ANNUAL ECONOMIC REPORT 2016

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CHAPTER 1

THE WORLD ECONOMIC OUTLOOK

1.1. World Output

1.1.1. World Output Developments in 2015

Global growth at 3.1 percent in 2015 was weaker than originally expected. The unexpected weakness in late 2015 reflected mainly softer activity in advanced economies - especially in the United States, but also in Japan and other advanced Asian economies. Growth in advanced economies was estimated at 1.9 percent in 2015. Unfavourable demographic trends, low productivity growth, and legacies from the global financial crisis continue to hamper a more robust pickup in economic activity. Overall activity in the United States was weaker than expected especially in exports and domestic demand.

TABLE 1.1: WORLD OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2014	2015	2016	2017
Global Growth	***3.4***	***3.1***	***3.1***	***3.5***
Sub-Saharan Africa	***5.1***	***3.4***	***3.0***	***4.0***
Advanced Economies	***1.8***	***1.9***	***1.9***	***2.0***
United States of America	*2.4*	*2.4*	*2.4*	*2.5*
Euro Area	*0.9*	*1.6*	*1.5*	*1.6*
Germany	*1.6*	*1.5*	*1.5*	*1.6*
France	*0.2*	*1.1*	*1.1*	*1.3*
United Kingdom	*2.9*	*2.2*	*1.9*	*2.2*
Japan	*0.0*	*0.5*	*0.5*	*-0.1*
Canada	*2.5*	*1.2*	*1.5*	*1.9*
Emerging Market and Developing Economies	***4.6***	***4.0***	***4.1***	***4.6***
Developing Asia	*6.8*	*6.6*	*6.4*	*6.3*
China	*7.3*	*6.9*	*6.5*	*6.2*
India	*7.2*	*7.3*	*7.5*	*7.5*
Commonwealth and Independence States	*1.1*	*-2.8*	*-1.1*	*1.3*
Emerging and Developing Europe	*2.8*	*3.5*	*3.5*	*3.3*
Latin America and the Caribbean	*1.3*	*-0.1*	*-0.5*	*1.5*
Middle East and North Africa	*2.8*	*2.5*	*3.1*	*3.5*

Source: IMF World Economic Outlook, April 2016

Despite signs of weakening growth, labour market indicators continue to improve. Growth in Japan was also weak in 2015, reflecting a particularly sharp drop in private consumption. In the euro area, weaker exports were offset by stronger private consumption supported by lower oil prices and easy financial conditions. The picture for emerging markets is quite diverse, with high growth rates in China and most of emerging Asian markets and severe macroeconomic conditions in Brazil, Russia, and a number of other commodity exporters. Growth in China was slightly stronger than previously forecasted, reflecting resilient domestic demand especially consumption.

1.1.2. World Output Prospects for 2016 and 2017

In 2016, growth is expected to remain modest in line with 2015 outcomes. The recovery is projected to strengthen in 2017 and beyond. This is driven primarily by emerging market and developing economies, as growth in advanced economies is expected to remain modest in line with weakened potential growth. However, uncertainty has increased and risks of weaker growth scenarios are becoming more tangible.

Growth in emerging market and developing economies is projected to increase from 4.0 percent in 2015 to 4.1 percent and 4.6 percent in 2016 and 2017, respectively. Growth in China is expected to slow down to 6.5 percent in 2016 and 6.2 percent in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance. India and the rest of emerging Asia are generally projected to continue growing at a robust pace although with some countries facing strong headwinds from China's economic rebalancing and global manufacturing weakness.

Aggregate gross domestic product (GDP) in Latin America and the Caribbean is projected to contract in 2016, reflecting the recession in Brazil and other countries in economic distress. Higher growth is projected for the Middle East, but lower oil prices, and in some cases geopolitical tensions and domestic strife continue to weigh on the outlook.

1.2. Regional Output

1.2.1. Regional Output Developments in 2015

Macroeconomic indicators suggest that economic activity in sub-Saharan Africa fell short of expectations in 2015 due to a drop in oil prices and declines in other commodity prices.

TABLE 1.2: REGIONAL OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2014	2015	2016	2017
Sub-Saharan Africa	***5.1***	***3.4***	***3.0***	***4.0***
Tanzania	*7.0*	*7.0*	*6.9*	*6.8*
Zambia	*5.0*	*3.6*	*3.4*	*4.8*
Mozambique	*7.4*	*6.3*	*6.0*	*6.8*
Zimbabwe	*3.8*	*1.5*	*2.7*	*3.5*
South Africa	*1.5*	*1.3*	*0.6*	*1.2*
Nigeria	*6.3*	*2.7*	*2.3*	*3.5*

Source: IMF World Economic Outlook, April 2016

Malawi's three immediate neighbours, Tanzania, Mozambique and Zambia, have had mixed performance with high growth rates in Tanzania and Mozambique of above 6.0 percent and a slowdown in growth for the Zambian economy as it grew by 3.6 percent in 2015 down from 5.0 percent in 2014. Growth in South Africa fell from 1.5 percent in 2014 to 1.3 percent in 2015, mainly on account of lower commodity prices and higher borrowing costs which weighed heavily on its economy.

1.2.2. Regional Output Prospects for 2016 and 2017

Growth in sub-Saharan Africa is expected to remain weak in 2016 at 3.0 percent, lower than 3.4 percent in 2015. The ongoing slowdown is primarily driven by unfavourable external conditions. The resource-intensive countries have suffered a decline in commodity prices, while the region's frontier markets are adversely affected by tighter global financing conditions. Growth is projected to pick up to 4.0 percent in 2017 due to a small expected rebound in commodity prices and timely policy implementation. Sub-Saharan Africa's oil-exporting countries are projected to grow by 2.0 percent in 2016 and 3.4 percent in 2017. The effect of the decline in oil prices on the region's oil-importing countries has been smaller than expected because many of these economies export other non-renewable resources whose prices have also dropped. In South Africa, growth is expected to be halved to 0.6 percent in 2016 owing to lower export prices, elevated policy uncertainty, and tighter monetary and fiscal policies. In Zambia, the impact of the drought on electricity production and low copper prices are adding to downward pressure on growth. Therefore, growth will remain subdued at 3.4 percent. In many other oil importers, inflationary pressures stemming from the pass-through of a strong U.S. dollar (which notably limited the decline of fuel prices in domestic-currency terms) and high food prices (due to the drought in eastern and southern Africa) have also eroded the benefits of lower oil prices. Nonetheless, ongoing investment in infrastructure and strong consumption in countries such as Kenya, Rwanda and Tanzania are expected to drive growth rates of 6–7 percent or more in 2016 and 2017.

1.3. Inflation and World Commodity Prices

1.3.1. Inflation and World Commodity Prices in 2015

Headline inflation in advanced economies in 2015, at 0.3 percent on average, was the lowest since the global financial crisis, and this mostly reflects the sharp decrease in commodity prices with a pickup in late 2015. In many emerging markets, lower prices of oil and other commodities have tended to reduce inflation. However, in a number of countries such as Brazil and Russia, sizable currency depreciations have exerted inflationary pressures.

TABLE 1.3: CONSUMER PRICES AND WORLD COMMODITY PRICES (ANNUAL PERCENTAGE CHANGE)

	2014	2015	2016	2017
Consumer Prices Growth				
Advanced Economies	*1.4*	*0.3*	*0.7*	*1.5*
Emerging Markets and Developing Economies	*4.7*	*4.7*	*4.5*	*4.2*
Sub-Saharan Africa	*6.4*	*7.0*	*9.0*	*8.3*
Commodity Prices Growth				
Oil	*-7.5*	*-47.2*	*-31.6*	*17.9*
Non-fuel	*-4.0*	*-17.5*	*-9.4*	*-0.7*

Source: IMF World Economic Outlook, April 2016

International oil prices declined by 47.2 percent in 2015 due to a slowdown in global activity coupled with higher than expected supply. Similarly, non-fuel commodity prices weakened.

1.3.2. Inflation and World Commodity Price Prospects in 2016 and 2017

With the December 2015 declines in oil prices which is expected to persist in 2016, consumer price inflation has been revised downward across almost all advanced economies. Consumer price inflation is projected to remain below central bank targets in 2016. In the euro area, headline inflation is projected to reach 0.4 percent in 2016 from about zero in 2015 and to increase further to 1.1 percent in 2017 with support from monetary policy easing by the European Central Bank (ECB). In the United States, inflation is projected to rise to 0.8 percent in 2016 from 0.1 percent in 2015 amid a tightening labour market, even though dollar appreciation and pass-through from lower oil prices are exerting downward pressure on prices.

In emerging market economies, the downward pressure from lower oil prices is offset to varying degrees by the pass-through of nominal exchange rate depreciations, especially in countries with strong depreciations, such as Brazil and Russia. In subsequent years, inflation is expected to ease gradually towards official targets.

Oil prices are projected to increase gradually over the forecast horizon from an average of about $35 a barrel in 2016 to $41 a barrel in 2017. Oil prices are expected to pick up in 2017 following the decision by both OPEC and non-OPEC members to reduce production to boost prices and revenues. In contrast, non-fuel commodity prices are expected to stabilise around recent levels and decline by 9.4 percent in 2016 and 0.7 percent in 2017.

1.4. Global Financial Sector

1.4.1. Global Financial Sector Developments in 2015

Financial market volatility, which had subsided in October–November, 2015 increased again in December, 2015 and especially in early 2016, amid rising global risk aversion, substantial declines in global equity markets, widening of credit spreads and historically low yields for safe-haven government bonds. These developments were triggered by lack of policy space in advanced economies to respond to a potential worsening in the outlook, the effects of low oil prices, and the slow down in economic activities in China and its authorities' policy intentions.

TABLE 1.5: LONDON INTERBANK OFFER RATES (PERCENTAGE)

	2014	2015	2016	2017
London Interbank Offered Rate (LIBOR) (Percent)				
On U.S. Dollar Deposits (six months)	*0.3*	*0.5*	*0.9*	*1.5*
On Euro Deposits (three months)	*0.2*	*0.0*	*-0.3*	*-0.4*
On Japanese Yen Deposits (Six Months)	*0.2*	*0.1*	*-0.1*	*-0.3*

Source: IMF World Economic Outlook, April 2016

Monetary policy in advanced economies remains very accommodative with asymmetric shifts in the policy stance. In December the U.S. Federal Reserve raised policy rates above the zero lower bound for the first time since 2009, and it has communicated that any future policy actions will remain data dependent. On the other hand, the ECB announced a package of further easing measures in March, 2015 comprising an expansion of its asset purchase programme, including purchases of corporate bonds, new longer-term refinancing operations and a further reduction in all policy rates. The monetary policy stance has also moved in different directions across emerging markets. A number of commodity exporters have raised policy rates in response to currency depreciation and associated changes in inflation and inflation expectations, notably in Mexico and South Africa. In contrast, policy rates have been eased in India and China reduced the reserve requirements.

1.4.2. Global Financial Sector Prospects in 2016 and 2017

Global financial conditions are assumed to remain broadly accommodative, but with some segments—notably commodities and related industries and oil-exporting countries—facing tighter financing conditions. The process of monetary policy normalisation in the United States is assumed to proceed smoothly without sharp movements in long-term interest rates. The tightening of financial conditions for some emerging market economies over the past few months, with rising interest rate spreads and declining equity prices, is expected to persist.

1.5. International Trade

1.5.1. International Trade Developments in 2015

After bouncing back from the global financial crisis, global trade and investment have slowed notably, both in absolute terms and in relation to world GDP growth. This slowdown has been more pronounced in emerging market and developing economies. The slowdown and rebalancing in China play an important role in explaining these trends, but also the declining in investment and imports in some commodity exporters especially facing macroeconomic difficulties. For the remainder of emerging market and developing economies, the decline in trade and investment growth is more muted. The main factor influencing the evolution of global current account balances in 2015 has been the decline in oil prices. As a result of this decline, the aggregate current account balance of oil-exporting emerging market and developing economies has turned into a deficit for the first time since 1998.

TABLE 1.6: WORLD IMPORTS AND EXPORTS (ANNUAL PERCENTAGE CHANGE)

	2014	2015	2016	2017
World Trade Volume (Goods and Services)	*3.5*	*2.8*	*3.1*	*3.8*
Imports (Percentage Change)				
Advanced Economies	*3.5*	*4.3*	*3.4*	*4.1*
Emerging Market and Developing Economies	*3.7*	*0.5*	*3.0*	*3.7*
Exports (Percentage Change)				
Advanced Economies	*3.5*	*3.4*	*2.5*	*3.5*
Emerging Market and Developing Economies	*3.1*	*1.7*	*3.8*	*3.9*

Source: IMF World Economic Outlook, April 2016

Capital flows to emerging market and developing economies reached their lowest level since the global financial crisis in the second half of 2015. With capital outflows declining less than inflows, and with relatively little change in the aggregate current account balance, the change in reserves turned negative for these economies as a group in the last two quarters of 2015.

1.5.2. International Trade Prospects for 2016 and 2017

Growth in global trade is projected to remain moderate and pick up gradually from 2016 onward, primarily due to stronger growth in domestic demand in emerging market and developing economies. Similar factors are expected to be at play in 2016 compared to 2015 on account of further decline in average oil prices relative to their 2015 levels, albeit on a more modest scale. In subsequent years, imbalances are forecast to narrow as China rebalances and the surpluses of advanced European economies gradually decline as a share of world GDP more than offsetting the return to surplus of oil-exporting countries given the forecast of higher oil prices.

Chapter 2

MACROECONOMIC PERFOMANCE IN 2015 AND PROSPECTS FOR 2016 AND 2017

2.1 Overall Economic Performance and Forecast

In 2015, Malawi attained GDP growth of 3.1 percent. Unfavourable weather conditions which affected production in Agriculture and unstable macroeconomic conditions, particularly during the second half of the year, contributed to the subdued economic performance. This is notable from the negative growth experienced by the agricultural sector and decline in the growth rates of manufacturing, the wholesale and retail trade, which constitute the three largest sectors of the economy.

Initial estimates for GDP growth in 2016 indicate that the economy will expand by 5.1 percent, an increase from the 3.1 percent growth rate registered in 2015. The increase in growth is mainly driven by modest growth in the agricultural sector especially commercial agriculture and a notable expansion in the services sectors, in particular, wholesale and retail trade, information and communication and financial services. Macroeconomic instability and infrastructural bottlenecks, including frequent power outages carried over from 2015 are hindering growth prospects for other sectors, particularly mining and manufacturing which are both experiencing a decrease in their respective performances.

Going forward, the economy is espected to continue growing owing to the improvement in the macroeconomic fundamentals. In particular, the economy will benefit from lower fuel prices following a significant decrease in global oil prices carried over from 2015, stable exchange rate and greater availability of fuel and foreign exchange. On the other hand, some challenges such as high interest rates and the high cost of utilities affecting the businesses in 2015 are expected to continue in 2016.

In 2017, the economy is projected to improve compared to 2016 and it is estimated to grow by 7.0 percent. The increase in growth is attributed to continued favourable macroeconomic fundamentals, particularly the expected decreasing rate of inflation and an expected stable exchange rate, among others. In addition, the strong real GDP growth for the year will be driven by the increase in agricultural output on the assumption that weather condition normalises.

TABLE 2.1: GDP BY ACTIVITY AT CONSTANT PRICES, (IN MK' MILLION)

Constant 2010 prices (in K'million)					
Sector	2013	2014	2015	2016*	2017*
Agriculture, forestry and fishing	347 179	368 910	362 869	374 509	400 195
Mining and quarrying	12 021	11 467	11 597	11 647	11 837
Manufacturing	110 096	117 008	121 452	125 585	132 365
Electricity, gas and water supply	15 118	15 576	15 930	16 353	17 010
Construction	32 980	34 563	35 722	36 474	37 767
Wholesale and retail trade	182 885	194 361	203 547	214 865	231 760
Transportation and storage	31 168	32 671	34 168	36 435	38 097
Accommodation and food services	22 065	23 372	24 689	26 217	27 923
Information and communication	45 292	50 811	55 118	58 104	61 850
Financial and insurance services	58 171	61 348	65 569	68 621	73 262
Real estate activities	92 962	96 428	97 997	100 997	103 964
Professional and support services	3 422	3,675	3 843	4 138	4 261
Public administration and defense	22 854	24 017	25 530	27 084	28 751
Education	29 651	30 823	32 641	35 048	37 394
Health and social work activities	30 911	32 209	33 342	35 874	38 279
Other Services	56 225	59 282	62 769	66 210	69 037
GDP at constant market prices	**1 091 543**	**1 232 001**	**1 269 966**	**1 334 879**	**1 428 298**
GDP at current prices	**1 425 230**	**2 534 656**	**3 207 378**	**3 895 748**	**4 816 798**

Source: National Statistical Office (NSO) and Department of Economic Planning and Development (DEPD)
*Projections

TABLE 2.2: SECTORAL CONTRIBUTION TO GDP (IN PERCENTAGES)

Constant 2010 prices (in K'million)					
Sector	2013	2014	2015	2016*	2017*
Agriculture, forestry and fishing	*29.9*	*29.9*	*28.6*	*28.1*	*28.0*
Mining and quarrying	*1.0*	*0.9*	*0.9*	*0.9*	*0.8*
Manufacturing	*9.5*	*9.5*	*9.6*	*9.4*	*9.3*
Electricity, gas and water supply	*1.3*	*1.3*	*1.3*	*1.2*	*1.2*
Construction	*2.8*	*2.8*	*2.8*	*2.7*	*2.6*
Wholesale and retail trade	*15.8*	*15.8*	*16.0*	*16.1*	*16.2*
Transportation and storage	*2.7*	*2.7*	*2.7*	*2.7*	*2.7*
Accommodation and food services	*1.9*	*1.9*	*1.9*	*2.0*	*2.0*
Information and communication	*3.9*	*4.1*	*4.3*	*4.4*	*4.3*
Financial and insurance services	*5.0*	*5.0*	*5.2*	*5.1*	*5.1*
Real estate activities	*8.0*	*7.8*	*7.7*	*7.6*	*7.3*
Professional and support services	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*
Public administration and defense	*2.0*	*1.9*	*2.0*	*2.0*	*2.0*
Education	*2.6*	*2.5*	*2.6*	*2.6*	*2.6*
Health and social work activities	*2.7*	*2.6*	*2.6*	*2.7*	*2.7*
Other Services	*4.8*	*4.8*	*4.9*	*5.0*	*4.8*

Source: National Statistical Office (NSO) and Department of Economic Planning and Development (DEPD)
*Projections

TABLE 2.3: ANNUAL PERCENTAGE GROWTH RATES (IN PERCENTAGES)

Constant 2010 prices (in K'million)					
Sector	2013	2014	2015	2016*	2017*
Agriculture, forestry and fishing	*6.2*	*6.3*	*-1.6*	*3.2*	*6.9*
Mining and quarrying	*6.9*	*-4.6*	*1.1*	*0.4*	*1.6*
Manufacturing	*5.6*	*6.3*	*3.8*	*3.4*	*5.4*
Electricity, gas and water supply	*5.5*	*3.0*	*2.3*	*2.7*	*4.0*
Construction	*2.0*	*4.8*	*3.4*	*2.1*	*3.5*
Wholesale and retail trade	*7.9*	*6.3*	*4.7*	*5.6*	*7.9*
Transportation and storage	*5.3*	*4.8*	*4.6*	*6.6*	*4.6*
Accommodation and food services	*5.1*	*5.9*	*5.6*	*6.2*	*6.5*
Information and communication	*7.5*	*12.2*	*8.5*	*5.4*	*6.4*
Financial and insurance services	*3.8*	*5.5*	*6.9*	*4.7*	*6.8*
Real estate activities	*2.5*	*3.7*	*1.6*	*3.1*	*2.9*
Professional and support services	*5.5*	*7.4*	*4.6*	*7.7*	*3.0*
Public administration and defense	*2.7*	*5.1*	*6.3*	*6.1*	*6.2*
Education	*5.4*	*4.0*	*5.9*	*7.4*	*6.7*
Health and social work activities	*5.1*	*4.2*	*3.5*	*7.6*	*6.7*
Other Services	*5.5*	*5.4*	*5.9*	*5.5*	*4.3*
GDP at constant market prices	***6.3***	***6.2***	***3.1***	***5.1***	***7.0***
GDP at current prices	***23.8***	***31.5***	***26.5***	***21.5***	***23.6***

Source: National Statistical Office and Department of Economic Planning and Development (DEPD)
*Projections

2.2 Real Sector Performance in 2015 and Prospects for 2016 and Beyond

2.2.1 Agriculture

In 2015, the agricultural sector contracted by 1.6 percent. The reduction is on account of the adverse weather conditions such as the late onset of rains, the January 2015 floods, the uneven distribution of rainfall and dry spells which negatively affected the sector. Crop production declined by the following; maize production decreased by 30 percent, rice by 18 percent and cassava by 2 percent. The decline was not as pronounced as originally estimated due to increase in tobacco production. Tobacco production increased from 192 million kilograms in 2014 to 193 million kilograms in 2015.

In 2016 the sector is projected to grow by 3.2 percent despite the adverse effects of El Niño weather conditions which resulted in erratic rainfall patterns and dry spells across the country. According to first round crop estimates, the moderate growth in the sector is being driven by commercial farming. In particular, tobacco production increased by 10 percent and sugarcane production grew by 2.8 percent.

In 2017, the sector is projected to rebound with growth of 6.9 percent on the assumption that the weather condition will normalise.

2.2.2 Mining and Quarrying

In 2015, the Mining and Quarrying sector is expected to grow quite modestly by 1.1 percent, compared to a negative growth of 4.6 percent registered in 2014. Growth in the sector is driven by the production of minerals such as coal. However, growth was lower than expected in 2015 due to delays in the commencement of production of Kanyika Niobium Mine by Globe Metals and Mining in Mzimba.

Modest growth will continue in 2016 and the sector is expected to grow by 0.4 percent and 1.6 percent in 2017 respectively. The country has mineral potential as demonstrated by the airborne geophysical survey carried out in 2015 and there has been talk of oil exploration in Lake Malawi. However, it will take some time for potential exploration to take place and bear fruit. In addition, resumption in production of uranium at the Kayelekera Uranium Mine is not expected to take place in the course of 2016 and 2017 as international uranium prices remain low.

2.2.3 Manufacturing

Growth in the manufacturing sector was estimated at 3.8 percent in 2015 down from 6.3 percent in 2014. While the manufacturing sector enjoyed a relatively stable macroeconomic environment during the first half of the year, developments from July onwards including the rapid depreciation of the kwacha and high inflation rates negatively affected growth in this sector. In addition, agro-processing was negatively impacted by the decrease in agricultural crop production.

In 2016, the growth rate is expected to be at 3.4 percent. Increased competition from smuggled products, increasing production costs due to inflation and the depreciation of the local currency and erratic electricity supply are constraining growth in this sector. Nevertheless, the sector is expected to expand, albeit modestly, in 2016 largely due to growth in agro-processing which constitutes around 50 percent of value added in the manufacturing sector. In addition, macroeconomic instability is expected to subside due to increased food availability and tobacco selling.

In 2017, the sector is expected to grow by 5.4 percent assuming a favourable harvest and stable macroeconomic conditions.

2.2.4 Electricity, Gas and Water

The utilities sector is estimated to have grown by 2.3 percent in 2015 and 2.7 percent in 2016. The modest growth rates can be explained by challenges in hydropower production due to low water levels of the Shire River and lack of implementation of critical projects due to funding gaps. In addition, water boards are expecting modest increases in production.

In 2017, the sector is expected to grow by 4.0 percent based on information provided by the Electricity Supply Corporation of Malawi (ESCOM) that it is expected to increase production. In addition, the unbundling of ESCOM is expected to address the inefficiencies in the power market.

2.2.5 Construction

The Construction sector grew by 3.4 percent in 2015 and it is expected to grow by 2.1 percent in 2016. Construction is primarily dependent on government or donor-funded projects, which are observed to be declining. In addition, the sector remains constrained by a significant built-up of non-payments by the Government and high interest rates. Some companies opted for the zero-coupon promissory notes that were offered by the Government in order to repay some of its debt. While this eased some of the cash flow constraints, they also incurred losses by accepting this form of payment.

In 2017, the sector is projected to grow by 3.5 percent on the basis that the Government will increase investing in physical infrastructure. Donor-funded projects such as the construction of secondary schools, teacher training colleges, community technical colleges and libraries in education sector will also contribute to improved performance in the sector.

2.2.6 Wholesale and Retail

The wholesale and retail trade sector is estimated to grow by 4.7 percent in 2015 compared to 6.3 percent in 2014. The decline in the growth rates in 2014 and 2015 can partly be explained by the decline in the growth rate of the agricultural sector as the performance of these two sectors is linked. In addition, the depreciation of the exchange rate increased costs. On the other hand, the sector benefitted from the stabilisation of the exchange rate and the reduction in fuel prices during the first half of the year.

In 2016, the sector is expected to grow by 5.6 percent. Retailers are enjoying high profits in this sector. In addition, the decrease in the fuel prices has reduced distribution costs. Despite this development, some companies are moving out of manufacturing into wholesale and retail trade.

In 2017, the sector is expected to grow by 7.9 percent, assuming that stable macroeconomic conditions and high growth in agriculture will spur growth in this sector.

2.2.7 Transportation and Storage Services

The sector is estimated to grow by 4.6 percent in 2015 compared to 4.8 percent registered in 2014. While fuel prices generally reduced, damage to road and rail infrastructure sustained during the floods presented a challenge to the sector. On the other hand, the importation of maize from Zambia has benefitted the sector.

In 2016 the sector is projected to grow by 6.6 percent largely due to growth in the wholesale and retail trade sector and the modern depots that are to be built in Mzuzu and Lilongwe. In addition, it is expected that performance will improve in rail transport following the completion of the Moatize-Nacala Corridor Project.

In 2017 the sector is projected to slow down to 4.6 percent. This is mainly attributable to the anticipated increase in international fuel prices in the year.

2.2.8 Accommodation and Food Services

The sector grew by 5.6 percent in 2015, mainly due to growth in the conference and corporate segments. Some hotels, for example, Annie's Lodge, Sun and Sand, and Ilala Crest Lodge are expanding their facilities. In addition, a new five star hotel recently opened in Lilongwe has also contributed positively. In 2015, the Government supported the marketing of the tourist sector through a number of activities, including designating September 2015 as Malawi Tourism Month. Despite these positive developments, the introduction of a tourist visa fee in October 2015 is expected to somewhat negatively affect international arrivals in the country.

Growth is expected to remain strong in 2016 and 2017 at 6.2 and 6.5 percent, respectively, for similar reasons as cited for 2015. In addition, food services are expanding primarily due to a new KFC restaurant opened in Lilongwe.

2.2.9 Information and Communication

In 2015, the information and communication sector grew by 8.5 percent. The sector is registering high sales mainly due to the expansion of the communication network by mobile phone companies. In addition, the migration to digital terrestrial television broadcasting has benefitted the sector. In 2016, the sector is estimated to grow by 5.4 percent as it is expected to benefit from increased sales of units, high internet subscriptions and consolidation of new services such as mobile banking.

In 2017, the sector is projected to rebound to 6.4 percent. Growth potential for this sector remains strong as internet service providers seek to further increase their customer base and mobile phone operators have also high potential to increase sales of units and internet subscriptions. Therefore, mobile phone companies continue to undertake major investments in infrastructure to support these services.

2.2.10 Financial and Insurance Services

The sector is estimated to grow by 6.9 percent in 2015. The sector is benefitting from high interest rates, bank charges and increased foreign exchange transactions that led to registering high profits.

Growth is estimated at 4.7 percent in 2016. In addition to continued growth in the banking sector, the insurance sector is also growing as gross written premiums are estimated to grow by 13.4 percent in real terms.

In 2017, the sector is projected to grow by 6.8 percent, citing the same reasons. Growth is also expected to be boosted by an expanding customer base, as the introduction of new technologies such as mobile banking will allow traditional financial service providers to reach into new markets.

2.2.11 Real Estate

The real estate sector is estimated to grow by 3.1 in 2016 compared to 1.6 percent registered in 2015. Growth remains modest as companies are experiencing low activity in this sector. Nevertheless, there is a rebound in 2016 as the Malawi Housing Corporation expects to increase its activities. The Corporation is expected to have access to affordable finance through the Malawi Investment Trade Centre. In 2017, the sector is projected to grow by 2.9 percent, citing the same reasons.

2.2.12 Professional and Support Services

The sector is expected to grow by 7.7 percent in 2016, up from 4.6 in 2015. There is high demand for legal services and audits following the need to prosecute those involved in the public finance mismanagement that was discovered in 2013 and the need to have in place more checks and balances of both the public and private sectors.

In 2017 the sector is expected to continue growing at the rate of 3.0 percent and the lower growth is based on assumption that many legal cases will be concluded in 2016.

2.2.13 Public Administration and Defence

The sector grew by 6.3 percent in 2015, and it is projected to continue growing in 2016 at the rate of 6.1 percent. The increase in growth can be explained by Public Service reforms introduced in February 2015 as these are expected to improve productivity in public administration.

The sector is anticipated to continue growing in 2017 and it is expected to grow by 6.2 percent, citing the same reasons.

2.2.14 Education

The sector registered the growth of 5.9 percent in 2015, and it is estimated to grow by 7.4 percent in 2016. This is attributable to the construction of new secondary schools, libraries and the development of community technical colleges across the country.

Furthermore, gross enrolment rates continue to increase owing to both population growth and a focus to achieve the educational goals of the Millennium Development Goals and now the Sustainable Development Goals. With regards to private schools, though gross enrolment rates vary across institutions, revenues are expected to increase as the Malawian economy improves. Hence, the sector is expected to continue growing, and it is projected to grow by 6.7 percent in 2017.

2.2.15 Human Health and Social Work Activities

The sector is estimated to grow by 7.6 percent in 2016, an increase from 3.5 percent registered in 2015. The number of in-patients in public and private hospitals continues to rise owing to population growth particularly in urban areas. In addition, most private hospitals have increased fees and the number of people seeking health services in private hospitals has also increased. The sector is projected to grow by 6.7 percent in 2017 due to similar reasons.

2.3 Actual and Projected Inflation Rates for the Period from 2015 to 2017

2.3.1 Inflation Rates in 2015

The annual average inflation rate for 2015 was at 21.8 percent down from 23.8 percent in 2014. The end period inflation was at 24.9 percent, up from 24.2 percent in December 2014. The annual average inflation rate for food was at 23.9 percent while non-food items was at 20.0 percent. Looking beyond 2015, average inflation rates for 2016 and 2017 are estimated at 19.8 percent and 14.9 percent, respectively. Single digit inflation is projected to be achieved in 2018.

TABLE 2.4: INFLATION RATES, 2013 — 2017

YEAR	2013	2014	2015	2016*	2017*
Inflation rate (end of period), percent	*23.5*	*24.2*	*24.9*	*17.5*	*12.8*
Inflation rate (annual average), percent	*27.3*	*23.8*	*21.8*	*19.8*	*14.9*

Source: National Statistical Office and Department of Economic Planning and Development (DEPD)

*Projections

In particular, inflation was on a downward trajectory for the first three months of 2015. The decline in fuel prices and the exchange rate appreciation at the beginning of the year supported the decrease in non-food inflation. Food prices also decreased as compared to the corresponding period in the previous year. However, since April 2015 the inflation rate crept up, mainly driven by food inflation due to the shortage in food supply as a result of adverse weather conditions. In addition, the exchange rate began to depreciate earlier than expected during the tobacco selling season in July, 2015 mainly due to speculative behaviour by banks and the strengthening of the US dollar. This fuelled an increase in non-food inflation.

2.3.2 Inflation Projections for 2016

In 2016, the inflation rate is expected to decrease to an average of 19.8 percent and an end-period rate of 17.5 percent. Food inflation is projected at an average of 23.8 percent and non-food inflation at 16.0 percent. Hence, inflation in 2016 is expected to be driven by food inflation due to low food supply in the country caused by low rainfall.

Food inflation reached its peak in February, 2016 and thereafter continued on a moderately downward trajectory as food supply increases following the harvesting period from March onwards. However, food inflation is not expected to decrease significantly due to a decrease in production as estimated by the crop estimates. As such the end period food inflation rate is projected at 20.0. Non-food inflation is expected to decrease throughout the period and more pronouncedly from April 2016 onwards given the onset of the tobacco selling season and the expected stabilisation of the exchange rate. In addition, the continued decrease in international oil prices will result either in lower fuel prices or in the stabilisation of fuel prices. As was the case in 2015, this will also lead to lower non-food inflation which is forecast to reach an end-period rate at 14.9 percent.

2.3.3 Inflation Projections for 2017

Inflation rate is expected to decrease to an average of 14.9 percent in 2017 and an end-period rate is projected to be at 12.8 percent, with average food inflation at 14.7 percent and non-food inflation at 15.1 percent. Food inflation is forecasted to subside and reach an end-period of 11.8 percent, assuming resumption in agricultural production. Non-food inflation is expected to remain at similar levels as registered in 2016, as structural imbalances will lead to further depreciation of the exchange rate and utility prices will continue to increase. In addition, world oil prices are forecast to start increasing in 2017 as per the IMF commodity estimates. The overall inflation rate is expected to fall to single digits from 2018 onwards.

2.4 Balance of Payments

2.4.1 Current Account Balance 2015 and 2016

Malawi posted a current account deficit of US$936.7 million in 2015 which is projected to decrease by 2.2 percent to US$916.3 million in 2016. The current account deficit is being driven by continuous deficits on the net exports of goods and services.

As a percentage of GDP, between 2014 and 2015 the current account deficit decreased from 23.3 percent of GDP to 19.2 percent of GDP. This is mainly on account of improvements in the trade balance. Net exports of goods are set to decrease by 16.0 percent from a deficit of US$1,232.9 million in 2014 to US$1,036.1 million in 2015. This is mainly due to a significant decrease in imports between 2014 and 2015. The same trend is observed in the current account balance for 2016 which also decreases, driven by a decrease in imports over and above a moderate decrease in exports.

In the medium term, Government is putting in place economic reforms, including the launching of the National Export Strategy, which aims at reducing the current account deficit. This will be achieved by improvements in the exports sector coupled with a decrease in import dependency.

2.4.1.1 Goods Balance in 2015 and 2016

In 2015, exports are estimated to have decreased by 2.8 percent and reached a value of US$1,371.9 million. This can be explained by the general decline in production of agricultural commodities due to adverse weather conditions experienced during the harvesting season. In addition, many commodities experienced a decrease in their international prices. In 2016, exports are estimated to further decrease by negative 0.26 percent. Despite continued adverse weather conditions and low export prices affecting most commodity exports, tobacco is expected to experience an increase in volumes to be exported, thus explaining an almost stagnation in export values between 2015 and 2016.

Imports are expected to decrease significantly over the period in question by 20.5 percent from $2,507.2 million in 2014 to $1,994.1 million in 2016. This has mainly been driven by a decrease in the value of imports of petroleum products by 56.5 percent due to the drop in international oil prices.

TABLE 2.5: EXPORT VALUES OF TRADITIONAL COMMODITIES (US$ MILLION)

	2014	2015	2016
Tobacco	600.8	649.7	703.4
Tea	76.6	66.5	62.5
Sugar	125.3	125.7	112.2
Cotton	22.9	9.4	4.4
Coffee	4.4	4.3	3.2
Pulses	52.0	74.4	74.4
Edible Nuts	70.3	107.1	95.0
Uranium	41.0	-	-

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

2.4.1.1.1 Emergence of Edible Nuts as Key Exports

Edible nuts consist of groundnuts, cashew nuts and macadamia nuts. A significant increase is noted in the value of edible nuts between 2014 and 2015 by 52.3 percent. This makes it the third largest export of Malawi, following tobacco and sugar. Even though the production of groundnuts and cashews decreased in 2015 due to unfavourable weather conditions, it appears that production of macadamia nuts increased significantly, particularly in the Northern region . Macadamia nuts are high-value nuts in international markets and can fetch up to $12 dollars per kilogram.

2.4.2 Capital and Financial Account Balance 2015 and 2016

Malawi is mainly financing its imports through foreign capital grants, foreign loans to General Government and Monetary Authorities, as well as foreign direct investment. Positive inflows allowed Malawi to run a Capital Account surplus of US$457.4 million in 2015 and it is forecast to increase by 16.6 percent to US$533.1 million in 2016. In 2015, the net inflow of funds into the Financial Account was US$590.7 million, which is set to decrease in 2016 to US$493.1 million. This decrease can mainly be explained by the decrease in “Other Investment Liabilities”, which is mainly driven by a decrease in foreign loans taken by General Government and banks.

TABLE 2.6: BALANCE OF PAYMENTS (US$ MILLION)

	2013	2014	2015	2016
Current Account Balance (Net)	**(1 216.5)**	**(1 148.6)**	**(936.7)**	**(916.3)**
Goods (Net)	**(1 406.1)**	**(1 232.9)**	**(1 036.1)**	**(946.4)**
Exports of Goods, fob	1 260.5	1 512.4	1 469.3	1 465.6
Imports of Goods, fob	(2 675.0)	(2 753.0)	(2 511.5)	(2 416.4)
Services (Net)	**(132.3)**	**(159.6)**	**(175.3)**	**(156.3)**
Exports of Services	109.6	109.5	116.2	93.8
Imports of Services	(241.9)	(269.1)	(291.6)	(250.1)
Income (Net)	**(262.8)**	**(299.8)**	**(219.6)**	**(206.9)**
Income Receipts	2.2	3.4	3.4	3.1
Income Payments	(265.0)	(303.2)	(223.1)	(210.0)
Current Transfers (Net)	**584.7**	**543.6**	**494.3**	**393.2**
Current Transfers Receipts	597.7	558.4	507.7	403.2
Current Transfers Payments	(13.0)	(14.8)	(13.4)	(9.9)
Capital Account (Net)	**603.1**	**457.4**	**533.1**	**423.2**
Current Account Receipts	603.3	457.5	533.3	423.4
Current Account Payments	(0.1)	(0.2)	(0.2)	(0.1)
Financial Account (Net)	**739.7**	**740.2**	**590.7**	**493.1**
Foreign Direct Investment (Net)	**449.7**	**603.5**	**292.8**	**323.2**
Foreign Direct Investment Abroad	4.1	4.7	5.1	4.1
Foreign Direct Investment in Malawi	445.5	598.8	287.7	319.1
Portfolio Investment (Net)	**7.6**	**8.7**	**9.3**	**7.5**
Portfolio Investment Assets	0.1	0.1	0.1	0.1
Portfolio Investment Liabilities	7.5	8.6	9.2	7.4
Other Investments (Net)	**468.3**	**307.8**	**378.4**	**261.7**
Other Investment Assets	(30.1)	(100.0)	(64.2)	(68.7)
Other Investment Liabilities	498.4	407.8	442.6	330.4
Reserve Assets	**(185.8)**	**(179.8)**	**(89.9)**	**(99.3)**
Net Errors and Omissions	**(126.3)**	**(48.9)**	**(187.1)**	**0.0**

Source: National Statistical Office

2.5 Fiscal Performance

In the course of the 2015/16 fiscal year, Government continued to pursue fiscal policies and reforms aimed at restoring macroeconomic stability through adherence to fiscal discipline. These policies were aimed at complementing other policies aimed at achieving the same objective such as; tightening of monetary policy, maintenance of flexible exchange rate and enhancing automatic pricing mechanisms. Specifically, in the context of the Extended Credit Facility (ECF) programme with the International Monetary Fund (IMF), these policies were together aimed at achievement of low inflation and interest rates, restoration of internal and external balance and stable exchange rates. However, the implementation of the 2015/16 FY faced a number of challenges which included sharp exchange rate depreciation during the first half which led to increased costs of imports for essential budgetary goods such as fertilizer and drugs. Furthermore, the continued freeze on budgetary support continued to put pressure on the narrow domestic resource envelope thereby limiting government's ability to finance critical service delivery and capital projects. The prolonged dry spell that affected the country during the period also created more fiscal pressure due to the resultant increased need for humanitarian response.

