforcement were undertaken such that over 300 identity cards were produced for all extension staff. Protective clothing was procured that included belts, sloth hats, haversacks, dustcoats, rain coats, gumboots, lather boots. In addition, 12 motor vehicles and 18 motorbikes were maintained for the enforcement section.

One (1) fisheries research vessel has been maintained in order to enhance monitoring of stock exploitation. Procurement of spare parts for the six patrol boats was underway during the review exercise.

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

Training

About 40 percent of the targeted communities earmarked to access loans/credit for the procurement of fishing equipment were trained in credit management. Training for communities in various fish handling methods were also undertaken.

Baseline studies

A socio-economic baseline study to establish the current situation of fisheries and fish stock in order to determine levels of consumption of fish was conducted.

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

The small-scale fish-farming program was implemented in the 21 districts. The common species stocked were *Talapia rendalii*, *Oreochromis shirunus* and *Oreochromis karongae*. The Draft Standards and Procedures on fish farming have so far been produced. These standards focus on the following areas: site selection; pond construction; live fish

Text Box 9: Summary of achievements in fisheries enhancement technologies

- A total of 507 fish farmers against a target of 500 fish farmers were reached and assisted with fish farming inputs representing a 101% achievement.
- A total of 300 fish farmers were trained out of which 105 were women.
- 60 extension staff were trained in fish farming
- A total of 840 ponds were constructed against a target of 1,000 ponds involving 1,9717 households. Own 30% of the ponds are owned by women.
- Out of the 840 ponds that have been constructed, 528 have been stocked with 634,432 fingerlings.

Constraint

- Lack of fingerlings and adequate funds hampered stocking of ponds in some districts.

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 Mpwapwe 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

- Although there has been remarkable achievement in terms of the number of ponds constructed, there were some activities that were not satisfactorily implemented. These included: stocking of ponds, monthly monitoring and supervision, payment of laborers and delivery of equipment, and procurement of harvesting nets and fertilizer. These were implemented due to inadequate financial resources.

Text Box 10: Summary of planned activities in promotion of better markets

- Provision of fish market infrastructure such as 7 cold rooms
- Construction of 21 fish landing and distribution points with concrete pavements for sorting & packaging of fish
- Establishing 32 fish economic landing centers
- Establish a price monitoring system
- Train communities in fish handling
- Produce handbooks and manuals on fish processing

Recommendations

- The Department of Fisheries should promote fingerling production among farmers so that fingerlings are sourced from among farmers themselves.
- Treasury should consider providing more funds to the sector in order to continue construction of ponds and meet the target.
- Monitoring and supervision should be supported especially now that some ponds have been harvested and many more are due for harvesting. This will assist the department to capture production data from the start so that fish production from the ponds can be tracked.
- There is need to carry out a beneficiary impact assessment study to ascertain the benefits accrued from the activities.
- The Department of Fisheries should come up with an exit strategy through consultative process with farmers and other stakeholders.
- The government should develop legislation to assist in management of shared water resources and foster regional cooperation among countries of Malawi, Mozambique and Tanzania.
- The department should develop management agreements for the Lake Malombe area.

4.1.2.2 Forestry

Malawi's forestry resources are currently dwindling and rapidly being exploited unsustainably. The results are land degradation, soil erosion and river sedimentation and the ensuing food insecurity. Notwithstanding these challenges, the Forestry Sector in Malawi contributes about 0.01 percent of the GDP. Government has been the direct manager and police of forest resources leading to conflicts especially with communities. Demand for wood continues to outstrip production supply by 40 percent. During the year under review, the sector undertook a number of activities and these are included improvement of forestry development and management, forestry training and education, forestry research services and enhancing international and regional co-operation, empowerment of communities on co-management of forest reserves and development of co-management plans in line with the National Forestry Plan (NFP).

Forest Collaborative Management is a pro-poor approach aimed at rural empowerment to contribute to poverty reduction. Kasungu and Liwonde Forest Reserves have demonstrated the existence of a multiplicity of institutions ranging from local to national and from formal to informal each varying according to the particular socio-cultural and traditional context. Progress made to strengthen local institutions in natural resource management is presented in below (Text Box 11).

Text Box 11: Summary of Some Implemented Activities in the Forestry Sector

- A total of eight (8) co-management agreements were signed with local institutions around reserves.
- A privatization plan and approach was prepared
- Valuation and assessment of resources and assets was done in all industrial plantations
- The Forestry Department (FD) drafted a regulatory framework and code of practice
- A legal agreement document was prepared and a communication strategy was developed
- Various groups and individuals planted a total of 38 million seedlings out of a target of 50

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

With a 1.6 million sterling pound grant from the British Government, the Forestry Department has advanced in the preparatory work towards privatization of industrial plantations with the aim of fostering improved industrial forestry. To this effect initial activities have already been done as indicated in Text Box 11.

ii) 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.

iii) Implement National/Regional Protocols and Conventions:

The Forestry sector has participated in a number of international meetings and conferences. The Forestry Department as National Focal Point for the United Nations Convention to Combat Desertification (UNCCD) produced a national report on implementation of UNCCD activities and held two meetings, which was attended by officials from the government and other stakeholders including NGOs.

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

The Forestry Department has 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

Text Box 12: Key Conclusions and Recommendations for the Forestry Sector

Conclusions:

- The Department failed to implement all MPRS strategies and activities planned as such the targeted beneficiaries did not take advantage of the activities. The process of signing co-management agreements should have been substantiated with more poverty reduction related activities.

Recommendation:

- The Forestry Department should begin reorienting its activities towards addressing critical issues affecting the poor communities around the forest reserves.
- The Department should actively involve communities in identification and implementation of small-scale projects in the sector.

narrow the gap between wood demand and sustainable supplies. Although tree planting was undertaken during the period under review (Text Box 12 above), the department failed to achieve its target. In addition, the department reported that tree planting at national level is currently less than the annual harvestable levels.

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 privatization has contributed to weak implementation of activities in forestry resources earmarked for privatization.
- Government was unable to carry out basic plantation management operations including illegal harvesting and fires.

Recommendations

- Increase the funding levels to the sector or allow the Department to retain part of the revenue they collect
- Improve policy and program coordination at macro level to enhance efficient allocation and use of resources.

4.1.2.3 Parks and Wildlife

Natural resources outside National Parks and Wildlife Reserves have become too scarce to meet demands of local communities. As such, communities around Protected Areas (PAs) have placed pressure on the resources in the national parks. It is evident to see increased poaching and encroachment. However, for proper conservation (to reduce poaching and encroachment), while at the same time contributing to poverty alleviation programs, the Department of National Parks and Wildlife (DNPW) has adopted the Collaborative Management (CM) strategy. Collaborative Management involves sharing accountability, decision-making as well as costs and benefits between all interested parties. This is in an effort to make local communities appreciate the importance of proper conservation and utilization of wildlife resources so that future generations too will access these resources.

Progress of Implementation

The Department of National Parks and Wildlife received about MK32 million of PPE funds in 2003/04 fiscal year. The funds were used for administration and management activities, extension services, research and supervision, and maintenance of vehicles. In addition, part of the funds was used for contractors who rehabilitated Mwabvi and

Majete staff houses, law enforcement and crop protection activities. These resources were complemented by funds from USAID under Nature Program, which is coordinated by the DEA. Below is the implementation progress: -

i) Outreach and Sensitization Meetings on Collaborative Management in all PAs

All PAs were covered and the activity led to revamping of Community Based Organisations (CBOs), Village Trusts and Natural Resources board in Nkhotakota. Several training for the above institutions (CBOs, Village Trusts Natural Resources Management Board) was conducted. The training covered different aspects of management such as conflict resolution, tourism enterprise development, financial management and project proposal development.

Schools outreach programme is an on going activity. However a number of schools visited every year are always small due to financial limitations. This has also affected holding of annual wildlife clubs' workshops especially for southern and central region wildlife club workshops.

ii) Translation of Research Data

A lot of data was generated, however, it was never analysed and translated into a user-friendly form due to financial constraints.

iii) Public Awareness Campaign on Gender and HIV/AIDS

The activity was successfully carried out around Nkhotakota Wildlife Reserve and Kasungu National Park. Communities around these protected areas were sensitized on the dangers of HIV/AIDS and work place clubs were also formed.

v) Promote Co-management of Wildlife Resources with Local Communities and Other Stakeholders

Amendments to the national Parks and wildlife Act of 1992 were presented to parliament. Rules and regulations were also revised to conform to the CM strategy advocated by the policy.

CM agreements between CBOs, Trusts and Associations and Department of National Parks were signed.

vi) Encouraging Wildlife Farming

Wildlife farming was promoted in the form of beekeeping and guinea fowl farming in Lower Shire and areas around Nyika-Vwaza.

vii) Construction of Vertebrate Pest Control Fences and Other Mechanisms

Of the planned 60km electric fence only 20km was covered in the western part of Liwonde. Apart from fencing, a workshop on the ability of chilli pepper to deter elephants from getting out of the park was held in Liwonde. In case of Kasungu National Park (KNP), a program on re-electrifying the fence started with community sensitization and exchange visit to Liwonde.

ix) Developing Wildlife Co-management plans in line with Sustainable Natural Resource Management Principles.

Resource use programs were established at KNP and Nyika-Vwaza. Surveys to identify and quantify harvestable resources were done in Liwonde and Lengwe National Parks.

Several meetings were conducted on development of guidelines on revenue sharing scheme for the whole department and the program will be extended to other PAs, such as Lake Malawi and Liwonde National Parks.

Constraints and Challenges

- Wildlife resources continue to dwindle due to poaching in almost all protected areas mostly due to high population increase;
- Encroachment is also a major problem which has been accelerated by land shortage;
- There is an increased human -animal conflict despite fencing;
- Inadequate funding has slowed down the departments' efforts to improve; management of wildlife resources;
- Staff housing and water facilities in camps are in very poor conditions; and
- Lack of proper gear to undertake patrol activities.

Recommendations

- The government should make an effort to provide more funding to wildlife activities to ensure that wildlife resources are properly conserved.
- The government should endeavor to rehabilitate staff houses and ensure that camps have clean water supplies.

4.1.2.4 Tourism Sector

The MPRS outlines the following activities that will boost tourism industry in the country: 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. The budget for the Department of tourism was MK187 but was revised downwards to MK42.8 million.

Progress of Implementation

The Department developed community led tourism in form of cultural tourism as one form of diversification of the product. Groundwork and community mobilization was

done for Yao cultural village at Mpale in Mangochi district. Other pilot sites were also identified for the Chewa, Ngoni and Tumbuka Cultural Villages in Kasungu, Mzimba and Rumphi districts respectively. In addition, preparatory work to identify sites for construction of curio stalls was also done during the period under review.

The Department trained 62 managers (27 in Salima, 16 in Karonga and 19 in Nkhata Bay) as part of capacity building for Small and Medium Enterprises Managers for accommodation units in visitor management. However, the Department failed to train tour guides due to inadequate funding.

The Department also carried out inspection and classification of tourism accommodation units in various parts of the country. Out of targeted 1,200 units, only 521 units were classified countrywide. Out of the classified accommodation units, 300 complied with published standards and were licensed.

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 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.

4.1.2.5 Mining

The Mining sector offers the opportunity for generation of rural income and employs nearly 3,000 people. The scope for formal employment was projected to increase to 10,000 by 2004, while informal employment was expected to double within the same period by 40 percent. Whilst Malawi is endowed with a variety of mineral resources, such as bauxite, coal and uranium, the MPRS has been focusing on small-scale mining involving quarry stone, gemstones, pottery-ceramics, salt aggregate, limestone, sand and clay (pottery and brick moulding).

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. To achieve these objectives various activities were suggested in the MPRS (Annex).

Progress of Implementation

During the review period, 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 presented in the following paragraphs.

The small-scale miners were trained in appropriate mining techniques and skills in mineral processing including value adding. Four (4) mining clubs were established at Ngabu, Nchalo, Balaka and Mzimba. This has resulted in increased exports of gemstones.

In order to encourage development of mineral based small-scale industries two projects were implemented. These projects included construction of lime demonstration kiln at Balaka and resurrection of a salt making demonstration at Nchalo. Relevant associations were established for the two projects in order to add value to the industrial minerals mined. Salt production has increased as a result of these developments.

The Department of Mines drafted a Mines and Minerals policy for Malawi in the year under review. A peer review of the document was completed in the same year. Further, four (4) quarterly mining bulletins were prepared, and these provided information on the behaviour of mining in Malawi as well as the revenues being generated by the small-scale miners. Bulletins are widely circulated including Malawi missions abroad. Inquiries about the mineral resources from the international community have since increased.

One set of lapidary equipment was procured for the training of small-scale miners in value adding to the gemstones. The Department was, during the review exercise, awaiting two additional sets from JICA through commodity aid program.

Similarly, equipment worth about K5.0 million was procured for the mineral-processing laboratory in order to improve services for the small-scale miners. JICA is providing equipment worth about K20.0 million.

With regards to mineral exhibitions, 6 women (members) of the Malawi Women in Mining Association (MAWIMA) were sent to Verona, Italy, to participate in an international gemstones fair where market contacts were established.

The Department of Mines was also actively involved in securing loan funds for the small-scale miners. During the latter part of the review period, a Government loan facility executed by INDE Fund was put in place, and small-scale miners were able to access loans through this facility. This encouraged increased opening up of new small-scale mines and improved production of various minerals by small-scale miners.

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.

Recommendations

The government should ensure that vacant positions are filled without delays.
The government should ensure that flow of funds should be consistent.

4.1.3 Rural Infrastructure

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

4.1.3.1 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 Text Box 13 outlines activities carried out by National Road Authority (NRA) during the 2003/04 fiscal year using other recurrent budget. The following activities were funded by European Union: the construction of Dwambadzi, Kalwe, Liwaladzi, Kasangadzi and Lisasadzi bridges. 88 km Masasa-Golomoti-Monkey Bay at a cost of K1.02 billion. The work started in March 2003 and contract duration is 730 days. The EU funded Karonga-Songwe road was not constructed.

Another programme funded by EU included Malawi Backlog Road Maintenance Programme (MABARIM) mainly funded by EU. Apart from EU

Text Box 13: Summary of achievements in the road sector

- 350 km of road network was rehabilitated
- Construction and upgrading of 120 km of new road network were accomplished.
- Out of a target of 713 km of urban roads to be maintained, 606 km urban road network were maintained
- Out of a target of 324 km of district road network to be maintained, 270 km of district road network was maintained
- Out of a target of 3761 km of paved road network to be maintained, 3306 km was actually maintained.
- Out of a target of 3340 km of unpaved road network to be maintained, 2940 km was actually maintained.
- **Recommendation:** It is recommended that the sector should prioritize all roads developments and be debated in Parliament. Avoid all political interferences.

funded programmes, there are other development partners in this sector such as International Development Association (IDA) and Nordic Development Fund (NDF), African Development Bank, KfW, OPEC fund and other partners that also contribute to road construction and maintenance. The Table 4.1 below outlines some activities that were completed, on going and future work to be considered immediately.

Table 4.1: Development Budget: Planned outputs and Achievement 2003/04

Project Title	Target	Achievement
Karonga-Songwe rehabilitation	45km	Not started
Strengthening Road Sector Framework	100 %	80 %
Sector Institutional Development	100 %	90 %
NRA Establishment (Human Capacity)	100 %	95 %
Contractors and consultants training	100 %	80 %
Equipment and Finances	100 %	70 %
Training	100 %	70 %
Chatoloma –Jenda resealing	42 km	42 km
Chikangawa Mzuzu resealing	58 km	58 km
Kasikizi river-Nkhata Bay	75 km	55 km
Consulting services for KfW projects	100 %	90 %
Technical Assistance	100 %	65 %
Equipment procurement	100 %	75 %
Nchalo- Bangula construction	82 km	0 km
Masasa-Golomoti-Monkey Bay	88 km	10 km
Dwambadzi Bridge	100 %	100 %
Kalwe, Liwaladzi, Kasikizi, Lisasadzi, bridges	100 %	5 %
Karonga –Chiweta	109 m	109 km
Development of NCIC	100 %	80 %
Procurement of vehicles and equipment	100 %	90 %
Blantyre selected urban roads	16 km	0 km
Lilongwe selected urban roads	14 km	0 km
Mangochi –Monkey Bay	69 km	0 km
Msulira –Nkhotakota	80 km	80 km
Lufilya-Chitipa	58 km	0 km
Bangula-Nsanje- Marka	98 km	0 km
Naminga-Nselema-Chiponde	138 km	138 km
Limbe – Thyolo-Muloza Road	104 km	104 km
Dwangwa- Nkhata Bay	80 km	80 km
Karonga-Lufilya and rural feeder roads	248 km	0 km
Mponela –Ntchisi road	33.3 km	0 km
Limbe – Chisitu road	48 km	20 km
Nkhoma-Kamphata	16 km	0 km
Bunda- Mitundu	5 km	0 km
Nkhotakota Game Reserve	33 km	33 km
Chingale turn off – Lirangwe	90 km	0 km

Apart from the roads highlighted above, there are some roads that are also in the pipeline as outlined in the PSIP. These include: Lumbazi - Dowa-Ntchisi – Kasungu, Zomba-Jali - Phalombe- Muloza, Mulanje – Phalombe, Limbe – Chiradzulu – Phalombe, Jenda- Embangweni- Edingeni- Euthini- Rumpho-Chitipa, Chimbiya (Dedza)- Thete-Lobi-Mitundu- Bunda, Makwasa - Thekerani – Chiromo, Mzuzu - Usisya Bay.

Constraints and Challenges

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

- Lack of adequate resources to enforce and monitor road regulations and data collection to improve the performance of the sector.
- The HIV/AIDS pandemic is depleting human resources in the sector
- Lack of skills and equipment
- Inability to find alternative sources of financing to supplement the fuel levy.

Recommendations

- The need for the sector to prioritize all road development and avoid any political interference
- Intensify awareness campaigns on HIV/AIDS and give support to affected staff
- Provide more training to staff and equipment to improve the performance of the sector.
- Privatization of activities needs to be improved; over-emphasis on road construction often leads to neglect of maintenance, M&E and data collection.

4.1.3.2. Water and Sanitation

The MPRS outlines four strategies in order to increase accessibility to good drinking water and sanitation. These strategies are; construction and rehabilitation of water facilities, conservation and management of water resources, increasing capacity to meet demand from industry and domestic users, and reduction of water borne diseases. Equitable access to potable water supplies and safe sanitation facilities are some of the basic requirements in attempts to reduce poverty.

The planned activities for the sector in 2003/04 fiscal year included; rehabilitation of existing water supply facilities, construction of water reservoirs, rehabilitation of water catchment areas, water resources development, monitoring and assessment of available water resources, plan and develop new water supply and sanitation facilities, community mobilization and training, promotion of hand pumps and monitoring performance.

Progress of Implementation on Water

The sector made some progress in achieving its intended targets. A summarized list of achievements is presented in the Text Box 14.

During the 2003/2004 fiscal year, the Water and Sanitation sector completed the implementation of the National Water Development Project. The activities included; establishment and strengthening of regional water boards, construction and rehabilitation of rural and semi-urban gravity fed piped water supply schemes and construction and rehabilitation of boreholes.

In addition, the District Water Supply III, Lilongwe/Dedza ground water development projects were completed in the year. Activities involved in these projects included; construction and rehabilitation of boreholes and gravity fed piped water supply schemes.

Under Mangochi East groundwater development, many boreholes were sunk in the year under review and more continue to be sunk as the project continues to 2006.

Equally important, the National Water Resources Policy, which guides the activities in the sector, was revised and is just awaiting final approval. Complementing the National Water Resources policy is the Ministry's Strategic Plan.

During the 2003/04 fiscal year, the Ministry produced and launched the policy document which spells out how the sector will strategize its activities from 2003 to 2006 to deliver water and sanitation services as stipulated by the MPRS and other national, regional and international policy documents.

In order to sustain the management of water supply systems, communities were also mobilized and trained on how to operate, manage and maintain water systems, and environmental and water catchment protection.