Despite the numerous challenges faced by government, fiscal policy remained prudent and the Government objective of restoring macroeconomic stability remained on track. This was evidenced by the February, 2016 IMF mission to Malawi which concluded that Government made substantial progress to bring the ECF programme back on track. The government met three out of the four ECF quantitative targets, including Central Government Net Domestic Borrowing. By mid year the Net Domestic Borrowing was at K3.4 billion against the target of K58 billion. The government was, therefore, within the target by K54.6 billion. Fiscal prudence has resulted in the reduction in debt stock due to higher repayments than disbursements. Despite the increasing debt figures over the years, external debt remains sustainable over the medium to long term as the present value ratios of key sustainability indicators are within the thresholds applicable to Malawi. For instance in 2016, the present value of debt/GDP ratio is 26 per cent against a threshold of 30 per cent. As such, the borrowing plan has been framed to ensure that the public debt levels continue to be sustainable in the next five years.

Furthermore, with Government's record success in achieving most of the structural benchmarks in the ECF programme, it is expected that more donor support will resume in the 2016/17 fiscal year.

In the 2015/16 fiscal year total revenues and grants increased compared with 2014/15 fiscal year. As percentage of GDP, total revenues and grants reached 22.1 percent in 2015/16 compared with 21.8 percent in 2014/15 FY. The increase was on account of continued improvements in tax administration and new budget support grants from African Development Bank following successfull implementation of a number of public finance management measures . With regard to domestic revenue collection, major improvements were reported under taxes on income and profits which increased from 8.5 percent of GDP in 2014/15 FY to 8.6 percent of GDP in 2015/16 FY. The improved performance in domestic revenue continued to be buoyed by numerous reforms being implemented at MRA .However, due to a slow down in the economy experienced during the period under review taxes on goods and services marginally slackened from 6.7 percent of GDP in 2014/15 FY to 6.5 percent of GDP in 2015/16 FY. Coupled with a slow down in non-tax revenue collections during the year, in total domestic revenue as percentage of GDP reduced from 19.3 percent in 2014/15 FY to 18.8

percent in 2015/16 FY. Despite suspension of budgetary support by the CABS, the country received budget support of about K17.9 billion from the African Development Bank and there was an increase in program grants and dedicated grants from 2.8 percent of GDP in 2014/15 to 3.6 percent of GDP in 2015/16. However, a substantial amount of this donor support is being channelled directly to the implementing partners leaving little or no room for Government discretion to increase spending in other sectors where financing is much needed.

As a signal of government's commitment to restoration of macroeconomic stability through fiscal consolidation, overall fiscal deficit improved from 5.8 percent in 2014/15 fiscal year to 3.8 percent during the 2015/16 fiscal year. Similary, net domestic borrowing improved during the year as it declined from 3.38 percent of GDP in 2013/14 Fiscal year to 0.7 percent of GDP.

Going forward into 2016/17 fiscal year, total revenues and grants as percentage of GDP are expected to reach 22.2 percent which is a marginal increase from 21.0 percent in 2015/16 fiscal year. Domestic revenues are expected to slow down to 17.8 percent in 2016/17 FY from 18.4 percent in 2015/16 FY while grants as a percentage of GDP are expected to increase from 3.6 percent to 4.4 percent. The increase in grants is expected to arise from direct project support and ring fenced sector dedicated grants.The downward drop in domestic revenues as a percentage of GDP is an indication that our tax base is less responsive to the growth in income hence government's effort in broadening the tax base including taxing of the informal sector.

In the 2015/16 fiscal year, total expenditures as percentage of GDP reduced from 29.6 percent in 2014/15 fiscal year to 25.9 percent. Recurrent expenditure also declined from 22.2 percent of GDP to 19.5 percent of GDP while development expenditure increased from 5.4 percent in 2014/15 fiscal year to 6.3 percent in 2015/16 fiscal year on account of increased foreign financed capital expenditure. In 2016/17 fiscal year, total expenditures as percentage of GDP is expected to marginally increase from 25.8 percent to 26.1 percent mainly on account of government's commitment to increasing capital expenditure from 6.3 percent in 2015/16 FY to 7.3 percent in a quest to increase the economy's productive capacity. Conversely, recurrent expenditure as percentage of GDP is estimated to marginally decline from 19.5 percent in 2015/16 FY to 18.8 percent signalling a slight departure from a consumption-led budget to a pro-growth budget.

Government will continue to ensure pursuit of the macroeconomic stability goal with the objectives of reducing inflation, lowering interest rates and stabilising the exchange rate at the core of its economic management agenda. Tightening of the fiscal policy while ensuring that growth sectors of the economy are well supported will remain at the core of Government's priorities. Monetary policy shall continue to focus on dealing with the inflation problem and exchange rate volatility. In 2016/17 Government will strive to finance all recurrent expenditures with domestic resources while redirecting foreign resources to capital expenditures.

Over and above the economic objectives the 2016/17 FY budget is set as a vehicle for addressing the current food crisis by financing maize purchases on the domestic market and through imports, countering the effects of climate change, and enhancing rural incomes to enable people to purchase food.

2.6 Monetary Policy Developments

Monetary policy during the 2015/16 fiscal year focused on achieving two objectives, namely containing inflationary pressures, with the aim of bringing down headline inflation, and achieving import cover of more than three months. To meet these objectives, the Reserve Bank of Malawi (RBM) pursued a tight monetary policy stance in the first half of the 2015/16 financial year. In the first quarter of the fiscal year, RBM maintained the policy rate at 25.0 percent. However, the liquidity reserve requirement ratio (LRR) was adjusted downwards to 7.5 percent in August 2015 from the preceding level of 15.0 percent in order to enable commercial banks lower the spread between the prime lending rate and the policy rate. This resulted in a 4.78 percentage points decline in the base lending rate by the end of August 2015. However, to deal with the high inflation expectations and the sharp depreciation of the domestic currency, RBM raised the policy rate by 2.0 percentage points to 27.0 percent in November 2015. Contrary to this development, the annual growth rate of private sector credit rose substantially to 29.9 percent in December, 2015 from 13.6 percent recorded at the end of the 2014/15 fiscal year.

Chapter 3

AGRICULTURE AND NATURAL RESOURCES

3.1 Overview

This chapter reviews the performance of the Agriculture and Natural Resources sector for the 2015/16 fiscal year. The chapter is divided into three sections namely agriculture sector, fisheries sector and forestry sector.

3.2 Agriculture Sector

This section reviews weather forecast, crop and livestock production, national food security, Farm Input Subsidy programme (FISP), and Agriculture Sector Wide Approach (ASWAp).

3.2.1 2015/16 Weather

According to the Department of Climate Change and Meteorological Services actual cumulative rainfall performance from October 2015 to March 2016 was below average in some parts of the Central and Southern regions. On the other hand, average to above average rainfall amounts was received in the northern part of the country. Improvements in rainfall performance was observed in March 2016. The combined effects of dry spells and flooding experienced in some parts of the country during the 2015/16 growing season significantly affected development and maturity of most crops. Hence, the country recorded decreased production in many agriculture commodities.

3.2.2 Crop Production

The second round of the Agriculture Production Estimates Survey (APES) projects a decrease in production for all major crops except some tubers such as sweet potatoes and potatoes. National maize production is expected to go down from 2,776,277 metric tonnes in the 2014/15 growing season to 2,431,313 metric tonnes in the 2015/16 growing season, representing a 12.4 percent decrease. The decline is attributed to the late onset of planting rains and intermittent rainfall patterns coupled with hot weather and prolonged dry spells especially in the Southern Region and part of the Central Region. Tobacco production for 2016 was estimated at 199,899 metric tonnes, an increase of 3.6 percent from 192,967 metric tonnes in 2015. The increase is generally attributed to expansion of hectarage in isolated tobacco growing areas adjacent to markets in which last season's prices were relatively fair. Groundnuts production is estimated at 272,077 metric tonnes which is a decrease by 8.2 percent from 296,497 metric tonnes produced in 2015. The table below gives a summary of production in metric tonnes of major crops.

TABLE 3.1: NATIONAL CROP PRODUCTION IN METRIC TONNES

Crops	2014/15 Third Round	2015/16 Second Round	Percentage Change
Maize	2,776,277	2,431,313	*-12.4*
Rice	108,690	87,358	*-21.6*
Groundunts	296,497	272,077	*-8.2*
Tobacco	192,967	199,899	*3.6*
Cotton	79,289	36,259	*-54.3*
Wheat	1,178	812	*-31.1*
Sorghum	79,327	57,846	*-27.1*
Millet	33,512	19,809	*-40.9*
Pulses	711,354	685,888	*-3.6*
Cassava	5,012,763	5,009,846	*-0.1*
S/Potato	4,324,873	4,462,219	*3.2*
Potato	1,065,833	1,066,602	*0.1*

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.3 Livestock Production

All major livestock species registered increases in production except chicken, which is mainly attributed to down scaling of production by farmers due to competition from other egg producers and high cost of feed. The increase in all classes of livestock were mainly due to improved and good management practices including disease control resulting into more births than deaths. Increases in indigenous poultry were due to improvement in control of the Newcastle Disease through intensification of vaccination programs. In an attempt to control major diseases during the reporting period, 18,914 cattle were vaccinated against Foot and Mouth Disease. In addition a total of 4,531 cattle, 7,374 goats, 1,868 sheep and 1,774 pigs were dewormed and 75,856 dogs were vaccinated against rabies in order to protect the general public from zoonotic diseases.

TABLE 3.2: LIVESTOCK CENSUS

Commodity	Third Round Estimates 2014/15	First Round Estimates 2015/16	Percentage Change
All cattle	1,398,376	1,440,706	*3.0*
Beef cattle	1,326,524	1,364,738	*2.9*
Dairy pure	16,274	17,850	*9.7*
Dairy crosses	55,578	58,118	*4.6*
Goats	6,545,306	6,990,349	*6.8*
Sheep	275,537	276,434	*0.3*
All pigs	3,645,626	4,075,125	*11.8*
All chicken	78,121,449	74,277,133	*-4.9*
Indigenous chicken	38,737,881	41,074,580	*6.0*
Broilers	30,303,368	25,918,327	*-14.0*
Layers	8,050,593	6,119,033	*-24.0*
Black australorp	1,029,067	1,844,956	*1.6*

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.4 National Food Security

During the reporting period, all eight Agriculture Development Divisions (ADDs) reported a poor food situation during the period between January and March 2016 compared to same period last season. This is mainly attributed to flooding and prolonged dry spells in some parts of the country. The situation in Shire Valley ADD where 36 percent of the farm families have no food, is worse off this season than last growing season when 10 percent of farming families had no food. The prevailing price range for maize is also higher this season, ranging from K160 per kg to K265 per kg than last season's price range of K70 per kg to K130 per kg. In a bid to cope with the situation, families without food are purchasing maize from vendors in markets where it is readily available. They are also engaging in various income generating activities including selling of fruits, firewood, charcoal and casual labour.

TABLE 3.3: NATIONAL FOOD SITUATION AS AT 30 MARCH 2016

	2015/2016 SEASON			2014/2015 SEASON		
ADD	Total farm families	Farm families without food	% Farm families without food	Total farm families	Families without food	% Farm families without food
Karonga	146,137	19,790	*13.5*	136,536	1,491	*1.1*
Mzuzu	387,414	65,860	*17.0*	381,413	9,135	*2.0*
Kasungu	743,478	107,493	*14.0*	639,897	12,158	*1.9*
Lilongwe	848,603	254,988	*30.0*	848,603	29,285	*2.2*
Salima	221,296	54,292	*25.0*	200,749	2,959	*1.0*
Machinga	779, 467	170,687	*22.0*	835,583	86,982	*4.0*
Blantyre	816,914	252,008	*31.0*	894,636	31,335	*4.0*
Shire Valley	216,215	77,855	*36.0*	185,609	18,501	*10.0*
Total	**3,380,057**	**1,002,973**	***30.0***	**4,123,026**	**191,846**	***5.0***

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.5 Agriculture Sector Wide Apporach (ASWAp)

The implementation period for the ASWAp came to an end in 2015. Currently, the Ministry of Agriculture, Irrigation and Water Development is conducting a review of the ASWAp to inform the development of the next medium term investment strategy for the agriculture sector. Meanwhile, whilst awaiting finalisation of this process, the Ministry continued to implement its programmes in line with the ASWAp in pursuit of delivering its targets in the Malawi Growth and Development Strategy (MGDS) II.

Within the ASWAp, the Ministry continued to implement a number of projects including the Agriculture Sector Wide Support Project (ASWAp-SP), which is funded by the Multi Donor Trust Fund (MDTF), that is, receiving contributions from the European Union, Flanders International Cooperation Agency, United States Agency for International Development, Royal Norwegian Ministry of Foreign Affairs and Irish Aid. The MDTF was expected to close in December 2016; but the Ministry is in discussion with World Bank, as MDTF administrator, on the possibility of extension.

Besides, the Ministry also continued to implement other projects including the Agriculture Infrastructure Support Project (AISP) and the Smallholder Irrigation and Value Addition Project (SIVAP) funded by the African Development Bank (AfDB); the Agriculture Productivity Programme for Southern Africa (APPSA) funded by the World Bank; the Farm Input Diversification Programme II (FIDPII) funded by the European Union; and the Sustainable Agriculture Production Programme (SAPP) funded by the International Fund for Agriculture Development (IFAD).

3.2.6 Farm Input Subsidy Programme (FISP)

A total of 1.5 million beneficiaries were targeted in all 28 districts across the country in the 2015/16 Farm Input Subsidy Programme. Each target beneficiary was issued with a total of four coupons: two fertilizer coupons to purchase one 50 kg of NPK and one 50 kg bag of Urea and two seed coupons to purchase a 5 kg of hybrid or 8 kg of OPV maize seed and certified legume (3 kg soya or 2 kg of beans/groundnuts/pigeon peas/cowpeas seed). The Programme supplied a total of 150,000 metric tonnes of fertilizer (75,000 metric tonnes of NPK and 75,000 metric tonnes of Urea), a minimum of 7,500 metric tonnes of maize seed and minimum of 3,000 metric tonnes of certified legume seed.

In a bid to improve efficiency and accountability, the programme took the following measures:

1. Piloted retailing of fertilisers by the private sector in the following districts: Chikwawa, Mwanza, Chiradzulu, Balaka, Dedza, Mchinji, Salima, Mwanza and Nkhotakota;
2. Increased contribution to the programme by each farmer from MK500 to MK9,000;
3. Implemented central selection of beneficiaries to reduce bias in beneficiary selection;
4. Continued with escorts to retail markets by the Malawi Police Service; and
5. Continued tracking of vehicles delivering fertilizer to retail markets using ESOKO system.

3.3 The Fisheries Sector

3.3.1 The Socio-economic Role of the Fisheries Sector

3.3.1.1 Employment

The Fisheries sub-sector which is composed of capture fisheries, aquaculture and aquarium trade sub-sectors has continued to be one of the major source of employment. During the financial year 2015/16, it has directly employed nearly 60,746 fishers, an increase from 56,070 fishers who were employed in the 2014/15 financial year.

It is still on record that the sector continues to indirectly employ over half a million people who are engaged in other ancillary activities such as fish processing, fish marketing, boat building and engine repairs. It is also on record that the fish industry supports over 1.6 million people in lakeshore areas and makes substantial contributions to their livelihoods. Thus, approximately 9 percent, 18 percent, 15 percent, 9 percent and 30 percent of the total population in Karonga, Nkhata Bay, Nkhotakota, Salima and Mangochi, respectively, are supported by the fish industry. In addition, 13 percent of the people in Zomba, Machinga and Phalombe districts, as well as 6 percent of the people in the Lower Shire Valley derive their livelihood from fishing.

3.3.1.2 Food and Nutrition Security

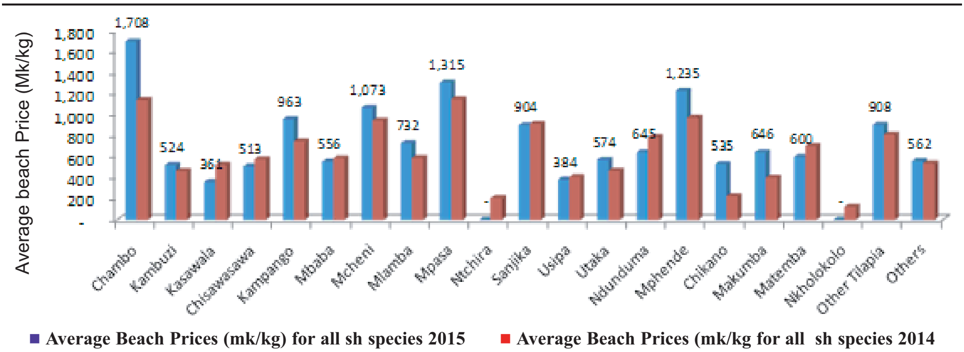
The Fisheries Sector contribution to food and nutrition security has continued to be paramount. With the production of 144,258 tonnes, fish has continued to be the main source of animal protein in the country with the contribution of over 70 percent of the dietary animal protein intake of Malawians and 40 percent of the total protein supply. Much of the fish is consumed in rural areas thereby contributing significantly to daily nutritional requirements to some of the vulnerable groups such as HIV and AIDS victims, orphans and the poor.

3.3.1.3 Source of income

Fish landings of 144,258 tonnes in 2015 had a beach or landed value of MK108.66 billion (approx US$162.26 million) when compared with fish landings of 117,098 tonnes in 2014 which had a beach or landed value of MK74.95 billion (approx US$166.56 million).

The national average beach price was at MK753.24 per kilogram in 2015. Chambo, Mpasa, Mphende, Mcheni, Kampango, and Sanjika fetched the highest average beach prices of MK1,708/kg, MK1,315/kg, MK1,235/kg, MK1,073/kg, MK963/kg and MK904/kg, respectively, whilst Kasawala and Usipa recorded the lowest average beach prices of MK361/kg and MK384/kg, respectively, as shown in Figure 3.1 below. The low prices of these fish species allow the poor households to afford them and therefore has a positive impact on their diets.

FIGURE 3.1: AVERAGE BEACH PRICES FOR ALL FISH SPECIES FOR 2015 AND 2014

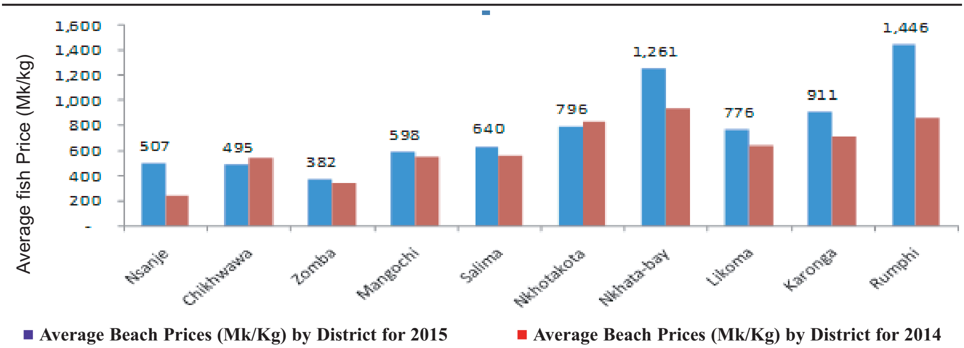


Source: Department of Fisheries

3.3.1.3.1 Average Beach Prices by District

There was a general upward trend of average beach prices in 2015 when compared with 2014. Average beach prices for all fish species were the highest in Rumphi (MK1,446/kg) followed by Nkhata Bay (MK1,261), Karonga (MK911/kg), Nkhotakota (MK796/kg), and Likoma (MK776) whilst the lowest average beach prices were registered in Zomba (MK382/kg) and Chikwawa (MK495/kg). The rise in beach prices for all the species is due to increased demand for fish locally as well as the rising cost of operation as the kwacha continues to depreciate in value.

FIGURE 3.2: AVERAGE BEACH PRICES IN KWACHA PER KILOGRAM BY DISTRICT IN 2015 AND 2014

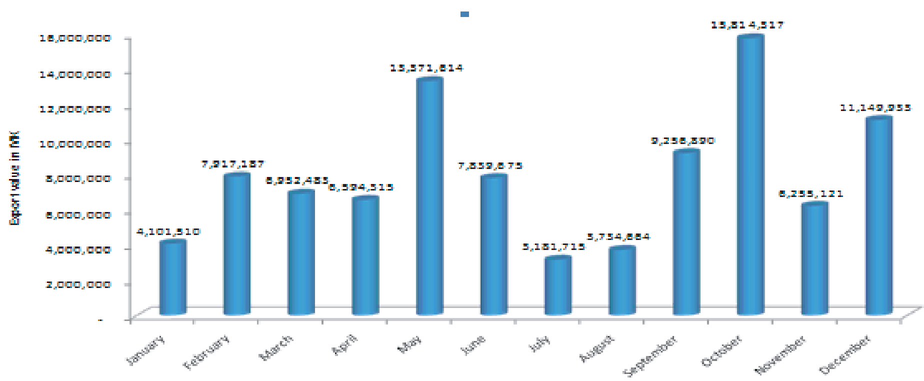


Source: Department of Fisheries

3.3.1.4 Foreign Exchange through Fish Exports

The major source of fish exports is Lake Malawi which has over 800 endemic fish species which are of both local and international scholarly importance and also act as a source of tourism attraction. Fish species such as Mbuna are exported outside the country and this helps to bring much-needed foreign exchange. In 2015, Malawi exported live ornamental fish to thirteen countries such as Canada, China, Denmark, France, Germany, Hong Kong, Japan, Netherlands, Sweden, South Africa, Thailand, United Kingdom (UK) and United States of America (USA). From January to December 2015, a total of 31,397 live fishes were exported generating total income of MK96.17 million (US$204,765). These exports were lower when compared with exports for 2014 that cumulatively amounted to 38,522 live fishes and generated total income of MK134.13 million (US$320,727). More exports were made during the months of May, October and December as depicted in Figure 3.3 below.

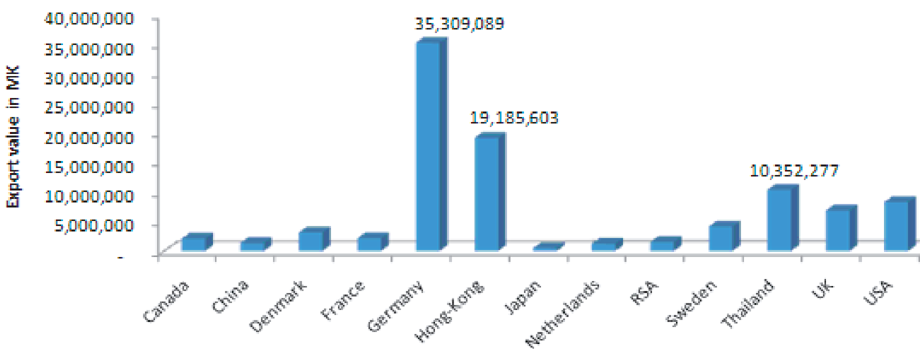
FIGURE 3.3: EXPORT OF LIVE ORNAMENTAL (AQUARIUM) FISH IN 2015



Source: Department of Fisheries

The largest market for the aquarium trade in the period was Germany, Hong Kong and Thailand that imported fish worth MK35.3 million, MK19.2 million and MK10.4 million, respectively. Thus comparing with other markets, Germany imported 36.7 percent of fish from Malawi followed by Hong Kong (19.9 percent), and Thailand (10.7 percent) as shown in Figure 3.4 below.

FIGURE 3.4: MAJOR MARKETS FOR AQUARIUM FISH IN 2015



Source: Department of Fisheries

3.3.2 Status of the Fisheries Sector

3.3.2.1 Total Annual Fish Production by Water Body

National catch statistics from all water bodies for Malawi show that total fish production had registered an increase from 116,128 tonnes in 2014 to 144,315 tonnes in 2015. Lake Malawi alone had a total landing of 130,111 tonnes when artisanal (127,438 tonnes) and commercial production (2,614 tonnes) figures are added and this is followed by Lake Malombe at 5,904 tonnes (table 3.4). Thus when considered in terms of contribution by water body, about 90.16 percent of the catch originated from Lake Malawi, followed by 4.09 percent from Lake

Malombe whilst Lake Chilwa and Shire River contributed 3.92 percent and 1.03 percent, respectively.

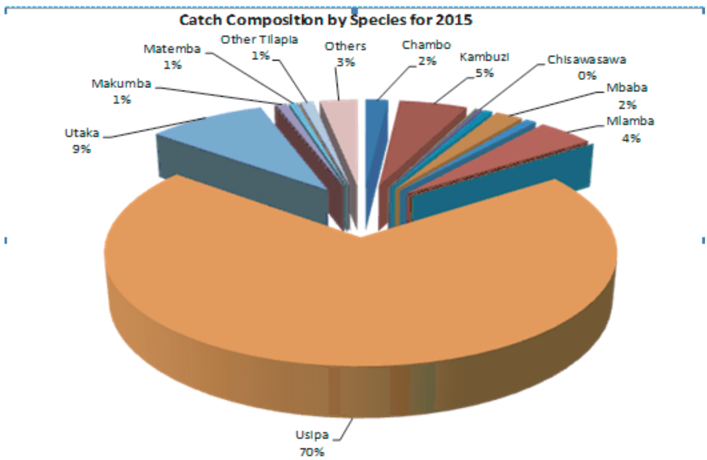
TABLE 3.4: FISH CATCH CONTRIBUTION BY WATER BODY FOR 2005 — 2015

Year	L.Malawi Artisanal (tons)	L.Malawi Commercial (tons)	L.Malombe (tons)	L.Chirwa (tons)	L.Chiuta (tons)	Upper, Lower & Middle Shire (tons)	TOTAL (tons)	Landed Value (MK,00)	Beach price (MK/kg)
2005	58,859	4,225	4,225	5,822	975	3,032	58,859	7,145,474	58,859
2006	51,796	4,413	4,413	4,350	1,085	3,840	51,796	6,810,336	51,796
2007	50,527	4,102	4,102	5,904	1,024	3,643	50,527	7,563,200	50,527
2008	56,846	3,597	3,597	6,006	1,018	3,128	56,846	9,478,378	56,846
2009	56,850	3,752	3,752	5,879	1,034	3,184	56,850	16,895,493	56,850
2010	80,623	3,470	3,470	8,019	2,549	1,197	80,623	19,900,000	80,623
2011	56,923	1,296	1,296	16,960	2,627	451	56,923	18,944,180	56,923
2012	106,769	2,367	2,367	7,993	1,322	269	106,769	35,903,597	106,769
2013	102,079	1,867	1,867	2,982	290	823	102,079	52,422,568	102,079
2014	105,284	2,455	2,455	2,889	293	1,037	105,284	74,332,669	105,284
2015	127,438	2,672	2,672	5,660	1,150	1,491	127,438	108,703,888	127,438

Source: Department of Fisheries

In terms of catch composition, the traditional catch is composed of 18 main species or groups of species, of which Usipa, Utaka, Kambuzi, Mlamba, Mbaba and Chambo are the six dominant species with an average total contribution of 70 percent, 9 percent, 5 percent, 4 percent, 2 percent and 2 percent, respectively.

FIGURE 3.5: PERCENT SPECIES COMPOSITION OF TOTAL NATIONAL CATCHES FOR 2015



Source: Department of Fisheries

3.3.2.2 Annual Fish Production and Landed Value

The 2015 catch trends together with 2016 and 2017 projections in fish production per fish species and the estimated revenue gained by the small scale fishers is shown in Table 3.5 below. In terms of fish sales, whatever was produced by the sector was wholesomely translated into monetary value. A total of MK108.66 billion (approx US$162.26 million) was cumulatively realised. However, the catch contributions for 2016 are expected to slightly drop to around 131,451 tonnes from 144,315 tonnes in 2015 due to an anticipated drop and projected decrease in abundance of some fish species such as Usipa (Engraulicypris sardella). The 2015 landing is largely composed of Usipa which contributes about 70 percent to the total catch as shown in Figure 3.5. It is anticipated that in 2017 the figures will stabilize with an increase in catches to 138,623 tonnes. This would translate to increased projected accrued monetary value of MK115.126 billion.

TABLE 3.5: FISH CATCH AND VALUE FOR 2015 AND ESTIMATES FOR 2016 AND 2017 FOR MAJOR SPECIES

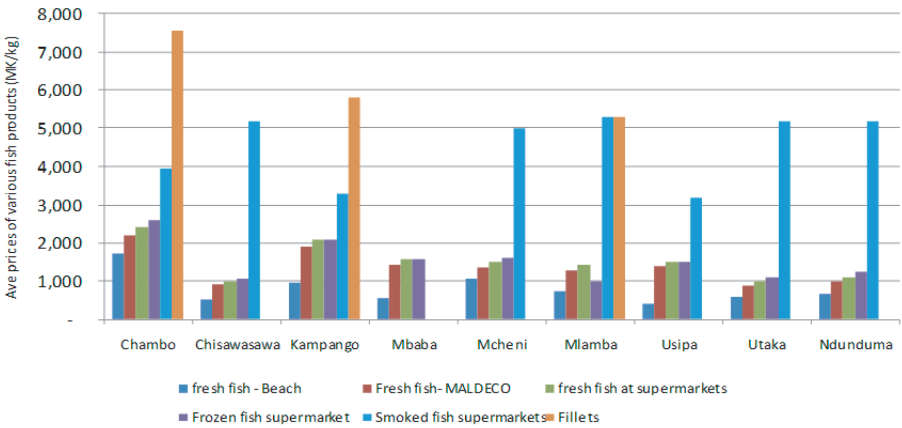
Fish Species		2015		2016		2017	
Local Name	**Sceintific Name**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Chambo	Oreochromis	2540.83	1,913,854.79	2,792	2,208,278,585	3,532	2,933,326,00
Kambuzi	Lethrinops spp. & Allied genera	7376.75	5,556,463,170	7,220	5,710,035,516	7,581	6,296,020,500
Kasawala	Juvenile Oreochromis spp.	135.07	101,740,127	248	196,153,482	260	215,930,00
Chisawasawa	Lethrinops spp. & Allied genera	901.7	679,196,508	714	564,614,176	750	622,875,000
Kampango	Bagrus meridionalis	962.43	724,940,773	1,579	1,248,686,523	1,658	1,376,969,000
Mbaba	Buccochromis spp. & Allied genera	3073.19	2,314,849,636	5,914	4,677,713,987	6,210	5,157,405,000
Mcheni	Rhamphochromis spp.	1338.57	1,008,264,467	1,431	1,131,680,145	1,502	1,247,411,000
Mlamba	Bathyclarias & Clarias spp.	6172.63	4,649,471,821	5,420	4,286,761,029	5,691	4,726,375,500
Mpasa	Opsaridium microlepis	2.51	1,890,632	73	57,809,412	77	63,948,500
Nchila	Labeo mesops	0	-	3	2,412,087	3	2,558,187
Sanjika	Labeo cylindricus	12.56	9,460,694	44	34,745,344	46	38,203,000
Usipa	Engraulicypris sardella	99369.65	74,849,195,166	85,408	67,549,187,200	89,678	74,477,579,000
Utaka	Copadichromis virginalis & relatives	13337.89	10,046,632,264	11,969	9,466,045,146	12,567	10,436,893,500
Ndunduma	Diplotaxodon spp	1458.71	1,098,758,720	1,469	1,162,069,212	1,543	1,281,461,500
Nkholokolo	Synodontis nyassae	0	-	161	127,663,124	169	140,354,500
Makumba	Oreochromis shiranus & relatives.	1165.92	878,217,581	1,225	968,543,045	1,286	1,068,023,000
Matemba	Barbus paludinosus & relatives	839.31	632,201,864	643	508,237,012	675	560,587,500
Other Tilapia	Tilapia rendalli & others	1501.67	1,131,117,911	1,158	915,934,710	1,216	1,009,888,000
Others	Various spp	4125.22	3,107,280,713	3,980	3,147,698,734	4,179	3,470,659,500
TOTAL		**144,315**	**108,703,536,836**	**131,451**	**103,964,268,467**	**138,623**	**115,126,468,187**

Source: Department of Fisheries

3.3.3 Fish Market Prices for Various Fish Products

The retail outlet market and beach prices have continued to show an increasing trend during the year 2015. Thus in terms of fish products, Chambo, Kampango and Mlamba products had the highest market prices (Figure 3.6). In all cases, the information generated has demonstrated that fish in the country is sold in various forms depending on species, that is: sun dried, which is most common for fish species like Usipa, Utaka, Kambuzi and Matemba; smoked which is used on Chambo, Kampango and Mlamba; para-boiled for Usipa; pan roasting for Utaka and Kambuzi; and fresh (frozen or iced) to enable fish traders to transport the fish to distant rural and urban markets.

FIGURE 3.6: FISH MARKET PRICES (MK/KG) FOR VARIOUS FISH PRODUCTS IN 2015



Source: Department of Fisheries

The 2015 prices show that along the value chain fish prices keep escalating as the fish and fisheries products are transported from the lake (beach) to the upland supermarkets. The prices vary depending on form of the product, that is, fresh, frozen, smoked and filleted. As value addition is taking place, the price of fish goes up to recover the added costs of processing as shown in Figure 3.6 above and Table 3.6 below. Another factor for the general upward trend in fish prices is due to the depreciation of Malawi currency which resulted in increased landing and transportation costs, supply and demand fluctuations and seasonality.

TABLE 3.6: FISH MARKET AVERAGE PRICES FOR VARIOUS FISH PRODUCTS IN 2015

Avg price for various fish products per kg for 2015	Chambo	Chisawasawa	Kampango	Mbaba	Mcheni	Mlamba	Usipa	Utaka	Ndunduma
Fresh fish Beach	1,708	513	963	556	1,073	732	384	574	645
Fresh fish MALDECO	2,210	900	1,910	1,420	1,360	1,290	1,400	880	1,000
Fresh fish at Supermarkets	2,420	990	2,070	1,570	1,500	1,420	1,500	990	1,100
Frozen fish Supermarket	2,600	1,060	2,070	1,570	1,600	1,000	1,500	1,090	1,260
Smoked fish Supermarkets	3,960	5,180	3,300	–	5,000	5,280	3,190	5,180	5,180
Fillets	7,560	–	5,800	–	–	5,280	–	–	–

Source: Department of Fisheries

3.3.3.4 Fish Supply per Capita

In terms of per capita fish consumption, the sector continues to register fluctuating trends due to varying fish production levels. There was another increase from 8.19kg/person/yr in 2014 to 10.09kg/person/yr in 2015 as shown in Table 3.7 below.

TABLE 3.7: PER CAPITA FISH SUPPLY FROM 2005 TO 2015 WITH ESTIMATED POPULATION GROWTH

Year	Population	Total catch (kg)	Fish supply/kg/person/yr
2005	11,300,000	72,913,000	6.45
2006	11,500,000	65,484,000	5.69
2007	11,700,000	65,200,000	5.57
2008	13,100,000	71,266,000	5.44
2009	13,300,000	71,289,000	5.36
2010	13,500,000	95,724,000	7.09
2011	13,700,000	81,070,000	5.92
2012	13,900,000	120,328,000	8.66
2013	14,100,000	109,889,000	7.79
2014	14,300,000	117,094,878	8.19
2015	14,300,000	144,315,275	10.09

Source: Department of Fisheries

The current average per capita consumption of 10.09 kilogram per person per year is still less than the recommended 13-15 kg per person per year by the World Health Organisation (WHO). However, the current Fisheries and Aquaculture Policy focuses on fish quality and value addition as a means of promoting adoption of best practices that will enhance quality, hygiene and sanitation and value addition for fish and fish products so that the annual catch that is lost through post harvest spoilage and insect infestation is reduced. This will ensure continued availability of fish in required amounts that will avert the per capita consumption deficit. The aquaculture efforts that are being pioneered by the sector will enhance production of the major cultured species such as Chambo.

3.3.3.5 Status Of Fishing Fleet (Craft) and Fishers

During the year 2015, a census of all fishing effort indicators was done with the aim of determining the spatial and temporal composition, magnitude and distribution of fishing effort from which targeted and relevant management interventions are derived. The 2015 survey managed to record fishing gears, crafts and fishers in all landing sites and the results are summarised in Table 3.8 below, which shows that:—

1. There is a steady increase in the number of crew members since 1998 while gear owners have rather remained stable. Since 2011, the number of gear owners is declining with a recent slight increase (6.07 percent) observed between 2014 and 2015;

2. Only boats with engines and planked canoes have maintained a steady increasing trend while boats without outboard engine are declining with dugout canoes remaining rather stable at least for the past six years;

3. There has been an increase in the numbers of Chilimira nets by 17.93 percent over the results of the 2014 survey. Although this is the case, generally the overall trend of Chilimira has been stable over the years. Unlike Chilimira nets, there has been a decrease in the number of Nkacha nets by 13.83 percent. The overall trend of the Matemba seine nets over the years has been stable. Although this is the case, one would see that there is a decrease by 64.32 percent between 2014 and 2015 records. This change can be attributed to the slow recovery of the Matemba fishery in Lake Chilwa and Lake Chiuta which has forced most of the fishers to use other gears such as gillnets;

4. Temporal trends in the number of gillnets show that while the larger meshed gillnets have declined since 2009, the number of under-meshed gillnets, Ngongongo, have continued to rise since 2011; and

5. Comparing the last two years (2014 and 2015), there is an increase in the numbers of Kandwindwi. This is anticipated because this gear is currently being used as an improved beach seine thereby allowing it to be recast several times in one day and hence increasing the probability of catching more fish. On the other hand, Kambuzi seines have decreased by 2 percent. This could be due to the tendency of the fishers opting for small meshed gears due to the dwindling of catches of the relatively bigger fish like Utaka. This has therefore prompted fishers to prefer using small meshed gears such as Nkacha nets other than the Kambuzi seine. On the other hand, there is an increase in Chambo seine nets by 55.56 percent between the 2014 and 2015.