Complementing the Ministry of Water Development's efforts, UNICEF through a number of NGOs active in the sector, implemented a number of programmes in the year under review. These include; borehole construction in communities and health centres, shallow wells construction and springs protection, training of extension workers in Participatory Hygiene and Sanitation Transformation (PHAST) and Village Health and Water

Text Box 14: Summary of achievements in the water sector

- Out of 2,642 boreholes earmarked for construction, 1,630 boreholes were constructed by the Ministry in the fiscal year 2003/04 countrywide.
- 421 boreholes were rehabilitated against the planned 665 boreholes for the year.
- Under rural gravity fed water supply schemes, 326 out of 508 taps were rehabilitated.
- Two (2) catchment sites out of 5 planned were protected at the cost of MK 7,500,000 of which MK1.5 million was provided by the government while MK6 million was donor contribution.
- Three (3) out of five (5) small community multi-purpose earth dams were constructed and rehabilitated.
- 50 out of 60 hydrometric stations planned were rehabilitated.
- A National Water Resources Policy was revised.
- Five (5) out of eight (8) hand pumps (Pedaflo) were installed.
- 100 out of 150 communities were mobilized and trained in environmental and water catchment protection
- 130 out of 200 communities were empowered to operate, manage and maintain their water supply systems.
- 47 shallow wells and springs were constructed and protected representing 80% completion.
- 656 extension workers and VHWCs were trained in PHAST and CBM

Committees training in PHAST and Community Based Management (CBM) of water supply and sanitation facilities.

Progress of Implementation on Sanitation Sub-sector

The MPRS also indicates that the baseline situation of the sanitation sub-sector is another area that has lagged behind in the sector. Only 81.4% of the households countrywide had sanitary excreta disposal services by 2002 and the target set was to have a scenario where all the households countrywide have access to sanitary excreta disposal services by 2005. In this area, UNICEF and other cooperating partners have done a lot of investment in communities, health centres and schools.

Text Box 15: Summary of achievements in the sanitation sector

- 8,058 san plats/dome slabs planned for the year were installed at the cost of K27,227,982
- 196 VHWCs were trained in san plats/dome slab casting at the cost of K15,296,624.

In another related development, the Ministry of Water Development was in the process of developing a National Sanitation Policy, to guide all the investments in the sanitation sub-sector.

Constraints and Challenges

Although the sector made a number of achievements in the fiscal year under review, there were some constraints and challenges that were encountered. These are highlighted below:

- Adhoc monitoring and evaluation system resulted in improper documentation of information on activities implemented and this has resulted in under reporting of achievements
- Inadequate funding to carry out all the planned activities
- 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. This has a long-term effect on the attainment of Millennium Development Goals (MDGs).
- More emphasis is placed on construction of water points and little efforts on rehabilitation and sustainability.
- Coordination of water resources management is a problem due to the multi-sectoral nature of issues of protection, management and development of water resources.

Recommendations

The following recommendations are put forward to improve the performance of the sector.

- Establishment of a functional M&E system and ensure that capacity of staff involved in M&E activities is strengthened.
- Develop a database of all water points allocations to equitably distribute the facilities
- Develop a strategy to ensure that the constructed water points are serving their intended purposes and backup facilities are available throughout the country
- Treasury should ensure that funds are flowing consistently throughout the financial year.
- Strengthen Community Based Management (CBM) of water supply and sanitation facilities to yield long-term benefits.
- Provide technical capacity to ably manage CBM of water resources by increasing the number of water monitoring assistants in all districts of Malawi.

4.1.3.3 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.

The planned activities for the energy include: expansion of network to rural growth centers; encourage use of charcoal and other wood stoves (in order to improve efficient use of fuel wood); provision of credit for the production of stoves; use of biogas plants; provision of photovoltaic revolving fund; develop market for photovoltaic at household level; rationalize fuel distribution margins; promote low cost electrification technologies; improve efficiency in production of electricity; engage in interconnection with Mozambique and rehabilitation of existing power generating infrastructure.

Progress of Implementation

The sector has made some progress in achieving its intended targets for the 2003/04. The summary of achievements is presented in the Text Box 16 below.

The energy sector has set up revolving fund for financing photovoltaic systems in rural and peri-urban areas. The sector is negotiating with commercial banks how to administer the revolving fund for acquiring photovoltaic equipment. The sector failed to develop market system for photovoltaic energy.

The sector was also supposed to rationalize distribution margins on fuel to provide incentives to rural distributors. However, this activity stalled due to volatility of

Text Box 16: Summary of achievements in the energy sector

- Out of the annual target of 55 rural trading centres, 41 were provided with new installation of electricity at a cost of about K435 million. The government contributed K120, million and the rest came from development partners.
- Out of 7,000 stoves, the sector produced 6,000 stoves
- 30 artisans were identified to produce stoves in 2003/04 but there was no credit facility in place.

Constraints

- Lack of credit facilities, low capacity to generate and distribute electricity, high rates of attrition due to HIV/AIDS

Recommendations

- Conducted a study to assess the impact of rural electrification
- Link the sector to financial sector to benefit local artisans
- Improve generation and distribution through interconnections with neighbouring countries

fuel prices on international markets. In addition, due to unavailability of funds, the sector failed to establish coal distribution depots across the country. As a result, the activity has been shifted forward to 2004/05 fiscal year with funding from UNDP.

The Electricity Supply Commission of Malawi (ESCOM) undertook pilot installation of prepaid metres in cities of Blantyre, Mzuzu and Lilongwe in order to promote use of low cost electrification technologies. Under the current Malawi Poverty Reduction Strategy (MPRS), the energy sector was supposed to be transformed by separation of generation and distribution. The transformation started but not yet completed due to problems both generation and distribution. The government began the process of importing power from Mozambique under World Bank infrastructure development project. The project will also look into utilization of other sources of power other than hydropower generation.

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
- High attrition rate due to the HIV/AIDS, and
- Slow pace of institutional reform at ESCOM.

Recommendations

The following recommendations were made in order for the sector to progress:

- The Department of Energy in collaboration with MEPD should carry out a comprehensive study for the sector to assess the impact of rural electrification and performance of the sector as a whole. This will form a basis for lobbying more donor support.
- The government should link the energy sector to financial institutions to enable local artisans access credit to promote adoption of energy serving technologies
- ESCOM should improve in generation and distribution of electricity in order to reduce intermittent power failure through interconnections with neighbouring countries.
- There is little reported progress on areas such financial performance, rehabilitation of power transmission and distribution systems, diversification of power generation to other than hydropower from Shire and promotion of low cost electrification techniques. Therefore, ESCOM should improve on these areas.
- Reform to ESCOM's maximum demand tariff should be considered as the current system acts as a disincentive to investment in energy intensive industries.

4.1.3.4 Telecommunications Sector

The activities in this sector are classified as non pro-poor priority expenditures. However, communications play an important role in transmitting market information from one area to another.

The MPRS outlines the following activities to be undertaken in the implementation of the strategy: encourage private sector provision of telecommunications services (rural cellular based bureaux), encourage network companies to expand coverage, encourage demand for telecommunications by providing training opportunities and rehabilitation of existing networks.

The telecommunication sector plays important role in economic growth and poverty reduction. The government therefore is urged to treat telecommunication sector as an enabling sector for other economic activity to take place. The government should improve access to telecommunication services, postal services, radio and television broadcasting services and internet and computing services.

Progress in Implementation (Telecommunication)

Text Box 17: Summary of achievements in the telecommunication sector

- Due to lack of funds, the government was unable to encourage private sector provisions of rural cellular based bureaux.
- Network companies extended coverage in the following areas: Ntanja area was completed and Nkopola area installation work was underway. The total cost of this project is K126,500,000.00
- Installation and commissioning of concentrators in Nselema and Mwalasi to a tune of K3,000,000.00
- New exchanges were redeployed at Kasungu, Nkula, Madisi and Raiply. New buildings were erected at Songwe and Mtakisi to a tune of K4,000,000.00
- Expansion of Mzimba, Rumphu and Chitipa exchanges from 256 lines to 512 lines to a tune of K200,000.00. The capacity after expansion was enough to meet the demand
- Kasungu-Nthunthama exchange system was installed and commissioned to tune K490,000.00
- Upgrading of Lilongwe-Mchinji Transmission link started 2003/04. The project could not progress further due to lack of funds.
- **Recommendation:** There is need to come up with an indicator such as total area covered by existing network to total land area. This indicator will measure penetration rate.

Constraints and Challenges

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

- Vandalism of telecommunication equipment
- Lack of capacity and mechanism for debt collection
- Non-payment of outstanding bills by major creditors including government institutions

Recommendations

- It is recommended that this sector should cover issues of information and communication such radio, internet, radio, television, postal services and computing.
- It is recommended that information and communication infrastructure should be considered as an essential foundation for creating an information society. The informed society will contribute to economic growth and social development.
- The government and other stakeholders (Malawi Telecommunication Limited, Macra etc) should develop an indicator that would measure penetration rate
- MTL should conduct awareness campaigns to educate the public on the importance of protecting telecommunication facilities in their communities,
- Develop mechanisms on improving debt collection
- Encourage community protection/policing systems under traditional leaders to curb vandalism

4.1.4 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).

A weakness in the MPRSP (and with the PRSPs process in general) was the limited focus on trade and private sector development issues as key drivers of growth, and therefore, indirect poverty reduction. The Ministry of Commerce and industry took major steps forward during the review to tackle this issue under the Integrated Framework (IF) process, a program supported by the World Bank, IMF, WTO, ITC, UNDP and UNCTAD, with the aim of mainstreaming trade and competitiveness issues in poverty reduction strategies. As the IF focal point for Malawi, the Ministry of Commerce and Industry oversaw the launch of Diagnostic Trade Integration Study (DTIS) in September 2003. The DTIS, together with the DTIS "Action Matrix", assessed the competitiveness of the Malawi economy, the impact of increased integration in the world economy on poverty, and the implied technical assistance needs flowing from these findings.

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, 30 extension

Text Box 18: Summary of achievements Commerce and Industry

- 30 extension workers were trained in formation of farmers clubs associations and cooperative societies
- 2,500 members were trained in business and association on management
- 3 agro-processing cooperative societies were linked to markets
- 40 bee-keepers accessed simple technology
- Design for 2 factory shells were completed
- 150 members trained in agro processing technologies
- 6 meetings of micro-finance networks conducted

workers were trained in formation of clubs, associations and cooperative societies. Further, 2,500 members were also trained in business and association management. The trained group members were registered into cooperative societies.

The Ministry also managed to link 3 agro-processing cooperative societies to markets through facilitating their participation in trade fairs.

Under the development of local agro-storage and processing industry, the Ministry managed to provide support to a fruit juice processing industry. However, no support was provided to Soya processing groups as provided in their planned activities for the year under review. A number of monitoring activities on the importation of poultry products were conducted and an importation ban on poultry products was also imposed in order to protect the local poultry producers and to encourage them develop to a competitive level.

The Ministry has finalized preparatory work on construction of production facility to be used for testing, marketing and waste disposed for the MSMES. However, the Ministry failed to develop a database of MSMES.

A number of new markets were identified and developed and farmers were linked to chain stores. The Ministry also managed to support poultry farmers by pooling them together for bulk supply of poultry products to the market. New technologies to facilitate income generation were introduced, 40 beekeepers out of the planned 100 managed to access these technologies. Groups of five members each were provided with beehives in Machinga District by ETETA.

In order to enhance coordination by establishing lead agencies to coordinate markets and marketing incentives, the Ministry managed to identify and support institutions that would take a lead in providing assistance to MSMEs. The development of the manufacturing and agro-processing sectors would ensure that new sources of growth other than agriculture are identified and broadened. The Ministry completed designing 2 factory shells during the review period and these are awaiting construction. Further, 150 entrepreneurs were trained in agro-processing technologies by MIRTDC and DEMATT.

With respect to the development of credit and micro-finance, the Ministry managed to organize six (6) meetings of the micro-finance Network in order to promote coordination between private sector, NGOs, Government and donors. The micro-finance Network has a membership of 12 members and the number of people accessing loans has increased.

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.

Recommendations:

- There is need to fill the vacant positions
- Build capacity through provision of training
- Ensure that enough resources are available to carry out the activities
- The need to clearly provide the mandates of the two Ministries, Trade and Private sector development; Ministry of Industry, Science and Technology formerly the Ministry of Commerce and Trade to ensure that all the activities are implemented.
- Continue the process of mainstreaming trade and private sector development issues across government under the auspices of the Integrated Framework, and work to ensure that activities listed under the DTIS Action Matrix are implemented fully.

4.2 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

4.2.1 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.

4.2.1.1 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 synergy of 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 three projects namely; Household and Community Child care (H/CCC), targeting children 0-3 years; Pre-school and Community based childcare (P/CBCC), targeting children 4-8 year; and Parent Education and Support, targeting children of 0-8 years.

Progress of Implementation in ECD Programmes

During the review period, the ECD policy was launched and several supporting documents have been produced. District trainers for care givers and parents were trained. 387 caregivers were trained at Chancellor College and 735 ECD centers were opened. Of the 45 Social Welfare Assistants that were initially enrolled, 38 successfully graduated from Magomero College.

Text Box 19: Summary of achievements in ECD programmes

- The ECD Policy was launched in February 2004
- 387 Caregivers were trained at Chancellor College
- 40 Districts trainers for care givers and parents were trained
- Community gardens were opened in some ECD centers

ii) Primary Education

The aim is to provide quality and equitable free primary education to all children. It mainly focuses on the issues of access, quality, equity, relevance and that of HIV/AIDS. If the government is to reduce poverty, it needs to invest more in the primary education where social returns are more compared to other sub-sectors.

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

The Text Box 20 below outlines activities carried out in primary education sub sector

Text Box 20: Summary of achievements in primary education

- 150 teachers' houses out of the targeted 800 were completed and in use while 149 houses were still under construction
- 5,800 teachers trained through revised MIITEP starting with COHORT 7 and 8 out of 6,000
- 24 tutors were trained to Masters degrees (Primary Education in 2003/04)
- 6 teachers on PhD (Primary Education) to finish by 2005
- 30 primary teachers are pursuing BEd program
- Drafted National Strategy for Teacher Education Development (NSTED)
- Drafted guidelines on recruitment and deployment of teachers for even distribution in urban and rural areas is almost completed
- Distributed Grant Support to Education Sector 1 (GSESI) pupil text books and teachers guides on 1:1 pupil to text book ratio
- A draft policy on special needs Education is almost completed. Special needs teachers are being regularly trained. 300 primary school teachers and 100 PEAs have been sensitized in Special Needs Education in 2003/04
- About 60% teachers have been upgraded from JCE to MSCE which is being facilitated by Teachers' Union of Malawi (TUM)
- 24 Core trainers, 350 PEAs and 6,300 senior school staff have been trained under TDC (NSET) training
- National strategy for community participation in primary school management (NSCPISM) has been approved.
- Teacher to Pupil ratio is at 1:72 for 2003/04
- Classroom to Pupil ratio is at 1:107 for temporary, semi permanent and permanent classrooms for 2003/04. An average of 1,000 classrooms are being rehabilitated and constructed each year
- Primary curriculum and Assessment Reform (PCAR) is now at syllabi phase and what remains is the writing of instructional materials

iii) 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

At the beginning of the year under review, about 3,500 classes were opened in the country many of which were in the Southern Region. The learning cycle registered over sixty thousand learners with women comprising ninety percent of the total. This number however dwindled in the months of January and February due to engagements

Text Box 21: Summary of achievements in functional adult literacy

- Staffing levels increased to 3,501 instructors by the end of the learning cycle
- 150,000 primers were produced and distributed
- Assessment revealed that pass rate had increased to 60% from 55.8%.

Recommendations: The MoG should review the Adult Literacy Policy and repair the printing Machine at NALC as a matter of urgency.

with farming activities. The statistics summarizing the progress under this programme are outlined in the Text Box 21.

In the 10 impact districts of the Skills Development and Income Generation (SDIG) Project, 400 classes were operational, registering 10,991 learners (9771 females). These 10 districts were Chitipa, Karonga, Dowa, Ntchisi, Salima, Ntcheu, Balaka, Machinga, Chikwawa and Mwanza.

To ease the problem of low staffing levels, an additional 1000 instructors were recruited but 499 of them dropped out mainly because of delays in payment of their honoraria.

The process of printing primers was completed in May 2004 and these were distributed to all districts together with other teaching and learning materials that were bought in 2003. However, the process of printing primers was expensive because the printing machine at the National Adult Literacy Centre (NALC) was not functioning and had to rely on private printers. As a result, the production of post literacy materials was rescheduled to be carried out in 2004/05 financial year.

4.2.1.2 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. In order to achieve the objectives, the MPRS identifies 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, some new secondary schools were constructed in rural and urban centers by both government and development partners. At the central level, an efficient and reliable Education Management Information System (EMIS) was established in 2003/04 with plans to extend the facilities to divisions and then districts when the necessary structures are put in place. As one of the ways to bring back the out of school Pupils/Youths, Open Learning

Text Box 22: Summary of achievements in Secondary Education

- 22 new secondary schools opened in 2003/04
- Established an Education Management Information System (EMIS)
- Established Open Learning Centers in all CSSs and some CDSSs.
- HIV/AIDS strategic plan approved
- Private Schools Association of Malawi (PRISAM) is in place

300 teachers were trained under SSTEP in 2003/04

550 teachers graduated from Universities in 2003/04

Centers have been established in most Conventional Secondary Schools (CSSs) and Community Day Secondary Schools (CDSSs).

About MK9 million was set-aside in 2003/04 for bursary purposes particularly targeting girls and orphans. The HIV/AIDS strategic plan was approved during the period under review.

The textbook revolving fund (TRF) was not successfully implemented during the review period because funds generated were remitted to the general government account making it difficult for the Ministry to access the funds to procure more textbooks.

4.2.1.3 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.

Progress of Implementation

To ensure that the disadvantaged access tertiary education, structures meant to provide a user-friendly environment for disabled were put in place. In addition, modalities were worked out to assist needy students to benefit from the Government Students Loan Trust Fund. Discussions were underway to establish a Public Universities Students Loan Trust Fund to benefit only the very needy.

Text Box 23: Summary of achievements in higher education

- Increased intake in the Faculty of Education by 15%;
- Finalized the Education Act draft;
- Increased intake for girls by 30%;

Challenges and Constraints

- High staff turnover especially lecturers
- Lack of incentives
- Lack of teaching and learning materials
- Obsolete equipment

Recommendations

- Introduce more incentives to retain staff
- Ensure that there adequate and modern equipment and learning materials

In trying to make the tertiary education more responsive to the needs of the most Malawians, a collaboration agreement with the Central University of Technology (South Africa) was signed. Plans were underway to introduce university-wide HIV/AIDS generic courses by January 2005.

The University of Malawi established a Gender Studies and Outreach Unit at Chancellor College to increase participation of females in tertiary education.

Salaries were revised for the teaching, research and support staff in order to motivate them and strengthen and improve the quality and graduate programmes. However, the Colleges did not increase the Administration and Technical Staff establishments but tried to broaden the job descriptions of existing staff.

4.2.1.4 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 commercialized.

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

4.2.1.5 Malawi National Examination Board (MANEB)

MANEB maintained the number of subjects examined at MSCE level and plans were underway to replace JCE exam with continuous assessments. However, this failed to be implemented and the Education Review Conference will re-assess the proposal at a later date. MANEB managed to rehabilitate the newly acquired buildings. Consultations to improve management and efficiency of MANEB were on going.

Constraints and Challenges

The sector encountered a number of constraints and challenges and these include the following:

- High dropout rates in schools more especially for the girls
- Declining of the quality of education mainly due to low and poor inputs, liberalization of the education sector, poor supervision, and inadequate number of qualified teachers
- High HIV/AIDS incidences resulting in reducing the number of teachers and also increased absenteeism of pupils.
- Decentralization process in the sector has not been fully implemented although there have been some efforts to devolve some functions.
- Failure to finalize some policies such as the EFA action plan has frustrated other stakeholders in education sector. Those policies already in place have not been well disseminated making implementation a bit difficult.
- Deployment of teachers favours urban schools at the expense of rural schools
- Lack of personnel and capacity to manage the EMIS at all levels.
- Poor management of funds on supervision and advisory services

Recommendations

- The Ministry of Education should disseminate and implement policies formulated to benefit the intended beneficiaries.
- The MOE should provide adequate teaching and learning materials, and distribute them equally to all schools in good time.