TABLE 3.8: FRAME SURVEY COUNTS OF FISHING CRAFT, GEAR OWNERS, CREWMEMBERS AND FISHING GEARS 1998 — 2015

Indicator	1998	1999	2003	2007	2008	2009	2010	2011	2012	2013	2014	2015	% increase /decrease
Boats with engine	578	534	493	586	814	872	960	1,003	1,211	1,280	1,352	1526	*12.87*
Boats without engine	3,240	3,088	2,999	3,502	3,360	2,942	2,613	2,570	2,582	2,396	2,989	2254	*-24.59*
Dug-out canoes	14,306	11,457	11,824	11,215	11,540	11,289	10,785	10,663	11,089	10,918	10,935	11635	*6.40*
Planked canoes						764	1,227	1,098	833	996	1,382	1674	*21.13*
Gear owners	14,471	13,503	15,542	13,305	14,065	13,403	14,538	14,146	12,761	12,383	11,546	12247	*6.07*
Crew members	37,488	35,347	42,312	41,993	41,841	46,123	45,335	47,003	45,764	43,312	44,524	48499	*8.93*
Gillnets (normal)	32,941	43,430	77,668	67,552	70,606	75,291	63,225	52,560	60,716	43,560	26,398	26925	*2.00*
Ngongongo					13,704	14,979	19,303	10,351	24,311	23,031	28,376	39706	*39.93*
Chikwekwesa					337	59	90	257	7,674	246	157	368	*134.39*
Longlines	2,753	3,954	2,884	3,902	5,726	5,740	5,791	5,182	150,397	6,321	5,723	9808	*71.38*
Kambuzi seines	546	345	385	438	484	399	408	261	200	174	145	141	*-2.76*
Chilimira nets	2,584	2,568	3,079	2,588	3,491	3,394	3,349	3,053	2,931	3,059	3,129	3690	*17.93*
Fish traps	8,255	40,078	27,071	20,460	15,814	25,362	34,644	24,832	16,690	21,941	44,585	32673	*-26.72*
Handlines	4,400	3,084	1,383	2,414	1,563	1,589	660	748	870	584	2,687	3638	*35.39*
Kandwindwi				98	98	106	117	79	79	113	160	41	*59*
Scoop nets	21	79	83	14	36	56	29	59	54	47	44	39	*-11.36*
Cast nets	37	47	766	535	717	701	705	824	782	694	439	356	*-18.91*
Chambo seines	106	62	71	70	212	89	85	177	129	110	117	182	*55.56*
Nkacha nets	204	258	309	279	238	315	241	289	524	274	311	268	*-13.83*
Matemba seine	498	422	276	853	406	542	690	855	587	662	1,194	426	*-64.32*
Chomanga	35,579	23,298	24,350	13,371	5,814	038,506	44,847	45,862	67,354	51,102	56,609	68624	*21.22*

Source: Department of Fisheries

3.3.4 Performance of Aquaculture Sector

Using the developed aquaculture data collection methodology and tools, the aquaculture sub-sector contributed about 4,984.45 tonnes of fish harvested from all production systems which ranged from cage culture to pond culture.

TABLE 3.9: ESTIMATED PRODUCTION LEVELS (TONNES) AND VALUE (US$) OF THE MAJOR CULTURED FISH SPECIES (2000 – 2015)

Species	Estimated Units	Years									
–	–	2000	2001	2002	2003	2010	2011	2012	2013	2014	2015
Oreochromis shiranus/mossambicus	Production (t)	500	600	670	680	850	1420	2186	2,578	3,299.84	3,422.03
	Value (US$)	550,000	575,000	649,600	696,000	869,550	1,219,780	1,877,774	2,704,783	3,462,122.87	3,849,012.05
Tilapia rendalli	Production (t)	-	12	70	85	630	862	633	641	820.48	850.86
	Value (US$)	-	13,800	11,200	42,000	113,647	740,458	543,747	813,460	1,041,229.13	957,027.43
Clarias gariepinus	Production (t)	15	18	10	17	42	175	262	333	426.24	5 08.47
	Value (US$)	18,000	18,000	11,200	17,000	42,000	150,325	225,058	339,786	434,925.58	571,914.86
Cyprinus carpio	Production (t)	10	10	8	4	30	76	67	7	1 90.88	94.25
	Value (US$)	10,000	10,000	8,960	5,600	42,000	65,284	57,553	88,884	113,771.92	106,004.60
Oncorhynchus mykiss	Production (t)	5	8	4	15	48	98	84	82	104.96	1 08.85
	Value (US$)	17,500	57,200	24,800	96,000	307,200	56,078	72,156	103,511	132,493.89	122,427.85
Total major species	**(t)**	530	648	752	801	1600	2631	3232	3,705	4,742.40	4,984.45
Total value (US$)		595,500	674,000	705,760	856,600	1,374,397	2,260,029	2,776,288	4,050,425	5,184,543.40	5,606,386.79

Source: Department of Fisheries

The Sector conducted the annual census of all fish farmers and their fish ponds countrywide and the exercise has revealed that the total number of fish farmers has increased from 6,167 fish farmers in 2014 to 7,139 fish farmers in 2015, representing an increase of 15.76 percent. Similarly, the total number of fish ponds nationally has risen from 9,041 to 9,899 representing 9.49 percent increase. The total pond area has equally increased from 225.56 hectares in 2014 to 244.68 hectares in 2015 as shown in Table 3.10.

The exercise has further generated information that both small and large scale fish farmers exist in the country with the former being predominant. The small scale fish farmers mostly practise semi-extensive aquaculture system and are set up within mixed agriculture farms. Essentially, small scale activities aim at feeding the family or selling the products in the immediate locality mostly in rural community. Thus, fish farming has a role of food and nutrition security. On the other hand, the large scale fish farmers have small to midsize commercial operations and these are essentially able to cover costs and deliver returns to the farmers in a sustainable manner.

TABLE 3.10: SUMMARY OF ALL FISH FARMERS, PONDS AND TOTAL POND AREA FOR MALAWI AS OF 2 015

District	No of Fish Farmers	No of Ponds	Total pond area (sq metre)	Total pond area (ha)
Balaka	80	172	62,404	6.24
Blantyre	247	331	260,140	26.01
Chikhwawa	42	68	30,661	3.07
Chiradzulu	94	109	22,947	2.29
Chitipa	480	390	66,704	6.67
Dedza	128	274	46,750	4.68
Dowa	117	181	77,320	7.73
Karonga	58	67	60,454	6.05
Kasungu	184	247	58,006	5.80
Lilongwe	359	448	75,909	7.59
Machinga	109	160	54,628	5.46
Mangoch	319	516	103,240	10.32
Mchinji	487	793	216,168	21.62
Mulanje	599	933	166,561	16.66
Mwanza	323	475	75,424	7.54
Mzimba	412	593	119,354	11.94
Neno	158	222	28,741	2.87
NkhataBay	356	446	107,600	10.76
Nsanje	21	24	10,384	1.04
Ntcheu	181	202	52,507	5.25
Ntchisi	350	371	59,785	5.98
Nkhotakota	286	388	106,578	10.66
Phalombe	183	251	65,952	6.60
Rumphi	301	404	134,400	13.44
Salima	57	127	43,101	4.31
Thyolo	617	702	97,743	9.77
Zomba	591	1005	243,361	24.34
TOTAL	**7,139**	**9,899**	**2,446,822**	**244.68**

Source: Department of Fisheries

3.3.5 Challenges

There are a number of challenges faced by the sector, some of which are as follows:—

1. Inadequate financing of fisheries programmes and activities leading to underachievement of the set targets;
2. Poor distribution and amount of rainfall leading to reduced water availability in fish and fields leading to reduced production from fish farming;
3. Continued depreciation of the Kwacha thereby increasing the required start-up capital for any fish farming or fishing enterprise; and
4. Poor availability of spare parts for engines and increased operation costs due to rise in prices were additional challenges.

3.4 The Forestry Sector

This section reviews the forestry sector's performance and contribution to the economy in the financial year 2015/2016 in accordance with forest policy and public expenditure regulation. The section focuses on forest utilisation and marketing, budget allocation and revenue collection, tree planting and plantation rehabilitation, and various programmes being implemented in the sector.

3.4.1 Forest Utilisation and Marketing

There were 38 timber export licences and 1,000 export permits issued to RAIPLY Malawi, Vizara Timber plantation and various individuals for exporting forest products to various countries. For imports, 8 licenses and 547 permits for importation of various forestry products were issued to Illovo Sugar Company, ESCOM, Simbanet, Nyala Company, and Lizulu Timbers. By 4th April 2016, issuances of export licenses and permits generated revenue amounting to MK6,976,000 down from K8,505,000 in 2015. Receipts from import licenses and permits amounted to MK2,825,000. The exported products went to markets in Republic of South Africa, Mozambique, Kenya, Tanzania, Botswana, Zimbabwe, China, Zambia, Germany and France, among other countries. The total export values were MK3.3 billion as shown in Table 3.11. This is similar to earnings recorded in 2015.

TABLE 3.11: EXPORT VALUE FOR FOREST PRODUCTS FOR 2015/16 FINANCIAL YEAR (AS AT 5 APRIL 2016)

Forest product	Quantity	Export value in Malawi Kwacha
MDF Block boards (sheets)	131,050	1,356,249,568
Shutter ply boards (sheets)	106,140	917,795,357
Kiln dried timber (m3)	1,926	142,491,560
Laminated shelvings	201,104 sheets	
	475 m3	238,155,642
Plywood	4776 sheets	
	714 m3	136,629,924
Timber (pine and rubber – m3)	15,020	479,779,874
Curios (pieces)	558	3,499,541
Colombo roots(kg)	28,000	39,780,000
Total		**3,314,381,467**

Source: Department of Forestry

3.4.2 Budget Allocation, Expenditure and Revenue Collection

In the 2015/2016 financial year, the Department of Forestry was allocated K219,054,996 as compared to K136,898,753 in 2014/15 Financial year on Other Recurrent Transactions (ORT). There was a 60 percent increase in nominal value in the budget allocation compared to 4 percent increase in the previous financial year. The Department has seven Cost Centres. Table 3.12 below shows the allocations and expenditures per Cost Centre.

TABLE 3.12: COST CENTRE BUDGETARY ALLOCATIONS A ND EXPENDITURES FOR 2015/16 FY AS OF 5 APRIL 2016

Cost Centre	Approved Budget (MK)	Actual Funding (MK)	Funding (percent)
Department of Forestry Headquarters	42,000,000	19,343,625	*46.02*
Forestry Research Institute of Malawi	15,733,450	8,693,164	*55.25*
Regional Forestry Office South	28,456,260	15,478,289	*54.39*
Regional Forestry Office Centre	32,031,650	17,779,243	*55.51*
Regional Forestry Office North	27,300,301	14,904,934	*54.60*
Malawi College of Forestry and Wildlife	40,533,335	22,668,712	*55.93*
Viphya Plantations	33,000,000	18,203,253	*55.16*
Total	**219,054,995.87**	**98,867,967**	***54***

Source: Department of Forestry

With three months to go before the end of the financial year, only 54 percent of the approved budget has been funded so far. The funding levels are lower than planned and the cost centres are facing financial difficulties in fulfilling their planned tasks. For example, management of Viphya Plantations requires huge capital investment in terms of vehicles, tractors, fire fighting equipment and maintenance of infrastructure such as plantation roads, houses and communication equipment, among others. The three division forestry offices have 24 plantations with a total of 37,304 hectares and 83 forest reserves. Due to low funding levels, these establishments are under threats from encroachment because of lack of adequate patrolling and law enforcement. Forestry Research Institute of Malawi (FRIM) which is mandated to carry out stakeholder-oriented research on the sustainable management, utilisation and conservation of trees and forests in Malawi is unable to collect and process tree seeds and as such the quality of trees planted is of inferior quality. Malawi College of Forestry and Wildlife is also unable to train more technical staff in time resulting in decline of forestry services in the country.

With regards to revenue collection, the major sources of revenue for the Department of Forestry in the year under review were sales of logs, concessions, firewood and licenses. Most revenue was collected from Viphya Plantations. Table 3.13 below shows revenue collected by the Department by 28 February, 2016.

Prospects for next financial year are not promising as the forest resources are dwindling. Viphya plantation which is main source of revenue is facing a lot of challenges such as theft of trees for timber.

TABLE 3.13: REVENUE COLLECTED BY THE DEPARTMENT OF FORESTRY AS OF 28TH FEBRUARY 2016 IN THE 2015/16 FINANCIAL YEAR

Source of revenue	Amount Collected (MK)
Sale of farm produce	385,560
Sale of firewood	51,719,075
Forest seed sales	1,439,571
Phytosanitary Certificates	1,638,350
Log sales	18,230,947
Licence Fees	50,314,139
Miscellaneous Fees	10,075,589
Concessions	195,431,079
Rent Malawi Government houses	4,191,840
Rest House Fees	74,000
Royalties on Forestry Produce	1,997,340
Accommodation and Hall hire	472,550
Tuition Fees	33,500
Course Fees	255,000
Receipts on certificates	2,233,550
Total Revenue	**648,492,090**

Source: Department of Forestry

3.4.3 Tree Planting and Plantation Rehabilitation

3.4.3.1 2015/16 Forestry Season

The target for tree planting in 2015/16 season was 59,950,000 seedlings. The trees were expected to be planted by different stakeholders such as smallholder farmers, communities, private sector, Village Natural Resources Management Committees, Non Governmental Organisations, schools and government plantations. The production was 45,259,672 seedlings and the actual seedlings planted in three regions during the National Forest Season are 34,958,686. At the same time last year, 47,163,367 seedlings had been planted and 63,196,840 seedlings were planted during the 2013/14 forestry season. The decreasing numbers of trees planted are due to a number of factors such as erratic rainfall and dwindling seedling production levels. Table 3.14 shows the details.

TABLE 3.14: TREE PLANTING IN THE 2015/16 NATIONAL FOREST SEASON

Region	Target	Production	Seedlings Planted as 2016 of March
North	7,950,000	6,854,314	4,031,342
Centre	30,000,000	22,628,438	14,494,010
South	22,000,000	15,776,920	16,433,334
Total	59,950,000	45,259,672	34,958,686

Source: Department of Forestry

3.4.3 Forest Development and Management Fund

The Forestry Development and Management Fund (FDMF) became operational in the 2011/12 financial year. The aim of the fund is to support and increase the conservation and management of forest resources and forest land in Malawi. In the year under review, the Department of Forestry was allocated MK789,314,440. The major expenditures for the FDMF in the year under review were:—

1. Tree Planting and Management;
2. Contract work in government plantations for various silvicultural operations;
3. Law enforcement; and
4. Training of Forestry Assistants at Malawi College of Forestry and Wildlife.

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

This chapter provides a brief of the major achievements for Irrigation and Water Development during the 2015/2016 financial year as well as a summary of the prospects for the 2016/2017 financial year. The Irrigation and Water Development sector is guided by the following policy objectives: To achieve sustainable and integrated water resources management systems; increase availability and accessibility of water and sanitation services for socio-economic growth and development; develop the institutional capacity of the water and sanitation sector; increase agricultural production; and enhance food security through irrigation development.

4.2 Irrigation

Malawi has been experiencing erratic rainfall patterns coupled with dry spells and this has negatively affected rain-fed agriculture. It has been reported that rain-fed agriculture production decreased in 2014/15 season. For example, maize production declined by about 30 percent in the 2014/15 season and it is expected to decrease by 2 percent in the 2015/16 season. In addition, food demand has been increasing steadily due to absolute increase in population.

Therefore, in order to ensure that household and national food security is achieved, a total of 3,028 hectares of land has been developed for irrigation farming and 1,797 hectares of irrigable land has been rehabilitated for the smallholder farmers. This brings the total developed land to 104,643 hectares, representing 25.6 percent of a potential land for irrigation of 408 862 hectares. Out of the total developed land, 52,144 hectares of land is under smallholder farmers, benefiting 424,808 people and 52,499 hectares is under the estates. Major crops grown by the smallholder farmers included cereals (maize and rice) and horticultural crops for both food security and income purposes.

The newly developed schemes under the aforementioned programmes/projects comprise all the technologies currently being promoted, that is, gravity fed, motorised and treadle pump based irrigation schemes. During the reporting period, 96.7 percent of the developed 52,144 hectares were utilised under smallholder irrigation, of which 28,249 hectares (56 percent) was under gravity, 4,036 hectares (8 percent) was under motorised pumps, 14,629 hectares (29 percent) was under treadle pumps and 3,531 (7 percent) hectares was under watering can-based irrigation.

4.3 Water Resources Management and Development

The Sector continued to achieve the objectives of ensuring that people in Malawi have access to potable water, improved sanitation services, and increased food security and national incomes through implementation of a number of programmes/projects.

The sector has also commenced the upgrading of Kamuzu Barrage at Liwonde with funding from the World Bank under Shire River Basin Management Programme. The upgraded Barrage will be a state-of-the-art facility which will improve regulation of the Lake Malawi-Shire River System and weed management. The Shire River Basin Management Programme also seeks to lay a foundation for more integrated planning and modernised system operations for the Shire River Basin. Through the same programme, the rehabilitation and management of sub-catchments in Ntcheu, Neno, Zomba and Blantyre, and protected areas of Lengwe and Liwonde National Parks and Forest Reserves in Neno and Mangochi has commenced in order to reduce soil erosion and improve people's livelihoods. Further, the Programme is supporting community-level flood risk management investments in Chikwawa and Nsanje districts.

During the reporting period, the sector also continued with the implementation of the Songwe River Basin Development Programme which is a joint programme between the Government of the Republic of Malawi and the Government of the United Republic of Tanzania whose ultimate goal is to contribute to improved living conditions of the basin population and the socio-economic development in the two countries. Amongst several benefits, the two countries will have improved hydropower, irrigation and trade once the project is finished and operational. The sector has finalised the development of the detailed designs for various investments such as multipurpose dam, hydropower plant, irrigation schemes and road infrastructure.

With support from the Global Environmental Fund (GEF) through UNDP, the sector embarked on the improvement of hydro-meteorological monitoring stations to support early flood warning systems across the country. The project will also help strengthen climate information and early warning systems in Malawi for climate resilient development and adaptation to climate change.

In addition to the above milestones, through the International Development Association (IDA) Crisis Response Window (CRW), the sector commenced the implementation of various key interventions under the Malawi Flood Emergency Recovery Project. The project primarily focuses on the sustainable restoration of agricultural livelihoods, enhanced food security, resilient reconstruction of critical public infrastructure, restoration of services, and investments in longer-term risk reduction. Specifically, construction of dykes commenced in Chikwawa, Zomba and Phalombe districts. The project also assisted in the provision of potable water to the 2015 flood affected communities in the Lower Shire through drilling of boreholes.

4.4 Water Supply

In order to ensure that access to safe water supply is achieved, three rural piped water supply systems were constructed and five rural water supply systems were rehabilitated in the period under review. This achievement brings the percentage of people with access to safe water supply to about 84 percent in the country. During the same reporting period, the sector rehabilitated piped water supply systems under the National Water Development Programme (NWDP) in the areas of Mchinji, Champhira in Mzimba, Usisya-Usingini in Nkhata Bay and Misuku in Chitipa. To ensure sustainability, the project established and trained Water Users' Associations and recruited local utility operators to carry out operations and maintenance of the systems. In addition, the piped water supply systems have Water Point Committees responsible for managing the daily affairs of communal taps.

The performance of the five water boards of Lilongwe, Blantyre, Southern Region, Central Region and Northern Region that supply water services to the urban and town centres for 2014 and 2015 is outlined in Table 4.1 below. The figures in the table depict that there was a significant increase in the population served with water, averaging at 12 percent. The water boards increased water production in the year under review, and there was also a rise in the number of new customers.

TABLE 4.1: URBAN WATER SUPPLY COVERAGE

Water Board	Population Served 2014	Population Served 2015	Increase in population served	Coverage Increase in Percentages
Lilongwe (LWB)	570,858	720,725	149,867	*26.3*
Blantyre (BWB)	1,064,860	1,118,633	53,773	*5*
Central Region (CRWB)	201,745	226,560	24,815	*12.3*
Northern Region (NRWB)	253,201	280,014	26,813	*10.6*
Southern Region (SRWB)	289,799	323,799	33,820	*11.7*
TOTAL	**2,380,463**	**2,669,731**	**289,088**	***12***

Source: Water Boards Reports, 2015

Similarly, the percentage of people able to access water within a 30 minute radius steadily increased as shown in table 4.2 below. This is attributed to the completion of projects such as: Extension of Zomba Water Supply; Extension of Mangochi Water Supply; the establishment of a new Neno water supply system, among others.

TABLE 4.2: PERCENTAGE OF PEOPLE WHO ARE LESS THAN 30 MINUTES AWAY FROM WATER SOURCES

Water Board	2013	2014	2015
Lilongwe	*68*	*69*	*72*
Blantyre	*100*	*100*	*100*
Central Region	*98*	*98*	*98*
Northern Region	*100*	*100*	*100*
Southern Region	*77.0*	*79*	*81*
Average	***88.6***	***89.2***	***90.2***

Source: Water Boards Reports, 2015

All the water boards have experienced non-revenue water (NRW) at different levels. The NRW is attributed to factors such as physical leakages in the distribution system due to ageing and variations in pressure, unauthorised water use, vandalism of water supply plants, and inaccuracies in billing or meter reading. A reduction in the percentage of NRW implies utility efficiency is being attained and an increasing customer base which would in the long-run lead to increased revenues from water sales. In the period under review, the percentage of NRW increased by 2.3 percent on average. As table 4.3 shows, all the individual water boards had increased percentages of NRW in 2015 relative to 2014. The boards are nonetheless working to reduce these levels by maintaining old equipment, implementing the NRW Reduction Strategy, and also conducting door to door sensitisation exercises, among other things.

TABLE 4.3: NON-REVENUE WATER IN WATER BOARDS

Water Board	2014 (Percent)	2015 (Percent)
Lilongwe	*34.5*	*35.7*
Blantyre	*38*	*41*
Central Region	*24*	*27*
Northern Region	*33.3*	*37.1*
Southern Region	*32.3*	*32.8*
Overall	***32.4***	***34.7***

Source: Water Boards Reports, 2015

The average number of debtor days increased from 107 in 2014 to 111 in 2015. The main reason remains the fact that most debtors are government institutions and usually take a very long time to settle their bills. In Table 4.4 below, Lilongwe Water Board maintained the number of debtor days at 60; the Northern Region and Southern Region Water Boards saw a reduction in the number of debtor days. However, Blantyre and Central Region Water Boards recorded a significant increase in the number of debtor days.

TABLE 4.4: AVERAGE NUMBER OF DEBTOR DAYS

Water Board	2014 Debtor Days	2015 Debtor Days
Lilongwe	60	60
Blantyre	103	127
Central Region	110	159
Northern Region	99	77
Southern Region	161	134
Average	**106.6**	**111.4**

Source: Water Boards Reports, 2015

4.5 Sanitation and Hygiene

The sector is implementing a project under the Global Sanitation Funding (GSF) of the United Nations (UN) Water Supply and Sanitation Collaboration Council (WSSCC) called Accelerated Sanitation and Hygiene Practices in Malawi whose objective is to create and maintain an improved public health environment by eliminating open defecation and promoting accelerated access to improved sanitation and adoption and use of hygiene practices. In doing so, the project contributes to Government efforts of attaining improved health and socio-economic development. The project is being implemented in six districts of Rumphi, Nkhotakota, Ntchisi, Balaka, Phalombe and Chikwawa. During the period under review, the project has assisted five traditional authorities in Phalombe, Rumphi, Balaka, Nkhotakota and Chikwawa to attain the open defecation free status, representing a 25 percent achievement of the project target.

The sector has also commenced the implementation of the Sustainable Rural Water and Sanitation Infrastructure for Improved Health and Livelihoods Project. The objective of the project is to spur socio-economic growth in Malawi by improving health and livelihoods of the rural population through provision of sustainable water supply and improved sanitation. The project conducted trainings on community-led total sanitation (a tool for sanitation promotion) to Primary School Education Administrators and extension workers in the five target districts of Rumphi, Nkhotakota, Ntcheu, Mangochi and Phalombe. In addition, the project has also commenced the construction of sanitation facilities in targeted schools, health centres and market centres in these districts.

Furthermore, with support from World Bank and through Blantyre and Lilongwe Water Boards the sector carried out sanitation and hygiene promotion campaign in the peri-urban areas of the two cities.

4.6 Planned Programmes for the 2016/17 Financial Year

In 2016/17 financial year, the sector will continue to work towards the attainment of goal of water and sanitation for all. Under Irrigation, Green Belt Irrigation (GBI) has been identified as one of Government’s priorities to ensure that household and national food security is achieved. With regard to this realisation, the sector plans to develop close to 6,300 hectares of land for irrigation farming which is expected to benefit over 10,000 farmers in the 2016/17 financial year. This will be achieved through the implementation of the Support to ASWAp-GBI Component 2 covering 989 hectares and construction of Bwanje Dam, Small Farms Irrigation Project covering 800 hectares, Capacity Enhancement for the Development of Medium Scale Irrigation Schemes covering 200 hectares and Programme for the Rural Irrigation Development covering 5,133 hectares.

Solar-powered irrigation farming will be promoted through the Agriculture Infrastructure Support Programme (AISP) and the Support to ASWAp-GBI Component 2, in Nsanje, Chikwawa, Neno and Balaka districts targeting 827 hectares. The Smallholder Irrigation and Value Addition Project will finalise development of 400 hectares for new irrigation schemes and rehabilitation of five existing schemes covering 1,170 hectares in Wovwe, Hara, Bua, Zumulu A and Manthimba. Under the Malawi Flood Recovery Programme, the sector will rehabilitate the schemes that were affected by floods covering 2,056 hectares across the country. Plans are also in place to distribute 4,510 treadle pumps to smallholder farmers in areas which were affected by floods.

Under the Shire Valley Irrigation Project, the sector shall ensure that all the seven preparatory studies are completed and adequate financing is sourced as it has the potential of turning the Lower Shire into a food basket as well as opening up various accompanying economic opportunities. Under the Shire River Basin Development Project Phase I, the Irrigation and Water sector will develop new schemes covering about 1,000 hectares. The sector shall also spearhead implementation of the newly-developed Irrigation Master Plan and Investment Framework and also establishing Irrigation Fund. In addition, in order to improve capacity in the implementation of irrigation development programmes, a capacity building programme with support from the Government of Japan will be launched targeting 35 irrigation engineers registered as professional irrigation Engineers with the Malawi Board of Engineers in a phased approach.

Under Water Resources Management and Development, the sector plans to commence the construction of Diamphwe Multipurpose Dam which will supply water to meet demand in Lilongwe City and surrounding areas. Above this, the sector intends to construct a total of three small multipurpose dams across the country to make water resources readily available for multiple uses such as domestic, irrigation, fish farming, livestock production, recharging groundwater resources as well as sustaining the ecosystem. Furthermore, there will be continued implementation of the ongoing projects such as the Shire River Basin Management Programme and Songwe River Basin Development Programme where issues of water development and management are highly featuring. The sector also plans to enhance groundwater recharge through the implementation of Groundwater Development and Management Program whereby water from precipitation will deliberately be encouraged to infiltrate into the ground to improve the quantity and quality of groundwater resources and availability of surface water resources in the dry season and dry areas for various uses.

It is expected that the sector will rehabilitate twelve piped water supply systems with a total of 2,925 taps and construct 450 boreholes which are expected to benefit over 515,850. This will be done through the implementation of the Sustainable Rural Water and Sanitation Infrastructure for Improved Health and Livelihoods Project. In addition, in conjunction with United Nations International Children’s Emergency Fund (UNICEF) and through the Water Sanitation and Hygiene (WASH) Project, the sector will complete the construction of a number of boreholes to benefit over 42,000 people. It is anticipated that this activity will be concluded during the first quarter of 2016/17FY.

4.7 Challenges Facing the Sector

Although the sector has recorded the achievements highlighted above, it has also faced a number of challenges ranging from vandalism of irrigation infrastructure, ageing infrastructure, dwindling sources of water, inadequate production capacity of water due to increased water demand and lack of access to land for commercial farming. The sector has also been hit hard by exorbitant electricity tariffs for irrigation schemes using ESCOM power to pump water for irrigation purposes as they are charged at industrial rates and maximum voltage use. Furthermore, low funding levels to district offices is affecting operations, maintenance and sustainability of water supply and sanitation systems. Lastly, non-adherence to projected cash flows by Treasury affects implementation of work plans. This is further aggravated by delays in processing of payments by the Department of Accountant General.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1 Overview

This chapter reviews the performance of the transport sector for the financial year 2015/16 focusing on road, rail, marine and air transport, including plant, vehicle hire and engieering services.

5.2 Road Transport and Safety

5.2.1 Roads Sub-Sector

In general, the roads sub-sector did not perform well during the year under review. Most projects have faced constrained financial resources which in turn affects their timely implementation. Besides, the financial challenges from previous years have resulted into huge liabilities accumulated due to delayed payments, interest charges and price escalations. Due to these financial problems, most projects that were scheduled for commencement in the 2015/16 financial year have not taken place. Furthermore, heavy rains during the 2014/15 and 2015/16 years caused a lot of damage to the roads that were constructed in the past, most of which are due for periodic maintenance and rehabilitation. To address this, the Roads Authority is already attending to some of the roads by carrying out patching and resealing works including rehabilitation to ensure that the roads provide the travelling public with better service.

During the period under review, a number of projects that had stalled over the years commenced, namely the Zomba – Jali – Kamwendo – Phalombe – Chitakale road and the Thyolo – Thekerani – Muona – Bangula Road (S151). The funding was provided from Kuwait Fund, Arab Bank for Economic Development in Africa (BADEA), OPEC International Fund, and the Government of Malawi. Implementation of other projects in the road sub-sector is expected to commence in 2016/2017 financial year. These are as follows:

1. Mzuzu – Nkhata Bay Road rehabilitation with funding from the African Development Bank;
2. Liwonde – Mangochi Road rehabilitation project with funding from the African Development Bank;
3. Karonga – Songwe Road rehabilitation project with funding from the World Bank;
4. Area 18 roundabout – New Parliament Building – Kamuzu Central Hospital roundabout to Paul Kagame on Amina roundabout expansion and dualisation of the road with funding from Government of Malawi and African Development Bank; and
5. Illovo roundabout – Midima Road expansion and dualisation with funding from the Government of Malawi.

There are also plans to commence feasibility and design studies of other roads including:

1. Economic feasibility and preliminary engineering design of the Rumphi – Nyika – Chitipa Road Project with funding from the Arab Bank for Economic Development in Africa (BADEA) and the Government of Malawi; and
2. Feasibility and engineering designs for the Chiweta – Kacheche Road and the Kacheche – Mzuzu – Mzimba road projects with funding from the World Bank.

In July 2015, there was a change in the fuel levy structure from an absolute figure to a percentage of the pump price. The rationale for pegging the fuel levy as a percentage was to ensure that more resources are collected for road maintenance and that the value of the fuel levy is not eroded by inflation, given that the contracts for road maintenance are subject to revisions on account of inflation and exchange rate fluctuations. This change led to the increase in the amount as well as the value of the fuel levy in US$ per litre. In particular, when the change was effected in July 2015, the fuel levy for petrol and diesel changed from K37 (US$0.08) to K60.3 (US$0.10) and from K32 (US$0.07) to K74.8 (US$0.13), respectively. The subsequent revision occured in November 2015, however, there was a decrease in the rate of the fuel levy expressed in US$ per litre due to the depreciation of the kwacha as the fuel prices have been stable.

5.2.2 Road Traffic and Safety

There are several efforts being undertaken in order to improve service delivery as well as efficiency. In this regard, a number of reforms are being implemented in the Directorate of Road Traffic and Safety Services.

5.2.2.1 Malawi Traffic Information System (MALTIS)

The MALTIS has been operational since May 2015. Its implementation aims at improving road safety through the automation of manual transactions and improvement in safety procedures. The implementation of MALTIS has also resulted in increased revenue to the Government due to sealing of loopholes and enhanced road safety by eliminating the production of fake documents by middlemen.

5.2.2.2 Outsourcing of Vehicle Inspection Services

The decision to outsource vehicle inspection for Certification of Fitness (CoF) to private service providers was reached to bring efficiency in the delivery of this service to the public. Government Centres at the Road Traffic and Safety Services regional offices, apart from servicing particular categories, will only play the role of quality control especially in Lilongwe and Blantyre. About 16 companies expressed interest to provide Vehicle Inspection Services (VIS) and their premises were inspected in order to assess their capacity to undertake the project. The private sector is expected to start providing VIS before June 2016.

The outsourcing of Vehicle Inspection Services is expected to de-congest the existing Road Traffic Vehicle Inspection Stations and ensure private sector participation in road safety management.

5.3 Rail Sub-sector

During the period under review, there were efforts to improve rail infrastructure in order to improve efficiency in rail operations. In this regard, the Ministry has been rehabilitating rail infrastructure with the aim of curtailing further deterioration of the railway network. The situation deteriorated with the floods that occurred in January 2015, resulting in over 70 percent of the network requiring major rehabilitation and reconstruction. This has heavily affected movement of goods and people especially in the areas where they mainly rely on rail network to transport goods. Meanwhile, it is expected that the feasibility and design studies for the Sena railway rehabilitation will be completed by June 2016. Similarly, the feasibility study for the Nkaya-Salima-Lilongwe-Mchinji rail line is expected to be finalised by June 2016. Once these studies have been finalised, it will be easier for the Government to mobilise resources for rehabilitation of the railway lines.

The completion of the 138 km rail line from Kachaso in Chikwawa to Nkaya Junction in Balaka will provide a cheaper transport alternative to the business community. During the year under review, VALE started operating trains on the rail line.

In 2016/17, the Government will continue with efforts to conduct spot emergency repairs especially in areas that were affected significantly by the floods.

5.4 Marine Sub-Sector

The Government realises the importance of water transport. In this regard, the Marine Department commenced a number of activities undertaken to enhance marine safety. This includes the review of laws and regulations governing the sub-sector. During the year under review, the Marine Sub-sector was affected particularly in port operations. The Nkhata Bay Jetty was damaged by heavy winds thereby affecting the safety of passengers. In this regard, the private sector operator of the port is in the process of reconstructing the jetty. This event together with the loss of the Gantry Crane at Chilumba port in 2013 continues to negatively affect the general condition of port equipment.

In the 2016/17 financial year, there are plans to procure and install navigation aids on Lake Malawi in order to enhance safety in the operations of vessels.

5.5 Air Transport Sub-Sector

In view of Malawi’s geographical position, air transport continues to play a strategic and significant role in the development of our economy. Air transport is perhaps one of the important contributors to the development of the tourism sector in the country which the Government is trying to promote because of its vast potential in generating foreign exchange. There is a growing interest from operators to offer air services to Malawi and the Government is working on creating an enabling environment to facilitate their operations. During the period under review, Government has replaced communication and air traffic control equipment at Chileka International Airport. The installation of this equipment has ensured that the airport uses up-to-date technology which has enhanced efficiency and safety with regards to operations.

The Government realises the need for efficiency and effectiveness in the air transport sector and to that effect a number of reforms have been planned in the sub-sector. One such reform is the establishment of an autonomous Civil Aviation Authority (CAA) in order to separate delivery of services and the regulatory functions in the aviation sector. Malawi is currently not able to meet statutory obligations of providing effective safety oversight in the aviation industry which has led to the country being listed as a Significant Safety Concern (SSC) state. This is attributed to the present institutional framework whereby the Department of Civil Aviation as an authority in the aviation sector plays both the role of regulation and service provision. The creation of an autonomous Civil Aviation Authority (CAA) would ensure the proper separation of functions and allow the implementation of all the critical elements of an effective safety oversight system. It is planned that the Civil Aviation Authority will be established by December 2016.

In the year 2016/17, Government will continue towards completing the project of Chileka International Airport by rehabilitating the Terminal Buildings. The project will enhance the processing of departing and arriving passengers and increase room for duty free shopping and other services at the airport. In addition, the Government will embark on a project to replace some of the equipment at Kamuzu and Chileka International Airports. Some of the equipment to be replaced includes the instrument landing system at Chileka International Airport and the navigation and fire-fighting equipment for both Chileka and Kamuzu International Airports.

5.6 Plant, Vehicle Hire and Engineering Services (PVHES)

Plant, Vehicle Hire and Engineering Services (PVHES) is a Treasury Fund mainly involved in the hiring out of plant and equipment. PVHES is undergoing reform to improve and sustain its operations. The institution has been struggling due to obsolete equipment and emergence of stiff competition in the market. For effective reform, there would be need to identify required capital investment, undertake upgrading of facilities and identify a strategic partner. During the year under review, PVHES has commenced the rebranding and automation with support from E-Government; conducted organisational restructuring through a Functional Review Study with support from the Department of Human Resource Management and Development (DHRMD) and commenced the process to identify a strategic partner.

5.7 Challenges for the Transport Sector

During the year under review, several challenges were encountered, including the lack of adequate funding particularly on government-funded projects for both roads and civil aviation. The depreciation of the kwacha also affected the implementation of projects as costs increased. In addition, heavy rains and floods also affected transport infrastructure as a number of roads, bridges and rail infrastructure were damaged.

Chapter 6

MINING SECTOR

6.1 Overview

The Mining sector remains the potential for economic diversification and one of the few areas that can contribute to sustainable growth. Malawi has many potential mineral resources such as Uranium, heavy mineral sands, strontianite, rare earth minerals, phosphate, bauxite, gypsum, vermiculite, precious and semi-precious stones, limestone, dimension stone, silica sand, sulphides and coal.