- The MOE should implement devolve its functions to District Assemblies in line with the decentralization policy being advocated by government.
- Enhance capacity in EMIS management for MOE officials at all levels.
- Deployment policy needs to be looked into for equal distribution of teachers in urban and rural areas for male and female teachers.
- The Ministry should improve management of funds for supervision and advisory services.
- Improve incentives for teachers
- The Ministry should improve access and dissemination of information to other stakeholders in the sector
- Create conducive learning environment (provision of desks, sanitary facilities etc) to curb the problem of school dropout and absenteeism.

4.2.2 Health

The health status of the population is linked to the productivity of the labor 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.

In Malawi, health indicators remained poor despite the relative increase in resources allocated to the sector over the past few years. This was due to a combination of health services and system problems. Key among these was the absence of qualified and adequately compensated personnel, particularly in rural areas. The problem was exacerbated by the unavailability of essential drugs, low budgetary allocations and distribution problems, including pilferage. These problems had a negative impact on accessibility to health services. Coupled with these was the acute shortage of clinical and technical support services such as laboratory, radiology and pharmacy services. This was due to low investment in these facilities particularly at district hospitals and health centres.

To address these problems, 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

Text Box 24: Selected Health Services Indicators: January – December 2003

- 40% of all births were assisted by trained health personnel. This is an increase from 35% in the previous year
- Up to 38% of all Emergency Obstetric Complications (EOC) were treated in health facilities.
- 2% of women with EOC treated at health facility died
- 250,949 new Family Planning acceptors or 9% of all women of childbearing age.
- 52% of children under the age of one were fully immunized, representing an increase of 5% over the previous year.
- Tuberculosis case detection per 100,000 population was 65. In 2002, the detection rate was 158 per 100,000 population.

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.

4.2.2.1 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, a total of K140.9 million was allocated in the 2003/04 budget for the ongoing training of health cadres. However, the budgetary provision fell short of financial requirements of students currently enrolled in the various institutions, whose estimate was pegged at approximately K200 million. Implementation of the accelerated training programme progressed in 2003/04, where a total of 809 health workers were trained.

In view of the acute shortage of health workers and the long lead-time for the training programme, short-term measures for improving health worker availability are also put in place. These include the engagement of foreign volunteer health workers, sponsored by development partners. In the past year, the UNDP and JICA sponsored volunteers as presented in the Text Box 25.

As 'brain drain' contributes towards the dwindling stock of health workers, strategies were identified for improving retention of human resources, through provision of an incentive package. In line with this, the Ministry of Health, with support from DFID concluded a study, which examined issues relating to the achievement of staffing targets, including the issue of staffing retention. The study proposes several possible strategies for increasing compensation and retention of health workers over a six-year period. Consultations are still being held on the proposed incentive package, taking into account the source and sustainability of its financing before implementation.

Text Box 25: Summary of achievements in quality of essential care

- 30 tutors and clinical instructors graduated from Mzuzu University
- 385 graduates in various health fields graduated from Malawi College of Health Sciences
- 27 anaesthesia clinical officers produced
- 321 laboratory technicians graduated from CHAM institutions.
- 40 Nursing degree graduates produced at KCN
- 6 Environmental Health graduates produced at Polytechnic
- 9 Volunteer doctors in various specialties arrived, based in Central Hospitals. (Sponsored by UNDP)
- 16 JICA volunteer health workers in various fields arrived, working in Districts
- Study on health worker retention conducted
- Laboratory equipment for 4 Central Hospitals and 4 District Hospitals procured
- System of delivery of drugs directly to Health Centres rolled out

Constraints:

- Under-provision of the training budget
- Static remuneration package for health workers

Recommendations: Allocate adequate resources to finance health worker training

- Speedy implementation of health worker incentive package.
- Donor partners should consider supporting the drug budget to achieve the recommended minimum dollar equivalent.

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 approved budgetary provision for drugs was K1.2 billion, which translates to approximately US\$0.96 per capita. Although the allocation for drugs appears to be increasing annually in Kwacha terms, the minimum per capita equivalent is not yet achieved mainly due to the continuously weakening Malawi Kwacha against foreign currencies.

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 health centres. The CMS also embarked on a quantification exercise of drugs, which will improve the estimation of drug requirements, allocation to health facilities and monitoring usage.

The third component is the expansion of clinical support services by ensuring that certain services such as laboratory, radiology and ambulances are available in district hospitals and health centres. In 2003/04, laboratory equipment was purchased for all the four Central Hospitals and for Mchinji, Ntchisi, Salima and Nkhotakota District Hospitals. Having procured 66 ambulances in 2002/03, the Ministry initiated the procurement process of more ambulances in the past year. These vehicles are scheduled for delivery in 2004/05 financial year.

4.2.2.2 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. *(These prerequisites included Human Resources, which are addressed under a different strategy)*. A health facilities improvement programme is therefore in place, to increase the number of health facilities that are capable of delivering EHP services.

Text Box 26: Summary of achievements in equity of health care

- Health facility Improvement Plans for 2 districts formulated
- 9 Health Centres Rehabilitated in Chitipa, Dedza, Mchinji and Nkhata-bay
- Rehabilitation of 20 Health Centres commenced in Nkhotakota, Salima, Ntchisi, Mchinji and Phalombe.
- Construction of Thyolo and Chiradzulu District Hospitals was completed and construction of district Hospitals in Chitipa and Nkhotakota progressed.

Constraint:

- Few health facilities capable of delivering EHP
- Health facility improvement programme too slow due to resource constraints

Recommendation: Allocation of more resources to infrastructure development to accelerate health facility improvement

Health facility improvement plans for Mangochi and Salima districts were developed in the year. Rehabilitation of health centres to EHP standards and construction of new district hospitals progressed as indicated in Text Box 26.

However, much as health facilities have a major role in implementation of the EHP, very few donor partners have expressed willingness to support health infrastructure development projects. As such, the health facility improvement programme is progressing at a slow pace. It may therefore take some years before an acceptable number of health facilities can provide the full EHP services unless more resources are redirected into EHP infrastructure development.

4.2.2.3 Strengthening Management and Financing of Essential Health Care

One of the strategies under this objective is the development of managerial resources through the training of administrative human resources. A few short training courses in management and finance were conducted in the past year as shown in text box 27.

Text Box 27: Summary of achievements in management and financing of essential health care

- Management course for 19 junior doctors held
- Accounting courses for 24 accounts staff held
- Financial and Project Management courses for 27 officers conducted
- CHAM User Fee Exemption Policy finalized
- Hospital Autonomy draft Policy and Legislation produced

Constraint: Progress of the SWAp unsatisfactory hence locking up substantial financial resources

Recommendation: Malawi Government and donor partners to urgently resolve outstanding issue on SWAp to speed up the process

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. When implemented, 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 will play a major role in coordinating, strengthening and making more effective donor and government financing of the EHP.

Having finalized the Programme of Work in 2002/03, focus in the past year was on the development of a Memorandum of Understanding, to which all health sector partners will sign up. The consultation process for the MOU has however taken longer than expected, as partners could not reach consensus on some crucial areas such as financial management and procurement procedures for the SWAP. As such, the process is now well behind schedule and the target implementation date of July 2004 was not achieved. This has implications on resource availability for EHP, as some development partners are unable to release substantial amount of committed financial resources until the MOU is finalized and formally signed.

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 embarked on a sensitization process of assembly staff and elected members on health issues. These ranged from health policy issues and current developments as well as sensitization on the role of the assemblies in the implementation of health programmes, to ensure local participation in service provision. Guidelines were also developed for the district health staff and local assemblies, on the management of district health services.

The process for the autonomy of central hospitals has also progressed. In the past year, a draft Hospital Autonomy Policy was finalized and consultations within the Ministry and with development partners were conducted. At present, the document awaits consideration and approval by Cabinet. Similarly, draft Hospital Autonomy legislation has been produced. The Ministry is currently conducting internal consultations on the draft legislation.

4.2.2.4 HIV/AIDS

In line with the Strategic Framework for the National Response to HIV/AIDS in Malawi, the Ministry of Health established a Unit, which deals with the clinical aspects of the HIV/AIDS pandemic. Responsibilities of the Unit include the scaling up of anti-retroviral therapy (ART), HIV Counseling and Testing and the Management of HIV-related diseases.

During the year under review, the Ministry finalized a plan for scaling up anti-retroviral therapy. Through this plan, the Ministry intends to provide free ART in a total of 54 health facilities countrywide in the period July to December 2004.

As part of the planning process, the Ministry conducted a survey of HIV/AIDS services currently being provided countrywide, in order to determine gaps that may possibly be filled in the scale-up. Estimates of persons to start the ART were also made as well as procurement of drugs. Training of service providers at all the identified health facilities in the scale-up plan was also conducted.

Another scale up plan for counseling and HIV testing was finalized. The planned targets were to test a total of 750,000 clients at various sites in the years 2004 and 2005. In line with this, several activities were carried out, including the certification of counseling and testing sites, procurement and distribution of HIV test kits and development of materials for social mobilization and education about counseling and testing. Furthermore, the Ministry developed guidelines for the management of HIV-related diseases and also embarked on a drug quantification exercise for HIV-related diseases.

4.2.3 Promotion of Good Nutrition

Malnutrition remains both a cause and consequence of poverty. It continues to be one of the most important health and welfare problems facing many Malawians especially among the urban poor and the rural population malnutrition if not curbed will continue to exacerbate poverty which in turn slow down economic growth.

The major causes of malnutrition, has been identified as in-adequate dietary intake which is exacerbated by other factors like household food insecurity, poor child feeding and care practice, inadequate education, lack of knowledge in nutrition and improper intra-household food allocations. The situation has further been worsened by frequent infections, especially malaria, diarrhea, acute respiratory infections and opportunistic infections of HIV/AIDS.

In order to address the challenges that perpetuate malnutrition, three major objectives were pursued and these included; improvement in infant and young children feeding, diversification and modification of diets, and strengthen of institutions including Ministry's of Agriculture, Health, Education and Gender, NGOs and Civil society undertake activities to accomplish these objectives.

Progress of Implementation

4.2.3.1 Improving Infant and Young child feeding and breastfeeding

Text Box 28: Summary of achievements in child feeding and breastfeeding campaign

- 7 new baby friendly hospitals established to provide breastfeeding and appropriate complementary feeding.
- Developed a national code of marketing and use of BMS
- 23 trainers of trainers of Code monitors trained and 20 monitors trained in Lilongwe.
- Conducted one integrated Child Health Day campaign during which BFW celebrations were incorporated.
- 202 out of the planned 500 planned model villages were provided with minimum nutrition packages.
- 5 nutrition sentinel surveillance data collection sites were established.
- 4 IEC materials on prevention and control of malnutrition were developed and 6 radio slots were aired.
- 9 community awareness campaigns were conducted in 8 ADDs.
- 3 short courses on prevention and control of malnutrition for extension workers in all districts were conducted.

The Ministry of Health managed to establish new baby friendly hospitals during the period under review. In addition, three more hospitals were committed and were waiting for reassessments. Further, the national code of marketing and use of breast milk substitutes was produced; trainers of trainers for code monitors were also trained during the year under review. However, the document is yet to be disseminated to stakeholders (refer to Text Box 28).

Further, the Ministry managed to conduct one integrated child health day campaign during which breast feeding week celebrations were incorporated. Two documentaries on infant feeding and HIV/AIDS were aired on TVM and MBC radio one. The Ministry also facilitated the establishment and training of community support systems for infant feeding.

4.2.3.2 Diversification and Modification of diets

i) Support for a Minimum Nutrition Package

During the period under review, support for a minimum nutrition package was provided to model villages. The package was aimed at improving knowledge in nutrition amongst the villagers. Additionally, water and sanitation, land husbandry, food production, processing and storage issues were also included in the package.

ii) Research of food and Nutrition

This activity was not carried out in the 2003/04 financial year due to unavailability of funds and will be carried over to the 2004/05 financial year.

iii) Monitoring of Fortified Foods

Under the review period, Nutrition sections in the Ministries of Agriculture and Health in collaboration with World Vision International monitored the activities of various project including MICAH. Monitoring was also done on food fortification at hammer mills and salt iodination in select sites (need information on where, and how many visits)

iv) Establishment of Nutrition Sentinel Surveillance data collection sites

A total of 5 nutrition sentinel surveillance sites were established in health centers during the period under review. There are 12 districts providing nutrition information to the system. Additionally, the process of establishing more sites is on going in the remaining districts.

4.2.3.3 Strengthen Institutional Capacity

i) Production of IEC materials on prevention and control malnutrition

The Ministry managed to produce four (4) Information, Education and Communication (IEC) materials on prevention and control of malnutrition. Due to lack of funds few

were printed and distributed across the country. The Ministry also managed to air 6 radio slots on national radio stations.

ii) Dissemination workshop for stakeholders

This activity was not implemented due to lack of financial resources and will be carried over to the 2004/05 financial year.

iii) Community Awareness Campaigns

A total of 9 community awareness campaigns were carried out in all the ADDs. These campaigns were aimed at promoting awareness on dietary diversification.

Additionally, the Ministry of Gender has produced and printed Nutrition Reference Books and Training Manuals. These manuals were distributed to all districts through the Regional Community Development Offices. In order to enhance capacity, 30 extension workers were trained in community nutrition. Further, training sessions were also conducted on proper infant feeding. 260 health workers were oriented in general breastfeeding and lactation management. Another training on Vitamin A supplementation and promotion was held involving 300 volunteers.

iv) Nutrition Curricula Review

The activity was aimed at reviewing and incorporating nutrition issues in the curricula of health extension agents, primary and secondary school teachers. The Ministry of Education has finalized reviewing and incorporating nutrition in the curricula, which is currently in use. With regard to incorporating nutrition in curricula of health extension, nothing has been done at the moment.

v) Establishment of a Food and Nutrition Council

The Food and Nutrition Council has not been established since this will be part of the implementation of the food and nutrition security policy. However, the food and nutrition security policy recognized that a Department of Nutrition, HIV and AIDS under the Office of President and Cabinet was established and this will replace the council. Delays in finalizing the policy have affected the implementation of activities planned for the reviewed period. These activities included establishment of a National Task Force on nutrition, development of a food and nutrition framework and lobbying workshops with parliamentarians and policy makers.

vi) Food Security and Nutrition Policy Review

The draft policy was produced during the year under review. However, this has not been presented to stakeholders and Principal Secretaries. The finalization of the policy review is far behind schedule.

vii) HIV/AIDS and Nutrition Campaigns

During the year under review, four (4) advocacy campaigns were undertaken with donors, youth and the community at large. Over 15,000 people who qualified for ARVs were placed on therapeutic and supplementary feeding. Over 5,000 children were rehabilitated at nutrition units across the country.

viii) Training on prevention and control of malnutrition for extension workers

A total of three (3) courses were conducted during the period under review. The course targeted the AEDOS while the remaining two courses were targeted to Food and Nutrition Officers at district level. In addition, the Natural Resources College trained 195 students and Bunda College trained 250 students in nutrition respectively.

Constraints and Challenges

There are a number of challenges that were encountered during the implementation of the activities. These are highlighted below.

- Delays in reviewing the Food and Nutrition Security Policy
- In-adequate funding making it impossible to carry out activities planned for the financial year
- Lack of adequate and trained staff to deliver nutrition services

Recommendations

- The need to finalize the Food and Nutrition Security Policy in order to standardize and provide guidelines on how to tackle nutrition issues by all stakeholders.
- Need to ensure that adequate resources are allocated to these activities and timely.
- Enhanced coordination amongst players in nutrition to avoid duplication of efforts.

4.2.4 Better Technical, Entrepreneurial, Vocational Education and Training

The overall goal of TEVET is to offer 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 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, Ministry of Labour completed rehabilitating 90 buildings (including workshops, hostels, classrooms and kitchens) in the 7 colleges throughout the country. During the year, there has also been an increase in the number of non-apprenticeship students' enrolled full time to 880.

Overall, the total number of apprentices in the colleges has increased to 2,030. The increase was experienced because of the introduction of evening/parallel programmes that enrolled more students (1,150) than the normal system, which enrolled 880 students. The parallel programmes were introduced because of the increased demand for such training.

Text Box 29: Summary of achievements in TEVET

- 7 public colleges buildings rehabilitated;
- 6,400 students out of 7,000 trained in both private and public institutions;
- 5 sites identified for potential village polytechnics (MoLVT);
- Trained 104 lecturers out of 360 (MoLVT), 22 technical teachers out of 20 (TEVETA), and 30 trade testing assessors out of 35 (MoLVT & TEVETA);
- 120 participants (32 men and 88 women) trained in cookery, bakery and tailoring (MEDI & TEVETA);
- 60 needy students out of 100 provided with bursaries (TEVETA-DANIDA);
- Developed curricula for 8 trades (TEVETA);
- 270 out of 300 trainees graduated in skills development initiatives (TEVETA and MASAF);

Challenges and Constraints

- Lack of support to Monitoring and Evaluation activities; and
- Accounting errors explain lack of capacity in accounts personnel

Recommendations

- Ensure availability of funds and that staff are properly trained

The Ministry planned to establish the 30 village polytechnics, one for each district. So far, only five were identified for this purpose in Kasungu, Mulanje, Thyolo and Mangochi.

As part of building capacity by staff members of vocational colleges, a number of courses both long and short term were carried out. A total of 51 technical instructors are pursuing a degree programme at the Universities of Malawi and Mzuzu while 53 instructors attended short courses within the country and in South Africa. These training programmes were aimed at improving the quality of delivering materials.

Few participants benefited from the training programmes designed for the year under review. In total, 36 training programmes were lined up for the year but only two (2) were carried out. Only 120 participants were trained against the target of 800 participants. The 120 participants from Lilongwe and Dowa were trained in cookery, bakery and tailoring. Further, fewer tools for training were purchased due to lack of knowledge in the tendering procedures. In addition, the Ministry also failed to purchase 6,160 teaching and learning books for the public colleges.

TEVETA in collaboration with MASAF implemented several on-job-training programmes for 401 youths. Furthermore, 270 graduates were trained in skills development in readiness for self-employment in their local communities. TEVETA also achieved the

following; developed curricula for 8 trades and trained 20 technical teachers in using the new curricula, trained 20 trade testing assessors, reviewed a micro-credit fund scheme for small scale businesses, provided bursaries to 60 needy students and reviewed tool box loan scheme for TEVETA apprentices. The Technical Qualifications Framework (TQF) was also submitted to parliament for gazetting.

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

Recommendations

The following recommendations were put forward to improve the situation.

- Ensure that there is adequate funding at all times
- Conduct training for staff responsible for procurement
- Increase collaboration between implementing institutions with planning and financing Ministries

4.3 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.

Before the implementation of the MPRS, the government implemented policies that were aimed at protecting the poor by using market-based policies, which included price controls, subsidies and minimum wages. Further, nutrition supplements, free food distribution, free input distribution, food or inputs for work programmes were used as safety nets programmes.

During the 2002-03 year, the Malawi Vulnerability Assessment Committee (VAC) report indicated that there were some districts, which were facing food shortage. These were Nsanje, Phalombe, Machinga, Zomba and Karonga.

Progress of Implementation

4.3.1 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 government TIP was the largest programme covering all the districts in the country. The package was composed of 5 kilogram of Urea and 5 kg of 23:21:0, 2 kg of open pollinated varieties (OPV) of maize and 1 kg of grain legume seed. The total cost of the TIP implemented by government was MK1.394 billion. DfID and government

contributed approximately MK1.286 billion and MK108 million respectively. Government's contribution was in form of carryover fertilizer from the previous year's TIP.