The mining industry in Malawi is, however, new and needs more than updated policies and legislative framework in terms of support for the country to have the expected benefits from mining activities.

The Government also recognizes the role that Artisanal and Small-Scale Mining (ASM) plays in economic growth and poverty reduction in Malawi. Currently, ASM focuses on industrial minerals, gemstones and rock aggregate. In 2015/16 financial year, the Government continued implementing programmes to support Small-Scale Mineral Production which aims at developing capacity of staff and ASM in lime, graphite, chalk and salt production with an aim of promoting value addition in artisanal and small-scale mining and increasing their access to soft loans.

The mining sector in the country continues to experience reduced investment and production as a result of the slump in global mineral prices. The coal and cement sub–sectors suffered a lot of competition from cheap imports from the neighbouring countries. As a result, some of the coal mines shut down or scaled down production. On the other hand production in the cement sub–sector increased despite the competition. This report, therefore, reviews the performance of Malawi's mining sector in terms of mineral production, domestic and export sales and employment opportunities.The report also provides a synopsis of new mineral exploration and assessment of existing exploration projects which are underway, mineral licenses and mining investment opportunities currently available in the country.

A Review of the Mines and Minerals Act, 1981 was done and the draft Mines and Minerals Bill is being vetted by the Ministry of Justice before it can be tabled before Parliament. Similarly, the Mining Fiscal Regime was reviewed and it is expected to be tabled in Parliament simultaneously with the Mines and Minerals Bill.

In 2015, the data from the countrywide airborne geophysical survey was launched. The survey has generated invaluable data that will provide baseline data to potential investors and other interested parties. Clients are now accessing the data for their own use in mineral exploration, infrastructure development and general research.

The Government, through the Department of Geological Survey, has commenced implementing a five year Geological Mapping Project and Mineral Assessment Project (GEMMAP) which is being financed by the French Government to provide a set of modern geological and thematic maps of the country.

6.2 Mineral Production

Table 6.1 below summarises the mineral production levels and monetary value of the minerals. The details of mineral production during the period under review are explained in the subsequent sub–sections. It should be noted that only projection of mineral production and monetary values for 2016 was available during compilation of the report.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES (2014-2016)

Production	2014 (Actual)		2015 (Actual)		2016 (Projection	
Type	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Coal	63,673	785.35	58,774	791.16	55,000	750
Cement	57,850	40.84	65,560	71.14	70,420	82
Agricultural Lime	20,206	197.30	33,158	433	35,025	450
Other						
Uranium Concentrates	1,065	449,309.63	-	-	-	-
Phosphate	11,194	16.47	12,400	205	12,177	199.45
Rock aggregate	1,038,168	1,661.05	1,158,742	1,566	1,250,500	1,650
Gemstones	110	19.38	136	102.5	172	110

Source: Department of Mines

6.2.1 Coal Production

Malawi has over 22 million tonnes of proven coal reserves in a number of coal fields across the country. In general, coal remains one of the most mined energy minerals in the country for industrial use. Coal production in 2015 declined due to competition from coal imports from Moatize in Mozambique. In 2016, coal production is projected to decrease further. The trend can only be reversed if the Government restricts coal importation and promotes the production of coal–fired power.

The Mchenga and Kaziwiziwi coal mines continue to be the sector's largest producers of coal in Malawi contributing about 95 percent. On the other hand, Malcoal and Eland Coal mines scaled down or suspended production. These companies have a combined maximum capacity of up to 10,000 metric tonnes of coal production per month. The coal is mainly used for provision of energy for different production processes in the cement, tobacco, textile, brewery, food processing and ethanol industries.

6.2.2 Uranium Concentrates Production

The continued decline in the price of uranium, following the accident at Fukushima nuclear plant, forced the company to suspend mining and processing operations until the prices improve. For the past two years, the price of uranium has been below US$40 per pound. The Kayerekera Uranium Mine which was commissioned in 2009 thus still remains on care and maintenance.

6.2.3 Agricultural, Calcitic and Hydrated Lime Production

Zalco, Lime-Co and Flouride companies are the largest producers of agriculture, hydrated and calcitic lime in the country with a combined production capacity of up to 3,500 metric tonnes of lime products per month. All the three companies increased their respective production capacity in 2015 as compared to their production in the previous year. Demand for agriculture lime from the tobacco estates, poultry and paint industries remained robust from within the country. Production of hydrated lime was mostly dominated by medium to small scale operators like the Lirangwe Lime Makers Association, and Balaka Lime Makers Association, among others. Most of these operators have increased their production capacity owing to overwhelming support received from OVOP in terms of monetary and equipment assistance.

6.2.4 Rock Aggregate Production

The production of rock aggregates rose slightly in 2015 due to the improvement in economic activities in the country which included construction and rehabilitation of roads and a number of infrastructures. In 2016, there are prospects that the production will increase as the economy is stabilizing. There are 19 operating quarries for production of rock aggregate both at commercial and project level. Out of these, only 10 are commercial quarries and the rest are project quarries.

6.2.5 Phosphate Production

Apatite deposits suitable for the manufacturing of compound phosphate fertilizers are found at Tundulu in Phalombe District. The phosphates are contained in a carbonatite complex and occur as apatite sovite and apatite carbonatite.

Drilling indicated reserves amounting to 2 million tonnes and averaging 17 percent P205 have been outlined to a depth of 100 metres. There is potential for increasing the ore reserves by investigating the adjacent areas capped by agglomerates. Part of the Tundulu area is being developed by Optichem for Phosphate mining to be used in the production of fertilizer.

6.3 EMPLOYMENT OPPORTUNITIES IN THE MINING SECTOR

6.3.1 Employment Levels

Employment levels in the sector declined slightly in 2016 (Table 6.2). The decline was as a result of reduced production of Quarry Aggregate which employs a large number of people and the suspension of Kayelekera Uranium Mine. It is also worth noting that the sector also employs about 13,500 artisanal and small scale miners scattered across the country.

Out of the total workforce in the sector, women account for only 10-15 percent. However, the number of self-employed people in the mining sector especially small scale operators is over 22,000 and it is generally difficult to get the actual number of artisanal and small scale miners since most of these operate in remote areas and are unregulated. There are also some serial traders that cannot be traced as working in the ASM sector. This also means that the actual production statistics from the sub–sector remains partial and to some extent unaccounted for.

Employment figures for Exploration activities were not readily available during production of the report.

TABLE 6.2: FORMAL EMPLOYMENT IN THE MINING SECTOR BY 2016

Workforce	2014	2015	2016 (Projection)
Coal	606	580	520
Uranium Mine	300	197	193
Agricultural, Calcitic and Hydrated Lime	1,593	1,832	1,920
Quarry Aggregate production	8,144	9,200	9,025
Cement manufacturing	101	148	155
Gemstones/Mineral Specimens	117	220	250
Ornamental Stones	29	35	40
Terrazzo	54	58	60
Other Industrial Minerals	839	710	680
Exploration activities	168	160	175
Total	**11,951**	**13,140**	**13,018**

Source: Department of Mines

6.4 Export Sale of Minerals

6.4.1 Export of Minerals

Export of minerals in 2016 by different mine operators continued to be dominated by coal, ornamental/dimension stones, rock aggregate and gemstones (Table 6.3).

Revenue generated by the Government through the Department of Mines between the period from July 2015 to April 2016 amounted to MK161,093,090 in terms of royalties, licence processing and ground fees far less than the MK1.7 billion that the Department collected in 2013.

The average price of the minerals vary per individual operator/producer depending on quality or grade of mineral and their respective production costs since the country does not have fixed prices for particular minerals.

TABLE 6.3: MINERAL EXPORTS

Exports	2014 (Actual)		2015 (Actual)		2016 (Projection)	
Type	Quantity (tonnes)	Value (K' million)	Quantity (tonnes)	Value (K' million)	Quantity (tonnes)	Value (K' million)
Coal	8,845	97.994	7,520	85.005.2	7,200	75.5
Uranium cake	500	13.80	-	-	-	-
Other						
(1)Dimension stones	36,795	10,638.2	40,500	13.250	42,560	15.2
(2)Rock aggregate	23	154.55	35	1,750.0	50	1,855.21
(3)Gemstones	104	14.64	150	185.62	210	205.22
(4)Rock/Soil samples	95.0	4.673	86	4.520	82	4.21

Source: Department of Mines

Coal was exported by Eland Coal Mines to Mbeya Cement Company and Gypsum Company in Tanzania. Gemstones continue to be exported to various parts of the world like India, Indonesia, Malaysia, South Africa, China, U.S.A, Italy, UK etc.

6.5 New Mining Operations and Licences

In the 2015/16 financial year, the Government granted various licenses to prospecting mining companies and individuals as presented in Table 6.4.

TABLE 6.4: NEW MINING AND PROSPECTING LICENCES ISSUED IN 2015/16

Type of Licence	Number issued	Mineral (s)
Small Scale Operators		
Non-Exclusive Prospecting Licence	71	Gemstones, Ornamental stones
Mining Claim Licence	29	Gemstone, Ornamental stones
Reserved Minerals Licence	84	Gemstones, Ornamental stones
Large-Medium Scale Operators		
Exclusive Prospecting Licence	12	Uranium, Heavy mineral sands, Base metals and Platinum Group Metals, Limestone, Gypsum, Iron ore, Glass sands
Mining Licence	2	Quarry aggregate and Clay
Reconnaissance Licence	4	Base metals, Potassium, Coal, Limestone, Platinum Group Elements and rare earth metals

Source: Department of Mines

6.6 Mining Investment Opportunities

6.6.1 Mineral Potential of the Country

Malawi produces cement, coal, crushed stone for aggregates, dolomite, limestone, and some artisanal salt for domestic consumption. Apart from industrial mineral production which services local demand and the Kayerekera Uranium Mine, Malawi's mineral sector is still in its infancy stage. However, there is potential for heavy mineral sands, bauxite, phosphate, uranium and rare earth element deposits. Artisanal and small scale mining activities have grown considerably and are source of livelihood for many families in rural areas.

A regional geochemical drainage reconnaissance survey prior to 1973 showed several anomalies considered to be worthy following up. Local and international companies are both actively engaged in the exploration for various minerals over Malawi. Potential exploration targets include gold, uranium, platinum group of minerals (PGMs), base metals nickel and copper, dimension stone, phosphates, heavy mineral sands, graphite, and coal.

6.6.2 Pipeline Projects

During the year under review very few companies, both local and foreign, were engaged in exploration activities for different minerals in various parts of the country. Generally, the year 2016 experienced a decrease in exploration activities compared to 2015. If commodity prices will pick up and the recent dynamism in infrastructures development is confirmed, a few mining projects will become viable.

The major projects in the pipeline include the Kanyika Multi-commodity Project by Globe Metals and Mining in Mzimba District and the Songwe Rare Earth Project by Mkango Resources in Phalombe District.

The Kanyika Niobium Mine project, with an estimated deposit of around 50 million tonnes of the multi-commodity minerals comprising niobium, tantalum, zircon and uranium could earn Malawi in excess of US$100 million in foreign currency per annum.

On Geological Survey side, a number of projects are in pipeline. Field surveys were conducted in Chitipa and Karonga districts. The work involved geological mapping, geochemical survey and ground geophysical survey especially magnetics. A total of 151 samples have been collected and are being analysed at GSD laboratory in Zomba. Ground geophysical survey was conducted in Mchinji district. The work involved a magnetic survey aimed at delineating the Mchinji dyke. Four drill holes have been located.

The Government will launch the Geological Mapping and Mineral Assessment Project in June 2016. The components of the project include (a) Geological mapping of the whole country at various scales; (b) mineral resources potential mapping; (c) natural risk (Geohazard) mapping aimed at generating data that will assist government to implement and manage the prevention policies of the country's structural development plans; (d) technical support to Small scale mining; (e) improvement of Geological Survey laboratory capacity; and (f) training of staff. The project is funded through a grant from the French Government amounting to 10,812,758.71 Euros. The contract has been awarded to a consortium of the Geological Survey of France (BRGM), Geological Survey of Finland (GTK) and Council for Geosciences (CGS) who will work with GSD.

The Geological Survey Department conducted a geochemical survey in selected areas in seven districts. 710 stream sediment samples were collected and have been analyzed. The Final report for the geochemical survey has been compiled. The project was conducted with financial and technical support from the Japan International Cooperation Agency (JICA).

6.7 Geodata Management Centre

The Government realizes the importance of easy access to geo-scientific data. In this regard, the MNREM is in the process of establishing a web based Geo-scientific Data Management Information System (GDMIS) at the Geological Survey Department. The system will improve the management, access, archiving, updating and dissemination of data related to the geology and mineral resources of Malawi. GAFFAG a consulting firm from Germany has been awarded a contract to design and install the system.

6.8 Monitoring of Geohazards

In the year under review, a total of 265 earthquake events with magnitudes between 0.1 and 5.0 have been analyzed. The epicentres for most of the events fall within the Thunduwike, Vwaza area (Rumphi District) and Karonga basin in northern Malawi. Significant earthquake events occurred in Central Malawi and these include the 3.7 magnitude earthquake that was recorded on 14th August, 2015 at 07:33:28 GMT and the 4.7 magnitude earthquake that was recorded on 15th August, 2015. These earthquakes had their epicentres located in Mozambique, east of Nkhotakota district. On 25th August 2015, southern Malawi experienced an earthquake of magnitude 5.0 and was felt by almost all districts in the Southern Region of Malawi. The earthquake had its epicentre in Mozambique, about 75 km south-east of Mulanje District. A 4.8 magnitude earthquake was also recorded on 8th September, 2015 at 19.58 GMT, the epicentre located in Tanzania north east of Karonga district. In all these earthquake events there have been no reports of damage to property, injury or death.

The focal depths for most of the earthquakes in the country range from 0-15Km within the Malawi Rift Valley. However, isolated events have also been recorded with depths of more than 15 km in some parts of the country. Generally, the occurrence and distribution pattern of earthquakes in the Malawi Rift shows that plate motion is still active along the East African Rift zone.

6.9 Capacity Building

The Mining sector is geared to provide high quality services to its clients. To achieve this, the Geological Survey Department is building capacity in both human and infrastructure. Currently, 8 officers are pursuing further studies at various universities outside the country. Furthermore, the Ministry has procured assorted geological mapping and mineral exploration equipment. Upgrading of the laboratories is also in progress to ensure that most analyses of geological samples are done within the country. The upgrading of the laboratories is being financed under MGGSP and GEMMAP.

The MNREM is also working with the University of Malawi to review the curriculum and introduce mining related courses. This will ensure that the country has enough locally trained professional to work in the sector.

Chapter 7

ENERGY

7.1 Overview

This chapter reviews the performance of the Energy Sector in the 2015/16 fiscal year in terms of developments in the electricity, petroleum, coal and biomass subs-sectors and various renewable energy programmes.

7.2 Electricity

In the period under review, ESCOM sold 1,491.18 GWh of electricity compared to 1,460.35 GWh in the same period in the previous year. This marginal increase of 2.11 percent in units sold is a result of a 13.81 percent increase in domestic consumption which was somewhat offset by a 3.01 percent decline in industrial sector consumption (Power Demand) and an 18 percent decrease in general demand (consumption by small-to-medium scale businesses). The number of registered customers in the period under review increased by 16.10 percent from 269,469 in 2014 to 312,857 in 2015. The installed generation capacity remained at 351MW.

TABLE 7.1: ELECTRICITY GENERATION AND CONSUMPTION (2007-2015)

YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015
Installed Hydro Capacity (MW)	265.85	285.85	285.85	285.85	285.85	285.85	285.85	351	351
Maximum (Peak) Demand (MW)	251.03	241.88	259.67	273.01	277.75	277.88	279.73	323.91	335.26
Energy generation (GWh)	1,453.06	1,543.00	1,642.02	1,809.17	1,871.88	1,911.51	1,828.2	1,906.51	1,975.02
Number of Consumers	164,795	75,157	189,166	194,459	205,045	218,164	238,211	269,469	312,857
Consumption Domestic (GWh)	434.63	461.56	502.08	571.56	593.85	596.10	577.65	614.20	699.03
General (GWh)	197.55	213.73	226.16	253.70	250.43	244.47	214.96	183.26	150.30
Power Demand (GWh)	512.17	527.08	577.84	580.76	612.23	604.88	613.82	639.27	620
Export (GWh)	11.85	17.17	15.94	20.66	19.08	21.1	23.82	23.62	21.85
Total Consumption GWh)	1156.2	1219.54	1322.02	1426.68	1475.59	1,466.52	1,429.68	1460.35	1491.18

Source: ESCOM Ltd

7.2.1 Demand Analysis and Planned Projects

The Government of Malawi targets to increase access to electricity by a range between 30 percent and 50 percent by 2030. To achieve these aspirations, the Ministry of Energy and Natural Resources in collaboration with ESCOM Ltd have developed a Mini-Integrated Resource Plan (IRP) for electricity as a strategic blueprint for Malawi's electricity sector requirements between 2015 and 2020. The Mini IRP essentially sets out a road map for optimal expansion and development of the electricity sector in Malawi.

The Mini-IRP demand forecast has three growth path scenarios for access to electricity: 1) A Low Scenario that follows the past trend in access to electricity, 2) A Base Scenario representing an optimal path that assumes the target of 30 percent in 2030 (the lower end of the Government aspirations), and 3) a High Scenario that assumes the target of 50 percent in 2030 (the higher end of the Government aspirations). Table 7.2 shows projected peak loads for all the three scenarios. The total system peak load is projected to increase from 462.32 MW in 2015 to 749.74 MW by 2020, which is the most probabilistic scenario and this represents an overall growth of 62.2 percent.

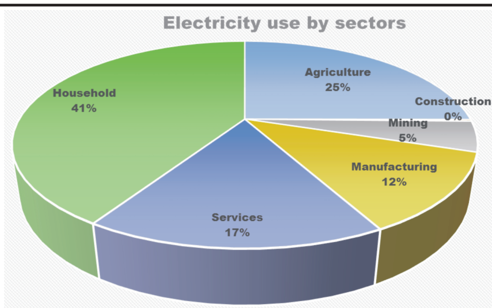
TABLE 7.2: TOTAL PEAK LOAD, MEGA WATTS

Year	Low Scenario	Base Scenario	High Scenario
2015	462.32	462.32	462.32
2016	501.35	519.92	538.02
2017	537.42	572.51	627.21
2018	577.64	640.32	690.24
2019	617.12	692.63	771.50
2020	658.97	749.74	855.41

Source: Ministry of Energy and Natural Resource and ESCOM Ltd

In terms of sectoral consumption in 2015, household sector accounts for highest electricity consumption and this was followed by agriculture, services, and manufacturing, among other sector as given in Figure 7.1.

FIGURE 7.1: SECTORAL ELECTRICITY USE IN 2015



Source: ESCOM Ltd

Over the 5 year period (2016-2020), major step loads are expected in the mining sector followed by agriculture, manufacturing, services and construction in that order. Table 7.3 shows the total electricity use for households and the aggregate of the five sectors for all the three scenarios.

Total electricity use is expected to increase from 2105.9 GWh in 2015 to 2978.97 GWh in 2020 for the Low Scenario and to 3383.33 GWh and 3755.36 GWh for the Base and High Scenarios, respectively. These represent respective increases of

41.46 percent, 60.66 percent and 78.33 percent for the Low, Base and High Scenarios, respectively, over the period 2015 – 2020.

TABLE 7.3: TOTAL ELECTRICITY USE FOR ALL SECTORS, 2015 – 2020, GWh

	Low Scenario			Base Scenario			High Scenario		
Year	Household Sector	Other Sectors	All Sectors	Household Sector	Other Sectors	All Sectors	Household Sector	Other Sectors	All Sectors
2015	865.75	1240.19	2105.9	865.75	1240.19	2105.9	865.75	1240.19	2105.9
2016	957.66	1303.32	2260.98	1006.87	1315.93	2322.8	1053.91	1328.57	2382.48
2017	1055.46	1369.82	2425.28	1161.23	1396.55	2557.78	1260.41	1423.56	2683.97
2018	1159.49	1439.89	2599.38	1329.67	1482.36	2812.03	1486.4	1525.68	3012.08
2019	1270.05	1513.72	2783.77	1513.08	1573.68	3086.76	1733.08	1635.49	3368.57
2020	1387.47	1591.5	2978.97	1712.43	1670.9	3383.33	2001.77	1753.59	3755.36

Source: Ministry of Energy and Natural Resource and ESCOM Ltd

According to the Mini-IRP, optimal expansion of the generation capacity entails undertaking the following generation investments: Kamwamba Coal Power Plant phases 1 and 2 (270MW) by 2020; Lower Fufu Hydropower Plant (208 MW) by 2024; Songwe Hydropower Plant (90MW) by 2022; Illovo Cogeneration – Bagasse Phase I (11MW) by 2017; Tedzani IV Hydropower Plant (21MW) by 2020; Diesel peaking plants (16MW) by 2017 and various non-dispatchable energy supplies (Solar PV). Other plausible power generation projects identified in the Mini-IRP include Kholombidzo Hydropower Plant (144.4MW) by 2021; Mpatamanga Hydropower Plant (300MW) by 2021; Mbongozi Hydropower Plant (41MW) by 2020 and Illovo Cogeneration – Bagasse Phase II (40MW) by 2020. On the transmission front, the Mini-IRP recommends the following projects: constructing a (400kV) Mozambique – Malawi interconnector to enable both exports and imports of power, and a new double circuit 132kV overhead line from Nkhoma substation in Lilongwe via substations in Salima, Nkhotakota and Dwangwa to Chintheche substation in Nkhata Bay. Other projects include energy efficiency projects, which are initiatives aimed at managing demand and reducing losses on the system. These efforts are also planned to be undertaken during the five year horizon of the Mini-IRP. It is envisaged that Demand-Side Management (DSM) and loss reduction initiatives will save about 40MW.

7.2.2 Electricity Tariff Developments

In September 2013, ESCOM applied for a 58 percent base tariff increase for a four year period from 2014 to 2018. This application was made because the previous base tariff period that commenced in 2009 was coming to an end in December 2013. The Malawi Energy and Regulatory Authority (MERA) observed that the implementation of the 2009 base tariff had resulted in significant improvements in the financial position of ESCOM reflected by the improved return on capital employed and shareholder's fund. ESCOM's working capital improved from negative to positive as the liquidity position also improved.

The Authority, therefore, observed that the tariff increase requested by ESCOM is aimed at building on its improved financial position to enhance its capacity and capability for better service delivery for its existing customers and increasing access to electricity services to a larger section of the Year Low Scenario Base Scenario High Scenario population as the demand for electricity services continues to grow at an average of 12 percent per annum. Following a detailed review and analysis of the ESCOM application and stakeholder inputs in the review process, MERA approved an average tariff increase of 37.28 percent for ESCOM to be implemented in a phased manner over a four year period starting from 4 April 2014. The implementation of the approved tariff was subject to ESCOM demonstrated achievements in meeting the set performance targets.

The first increase of 13.5 percent was effected on 4th April 2014, 18.18 percent was supposed to be implemented on 1 July 2015, 8.9 percent will apply in 2017 and 1.9 percent will be implemented in 2018, the last year of implementation of the second base tariff. Overall, the 37.28 percentage base tariff approved by MERA moved the average tariff from K31.54 per kWh to K43.24 per kWh. However, the first tranche of the base tariff moved the average tariffs from K31.54 per kWh to K35.69 per kWh. At the end of implementing the first tranche of the base tariff in June 2015, ESCOM was supposed to be granted the second tranche of 18.18 percent tariff based on the four-year phasing. ESCOM submitted its performance report for the first year up to June 2015 based on the agreed key performance indicators (KPIs). Based on the actual performance achievements against the KPIs set targets, MERA granted 13.73 percent instead of the planned 18.18 percent. MERA arrived at the 13.73 percent using a specially formulated performance assessment and rating framework. This adjustment moved the average tariff from K35.69 per kWh to K40.59 per kWh.

The energy laws and regulations provide for the automatic tariff adjustment formula (ATAF) whose objective is to cushion ESCOM's approved revenue requirements for the base tariff period against variations in macroeconomic fundamentals of exchange rate and inflation. During the period under review, MERA granted a 30.67 percent and 7.5 percent tariff increase on 1st January 2016 and 6th February 2016, respectively, based on ATAF. These tariff adjustments saw the average tariff moving up to K57.72 per kWh.

7.2.3 Malawi Rural Electrification Programme

The Government of Malawi started implementing the Malawi Rural Electrification Programme (MAREP) in 1980. The aim is to increase access to electricity for people living in peri-urban and rural areas as part of the Government‘s effort to reduce poverty, transform rural economies, improve productivity and improve the quality of social services. The Ministry of Natural Resources, Energy and Mining under the Department of Energy Affairs completed implementation of MAREP Phase 7 Project in 2014/15 financial year. The project was implemented by engaging private local contractors for construction works in order to build their capacity and meet Government's objective of liberalising the energy sector. The project was implemented successfully and a total of 81 targeted trading centres were electrified including over 40 beneficiaries.

The Ministry is planning to implement MAREP Phase 8 and a comprehensive of targeted benefiting trading centres is given in Table 7.4 below. The construction works are expected to commence in the forthcoming 2016/2017 financial year. Apart from implementation of MAREP 8, the Ministry has identified over 100 centres that require a dropdown transformer for electrification in order to increase access to electricity. This project shall run concurrently with MAREP 8. It is anticipated that the total cost for material purchases and construction works will be around MK16 billion.

TABLE 7.4: MAREP PHASE EIGHT TRADING CENTERS (TCs)

No.	DISTRICT	TARGET TC	Benefiting TC
		NOTHERN REGION	
1	Chitipa	Nkhanga	Mwamkumbwa II
			Mbilima/Ilomba
			Navitengo
			Udonda
			Ipenza
			Titi
		Mubanga	Mahowe
			Mahowe H/C
			Mubanga CDSS
		Namatubi	
2.	Karonga	Kawale	
		Ngana	Ngisi
		Mwangulukulu	
3	Rumphi	Luviri	Bembe
			Nkhozo
		Phoka	
		Bowe	Chanyoli
			Betere
4.	Mzimba	Bulala	Matala
			Manyete
			Kaundi
			Endindeni
		Emfeni	Mafundeya
			Kavinkhama
		Khosolo	Makhuwira
			Chizani
5.	Nkhata Bay	Chituka	Kabeska
		Nthungwa	
		Chisu	
		CENTRAL REGION	
1.	Kasungu	Mthabuwa	Sopani
			Nkomadzi
			Kapopo
			Ngwata
		Chambwe	Chitenje
			Kadifula
		Ndonda	Vilemba
			Kapelura
			Katozi

No.	DISTRICT	TARGET TC	Benefitting TC
		CENTRAL REGION	
2.	Nkhotakota	Mpondagaga	
		Katimbira	Chipando
		Chalunda	Malowa
3.	Ntchisi	Mawiri	Mpalo
		Malambo	Nkanire
		Bumphula	Chingámba
4.	Dowa	Mkukula	
		Chankhungu	
		Kachigamba	
5.	Salima	Chikombe	Chikombe II
		Chinguluwe	Chikumba
		Michulu	Nakudze
6.	Lilongwe	Thumbwi	Mngwagwa
			Mtemangómbe
			Milindi
		Malembo	Kapinga
			Nyande
			Lisoko
		Chadza	
7.	Mchinji	Kazyozyo	Chawala
			Kaigwazanga
		Kabunthu	Mkonkha
			Msampha
		Kalulu	Kalulu II
8.	Dedza	Mphunzi	
		Kamenya	
		Mphathi	Maonde
9.	Ntcheu	Kandeu	Mphepozinayi
			Mtumba
		Gowa Mission	Chikapa
			Masamba
		Salima T.-off	

TABLE 7.4: MAREP PHASE EIGHT TRADING CENTERS (TCs) (continued)

No.	DISTRICT	TARGET TC	Benefiting TC	No.	DISTRICT	TARGET TC	Benefitting TC
				SOUTHERN REGION			
1.	Blantyre	Mitsidi Mtenje Domwe	Namwanje Mkwate	6.	Chikwawa	Changoima Dolo Thendo Border Post	Chikweu Gaga
2.	Chiradzulu	Chikwakwata Chiperere Chikaonda	Maleta Nalanda Namalamba Chimpesa Matiya Chigoti Nyalugwe Masuku Hanayi	7.	Nsanje	N'gabu Chibuli Kanyimbi	
				8.	Mangochi	Kwisimba Binali Mvumba	Ibrahim Tsanya Chamtulo
3.	Thyolo	Chipho Sandama Mphuka	Ganeti Primary School Kamba Didi primary Schools Mphuka primary Schools	9.	Balaka	Shire North Kuntiyani Sawali	Mwaye Chimatiro
				10.	Machinga	Msosa Nayuchi	Lirangwe T-off Dalabani Gawanani
4.	Mulanje	Nakamba Milonde Nogwe		11.	Zomba	Mangamba Ulumba Makina Nachuma	Chigamba Lambulira Chisuzi
5.	Phalombe	Dzenje Mpata Namba	Mankhanamba Namachete Msema Mambala	12.	Mwanza	Njolomola Sanjika Nthache	Michiru
				13.	Neno	Chilimbondo Kasamba Kundembo	Chilimbondo II

Source: ESCOM Ltd

7.2.4 Kholombidzo Hydropower Feasibility Study

The Kholombidzo Falls are located in the middle of Shire River, upstream of Nkula Falls and the first falls downstream of Liwonde Barrage. The site offers an advantage of a potential electricity generation capacity ranging from 60 MW during dry season to 220 MW during rainy season. A dam located just downstream of the Matope bridge would provide the needed storage under a head of 50–65 m for the expected range of generation. In the period under review, the consultant completed pre-feasibility studies and the geotechnical investigations commenced. Environmental and Social Impact studies are in progress.

7.3 Energy Management

7.3.1 Sustainable Energy Management with Support from United Nations Development Programme

With support from the United Nations Development Programme (UNDP), the Government is implementing the Sustainable Energy Management Project with the aim of taking energy issues to the district councils so that they should be appearing in the District Development Plans (DDP). The project is targeting 14 districts namely Dowa, Ntchisi, Mchinji, Mzimba, Nkhata Bay, Chitipa, Zomba, Machinga, Balaka, Mangochi, Phalombe, Nsanje, Neno and Salima. During 2015/16 fiscal year the project has achieved the following:

- Review of National Energy Policy which is in draft form is ready for comments by the national stakeholders;
- Training of Extension Workers in three districts namely Mchinji, Mangochi and Nkhatabay on renewable energy and energy efficiency technologies;
- Installing of pilot renewable projects in the three districts of Mchinji, Mangochi and Nkhatabay for the communities to appreciate; and
- Establishment of a website of renewable energy projects.

7.3.2 Increasing Access to Clean and Affordable Decentralised Energy Services in Selected Vulnerable Areas in Malawi

The Government is implementing this project with funding from the Global Environmental Facility (GEF) with the project aim of up-scaling the existing Min-grid Model, piloting new Min-grid Models and capacity building. In the period under review, the project has given an advance to Mulanje Energy Generation Agency (MEGA) - the old system is now operational and people are paying for electricity after getting licenses from MERA. MEGA is also in the process of recruiting an environmental impact assessment expert to analyse new sites for up-scaling.

7.3.3 National Clean Cook Stove Project

The National Cook Stoves Presidential Initiative was launched in January 2013 and is funded from Energising Development (ENDEV), Irish Aid and the UK‘s Department of International Development (DFID). Since the launch, the project has disseminated 382,100 portable cook stoves. In addition, the National Cook Stoves Roadmap was launched on 18 March 2016 and the objective of the roadmap is to catalyse sustained uptake of clean and efficient cook stoves in Malawi in order to save energy and reduce smoke emissions as well as improve the cooking environment in Malawian households. Specifically, the expected outputs of the programme include: a) National Cook Stoves Taskforce strengthened and functional; b) cook stove standards and testing mechanism put in place; c) relevant policy and regulatory frameworks revised and harmonised in tandem with the current alternative energy situation; d) cook stove technologies promoted on basis of evidence from consistent testing results; e) national capacity of cook stoves players strengthened; and f) delivery models and financial mechanisms for catalysing mass uptake of cook stoves in place. In addition, the National Cook Stoves Taskforce chaired by the Department of Energy Affairs plans to:

- Facilitate the uptake of two million cook stoves by 2020; and
- Continue pushing for a VAT waiver on cook stoves to ensure their affordability by local Malawians.

7.3.4 Energy Sector Support Project

In an effort to increase the reliability and quality of electricity supply in the major load centres in Malawi, the Government started implementing the Energy Sector Support Project with support from the World Bank. The project intends to achieve this objective by strengthening the existing electricity network, performing generation and transmission feasibility studies for hydro power improvements, improving demand side management and energy efficiency measures and building capacity of the energy subsector through among others technical assistance. In the period under review, pre-feasibility studies for backbone transmission line, Fufu Hydropower Plant, Mpatamanga Hydropower Plant and Bagasse Cogeneration Plant were completed. Furthermore, the Independent Power Producer (IPP) consultant presented an Inception Report and a contract was signed with a consultant to develop an Integrated Resource Plan (IRP) and finally the Wind Measuring Equipment was fabricated.

7.4 Petroleum

7.4.1 Fuel Importation

Overall, imports of petroleum products during the year under review slightly increased by 11.08 percent compared to last year. The importation of petrol increased by 22 percent and diesel increased by 4 percent as compared to last year while paraffin decreased by 67 percent below that of last year (Table 7.5). The decline in paraffin importation demonstrates the noted observation that paraffin has been substituted by other forms of energy for lighting e.g. rechargeable lamps that have proliferated in the local market. It may also be noted that Jet A-1 importation edged up by 13 percent attributed to a surge in demand due to international meetings and forums that the country hosted. Among the reasons attributed to the increased demand for the imported fuel is the relatively low fuel prices that prevailed in the period under review. As it has been always the case, Malawi capitalised on the Beira, Nacala, Dar-es-Salaam and Mbeya routes for procurement of fuel in 2015. Based on the figures provided in Table 7.6, about 76 percent of fuel imports were procured through Beira, 22 percent through Dar-es-Salaam and 2 percent through Nacala.

TABLE 7.5: FUEL IMPORTS (LITRES) 1999 – 2015

Year	Petrol	Diesel	Jet a-1	Paraffin	Avgas	Total
1999	91,797,272	130,545,103	1,639,326	46,413,088	-	270,394,789
2000	84,896,135	124,905,868	7,238,749	31,397,224	107,269	248,545,245
2001	81,039387	125,106,968	8,800,186	18,921,235	356,926	234,224,702
2002	88,329,685	127,157,516	6,417,316	20,955,949	201,917	243,062,383
2003	92,976,658	136,408,597	11,911,286	23,652,991	213,898	253,038.246
2004	94,186,321	147,922,241	10,862,036	24,762,093	284,286	266,870,655
2005	84,023,978	152,664,646	9,267,805	21,838,787	235,537	258,527,411
2006	88,330,024	153,235,938	11,764,101	20,310,207	224,682	259,158,172
2007	91,289,689	167,120,445	13,001,437	18,232,957	259,393	289,903,921
2008	103,003,788	199,251,252	13,261,288	17,957,471	268,978	333,742,777
2009	112,236,705	203,302,459	9,758,855	13,916,949	254,470	339,469,438
2010	101,173,574	186,539,556	11,710,626	10,639,538	318,087.5	310,381,382
2011	104,825,891	189,983,124	12,838,968	10,254,955	126,422	318,029,360
2012	99,593,583	205,213,866	7,525,000	6,565,312	261,700	319,159,461
2013	108,885,428	212,460,625	9,896,951	1,749,159	223,686	333,215,849
2014	108,885,190	159,798,758	7,785,520	1,533,155	133,067	278,135,690
2015	133,103,655	166,402,223	8,766,307	506,304	176,058	308,954,547

Source: Malawi Energy Regulatory Authority (MERA)

TABLE 7.6: MALAWI FUEL IMPORTS PER ROUTE 2000 – 2015

			ROUTES			
Year	Beira	Nacala	Dar-es-Salaam	Mbeya	Gweru	Total
2000	126,761,107	42,149,779	51,806,647	20,481,694	-	41,199,227
2001	130,585,831	16,134,199	66,135,812	21,368,860	-	234,224,702
2002	130,763,489	10,140,307	77,013,269	28,879,927	-	246,796,992
2003	158,652,734	35,988,318	39,857,111	31,998,208	1,065,575	267,561,946
2004	160,122,393	37,361,892	37,361,892	32,024,478	-	266,870,655
2005	182,861,911	6,862,335	43,545,416	25,257,749	-	258,527,411
2006	88,508,579	2,717,997	53,336,864	14,594,732	-	59,158,172
2007	197,009,678	1,164,019	60,113,735	18,355,659	-	276,643,091
2008	214,596,975	20,687,513	56,618,685	28,309,338		320,212,511
2009	198,528,097	43,640,049	86,011,524	1,276,443	-	329,456,113
2010	211,143,990	21,708,391	42,803,344	22,296,943	-	298,352,668
2011	167,765,872	17,240,701	50,845,869	13,343,270	0	249,195,712
2012	258,442,871	7,552,721	35,918,180	-	9,458,989	311,372,761
2013	268,560,053	10,715,210	43,819,950	-	-	323,095,212
2014	225,767,402	11,367,566	41,000,722			278,135,690
2015	233,479,738	6,250,367	69,224,442			308,954,547

Source: Malawi Energy Regulatory Authority (MERA)

7.4.2 Petroleum Pricing

Since the establishment of the Malawi Energy Regulatory Authority (MERA) in December 2007, all energy pricing activities are handled by the Energy Pricing Committee of MERA as per the requirement in the Energy Laws. For Petroleum Pricing, the Automatic Pricing Mechanism introduced in 2000 continues to be the main principle behind fuel pricing. This system links pump prices to procurement costs and exchange rate movements with a ‘5 percent trigger band. The formula is managed under a multi-sector Energy Pricing Committee (EPC), which meets once every month to assess changes in the agreed parameters that constitute the In-Bond Landed Cost (IBLC) and the value of the Malawi Kwacha against the US Dollar.

In the period under review price adjustments were effected on all petroleum products. For instance, one litre of petrol rose by 45.7 percent while diesel by 46.1 percent (Table 7.7).

TABLE 7.7: PUMP PRICE REVISIONS FROM 2008-2015 (MK/LITRE)

Product	Jan 2008	June 2008	Feb 2009	Feb 2010	Nov 2011	May 2012	May 2013	Apr 2014	Dec 2015
Petrol	200.90	251.20	213.50	256.20	380.00	490.00	714.09	839.00	711.90
Diesel	187.60	234.50	199.30	231.20	360.00	475.00	693.90	853.40	732.70
Paraffin	132.20	165.30	132.20	199.00	171.00	171.00	171.00	719.30	573.10

Source: Malawi Energy Regulatory Authority (MERA)

Chapter 8

TRADE AND PRIVATE SECTOR DEVELOPMENT

8.1. Overview

This chapter reviews the external trade performance and highlights major achievements of the trade and private sector development sector during the 2015/16 fiscal year. The report, therefore, focuses on core areas of creating a conducive and regulatory environment, formulating and implementing policies on trade for industry development and competitiveness. It also focuses on progress on ensuring the expansion of products and services from Malawi on domestic and international markets.

8.2. Overall Trade Performance Between 2013 and 2015

The overall external trade performance indicates traditionally a rapid growth of imports as compared to exports. During the period under review, total merchandize exports were recorded at MK659,739 million as compared to MK601,869 million in 2014 translating into a growth of 9.61 percent. Total merchandise imports declined to MK1,092,933 million in 2015 from MK1,198,103 million in 2014 thus registering a decrease of 8.78 percent. As has been the case, the increase in exports could not keep pace with imports. The imports are mostly dominated by traditional products such as fertilizer and petroleum and other fuels. The trade deficit decreased in 2015 from the previous year. According to trade data from the National Statistical Office (NSO), the country registered a trade deficit of MK433,193 million while that of the previous year was MK596,234 million.

TABLE 8.1: VALUE OF EXPORTS AND IMPORTS, 2013- 2015 IN MILLIONS OF KWACHA

	2013	2014	2015*
Total Exports	431,517	601,869	659,739
Total Imports	1,015,364	1,198,103	1,092,933
Trade Balance	(583,847)	(596,234)	(433,193)

Source: National Statistical Office and Ministry of Industry and Trade
* Provisional figures

8.2.1 Malawi's Major Trading Partners

The Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and the European Union (EU) continue to be the major trading partners for Malawi[1]. In 2015, Malawi registered trade deficit with SADC and COMESA but registered a trade surplus as traditionally expected with the EU (see Table 8.2).

During the year under review, exports to SADC decreased from MK171 billion in 2014 to MK169.33 billion. Imports also decreased from MK471.12 billion in 2014 to MK360.63 billion. This resulted into a trade deficit of MK191.29 billion

[1] Note that SADC and COMESA are not mutually exclusive and that trade with dual member countries such as Zambia and Zimbabwe is recorded both under SADC and COMESA.

in 2015. Malawi exports to COMESA countries increased from MK104.73 billion to MK131.20 billion and imports increased from MK99.29 billion to MK132.97 billion. This represented a trade deficit of MK1.77 billion as compared to a trade deficit of MK5.4 billion in 2014. The increase in imports could be attributed to the huge appetite for imported goods. However, this is being addressed by several interventions such as the Buy Malawi Strategy which seeks to encourage consumption of locally produced goods. Exports to the EU registered an increase from MK213.068 billion in 2014 to MK216.23 billion in 2015. Imports remain steady at about MK121 billion. Malawi managed to register a trade surplus with the EU. The increase in value of the exports compared to the equal value of imports of 2014 and 2015 ensured a positive trade balance.

TABLE 8.2: MALAWI'S TRADE WITH SADC, COMESA AND EU 2013 – 2015 IN MILLIONS OF KWACHA

	2013	2014	2015*
COMESA			
Total Exports	52,136	104,733	131,200
Total Imports	87,192	99,292	132,967
Trade Balance	(35,056)	5,441	(1,767)
SADC			
Total Exports	92,417	171,015	169,337
Total Imports	440,515	471,125	360,630
Trade Balance	(348,098)	(300,110)	(191,292)
EU			
Total Exports	137,423	213,068	216,235
Total Imports	146,056	121,084	121,515
Trade Balance	(8,632)	91,984	94,720

Source: National Statistical Office and Ministry of Industry and Trade

* Provisional figures

8.2.2 Malawi's Main Export and Import Products, 2013- 2015

Tobacco continues to dominate Malawi‘s export basket with total export earnings amounting to K258.2 billion in 2014 as compared to MK202.9 billion in 2013. The increase in revenue generated in 2013 and 2014 could particularly be attributed to the favourable market prices for tobacco.

TABLE 8.3: MALAWI'S MAIN EXPORT COMMODITIES, 2013 - 2015 IN KWACHA

	2013	2014	2015*
Tobacco	202,882,441,836	258,447,259,671	67,306,259,132
Tea	31,013,223,072	32,026,928,996	9,000,886,532
Sugar	41,175,910,211	53,200,849,305	6,427,307,184
Pulses	10,124,792,073	21,628,720,957	3,047,308,187
Apparel and Clothing (Knitted or Crocheted)	559,711,600	13,492,754	31,587,412
Apparel and Clothing (Not Knitted or Crocheted)	3,586,462,302	2,562,061,762	689,276,551
Natural Rubber	2,936,186,965	1,703,011,297	1,957,514,654
Nuts (Groundnuts, Cashew nuts, Macadamia)	26,751,011,063	26,751,011,063	61,288,817,090
Coffee	1,445,188,329	1,950,626,647	743,980,706
Cotton	8,541,020,868	9,201,677,170	516,302,917
Spices (HS 904)	1,110,844,262	780,598,539	602,256,528
Skin and Hides (HS 410)	663,100,317	841,338,436	585,519,754
Wood (Sawn and Plied)	5,280,194,950	6,915,073,225	3,516,087,233
Wood Furniture (4420)	450,447,748	416,059,934	516,942,204

Source: National Statistical Office and Ministry of Industry and Trade

* Provisional figures

On the imports side, fertiliser remains the dominant import for Malawi following the nature of our economy which is predominantly agricultural. Other noticeable imports are petroleum products (Table 8.4).

Table 8.4: VALUE OF SELECTED IMPORTS, 2013-2015 IN KWACHA

	2013	2014	2015*
Fertilizer	125,446,575,136	90,622,037,731	110,891,701,821
Diesel and other fuels	87,406,412,649	90,315,313,442	57,776,304,620
Petroleum	44,026,927,928	52,308,434,374	45,016,948,680
Paraffin	692,165,405	771,628,156	45,016,948,680
Coal	1,073,128,583	1,187,052,064	1,903,632,592

Source: National Statistical Office and Ministry of Industry and Trade

* Provisional figures

8.2.3 Trade Agreements

Malawi has concluded bilateral, regional and multilateral trade agreements with the view to provide wide and unlimited market access opportunities for the private sector. These are summarized in the following sections below.

8.2.3.1 Bilateral Agreements

In 2015, the Ministry reviewed the Joint Trade, Investment and Technical Cooperation Agreement with the Peoples Republic of China. In addition, the preferential market accesss arrangement for Least Developed Countries (LDCs) offered by China was also reviewed increasing the market access opportunities for Malawian products from 95 percent to 97 percent, meaning that only 3 percent of Malawian exports to China are subjected to high import duties.

Within this framework, Malawi secured notable national development projects such as the Kam'mwamba Coal Fired Power Plant Project, E-government National Identity Project, rehabilitation of the Chileka International Airport, various roads and buildings in Lilongwe and a number of grants, among others. In terms of promoting value addition, China agreed to bring in investors to support value addition in a number of products particularly those featured in the National Export Strategy (NES) such as oil seed products, sugarcane products, cotton, textile, apparel and hides and skins, among others, to take advantage of Malawi‘s available markets in the region and beyond.

Malawi also participated in The Johannesburg Summit held from 4th to 5th December 2015 and the 6th Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) held on 3rd December 2015. The two sides reviewed the development relations between China and Africa and the positive contributions FOCAC has made over the past 15 years since its inception.

Furthermore, the Ministry reviewed the bilateral trade agreement with Mozambique. The major emphasis of the bilateral Trade Agreement was on resolving challenges emanating from non-tariff barriers.

8.2.3.2 Regional Trade Agreements

The SADC-EAC-COMESA Tripartite Free Trade Area (TFTA) was launched in 2015. Malawi is one of the 24 Member/Partner States that have signed the TFTA Agreement. The launch of the Tripartite Free Trade Area follows what member states of COMESA, the EAC and SADC agreed in October 2008.

The Ministry is committed to easing trade across borders. To realize this objective, the Ministry has embarked on the development and operationalisation of a One Stop Border Post (OSBP) Project with the support of the African Development Bank and the World Bank. OSBP is one important component of facilitating trade in line with the World Trade Organisation (WTO) Agreement on Trade Facilitation and it aims at upgrading and modernising border post facilities that will transform into One Stop Border Posts at Songwe on the Tanzania Border, Mchinji on Zambia Border, and Dedza, Mwanza, and Muloza on the Borders with Mozambique. A bilateral agreement on the establishment of an OSBP at Songwe/Kasumulu has already been signed between the Governments of Malawi and Tanzania. Malawi is yet to sign the arrangement with Mozambique.

8.2.3.3 Multilateral Trade Agreements

Malawi, as a member of the WTO, participated in the 10th WTO Ministerial Conference. The major outcomes of the Conference included:

1. Participation in the Enhanced Integrated Framework (EIF) Donor pledging conference where donors pledged US$320 million to support Least

Developed Countries (LDCs) such as Malawi with trade-related capacity building;

2. Ministerial decision on preferential Rules of Origin aimed at streamlining and simplifying rules of origin in order to make them development friendly and help LDCs fully utilise the provided market access opportunities;

3. Ministerial decision on Cotton which stresses the importance of cotton to a number of LDCs economies and as such grants duty free and quota free market access to developed countries effective 1st January 2016;

4. Ministerial decision on elimination of export subsidies by Developed and Developing Countries which implies that exports from LDCs stand a chance to be more competitive in developed/developing country markets; and

5. Ministerial decision on services waiver for LDCs aimed at assisting implementation of preferential treatment in favour of services and services suppliers of LDCs and increasing LDCs participation in trade in services whereby non-LDC members will grant LDCs‘ services and services suppliers preferential access to their markets.

The Ministry also participated in a number of meetings with bilateral and multilateral donor agencies such as UNCTAD, International Trade Centre (ITC), Trade Advocacy Fund (TAF) and others.

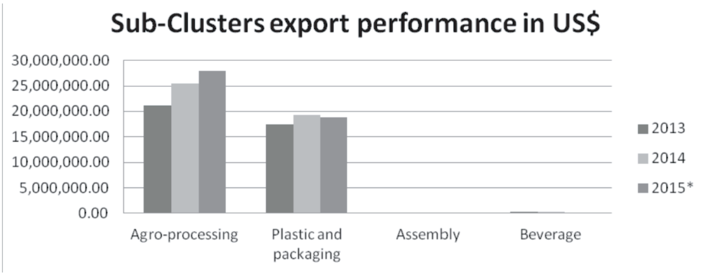
8.3 Industrial Performance

During the period under review, a number of industrial development activities were carried out with the objective of improving business environment for the manufacturing sector, increasing contribution of manufacturing value addition to GDP and increasing value added exports.

8.3.1 Export Performance for National Export Strategy Manufacturing Sub-Clusters

The National Export Strategy (NES) identified four manufacturing sub-clusters in order to diversify the export base and reduce the country’s trade deficit. Export performance of a recent study report by the Ministry shows that agro-processing and packaging sectors are the only sub-clusters heavily exploiting the export market while Assembly and Beverage participation in the export market is rather minimal as shown in Figure 8.1 below.

FIGURE 8.1: SUB-CLUSTERS EXPORT PERFORMANCE IN US$

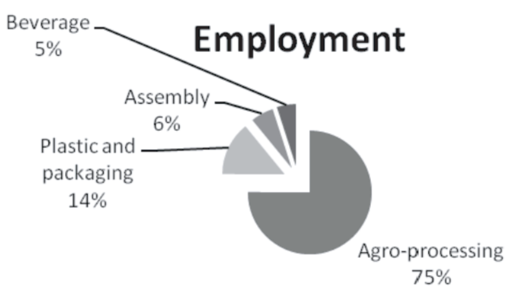


Source: Ministry of Industry and Trade

8.3.2 Sector Employment in National Export Strategy Manufacturing Sub-Clusters

An assessment on employment levels for the NES Manufacturing Sub-Clusters revealed that agro-processing is the highest contributor to the reduction of unemployment in the country. Total employment from 35 companies was at 4,734. Figure 8.2 shows how employment is divided by sub-cluster.

FIGURE 8.2: EMPLOYMENT BY SUB-CLUSTER



Source: Ministry of Industry and Trade

It was revealed that export oriented companies are moving from labour intensive to capital intensive. This was more evident in plastic and packaging where companies have laid off unskilled labour to pave way for machinery. Despite agro-processing having the largest share of employment, more than 70 percent of the workforce were unskilled. Assembly remains the only sub-cluster with 90 percent skilled labour though most are still using outdated production equipment or assembly.

8.3.3 Performance of Export Processing Firms (EPFs): Foreign Exchange Earnings and Investment

The Exchange Control Act requires all exporters (including EPFs) to repatriate back to Malawi 100 percent of export proceeds and register the same with the

Reserve Bank of Malawi (RBM) within 6 months of exporting. In this regard, EPFs managed to repatriate a total of US$44,054,814.41. The EPFs are spread across three categories of exports notably wood and wood products; agro-processing; and textile, apparel and exotic leather. With the amendment of the EPZ Act and the review of the EPZ regulations, it is anticipated to see an increase in Foreign Exchange Earnings in the coming years. Export Processing Firms have to-date invested US$135 million.

8.3.4 Industrial Promotion and Export Enhancement

The Government of Malawi recognises that industrialisation and the structural transformation of the economy are essential to maintain the rapid long-term economic growth that is needed to raise per capita income, create sufficient rural and urban jobs, widen the tax base to finance Malawi's welfare requirements and address an unsustainable trade deficit. The development of National Industrial Policy (NIP), therefore, provides policy direction on how Malawi can develop its productive economy and industrialise. The Industrial Policy was recently approved by the Cabinet Committee on the Economy and the draft policy will now be presented to full Cabinet for consideration and approval.

In addition to NIP, the Government of Malawi with technical and financial support from the COMESA Leather and Leather Products has developed the country's first ever Leather Value Chain Strategy with the aim of closing the gaps existing in the sector. The Leather Sector has the potential to significantly contribute to the economic growth of the Malawian economy. Based on its animal resource base of goats, bovine and sheep the value chain has the potential of grossing US$102 million dollars (MK45 billion), that is, if all hides and skins produced in Malawi are processed into finished products. It is thus estimated that at full potential optimisation the value chain could contribute 3.9 percent to Malawi's GDP. Related to this, the Government anticipates an investment of US$5 million from the Peoples Republic of China to establish a fully-fledged tannery with a daily production capacity of 2,000 hides and 6,000 skins. This project will foster the production and export of value added leather and leather products and create 100 direct jobs and 1,000 more jobs along the value chain.

Furthermore, the Export Processing Zones (EPZ) regulations have been reviewed to regulate the implementation of the EPZ Act which was amended in 2013 and this aims at enhancing exports of non-traditional products. The implementation of the amended Act will increase participation of new companies in the programme.

The Government also intends to develop Special Economic Zones Bill and Regulations as tools for attracting Foreign Direct Investment (FDI) and domestic investors in Malawi. The sectors under consideration for this Bill include agro-processing and assembly subsectors.

8.3.5 Trade Facilitation

The Metrology Bill was passed by Parliament with amendments. Currently the Bill is undergoing amendments to ensure all concerns expressed by stakeholders are taken into account. Thereafter, the Bill will be sent to the State President to accent it into an Act. It is anticipated that the Act will empower the Malawi Bureau of Standards to enforce regulations which governs weights and measurements. This will have positive impact on consumer protection and fair trade. Currently, most of the unscrupulous businessmen are defrauding local people through illegal scales and other measuring instruments. This will also have a positive effect on the environment as well as health sectors just to mention a few.

8.4 Private Sector Development

The results of the 2015 Doing Business Survey reveal that Malawi has made starting a business easier by streamlining company name search and registration and eliminating the requirement for inspection of company premises before issue of business license. On access to energy in particular electricity, Malawi has reduced time required to get electricity by engaging subcontractors to carry out external connection works. The Ministry still organises Public Private Dialogue Forums which provide an opportunity for key stakeholders from the Government and private sectors to discuss and formulate agreed plans to overcome the constraints facing the private sector. The Ministry is also actively sensitising public and private sector stakeholders with new developments made to address the ease of doing business in the country. These developments include the Personal Property Registry System and the Online Business Registration System which are now operational; the Insolvency Act and the New Company's Act.

8.5 Investment Developments and Promotion

8.5.1 Global Investment Trends in 2014/15 and Policies

According to United Nations Conference on Trade and Development (UNCTAD) Report, global FDI inflows declined by 16 per cent to US$1.23 trillion in 2014, mostly because of the fragility of the global economy, policy uncertainty for investors and elevated geopolitical risks. New investments were also offset by some large disinvestments. However, recovery was expected in 2015 and beyond.

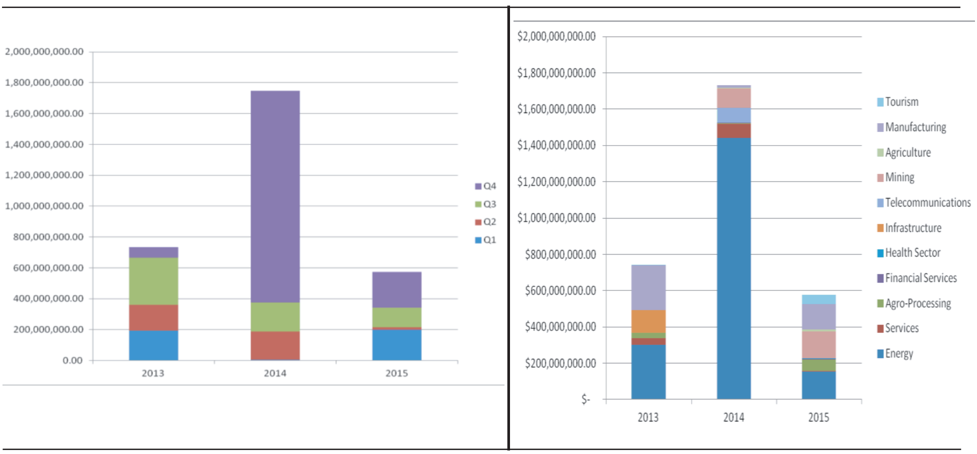
FDI inflows today account for more than 40 percent of external development finance to developing and transition economies. Inward FDI flows to developing economies reached their highest level at US$681 billion with a 2 percent rise. Developing economies thus extended their lead in global inflows. China became the world's largest recipient of FDI. Among the top ten FDI recipients in the world, five are developing economies. Global FDI inflows were projected to grow by 11 percent to $1.4 trillion in 2015. Expectations are for further rises to US$1.5 trillion in 2016 and US$1.7 trillion in 2017. Both UNCTAD's FDI forecast model and its business survey of large Multinationals (MNEs) signal a rise of FDI flows in the coming years. The share of MNEs intending to increase FDI expenditures over the next three years (2015–2017) rose from 24 percent to 32 percent. Trends in cross-border Mergers and Acquisitions (M&As) also point to a return to growth in 2015. However, a number of economic and political risks, including ongoing uncertainties in the eurozone, potential spillovers from geopolitical tensions and persistent vulnerabilities in emerging economies may disrupt the projected recovery. In 2014, FDI inflows to Africa remained flat at US$54 billion. Despite the services share in Africa, FDI is still lower than the global and the developing-country averages. In 2012, services accounted for 48 per cent of the total FDI stock in the region, more than twice the share of manufacturing which was at 21 per cent. FDI stock in the primary sector was 31 per cent of the total. Services FDI is concentrated in a few countries, including South Africa, Nigeria and Morocco.

Countries' investment policy measures continue to be geared predominantly towards investment liberalisation, promotion and facilitation. In 2014, more than 80 per cent of investment policy measures aimed at improving entry conditions and reducing restrictions. A focus was on investment facilitation and sector-specific liberalisation, for example, in infrastructure and services. New investment restrictions related mostly to national security concerns and strategic industries such as transport, energy and defence.

8.5.2 FDI Pledges into Malawi

Generally, in terms of value, investors showed a lot of interest in 2014 when they pledged to invest a total of US$1,747,716,360, compared with just US$734,007,452 and US$572,659,583 pledged in 2013 and 2015, respectively. The Energy sector was the FDI recipient, attracting over US$250 million in 2013, US$1.4 billion in 2014 and US$100 million in 2015, which attracted more FDI than any other sector for all years. Following this sector were the Manufacturing and Mining sectors which attracted over US$100 million worth of investments each in 2013 and 2015. The countries that are proving to be significant sources of FDI in Malawi are India, China, South Korea, the United Kingdom, United Arab Emirates, Australia and South Africa, each of which pledged to invest more than US$10 million in at least one of the three years under consideration.

FIGURE 8.3: INVESTMENT PLEDGES BY YEAR AND BY SECTOR



Source: Malawi Investment and Trade Centre (MITC) database

The main challenges that companies are facing in Malawi and potential constraints to FDI inflows are:

1. Unpredictable factor and product prices due to exchange rate fluctuations. This makes business planning difficult;
2. High costs of and limited access to raw materials;
3. High factor and product transportation costs;
4. High import duties;
5. High rates of corruption;
6. Insufficient and unreliable supply of electricity; and
7. Difficulties in acquiring land for investment. In Malawi most of the land is customary land such that it is legally owned by the chiefs. This makes it difficult for investors to purchase land for investment since they have to negotiate with chiefs and the issue of compensation cost for land which is occupied by villagers. There is need for the Ministry of Lands, Housing and Urban Development to speed up facilitation of allocation of land for investment projects.

8.5.3 Prospects for FDI from 2016/17 to the Medium Term

FDI inflows in Malawi are expected to take an upward trend due to the opportunities in different sectors of the economy such as energy, agriculture, and services. Investment promotion efforts of the Malawi Investment and Trade Centre (MITC) will be greatly enhanced with the review of the legislative framework for Investment and Trade Promotion and Facilitation including the One Stop Service Centre (OSSC) for MITC. In 2015 Malawi held the first ever Malawi Investment Forum which attracted a lot of interest from potential investors, some of which made pledges.

8.6 Small and Medium Enterprises (SMEs) Promotion

8.6.1 SME Development

The Government continues to support the development of the SME sector. In this regard, promotion of small scale enterprises at local level has been one of the key interventions aimed at enhancing the capacity and capability of SMEs in production, packaging, costing, and marketing. Ensuring businesses have access to business support services remains a top priority of the Government. The Government, through the Ministry, conducted mapping of institutions that provide support to Micro Small and Medium Enterprises (MSMEs). This led to development of a database and directory of MSME support providers. This creates a single reference document that helps create awareness about where MSMEs can seek support on business development.

The Ministry is also implementing a United States African Development Foundation (USADF) which is a strategic partnership between USADF and the Government of Malawi to promote economic development in Malawi. The goal of USADF's programme in Malawi is to advance broad-scale, sustainable economic growth and help diversify Malawi's economic base. The programme promotes the development, competitiveness and profitability of small scale agricultural producer groups, cooperatives and associations, and small scale agri-businesses especially those that improve incomes and living standards of the poor and the marginalised, and participation of small scale agricultural groups and SMEs in export trade and investment relationships. The programme has supported over 46 businesses with grants.

8.6.2 SME Promotion

The Government realises the need to create sustainable business linkages between large enterprises and MSMEs. The Ministry is implementing a Business Linkage Matching Grant and Financial Innovation Facility schemes under the Competitiveness and Job Creation Support Project (CJCSP). The Business Linkages Matching Fund (BLMF), a component of the Competitiveness and Job Creation Support Project provides matching grants to businesses to enable them to upscale their production levels and thereby improve their supplier capabilities. The scheme is a comprehensive enterprise support intervention in order to facilitate linkages and create effective ways of upgrading MSMEs, facilitate transfer of technology, knowledge and skills, improve business and management practices and access to markets. It contributes to creating strong and sustainable linkages that have the potential to promote production efficiency, productivity growth, technological and managerial capabilities, employment creation, increased turnover and market diversification for SMEs. The project started in 2014 and has supported around 100 MSMEs with matching grants for equipment, machinery and infrastructure, that is, with 'hardware grants' and grants for the acquisition of skills necessary to run their businesses with 'software grants'. The average size of the hardware grants was US$8,300 (MWK 5,000,000). The Financial Innovation Facility is working with commercial banks to develop innovative lending practices that will lead to more MSMEs accessing innovative financial products. It ultimately aims at employment creation and value addition.

Supporting SMEs to have access to both local and international markets is another important area. Over the past year, the Ministry supported 60 SMEs to participate in both International and Agriculture fairs. The entrepreneurs were able to generate orders and business deals worth over MK20 million in 2015. In addition, the Ministry has supported 60 small scale entrepreneurs to participate in the Tanzania-Malawi Joint SME Exhibition held both in Lilongwe and Dar es Salaam in Tanzania. The SMEs have established business links with buyers in the United States, Europe and Tanzania to supply products such as groundnuts, honey, textile products and handicrafts.

8.7 Cooperative Development

In order to empower Malawians and to stimulate the growth of the Cooperatives sector, Malawi Government continued to provide education to cooperative members and registered various new cooperative enterprises. Value addition machinery was installed in various cooperative groups across the country.

8.8 Competition and Fair Trading Commission (CFTC)

Competition and fair trading are among the key enablers of private sector development and these create pathways for achieving inclusive economic development. Therefore, the Government remains committed to maintaining a pro-competitive and fair trading business environment. In the year under review, the main focus was to promote a competition and fair trading culture among the business community and sensitise the general public about their rights as consumers. In this regard, business persons in major trading centres in all districts of the country (except Neno and Likoma) were reached with messages on Competition and Fair Trading Act. Over 35 percent of the Malawi population were reached with messages on Competition and Fair Trading Act through electronic and print media and business clinics (direct engagement with consumers). These activities have resulted in an increase in the number of consumer rights violation complaints received by the CFTC. This signifies increased awareness about consumer rights and about available redress mechanisms. The CFTC has also recorded a decrease in incidences of blatant violations of the CFTA such as display of disclaimers like goods once purchased are not returnable and display of misleading information.

The CFTC also promoted competition and fair trading through enforcement activities and market surveillance. With regard to consumer protection, the CFTC investigated 68 complaints on consumer rights violations of which 37 were resolved. The CFTC also investigated 47 cases on restrictive business practices of which 24 were resolved. With regard to merger control, the CFTC reviewed and authorised 13 merger authorisation applications. Four merger applications were approved with conditions aimed at addressing competition and/or public interest concerns which were identified. The CFTC also conducted market monitoring through market inquiries and market studies. One market study was conducted and five market inquiries whose results have contributed to advocacy for policy reforms were also carried out. These activities have contributed to improving the business environment in Malawi.

Chapter 9

EDUCATION

9.1 Overview

The Ministry of Education Science and Technology (MoEST) is the policy bearer in the provision of education in the country and provides education in collaboration with faith-based organisations and the private sector. Other ministries including those responsible for Youth, Gender and Labour complement MoEST in the provision of both formal and non-formal education. For instance, the Ministry of Gender, Children, Disability and Social Welfare leads in the provision of Early Childhood Development (ECD), the Ministry of Sports and Culture leads in the provision of sports and other services targeting out-of-school youth while the Ministry of Labour, Youth and Manpower Development takes the lead in the provision of technical education and vocational training.

The Education Sector's planning is guided by the National Education Sector Plan (NESP) for the period 2008-2017. Meanwhile, the implementation of the NESP is guided by the second Education Sector Implementation Plan (ESIP II) for the period 2013-2017. The plan is in line with the National Development agenda as outlined in the Malawi Growth and Development Strategy.

This report outlines some of the achievements made by the education sector in the 2015/16 fiscal year based on the work plans drawn from the ESIP II.

9.2 Key Sector Achievements

9.2.1 Primary Education Sub-sector

The NESP identifies equitable access to education as one of the areas to be addressed in the country. Access to education continues to increase - in the year 2015/16 an enrolment of 4.8 million was registered, compared to 4.6 million registered in 2014/15, representing a 2.9 percent increase. Enrolment in rural areas continues to be higher than in urban areas with 4,182,121 learners representing 87 percent compared to 622,075 learners in urban areas. Enrolment by gender shows that there were more girls enrolled than boys at 2,405,388 and 2,398,808, respectively, representing a Gender Parity Index of 1.002.

The Net Enrolment Ratio (NER) is a good measure of access. The NER measures the proportion of learners of primary school going age (6-13) to the total population of school going age. According to the 2014 Welfare Monitoring survey the NER for Malawi stood at 87 percent up from 86 percent registered in 2011. Disaggregated by gender, the indicator shows that the NER for female learners was at 88 percent in 2014 up from 86 percent in 2011, while that of male learners was at 86 percent from 87 percent in 2011.

Net Intake Rate (NIR) which is the percentage of six year olds in society entering the education system at standard one has increased from 78 percent in 2011 to 95.5 percent in 2015[1].

[1] Education Management Information System (EMIS) data, 2015

Disaggregated by gender, the NIR for girls stood at 100 percent while for boys the figure was at 91 percent. This means that there is a higher access to education by girls of official school-going age compared to boys.

About 2.4 percent (115,284) of total primary enrolment are children with special needs. About 42.6 percent of these students have learning difficulties (22.3 percent boys and 20.3 percent girls) followed by low vision which is at 22 percent (11.2 percent boys and 10.8 percent girls). The system also registered 8.8 percent (421,319) of the total enrolment as orphans.

The Gender Parity Index (GPI) is the ratio of female to male Gross Enrolment Rate (GER). In a situation of equality between boys and girls enrolment rates GPI is 1, while 0 indicates the highest disparity. The 2015 results indicate the gender parity is at 1 showing there is equality between boys and girls enrolment. Despite this being the case, other measures such as survival rates and promotion rates may provide a clearer picture as to how boys and girls are faring in the system.

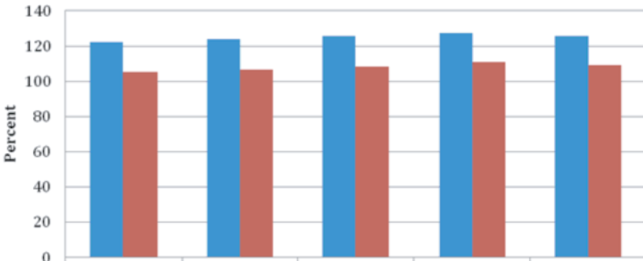
TABLE 9.1: PERFORMANCE INDICATORS FOR ACCESS TO PRIMARY EDUCATION

Indicator	2015 Value	2015 Target/Projection	Level of Performance (Actual/Target)*100 (%)
Primary Girls to Boys Ratio (GPI)	1	1.02	*98*
Special education needs (SEN) as percent of total enrolment	2.4	2.2	*109*
Net Intake Rate (NIR) (%)	95.5	95	*100.5*
Primary Classroom Ratio (PCR)	109	98	*90*
Primary Enrolment	4,795,196	4,482,798	*107*

Source: MoEST

In its quest to reduce congestion in classrooms and improve sanitation in primary schools, the Ministry, through its budgeted resources, constructed 48 classroom blocks, 146 latrines and 20 urinals across the country. With financial assistance from DfID, 212 classrooms are currently being constructed which will reduce open-air classes. The Ministry is also constructing classrooms and ancillary buildings for 115 Primary Schools through the Local Development Fund (LDF) and conventional mode through the Education Infrastructure Management Unit (EIMU) in city councils. Despite investments in the primary education sub-sector, results show a minimal decline in the pupil-classroom ratio from 111 in 2014 to 109 in 2015. The Pupil Classroom Ratio is still higher than the ratio of 105:1 that was achieved in 2011 and it is also higher than the projected ESIP II target of 98. There are, however, a number of projects being taken to build more classroom blocks to ensure that classroom congestion is reduced. The Pupil Permanent Classroom Ratio (PpCR) measures the number of pupils per permanent structure unlike the PCR which gives the number of pupils per classroom regardless of the state of the structure.

FIGURE 9.1: TRENDS IN PUPIL PERMANENT CLASSROOM RATIO (PpCR) AND PUPIL CLASSROOM RATIO (PCR)



	2011	2012	2013	2014	2015
PpCR	122.3	124	125.6	127.3	125.6
PCR	105.1	106.6	108.4	110.8	109.0

Source: MoEST

Internal efficiency in education helps to understand how the education system utilises the limited resources and time. This is measured mainly through three indicators, that is, completion, repetition and dropout rates. The completion rate[2] was at 51 percent in 2015 down from 52 percent in 2014. Disaggregated by gender, boys are still recording a higher completion rates than girls at 56 percent and 47 percent, respectively. Repeating a class means a pupil is using more public resources than allocated. According to the EMIS (2015) data the repetition rate[3] was at 21.9 percent (22.4 percent for boys and 21.3 percent girls) up from 19.7 percent recorded in 2014, implying that the Government continues to waste resources on repeaters. The results indicate that the target of reducing the repetition rate to 5 percent by 2017 as outlined in the ESIP II is off-track.

In a bid to reduce inefficiencies that come with central procurement of Teaching and Learning Materials (TLMs) and hence address problems of inadequate supply of textbooks and other TLMs to schools, the Ministry is liberalising the procurement of primary school textbooks. Guidelines on the liberalisation of procurement have been developed. The decentralised procurement is expected to give schools the liberty to procure TLMs from local publishers based on the school's needs. The Ministry also distributed standard one and two textbooks to almost 4,000 primary schools and is expected to cover all schools by the end of the 2015/16 financial year. The reforms being carried out in procurement of TLMs are expected to significantly reduce the Pupil Textbook Ratio which was at 2:1 in 2015.

In 2015, out of a total 249,031 candidates who took the 2015 Primary School Leaving Certificate of Education (PSLCE) Examination, 168,221 candidates passed and qualified for the award of the certificate, representing a 67.6 percent

[2] Primary completion rate is defined as the ratio of the total number of learners successfully completing standard 8 to the total number of children of the official primary school graduation age (age 13) in the population.

[3] The repetition rate measures the proportion of students who have remained in the same grade for two or more consecutive years by retaking the grade by either leaving the class prematurely or returning for a second or third time.

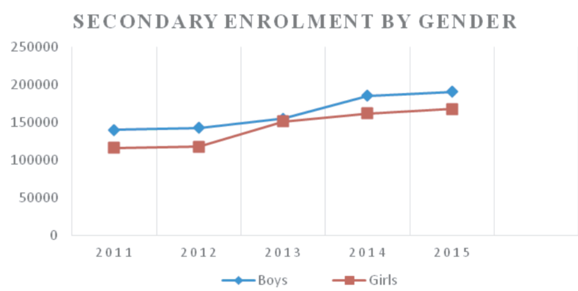
pass rate. The figure is slightly lower than that of 2014 where 259,251 candidates wrote the examination and 160,966 passed, representing a 68.98 percent pass rate.

9.2.2 Secondary Education Sub-sector

The Secondary Education Sub-sector continues to grow with the number of secondary schools at 1,454 in 2015 compared to 1,313 in 2014. 1,195 schools or 82 percent of secondary schools were located in rural areas while 18 percent, or 259 schools, were located in urban areas. Most of the schools in the rural areas are Community Day Secondary Schools (CDSSs). The 2015 EMIS report indicates that CDSSs make up most of the public secondary schools followed by district day secondary schools and district boarding schools at 689,67 and 60, respectively. Private secondary schools were at 360, representing 25 percent of all secondary schools in the country.

The total number of learners enrolled in secondary schools increased from 346,604 in 2014 to 358,033 learners (190,623 boys and 167,410 girls) in 2015 representing a 3.3 percent growth. Out of the total enrolment, 286,154 learners were from public schools while 71,879 were from private schools. Public school enrolment, therefore, accounted for approximately 80 percent of the total secondary school enrolment in 2015. Figure 9.2 below gives the trend in enrolment of learners in secondary schools.

FIGURE 9.2: TREND IN SECONDARY ENROLMENT BY GENDER



Source: MoEST

The pupil classroom ratio for secondary schools has been increasing from 51.4 in 2011 to 61.2 in 2015. Across proprietorship, public secondary schools have a higher student permanent classroom ratio than private secondary schools.

The Government is constructing laboratories and libraries in thirty-three (33) CDSSs so as to give students a better chance to compete with their counterparts learning in conventional secondary schools. 21 of these will be constructed with financial assistance from the European Union (EU) and sites have already been identified. 12 CDSSs are being constructed under Phase III Japanese International Cooperation Agency (JICA) support. The Government is also constructing the Thumbwe and Machinga secondary schools. These schools will help in expanding access to secondary education. In addition, the Government is constructing girls' hostels to ensure more girls are enrolled and retained in secondary schools. So far 13 hostels have been completed and only five hostels are remaining.

In order to ensure a safe and secure learning environment, the Ministry rehabilitated four national secondary schools: Mzuzu Government, Lilongwe Girls, Dedza and Blantyre secondary schools. These have been handed over to Government. The Ministry also distributed 414 solar panels to CDSSs and 8 solar panels to Teacher Development Centers (TDCs). It is also rehabilitating district secondary schools including Lunzu, Phalombe, Balaka, Chilumba, and Majuni. Lunzu is at 87 percent completion with hostels, classroom blocks, administration block, kitchen and dining hall completed. Balaka secondary school is at 70 percent completion, Phalombe is at 60 percent and Chilumba is at 85 percent completion rate.

As part of the ongoing Public Service Reforms, Malawi Government will, from 2016/17 academic year, phase out the Junior Certificate of Education (JCE) examination. The last JCE examination to be administered will, therefore, be in 2016 for the current Form 2 students. Examinations will be administered at the end of the four years and successful candidates shall be awarded the Malawi School Certificate of Education (MSCE) as is the case now, while unsuccessful candidates shall be awarded a Certificate of Completion which will recognise the fact that the owner of the certificate went through and completed secondary education.

9.2.3 Teacher Education

9.2.3.1 Primary School Teacher Situation

The MoEST continues to train more teachers in the country. In order to expand teacher education, the Ministry opened the Chiradzulu Teacher Training College (TTC) which has a capacity of about 560 teachers. The Government will also construct three TTCs in Rumphi, Chikwawa and Mchinji. Preparations for the projects are at an advanced stage and works are expected to start in the 2016/17 financial year.