Text Box 30: Summary of achievements in TIP

- 1.702 million farm families received inputs under TIP (1.7 million government TIP beneficiaries and 2000 AAH TIP beneficiaries)
- 500 households received chicken for commercial purposes

The second type of TIP was implemented by NGOs; Some of the NGOs implementing TIP were Zam Zam, World Vision, Malawi Red Cross, Concern Worldwide and Action Against Hunger (AAH). The NGO TIPs concentrated on localized impact areas. For AAH, the programme distributed to 2,000 beneficiaries one watering cane, one hoe blade, one packet of 200 gm vegetable seed, 25 kg of urea fertilizer, 25 kg of compound fertilizer and 5 kg beans. In addition, 500 beneficiary households who were land constrained received chicken for rearing in order to improve their income and nutritional status. Other inputs distributed were groundnuts, cassava and sweet potatoes planting materials.

ii) Public Work Programs

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

During the 2003-04 financial year, MASAF II project was concluded. MASAF implemented three safety net projects through the Local Authority Managed Projects (LAMPS). The World Bank and DfID funded these projects.

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 (refer to Text Box 31 for figures). These projects were implemented throughout the country.

Text Box 31: Summary of achievements PWP

- 224 PWP were implemented by MASAF (27 North, 76 Center and 121 South) under Emergency Drought Recovery Project (EDRP)
- 92,005 people benefited from the PWP (22,005 MASAF and 70,000 NGO consortium)
- MK765 million cash transferred to 259,901 beneficiaries through RCWP (males: 144,099, females: 115,802 & 31,201 out of 115,802 were female headed households)
- 12,899 Km of roads rehabilitated/constructed (MASAF II – LAMP and Africare)
- 108 km road under rehabilitation (Africare)
- 4685.31 ha was put under afforestation programme (MASAF)
- 13,000 sq m dams constructed/rehabilitated
- 37 ha planted to cassava (Africare)
- 139,721 *faidhebia abida* transplanted to 28 ha (Africare)
- 42,790 blue gum and pine trees planted (Africare)
- 3 ponds constructed and stocked with fish
- 78 sq m of manure produced (Africare)

Other activities that were implemented are manure making by OXFAM, water hyacinth clearing by the Department of Fisheries, sewer line rehabilitation by city and municipal assemblies, and Department of Irrigation of the Ministry of Agriculture continued with the rehabilitation of schemes.

Under MASAF II Improved Livelihood Through Public Works Program (ILTPWP) was carried out with funding from DfID called LAMP MASAF II PWP. There was also Relief Cash for Work Programme (RCWP).

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.

During the year under review the progress of this program is shown in table below.

Table 4.2: Progress of 2003/04 GoM/EU PWP Activities

Activity	Physical Progress (km)		Financing	
	2004 Target	Implementation Progress	Budget Provision (K'000)	Expenditure
Rural Feeder Roads Grading	1,673 km	1,243 km (74%)	73,200	44,243 (60%)
Rehabilitation of rural feeder roads	1,278 km	555 km	63,880	38,706 (61%)
		795 km (106%)	250,144 (EU)	243,853 (97%) (EU)
				Overall (90%)
Construction of Infrastructure	790 km	874 km (111%)	60,194	61,561 (102%)
		150 m	51,400 (EU)	32,945 (64%) (EU)
				Overall (85%)

Figures in brackets are indicative of level of implementation versus target and amount spent versus the budget.

Source: Ministry of Local Government and Rural Development

Other GoM/EU PWP Projects

- The GoM/EU PWP also implemented labour intensive food security projects. These were carried out involving 11,329 men and 9,269 women in Lilongwe, Dowa, Ntchisi, Salima and Nkhotakota. Approximately MK77.5 was spent on the programme.
- Another GoM/EU PWP project was support to villages to plant communal woodlots. Started in April 2001 to March 2004, the project was to involve 31,533 beneficiaries in Lilongwe, Dowa, Mchinji, Kasungu and Ntchisi. The project supported 1,275 villages to plant 24 million trees and assisted farmers with treadle pumps and 470 with stream diversions for small-scale irrigation projects.

Apart from MASAF and EU/Malawi Government PWP public works programs, a consortium of NGOs undertook PWP activities. Comprising CARE, Afri-care, Emmanuel International and Save the Children US, the consortium targeted marginalized farmers through the provision of agricultural inputs in return for labor on road improvement works. The beneficiaries received 50 kg of urea and 10 kg of maize seed. The distribution of inputs was conducted by the small-scale agro-dealers under the coordination of the International Center for Soil Fertility and Agriculture Development. For number of beneficiaries and achievements refer to Text Box 32. There were 10 districts that benefited from the PWP implemented by the consortium and these include Mzimba, Lilongwe, Dowa, Ntcheu, Mangochi, Balaka, Machinga and Zomba.

On the other hand, the Joint Emergency Food Aid Program (JEFAP), a consortium of NGOs comprising the Salvation Army,

Text Box 32: Summary of achievements in food for work

- 9,265 beneficiaries engaged in food for work got 2,469 tons cereals and 247.3 tons pulses (Africare)

Save the Children US, GOAL, ADRA, Afri-care, Concern Universal, CPAR, CRS/CADECOM, Emmanuel International, OXFAM, Red Cross, Save the Children UK, World Vision and WFP implemented aid recovery programs. Beneficiaries of this programme participated in road rehabilitation, afforestation, fishpond construction and compost manure making. In return the beneficiaries received 50 kg maize and 5 kg of pulses. For Afri-care, the programme was implemented in three Districts, Ntcheu, Mzimba and Likoma). In total, 2,470 metric tons of maize and 247 metric tons of pulses were distributed.

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.

4.3.2 Welfare Enhancing Interventions

The welfare support interventions were of three types thus 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. However, government with support from donors was the main implementer of this component.

i) Targeted Nutrition Programs

Unlike the previous year, there was no famine in the country during the 2003-04 period. Consequently, there was no widespread food distribution exercise. Instead, the NGOs that were general food distributors were involved in distributing food to vulnerable members of the communities in which they work. Some of the vulnerable members targeted included the children, the pregnant and lactating mothers and the sick. The WFP played an important role in providing food through the nutrition rehabilitation centers, the NGOs and hospitals

The Ministry of Health reached out to children and/or malnourished, caretakers, and lactating and

Text Box 33: Summary of achievements in Targeted Nutrition Programs

- 37,823 beneficiaries received 719.69 tonnes of maize meal, 146.15 tonnes of pulses, 370.37 tons of cooking oil, 1,946.40 tonnes of corn-soy blend, 79.91 tonnes of sugar, 80.60 tonnes of DSM at cost of MK2,532,597.21 (MoH)
- 19,806 beneficiaries received 545.35 tonnes of cereal, 58.79 tonnes of pulses, 152.02 tons of corn-soy blend, 69.55 maize meal and 55.22 tonnes of vegetable oil (COGUARD Consortium)
- 465 MoH staff and 400 community volunteers trained on screening beneficiaries (COGUARD Consortium)

pregnant mothers with Supplementary and Therapeutic Feeding.

A consortium of NGOs chaired by Africare conducted activities under COGUARD (Cooperatively Guarding Nutrition Status of Pregnant and Children in Emergency through Supplementary Feeding. Some NGOs distributed rations to ill patients (i.e. TB patients as part of medication), households keeping orphans, child headed and elderly headed households.

ii) 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. In 2003-04, the direct transfers included school fees assistance and distribution of food items for relief. In the central region, 156 students were given school fees assistance worth K572, 385. Red Cross, Lions Club-Lilongwe, and HIPC funds provided the school fees.

iii) Capacity Building Programs

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 2003-04, UNICEF was the major donor towards training programs on HIV/AIDS. Other donor partners were DfID, World Vision International, National AIDS Commissions, Malawi Red Cross, OXFAM-Malawi Southern Africa Aid Trust and Actionaid. During the year under review, 2,956 people were trained in various programs (orphan care, care giving for HIV/IDS, community based management and community support groups). In total, the amount of money spent totaled K17, 578,145.

Constraints and Challenges

- Targeting remained a potential problem as a majority of the people was recovering from the 2001/02 famine. However, TB patients, lactating mothers, pregnant mothers and malnourished children were targeted.
- A number of organizations duplicated HIV/AIDS activities, which led to over-servicing some areas than others.

Recommendations

The following are some of the recommendations welfare enhancing interventions:

- The MoLGRD should set up community structures within the district assembly framework to ensure effective targeting given a set of criteria.

- NGOs should synchronize their programs at district level to avoid duplication and rationalize capacity building programs

4.3.3 Disaster Management

The plan was to improve disaster preparedness, prevention, mitigation, relief as well as rehabilitation programmes. As a way of getting ready for any disasters, the Department planned to work with various NGOs and development partners using district assembly structures.

Progress of Implementation

During the 2003-04 financial year, the activities that were undertaken included implementing disaster preparedness and mitigation programs, provision of food and non-food items to disaster victims, rehabilitation and reconstruction and monitoring and evaluation of activities.

i) Implementing disaster preparedness and mitigation programs

- Developed four flood contingency plans for Salima, Karonga, Machinga and Phalombe districts.
- Completed the National Disaster Management Plan
- Conducted five flood moderation and drought mitigation courses for officials from the following districts: Chikwawa, Nsanje, Zomba, Phalombe, Machinga, Mangochi, Karonga, Chitipa, Salima and Nkhotakota.
- Conducted two vulnerability assessments and mapping to assess food security status in the country as part of Vulnerability Assessment Committee activities
- Assisted District Commissioners in identifying mitigation projects through capacity building for civil protection committees at district and area levels
- Supported the activities of 26 District Humanitarian Affairs Officers in the district assemblies.

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.

ii) Provision of food and non-food items to disaster victims

During the 2003-04, the Department of Poverty and Disaster Management Affairs provided food and non-food relief items such as maize, beans, rice, salt, plastic kitchen utensils, blankets and plastic sheets worth K95, 146,750 to disaster victims and vulnerable groups. Key players were the Department itself, district assemblies, donor partners, and the Ministry of Finance. Specifically the following activities were conducted:

- 1,225 flood victims in Zomba and Phalombe were supplied with food and non-food items

- Provision of food and non-food items to disaster victims through relief provided by government, donors and NGOs for flood victims and vulnerable groups in the country.

iii) Rehabilitation and Reconstruction

Rehabilitation and reconstruction of infrastructure is usually the responsibility of responsible institutions such as district assemblies, line ministries, the National Roads Authority, NGOs, donor partners and the private sector. The Ministry of Agriculture promoted winter cropping of maize to ensure food security.

iv) Monitoring and Evaluation

Monitoring and evaluation activities were done by District Humanitarian Affairs Officers (DHAOs) who were sponsored by the UNDP. This was done through the monthly reports on humanitarian situations in the districts aimed at monitoring and evaluating the implementation of the preparedness, mitigation and emergency relief programs. The main players were the Department of Poverty and Disaster Management Affairs, District Assemblies, Ministry of Economic Planning and Development, Ministry of Local Government and Rural Development, line ministries, the WFP and NGOs.

Constraints and Challenges

The following constraints and challenges were faced:

- There has been poor coordination among the stakeholders involved in disaster management activities resulting in duplication of efforts.
- Untimely and inadequate funding that made it difficult to undertake preparedness and mitigation activities
- The UNDP Flood Disaster project, which supported the DHAOs at district assembly level, expires in December 2004. Timely reports on humanitarian situations in the districts may, therefore, not be forthcoming thereafter.

ii) Recommendations

The following are some of the recommendations that would improve disaster management:

- Improve coordination among stakeholders in disaster management at district level by strengthening the district assembly structures
- Government should institutionalize the office of the District Humanitarian Affairs Officers within its structures at the district assembly level
- Government should allocate more funds for disaster management to enable the implementation of preparedness and mitigations activities.
- While there is a National Disaster Management Plan, efforts should be made for districts to develop District Disaster Management Plans based on the disasters they face.

4.4. Pillar 4: Good Governance

One of the factors affecting economic growth and development is good governance. In this respect, the Malawian constitution promotes good governance by providing for the establishment of democratic institutions and bill of rights. In the MPRS, the overall objective of good governance is to ensure those 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. Consequently, the year under review experienced law enactment to ensure transparency and accountability. The laws that were passed include the Public Audit Act 2003, Public Finance Management Act 2003 and the Public Procurement Act 2003. These three laws establish a basis for an efficient system of financial management and proper utilization of all resources in an attempt to curtail fraud.

4.4.1 Political Will and Mindset

These two concepts are behavioral 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. Much as the MPRS did not specifically identify activities that would have been implemented, as highlighted in the first Annual Progress Report, the thinking and willingness of the people to accept the issues of governance is being advocated and accepted in general.

The current government is committed towards having a corrupt-free Nation. The government realizes that an important aspect of economic reform is to stamp out corruption, an enemy of growth and prosperity. Through its zero tolerance option, it is committed to eliminate corruption by implementing measures including the following:

- Establishment of clear “performance criteria” and “benchmarks” by which government spending will be audited regularly and validated by independent auditors.
- Designing an efficient system of financial management and monitoring the allocation and utilization of all resources so that fraud can be detected as it occurs in the project/programme cycle, and prompt measures taken to address the situation.
- Ensuring swift investigations, prosecution and punishment of public officers at all levels of responsibilities, which are found guilty of corruption, theft, mismanagement and abuse of power in all forms.
- Strengthening the offices of the Accountant General, Auditor General, Public Accounts Committee and the ACB to ensure that officials and politicians entrusted with public funds act in a transparent manner, with regard to utilization, reporting and accountability of public funds
- Respect of the rule of law

Progress of Implementation

During the year under review government experienced change of leadership and it launched a road map on how Malawi can transform from a poor country to a middle

income as articulated by the incumbent state president during the inaugural speech in May, 2004. The president, in his vision for Malawi, strongly emphasized that Malawi is not poor but the people. He was also committed to fight against poverty as a common enemy and appealed to Malawians to work together. In order to achieve his vision of transforming Malawi from a consuming to producing country, a number of strategic issues have been articulated in his Road Map.

Demonstrating governments' political will, the government committed itself to reduce expenditure among others to shift the official residence of the presidency from Blantyre to Lilongwe, reducing cabinet from 58 to 28, intensifying the fight against corruption and appointment of people in higher positions based on merit.

Constraints and Challenges

- Inadequate commitment to support the vision
- Inadequate resources and lack of a clear strategy to address mindset

Recommendations

- Introduce development studies in all institutions of high learning for cadreship development
- Organize special orientation course targeting people holding leadership positions on political-economy with emphasis on head/directors of departments and above
- Conduct a mass political education campaign to the citizenry
- Strengthen governance institutions and civil society organizations

4.4.2 Improved Safety, Security and Access to Justice

The issues of Security and Justice are closely linked to issues of poverty. The MPRS advocates an improved safety, security and access to justice to ensure safety of assets and wealth. Crime and insecurity impact the population negatively. For instance, corruption, fraud and evasion of custom duty reduce the resources available for Government to spend on poverty reducing activities. Insecurity also negatively impacts the growth of investment and tourism, which in turn affects economic growth. The following activities were identified by the MPRS for implementation:

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

Progress of Implementation

4.4.2.1 The Judiciary

A Justice Delivery System that is efficient, effective and competent promotes economic growth of the country as it encourages investors, both external and internal to invest their resources in the country. In this regard, the MPRS provided the following objectives that identified the Judiciary, *inter alia* as a key player: -

- 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

Judiciary Strategic Plan and Development Programme

The Malawi Judiciary realised that the objectives as outlined in the MPSR can never be achieved without a proper strategy. It is in that vein that in the year under review in November 2003 the Malawi Judiciary launched its five-year Strategic Plan and Development Programme.

Provision of Straight-Forward Court Procedures

To ensure access to justice, it was realised that there is need for the civil procedure rules in the High Court and Magistrate Court to be user friendly for the common Malawian. To curtail this handicap, the Judiciary appointed a team to be responsible for streamlining and simplifying court procedures.

Further an alternative dispute resolution mechanism in the form of Mediation and its rules were introduced in the court process. The ultimate aim was to ensure that cases are readily resolved without resorting to trial. This will save time and costs of taking matters through the rigorous court process.

Text Box 34 Achievements: Provision of Straight – Forward Court Procedures

- 60 magistrates and 16 Judges were trained in mediation
- Mediators were appointed and gazetted from the various fields of Bankers, Doctors, Insurers, Accountants Commerce, and Engineers.
- Law clerks from the magistrate courts, Industrial Relations Courts and the High Court were trained in mediation

Strengthening of General and Financial Management Of The Judiciary

The MPSRP identified designing and implementation of separate funding system for the Judiciary as a way of strengthening general and financial management. A team was identified and held meetings with the Parliamentary Appointments Committee, Ministry

of Finance, Ministry of Economic Planning and Development, and the Department of Human Resource and Development to review the conditions of service and the implementation of the Judicature Administration Act.

Constraints and Challenges

- The reviewed and approved conditions of service have not been fully implemented.

Recommendation

- Increase funding to the Judiciary so as to meet its mandate as identified in the MPRS.

COURTS AVAILABILITY

In order to increase crime prosecution rate, the MPRS realised the need to construct more courtrooms in all districts. During the period under review, little progress was made due to unavailability of funds, as a result Blantyre Magistrate court complex was not completed, Lilongwe Magistrate Court and High Court not yet expanded, High Court at Chichiri in Blantyre has not yet been moved to the old Parliament Building in Zomba, and court rooms in the districts have not yet been built.

Challenges and Constraints

- Financial constraints have resulted in the Judiciary's failure to build even one court in the year under review.
- There has been an increase of the accused escaping from custody whilst in court.

Recommendation

- Provide adequate resources to ensure that criminal matters are dealt with, similar attention should be given to the Judiciary.

The Magistrate Court

The magistrate court experienced an increase in both civil and criminal cases resulting into congestion. On average, in a district where six courts were supposed to be functional at one particular time, only three courts are functioning.

The High Court and The Supreme Court of Appeal

The Courts Act was amended to allow a minimum of three judges to preside over any matter relating to constitutional interpretation to

Text Box 35: Achievements of the High Court and Supreme Court of Appeal

- Four High Court Judges were appointed to the bench.

Two Supreme Court of Appeal Judges were appointed

- The Court Act (Chapter 3:02) of the Laws of

ensure appreciation and respect of the law.

A study on the Homicide matters was carried out and it revealed that most cases which have resulted into serious criminal offences of murder, would have been pre-empted as a civil matter of land dispute had the High Court been provided for to go on circuit.

Constraints and Challenges

- Lack of adequate finances and motor vehicles to ferry judges to district and magistrate courts on circuit.
- The Supreme Court and the High Court share court room space. This caused delays to both courts. It also caused confusion on part of the litigants, as they did not know that there was a difference between the Supreme Court and the High Court.

Recommendation

- Provide adequate financial resources for the High Court to go on court circuits.
- Provide of four-wheel drive motor vehicles for the High Court to be able to visit the satellite courts and sites in dispute in the rural areas when dealing with matters on court circuit.
- Review the procedural rules vis-à-vis matters of Constitutional Interpretation. The Procedural laws need to be provided for to ensure that the process will be effective and efficient at the same time.
- Geographical distancing of the Supreme Court from the High Court is vital.

Industrial Relations Court

Industrial Relations Court registered a total of 1720 employment dispute cases countrywide. It managed to conclude forty-five percent of the same. It still has some pending cases from the previous years.

Constraints and Challenges

- Insufficient personnel both legal and support staff
- Inadequate allocation of financial resources
- Inadequate provision of capital assets.

Enhancement of Capacity and Work Ethics of Judicial Officers and Support Staff

The Government reviewed the salaries of the support staff and conducted sensitization on HIV/AIDS. The Judiciary was also working on a Plan of Action on how to maximize utilization of tools and remedies that are available for HIV/AIDS prevention.

In an attempt to mitigate Gender imbalances, two of the Judges that were appointed to the High Court Bench are women.

Decongesting Prisons

In the year under review, the high court disposed of 270 Homicide cases involving 376 defendants through homicide trials. In addition, 5,346 offenders served their sentences through community services to various government institutions such as hospitals, schools, training centres, market places, City and Town Assemblies.

Constraints and Challenges

- Increased levels of defaulters among the offenders especially in urban areas.
- Inadequate funding and poor working conditions.
- Failure to effect the establishment warrant creating a directorate of Community Service.

Recommendations

- Government should incorporate officers working on Community Services.
- There is a need to intensify sensitization programmes on the advantages of providing people with non-custodial sentences.
- The Malawian people's mindset should change to accommodate the fact that custodial sentences are not always a solution to punishment for offences.

Ensuring Respect of The Rule of Law through Sensitization- Production of Malawi Law Reports 13th to 16th Volumes

In the year under review, the Malawi Judiciary, with financial assistance from the European Union (Rule of Law Programme) produced five volumes of the Malawi Law Reports. These are the Judgments of the Malawi Supreme Court of Appeal and the High Court in the period ranging from 1990 to 1993. The five volumes are part of the latest developments to our case law.

Donor Funding

The Malawi Judiciary has been donor dependent on most of its activities in the year under review. The donors include DFID (MASSAJ), European Union (Rule of Law programme) and Inter-ministerial Committee on Human Rights and democracy.

Recommendations

- De-linking of the Judiciary funding from Treasury should be effected.
- Building of courts should be effected
- To accommodate the need for better prosecution of matters from Ant-Corruption Bureau, more professional magistrates should be recruited in the Judiciary. This will require providing them with incentives in form of better conditions of service.
- District Magistrates and Judges should be provided with means of transport for them to hear cases in satellite courts.

4.4.2.2 Justice

The Ministry is mandated to provide legal advices and services to government institutions. During the year under review, the Ministry of Justice conducted several activities to ensure the promotion of the rule of law, transparency and accountability and human rights in the country within the framework of the Constitution.

Ensuring application and respect of the rule of law

The Ministry finalized its draft Strategic Plan in order effectively guide activities outlined in the MPRS

Recruit and train prosecutors in police and DPP

All the 3 State Advocates recruited for the Directorate of Public Prosecutions and three of the five recruited for the Department of Legal Aid, resigned. Six State Advocates attended short-term legal courses at the International Law Institute in Kampala, Uganda. One went to Melbourne, Australia to pursue a Masters of Law degree programme. Two Principal State Advocates attended courses on money laundering and terrorism in Lusaka, Zambia.

Establish legal aid offices in all districts

A regional office was identified in Mzuzu but the office is not operational due to staffing, material and financial constraints.

Institute unbiased and depoliticised recruitment into security and justice organisations

The office of the DPP remained independent and free from political influence as demanded by the constitution. The Civil Service Commission directly recruited other officers in the DPP's office

Conduct civic education to the community of their rights

20 civic education workshops conducted on access to justice using EU Rule of Law Programme funds. 3,000 leaflets were printed of which 1,500 were distributed to districts in the country.

Build capacity for investigation and prosecution of corruption and fraud cases

Three lawyers and several officers attended local and international courses on law as well as other economic Crimes such as money laundering and the financing of terrorism.

Ensure speedy prosecution of corruption and fraud cases

Both the Police and the DPP's office handled at least 105 cases. The DPP granted control for the prosecution of 27 Investigation Diaries received from the Anti-corruption bureau

Challenges and constraints

- Lack of resources (lawyers, funds, vehicle, etc) against a huge backlog of corruption and fraud cases;
- Little appreciation for the independence of the DPP's office and the entire Public Service;
- Inadequate budgetary allocations to the Ministry;
- Resignations of state lawyers seeking for greener pastures

Recommendations

- Increase funding allocation to the Judiciary, ACB, Police and DPP's office;
- Provide adequate financial resources for training programmes;
- Put in place a deliberate Policy and review the conditions of service for lawyers and Paralegals; and
- The office of the DPP should be held accountable to the Legal Affairs Committee for all decisions made;

4.4.2.3 The Malawi Police Services

The Malawi Police Service (MPS) in its bid to ***create a safe and secure Malawi*** engaged itself in various activities in response to the Malawi Poverty Reduction Strategy (MPRS) guidelines. The activities were implemented using both government and donor funding.

A series of training in various branches were conducted to improve capacity and professionalism.

Several activities in relation to HIV/AIDS were held, as the police service is one of the major culprit of the HIV/AIDS pandemic. Additionally, the MPS recognizes the reality and existence of HIV/AIDS hence the intensified fight against HIV/AIDS among officers, their spouses and children.

Text Box 36: Summary of achievements in safety, security and access to justice

- 1492 constables were recruited out of which 435 were ladies in its Police Training Institutions of Mlangeni, Mtakatika and Limbe.
- The MPS trained 87 community Policing coordinators from the entire four Regions in motorcycle riding.
- A total of 100 trained detectives were posted to all the 32 police formations through out the country
- Conducted Performance Management Training for 30 officers at Malawi Institute of Management.

Recommendations

- Recruit more police officers to reduce police- population ratio, which still remains high 1: 1, 400
- Improve packages to attract more professionals.

In mitigation, the HIV/ AIDS desk carried out the following activities;

- Opening of VCT Centres at National Police headquarters and Zomba. The centers are also approved ARV centres.

- Sensitization of 32 Officer-In-Charge stations on the Impact of AIDS on Human Resources.
- Training in communication and behavioral change for Senior Officers sponsored at Regional Aids Training Network – Kenya.
- Development of HIV/ AIDS curriculum for Police Training Institutions at SARPCCO regional level.
- Provision of condoms, awareness messages, treatment of infected, care and support of officers.
- Training of peer educators in the central region.
- Home based care training for officers at Lilongwe Police Station
- Sensitization of officers, their spouses and children on condom use.

Establish Database of Firms and Employees.

A Human Resource Management Database was installed at the National Police Headquarters and is functional.

Improve Human Resource Management and Development including HIV/AIDS Prevention and Mitigation and Elimination of Gender Imbalances in Recruitment.

The Malawi Police Services (MPS) conducted Performance Management training for officers at the Malawi Institute of Management. The MPS also established the HIV/AIDS Coordinator’s office at the National Police Headquarters.

Promote Civilianization by Reviewing Recruitment Systems

During the period under review, the MPS recruited civilian staff in Finance Management and drafted a Civilian Management Policy. This was done to ensure good management of finances. The policy is however awaiting management approval.

Improve Police Response to calls for Assistance (Local Transport and Communication)

A 997 Rapid Response Board was established and a policy on Rapid Response was also drafted. Vehicles were purchased though not yet delivered. However, the project is to start on a pilot status in the cities of Blantyre and Lilongwe.

Increase Police Presence Particularly in Rural Areas

A total of 100 trained detectives were posted to all 32 police stations through out the country. The officers intensified detection of crime, beat, patrols and conducted raids and sweeping operations in all the four policing regions. These activities led to the arrest of 84 notorious criminals and recovery of property worth over MK6 million.

Control the Proliferation and transfer of firearms

To ensure control on the above, the MPS established a computerized Arms Registry and intensified firearms inspection through out the country.

Strengthening Anti - motor vehicle theft units

In an effort to control the theft of motor vehicles, several operations were conducted. Apart from usual vehicle patrols, the MPS in conjunction with INTERPOL conducted the *Mhakure* Phase III major operation, which led to the recovery of 39 vehicles stolen from neighboring countries.

Crime Surveillance

To ensure effective Criminal Surveillance, the MPS carried out Rehabilitation works in Category A stations in readiness for best practices. Extension works were done in Blantyre, Mzuzu and Zomba. Briefing and coordination units were built and gazettes are yet to be released.

Develop Technical Support for Evidence Gathering.

Text Box 37: Summary of achievements in evidence gathering

- Training of 20 Finger print officers in Forensic Sciences,
- 1500 Investigative Interview Handbooks were purchased
- 78 community policing coordinators were trained

Recommendations

- Enough funding to be forwarded for the MPS to join the world in advanced evidence gathering.
- Build capacity through provision of training.

A training of 20 finger print officers at National Finger Print Bureau was conducted followed by a training of Scenes of crime officers. The MPS further purchased equipments for Scenes of Crime officers, which with availability of accommodation will be posted to all the 32 police stations. The MPS further computerized the fingerprints bureau and maintained the Photography Section. A Forensic Workshop was also conducted.

Table 4.3: Summary of Progress on Safety, Security and Access to Justice

Objective/Activity	Achievements
Increase Police Presence Particularly Rural and Border Areas	40 motorcycles were purchased but no officer has been identified for training.
Improve Police Response to Calls (Marine)	Purchased 7 new boats and rehabilitated fibre-glass ones that presently they are functional
Establish anti-livestock theft units	Established Anti-Livestock pilot units in Karonga, which was the most hit district.
Civic Education on Crime Prevention	10,000 Community Policing posters were printed and distributed. These posters were for; <ul style="list-style-type: none"> i. Victim Support Units ii. Youth and school Outreach iii. Civic education and Partnerships
Developing Counseling Methods at all levels	Several workshops were conducted at Malawi Institute of Management, Regional offices and in some stations. The training at MIM equips 32 officer-in- charge

	stations with Communication and Behavioral Change knowledge.
Safeguarding Rights of Victim of crime suspects and Prisoners	94 Victim Support Unit coordinators were trained and are distributed in all the 32 stations in Malawi.
Enhance Community Involvement in Policing	A Steward, ground owners and supervisors training was conducted to ensure safety during football matches. 23, 263 crime prevention panels (CPPs) were formed through out the country.

Constraints and Challenges

The following constraints were met during the review period:

- HIV/ AIDS pandemic negatively impacted the MPS, which lost several officers to AIDS
- 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.

Recommendations

- Since HIV/ AIDS continues to reduce the police population, the MPS has to intensify workplace programs focusing on the following pillars.
- Prevention and advocacy
- Treatment, care and support of the effected and affected
- Impact mitigation
- Capacity building and mainstreaming and networking/ partnership.
- Adequate funds should be made available throughout the year.
- There is a need for the MPS to recruit specialized staff to pick specialized posts to improve service delivery.
- Increase capacity building in all branches to strengthen departments that lack expertise and skilled staff such as forensic science and preservation of evidence
- Improve the welfare of the police officers by constructing more houses and offices
- Improve the infrastructure in the police training institutions and provide adequate teaching and learning materials

- There is a need to improve package and increase incentives of specialized staff so that the police can retain them.
- Increase awareness campaigns on community policing among communities and police staff

4.4.3 Fraud and Corruption

An important aspect of economic reforms is to stamp out 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 fact that corruption constitutes the third most common experience of crime, is clearly a great cause of concern.

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 identified for implementation:

- Create new Malawi Procurement Authority (MPA) to oversee decentralized procurement across government.
- 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.

Progress of implementation

The Anti-Corruption Bureau, being a constitutional body mandated to address corruption and fraud, managed to implemented the following activities during the period under review.

4.4.3.1 Improve the Prevention of Corruption and Fraud

During the review period, the ACB conducted a National Anti-Corruption Day in order to create awareness and a decision was made to observe the day annually.

The Bureau organized seminars on promotion of free and fair elections. This activity was followed by anti-corruption campaigns in all the districts and through the mass media.

Text Box 38 Achievements in Prevention of Corruption and Fraud

- Public Audit Act 2003 enacted
- Public Finance Management Act 2003 enacted
- Public Procurement Act 2003 enacted
- Corrupt Practices Act (Amendment) 2004 done
- 6 sensitisation workshops for court clerks held
- 3 sensitisation workshop for Magistrates held
- 1 sensitisation workshop for Judges held
- 1 sensitisation workshop for the Public Accounts Committee held

Anti-corruption newsletters for two quarters were produced. The Bureau supported Anti-Corruption Clubs of the Universities. The ACB also produced and distributed posters and T-shirts. Public awareness campaigns through the radio and talk shows during the review period were also conducted.

4.4.3.2 Increase Detection and Prosecution of Corruption and Fraud Cases

During the year under review, the Law Commission reviewed the legal framework and relationship between the ACB and the Director of Public Prosecutions (DPP).

After the review, Parliament amended the Corrupt Practices Act. The milestones, that were achieved through the amendment include the empowering of the Director of the Anti-Corruption Bureau to instruct any Legal Practitioner to provide legal advice to the Director in any civil proceeding and to act on behalf the Director. This would ensure speedy prosecution of matters by the Bureau as previously

Text Box 39 Achievements in Detection and Prosecution

- 3 specialised investigations units established
- 15 officers trained in procurement processes, procedures, and banking
- 5 legal firms engaged in prosecution
- Corruption Prevention and Public Education Division established

this power was only vested in the Attorney General. This is also seen as an attempt to de-politicise the Bureau and provide actual autonomy. The review had recommended empowering the Director of the Bureau to prosecute all matters without seeking consent of the DPP. In amending the Act, Parliament has provided that the Director of the Bureau should still seek consent of the DPP but where the DPP withholds his consent he should account to Parliament on the grounds for so withholding consent.

The ACB continued to work closely with the National Audit Office (NAO), the Malawi Revenue Authority (MRA) and the Public Accounts Committee. During the review period, these institutions shared information on a number of critical issues.

Constraints and Challenges

The ACB encountered a number of challenges during the 2003/04 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

Recommendations

The following recommendations were put forward:

- The bureau should recruit more lawyers and ensure that the remuneration is competitive
- The bureau should provide adequate incentives in order to retain staff
- Filling of vacant positions especially middle managers positions in order to relieve pressure of the top-level managers
- The Bureau should take steps to construct purpose built office accommodation.
- Intensify public awareness campaigns to educate the public on the dangers of corruption and fraud.

4.4.4 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. These objectives would be attained through implementation of a number of activities, which include:

- Computerizing financial management systems and building capacity of assembly personnel in financial management
- Introduce activity based budgeting in the line with MPRS
- Developing human resource capacity for assembly and below
- Strengthening national coordination of decentralization
- Developing a phased implementation system for intergovernmental transfer
- Strengthening revenue collection and management in assemblies, and training assembly finance committees and according personnel.
- Facilitating preparation and implementation of sector devolution plans
- Developing local planning system integrated into MPRS and building capacity for implementing planning system
- Reviewing government policies, procedures and regulations; and by-laws
- Producing materials for, and conducting civic education
- Providing support and training to media, traditional leaders and civil society institutions

Progress of Implementation

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

4.4.4.1 Institutional Capacity for Local Governance

The MoLGRD managed to develop appropriate accounting and financial management systems during the year under review. Seven district assemblies have completed computerizing their accounting systems. However, there are still five assemblies that failed to carry out this activity. The failure was mostly attributed to under budgeting of funds allocated for procurement of equipment.

Text Box 40: Summary of achievements in local governance

- 7 seven District Assemblies out of the planned 12 computerized their financial management system
- Trained all Directors of Finance and 28 finance committees in all Assemblies
- 23 DCs and 20 DPDs were inducted
- Established a task force to monitor progress in devolution

During the year under review, there were also efforts to build capacity of staff in district assemblies specifically in financial management. This was mostly targeted towards Directors of Finance and Finance Committees in all the district assemblies. Linked to this activity, the Ministry managed to introduce the activity based budgeting in collaboration with the Ministry of Finance. This has been reflected in the 2004/05 budget.

With respect to establishment of effective administration systems, District Commissioners (DCs) and Directors of Planning and Development (DPDs) were inducted in order to familiarize them with activities of the district assemblies and other collaborating institutions. In addition, a number of staff attended various training programmes, which included information management, monitoring and evaluation, budgeting and financial management, procurement procedures, micro-enterprise management, human resource management and group formation. In general, a total of 1,854 staff participated in these training programmes. Out of this figure, 17 members of staff were trained externally while the remainder was trained locally. The training programmes targeted all levels of staff at the assembly thus top and middle management and support staff.

The Ministry further established a Taskforce comprising MoLGRD, Ministries of Health, Education, Finance and Office of the President and Cabinet with the aim of strengthening the national coordination of decentralization. The Taskforce, which is responsible for monitoring progress in Ministries that have devolved their functions to District assemblies, met quarterly (4 times) during the review period.

4.4.4.2 Transfer Functions, Resources and Planning to Districts

In order to achieve this objective, the MoLGRD completed a study on improving revenue mobilization (property rates and business licensing) during the year under review. Currently, each assembly is in the process of adopting the report according to their own setup. Related to improvements in revenue collection, the MoLGRD trained accounting personnel and district assembly finances committees, refer to details above.

Further, the Ministry has facilitated the preparation and implementation of 9 sector devolution plans. The sectors include, environment and natural resources, water development, commerce and industry, gender and community services, agriculture, education, housing, health, and transport and public works. Although there are commitments by these sectors to devolve, the process has been slow. Only four out of the nine sectors have devolved or partially devolved their functions to district assemblies.

In order to ensure effective local development planning and management system is integrated into the national planning, the government conducted a study on linking

district planning to national planning system. The report was discussed with stakeholders and is ready for adoption. In an effort to strengthen capacity for implementing the planning system, the MoLGRD recruited and trained DPDs in the planning systems. In addition, district development committees were oriented on the local planning system.

During the year under review, the Local Government Act of 1998 was reviewed and amendments were prepared ready for submission to parliament. Only one by-law on marketing was reviewed during the review period. The review of by-laws was hampered by lack of drafting expertise in district assemblies and inadequate drafters in the Ministry of Justice.

There were substantial achievements made in creating public awareness on decentralization issues. The achievements included the production and distribution of T-shirts, Caps, posters, various radio and TV programmes and giggles. Further, the MoLGRD oriented church leaders and officers from civil society on issues of decentralization. In addition, reporters from the electronic and print media were also trained. The Ministry also managed to establish district IEC teams in all the districts across the country.

Text Box 41: Summary of achievements in transfer of functions, resources and planning to districts

- Conducted a study on improving revenue mobilization
- Facilitated the preparation and implementation of devolution plans of 9 sectors out of the planned 10
- Conducted a study on linking local development planning and central government budgeting
- Recruited 20 DPDs and trained them in Planning System
- A total of 28 Development Committees of the Assemblies were given orientation training on the planning system
- Reviewed the 1998 Local Government Act
- One by-law on marketing reviewed
- 4,000 T-shirts, 1,000 Caps, 4,000 posters on decentralization produced
- 27 episodes and 6 panel discussions on various topics on decentralization aired on TVM and radio.
- Oriented church leaders in all the three regions and 30 officers from civil society on decentralization
- 10 giggles produced and aired
- 28 district IEC teams established in all districts
- Trained 51 reporters on decentralization

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 organisations in local government institutions.

Recommendations

The following recommendations have been put forward to accelerate the process;

- The need to build capacity at district level including the sectors
- Ensure that sectors that have not devolved are keeping pace with other sectors that have already devolved
- Ensure that district assemblies have adopted the report on improving their revenue collection for the assemblies to have a sustainable financial base.

4.4.5 Democratization

Democracy creates conducive environment for effective governance in the country. Democratic principles ensure that the authority (power) rests on the people (electorate) and this is done through elections and existence of checks and balances. In return, the elected are accountable to the people through checks and balances among the arms of government.

In 1994, Malawi adopted a multi-party system of government. The new constitution, which was adopted in 1995, provides the creation of institutions that consolidate democracy. The MPRS identified the following activities for implementation to strengthen formal and informal governance institutions:

Strengthen capacity and awareness for law informant related to elections

- Strengthen capacity of electoral commission
- Civic education to increase voter turn-out and create awareness of the roles of MPs
- Review electoral system to make it more inclusive and cost effective
- Civic education, translated into vernacular languages
- Institutionalize national forum for dialogue, linked to the MPS review process.
- Provide support to parliamentary committees
- Provide training for parliamentarians
- Strengthen political parties
- Enforce regulatory framework for media
- Ensure objectivity of broadcasts

Establish and support institutions under NGO law

Progress of Implementation

Strengthening Formal Governance Institutions

This was intended to further strengthen the electoral process, the capacity of electoral commission, Members of Parliament (MPs) and Local councilors to further increased participation of the citizens.

In the year under review, there have been a number of activities undertaken by state institutions, political parties and civil society organizations. Most activities undertaken, mainly in year 2004 focused on the general elections. Some of these institutions that carried these activities included Malawi Electoral Commission, Human Rights Commission, Parliament, National Democratic Institute (NDI), Malawi Electoral Support Network (MESN), CISANET, CIDA, MEJN, MHEN, CSCQBE, LTF, CU, and NGO GCN Task Force on Women in Political-Decision Making among others. A number of activities were carried out and these are presented below:

Elections

The Malawi Electoral Commission showed some degree of commitment towards achieving free and fair elections in 2004 by, among others, twice extending the registration period to allow more people to register and inspect their names in the voters' roll. Regular, free and fair elections are an important element of democratic governance.