The number of teachers registered in 2015 was 61,363 (29,943 women and 41,420 men). The pupil qualified teacher ratio (PQTR) was at 75 in 2015 compared to 78 recorded in the preceding year. The MoEST has also employed an additional 10,500 teachers which are expected to further improve the PQTR which is targeted to be at 1:60 by 2017.

9.2.3.2 Secondary School Teacher Situation

In 2015, the secondary school sub-sector had 14,497 teachers, of which 11,288 were male and 3,209 were female meaning that around 78 percent of the teachers are male and only 22 percent are female. Higher rates of female teachers may lead to increases in female student enrolment as they act as role models. About 52 percent (7,508) of the teachers are professionally trained while 48.2 percent (6,989) are not trained as secondary school teachers. Out of the qualified ones, 74 percent (5,048) are male and 26 percent are female (1,757).

The pupil qualified teacher ratios (PqTR) have been fluctuating between 49.1 in 2011 and 63.5 in 2015. The 2015 EMIS data shows that the situation has worsened in private schools compared to public ones since the PqTR in the former has increased from 45 in 2011 to 77 in 2015 while in the latter it has slightly decreased from 53.1 in 2011 to 50 in 2015. The construction of the Nalikule College of Education in Lilongwe is at an advanced stage and it is expected to be opened in September 2016. The college will assist in reducing the pupil teacher ratio (PTR).

9.2.4 Higher Education

The Higher Education Sub-sector in Malawi comprises only four public universities, namely: the University of Malawi, Mzuzu University, Lilongwe University of Agriculture and Natural Resources (LUANAR) and the Malawi University of Science and Technology (MUST). In addition, there are sixteen relatively smaller private universities that have been accredited by the National Council for Higher Education (NCHE), making a total of 20 universities.

During the year under review, the Government established the Higher Education Students Loans and Grants Board and its Secretariat to ensure that there is an efficient system of disbursing and recovering of student loans. The establishment of this Board will ensure that only students in need who apply for loans benefit from the loans scheme. So far, 4,474 students benefited from the scheme and money amounting to almost MK1.3 billion was dispersed in the 2015/16 academic year. This is expected to improve equitable access to higher education as the targeted students (those with low socio-economic status) will be able to enrol in their respective universities. The legal framework and filling of the position of Loan Recovery Manager in the Secretariat are expected to improve facilitation of loan recovery and this is expected to become effective. The Loan Fund will act as a revolving fund and students will now be obliged to pay back their loans, thereby benefitting other students in need in the future.

The Government under the Support to Higher Education Science and Technology Project (HEST) will continue with the expansion of infrastructure in various public universities (Mzuzu University, The Polytechnic and Chancellor College under the University of Malawi) and Four Technical Colleges namely Lilongwe, Salima, Soche and Nasawa where works are underway. The project is funded by African Development Bank, Nigerian Trust Fund and Malawi Government. This will ensure that there is increased enrolment and an improved learning environment in the targeted education institutions.

9.3 Education Budget Achievements 2015/16

9.3.1 2015/16 Education Budget

Since the withdrawal of development partners from the Sector Wide Approach (SWAp) process which had the Joint Financing Agreement (JFA), the Government has been funding all of the Ministry’s operations and most of its development budget. The overall approved budget for the Ministry of Education, Science and Technology for 2015/16 was MK172.6 billion and this was revised to MK164 billion, of which MK90.2 billion was for personal emoluments (PE), MK24.4 billion for Other Recurring Transactions (ORT) and the rest comprised subventions and the development budget. MK104.3 billion of the total revised budget was funded, and MK103.4 billion has been utilised, representing an absorptive rate of 99.1 percent.

Total budget for the Education Sector comprises MK90.2 billion for PE; MK24.2 billion for ORT supporting the Ministry Headquarters, Divisions, Teacher Training Colleges (TTCs), and districts; MK48.1 billion for education subventions; and MK10.2 billion for development composed of MK3.6 billion Part 2, which was revised downwards and MK6.6 billion Part 1. In terms of funding and absorption of the funds, MK68.7 billion has been funded for PE; ORT got a funding amounting to MK15.8 billion, of which MK15.5 billion has been utilised; and MK17.9 billion has been utilised for subventions.

9.3.2 Financial Performance for the Quarters and Year-to-Date

The table below is a summary of the funding and expenditure in the three quarters of 2015/16.

TABLE 9.2: FUNDING AND EXPENDITURE FOR THE THREE QUARTERS IN 2015/16

Education Sector Budget Analysis as of 31 March 2016- 2015/16 FY (in MK '000,000)

	Approved K Millions	Revised K Millions	Funding K Millions	Expenditure K Millions	% Budget Funded	% Funding Spent	%Budget Spent
PE							
MoEST: HQ & Depts.	891.1	891.1	832.8	832.8	*93*	*100.0*	*93.5*
Divs	16,581.0	16,581.0	9,855.7	9,855.7	*59*	*100.0*	*59.4*
TTCs	803.4	803.4	652.0	652.0	*81*	*100.0*	*81.2*
DEMs	71,905.3	71,905.3	57,370.2	57,370.2	*80*	*100.0*	*79.8*
Total PE	**90,180.8**	**90,180.8**	**68,710.7**	**68,710.7**	***76***	***100.0***	***76.2***
ORT							
MoEST:HQ & Depts.	6,751.4	5,795.4	2,817.3	2,767.3	*49*	*98.2*	*47.7*
Divs	4,005.5	4,005.5	2,573.6	2,348.5	*64*	*91.3*	*58.6*
TTC	3,790.0	3,220.0	1,837.1	1,780.2	*57*	*96.9*	*55.3*
DEMs ORT	9,598.5	9,598.5	8,584.9	8,584.9	*89*	*100.0*	*89.4*
Total ORT	**14,546.9**	**13,020.9**	**7,228.1**	**6,895.9**	***56***	***95.4***	***53.0***
Total ORT (MoEST Vote 250 plus DEMs)	**24,145.4**	**22,619.4**	**15,813.1**	**15,480.8**	***70***	***97.9***	***68.4***
Total Recurrent for Education Sector	**114,326.2**	**112,800.2**	**84,523.8**	**84,191.6**	***75***	***99.6***	***74.6***
Subventions	48,095.0	48,095.0	17,855.6	17,855.6	*37*	*100.0*	*37.1*
Dev. Part 1 MoEST	6,560.9	-	-	0	*0.0*	*0.0*	
Dev. Part 2 MoEST	3,600.0	3,065.0	1,895.4	1,315.2	*62*	*69.4*	*42.9*
Total for Education Sector	**172,582.1**	**163,960.2**	**104,274.7**	**103,362.3**	***64***	***99.1***	***63.0***

Source: MoEST

Note: DEM-District Education Manager; TTC-Teacher Training College; Divs-Divisions.

9.3.3 Funding by Treasury

Funding to the MoEST is provided by Treasury to Cost Centres (CCs) each month based on the monthly cash forecast requirements indicated to Treasury before the year starts, adjusted by any later forecasts. During the three quarters, Treasury funded a total of MK104.3 billion to CCs, representing 63 percent of the 2015/16 revised budget. As shown in the summary table, PE and ORT (HQ, Divisions, Secondary Schools and TTCs) are performing well with budget utilisation rates of 76.2 percent and 68.4 percent, respectively. However, budget utilization as compared to the funded amount, is lower than expected for Development Part 1 and 2 as projects have only utilised 42.9 percent of the budget by the end of the third quarter.

9.3.4 Discrete Development Projects

Funding from Discrete Partners (DPs) towards development projects is not included in the budget. Such DPs include AfDB, USAID, JICA and UNICEF. Financial resources from these partners are spent through their own bank accounts which are managed by their own project management units. The resources are, therefore, not accounted for within the government systems.

With funding from the Japanese Government, the Ministry is constructing Nalikule College of Education in Lilongwe. The College, when operational, is expected to reduce the problem of supply of secondary school teachers in the country. The college is set to open in September 2016. The Government is expected to contribute towards the construction of the sports facility whose resources will be included in the 2016/17 budget.

9.4 Key Implementation Challenges

The key challenges that the Ministry faced during the year under review are as follows:

1. Delays in funding: The Ministry faced inconsistencies in funding as dates for monthly funding kept on changing every time. This delayed funding negatively affected implementation of planned activities; and

2. Inadequate funding: Inadequate funds, for example, for the construction of laboratories and libraries in CDSSs, have led to downscaling of the number of CDSSs from the planned 100 to 33 CDSSs. The problem has been exacerbated by the withdrawal of support from development partners‘ to the Sector Wide Approach (SWAp) which has reduced the implementation of some programmes and projects.

Chapter 10

TOURISM

10.1 World Tourism Outlook in 2015 and Prospects of 2016

The direct contribution of the Tourism Sector to world GDP in 2015 was 3.0 percent and is forecast to rise by 3.3 percent in 2016, (World Travel and Tourism Council - WTTC, 2016). This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services, excluding commuter services. The main reasons for the weaker Travel and Tourism performance in 2015 include the increase in terror attacks and political instability in countries like Ukraine, Syria and Libya. As forecast by the WTTC, the direct contribution of Travel and Tourism to GDP is expected to grow by 4.2 percent per annum to 3.4 percent of GDP by 2026.

The total contribution of the Tourism Sector to GDP was US$7,170.3 billion in 2015 which is 9.8 percent of world GDP. This is expected to grow by 3.5 percent to US$7,420.5 billion, representing 9.8 percent of GDP in 2016. It is forecast that the total contribution of the sector to GDP will grow by 4.0 percent per annum to US$10,986.5 billion by 2026, representing 10.8 percent of GDP. Travel and Tourism also contributed significantly to global employment in the year, directly supporting 107,833,000 jobs which is 3.6 percent of total employment. This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services), restaurant and leisure industries directly supported by tourists. Travel and Tourism will directly account for 135,884,000 jobs by 2026, an increase of 2.1 percent per annum over the next ten years. It is forecast that the contribution will grow by 1.9 percent in 2016 to 109,864,000, representing 3.6 percent of total employment. Including jobs indirectly supported by the industry, the sector was responsible for 9.5 percent of total employment which translates to about 283,578,000 jobs. This is expected to rise by 2.2 percent in 2016 to 289,756,000 jobs which is 9.6 percent of total employment. By 2026, the sector is forecast to support 370,204,000 jobs which will be 11.0 percent of total employment, translating into an increase of 2.5 percent per annum over the period.

For the Africa region, the direct contribution of Travel and Tourism to GDP in 2015 was US$74.3 billion, about 3.3 percent of total GDP in 2014, and it is forecast to rise by 2.5 percent to US$76.2 billion in 2016. The total contribution of Travel and Tourism to GDP was US$180.0 billion in 2015, representing 8.1 percent of GDP and is expected to grow by 2.6 percent to US$184.7 billion, 8.0 percent of GDP in 2016. It is forecast to rise by 4.8 percent per annum to US$295.7 billion by 2026, which is 7.9 percent of GDP. In 2015, Travel and Tourism directly supported 9,083,000 jobs, representing 3 percent of total employment. It is forecast to grow by 0.3 percent to 9,113,500, which is 2.9 percent of total employment in 2016. Its total contribution to employment, including jobs indirectly supported by the industry, was 7.2 percent which translates to about 21,956,500 jobs. Visitor exports generated US$46.7 billion in 2015. Travel and Tourism investment in Africa was US$29.6 billion in 2015.

In the SADC region, Travel and Tourism directly generated US$19.0 billion, that is, 3.1 percent of total GDP in 2015. The total contribution of Travel and Tourism to GDP was US$54.2 billion in 2015, representing about 8.7 percent of GDP and is expected to grow by 3.0 percent to US$55.8 billion, which is 8.6 percent of GDP in 2016. In terms of employment, the sector directly supported 2.7 percent of total employment and this translates to about 2,383,000 jobs.

Spending by international tourists within the region for both business and leisure trips reached US$18.1 billion. This amount included spending on transport; but excluded international spending on education. Investment in the sector amounted to US$8.9 billion.

10.2 Tourism in Malawi

Tourism in Malawi directly contributed MK105.029 billion, which is 3.4 percent of GDP in 2015 and is forecast to rise by 2.9 percent to MK108.067 billion in 2016. The sector's total contribution to GDP was MK221.096 billion in 2015, which was 7.2 percent of GDP and is expected to grow by 4.2 percent to MK230.284 billion, 7.0 percent of GDP in 2016. In 2015, Travel and Tourism directly supported 205,000 jobs, representing 2.8 percent of total employment. The total contribution included 446,500 jobs indirectly supported by the industry, that is, 6.2 percent of total employment and this is forecast to grow by 0.9 percent to 207,000 jobs in 2016, which is 2.8 percent of total employment. By 2026, Travel and Tourism is forecast to support 634,000 jobs and this will be 6.0 percent of total employment, an increase of 3.4 percent per annum over the period.

Visitor exports, through about 850, 000 tourist arrivals, generated MK17.172.4 billion, in 2015. However, this is expected to fall by 2.5 percent in 2016, and the country is expected to attract 888,000 international tourist arrivals. By 2026, international tourist arrivals are forecast to total 1,327,000 generating expenditure of MK25.920 billion, an increase of 4.5 percent per annum. Investment in the sector amounted to about MK15.943 billion and this is expected to rise by 8.8 percent in 2016 and by 6.9 percent per annum over the next ten years to MK33.667 billion in 2026. Travel and Tourism's share of total national investment will rise from 3.1 percent in 2016 to 3.2 percent in 2026.

10.2.1 Major Achievements in the 2015/16 Financial Year

The Government of Malawi recognises tourism as an emerging sector with tremendous potential to contribute towards the country's socio-economic development. The Malawi Growth and Development Strategy (MGDS II) identifies tourism as one of key priority economic sectors in accelerating sustainable economic growth and infrastructure development. The mandate of the Department of Tourism is to optimise contribution of the tourism sector to national income, employment and foreign exchange earnings. Thus, the Department would ensure that tourism is developed and promoted in the manner that brings meaningful economic benefits to the areas visited, contributes effectively towards poverty reduction, and is sustainable and enjoyable to both present and future hosts and visitors. In pursuit of this mandate, the Department of Tourism achieved the following:

10.2.1.1 Policy Development and Planning

The Department commenced the implementation of The Malawi Tourism 2020 Strategy. The Plan focuses on three main areas:—

1. Improving the enabling environment by reducing barriers for new and operating businesses, addressing infrastructure challenges, strengthening public-private sector dialogue, and incentivising investment;
2. Strengthening Malawi's tourism offer by building a network of regional tourism committees to address gaps in tourism products and services; and
3. Growing international tourism demand for Malawi through the establishment of a public-private partnership destination marketing organisation that engages in best practices to inspire visitation by high-value travellers.

Secondly, efforts were also made to revise the Tourism Policy which is outdated. The draft tourism policy document has been developed to guide the growth of the sector. The policy calls for mainstreaming of tourism issues at all planning stages for an integrated growth of the sector and socio-economy of the country at large.

10.2.1.2 Marketing Initiatives

In order to attract foreign tourists, the Department undertook increased marketing campaigns in major source and regional markets including development of an upgraded and interactive website and hosting of international travel trade with an aim of increasing awareness of the destination and its various touristic attractions. On the domestic scene, special events and programmes under the theme "Tiziyamba Ndife A Malawi!" were undertaken to stimulate the spirit of travel amongst Malawians and as result more Malawians are patronising such events, and travelling during holiday breaks.

10.2.1.3 Quality Assurance

To improve the standard and quality of services in the tourism industry, the Government carried out inspection of 1,036 tourism enterprises During this exercise, 850 enterprises, representing 82 percent of the total, were licensed.

10.2.2 Challenges and Constraints to Development and Promotion of Tourism

The Tourism Sector in Malawi has great potential for growth. However, the sector continues to face a number of challenges that are frustrating its efforts to become one of the leading tourism and investment destinations in the region and the world at large. Some of the major challenges are:—

1. Inadequate resources to undertake meaningful tourism activities, for instance, marketing campaigns both locally and internationally, quality assurance activities, research and statistics and investment promotions;
2. Inadequate skilled manpower in the industry;
3. Limiting institutional set-up in which the Government acts as a policy maker, implementer and regulator;
4. Increased perceived health risks related to Malaria and Bilharzia incidences on water bodies which attracted negative international media publicity;
5. Lack of competitive and specific tourism investment incentives;
6. Unavailability of land for investment; and
7. Perceived high cost of travel into and out of the destination.

10.2.3 Plans for the Next Financial Year

In the 2016/17 financial year, the overall objective of the Tourism Sector shall be to increase awareness of Malawi both locally and internationally as a destination for leisure travel and tourism investment. The campaign aims at increasing visitors currently at 850,000 to 1,000,000 subsequently increasing visitor expenditure to over MK20 billion.

The Tourism Sector currently faces lack of data collection capacity. In order to increase data gathering and analytical capacity to support Tourism and Travel sector decision making, the Department of Tourism will continue with plans to develop a framework for the implementation of the Tourism Satellite Accounting (TSA) system which is a method of measuring the direct economic contribution of tourism consumption to a national economy and a standard framework for organising tourism statistics endorsed by the United Nations Statistical Commission and United Nations World Tourism Organization (UNWTO).

Furthermore, the Department plans to implement the following activities in the 2016/17 financial year:—

1. Adoption of National Tourism Policy and mainstreaming of tourism in all sectors because of its multiplier effects;
2. Intensification of marketing efforts to promote the country as a tourism and investment destination so as to compete effectively with countries in the region. As a matter of strategy, Malawi would like to make itself more visible in South African, the United Kingdom, the United States, Nordic and German markets;
3. On the domestic scene, awareness campaigns have been planned to instil the spirit of travel, eating out amongst Malawians and take pride in the natural assets that Malawi is endowed with so that Malawians become better ambassadors under the theme "Tiziyamba ndife a Malawi". This

programme shall complement the 'Buy Malawi' campaign that encourages promotion of Malawian products and services;

4. The Government will upgrade to bitumen standards the 4.8 km access road at Senga Bay in Salima district to ensure that there is seamless road network to all areas with touristic value;

5. To address the shortage of skilled personnel in the tourism and hospitality sector, the Government will commence the construction of the ultra-modern Malawi Institute of Tourism Lilongwe Campus at Lingadzi Inn to churn out enough skilled manpower to meet the ever-growing labour demand of the sector. In addition, short-term up-skilling training programmes have been planned targeting those already working and employed in the travel and tourism sector to improve service delivery and instil customer confidence in Malawi's tourism product;

6. The sector will continue the implementation of the star grading system to all gradable hotels and lodges to be in line with international standards;

7. The sector will also continue to inspect tourism units for compliance to minimum standards;

8. Visitor surveys and tourism research will be undertaken to produce tourism statistical reports that drive policy and decision making at all levels; and

9. In order to improve the public and private sectors dialogue, the Tourism Indaba will be organised where various stakeholders shall be brought together to drive the tourism agenda forward.

Chapter 11

INTERGATED RURAL DEVELOPMENT

11.1 Overview

The Malawi Growth and Development Strategy II recognizes that broad based economic growth can only be attained if the rural poor, who are the majority, fully participate in the political, social and economic activities. The MGDS II has, therefore, identified Integrated Rural Development (IRD) as one of the nine key priority areas that can transform rural areas into politically, socially and economically viable enclaves that can contribute positively to the reduction of poverty and overall sustainable development in Malawi.

Recently, there has been a consensus among stakeholders about the importance of decentralization in facilitating the implementation of Integrated Rural Development initiatives on a sustainable basis. In this regard, a functioning decentralized system of local governance is considered as a critical prerequisite for potential success of the Integrated Rural Development. Several reasons were advanced by stakeholders that justified a functional decentralized local governance system as critical for IRD success. Most stakeholders argued that decentralization provides an institutionalized and predictable framework for organizing, coordinating, implementing, monitoring and evaluating grass-root development efforts as well as bringing the government machinery closer to the people. In addition, decentralization empowers the people and, therefore, it is a catalyst for sustainable development.

In view of this, the Government of Malawi has adopted the implementation of Rural Growth Centres (RGCs) Development Programme and the construction of market centres both in the rural and semi-urban centres as critical development components within the realm of IRD. In order to achieve this important objective, the Ministry continued implementing various activities during the 2015/16 fiscal year and plans to undertake several activities in the 2016/17 fiscal year.

This report highlights the activities that have been implemented during the 2015/16 fiscal year in tandem with the strategic focus areas of the Ministry.

11.2 Major Achievements during the 2015/16 Financial Year

The following are some of the highlights with regards to major achievements and plans for the Integrated Rural Development sector:

11.2.1 Rural Growth Centres (RGCs) Development Programme

Rural Development is at the centre of poverty reduction in rural areas. The Rural Growth Centres (RCGs) have proven to have potential to generate economic gains which can lead to improvements in rural livelihoods in both medium and long term. In the 2015/16 fiscal year, the Government completed the construction of basic social infrastructure in two of the RGCs at Neno and Nthalire in Chitipa District and the facilities are currently in use. Although the development of these RGCs has potential to generate economic gains, access to these centres has remained a challenge due to poor road networks. Lack of such requisite infrastructure has the potential to discourage investors and traders, hence turning the RGC infrastructures into white elephants.

TABLE 11.1: ACHIEVEMENTS AND CURRENT STATUS OF RURAL GROWTH CENTERS IN MALAWI

Name of the RGC	Completed Structures	Outstanding works	Remarks
1. Nthalire	1. Community hall 2. Bus depot 3. Library 4. Police unit and staff houses 5. Community Ground	No outstanding works	The structures are operational but final payment has not been made to the contractor because the contractor disputed the final account.
2. Nambuma	1. Community hall 2. Bus depot 3. Library 4. Community ground 5. Police Unit 6. Health Centre	1. Power connection 2. Final painting and flooring of the Health Centre is still outstanding because of the implication of the contractor in the cash gate scandal. 3. VIP stand for the stadium 4. Fixing shelves for the library	1. Ready for use although power is not connected. However, the service provider has already been paid. 2. Police Unit is now in use 3. Contractor is asking for the revision of the contract to complete the VIP stand and the fixing of shelves.
3. Chitekesa	1. Market kiosks 2. Market sheds 3. Bus depot	1. Community Hall and library at roofing stage 2. Community ground 3. Perimeter fence	Construction works stalled due to contractor asking for revision of rates.
4.Chapananga	1. Market kiosks 2. Market sheds 3. Bus depot	1. Community Hall 2. Community ground 3. Library	The construction works stalled due to freezing of accounts of contractors and currently the Ministry is waiting for direction on legal issues on the same from Ministry of Justice and Constitutional Affairs.
5. Mkanda	1. Market kiosks 2. Market sheds 3. Bus depo	1. Community Hall 2. Community ground 3. Library	The construction works stalled due to freezing of accounts of contractors and currently the. Ministry is awaiting for direction on legal issues on the same.
6. Neno	1. Community Hall 2. Community Stadium 3. Library 4. Bus depot 5. Guardian Shelter 6. Kitchen and Toilets	Minor defects that need attention.	Ministry to revive the deferred official opening.

Source: Ministry of Local Government and Rural Development Reports

As reported in the previous reporting period, Phase I of construction works reached 92 percent completion rate at Mkanda and Chapananga RGCs in Mchinji and Chikhwawa districts, respectively. However, progress has stalled as contractors' accounts were frozen due to ongoing investigations on cashgate. As such, the Ministry is still waiting for strategic direction and guidance on the way forward from Ministry of Justice and Constitutional Affairs.

For some projects such as Chitekesa RGC, Phase I has been completed and Phase II of the implementation process has commenced. However, construction works stalled when the site was used as a shelter camp by flood victims. Following the relocation of flood victims, the contractor refused to commence construction works demanding the revision of the contracts to accommodate inflation and depreciation of the local currency which has rendered building materials expensive. The proposed revised rates have since been submitted to the Director of Buildings who has in turn advised the contractor to resubmit the request after certain amendments were effected.

Despite these challenges, the Government is committed to achieving the successful completion of these projects because of their potential in curbing rural-urban migration. It is envisaged that the investments made in RGC will create a conducive environment for the rural populace to accept these areas as a better place to live in rather than migrating to urban areas for greener pastures. The Ministry, therefore, expects these challenges to be resolved swiftly so that construction works can recommence in all sites that stalled and be completed in the 2016/17 fiscal year.

Table 11.1 depicts progress achieved during the implementation of the RGCs in the year under review (2015/16). Despite significant progress that has been registered in some project sites, it can be noted that the effects of the cashgate scandal and its requisite legal battles still continue to haunt progress of implementation in some sites.

11.2.2 Markets Development Programme (Urban and Rural Markets)

During the 2015/16 fiscal year, the Government finalised the construction of Nkhamenya market in Kasungu District and commenced the processes of having the infrastructures installed with electricity at Ekwendeni and Enukweni markets in Mzimba District, Limbuli and Matawale markets in Mulanje District and Zomba City Councils, respectively. Apart from Nsanje Market whose construction works is about to commence, construction of infrastructure in most project sites is almost complete save for the installation of electricity.

Table 11.2 summarises the progress achieved so far in the implementation of the Urban and Rural Markets. The analysis in Table 11.2 reveals that although construction of most of the markets is complete, traders continue to shun the facilities due to outstanding basic amenities such as connection to electricity, water and access roads. This revelation demonstrates the importance of integrating some of the key stakeholders such as Ministry of Transport and Infrastructure Development and utility providers such as ESCOM and Water Boards during the planning stages of such huge investments in order to curb such challenges. In this regard, the notion of IRD can generate quick wins if completion of such projects would be fully fledged without outstanding issues.

TABLE 11.2: PROCESSES UNDER MARKET CONSTRUCTION

Name of Market	Completed Structures	Outstanding works	Remarks
1. Matawale	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Butchery 5. Fence 6. Market Pavements	Power Connection by ESCOM	Ready for use though power is not connected.
2. Ekwendeni	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Butchery 5. Bus depot	Power Connection by ESCOM	Ready for use but power is not yet connected but the service provider has been paid.
3. Enukweni	1. Market Kiosks 2. Market sheds 3. Bus depot 4. Slaughter house 5. Water pump 6. Butchery	None but structures were vandalised due to non occupancy	Council is working on the vandalised structures.
4. Dwangwa	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Bus depot 5. Fence	1. Connection to electricity to bus depot which is waiting re-routing of ESCOM facilities. 2. Two more additional structures which were not from initial design (Restaurant and Butchery).	1. The market was competed and formally opened by the President of the Republic of Malawi. 2. The two additional structures are being constructed with funding from the Development Fund for Local Authorities (DFLA).
5. Nkhamenya	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery	1. Power Connection by ESCOM who promised to supply the transformed by January 2016. 2. Water connection.	1. Quotation was submitted to the Ministry but awaiting for payments 2. The council is working on water supply
6. Limbuli	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Bus terminal	Power Connection by ESCOM	Ready for use but power is not yet connected although the service provider has been paid. ESCOM promised to provide transformers by January 2016 and the Council is currently procuring the works of a solar powered borehole to supplement the low pressure of Southern Region Water Board.
7. Nsanje	No completed structure	1. Market 2. Bus depot 3. Markets sheds 4. Butchery	The project has stalled due to cuts in budget allocations and the contractor then asked for a revision of the rates due to time that elapsed since August 2013 when the contract was signed. Consent was given to the contractor's request and the contractor has now embarked on the re-mobilisation process.

Source: Ministry of Local Government and Rural Development Reports

11.3 National Decentralization Programme II (NDPII)

The Government is committed to decentralising functions to local authorities as a means of promoting local governance and accelerating participatory democracy. Under this programme, almost 17 sectors, including Agriculture, Health, Education, Environment, Forestry, Fisheries, Housing, Water, Lands, Transport and Infrastructure Development, Gender and Community Services, National Registration Bureau, Labour, Trade, Youth and Sports, Irrigation and Immigration, have devolved to local councils. Funds for these devolved sectors are disbursed directly to local councils.

In conformity with the Public Service Reforms Programme, the Ministry also registered significant progress in the devolution of the development budget and the devolution of human resources to the local authorities.

TABLE 11.3: ACHIEVEMENT AND CURRENT STATUS ON COMPLETE DEVOLUTION OF FUNCTIONS TO COUNCILS

Output	Currents Status	Remarks
Sectors devolved	17 Sectors have devolved their functions to Local Authorities.	The Ministry has planned to continue supporting the devolution process of the remaining sectors during the 2016/17 fiscal year.
Enhanced Participation and ownership of Local Level Development Programmes	Three Socio-Economic Profiles (SEPs) and District Development Plans (DDPs) have been updated and aligned to MGDS II. These include Dowa, Likoma and Chiradzulu district councils' SEP's and DDP's. Cumulatively, this development translates into 24 local councils having updated Local Development Plans.	Only 4 out of 28 district councils have not updated their SEPs/DDPs but the Ministry has planned to backstop this process during the 2016/17 fiscal year.
Integrated Financial Management Information Systems (IFMIS) rolled out.	28 Councils have operational IFMIS.	Frequent monitoring visits are undertaken to assess the performance of IFMIS in local councils.

Source: Ministry of Local Government and Rural Development Reports

11.4 Major Plans for the 2016/17 Fiscal Year

During the 2016/17 fiscal year, the Ministry under the Rural Growth Centre Development Programme will continue construction works at Chitekesa, Mkanda and Chapananga in Phalombe, Mchinji and Chikwawa districts, respectively, while under construction of rural and urban markets, the Ministry will embark on the construction of Nsanje market. Furthermore, the Ministry will continue to facilitate devolution of functions to local councils. The Ministry of Local Government and Rural Development intends to update and align the Social Economic Profiles (SEPs) and the District Development Plans (DDPs) to the successor National Development Strategy and the Sustainable Development Goals (SDGs).

11.5 Opportunities and Challenges

11.5.1 Opportunities

The fact that Integrated Rural Development is one of the nine key priorities in the MGDS II offers major opportunities to resuscitate rural economies and transform them into potential engines of economic growth. This will contribute to sustainable growth and result in re-distribution of wealth to all citizens while also mitigating the negative consequences of rural-urban migration.

Another opportunity noted is the collaboration with the Department of Buildings in the Ministry of Lands, Housing and Urban Development. This has ensured availability of technical expertise in the councils.

Finally, the impeding factors toward the implementation of these projects are being discussed and tackled, for instance, legal direction on the freezing of accounts of the contractors and also steady funding despite budget cuts on resource allocation towards these projects.

11.5.2 Challenges

The construction of Rural Growth Centres and Markets in the year under review experienced the following challenges and risks:—

1. The main challenge has been inadequate budgetary allocation and low funding. The typical Rural Growth Centre and market are supposed to have a network of access roads to various social infrastructures constructed at a centre. These access roads are not provided for in the budget for construction. This has been evidenced at Ekwendeni and Enukweni where vendors are refusing to occupy the markets due to a poor road network;

2. Delays on giving legal direction on the way forward on the freezing of accounts of contractors due to cashgate has derailed the construction works at Chapanaga and Mkanda Rural Growth Centres;

3. Use of local contractors is yet another challenge since most of the local contractors have inadequate capacity to deliver projects outputs as per the contract agreement. This scenario leads to an increase in overhead costs for the projects like Nthalire and Nambuma RGCs;

4. The change in design of infrastructure to include the needs for additional facilities is not easy to accommodate. This is a problem when it comes to construction of additional infrastructures at a particular centre and tends to delay execution of works by the contractors;

5. There have been cost escalations for project construction materials which exert pressure on the budget. This directly delays project implementation and leads to long duration of project execution;
6. Delays in compensation in most sites have affected the progress, hence delayed execution of works by the contractor; and
7. There is slow pace of decentralization due to inadequate skills and unpredictable and erratic provision of resources.

Chapter 12

PUBLIC HEALTH, NUTRITION, HIV AND AIDS MANAGEMENT

12.1 Overview

This chapter reviews the performance and highlights some of the major developments regarding public health, nutrition and HIV and AIDS management. It comes in the final year (2011-2016) of implementing the Health Sector Strategic Plan (HSSP).

12.2 Public Health

According to the World Health Organization (WHO), health is a state of complete physical, mental and social well-being and not merely the absence of disease and infirmity.

12.2.1 Major Developments on Health Indicators

For the first three quarters of the 2015/16 fiscal year, the Out-patient Department (ODP) Utilisation Rate was at 940 visits per 1,000 people in the population. In total, there were 12,294,838 OPD attendances, 940,546 hospital admissions and 574,497 in-patient deaths. Maternal, neo-natal and child health, which are key in managing population growth, remain a priority for the Ministry.

In 2013/14 fiscal year, the MDG Endline Survey (MES) showed that the Maternal Mortality Ratio (MMR) declined from 675 deaths per 100,000 live births in 2010 to 574 deaths per 100,000 live births in 2013/14 (NSO, 2011). However, the WHO estimates an MMR of 634 deaths per 100,000 live births in 2015. The MES reported a Full Immunisation Coverage of 71.5 percent in 2014)NSO, 2015). By the end of the third quarter of this fiscal year around 60 percent of children below 12 months were fully immunised.

The Government is progressively winning the fight against Malaria with a reduction in prevalence from 484 in 2011 to 319 in 2015. The rate is even lower for the first 9 months of the 2015/16 fiscal year and this was 284 cases per 1,000 people. Despite this progress in combating Malaria, some challenges still exist. Admittedly, the progress is slow with some districts still recording high incidence rates. To make considerable gains, a focused approach may be necessary to address the high incidence rates of Malaria in the top ten districts including Mwanza, Nkhotakota, Nkhata Bay, Salima, Likoma, Neno, Ntchisi, Karonga, Rumphi and Nsanje.

12.2.2 Improving Access and Coverage of Services

The Government approved a budget of MK6.5 billion for health infrastructure development in the 2015/16 financial year to facilitate the implementation of on-going infrastructure projects under the Ministry of Health (MoH). The major focus areas include construction of staff houses in rural health facilities, rehabilitation of central and district hospitals as well as construction of new health facilities. As of the mid-year budget review in January 2016, the Ministry of Health was funded a total of MK1.77 billion, representing a 27 percent disbursement rate. This low funding rate did not meet the cash flow requirements for the Ministry to efficiently and adequately implement various projects activities. Consequently, progress in most infrastructure projects has been negatively affected.

12.2.2.1 Progress in Main Construction Works

The health infrastructure projects currently being implemented by the Ministry of Health under the Government-funded Public Sector Investment Programme (PSIP) are categorised as follows:—

1. Under the Umoyo Housing Project Phase 2, the Ministry of Health is constructing 140 staff houses in various sites countrywide and doctors' flats in four central hospitals. In general, progress in these projects has stagnated at an average of 60 percent, largely due to low and inadequate funding to settle both current and accumulated outstanding payments to contractors. However, there is an opportunity to finalise the remaining project works with the coming in of the Health Sector Joint Fund, which has put considerable attention to health infrastructure development;

2. Finalisation of construction works for the new Nkhata Bay District Hospital and commencement of construction works for the new Phalombe District Hospital were prioritised. The Nkhata Bay District Hospital has partially started operating while finalisation of other few remaining works is in progress. On the other hand, construction of the Phalombe District Hospital has not yet commenced because the contractor has not yet been procured;

3. The on-going construction of 15 health centres has been affected by low funding leading to inability to settle both current and accumulated outstanding payments to contractors. Very little progress has been registered in the current financial year in this regard; and

4. Rehabilitation works were planned for all the four central hospitals, that is, Queen Elizabeth Central Hospital (QECH), Zomba Central Hospital (ZCH), Kamuzu Central Hospital (KCH), and Mzuzu Central Hospital (MCH) as well as Zomba Mental Hospital. Very little progress has also been achieved under these in the current financial year. Notably Zomba Central Hospital has managed to re-assess and cost the new scope of works for its rehabilitation needs. Under district hospital rehabilitations, Nsanje, Balaka, Kasungu and Chitipa district hospitals were targeted with new scope of rehabilitation works prioritised but to date no rehabilitation works have commenced.

12.2.3 Medicines and Medical Supplies

Despite early improvements in supplies, there are apparent setbacks including inadequate storage facilities, drug pilferage and general financing gaps for essential medicines and supplies. For example, the overall funding gap for medicines (resources allocated minus costs) was estimated at 64,533,811,950 or an 84.15 percent shortfall in 2015/16 financial year. This is an underestimation of the true resource gap mainly due to difficulties in quantifying actual clinical need as opposed to what services were accessed. The existing barriers to service use, especially limitations in human resources and inadequate infrastructure, imply that what is observed as utilisation is an underestimation of the true need. Furthermore, resources required especially in service streams like mental health and family planning are not adequately captured in the HSSP. Similarly, the resources database was not finalised and it is suspected that resources available were underestimated and costs were overestimated.

12.2.4 Human Resources for Health (HRH)

Malawi remains one of the World Health Organisation's priority countries which fails to meet the minimum threshold of 23 doctors, nurses, and midwives per 10,000 population necessary to deliver essential maternal and child health services. The total health workforce will remain unknown until another comprehensive human resources census is conducted. The last HRH census was conducted in 2008 with funding from the Global Fund. Table 12.1 below shows the Ministry of Health staff establishment and summary of vacancy rates for some selected health cadres as of 2012.

TABLE 12.1: SUMMARY OF ESTABLISHED VERSUS FILLED POSTS SERVICE

Description	Established Posts	Filled	Vacancy Rate (%)
Planning & policy development	626	76	*88*
Preventive health services	7 553	5 136	*32*
Nursing	13 669	3 545	*74*
Pharmacy	545	161	*70*
Allied health technical services	1 143	381	*67*
Allied health services – clinical officers	4 491	1 643	*63*
Medical specialists	228	32	*86*
Medical officers	344	168	*51*
Internal audit services	16	7	*56*
Accounting services	421	315	*25*
Administration services	6 732	4 261	*37*
Total for all service areas	**42 309**	**20 365**	***52***

Source: Ministry of Health, 2012

This human resources shortage is partly exacerbated by the failure to train adequate numbers of health workers and inability to retain those who are already in the system. Non-technical support personnel, including Health Surveillance Assistants (HSAs), account for over 60 percent of the Ministry's Staff Establishment. According to the HSSP, Malawi is confronted with a heavy burden of diseases, evidenced by high levels of child and adult mortality rates and a high prevalence of tuberculosis (TB), Malaria, HIV and AIDS, and other tropical diseases. The escalating double burden of disease has worsened. This is evidenced by reported new cases of HIV and TB and increasing rates of HIV and TB co-infection.

12.2.5 Place and Assistance During Delivery

As of September 2015, 124,983 women were admitted for delivery to maternity and 7,272 were referred to another facility before delivery, resulting in 132,255 total admissions to maternity during this period. Out of all admissions, 124,100 (96 percent) delivered at health facilities, while 4,867 (4 percent) had already delivered before reaching a facility. The 124,100 facility deliveries represent 75 percent of the estimated 166,000 quarterly deliveries in the population in 2015. This is less than the 83 percent reported in the Integrated Household Survey Report of 2010-2011.