During the year under review, Malawi conducted its third Multi-party Elections on 20th May 2004. The elections were keenly awaited due to; firstly, the fact that a new President had to be elected after the incumbent had served out the allowed maximum of two five-year terms. Secondly, interest was heightened by speculation as to whether the polls would be peaceful, free and fair in light of the background of acrimonious and personalised campaigning and the wide prevalence of politically motivated violence that characterised the national scene in the run-up to the 2004 elections.

The 2004 elections were poorly managed by MEC mainly due late funding and incompetence of the commission in the form of lack of adherence to the electoral laws; independence; unlevelled playing grounds in term of use of public media and public resources. As such the figures released by the MEC indicate that out of about 5.6 million registered voters, just slightly over 3 million actually voted. Voter apathy has to be considered to have been a factor for such low turn out. The degree of mismanagement shown in the administration of the 2004 elections was, to say the least, shocking.

Political Parties

Unlike in 1999, the 2004 elections saw the proliferation of a number of political parties that contested during the elections. Most of these new parties sprung mainly due to lack of internal democracy within political parties that resulted in some cases of imposition of candidates. Text Box 42 shows how political parties performed on 20th May 2004 during the Presidential and Parliamentary elections

In most cases, political parties were not able to adhere to the electoral code of conduct. Furthermore, as parties were pre-occupied with inter/intra-party rivalries, mainly in the opposition parties, they were unable to spend sufficient time and attention to encourage their supporters to come out in large numbers to counter apathy. Many people who were put off by the poor experiences they might have had during voter registration, or who had succumbed to UDF propaganda and simply despaired, may well have been persuaded to come out and cast their ballot on voting day with a little more effort from their respective parties. Nevertheless, for the first time in the history of Malawi's multi-party democracy, the country has more than three parties represented in parliament.

Text Box 42: Parliamentary Representation

- MCP 63 MPs
- UDF 47 MPs
- Independent 38 MPs
- Republican 17 MPs
- NDA 8 MPs
- PPM 7 MPs
- AFORD 7 MPs
- MGOE 3 MPs
- PETRA 1 MP
- CONU 1 MP

The Public Media

The media plays important role in informing the electorate about the electoral process and providing coverage to political parties and independent candidates. But it was worrisome that both the MBC and TVM failed to provide balanced coverage. They dedicated more time to the ruling political party and totally ignored the opposition party contrary to section 63 of PPE Act.

Civic Education

One of the main observations made on polling day was the alarmingly high number of null and void ballot papers cast. Inadequate and poor voter education provided to the public is largely blamed for lack of knowledge of how to complete ballot papers. Indeed, due to uncertainty over the electoral calendar, many organizations accredited to provide civic education could not access funding from donors. When funding finally became available from donors, it was late and in most cases inadequate for the task on hand.

Text Box 43: Civic Education & Monitoring Achievements

- 70,000 stickers produced
- 18 drama groups engage
- numerous Jingles
- 20 radio cassettes and 17,000 audio cassette distributed in prisons
- 11 430 monitors trained and deployed by CSOs and MHRC

Most civil society organizations accredited by MEC were members of the Malawi Electoral Support Network (MESN), showed their commitment to providing proper and adequate motivational messages to the electorate. In the absence of resources they were able to utilize other structures such as funeral ceremonies, weddings, traditional leadership structures and church ceremonies among others to spread the information regarding the electoral process. Their communities based educators owned the process and were able to report on any administrative irregularity that took place in the field. This helped at least to increase people's participation in the electoral process.

Other forms of civic education conducted by both the MEC AND MESN were in form drama, radio, TV and materials such as leaflets documentary films, posters, fliers and brochures, banners, public meetings, were disseminated though not adequate. All these campaigns were carried out in both English and vernacular languages.

In order to resolve conflicts, MEC established conflict resolution mechanisms such as National Electoral Consultative Forum (NECOF) at the national level and multi-party liaison committees at the district level. In addition, the Forum for Peace and Dialogue also conducted some training in conflict management supported by GTZ-Democracy.

Constraints and Challenges

- Lack of seriousness and commitment towards having free, and fair elections that gave enough ground for doubts among stakeholders.
- Lack of independence of the commission to manage the process
- Lack of adherence to the electoral laws by the Commission and Political parties
- Poor preparedness and training of electoral polling staff
- Poor registration and verification process of the voters' roll
- Inadequate and delayed funding by government and donors
- Ineffective and inefficient management of the electoral process through non-responsiveness to complaints lodged and registered
- Voter apathy
- Unpredictability of the electoral calendar

Recommendations

- Computerization of Voters' Roll should be finalized and periodically updated.
- MEC should give comprehensive training to its polling personnel
- MEC should ensure timely and adequate provision of polling materials and equipment.
- MEC must revisit and adhere to its mandate on the electoral disputes and complaints and all contesting political parties must adhere to the Code of Conduct.
- Civil education should be an on-going process rather than event driven in order to reduce voter apathy

Increasing responsiveness of Parliament

A number of bills that were passed during the period under review marginally increased. Of the bills that were passed, only 17% incorporated the views of civic groups and accountability agencies.

The bills included; the appropriations bill on the national budget, the

Text Box 44: Summary of achievements in democratic process to citizens

- 35 bills were passed during the period under review and only 6 of the bills had incorporated citizen inputs
- 7 parliamentary motions responded to input from civic groups and accountability agencies
- Four constitutional elections-related bills due to insufficient support
- A total of 33,500 citizens participated in CAFs workshops and 73 aspiring candidates participated

consumer protection bill, science and technology bill, the land bill, ADMARC repeal bill and the corrupt practices amendment bill. However the ADMARC repeal bill was forced to pass during a one-day session without incorporating suggestions from the opponents of the bill.

Of the total number of bills tabled, 31.7 percent complied with the 28-day rule. Although the remaining bills did not comply with procedures they were not tabled wrongly since the application of the rule was waived. Out of the 13 bills that were tabled, four were directly related to consolidation of democracy and these included Corrupt Practices Amendment, Parliamentary and Presidential Elections Amendment, Local Government Elections Amendment and the Electoral Commission Amendment.

With respect to improvements on the performance of parliamentary committees, there were a number of activities that were accomplished. These included outreach to civil society through invitations to committee hearings, open meetings and field trips. The civil society organizations worked in close collaboration with parliamentary committees on Budget and Finance, Agriculture and Natural Resources, Education, Science and Technology, Health, Social and Community Affairs.

In addition, four civil society networks namely, MEJN, CISANET, MHEN, and CSCQBE fostered very close collaboration and interaction around the budget processes (formulation, enactment debates and pre/post budget analyses). This necessitated organization of training workshops and facilitation of the citizens' development of submissions targeted at the Parliamentarians and the Budget and Finance Committee and other committees, and radio debates. MEJN stepped up its resolve to work around popularizing the various crucial policy documents (PRSP and Budget) as well as scaling up the service delivery satisfaction assessment surveys to further enlighten and empower the people with respect to their roles and responsibilities in various policies. It also continued with budget Literacy programmes by way of entrenching the capability by the citizens to meaningfully comprehend and monitor the developments in the economy from the implementation of the PRSP and Budget alongside other policy commitments.

Further, the CSCQBE also accompanied an ad hoc subcommittee on education on a fact-finding mission in the central region. During the same period, a tripartite working relationship was developed between parliamentary committees, government officials and CSCQBE.

In order to ensure committees' internal management adherences to the standard operating procedures, the National Assembly published and adopted the Guide to Practice and Procedure Manual for committees. As regarding improvements in record keeping, the National Assembly established a new record keeping system. The activities in improving the system included facilitating a records appraisal, development of a file classification system, establishment of an institutional archives, development of records retention and disposal schedule.

The new Code of conduct for election commissioners was developed by the Public Appointments Committee, which worked closely with senior government officials, including the Chief Elections Officer.

Constraints and Challenges

- Shortage of staff especially in the Hansard Section that relies on hired staff
- Reliance on untrained staff
- Inadequate and obsolete equipment resulting in increasing operational and maintenance costs
- Inadequate funds to carry out the activities of various committees
- Implementation of unplanned or unbudgeted activities.

Recommendations

- There is need to fill all the vacant positions and provide training to improve skills of staff
- Acquire modern equipment to reduce operating and maintenance costs
- Control expenditures through adherence to implementing planned activities

4.4.6 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. As such, the following are the main activities identified for implementation:

- Conduct human rights training for public servants, particularly the police and the army;
- Review the roles and functions of human rights institutions;
- Intensification of human rights awareness and sensitization campaigns;
- Raise awareness and sensitivity to negative cultural practices that violate human rights

Progress of Implementation

In the year under review, the Malawi Human Rights Commission together with other human rights NGOs (Malawi Human Rights Resource Centre (MHRRC), Human Rights Consultative Committee (HRCC), Centre for Human Rights and Rehabilitation (CHRR), National Initiative for Civic Education (NICE) and faith based organizations implemented some activities with support from development partners.

Text Box 45: Summary of achievements in human rights

- Trained 2,000 civil leaders on cultural practices
- Conducted 11 workshops on women and children rights as it relates to water and sanitation
- Produced and disseminated 2,000 Human Rights newsletter, brochures and various human rights materials
- Sensitised 150 District Assembly members and DCT members on international humanitarian Law in Mulanje, Mwanza, and Kasungu.
- A total of 20,000 posters and 15,000 leaflet developed and disseminated
- A total of 50 radio program aired
- A total of 54 community radio debates conducted

Human Rights Awareness Campaigns have been conducted in almost all the districts by HRCC, CHRR, and faith-based organizations among others using drama, dances, debates, radio and TV among others on constitutional rights. In the year under review, the awareness campaign mainly focused on rights related elections. Due to the awareness campaign, there has been an increase in numbers of cases reported to various human rights organizations and state institutions such as the MHRC and Ombudsman and Legal Aid. In addition, media coverage of human rights abuse has increased.

In connection with elections, Consumer's Association of Malawi (CAMA) and Malawi Economic Justice Network (MEJN), intensified campaigns on economic rights as part of the general advocacy programme on content-based elections. This was conducted through the popularization and dissemination campaign of the Civil Society Manifesto which heavily hinted on the thin line between politics and the economy warranting the citizens' focus on socio-economic issues and ideologies (rather than personalities) in choosing and, thereafter, supporting and assessing their government

In addition, workshops and meetings were conducted in government and non-government institutions to sensitise people on their rights.

Training activities were conducted for civil leaders (local leaders, police, magistrates and other government officials) in Karonga and Chitipa to sensitise them on cultural practices that have negative effects on the realization of rights of women and the girl child.

Sensitization workshops were conducted on juvenile justice system for magistrates, prison officials and members of NGO community in Dedza.

A series of sensitization meetings were conducted for District Co-ordinating Team (DCT) members on water and environmental sanitation as it relates to women and children's rights in four districts (north), four districts (center) and three districts (south).

During the period, MHRC coordinated and finalized the production of National Plan Action to act as a tool and guide to government and private institutions in the protection and promotion of human rights in Malawi.

The MHRC also carried out a number of human rights investigations and public hearing on human rights violations while as the Office of the Ombudsman made a number of intervention in the areas of legal redress regarding maladministration.

During the period under review, also the Church and Society, Livingstonia Synod, carried out an assessment of performance, role and functions of the state institution involved in the promotion of human rights. In additional, an initiative has been undertaken to promote networking among themselves that have assisted in understanding and appreciating each other's roles through the Case Handling Institutions supported by the Danish Institute for Human Rights.

Constraints and Challenges

- Most communities still ignorant of the constitution and their rights
- Legal redress institutions not easily accessible mostly in rural areas
- In ability to produce state party reports to UN human rights Committees and African Commission
- Inadequate financial support to implement human rights activities.
- Lack of appropriate means of communications, mobility and equipment.
- Inadequate trained personnel in the institutions to competently handle specialized areas of protection and promotion of human rights
- Increased number of cases and incidences of human rights violations.

Recommendations

- Build the capacity of community to mobilize itself in case of abuse
- Mechanism should be put in place for easy access of human rights redress institutions
- Training of the criminal justice system should be intensified
- State party reports should be written and submitted to treaty bodies in time
- Human rights education and awareness should be increased in all public institutions and at all levels of society
- The human rights institutions should ensure that Malawians are fully aware of their rights and obligations.
- Create a conducive environment for promotion and protection of human rights and rule of law.

Chapter 5.0: 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.

5.1 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

Gender focal points have been established in various Ministries, Faith and Community Based Organizations. The National Action Plan was produced in collaboration with the Centre for Social Research (CSR) and UNDP to operationalise the National Gender Policy.

Tools for monitoring and evaluation have been developed but more work need to be done before they are fully adopted and institutionalized. A Documentation Centre has been established at the Ministry's headquarters to serve as a resource center for all available gender related literature among other things.

In 2003/04 financial year, considerable effort was made to ensure that gender issues are mainstreamed in the budget cycle. A training session was held to equip officers from Planning and Budgeting units of government ministries and departments with skills on how to engender all sectoral budgets.

Text Box 46: Summary of achievements gender and empowerment

- 60 focal points established against a target of 20
- 80 out of the 270 targeted Community Action Groups were established
- Submitted a draft Wills and Inheritance Act and a reviewed Family Law to Parliament
- Produced and launched a training manual for National Action Plan
- A Gender Affairs Unit has been established at Chancellor College
- Proportion of women parliamentarians has increased to 14% from 8.8%

Recommendations: - More training has to be carried out to fully equip all Planning officers the skills of engendering budgets.

By the end of 2003/04 fiscal year, the Ministry had already submitted to parliament some draft acts and bills together with some laws that had been reviewed with the aim of making the legal system fair to all gender groups. The Ministry is still waiting for feedback from parliament. The aim was to make The Domestic Violence Bill is still in a draft form but efforts are underway to complete it.

80 Community Action Groups were established to curb gender-based violence but the process of arbitration with the Police is yet to take roots on the ground.

Efforts were directed towards achieving a higher representation for women in decision-making positions. Training sessions for women parliamentary aspirants were conducted to improve their leadership skills and promote assertiveness. Consequently, the percentage of women parliamentarians after the elections has increased.

5.2 HIV/AIDS

Malawi has one of the highest HIV infection rates of 15% especially in younger age groups. Research has shown that there is a clear link between HIV/AIDS and poverty. 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.

Progress of Implementation

Several activities were implemented in the year under review as summarized in the Text Box 47.

Text Box 47: Summary of achievements in HIV/AIDS

- 50 youth groups were supported with the funds amounting to MK 11,486,000 to promote youth participation in coordinating HIV/AIDS activities;
- 2 radio phone in programs, 2 radio and 2 television panel discussions on equity and targeting of ARVs were conducted at cost of MK 5,842,000;
- 7,000 standard four teachers were trained in life-skills based HIV/AIDS education to strengthen their role in providing guidance to pupils;
- An HIV/AIDS policy was approved and launched at a cost of MK 10,701,000;
- 9,000 people were put on free ARVs and 450 health workers were trained in ARV management
- 54 facilitators in ARV management were put in place and 100 community-based organisations were financed directly. Also 6 government sectors were funded.
- 6 advocacy meetings were held to promote VCT utilization at cost of MK 4,653,800;
- 2 advocacy meetings held to promote access to male and female condoms at a cost of MK 333,300;
- Out of 210 counselors, 204 were trained in VCT and WBRT at a cost of MK 25,427,000;
- The policy on injection safety and health care waste management was finalized at a cost of MK 685,400 but dissemination was not done
- NAC financial management system was computerized at a cost of MK 2,037,400.

Recommendations

- Translate HIV/AIDS policy into local languages; and
- Ensure adherence to standards and regulations on the management of ARVs.

Major highlights include the official launching of the national HIV/AIDS policy that emphasizes the commitment of the Government and other stakeholders to fight against the epidemic. The Government developed an implementation plan for ARVs programme.

5.3 Science and Technology

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

Progress of Implementation

Text Box 48 presents a summary of achievements in the implementation of science and technology issues.

Some of the achievements realised by DISTMISI include drafting of the National ICT policy to coordinate utilization and development of information and communication technology. Further, maintained the Health Management Information System but failed to computerize Education, Health, Gender and Labor sectors.

The department also carried out awareness programs on Information and Communication Technologies.

In collaboration with donors, National Research Council of Malawi (NRCM) funded different studies in appropriate technologies related to socio-economic issues, agriculture and natural resources, mining, health and HIV/AIDS, applied engineering, and science competitions in secondary schools. A proposal on Public Understanding of Science, Engineering and Technology was submitted to UNESCO Commission.

Text Box 48: Summary of achievements in science and technology

- GWAN extended to Parliament;
- 15 officers trained in??? at a cost of US\$ 200,200;
- GWAN maintained at Capital Hill, City Centre and DISTMS head office at a cost of US\$ 149,000;
- Civil service electronic information security enhanced at a cost of US\$ 112,000;
- 11 officers trained in IFMIS maintenance at a cost of US\$ 145,000;
- PPPAI maintained at Capital Hill and City Centre at a cost of US\$ 148,000;
- HRMIS user needs analysed;
- National Commission for Science and Technology bill passed;
- 16 studies in appropriate technology funded to the tune of MK4, 393,286.00
- National HIV/AIDS Research Strategy was formulated
- A Biotechnology and Biosafety framework was developed
- Developed a website for NRCM
- Organized an Intellectual Property Sensitization workshop with financial support from ARIPO
- Strengthened NRCM's coordinating role by revitalizing technical committees

Constraints and Challenges

- Inadequate funding;
- Lack of scientific and technical human resources

Recommendations

- Increase investment in S&T research;
- Promote and transfer discovered technologies;
- Recruit and train more scientists;
- The need for inter-ministerial collaboration to cover all aspects of Science and Technology
- Sectors should mainstream ICT in their activities

5.4 Environment

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

Progress of Implementation

During the review period, the department implemented a number of activities that were outlined in the MPRS. The activities included; reviewing environmental impact assessments, inspections, developing environmental standards and awareness campaigns. These are explained in detail in the paragraphs below.

5.4.1 Review of Environmental Impact Assessments and Audits

The Department facilitated the review and approval of several Environmental Impact Assessments, Environmental Audits and project briefs by the Technical Committee on Environment. The reviews covered development projects in the education, health, industrial and estate development sectors. On the other hand, some projects proceeded without complying without conducting EIAs. This was partly due to ignorance and also defiance of the law.

5.4.2 Environmental Inspections and Monitoring

The Department also conducted environmental and monitoring inspections to check compliance with approved EIA implementation guidelines and practices. The inspections were carried out Zomba, Mzuzu and Lilongwe. Sites visited included Kanengo Sewerage Treatment Works in Kanengo, Lilongwe.

The Department facilitated a 'Clean Up Campaign' for the City of Lilongwe involving the Honourable Minister of Mines, Natural Resources and Environment and other ENRM departments. The Department together with Forestry Department participated in inspections involving the Deputy Minister of Mines in Mzuzu, Dedza, Balaka, Zomba and Blantyre.

One of the sites visited during the 'Clean Up Campaign' period was a site visit to a mining site near African Bible College (ABC). It was observed that mining activities at the site were being conducted illegally and if continued would undermine the road and cause other adverse environmental impacts. Due to the seriousness of the situation it was agreed that the miners be removed from the site and be moved to an alternative site for sand mining activities.

Pollution abatement advice was given to all stakeholders during the inspection visits. These included site visits to Capital Hill where government Ministries and departments were found to be indiscriminately dumping waste. Environmental Protection Orders were

served to the relevant ministries/departments requiring appropriate action to be taken. Some positive responses have been received so far.

5.4.3 Development of Environmental Standards

The Department also finalized and signed a Memorandum of with the Malawi Bureau of Standards (MBS) for the development of environmental standards. The MBS started developing environmental standards for water, air, soil and noise with financial assistance from the Department. Funds were disbursed to MBS to enable them undertake the work.

5.4.4 Development of EIA Guidelines

The Department initiated a process to engage a consultant to prepare Sector-Specific Guidelines for EIA, Environmental Management Systems (EMS) and Environmental Auditing Guidelines. The Terms of Reference for the Consultancy were prepared and a stakeholders' meeting was held to brief stakeholders on the issue. The EIA, EMS and Auditing Guidelines will cover Tourism, Land development, housing and human settlements, Water and Transport sectors.

5.4.5 Plastic Bags Meeting

Consultative meetings were held with stakeholders in Blantyre on 11th June 2004 to discuss a national strategy and legal framework for the management of plastic bags. Participants explored a number of alternatives to plastics and a special taskforce was selected to develop an action plan for management of plastics.

The recommendations include the development of regulations on Waste Management including plastic material waste. Revision of the Environment Management Act currently underway will include development of the said regulations. Environmental standards for plastics specifications and Code of Practice will be developed under the NATURE Programme where EAD subcontracted Malawi Bureau of Standards to develop environmental standards for noise and sound; soil and solid waste, air and emissions; and water and wastewater.

5.4.6 Environmental Awareness

The Department participated in training of Engineers and Contractors in the Roads Sector on Environmental Impact Assessment and the environmental issues associated with the roads sector. The training were organised by the National Roads Authority. A total of four Training sessions were conducted in environmental awareness (1 in Blantyre, 1 in Mzuzu and 2 in Lilongwe).

The Section also held a workshop for Environmental District Officers to raise awareness on EIA and the need for them to take up their roles at District level to ensure that developers area aware of EIA requirements and were complying with the requirements.

Constraints and Challenges

There are several challenges facing EIA in Malawi as follows:

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 6.0: Monitoring Evaluation

Monitoring and evaluation is essential in determining progress of implementation. There are a number of institutions that were involved in monitoring and evaluation during the year under review. These included government institutions, civil society organizations and the donor community. The Ministry of Economic Planning and Development was mandated to coordinate the Monitoring and Evaluation of the MPRS.

Progress of Implementation

The MEPD completed a study report entitled 'Design for a District based performance monitoring and evaluation system' in November 2003. This report brought out ten crucial recommendations to MEPD for the design and establishment of a practical district-based system. However, none of the recommendations were implemented due to bureaucratic procedures in government.

The Ministry managed to produce the MPRS Monitoring and Evaluation Master Plan during the year under review and was waiting to be launched. In addition, a database on project monitoring was acquired during the review period.

The 2003/04 review made a number of recommendations in order to improve the monitoring and evaluation process. These included establishment of M&E units in Ministries and Departments, and quarterly meetings for the Technical Working Committee (TWC).

During the review period, there were a number of civil society organizations that carried out M&E activities. MEJN conducted a survey on service delivery satisfaction in order to monitor the implementation of the budget and also measure the level of public service delivery to the poor. The study exposed that the levels of demand for utilization of public services were high, however, most of the people were not satisfied with service delivery.

There were also other civil society networks that were involved in the monitoring of budgets in their sectors of specialization. These included CISANET, MHEN and CSCQBE. CISANET continued to monitor the performance of the budget in the agriculture sector, MHEN in the health sector and CSCQBE in the education sector. The findings of their monitoring and evaluation activities also formed an input into this years MPRS review.

Constraints and Challenges

There were a number of constraints and challenges that were encountered during the review period and these included the following:

- Lack of M&E systems in most of the institutions frustrated the timing of review process. The 'comprehensive review' might also be unable to recoup the situation in the absence of a useable record of management information.
- Low and declining capacity for M&E at sector line-ministries level, inertia in terms of establishing devolved M&E functions at Districts level and the resulting

- complete lack of regular information flow between operational levels and central government.
- Lack of coordination between government, donors and other stakeholders at all levels.
 - Lack of harmonization of indicators being used partly due to late completion and launching of MPRS 'M&E Master Plan'.

Recommendations

The following recommendations were put forward:

- The requirement for the development of management information systems in sectors through M&E needs to be taken seriously to succeed in monitoring complex and national programmes such as the MPRS.
- The M&E systems must embrace more than the longer-term issue of impacts. Indicators of inputs, outputs and outcomes have particular importance for management during the life of the programme.
- The need to strengthen coordination and capacity in districts, sectors and the central ministries of government and civil society organizations.
- The M&E Division of MEPD should initiate a coordinated effort with donors, sectors and local government to get a sustainable system for monitoring and evaluation started.

Chapter 7.0: Emerging Issues

The previous review discovered that there were some issues that were omitted during the formulation of the MPRS namely lands and housing. Similarly, the current review also recognizes that these issues need to be taken on board. Although these issues were not included in the MPRS activities, during the period under review, a number of activities were implemented. These are highlighted in the paragraphs below.

7.1 Lands and Housing

The government recognized that poor access to land was a major cause of low agricultural productivity among smallholder farmers. Similarly, it was envisaged that a well-developed housing sector could also promote economic growth since it satisfies social needs

The 1998 Malawi Population and Housing Census classified houses in Malawi into permanent structure (iron sheet roofed, concrete floor and burnt brick-walls); semi-permanent structure (sun dried bricks and iron sheet roofed or burnt brick walls with thatched roofs); and traditional structure (thatched roof with mud walls, or walls made of mud and wattle). The Census revealed that, nationally, 15.8% were permanent structures, 18.4% semi-permanent; while 65.8% were traditional structures.

Progress of Implementation

In the year under review, the Ministry sensitized the general public on Land Policy and distributed Land Reform Programme documents. The Ministry opened up land for development in Area 43 and Namiwawa in Lilongwe and Blantyre Cities respectively.

Text Box 43: Summary of achievements in lands and housing

- 26 Land Clerks were trained and posted to District Assemblies;
- 13 Land Technicians were trained out of 50;
- 13 estates were purchased for re-distribution to the land constrained households;
- 450 families were resettled at Makande Estate in Thyolo District;
- 200 km of the Malawi –Zambia border was marked and approved by the two Governments;
- Produced 3 hydrographic charts for Southern arms of Lake Malawi and Makanjira at a cost of MK4,000,000;
- Completed urban structure plans for Phalombe, Balaka, Liwonde and Karonga;
- Continued provision of advisory services on planning issues to District, Town and City Assemblies;
- 400 plots were demarcated in Area 43 and are ready for allocation; and
- 16 houses and offices for chiefs were constructed out of targeted 19;
- Spearheaded the preparation of the Land Reform Programme Implementation Strategy;
- Established a Law Commission on Land Reform using EU funds

It further carried out plot identification in the cities of Blantyre, Mzuzu and Municipality of Zomba. In order to address that problem of small landholdings sizes and landlessness, the government purchased estate land in Chiradzulu, Dedza, Mangochi, Machinga, Mulanje, Salima and Thyolo for redistribution to the landless. Transactions

such as consents, searches, filing of instruments, issuance of land certificates and certificates of leases, certifying land documents were processed during the review year.

The government collaborated with Zambia and Tanzania on border issues in order to identify and locate international boundaries.

Hydrographic surveys were conducted on Lake Malawi during the year to provide hydrographic information for fishing and safe navigation. In addition, the MoLHS&PP has devolved some of the activities related to rural housing programme, estate management and valuation and buildings to District Assemblies in line with the decentralization policy. Further, an action plan for HIV/AIDS activities was prepared.

Constraints and Challenges

The Ministry also met a number of challenges including the following:

- Shortage of Professional and Technical personnel at different levels;
- Inadequate vehicles for effective monitoring and supervision;
- Shortage of reliable office equipment such as computers and printers and lack of modern Surveying and Mapping equipment;
- Inadequate financial resources for maintenance of equipment, Government buildings and purchase of Surveying and Mapping materials;
- Inadequate and erratic funding to implement some of the essential services such as paying utilities and provision of other technical services;
- Lack of an effective Housing Policy and legal framework;
- Exclusion of Lands and Housing issues in the MPRSP as a national priority;
- Inadequate capacity to effectively devolve some of the Ministries activities to District Assemblies.

Recommendations

- Treasury to increase funding to cater for necessary equipment like vehicles, surveying and mapping equipment, computers;
- DHRMD to facilitate recruitment and training of staff;
- The Ministry should also be allowed to retain a good proportion of the revenue collected, so that the exercise can be done on a sustainable manner;
- The Ministry should intensify dialogue with Development Partners to fund various components of the Land Reform Implementation Strategy;
- The Government should include housing issues in the National Development Plans.

Chapter 8.0: Conclusions and Recommendations

The 2003/2004 Annual Progress Report raises a number of issues emerging from the progress of implementing the MPRS. Although there were indications that some improvements have been achieved in the implementation of the strategy, there was still lack of commitment in the implementation process. This chapter summarizes key issues that have serious implications in achieving the goals of the MPRS and make recommendations for improvements. The recommendations are presented in Appendices 6 and 7

Notwithstanding the challenges, the macroeconomic performance remains far from achieving macroeconomic stability as targeted in the MPRS. It is noted that almost all the macroeconomic targets that were set both in the MPRS and the 2003/04 budget were not achieved as manifested by high inflation rate, sluggish GDP growth, increased domestic debt and continued depreciation of the Malawi Kwacha. Overall, the 2003/04 budget for the MPRS as a percentage of total expenditure was less than the programmed in the MPRS and budget. This reveals that government increased spending without proportionally corresponding increase in MPRS activities. As a result of these short falls, the economy has failed to achieve the sustainable annual economic growth of 6 percent required to have an impact in poverty reduction.

The review noted that lead institutions in the implementation of the MPRS continue to face critical challenges that hampered implementation of the strategy and these included: lack of resources (both financial and human), HIV/AIDS, non-prioritization of activities, and non functional monitoring and evaluation systems at sector level.

8.1 Inadequate Funding

Almost all government sectors have indicated constraints in funding levels and timing. The range of activities planned does not match with the levels of fund disbursed. In such cases most of activities are not implemented. In addition, most implementing institutions complained that there was inconsistent flow of funds which made it difficult to complete all targeted activities.

Limited funding will remain a key challenge in implementation of MPRS. Under such circumstances, it is proposed that available limited funds should be channeled (prioritized) towards activities that have direct impact in stimulating economic growth and poverty reduction

8.2 Human Resources and HIV/AIDS

The HIV/AIDS continues to undermine the human capacity of most sectors, such that the MPRS faces critical shortage of the necessary skills for proper implementation. Given the current situation of the HIV/AIDS the logical approach to addressing the issue is to integrate its activities into all programs within sectors. On the other hand, shortage of personnel would be addressed accordingly. The review has concealed that most of the implementing institutions have failed to take advantage of the directive that institutions should use 2 percent of their budget for HIV and AIDS activities. It is imperative that institutions should be encouraged to mainstream HIV and AIDS in their activities and

take advantage of the directive. To this effect, proper guidelines should be drawn and distributed to institutions for their action.

8.3 Involvement of the poor

There are quite a few activities reported in this review that are carried as an output by the poor communities to take charge of their own destiny. If the MPRS is to make a difference in the lives of those badly affected by poverty in the country, implementation should begin involving the poor masses. Unless the poor are taking deliberate actions to change their own conditions, the poverty situation in the country will remain static. Therefore, in addition to all the recommendations made under each sector, we further recommend that the poor should be given a very active role in all activities. The decentralization provides the opportunity to get the local people to take part in the alleviation of their poverty. The report has discovered that implementation of the decentralization policy is slow. Most of the sectors have missed their targets to devolve their functions to the district assemblies. This is a result of lack of punitive measures for sectors that are deliberately frustrating the decentralization policy. At the district level there is a strong need to empower communities in the following areas:

- Income generating activities
- Training in project proposal writing to seek funding. This can be done well with extension workers
- Capacity in Project identification implementation and management, especially in all pro-poor activities under agriculture, natural resources, energy, water and mining etc

The MPRS has now been implemented for two years and most of the information that were collected included, inputs, outputs and to some extent outcomes. However, impact assessments were not conducted in order to give time for implementation. After two years of implementation, it is now recommended that impact studies should now be conducted to assess to what extent the implementation of the strategy has reduced poverty. These impact studies should be sector specific in order to have detailed assessments. Results from the impact assessments will also be crucial in the reformulation of the second phase of the strategy.

Appendix 1: Summary of Progress on Monetary Policy (2003/04 fiscal year)

<i>Policy Measures</i>	<i>Progress of Implementation</i>	<i>Recommendations</i>
Reduce growth of money supply by targeting reserve money (Price Stability)	The Authorities used active open market operation (OMO) using Reserve Bank of Malawi Bills. However, the policy was being undermined by increased borrowing by government through the treasury bills	It is recommended that the RBM Act be reviewed so as to attain independence in the choice of monetary instrument to achieve price stability without being undermined by government operations. The RBM should create a reliable databank on financial flows to determine level of liquidity in the economy.
Interest Rate Policy	Monetary authorities adjusted the bank rate from 45 percent in October 2003 to 40 percent in November the same year. Another adjustment was done in December 2003 to 35.0 percent and finally to 25.0 percent (effective 1 st June 2004).	The Bank rate is still too high and needs to be reduced further. The reduction in interest will trigger inflationary pressure due to increase in money supply. Therefore it is recommended that further reduction in interest rate should be completed with full implementation of growth strategy so as to counteract the pressure on inflation.
	Monetary authorities adjusted and revised the directive on LRR. The current LRR is at 27.5 percent (effective June 2004) from 30 percent.	<i>Further reduction on LRR should also be done in complementarity with other monetary instruments such OMO. The policy has potential of increasing money supply and triggering inflation</i>
<i>Improve the effectiveness of the financial system</i>	New Building Society extended its operations to a fully-fledged commercial banking.	No recommendation
	Malawi Rural Finance Company, currently operating as a micro-financing institution also applied a banking license but the application is still being processed	Government should take further steps to improve the level of competition in the banking sector to improve access to credit and trade finance to the private sector
	Institutional framework to extend the	No further recommendation

	re-discount facilities was not reviewed. Currently, re-discounting facilities are only available on Treasury Bills and RBM Bills. The proposal is to extend to Local Registered Stocks, Commercial Papers and Bankers Acceptances. This has not been done because the later instruments are not favourable compared to Treasury Bills and RBM bills	
Exchange Rate Policy	Established the inter-bank foreign exchange market.	
	Encouraged participation of the private sector in the determination of exchange rate by freely quoting the selling and buying rates	
	Embarked on the review of inter-bank guidelines in foreign exchange market	
	A Dealers Association was launched	
	To improve transparency on market information, Monetary Policy Committee (MPC) minutes are published in print media and available on the reserve Bank of Malawi Website, carry out detailed analysis of the current developments in foreign exchange market.	
	The Reserve Bank of Malawi started displaying US dollar tobacco buying rates in 2004	
	Banks encouraged to be transparent in their foreign exchange charges and dealing rates	

Appendix 2: Summary on Progress of Fiscal Policy Measures for the 2003/04 fiscal year

<i>Policy Measure</i>	<i>Progress of Implementation</i>	<i>Recommendations</i>
Reduction of surtax	Surtax reduced from 20 percent to 17.5 percent.	It is recommended that further reduction to around 15 percent is needed to boost consumption by increasing disposable income to consumers. The measure will be in line with SADC harmonisation agenda on surtax and VAT rates
Capacity Building	MRA trained its surtax officials and the whole surtax division was fully computerized	It is recommended that further computerisation should be implemented in the collection points.
	MRA placed its officials in strategic shops to verify compliance and public awareness campaigns in the importance of tax	It is recommended that further communication advocacy on this issue. However, tax payers should appreciate why they are paying tax by equating with services they get from the provision of public goods.
Review of tax structure	Government formulated a criterion for granting remissions.	It is recommended that the criterion should be publicized in major newspapers. The transparency will assist Anti corruption Bureau to arrest corruption practices perpetrated by some individuals and companies in benefiting from remissions.
	The first draft of granting remissions criterion was completed but due to involvement of many stakeholders consensus could not be reached	It is recommended that the criterion be publicized in line with Public Finance Management ACT. This action should be done within 2004/05 fiscal year
	As a way forward, government decided to undertake a comprehensive review of the whole tax structure.	It is recommended that consultation should be carried out between government and tax payers to iron issues emerging from the review
Cost recovery and cost sharing	Government continued to implement the cost recovery and cost sharing measures to increase non-tax revenue	See Public Sector Review.

	in the universities, public hospitals.	
Confronting line ministries that persistently overspend	Government confronted line ministries that continued to over-spend within their allocated budget.	It is recommended that action stipulated in the Public Finance Management act should be implemented in full starting financial year 2004/05
Regular audits of the pay roll system	Elimination of ghost workers in a number of ministries especially Education due to regular audits of the payroll system.	It is recommended that monthly staff return from Ministry and government departments should be submitted to Ministry of Finance, Accountant General Auditor General and Department of Human Resources. Starting from time this review goes public.
Streamlining of the public sector	To reduce expenditure and to increase efficiency in the public sector, some ministries were streamlined thereby reducing the number of cabinet ministers from 46 to 29.	However, the number of employed civil servants remained untouched. We recommend holistic approach to public sector management unlike piecemeal approach.
Introduce expenditure tracking mechanism through monthly expenditure returns and field visits	Due to wastage of public funds in some government institutions, government introduced expenditure tracking mechanisms through monthly expenditure returns and field visits to instill some discipline in expenditure.	It is recommended that a creation of research unit at Parliament that will feed Parliamentarians and budget and finance committee as well Public Accounts Committee with necessary analysis in so far as issues related to implementation of budget and programmes is concerned. The research unit should be in place by the end of third quarter 2004/05
Introduce IFMIS in all ministries	In addition, government introduced the Integrated Financial Management Information System (IFMIS) in some ministries to assist in monitoring and controlling of expenditure. Some ministries are yet to be connected to IFMIS to make it easy for government to track down their expenditure pattern.	It is recommended that the implementation of IFMIS within the medium term expenditure framework by the end of 2004/05 fiscal year.