A total of 121,450 (96 percent) deliveries were conducted by skilled birth attendants, 604 (less than one percent) by paramedical staff and 4,605 (4 percent) were not attended by any of the above. 16,310 (12 percent) of women developed obstetric complications. The most common complications were obstructed/prolonged labour (5,637 cases) and post-partum haemorrhage (1,811 cases). A total of 128,967 babies were born, 124,549 (97 percent) were singletons and 4,418 (3 percent) were twins/multiples. There were 126,776 (98 percent) live births and 2,191 (2 percent) stillbirths. 125,653 (99 percent) of babies born alive were discharged alive and 1,123 (1 percent) died before discharge. 126,556 (more than 99 percent) of women were discharged alive and 103 (less than one percent) women died before discharge, which is equivalent to a maternal mortality ratio of 81 per 100,000 live births among women attending maternity.

12.2.6 Health Sector Strategic Plan (HSSP) Financing

Table 12.2 below relates HSSP (2011-2016) financing requirements to what was available from the Government and what was available in the health sector as a whole. HSSP (2011-2016) financial requirements were at least 1.4 times higher than total available resources in the health sector and at least 3 times higher than the Government health budget for all the Fiscal Years. The government health budget increased nominally over the HSSP (2011-2016) period while the percentage of the national budget allocated to health hovered around an average of 10 percent as shown in the Table. There were, therefore, insufficient resources in the Malawi health sector to meet HSSP targets. Progress towards HSSP targets could also have been moderated by the high likelihood that a significant proportion of health sector resources did not implement HSSP priorities. Due to the large number of implementers of development partner funds and lack of accountability for result mechanisms for the implementers, it is also likely that there was poor coordination and duplication, leading to further diminishing the effectiveness of healthcare resources.

TABLE 12.2: HSSP RESOURCE REQUIREMENTS AND RESOURCE MAPPING ESTIMATES

	2011/12	2012/13	2013/14	2014/15	2015/16
HSSP Financial Projections (US$)*	787,000,000	845,000,000	926,000,000	1,007,000,000	1,042,000,000
Resource Mapping Estimates (US$)	545,243,840	558,079,959	599,707,398	641,638,706	635,822,045
MoH Total Budget (US$)	213,467,927	185,624,824	153,391,077	192,292,270	159,960,743
Govt. Exp. on Health as % of National Budget	*11%*	*12%*	*9%*	*11%*	*12%*

Source: Resource mapping rounds 1 to 4, MoH Budget files, Ministry of Finance budget statements

*HSSP Financial Projections based on mid-term re-costing of the HSSP

12.3 Nutrition, HIV and AIDS

The Government recognises that a healthy population is necessary for sustainable economic growth and development. Improving nutrition of a country's population has significant economic and social benefits as it reduces morbidity and mortality, improves the learning capacity of school children and increases productivity of the general population. To ensure an adequate nutrition and HIV-free population, the Government, through the Department of Nutrition, HIV and AIDS, has been implementing programmes, projects and strategies that fall under priority area five of the MGDS II, that is, Public Health, Sanitation, Malaria and HIV and AIDS Management and Theme two of Social Development particularly Sub-theme six of Nutrition.

12.3.1 Nutrition

High levels of malnutrition in the country are believed to be one of the underlying causes of under-development and increased cycles of poverty. A recent study in 2012 on the cost of hunger revealed that Malawi loses 10.3 percent of its GDP every year due to under-nutrition. However, efforts are in place to curb the situation and some progress has been made on nutrition status in Malawi. The Government supports the scaling up nutrition (SUN) movement in a bid to end stunting in a child's first 1,000 days of life. Despite such efforts, micronutrient deficiencies and stunting are still persistent in the country. The Malawi Millennium Development Goals (MDG) Endline Survey of 2014 rates malnutrition very high in Malawi with stunting, wasting and underweight being among the highest in the world.

TABLE 12.3: TRENDS IN SITUATION OF NUTRITION INDICATORS IN PERCENTAGE, 1992 TO 2014

Year	1992	2000	2004	2010	2014*
Stunting	*48.7*	*49.0*	*48.0*	*47.1*	*42.4*
Underweight	*27.2*	*25.0*	*22.0*	*12.8*	*16.7*
Wasting	*5.4*	*5.5*	*5.0*	*4.0*	*3.8*

Source: DHS (1992, 2000, 2004, 2010) and *MDG Endline Survey, 2014

According to the 2010 Demographic and Health Survey (DHS) Report, stunting is increasing in some districts despite being on a general decline in the country. These include Blantyre, Lilongwe, Salima and Nkhotakota districts. Rural-urban migration and the concentration of nutrition programmes in rural areas could explain such findings, as recent studies indicate high prevalence of stunting in urban and semi-urban areas. It should, however, be stressed that such findings need to be studied further.

12.3.1.2 Nutrition Sub-Sector Achievements

In a bid to make an impact on the nutrition status of the country, the nutrition sub-sector implements its programmes according to four thematic areas: i) Creation of an Enabling Environment; ii) Prevention of Nutrition Disorders; iii) Treatment of Nutrition Disorders; and iv) Community Nutrition. In the period under review the Nutrition sub-sector attained the following achievements:

12.3.1.2.1 Creation of an Enabling Environment

1. Translated a community training manual for frontline workers and community volunteers;
2. Reviewed Guidelines for Community Management of Acute Malnutrition (CMAM);
3. Developed a Nutrition Resource Tracking System;
4. Developed and rolled out the two plans for Micronutrient Powder and Emergency;
5. Developed a Micronutrient Strategy;
6. Conducted high level advocacy meetings with national assembly (193 parliamentarians) and over 100 stakeholders on the cost of under-nutrition;
7. Conducted a micronutrient survey;
8. Conducted a national research dissemination conference;
9. Conducted bi-annual national SUN learning fora for experience sharing;
10. The review of the National Nutrition Policy and Strategic Plan is currently in progress and at an advanced stage;
11. Organised a national nutrition committee meeting where sector priorities were set and were aligned to the results framework;
12. Over 9,800 community workers were trained in nutrition programmes; and
13. Revamped the District Nutrition Coordination Committee (DNCC) in all the 28 districts.

12.3.1.2.2 Prevention of Nutrition Disorders

1. 75,000 nutrition promotion materials were produced and disseminated. This represents 100 percent achievement on the planned target for the year and a 477 percent increase from last year's 13,000;
2. 1,524,600 pupils from various primary schools across the country benefited from the school meals programme, a decline from 1,620,216 who benefited from the programme in the previous year;
3. 2,908,069 under-five children and lactating mothers were reached with Vitamin A supplementation, a decline from 3,500,000 in the previous year;
4. Trained 26 National Nutrition Officers, taken from line ministries, in code monitoring of breast milk substitutes;
5. Printed and distributed 21,000 community counselling cards on maternal health and nutrition, sanitation and hygiene to reach approximately 2,100,000 care givers;
6. All 28 districts in the country rolled out Scaling Up Nutrition (SUN) interventions as planned; and
7. Various nutrition messages on stunting, anaemia, malaria and family planning were developed and aired on seven national and community radios.

12.3.1.2.3 Treatment of Nutrition Disorders

1. 35,443 Severe Acute Malnutrition cases were admitted in CMAM facilities, an increase from last year's 35,000;
2. 61,129 cases of Moderate Acute Malnutrition were treated under the Supplementary Feeding Programme; and
3. 31,454 PLHIV, TB patients and other chronically ill patients were provided with nutrition supplements, representing a 150 percent increase from 12,580 cases in the preceding year.

12.3.1.2.4 Community Nutrition

1. Rolled out community-based nutrition to 13 districts;
2. 319,978 children were reached with key high impact nutrition interventions in 13 districts; and
3. 2,254 community care groups were established in the 13 districts for implementation of household and community nutrition interventions.

12.3.2 HIV and AIDS

Malawi has in the recent past witnessed significant progress in the delivery of HIV prevention, care, treatment and programme strengthening interventions which have led to the decline in new HIV infections. According to UNAIDS HIV Estimates, Malawi has seen a tremendous reduction in the HIV prevalence from 16 percent in the late 1990s to 12 percent in 2004, 10.6 percent in 2010 and currently it is estimated at 10.3 percent in 2014. SPECTRUM modelling also estimates that 26,000 to 34,000 new infections occurred in 2015 as indicated in Table 12.4 below.

TABLE 12.4: MODELLED ESTIMATES OF NEW HIV INFECTIONS PER YEAR AND NUMBER OF PLHIV (ALL AGES)

Description	2010	2011	2012	2013	2014	2015	2016
No. of PLHIV	65,001	58,918	50,611	45,600	41,814	37,558	34,232
New infection	1,049,024	1,054,615	1,056,400	1,060,072	1,063,914	1,064,848	1,065,491

Source: National Aids Commission (NAC) SPECTRUM Estimates, 2016

12.3.2.1 HIV Testing and Counselling

625,803 people were tested and counselled for HIV between July and September 2015. Testing outputs increased by 27 percent from the last quarter of the 2014/15 fiscal year. This was most likely due to the deployment of new dedicated staff (HIV Diagnostic Assistants - HDAs) to about 200 facilities. HDAs are currently hired by PEPFAR implementing partner organisations and seconded to public sector facilities, primarily to boost routine provider-initiated HIV testing for patients. 586,926 (94 percent) of all tests were performed at health facilities, 14,563 (2 percent) were done in stand-alone HIV Testing and Counselling (HTC) sites and 24,314 (4 percent) were done outside facilities/in the community. Out of 34,966 people newly-diagnosed with HIV this quarter, 93 percent were tested at health facilities, 3 percent at standalone HTC sites and 4 percent in a community-based testing.

12.3.2.2 Anti-retroviral Therapy (ART)

43,217 (22 percent) of all patients ever registered were retained in pre-ART follow-up by the end of September 2015; 102,297 (53 percent) had started ART; 46,939 (24 percent) had been lost after follow-up; and 1,917 (1 percent) were known to have died. The proportion of patients starting ART is expected to increase. A total of 1,593 persons received Post Exposure Prophylaxis (taking anti-retroviral medications, ARVs) as soon as possible after exposure to HIV so that the exposure will not result in HIV infection during the third quarter of 2015. This is a 13 percent increase from the previous quarter (1,408).

12.3.2.3 Prevention of Mother to Child Transmission (PMTCT) of HIV

The implementation of PMTCT Option B+5 has effectively integrated PMTCT and ART services. The program aims to initiate lifelong ART for all HIV infected women as early as possible in pregnancy. ART may be started and continued at antenatal clinic (ANC), labour and delivery and at ART clinics. All infants born to HIV-infected women are supposed to start daily Nevirapine (NVP) prophylaxis for the first 6 weeks of life. Nevirapine syrup is given to women at ANC at the earliest opportunity to take home with instructions on how to give it to the new-born. As of September, 2015, 79 percent of the estimated 14,926 HIV infected pregnant women in Malawi were on ART. This is based on 7,031 women at maternity who were already on ART when getting pregnant and 4,792 women who newly initiated ART in pregnancy. This is a slight increase in ART coverage from 70 percent in the last quarter of 2014/15 fiscal year.

12.3.2.4 Tuberculosis (TB) and HIV Interventions

TB is one of the most important HIV-related diseases in Malawi and a considerable proportion of deaths on ART are attributed to undiagnosed TB. 577,441 (98 percent) of all patients retained on ART were screened for TB at their last visit before end of September 2015. As of that visit, 3,270 (1 percent) patients were new TB suspects and had presumably been referred for examination by a clinician and for TB investigations. 802 (less than one percent) patients were confirmed TB (clinical or lab based) cases. Out of these, 729 (91 percent) were confirmed to be on TB treatment and 73 (9 percent) had not yet started or had interrupted TB treatment.

12.3.2.5 Exposed Children Follow-up

11,357 HIV-exposed children were newly enrolled into follow-up as of September 2015. 7,558 (67 percent) of these were under the age of 2 months. This represents timely enrolment for 84 percent of the 9,019 known HIV-exposed children discharged from maternity.

12.3.2.6 HIV and AIDS Sub-Sector Achiements

It is expected that the Government of Malawi will intensify its fight against the pandemic in order to meet the UNAIDS 90-90-90 treatment targets. In order to meet such targets, the HIV and AIDS sub-sector has the following priority areas; i) Prevention; ii) Treatment, Care and Support; iii) Impact Mitigation; iv) Protection, Participation, Empowerment of PLHIV and Other Vulnerable Populations; v) Mainstreaming and Linkages; vi) Sustaining National HIV and AIDS Research Agenda; vii) Monitoring and Evaluation, viii) Comprehensive Multi-sectoral and Multi-disciplinary Response to HIV and AIDS; and Capacity Development. During the period under review, the HIV and AIDS sub-sector in collaboration with various stakeholders registered the following milestones:

12.3.2.6.1 Prevention

1. 58 weekly radio programmes carrying HIV and AIDS prevention messages were aired on community and national radios;

2. 277 radio slots addressing key drivers of the epidemic were produced by different implementing partners;

3. 1,852 youth friendly health service providers were trained on youth uptake of HIV and AIDS and other health services;

4. Condom use in the country continues to show an upward trend yearly. 54,631,223 free condoms were procured and distributed to end users and 16,377,603 socially-marketed condoms were distributed, of which 67,248 were female condoms.

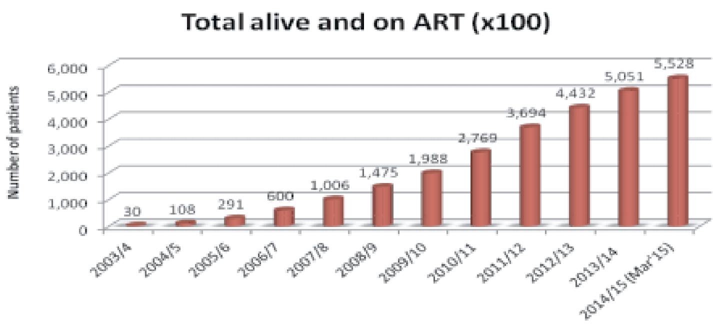
5. 68,059 Voluntary Male Medical Circumcision procedures were conducted. This shows a significant drop from 83,847 who underwent the procedure in 2013/14 fiscal year; and

6. 85 percent of infected pregnant women were initiated on ART to reduce the risk of vertical transmission of HIV. This also represents a drop from 93 percent who were initiated on anti-retroviral therapy (ART) during the same period in 2013/14.

12.3.2.6.2 Treatment, Care and Support

1. 552,805 patients were on ART, representing 55 percent of the estimated PLHIV in the country. The number of PLHIV on ART has been increasing for the previous ten years as depicted in the Figure 12.1 below;

FIGURE 12.1: PATIENTS ALIVE AND ON ART, 2004-2014



Source: Department of Nutrition, HIV and AIDS

2. 76 percent of adults and 77 percent of children on ART were retained alive and were on ART after a 12 month period. This represents a significant rise from 70 percent in 2013/14 fiscal year. In addition, AIDS-related deaths has declined from over 30,000 in 2015 to 29,363 over the period under review as indicated in Table 12.5 below; and

3. 518 Community Home Based Care service providers were trained in palliative care and psychosocial support.

TABLE 12.5: NUMBER OF HIV-RELATED DEATHS (ALL AGES)

2010	2011	2012	2013	2014	2015	2016
51,027	46,482	41,978	36,198	32,603	30,765	29,363

Source: National Aids Commission (NAC) SPECTRUM Estimates, 2016

12.3.2.6.3 Impact Mitigation

1. 3,762 Orphans and Vulnerable Children (OVC) affected by HIV and AIDS were provided with education bursaries, an improvement from 1,206 in the 2013/14 financial year; and
2. 29,302 households with OVC received psychosocial material and medical support to care for the OVC, surpassing the annual target of 20,000 households.

12.3.2.6.4 Empowerment of People Living with HIV

1. 1,035 empowerment advocacy sessions for PLHIV were conducted at district level;
2. 106 social mobilisation campaigns aiming at protecting AIDS-related rights and elimination of HIV-related stigma were conducted; and
3. 306 frontline workers were sensitised on gender and gender based violence rights and responsibilities of PLHIV.

12.3.2.6.5 Mainstreaming and Linkages

1. 85 people in major social sector organisations were oriented on HIV and AIDS mainstreaming;
2. 85 large public and private organisations have HIV and AIDS workplace policies and programmes; and
3. 50 new workplace peer educators were trained to increase awareness of HIV and AIDS issues among staff members.

12.3.2.6.6 Sustaining HIV and AIDS Research Agenda

In the period under review, resource constraints affected research studies. However, some partners had some studies still in the pipeline and these include the Dream Programme, the UNC Project, the Karonga Prevention Study and the Dignitas International programme.

12.3.2.6.7 Monitoring and Evaluation

1. 32 Prevention of Mother to Child Transmission (PMTCT) mentorship review meetings in high prevalence districts were conducted;

2. 141,910 voluntary male medical circumcision (VMMC) standardised data collection and reporting tools were printed in order to strengthen the data collection and reporting system for the VMMC programme;
3. 118 data handling officers from all the five health zones were briefed on the revised VMMC data collecting tools as part of implementation of VMMC in 20 districts across the country; and
4. The National Monitoring and Evaluation Plan for the HIV sector was developed and finalised during the reporting period.

12.3.2.6.8 Comprehensive Multi-sectoral Response and Capacity Development

1. One manager and six supervisors were recruited to manage HIV pharmaceuticals and medicals supplies in Central Medicals Stores;
2. 100 Central Medical Staff and health workers were trained in HIV pharmaceuticals and medical supplies and commodity logistics management;
3. All HIV and AIDS organisations were mapped in all the 34 local authorities across the country; and
4. 1,278 members of Community-Based Organisations and Faith-Based Organisations were trained to plan, manage and monitor HIV and AIDS interventions.

Chapter 13

YOUTH DEVELOPMENT, SPORTS AND CULTURE

13.1 Youth Development and Empowerment

The Youth Development and Empowerment Sector contribute to national development through the promotion of youth empowerment programmes. The sector empowers the youth to play an assertive and constructive role in their personal development and regeneration of their communities through setting of standards, guidelines and direction for youth development in Malawi. The sector focuses on ensuring that Malawi's youth, who represent significantly over 70 percent of the country's population, are educated, healthy, well-trained, vibrant and productive. Specifically, Youth Development and Empowerment is among the pillars that the Government is implementing through the second Malawi Growth and Development Strategy (MGDS II) in order to empower the youth socially, economically and politically. In order to fulfil its mandate, the Youth Development and Empowerment Sector focused on five strategic programme areas during the 2015/16 financial year and these are:

1. Improvement of youth athletes' livelihoods;
2. Improvement in literacy and numeracy levels among the youth;
3. Increasing youth participation in development initiatives;
4. Improvement in youth and athletes' health and productivity; and
5. Improvement in coordination and effective delivery of youth development and empowerment programmes.

13.1.1 Major Achievements in the 2015/2016 Fiscal Year – Youth Development and Empowerment

13.1.1.1 Youth Economic Empowerment Programme

The sector is implementing the Youth Economic Empowerment Programme which seeks to enhance capacity of the Youth of Malawi to be job creators in order to uplift their income-earning capacity. The overall objective of the programme is to reduce the high unemployment rate amongst young people in the country. Major components of the programme include Youth Enterprise Development Fund (YEDF), Neno Integrated Youth Development Centre, and the National Youth Service. Major achievements of the programme are presented in the sub-sections below.

13.1.1.1.1 Construction of National Youth Development Centre

The sector finished the construction of the National Youth Development Centre at Neno under the Integrated Youth Development Project with support from the Government and United Nations Development Programme (UNDP). The Centre core focus is to impart practical agricultural skills on the youth who would like to take up farming as a business and self-employment. At present, the Centre has two hostels, a cafeteria, two dwelling houses and several production units. These production units include 23 acres for maize production, poultry production with capacity of 1500 broilers and egg layers giving 30 crates of eggs per day, piggery with capacity of 75, five bee apiaries and three fish ponds. In order to expand the operations of the Centre, the sector plans to increase the production units and the dwelling houses so as to offer skills training opportunities for 300 youths per intake.

13.1.1.1.2 Multipurpose Youth Centre

Youth Multipurpose Learning Centers (YMLCs) present one of the strategies for guaranteeing youth development and empowerment. The multipurpose youth centres are, therefore, key delivery structures for reaching out to adolescents and youth with a variety of education, participation and skills building programes while at the same time according the young people with opportunity for leisure, recreation and creation of healthy relationships. With support from UNICEF, the Government completed construction and officially opened Thyolo Multi-purpose Youth Centre on 31st March 2016.

13.1.1.1.3 Functional Literacy Programme

Youth policy has a specific objective and policy statements in as far as promoting education among young people is concerned. The policy seeks to improve both formal and non-formal education and training for young people in the country.

One of the strategies to achieve this is the introduction of literacy and numeracy programme for out of school youth to meet literacy and numeracy needs of the youth that have never been to or dropped out of school and cannot return to the formal education system. The nine month teaching curriculum apart from numeracy and literacy also covers hygiene and nutrition. In the last ten months the programme has graduated more than 3000 adolescent girls. After graduation the adolescent girls are supposed to be supported and benefit from livelihood and agribusiness programmes being implemented in their respective districts.

13.1.1.1.4 Training of Youth in Technical Vocational and Enterprise Skills

The sector has also been building the capacity of the youth so as to enable the youth to acquire skills that will enhance their ability to generate income and employability. The appropriate skills as well as technical knowledge make the youth exercise a profession, art and/or activity, independently in their communities. During the period under review about 7,000 youths were trained in vocational and entrepreneurial skills through different youth programmes.

13.1.1.1.5 Youth Health

Health and well-being are a function of, and a means to, overall socio-economic development. Where young people are concerned, the enjoyment of a health status that enables them to lead an economically and socially productive life is very important. During the period under review, 124,643 youths were reached with sexual reproductive information, HIV and AIDS, family planning messages and life skills through help lines, community concerts, condomize campaigns and various social media platforms.

13.1.1.2 Youth Participation and Leadership Programme

The Youth Participation and Leadership Programme aims at enhancing the opportunity of youths to participate in key decision making processes and ensure that they are given leadership roles. This is based on the realisation that the battle to lift the plight of Malawian Youth can only be won if the youth themselves actively participate and where possible assume leadership roles. The major achievements under this programme include the following:

13.1.1.2.1 Leadership and Participation

Youth marginalization and discrimination is one of the issues affecting the youth. Traditionally, youths have been passive recipients of services from adults and institutions. As a result, they have not been actively and meaningfully involved in decision making and interventions about issues which affect them as a target group and the nation as whole. To promote youth participation, about 20,000 youth were trained in leadership skills through structures like youth clubs, youth networks and youth development centres during the period under review.

13.1.1.2.2 Launching of the Youth Status Report

Furthermore, the President, His Excellence Professor Peter Mutharika launched the first Youth Status Report at Bingu International Conference Centre (BICC) on 12th February 2016. The report captures indicators that can be used to assess the status of young people in Malawi, and this analysis presents available data for different specific indicators that should be considered when developing policies and programmes for young people. The indicators include population, education, employment, sexual and reproductive health, HIV and AIDS, gender equality and social protection.

13.1.1.2.3 Organization of Youth Conference

The Government also organized a high level youth conference at BICC where the youth were provided with a forum for sharing their issues, development initiatives/business opportunities and their aspirations.

13.2 Sports and Culture

The Ministry of Sports and Culture contributes to national development, identity and unity through the promotion and management of sporting and cultural projects and programmes. The Ministry provides overall leadership and oversight through coordination, planning, implementation, monitoring and evaluation of programmes in order to have healthy and productive citizens and promote the Malawian cultural identity and unity in diversity.

In order to fulfil its mandate, the Ministry of Sports and Culture focuses on the six strategic objectives namely:—

1. To promote mass participation in sports at all levels;
2. To coordinate the provision and development of sports and culture and recreation facilities;
3. To promote and develop school sports and physical education;
4. To improve coordination and effective delivery of sports and culture programmes;
5. To uncover the nation's roots through cultural and natural heritage research;
6. To safeguard the nation's cultural and natural heritage for posterity and sustainable socio-economic development; and
7. To enhance Malawi's national identity by raising greater awareness and appreciation of Malawi's cultural and natural heritage.

13.2.1 Major Achievements in the 2015/16 Fiscal Year – Sports Development

The following are some of the achievements registered under the sports development programme during the 2015/16 financial year:—

13.2.1.1 Construction and Rehabilitation of Sports Facilities

1. Supervision of construction works for Bingu National Stadium. All works under the loan agreement with the People's Republic of China were completed on 30 November 2015. The Department of Buildings issued a Certificate of Practical Completion on 21 December 2015. The Ministry has now engaged two landscape contractors to plant grass and shrubs around the Stadium;
2. Painting, fixing of electrical circuits and repair of 16 toilet cisterns at Kamuzu Institute for Sports;
3. Produced Bills of Quantities (BOQs) for all the prioritised works for maintenance and rehabilitation at Kamuzu Stadium. About 40 flash master cistern toilets out of 80 toilets have been fixed and 20 manholes have been fixed and connected to sewer pipes;

4. Completed production of tender documents for Mzuzu Youth Centre and advertised in the Nation Newspaper of 30 November 2015, inviting construction companies to bid for the Centre's construction. Following this, the Ministry conducted opening of bid documents for the construction of Mzuzu Youth Centre on 18 January 2016. Surface clearing and soil testing of soil samples was also done; and

5. Under the mass participation, recreation and physical fitness programme, the Ministry distributed 'Sport in a box' to all district councils through the District Sports Offices and Sport Facilities. The Sport in the box was donated to the Ministry by UNICEF. Each a box contains a selection of sports equipment including footballs, volleyballs, and volleyball nets.

13.2.1.2 Elite Sport Development and International Cooperation through Sport

Under Elite Sport Development and International Cooperation through Sport, the Ministry held the following sponsored sport competition finals:

1. GOTv Netball Championship on 22 November 2015 at Don Bosco Technical College in Lilongwe. The competition was sponsored by Multichoice Malawi;

2. Standard Bank Football Association (FA) Cup on 31 October 2015 at CIVO stadium in Lilongwe. The competition helped to promote football talent. However, Standard Bank announced that it would no longer continue sponsoring the FA Cup;

3. 2015 Presidential Initiative on Sports Netball Finals at Blantyre Youth Centre on 23 January 2016;

4. TNM Super League prize presentation ceremony at COMESA Hall in Blantyre on 15 January 2016; and

5. Chipiku Central Region Football Association prize presentation ceremony at the Police Officer's Mess in Area 30, Lilongwe.

Under the same programme, the Ministry launched the following sport competitions:—

1. 5-Aside (Five Star) Football in Malawi on 30 October 2015 at Silver Stadium. The programme will roll out to all the three regions of the country;

2. 2016 Copa Coca Cola Schools Football competition in conjunction with Ministry of Education and MASSA at Ekwendeni CCAP School Community Centre ground on 29 January 2016. The school soccer competition is sponsored by Carlsberg Malawi Limited; and

3. Airtel Money Netball Competition at Salima Community Centre ground on 15 January 2016.

13.2.1.3 Sports Development Events and Meetings

The Ministry undertook the following:—

1. The Ministry in conjunction with Ministry of Education, Science and Technology organised UNDOKAI Sports Event at Bowa Primary School on 4 February 2016. UNDOKAI sporting event was conducted under the theme "Sports for Tomorrow" which is an initiative of the Government of Japan to encourage people in sport participation and sensitise countries on 2020 Tokyo Olympic Games;
2. Hosted African Union Sports Council Region 5 Disability sports conference from 9 to 10 October 2015 at Bingu International Conference Centre in Lilongwe. All the ten SADC member countries were represented. The meeting was aimed at developing work plans for disability sports in the Region 5 as one way of promoting sports for people with disability. The hosting of the meeting demonstrated Malawi Government's commitment towards the promotion of sports for people with disability;
3. Hosted a World Cup qualifying game between Malawi and Tanzania National Football teams on 11 October 2015 at Kamuzu stadium in Blantyre. Unfortunately, Malawi failed to qualify for the second round and is out of the 2018 World Cup competition; and
4. Hosted a seminar for FIFA Technical Directors of East and Central Africa from 25 to 29 January 2016 at Chiwembe Technical Centre in Limbe. This is the first time that Malawi hosted such seminar.

13.2.1.4 Coordination and Management of Sports Programmes

In order to improve the coordination and management of sport programmes, the Ministry held a meeting with the Malawi National Council of Sports on 8 January 2016 at Umodzi Park Hotel. In addition, the Ministry held an Induction Course for Youth and Sports Officers at the Staff Development Institute at Mpemba. UNICEF provided the financial support.

13.2.1.5 Other Notable Achievements

1. Establishment of Malawi Anti-Doping Organisation (MADO) Office in Malawi. MADO is an independent sports organisation that will run and manage all sport programmes that deal with drug and substance abuse in sport. The Ministry facilitated a meeting of the Malawi Ant-Doping Organization (MADO) Board on 16 October 2015 in Blantyre which was organised to plan activities to fight doping in Malawi Sports; and
2. The Ministry led the Sports sector in gathering support for the general public to vote for Mwawi Kumwenda, Malawi National Team Netball player, for the 2016 Athlete of the Year Award. Mwawi Kumwenda subsequently won the International World Game Association 2016 Athlete of the Year Award.

13.2.2 Major Achievements in the 2015/16 Fiscal Year – Cultural Development

The following are some of the achievements registered under the cultural development programme during the 2015/2016 financial year:

1. Facilitated and participated in cultural events like the Kulamba Ceremony in Zambia, Mulhako wa Alhomwe, Umthetho festival, Blantyre Arts Festival and Umhlanganowa Maseko festival;
2. Held two consultative meetings with various stakeholders regarding what should be included in the National Heritage Council (NaHeC) Bill in the Northern and Southern Regions;
3. Organised a stakeholders' meeting at which a Technical Working Group of the Tourism, Wildlife and Culture Sector Working Group was created;
4. Conducted two training sessions on events promotion for artists;
5. Successfully established one Arts SACCO office which will provide credit facilities for artists to enable them to develop creative industries;
6. The National Dance Troupe showcased Malawi's culture through performances at 30 functions;
7. Trained 50 registry personnel in various institutions on records management;
8. Conducted 20 records management surveys at University of Malawi Offices, Mzuzu High Court and various other government and private institutions. Based on the surveys, proper advice was given to these institutions on how to manage their records;
9. Processed and classified records from the Ministry of Health, Malawi Revenue Authority, District Council's office in Karonga and Education Divisions in the Northern Region. The records will be used by academics, researchers, policy makers and the general public;
10. Continued rehabilitating the Blantyre Cultural Centre, maintained monuments of the Late Rev. John Chilembwe at PIM in Chiradzulu District and Martyrs' Memorials in Nkhata Bay;
11. Participated in the rehabilitation of the Lilongwe Old District Council's Office;
12. Mobilised 40 communities in cultural heritage preservation;
13. Licensed about 213 libraries, film theatres and shops, making them fit for public usage;
14. Classified about 5,398 films and publications;
15. The Natural History Section of the Ministry conducted 10 field surveys where some animal specimens were collected including one crocodile specimen, two hyena specimens, one python specimen and several small

mammal and bird specimens. These have been earmarked for exhibition at Chichiri Museum. Furthermore, the section carried out two research programmes in Lengwe and Nyika National parks. The Nyika research focused on population distribution of Blue Swallows on the Nyika Plateau while that of Lengwe looked at vulture counts to ascertain species abundance in Lengwe;

16. The Education Section has been implementing outreach programmes that link culture with topical issues such as climate change, HIV and AIDS, youth empowerment, and malaria prevention; and
17. Produced 350 copies of a Malawian cultural and artistic events calendar.

13.2.3 Challenges Faced by the Sector

1. Inadequate resources to implement sports and cultural programmes in the country. The scope of some of the planned activities had to be curtailed in order to operate within the confines of available resources. This meant that planned targets which would have made significant difference could not be met; and
2. The Department of Culture has its divisions located in various places which makes coordination a challenge. The operation costs in terms of holding management and other departmental meetings are high.

13.2.4 Planned Activities for Sport and Culture in 2016/17

In the 2016/17 financial year, the Ministry plans to undertake the following, among others:

13.2.4.1 Sports Development

1. Introduce the e-ticketing system in the main stadiums of the country to facilitate revenue collection during events;
2. Under mass participation in sport, the Ministry plans to introduce a National Fitness programme to increase participation in sport by all citizens;
3. The Ministry plans to establish a Department of Marketing at the Malawi National Council of Sport. The Department will handle all sport marketing issues and improve sponsorship management and revenue generation in sports. The Department will also provide an opportunity for the private sector to use the power of sport for marketing of their brands;
4. The Ministry plans to review the management structure of sports in Malawi to improve the way sport programmes are managed and coordinated in the country;
5. The Ministry will revive the National Sports Development fund in order to increase investment in sports and provide an opportunity for the private sector to use sport for marketing of their brands; and

6. The Ministry will develop standard guidelines and designs for sport facilities.

13.2.4.2 Cultural Development

1. Devolve some functions of the department to local councils and split the Department into three departments in conformity with the public reforms programme;
2. Strengthen capacities of relevant stakeholders through provision of training;
3. Collect, preserve and widely disseminate information on culture through radio and television productions;
4. Facilitate the mainstreaming of culture in key policy documents like the medium-term development strategy and sectoral plans; and
5. Review and develop the national legal framework on culture.

Chapter 14

CLIMATE CHANGE AND THE ENVIRONMENT

14.1 Climate Change and Meteorological Services

14.1.1 Overview

In Malawi there has been an increase in the country's population and an extension of human settlements and life-supporting activities into areas vulnerable to the impacts of weather and climate-related disasters, as well as over-dependence on rain-fed agriculture production which is highly vulnerable to the impact of climate variability and climate change. The increase in the frequency and intensity of natural hazards such as floods, drought, prolonged dry spells and heavy rains due to climate variability and change poses critical challenges for our country. In this respect, the Department of Climate Change and Meteorological Services is a fundamental part of national infrastructure and plays an important role in supporting vital functions of the Government. Inadequate infrastructure and limited human resources, however, are among the factors that limit the Department's capacity to take advantage of developments in science and technology and improve its services.

The observations and data on weather and climate gathered by the Department form the foundation of monitoring and predicting weather and climate patterns and produce climate change projections that are used in issuing early warnings and alerts on extreme weather and climate events such as heavy rainfall, strong winds, floods and drought. These observations are collected from 21 main meteorological stations, 53 automatic weather stations and over 200 rain-gauge stations run by volunteer institutions and individuals. However, these weather and climate observation station networks are sparsely distributed and, therefore, do not adequately represent the weather and climate conditions affecting the country. Telecommunication networks are also used for the exchange of data. However, these are inadequate and some are obsolete and out of date, and this hampers the efficient flow of observations and products, including multi-hazard early warnings.

The Department sends its daily weather information to radios and once a week to newspapers. In addition, it has its own television weather studio where weather information for television is developed on a daily basis. On its website, it uploads daily weather information, ten-rainfall and agro-meteorological bulletins, among many other weather and climate information products for various users to download and apply them in their daily operations and planning of events, programmes and projects.

During the 2015/16 fiscal year, the Department planned to continue with the initiatives to improve the monitoring, analysis and prediction of weather, climate and climate change in Malawi and kept up with trends in the world meteorological community in order to contribute to the socio-economic development of Malawi. In this regard, the Department envisaged improving its human and institutional capacity through training and infrastructural development and implementation of the Quality Management System (QMS) for aviation weather services. The Department also planned to continue with service provision to stakeholders in support of crop weather insurance in Malawi both at micro and macro levels. In addition, it continued with its role in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. In order to improve the accuracy of weather forecasts as well as the monitoring of extreme weather events and the issuing of early warnings and alerts, the Department procured state of art equipment for monitoring, modelling and prediction of weather and climate services.

Malawi, as member of the World Meteorological Organisation, is recognised internationally due its success stories related to the improvement in the delivery of weather and climate services. As a consequence, it was chosen as one of the two African countries to pilot the Global Framework for Climate Services Adaptation Programme. Through this programme the Department has been able to enhance and improve its relationship with the users of weather, climate data and information for their various activities.

14.1.2 Services Provided

The Department provides the following services to the general public and specialised users:

1. Aviation weather services at Kamuzu and Chileka International Airports, and Mzuzu and Karonga aerodromes;
2. Up-to-date weather information, forecasts and warnings of severe weather such as heavy rains, tropical cyclones and Mwera warnings through the print and electronic media;
3. Climate change projections, information and advisories;
4. Climatological data, information and advisories for planning and operations in agriculture, forestry, health, water resources, construction, commerce, environment, insurance, tourism and other social andeconomic sectors;
5. Seasonal rainfall forecasts and regular rainfall advisories on the onset, progress and cessation of the season;
6. Crop yielding forecasts using crop weather models;
7. Daily rainfall data for the crop weather insurance programme;
8. Ten-day rainfall and agro-meteorological bulletins; and
9. Meteorological engineering services such as station equipment installation and calibration of meteorological equipment, among others.

14.1.3 Achievements

14.1.3.1 Weather and Climate Monitoring and Forecasts

The Department continued to monitor daily weather observations from its 21 meteorological conventional stations, 53 automatic weather stations and over 200 volunteer weather stations and transmit the observations to the national meteorological centre for analysis and production of forecasts. In addition, it carried out quality control of collected climate data and stored it safely in the CLIMSOFT Database Management System for future use by various users for various socio-economic activities. Using the collected ten-day climate data, the Department produced a ten-day rainfall and agro-meteorological bulletin every ten days and distributed them to various users for use for social economic activities in the country. Furthermore, the Department continued contributing to the regional and global initiatives of data exchange on a daily basis to enhance regional and global climate models and forecast products. In addition, the Department produced and issued daily and five-day weather forecasts, advisories and severe weather warnings for tropical cyclones and Mwera warnings from observed weather information. These were used in various economic activities in agriculture, fishing, tourism, transport and insurance activities such as crop weather insurance in all 28 districts in the country through the print and electronic media. The seasonal rainfall forecast was produced and issued for the 2015/16 rainfall season as well as regular rainfall advisories and updates on the onset, progress and cessation of the season for planning purposes in various sectors of socio-economic activity in the country. For the first time, the Department downscaled and disseminated seasonal rainfall forecasts in all districts. The dissemination involved engagement with chiefs and all key stakeholders at district level.