Appendix 3: Progress of Implementation in Public Expenditure Management

<i>Policy/Activity</i>	<i>Status of implementation</i>	<i>Recommendation</i>
Implement a simplified budget structure	Not yet simplified	The government has implemented an electronic budget system to ensure transparency. We recommend that by the year 2005/06 financial year the simplified version should be in place and implemented fully in the year 2006/07 financial year
Submission of quarterly expenditure reports to Cabinet Committee	Quarterly expenditure reports were submitted to cabinet committee	It was noted that no action were taken on the overspending Ministries. We recommend that tough measures should be taken to all overspending ministries as outlined in Public Finance Management Act starting from the year 2004/05 financial year to all controlling officers.
	Further, in order to ensure accountability, transparency and public awareness, government embarked on posting quarterly public expenditure reports on the government's website and PPEs in print media.	We further recommend that quarterly meetings should be called for in order to discuss these quarterly numbers in line with the status of implementation of core activities of the budget starting from third quarter of 2004/05 fiscal year.
Strengthen PAC and BFC through technical support	Government had planned to train cabinet ministers on public finance and links between PEM, macroeconomic stability, economic growth and poverty reduction. This activity was not carried out.	It is recommended that this activity should be carried out in the next three years working with other stakeholders such as civil society organizations (CSO)
Training of Cabinet Ministers and Members of Parliament and controlling officers on issues concerning public finance	This activity was not accomplished.	It is recommended that this activity should be carried out every year. Short courses should be mounted to every member of parliament to enhance parliamentary debates on budget.
Introduction of IFMIS	This was introduced to a few ministries due to lack of adequate resources to effectively carry out the planned activities and procure equipment.	It is recommended that all activities leading to implementation and usage of IFMIS should be completed by the end of fiscal year 2004/05. Input and output information on the budget should be ready in the fiscal year 2005/06 on the basis of IFMIS.
Reviewing and strengthening of Credit Ceiling Authority (CCA) and Commitment Control system (CCS)	This was partially done and the process is still on-going. In the year under review, CCA system was simplified and the capacities of line ministries and other stakeholders were improved.	It is recommended a full implementation of this activity in the fiscal year 2005/06
Public sector reform	The progress on this activity was reported together with Public Sector Review section	Refer the reader to public sector review section

Draft treasury instructions	Government through the Ministry of Finance drafted new treasury instructions in line with the Public Finance and Management Act and this was submitted to PSs for further consultations before presenting it to parliament.	It is recommend that the government should follow procedures as outlined in the treasury instruction
Improve funding to high priority areas	The government maintained steady funding to high priority poverty-reducing activities through adherence to cash flows.	We recommend that the government should improve the whole budgetary process management by adopting and implementing medium term expenditure framework (MTEF).
Improve coordination of donor inflows	Government's plans to introduce mechanisms for coordinating donor inflows was carried out by the Debt and Aid Division in the Ministry of Finance.	We recommend that annual reviews and recommendations in relation to common approach to budgetary support (CABS) should be implemented in context of MTEF

Appendix 4: Progress in Public Sector Review 2003/04

<i>Activity/policy measures</i>	<i>Status of Implementation</i>	<i>Recommendations</i>
Review and establish realistic and equitable remuneration	The Public Service Remuneration Board was established during the year. Currently, remunerative allowances were consolidated into the salary structure. Further, a consultant in pay policy was engaged to come up with modalities of devising and implementing a medium term wage policy. The new salary and grading structure was implemented and also removed the contracts for senior civil servants.	It is recommended that wage policy should be addressed in context of entire civil service reform. The government should introduce one structure of wages and salaries for the entire civil services. The government should harmonise the salary structure of the parastatals.
Improve accountability of civil servants	Advertisements to engage a consultant to review the performance contract scheme were made and the selection process is still on going	It is recommended that by 2005/06 fiscal year the contract performance scheme should be linked to the civil service reform
Enforce standards for civil service	A draft code of conduct for public officials was produced and it is awaiting adoption by government. In addition, a draft performance management handbook for appraising and monitoring civil servants was produced and awaiting consultations with stakeholders. Furthermore, the public service act has been submitted to parliament.	It is recommended that by the year 2005/06 the conduct should be implemented and enforced.
Review pensions system	Not much was done except putting in place a steering committee and a technical committee to carry out this activity.	It is recommended that government should establish a contributory pension fund in line with other public sector reforms. The pension fund should be operational by the year 2005/06
Revisit functional review process	The department of Human Resource failed to rationalize functions of Ministries and staffing on the basis of MPRS activities and decentralization due to lack of funds. However, rationalizing decentralization process was undertaken at district assemblies only.	It is recommended that functional review process should take into account other external scan mechanisms of the ministries and department. The structure of the ministry or department should respond to the expected output of the ministry or department.
Increase the number of qualified personnel in key posts	This was not done	It is recommended that department of human resource should come up with comprehensive training needs of the entire civil service by 2005/06. The actual implementation should start

		immediately once approved by the government.
Mitigate against the impact of HIV/AIDS	HIV/AIDS policy for the public service has been developed and is waiting for cabinet approval	It is recommended that ARVs should be available to the civil servants with the Ministry of HIV/AIDS by the year 2005/06
Address gender imbalances in civil service	Gender mainstreaming guidelines were produced and they are currently being revised.	This is an on going policy. The recruitment of staffs should take into account gender issues
Improve performance of parastatals	Partially implemented in line with public sector reforms	We recommend that a code of conduct for all parastatals should be developed and be transparent
Decentralisation Process	Not much has been done by the way of sector and fiscal devolution	We recommend that human capacity building should precede the actual sector and fiscal devolution to avoid crisis management of issues. We also recommend that devolution should be phased starting with key ministries such as education, agriculture and health. We also recommend that fiscal devolution should link Ministry of Finance and District Assemblies. The role of National Local Government Finance Committee should be reviewed since it may not fit in fiscal Decentralisation concept. All decentralisation activities should be through by the year 2005/06. The 2006/07 budget should be based on devolved arrangement.

Appendix 5 a: Central Government Operations, 2002/03-2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	42,685	65,368	87,730	99,406	109,463	121,844	134,049
Revenue	32,009	42,754	53,676	63,368	72,463	80,426	90,401
Tax Revenue	27,251	36,902	47,723	56,187	64,207	71,510	80,777
Non Tax Revenue	4,758	5,852	5,953	7,181	8,256	8,916	9,624
Grants	10,675	22,614	34,053	36,038	37,000	41,417	43,648
Budget Support	1,220	6,576	6,388	8,385	6,590	9,365	9,687
Project Grants	4,604	9,635	13,543	11,185	12,458	13,238	12,558
HIPC Debt Relief	4,851	6,404	9,614	9,466	10,669	11,446	9,431
Total Expenditure	61,322	78,598	96,839	102,707	115,584	127,820	142,393
Current Expenditure	49,473	58,086	68,865	75,255	82,685	91,028	102,217
Wages and Salaries	10,930	12,302	17,369	21,765	26,413	29,678	33,288
Interest Payments	10,985	20,024	18,753	17,406	17,180	17,387	18,055
Domestic	8,871	17,253	15,980	14,412	13,772	13,879	14,446
Foreign	2,114	2,771	2,774	2,994	3,408	3,507	3,610
Other Current Expenditure	27,559	25,761	32,743	36,084	39,093	43,964	50,874
Other purchases of goods and services	20,127	16,615	19,487	22,751	23,413	26,923	33,298
Subsidies and other current transfers	7,431	7,796	13,256	12,333	14,680	16,041	17,576
Pensions and Gratuities	1,431	1,950	2,379	3,598	3,133	3,541	3,995
TIP and Fertilizer subsidy	0	0	3,202	3,500	3,500	3,500	3,500
Other subsidies and transfers	6,000	5,846	7,674	5,235	8,047	9,000	10,081
Arrears	0	1,349	0	1,000	1,000	1,000	0
Development Expenditure	11,787	20,512	27,974	27,452	28,608	31,293	32,789
Overall Balance (including grants)	-18,637	-14,719	-9,109	-3,301	-6,212	-5,977	-8,344
Total Financing Net	18,099	14,938	9,109	3,301	6,121	5,977	8,344
Foreign net	-730	425	5,793	2,322	6,888	6,182	8,715
Borrowing	4,917	7,185	10,600	10,578	16,989	16,690	19,567
Budget Support	0	1,386	7,819	1,848	5,449	3,648	4,854
Project Support	4,917	5,799	2,781	8,730	11,539	13,042	14,714
Amortization	-5,448	-7,577	-7,158	-8,667	-10,101	-10,508	-10,852
Special Loans	-323	0	802	0	0	0	0
Foreign Bank accounts	125	817	1,549	0	0	0	0
Domestic net	18,829	14,512	3,316	979	141	2,964	2,004
Banking System	13,922	7,562	-678	587	81	1,691	1,144
Non banks	5,213	6,888	3,994	392	61	1,272	860
Informal financing arrangements	-307	62	0	0	0	0	0
Discrepancy	538	-1,707	0	0	0	0	0
Net Domestic debt	32,654	47,104	50,420	51,399	56,016	58,979	60,983
Nominal Gross Domestic Product	160,137	188,279	221,137	255,457	291,724	330,174	372,634

Appendix 5 b: Central Government Operations, 2002/03-2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	26.7	34.9	39.7	38.9	37.5	33.9	36.0
Revenue	20.0	22.8	24.3	24.9	24.7	24.4	24.3
Tax Revenue	17.0	19.7	21.8	21.9	21.8	21.4	21.3
Non Tax Revenue	3.0	3.1	3.1	3.0	2.9	2.7	2.6
Grants	6.7	12.1	13.5	10.7	10.2	9.5	8.9
Budget Support	0.8	3.5	2.9	2.6	3.0	2.8	2.9
Project Grants	2.9	5.1	8.0	5.3	4.4	4.1	3.4
HIPC Debt Relief	3.0	3.4	2.6	2.8	2.8	2.6	2.5
Total Expenditure	38.3	41.9	43.8	40.2	39.6	38.7	38.2
Current Expenditure	30.9	31.0	31.2	29.5	28.7	27.9	27.8
Wages and Salaries	6.8	6.6	8.0	9.0	9.2	9.1	9.0
Interest Payments	6.9	10.7	8.7	7.3	6.0	5.3	4.9
Domestic	5.5	9.2	7.4	6.1	4.8	4.3	3.9
Foreign	1.3	1.5	1.3	1.2	1.2	1.1	1.0
Other Current Expenditure	17.2	13.7	14.5	13.2	13.6	13.5	13.8
Other purchases of goods and services	12.6	8.9	8.3	7.1	8.1	8.3	9.1
Subsidies and other current transfers	4.6	4.2	6.2	5.3	5.1	4.9	4.8
Pensions and Gratuities	0.9	1.0	1.1	1.1	1.1	1.1	1.1
TIP and Fertilizer subsidy	0.0	0.0	1.7	1.4	1.2	1.1	1.0
Other subsidies and transfers	3.7	3.1	3.4	2.8	2.8	2.8	2.7
Arrears	0.0	0.7	0.0	0.8	0.3	0.3	0.0
Development Expenditure	7.4	10.9	11.1	10.5	9.9	9.6	8.9
Overall Balance (including grants)	-11.6	-7.1	-4.1	-1.3	-2.1	-1.8	-2.2
Total Financing Net	11.3	7.8	4.1	1.3	2.1	1.8	2.2
Foreign net	-0.5	0.2	2.6	0.9	2.4	1.9	2.4
Borrowing	3.1	3.8	4.9	4.7	5.9	5.1	5.3
Budget Support	0.0	0.7	3.6	0.7	1.9	1.1	1.3
Project Support	3.1	3.1	1.3	4.0	4.0	4.0	4.0
Amortization	-3.4	-4.0	-3.2	-3.5	-3.5	-3.2	-3.0
Special Loans	-0.2	0.0	0.4	0.0	0.0	0.0	0.0
Foreign Bank accounts	0.1	0.4	0.5	0.0	0.0	0.0	0.0
Domestic net	11.8	7.7	1.8	1.9	0.0	0.9	0.5
Banking System	8.7	4.0	-0.6	1.1	0.0	0.5	0.3
Non banks	3.3	3.7	2.4	0.8	0.0	0.4	0.2
Informal financing arrangements	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Discrepancy	0.3	-0.9	-0.5	0.0	0.0	0.0	0.0
Net Domestic debt	20.4	25.1	23.3	22.1	19.4	18.1	16.6

Appendix 5 c: Central Government Operations, Pro-Poor Activities (2003/04)

Pillar/Sector	Activity	2003/04 MPRS Budget	2003/04 Approved Budget	2003/04 Revised Budget	2003/04 MPRS budget as % of Expenditure	Approved budget as % of Expenditure	Revised budget as % of Expenditure
Pillar 1: Pro-poor Growth		3,963.62	1,571.36	1,558.82	9.01	2.8	2.0
Agriculture	Agriculture Extension	745.99	606.65	824.59	1.70	1.1	1.1
	Small Scale Irrigation	214.04	197.51	192.84	0.49	0.3	0.2
	Food Security Initiatives	-	-	-	-	-	-
	Research	-	-	-	-	-	-
Water Development	Rural Water Supplies	1,067.64	30.22	28.19	2.43	0.1	0.0
	Borehole Construction/Dam Construction Rehab	-	142.74	98.06	-	0.3	0.1
National roads Authority	Rural Feeder Roads	1,168.11	200.00	78.00	2.66	0.4	0.1
Natural resources	Small Scale Mining	39.18	111.06	65.68	0.09	0.2	0.1
	Small Scale Fishing	177.36	33.69	35.43	0.40	0.1	0.0
Commerce and Industry	Small Scale and Medium Enterprise Promotion	248.00	137.67	135.75	0.56	0.2	0.2
Tourism, Parks and Wildlife	Tourism Services	187.50	48.63	42.87	0.43	0.1	0.1
	Conservation and Protection of Wildlife	115.80	63.21	57.39	0.26	0.1	0.1
Pillar 2 Human Capital Development		5,937.17	9,127.88	10,140.14	13.50	16.1	12.9
Education							
Primary education	Teaching and Learning Materials	-	320.71	847.92	-	0.6	1.1
	Teacher's Salaries	-	3,691.23	3,815.59	-	6.5	4.9
Secondary Education	Teaching and Learning Materials	-	200.00	780.40	-	0.4	1.0
	Teacher's Salaries	-	880.90	910.54	-	1.6	1.2
	Teacher Training	550.00	147.55	295.62	1.25	0.3	0.4
	Teacher's Houses	-	80.00	37.87	-	0.1	0.0
	Tertiary	-	406.58	-	-	0.7	-
Health	Preventive Health Care	4,720.67	686.54	709.38	10.73	1.2	0.9
	Health Worker's Training	-	140.92	148.78	-	0.2	0.2
	Drugs	-	1,260.08	1,260.08	-	2.2	1.6
	Curative Health Services	-	887.88	906.72	-	1.6	1.2

	Health Infrastructure Development and Rehabilitation	-	119.83	104.83	-	0.2	0.1
	Health Technical Services	-	17.53	21.88	-	0.0	0.0
Gender, Child Welfare and Community Services	Family Welfare Services	-	40.39	37.51	-	0.1	0.0
	Children Services	-	11.28	10.70	-	0.0	0.0
	Adult Literacy Services	177.99	51.08	55.29	0.40	0.1	0.1
					-	0.0	0.0
Youth, Sports and Culture	Youth Development	-	23.10	28.53	-	0.0	0.0
					-	0.0	0.0
Labour	Technical and Vocational Training	488.51	162.30	168.51	1.11	0.3	0.2
Pillar 3 Improving the Quality of Life for the most Vulnerable							
		1,187.97	510.60	540.17	2.70	0.9	0.7
	Targeted Inputs Programme	675.84	46.60	540.17	1.54	0.1	0.7
	Safety Nets- MASAF	512.13	464.00	-	1.16	0.8	-
Pillar 4: Good Governance							
			411.52	283.55	-	0.7	0.4
Police	Community Policing	-	192.43	175.33	-	0.3	0.2
	Police Officers Training	-	219.09	108.22	-	0.4	0.1
	Crime Prevention and Investigation	-	-	-	-	-	-
Total PPE		11,088.76	11,621.36	12,522.67	25.22	20.5	16.0

Appendix 5d: Protected Expenditures as a share of Total Expenditure 2003/2004-2004/2005

Ministry/Activity	Actual 2003/04	Approved 2004/05
Youth, Sports and Culture	28,534,000	29,373,000
Youth Development Services	28,534,000	29,373,000
Agriculture	1,032,241,000	1,401,681,000
Food Security Initiatives	824,592,000	278,915,000
Agriculture Extension	160,290,000	741,745,000
Technology Generation and Technical Services	47,359,000	381,021,000
Water Development	142,996,000	49,337,000
Rural Water Supply	28,194,000	34,786,000
Borehole and Dam Construction/Rehabilitation	114,802,000	14,551,000
Education	7,697,348,000	9,177,566,000
Primary Education	4,663,510,000	6,174,332,000
Teaching and Learning Materials	576,961,000	372,000,000
Secondary Education	1,690,946,000	1,996,537,000
Teaching and Learning Materials	424,442,000	243,091,000
Teacher Education	295,620,000	389,606,000
Teachers' Houses	45,869,000	2,000,000
Health	2,995,086,000	3,531,609,000
Health Workers' Training	709,376,000	256,000,000
Curative Health Services	906,715,000	905,749,000
Infrastructure Development, Rehabilitation and Maintenance	148,785,000	125,697,000
Clinical Services	104,825,000	9,079,000
Preventive Health Services	21,877,000	122,695,000
Health Technical Services	26,058,000	612,389,000
Drugs	1,077,450,000	1,500,000,000
Gender, ChildWelfare and Community Services	112,475,000	91,024,000
Adult Literacy	55,293,000	60,110,000
Family Welfare and Gender Services	9,883,000	22,581,000
Child Care Services	47,299,000	8,333,000
Police	442,551,000	653,093,000
Crime Prevention and Investigation	175,330,000	282,832,000
Community Policing	108,218,000	152,367,000
Police Officer Training	159,003,000	217,894,000
Labour and Vocational Training	198,514,000	243,166,000
Technical and Vocational Training	198,514,000	243,166,000
Trade and Private Sector Development	135,753,000	70,760,000
Industrial Development	80,911,000	16,024,000
Enterprises Development and Promotion	31,355,000	29,145,000
Cooperatives Development	23,487,000	25,591,000
National Roads	150,000,000	150,000,000
Rural Feeder Roads	150,000,000	150,000,000
Natural Resources	128,362,000	110,381,000
Small Scale Fishing Farming	92,934,000	66,045,000
Small Scale Mining	35,428,000	44,336,000
Tourism	100,264,000	130,674,000
Tourism Services	42,869,000	46,376,000
Conservation and Protection of Wildlife	57,395,000	84,298,000
Total Priority Expenditure	13,164,124,000	15,638,664,000
Total Government Expenditure	77,186,606,897	89,735,793,930

Appendix 6: Some Sectoral Recommendations

Sector	Key Issues	Recommendations
<i>Financial</i>	The monetary policy was undermined by loose fiscal policy.	Government Departments should instill fiscal discipline as Bank rate usually responds to developments in the fiscal sector. ⇒ The Bank rate is still too high and needs to be reduced further
Agriculture	Implementation of Technological advancement in the sector still remain limited yet necessary for improved production	Improve technology generation and dissemination through provision of adequate financial resources ⇒ Give priority to programs that enhance soil fertility and its management to improve productivity. ⇒ Give priority to increasing the levels of financing for the irrigation sub-sector
	Activities to address the HIV/AIDS pandemic remain inadequate	Mainstream HIV/AIDS activities in the main programs of agricultural sector
Fisheries	Government bears all costs in all activities meant to assist farmers. As a result, when funds are inadequate diversions are made from other activities.	Create cost sharing mechanisms to enhance sustainability of community-based fisheries
		Train personnel working with grassroots organizations in funding proposal writing in order to source finances from various donors.
Education	Low and poor inputs, liberalization of the education sector, poor supervision, and inadequate number of qualified teachers remain major issues of concern	Continue upgrading and in-service training of teachers. Recruit more teachers
	High HIV/AIDS incidences resulting in reducing the number of teachers	Integrate HIV/AIDS in the key programs of the education sector
Forestry	Devolution of financial responsibility to local government without sufficient capacity has increased their workload.	Improve capacity in financial management by either providing the necessary training to existing personnel or recruit more
	HIV/AIDS depleting the human resource base that is supposed to implement some of the programs	Mainstream HIV/AIDS in forestry programs Recruit personnel where necessary
Parks and Wildlife	The department is also faced with an increase in human animal conflict despite fencing.	Conduct a study to understand the relationships between land use change and ecological dynamics of key species causing problems around national parks

	In adequate funding tend to hold down the departments' effort, as most of the planned work is never finished.	Train personnel working with grassroots organizations on funding proposal writing in order to source finances from various donors.
Mining	There is limited number of vehicles to support the department in successful implementation of its activities	The department should address the problem through channeling the problem to the right authority
Health	Limited resources including human and financial, and irregularities in funding constrained progress	Recruit trained and/or train more personnel in nutrition services Treasury should ensure timely disbursement of funds to the sector
Targeted Input Program	Various organizations in this area are Working in isolation.	District Assemblies need to act as coordinating units to synchronize their programs at district level to avoid duplication and rationalize capacity building programs
		Community structures within the district assembly framework should be set up to ensure effective targeting for given a set of criteria.
Human Rights	The issues of Human Rights are still alien in our society, such that cases of human rights violation continue dominating as key issues to be addressed	Human Rights organizations should increase awareness campaigns on human rights to the communities at large
Energy	Limited financial resources retarded the process of implementing key activities	Create linkages of the sector to financial institutions to enable local artisans access credit to promote adoption of energy serving technologies

Appendix 7: Key Policy Matrix

Sector	Key Issues	Recommendations
<i>Real Sector</i>	Sluggish economic growth	Reduce interest rate to stimulate private investment in the economy.
	Alternative sources of growth	Set up clear diversification policy and implement it.
Monetary Sector	Growth of Money	Independence of Reserve Bank
		The Reserve Bank will need to contain M2 growth and mop up excess liquidity.
External Sector	Exchange Rate regime	The authority will continue to pursue market determined exchange rate
	Trade	Government will continue to pursue no restrictions on tradables
Fiscal Sector	Loose fiscal policies; Uncontrolled government spending	Respect the budget as passed by parliament
	Unsustainable domestic debt situation	Government should develop domestic debt policy. Formulate ways of reducing current debt stock.
Structural Issues	Privatisation	Comprehensive review of the performance of the privatised companies.
	Civil Service Reform	Comprehensive review of the structure of civil service is required. Capacity and training needs assessment be conducted

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