14.1.3.2 Aviation Weather Services

Malawi is a signatory of several international conventions including that of International Civil Aviation Organisation (ICAO) and the World Meteorological Organisation (WMO). ICAO in collaboration with WMO recommends and regulates standards and best practices of safe air navigation to ensure efficiency and regularity of air travel. The Department is a key implementing entity of ICAO convention and assists the Government to live up to its international commitment.

The Department has continuously been collecting and providing weather information at Kamuzu and Chileka International Airports and Mzuzu and Karonga aerodromes for safe and smooth non-interrupted operations of aircrafts. In addition, the Department provided weather information to support safe and smooth operations of aircraft during Very Very Important Persons (VVIP) events.

In order to ensuring that quality meteorological information is timely shared internationally, ICAO and WMO recommend that Quality Management Systems (QMS) should be practiced in all National Meteorological Services (NMSs), which are expected to pursue ISO 9001:2008 certification of their Aviation Weather Services. Member countries have to show proof that the implementation process for the qualification requirement is underway. The Department is in the process of implementing the QMS for aviation weather services to meet a certain predefined international standard (ISO 9000). Training is currently being conducted on the same and so far all-weather observers and forecasters have been trained on QMS as well as internal auditors. Currently, manuals and standard operational procedures have been prepared and are yet to be printed in readiness for the full implementation of QMS. What is now remaining for Malawi to be ISO certified for aviation meteorological services is the engagement of services of an external auditor to verify that all systems are in place and functional.

14.1.3.3 Climate and Climate Change Services

Climate change is the sub-programme that is among the priorities of the second Malawi Growth and Development Strategy (MGDS II). The Department, therefore, continued to carry out various functions in areas such as climate data management, climatic data collection, improvement and maintenance of a reliable network of stations, climate change projections, scientific research on climate trends as well as climate change evidence and indicators and public awareness activities on understanding of climate change information. This has resulted in an increase of uptake, use and application of climate data and information by various socio-economic sectors in the country to support development activities in agriculture, forestry, health, water resources, construction, commerce, environment, insurance, tourism and other socio-economic sectors. The Department, therefore, retrieved the stored and quality controlled climate data from its archives, analysed it to usable formats and disseminated it to users for planning of various socio-economic activities in agriculture, road construction, tourism, dam construction and insurance including crop weather insurance.

The Department has continued rendering its services in support of the crop weather insurance initiative at both micro and macro levels. It has improved its communication mechanism to and from stations as well as external communication to ensure smooth flow of data and information on a daily basis. The programme is aimed at contributing to the adaptation strategy of small and medium scale farmers to the adverse effects of climate change.

The 2015/16 rainfall season has been affected by one of the strongest El Niños in history. In this regard, the Department in its 2015/16 rainfall seasonal outlook statement for Malawi issued in September 2015, indicated that the rainfall pattern over the country during 2015/16 was to be affected by the strong El Niño present in the tropical Pacific Ocean and had linkage with the occurrence of some major unusual weather conditions in different parts of the world including Malawi, giving rise to floods due to unusually wet weather conditions in some areas and prolonged droughts due to drier than normal conditions in others. Historically, El Niño events reach maximum strength between October in the year of onset and January of the following year, and often persist through much of the first quarter of that year before returning to neutral conditions. The current El Niño has been following a similar timeline. All of the atmospheric variables including lower and upper level wind anomalies and rainfall pattern in the country have reflected the presence of El Niño although it is not the only factor that drives global climate patterns. Impacts of both the El Niño state and other locally relevant climate drivers for example, the state of the Indian Ocean, or the tropical Atlantic sea surface temperature have been affecting rainfall behaviour in the country. As such, the Department carried out awareness campaigns to various communities to sensitise the population on the impacts of El Niño on Malawi weather.

On climate change initiatives, the Department continued to provide technical support to the development of the National Adaptation Plan process, national communications and mitigation actions and played a key role in representing Malawi and providing technical advice at the ongoing United Nations Framework Convention on Climate Change (UNFCCC) negotiations including participation at UNFCCC conference of parties in Paris in December 2015. The Department also contributed to the work of the Intergovernmental Panel on Climate Change (IPCC) on reviewing and disseminating its fifth assessment report. The Department is also implementing activities under the multi-sectoral Climate Change Programme, where different initiatives are being implemented to assist Malawi's adaptation to climate change. Currently, the Department is running seven district climate information centres in Nsanje, Chikwawa, Mulanje, Zomba, Salima, Kasungu and Karonga. These are serving as Climate Change Information Centres for communities at district level which are also conduits for early warning messages in addition to Climate Change Adaptation Learning Centres.

Communication with stakeholders for the provision of customer-specific weather and climate services was initiated in accordance with the WMO's Climate Services Delivery strategy. The Common Alert Protocol (CAP), the World Meteorological Organisation's initiative for information dissemination using internet was operationalised. The Department continued to participate at the Africa Risk Capacity programme of the African Union that aims to provide African governments with immediate resources in the case of a natural disaster as an adaptation mechanism to climate change. Under the Global Framework for Climate Services Adaptation Programme in Africa, the Department has provided training to the members of the Network of Climate Journalists to improve their understanding and reporting of weather and climate issues. The Department also collaborated with other institutions to train agricultural extension workers and Malawi Red Cross volunteers on how to share with farmers the scientific weather information in a simplified manner so that farmers can make their own informed decisions regarding agriculture management.

14.1.3.4 Public Weather Services

The Department embarked on a public awareness campaigns on weather, climate and climate change in some districts by using electronic media. It also celebrated the World Meteorological Day on 23 March 2016 under the theme. "Hotter, Drier, Wetter, Face the future." In addition, the Department commemorated the 66th anniversary of WMO during which it observed an awareness week from 16 to 23 March 2016. During the event, local communities were sensitised on the operations of the Department as well as on climate change issues. In addition, activities focused on sensitising the general public on how to access weather and climate services and products.

14.1.3.5 Infrastructural Development

The Department continued to procure, install and/or upgrade meteorological equipment in all stations across the country. This is funded by the Least Developed Countries Fund (LDCF) under the 'Strengthening Climate Information and Early Warning Systems in Malawi for Climate Resilience Development and Adaptation to Climate Change' Project of Global Environmental Facility (GEF) with technical assistance from United Nations Development Programme (UNDP). The project has also supported the Department to procure computers for all stations to improve the Database Management System (DBMS) and update safe keeping of climate data for use by various users in the country. The Department also serviced and maintained its 43 Automatic Weather Stations and 21 main stations, planted a number of volunteer station rain gauges and the global telecommunication system. State of art equipment for monitoring, modelling and prediction of weather and climate services with high spatial resolution has been procured. The Department is in the process of procuring a lightning detection system for enhancing the issuance of accurate lightning warnings.

14.1.3.6 Human Resource Development

The Department, which always requires very rare skilled personnel to produce and deliver its services, is training five officers in Bachelor of Science in Meteorology in China and Russia with the assistance of WMO. The Department also trained four officers in Advanced Diploma in Weather Forecasting with the assistance UNDP under 'Strengthening Climate Information and Early Warning Systems in Malawi for Climate Resilience Development and Adaptation to Climate Change' Project of Global Environmental Facility (GEF). Thorough the project three meteorological engineers have attended two factory training courses to enhance their understanding of automatic weather stations. The Department has also trained one meteorological engineer in electrical engineering to boost the in-house engineering team.

14.1.3.7 International Relations and Cooperation

The Department is affiliated to a number of international organisations such as World Meteorological Organization (WMO) which is funding Global Framework for Climate Services Adaptation Program in Malawi. The Department Chaired and participated at the Meteorological Association of Southern Africa (MASA) 2015 Annual General Meeting. The Department is also affiliated to African Centre for Meteorological Applications for Development (ACMAD) where the Director of the Department is a Member of Board of Directors and participated at its 2015 Board meeting. The Department also participated at the 3rd African Ministerial Conference on Meteorology in Cape Verde in February 2015.

14.1.4 Challenges

Some activities failed to be implemented due to inadequate and delayed funding. Lack of equipment, adequate human resource and instruments also hindered smooth operations and execution of some activities.

14.2 Environment and Natural Resources Management

14.2.1 Overview

The Environment Affairs Department is mandated to provide cross-sectoral coordination in Environment and Natural Resources Management through monitoring, overseeing compliance, and provision of technical and information services. This sub-chapter provides the performance of environment programs in the 2015/16 financial year.

14.2.2 Planning and Coordination

The Department coordinated environmental management programmes and activities under the United Nations Conventions on Climate Change, Biological Diversity, and the Vienna Convention. In the fiscal year, the Department has developed a project proposal on enhancing the resilience of agro-ecological systems. The project was approved by GEF 6 and it aims to foster sustainability and resilience for food security by maintaining significant biodiversity and ecosystem of goods and services.

The country has developed the Intended National Determined Contributions (INDCs) in the priority sectors of agriculture, land use and planning, energy, water, forestry and waste management. It also developed policy briefs for the National Climate Change Response Framework and it revised NAPA and NAMAs. The policy briefs will sensitise stakeholders on effective implementation of these instruments.

The Government has trained 50 refrigeration technicians on good refrigeration practices that minimise emissions of Ozone Depleting Substances (ODS) into the atmosphere. The training strengthened the capacity of refrigeration technicians on improved operations, service and maintenance of refrigeration facilities as a crucial element in the phase-out of ODS in the country. In addition, the Government has trained 30 customs officers at the Northern and Southern region border posts in the control of illegal trade of ODS in the country.

14.2.3 Environmental Impact Assessment (EIA) and Pollution Control

The Government continued to facilitate integration of environmental considerations into development planning and implementation through the Environmental Impact Assessment (EIA) process. In the reporting period, the Government reviewed 13 EIA reports, of which 8 were approved. It also reviews and approved five Environmental Management Plans (EMPs) and three Audit reports. Furthermore, the Government conducted five environmental compliance inspections to industries and potentially polluted sites to ensure environmental sustainability.

In order to ensure good waste management in the country, the Government continued to implement the Integrated Waste Management Project to reduce pollution and related problems in the cities of Malawi. In the reporting period, the Trunk Sewer Line along Mudi River in Blantyre from Daily Board to Clock Tower has been rehabilitated. In addition, enforcement of Ban on Thin Plastics has been undertaken whereby 15 companies have been inspected. Out of the 15 companies inspected, 8 were compliant. All non-compliant companies were issued with warning letters and fines.

14.2.4 Biodiversity Conservation

Malawi is participating in a medium-sized SADC project on mainstreaming biodiversity in development policy and planning initiatives. The project aims to facilitate the integration of biodiversity and bio-safety into other sectoral and cross-sectoral policies, plans and programmes. The project has identified key entry points for biodiversity mainstreaming into existing national policies, strategies and activities across various ministries. The entry points identified so far includes the revised Environmental Management (EM) Bill, Land Policy, National Adaptation Plan (NAP) process, revised EIA regulations and the successor of MGDS II.

The Government has developed Guidelines for Confined Field Trials (CFT), Multi-locational Field Trials (MLT) and General Release (GR) of Genetically Modified Organisms in Malawi. The document provides guidance on how licensed institutions can conduct CFTs, MLTs and GR in a manner that is compliant with the provisions of Biosafety legislation. In addition, the Government has approved an application by Lilongwe University of Agriculture and Natural Resources to a conduct confined field trial of cowpea plants genetically modified for resistance against Maruca vitrata, a serious insect pest of cowpeas in Africa. The trial will be conducted over a period of three years and will be concluded in 2018.

The Government approved and issued two emission licenses for Illovo Sugar Company and Alliance One Tobacco Processors. It also issued licenses for transportation of waste, storage of waste, operation of a waste management facility and waste disposal sites for Engen Limited, Malawi Mangoes Ltd., Illovo Sugar Company and Alliance One Tobacco Processors.

14.2.4 Policy Guidance and Legal Enforcement for the Protection of the Environment

The Government prepared an Enforcement Manual for Environment and Natural Resources (ENRM) laws in Malawi. The manual is intended to be used by regulatory authorities as a tool for enforcing compliance with ENRM legislation. It will also be used as a guidance document that provides direction on appropriate action to be taken in cases of non-compliance.

In addition, the Government prepared the Guidelines for safe and secure transportation of radioactive materials in Malawi. The document provides guidance on implementing, maintaining and enhancing security in order to protect radioactive material against theft, unauthorised access, illegal transfer, sabotage and other malicious acts that could result in unsafe radiation exposure.

14.2.5 Environmental Information, Education and Public Awareness

During the year, the Government of Malawi supported three districts of Blantyre, Mangochi and Mchinji in the production and printing of District State of Environment and Outlook Reports. This is a planning and implementation tool that helps in decision making for environment and natural resources management at the district level.

The Government has also been implementing various initiatives to raise awareness such as: production and dissemination of waste management messages through various avenues including airing of jingles on good waste management practices; road shows; targeted sensitisation meetings; and dissemination of Information, Education and Communication (IEC) materials. Further, the Government has erected billboards carrying waste management messages, produced and aired documentaries on MBC regarding plastics waste and held open sensitisation meetings in several districts on plastics.

The Government has developed tools for proper management of the environment and natural resources such as a handbook on Sustainable Land Management (SLM) Best Practices in Malawi. The handbook documents knowledge and lessons learnt on what works better in environment and natural resources management.

The Government has technically and financially supported communities along the Shire River to sustainably manage the catchment of the river. Through this, the following have been achieved:

1. Communities have engaged in SLM initiatives such as harvesting bee honey, diversifying food crops and fish farming, producing groundnuts flour, processing crisps from Irish potatoes for sale as part of Sustainable Land Management activities to take pressure off the dependence on natural resources;
2. Communities in perennial flood prone areas in Balaka have this year been spared from floods due to various conservation initiatives; and
3. Most gullies are now reclaimed, most bare hills have been revegetated and most river banks are conserved.

Chapter 15

EMPLOYMENT, GENDER, CHILDREN AND SOCIAL WELFARE

15.1 Labour

15.1.1 Overview

This chapter reviews developments initiatives at the Ministry of Labour, Youth and Manpower Development for the period from July 2015 to June 2016 and projections for 2017.

15.1.2 Skills Development

The Government recognises high levels of youth unemployment in the country. In this regard, the Government has prioritised manpower development to curb this problem through the establishment of community technical colleges. A total of 28 colleges will be established throughout the country, at least one in each district. So far, eleven community technical colleges have been established and are up and running, though they vary in terms of quality. About 1,000 students (700 men and 300 women) are in these colleges acquiring various skills ranging from bricklaying, motor vehicle mechanics, carpentry, among others, and the first cohort will graduate in December 2016. The remaining seventeen colleges are scheduled to be completed in 2016.

The Government engaged the People's Republic of China to support the construction of ten Community Technical Colleges and a Technical Teacher Training College. In addition, through a loan and grant from the European Union, the Ministry will rehabilitate ten Community Technical Colleges, ten Rural Skills Develpment Centres, three Trade Testing Centres and four national technical colleges.

In order to address the mistmatch between demand and supply of skills, the Government, with support from the International Labour Organisation (ILO), is developing a National Skills Strategy for the country. The strategy will enable the Technical, Enterpreneurial, Vocational Education and Training (TEVET) sector to provide training that is demanded by the industry.

15.1.3 Trade Testing Services

The Ministry of Labour, Youth and Manpower Development, among others, is responsible for conducting skills testing and certification and so far 9,018 candidates in different prescribed trades were tested, representing a 96 percent achievement rate on projected candidature. The assessment was conducted in 46 Technical Training Institutions across the country. A 56 percent national pass rate has been registered in the 2015/16 fiscal year which is 15 percent more than the previous year's achievement (41 percent) and 8 percent of this was women. During the same period, the Ministry issued 2202 Trade Test Certificates to successful candidates thereby increasing their chances of securing formal employment. Of these, 1,328 were Grade 3 certificates, 597 were Grade 2 certificates and 277 were Grade 1 certificates. Six percent of the certificates were for female candidates.

In addition, community technical colleges have started bearing some fruits. For instance, a total of 123 candidates from Community Technical Colleges sat for the Trade Testing Examinations and 85 of these candidates passed, representing a 69 percent pass rate from Community Technical Colleges, surpassing the national pass rate by 13 percent.

In an effort to achieve equitable access to Technical, Entrepreneurial and Vocational Education and Training (TEVET), the Ministry of Labour, Youth and Manpower Development further embarked on rehabilitating, re-equipping and modernising the existing seven national technical colleges in order to provide skills in modern technology which will be in line with the private sector expectations. A loan was secured from African Development Bank (AfDB) for constructing workshop, ICT and Business centres, classrooms and e-libraries and procuring ICT equipment and library books at Lilongwe, Nasawa, Salima and Soche Technical Colleges. Through the same loan, the Government provided merit-based scholarships to 485 students who could not afford to access training of which 51 percent of the beneficiaries were women. Furthermore, some teachers also benefited from the scholarships.

In order to improve the quality of technical skills, the Government is modernising trade testing equipment in all trade testing centres throughout the country. This will enable graduates to acquire modern skills as required by the industry. Furthermore, in an effort to improve skills quality assurance, the Government intends to finalise the establishment of an independent Assessment and Certification Body for the TEVET Sector by December 2016.

15.1.4 Labour Services

15.1.4.1 Occupational Safety and Health

The Ministry endeavours to improve working conditions by improving the safety, health and welfare of workers and reduce work-related accidents and diseases by intensifying occupational safety and health inspections. There are about 1,200 registered workplaces required to be inspected twice per annum. Out of about 2,400 workplace inspections required to be undertaken, about 1,000 workplace inspections were undertaken in the year under review. The Government is currently considering availing adequate resources available so that all workplaces in the country are rendered safe and without risks to health of all workers as well as the general public and the environment. All workplaces that do not abide by the set occupational safety and health standards will be reprimanded accordingly as was the case in Blantyre where four companies that did not comply were fined MK200,000 each.

15.1.4.2 National Employment and Labour Policy

Experience has shown that economic growth may not necessarily translate into an increase in the number of jobs being created. In this regard, the Ministry has put in place an enabling policy environment to address employment creation. The Government has finalised the development of the National Employment and

Labour Policy which seeks to place employment at the centre of national development by vigorously pursuing employment creation in all sectors of the economy. The policy offers an opportunity for the Government to take a more holistic and focused approach in addressing the challenge of unemployment and underemployment. The Ministry will continue sensitising all sectors about creation of descent and productive employment within the framework of the Descent Work Country Programme.

15.1.4.3 Workers Compensation

In order to speed up workers compensation payments and guarantee availability of funds, the Ministry is in the process of developing a Workers Compensation Fund (WCF) to avail funds for compensation payments. This will reduce the financial burden to the Government as well as private sector and clear the backlog cases as quickly as possible. During the period under review, the Government facilitated payment of MK248,906,570 as compensation for 462 cases out of 1,618 registered cases and received MK8,666,513 as pension paid out from Zimbabwe.

15.1.4.4 Minimum Wage

The Ministry is determined to improve the welfare of the workers in this country. Having realised that the minimum wage is not enough to draw people out of poverty, negotiations are underway towards fixing the minimum wage by sector so that the remuneration of employees is in line with the performance of their respective sectors. Having one minimum wage across the board tends to suppress wages in other sectors that make huge returns. This will bring fairness in the remuneration of workers as is the case in other countries.

15.1.4.5 Tripartite Labour Advisory Council

In recognition of the complexity and critical nature of labour as a factor of production, the Government in consultation with social partners reconstituted the Tripartite Labour Advisory Council (TRAC) in September 2015 in accordance with the Labour Relations Act. The Tripartite Labour Advisory Council aims at promoting dialogue around labour and employment issues and provides sound advice to the Government in this important field.

15.1.4.6 Tenancy Labour

The Government with the assistance of ILO commissioned a study looking at both the legal and economic aspects of tenancy labour. The study revealed, amongst others, that most tenants are largely exploited in Malawi. The Government will soon abandon the tenancy system and introduce social security measures to tenants affected by the abolition of tenancy labour. The Employment Act will accordingly be amended to adequately regulate employment in tobacco estates and other agricultural undertakings to sufficiently recognise and provide protection to tenants as employees deserving decent working conditions.

15.1.4.7 Labour Market Information System

In order to bridge the information gap between employers and the labour force, the Government is in the process of developing a labour market information system which will increase access to and availability of labour market information in the country. Currently, a consultant to develop the system has been recruited. With the system in place, the Government will modernise public employment services.

15.1.4.8 Temporary Employment Permit

The Temporary Employment Permit (TEP) procedures will be reviewed in order to tighten the issuing of TEPs. This is to ensure that only skills which are not available in the country are considered and thus favour job opportunities for Malawians and the youth in particular.

15.1.5 Child Labour

Child labour remains a challenge to economic growth and development in Malawi. According to the 2002 Child Labour Survey, the prevalence rate was at 37 percent of the population while the Malawi Indicator Cluster Survey conducted in 2006 revealed a prevalence rate of 29 percent. Currently, another survey is underway and, due to various interventions, it is hoped that the results will register a decline. The Government with the support fom cooperating partners such as ILO, Eliminating Child Labour in Tobacco Growing (ECLT) and Japanese Tobacco International (JTI) will continue to vigorously fight child labour until it is completely eliminated.

In an effort to tackle child labour in a more systematic, focused and coordinated manner for effective action, the Ministry has developed a Child Labour Policy for Cabinet’s consideration and approval. Furthermore, the Government has enacted the List of Hazardous Work which is a domain for eliminating the worst forms of child labour in response to the ILO Convention 182. In collaboration with development partners, the Ministry organised the National Child Labour Conference which was attended by representatives from the Government and Civil Society Organisations at both local and international levels. The Conference generated actions to be implemented by different key players in the elimination of child labour.

15.1.6 Youth Development

Malawi is a youthful nation since more than 60 percent of the country’s population being young people below the age of 30. Therefore, the youth represent a vast human resource potential, which could contribute positively to national development if nurtured well. Some of the problems which the youth face include high youth unemployment and under-employment, limited access to technical and vocational training and limited scientific and technological knowledge. With support from United Nations Development Programme (UNDP), the Government has finished construction works at Neno Youth Development Centre under the Integrated Youth Development Project. The

Centre's core focus is to impart practical agricultural skills to the youth who would like to take up farming as a business and a form of self employment. The Ministry will, therefore, continue implementing youth empowerment and development programmes across the country in order to reap demographic dividend. The Government will continue organising high level youth conferences where the youth will be provided with a forum for sharing their challenges and their aspirations.

15.1.7 Challenges

Achievement of labour and employment sector aspirations in Malawi has been constrained by a number of factors such as inadequate labour inspectors; lack of operational resources such as finances and equipment; skilled labour shortages; inadequate number of professional technical staff; and ineffective monitoring and evaluation system.

15.2 Gender, Children, Disability and Social Welfare

15.2.1 Overview

The Ministry of Gender, Children, Disability and Social Welfare is mandated to promote gender equality and protect the welfare of Malawian women, men, girls and boys with special focus on persons with disabilities and the elderly for them to become self-reliant and active participants and beneficiaries of the national socio-economic development agenda.

15.2.2 Gender Equality and Women Empowerment

The Government is committed to promoting gender mainstreaming in the national development process to enhance participation of men, women, boys and girls for sustainable and equitable development for poverty eradication. The Government believes in gender equality by promoting the rights of women and girls as demonstrated by the enactment of the following laws: Marriage, Divorce and Family Relations Act; Trafficking in Persons Act; Disability Act; Gender Equality Act and Child Care, Protection and Justice Act, among others. In 2015/16 fiscal year, the Ministry has achieved the following:

15.2.2.1 Gender Mainstreaming and Policy Guidance

Under this a number of activities have been executed, some of which are as follows:

1. The Ministry launched the second edition of the National Gender Policy which will guide gender mainstreaming and women empowerment initiatives in order to attain gender equity and equality in Malawi;
2. Held the National Gender Conference where achievements in gender mainstreaming were presented;
3. Finalised the Technical Review of the Prevention of Domestic Violence Act (PDVA) with a press briefing. The review report has been submitted to the Ministry of Justice for the finalisation of the draft Bill;

4. Developed the National Plan of Action for Women Economic Empowerment and Plan of Action Against Gender Based Violence;
5. Strengthened the capacity in gender responsive budgeting by training 20 public officers responsible for planning and budgeting and collected gender disaggregated data for the transport sector;
6. Institutionalised gender mainstreaming in academic institutions by facilitating development of gender policies in public universities namely Mzuzu University, Malawi University of Science and Technology, Lilongwe University of Agriculture and Natural Resource (LUANAR) and the University of Malawi;
7. Facilitated the development of curricula for courses in gender and development at University of Malawi and LUANAR and also gender modules for training institutions in the transport sector. Currently, ten students (6 women and 4 men) are pursuing a two-year Master's Degree Programme in Gender and Development at LUANAR. A total of 75 students (44 women and 31 men) are pursuing a four-year Bachelor's Degree Programme in Gender Studies at both universities. At diploma level, there are 46 students at LUANAR who are also studying Gender and Development. This will provide a pool of gender experts in Malawi; and
8. The Government through the implementation of newly enacted laws has nullified child marriages involving almost 600,000 boys and girls who have since gone back to schools.

15.2.2.2 Promoting Women Social and Economic Empowerment

In an attempt to increase women participation in socio-economic endeavours, the Ministry:

1. Popularised women's and girls' rights through commemorations of International Women's Day, 16 Days of Activism Against Gender Based Violence and International Rural Women's Day;
2. Facilitated interface meetings with 80 (65 men and 15 women) Traditional Authorities on the Marriage, Divorce and Family Relations Act with regards to early and child marriages. This has enhanced the campaign on ending early marriages;
3. Supported 157 girls mobilised by mother groups in Salima, Mchinji, Dowa, Dedza and Nsanje districts with learning materials such as school bags, exercise books, pens, pencils, and school uniforms as an incentive to keep them in school. To date, mother groups in the target districts have so far mobilised 2,465 girls to return to school;
4. Trained 204 Community Development Assistants in the revised Umodzi ndi Phindu Manual for Community Economic Empowerment. The trained Community Development Assistants have been capacitated to provide gender sensitive economic empowerment initiatives to community business groups;

5. Printed 5,000 copies of Gender Related Laws which were distributed to Courts, Police, Traditional Authorities, Religious and Opinion Leaders and disseminated in 22 district councils; 150 police units; 110 courts and in total approximately 220,000 people were reached with the gender related laws and messages on violence against women;
6. Trained 246 (97 women and 149 men) Magistrates, Police Prosecutors, Social Welfare Officers and Civil Society Organisations (CSOs) on Gender Related Laws;
7. Facilitated reporting of 237 Gender Based Violence (GBV) cases to the district One Stop Centres in Chitipa, Karonga, Nkhata Bay, Mzimba, Salima, Mchinji, Dowa, Dedza Machinga, Chiradzulu, Mangochi, Chikwawa and Nsanje; and
8. Undertook 15 mobile court sessions where a total of 49 cases were handled in Chitipa, Karonga, Nkhata Bay, Mzimba, Salima, Mchinji, Dowa, Dedza Machinga, Chiradzulu, Mangochi, Chikwawa and Nsanje. Out of the total cases handled, 29 cases representing 59 percent were defilement and rape cases and these were successfully concluded with some of the accused being given custodial sentences of up to 20 years.

15.2.2.3 Promoting Participation of Women in Politics and Decision-Making

Malawi has potential to increase the number of women in polictics and decision making processes. To achieve this, the Ministry:

1. Initiated processes of engendering the electoral law process, political party manifestos, constitutions and regulations;
2. Produced the 2014 Gender Profile and Women Status in the Public Service in collaboration with the Department of Human Resource Management and Development. The Report emphasised on scaling up gender mainstreaming at all levels in the Public Service; and
3. Conducted Professional Women Network Meetings in Mzuzu and Blantyre with participation of approximately 6,000 participants. The women are expected to form networks to acquire business loans.

In the upcoming 2016/17 financial year, the Government intends to achieve the following:

1. Capacity development of the Parliamentary Committees to advance gender equality and support women’s empowerment;
2. Capacity building for Village Savings and Loans and Business groups and train these groups in various business skills in order to enhance women's capacity to engage in entrepreneurship;
3. Institutionalisation of chief’s gender equality related by-laws into local district council operations;

4. Support of the enforcement and implementation of the gender equality related laws;
5. Promotion of gender responsive budgeting, planning and monitoring in key sectors and District Councils;
6. Conducting Ending Violence Against Women and Girls campaigns;
7. Finalising the review of the Citizens Act; and
8. Commemorating International Days such as International Women's Day; 16 Days of Activism against GBV; Human Rights Day and UNiTE Campaigns, ending child marriages, among others.

15.2.2.4 Legal Unit

The Ministry registers not less than 50 cases every week on domestic violence, sexual offences against young girls, deceased estates misappropriation against women and children, lack of provision for child care and protection, among others. The Ministry through support from development partners established a legal unit in 2015 to clear outstanding Gender and Child cases. During the year under review, the unit managed to handle and conclude 83 cases out of the 435 outstanding cases. The Ministry also provided legal support/advice to police on many other criminal offences against women and children such as gender-based criminal offences, sexual violence offences, and property grabbing offences. In 2016/17 financial year, the Ministry will:

1. Lobby other development partners to support the recruitment of additional lawyers;
2. Intensify efforts to conclude all the outstanding cases; and
3. Continue to provide legal advice to the Police and those undergoing various abuses.

15.2.3 Child Protection and Development

15.2.3.1 Early Childhood Development (ECD)

The Ministry has established 11,105 centres run by 32,361 caregivers and this has increased access to ECD from 1 percent in 1994 to 40 percent in 2015. In the 2015/16 budget, under ECD the following has been achieved:

1. Completed the construction of eight ECD centres and MK117 Million has been disbursed for the construction of 39 additional ECD centres. It is worth noting that other centres have been constructed in collaboration with development partners through off-budget support;
2. Trained 1,000 caregivers;
3. Printed and distributed 5,000 copies of ECD instructional materials;
4. Raised awareness of ECD programmes amongst the public through the launch of the ECD Week of Action attended by over 6,000 people;

5. Conducted orientation meetings for 56 Ward Councillors; held advocacy meetings with selected Parliamentary Committees and trained 20 media personnel on the need to continue investing on the ECD programme in Malawi;
6. Provided over 124,000 vita-meal packets to 973 Community Based Childcare Centres (CBCCs), benefiting 65,678 children in the Southern region. The Northern and Central regions benefitted directly from the Feeding Programme which covered 1,451 CBCCs benefiting 185,003 children; and
7. Reached 7,179 households benefitting 13,689 parents and 20 parenting educators across the country with parenting education and support.

In the upcoming financial year, the Government shall continue to increase access to Early Childhood Development Services through constructing of more ECD centres; and train more ECD caregivers.

15.2.3.2 Child Protection

The Government has achieved the following under child protection for the period under review:

1. Re-unified 72 (60 men and 12 women) street children with parents or guardians;
2. Promoted mainstreaming of child protection in the education system through the introduction of the Child Friendly Schools Initiative in all the six educational divisions. In addition, the Government developed a manual on the same covering 240 participants which included 34 District Education Managers, 34 Coordinating Primary Education Advisors, 6 Education Division Managers and Head Teachers;
3. Strengthened the child protection system by training 80 Trainers of Facilitators of Children's Corners as one way of encouraging participation of children on issues affecting their lives and established Quality Improvement (QI) Teams in six teams in Mangochi and four teams in Balaka. The aim of the Quality Improvement Teams is to facilitate provision of quality services to vulnerable children at community level. Currently, the QI Teams are working in service areas of Education, Household Economic Strengthening and Child Protection; and
4. In collaboration with development partners, oriented 26 District Child Protection Committees reaching 780 members on the new National Plan of Action for Vulnerable Children. The oriented officers are championing implementation of the National Plan of Action at District and Community levels.

In 2016/17 fiscal year, the Government shall roll out Child Protection Information Management System (CPIMS) at district level; continue removing street kids and beggars from the streets; finalise the Early Childhood Development Policy; and monitor the utilisation of branded child protection services and improvement plan.

15.2.4 Social Welfare

The Government of Malawi is committed to protecting the rights and welfare of vulnerable individuals, families and communities. The Ministry aims at contributing to the promotion of access to social justice and improved social wellbeing of the vulnerable and disadvantaged groups of people through an integrated, well-coordinated and regulated social welfare services delivery system. During the year under review, the National Social Welfare Policy has been approved for implementation by all stakeholders.

15.2.4.1 Protecting the Vulnerable through Social Cash Transfers

The Ministry is protecting the vulnerable and ultra poor and labour constrained households through implementation of the Social Cash Transfer Programme which was launched in 2006 as a pilot in Mchinji district. To date, the programme is operational in 18 districts namely Chitipa, Likoma, Machinga, Mangochi, Mchinji, Phalombe, Salima, Balaka, Thyolo, Mulanje, Zomba, Mwanza, Neno, Nsanje, Chikwawa, Mzimba, Dedza and Nkhata Bay. Work in the remaining ten districts will commence once funding negotiations have been completed. The programme is making significant impact in the communities. To date the number of beneficiary households is 172,000 reaching over 800,685 individuals.

In the upcoming financial year, the Government shall continue to provide cash transfers; and strengthen linkages between the Social Cash Transfers Programme and other resilience building initiatives underway.

15.2.4.2 Protecting the Vulnerable in Emergency and Disaster Recovery

The Government of Malawi on 13 January 2015 declared a state of emergency following the devastating floods that occurred in 15 districts. The Ministry chaired the Protection Cluster whose objectives were two-fold: to coordinate protection activities of vulnerable and marginalised groups of people affected by the emergency in the country; and to ensure that human rights and gender sensitive approaches are mainstreamed in each sector when planning for response and transitioning out of the humanitarian emergency.

During the year under review, the Ministry focused on the disaster recovery activities, which included:

1. The Ministry oriented district facilitators in Crisis Psychosocial Support. A total of 18 Facilitators were trained in Nsanje District; and
2. Identified and traced 73 (38 women and 35 men) separated children and reunited them with their families.

In the upcoming financial year, the Government shall enhance the capacity of stakeholders to ensure the national emergency preparedness measures are gender and protection responsive.

15.2.4.3 Rehabilitation of Juvenile Offenders and Family Welfare

In the year under review, the following was achieved:

1. Reforming and rehabilitation of juvenile offenders with the objective of ensuring that they become productive citizens. A total of 149 children in conflict with the law have been rehabilitated;
2. Social Welfare Policy was approved by Cabinet;
3. Construction of girl‘s hostels at Chilwa and Mpemba Reformatory Centres which shall increase the number of girls juvenile offenders being reformed; and
4. Provision of matrimonial counselling to 101 families and legal assistance to 25 families.

In the upcoming financial year, the Government shall continue to reform juvenile offenders and complete the construction of a hostel at Mpemba Reformatory Centre.

15.2.4.4 Case Management and Journey of Life

During the year under review, the Government has achieved the following towards ensuring that children (and families) with complex needs are assessed and a multi-sectoral package of care and protection is arranged, coordinated, monitored and evaluated in partnership with the child and/or the family:

1. The Ministry trained 422 Case Managers (District Officers, Child Care Institution Officers and Extension Workers) who are championing case management in all the districts;
2. Conducted Case Conferences in Dedza, Mangochi and Blantyre. The conferences provided a platform for knowledge sharing in case management; and
3. Conducted a joint orientation of 28 District Social Welfare Officers (DSWOs) and 20 Prison Officers. The orientation focused on ensuring the possibility of extending probation services to adult offenders.

Plans for 2016/17 financial year include:

1. Building capacity of case managers for assessment, case conferencing, referral and follow up;
2. Building capacity of supervisors and community facilitators in Journey of Life; and
3. Evaluating the impact of the Journey of Life Initiative.

15.2.5 Disability and Elderly Affairs

During the 2015/16 financial year, the following have been achieved:

1. The Ministry provided vocational skills and rehabilitation training to 116 persons with disabilities including those with visual impairment (53 women and 63 men);
2. Trained about 100 persons with disabilities in vocational skills through the Malawi Council for the Handicapped (MACOHA) Community-Based Rehabilitation (CBR) Programme in the districts of Machinga, Phalombe, Lilongwe, Mzimba, Blantyre and Salima, among others;
3. Provided 453 persons with disabilities with assistive devices such as wheelchairs, clutches, walkers and others as well as physio or occupational therapy throughout the country to improve their mobility and promote their independence;
4. Constructed a modern kitchen and commenced construction of a male hostel at Mulanje Vocational Training Centre for the Blind. Completion of the male hostel will see an increase in the enrolment of trainees at the institution from 50 to over 80;
5. Popularised the importance of protecting People with Albinism and Persons with Disabilities through the commemoration of International Albinism Awareness Day (IAAD) and International Day of Persons with Disabilities which were patronised by over 3,000 people including 100 persons with albinism. The Days were observed under the theme: "Understanding Albinism: Protect and Respect Rights of Persons with Albinism" and "Inclusion Matters: Access and Empowerment of People of all Abilities". This increased community awareness on issues of albinism and disability;
6. Launched the National Disability Mainstreaming Strategy, Work Plan for Children with Disabilities and the Disability Communication Strategy. The strategy will guide and operationalise implementation of children with disability issues in Malawi;
7. Implemented an all-inclusive response plan to address the increased cases of attacks on persons with albinism in Malawi;
8. Undertook an investigative study to establish the root cause of attacks and killing of persons with albinism and exhumation of bodies in the country. The study was conducted in the five districts of Machinga, Mulanje and Zomba in the South; Dedza in the Centre and Chitipa in the North. The findings of the study will help in conducting effective albinism interventions;
9. Provided support to 40 elderly victims of violence and abuse;
10. Provided specialised geriatric medical and rehabilitative services to over 50 older persons with various ailments;
11. Supported over 500 needy older persons with food and non-food items in collaboration with stakeholders;

12. Reviewed and resubmitted the Elderly Policy for Cabinet approval;

13. Implemented a comprehensive public awareness campaign on the promotion and protection of human rights of older persons and on the fight against witchcraft related violence including commemorations of the International Day for Older Persons under the theme “Sustainability and Age Inclusiveness in the Urban Environment”; and

14. Undertook orientation of 20 media personnel on ageing in Malawi and the role of the media in responding to the challenges of older persons. Following the orientation, the coverage of stories concerning the plight of the elderly has increased in the local print and electronic media.

Plans for 2016/17 under Disability and Elderly include:

1. Undertaking measures to protect and promote the rights of persons with albinism in Malawi in collaboration with the stakeholders like the Police, the Malawi Human Rights Commission, Association of Persons with Albinism in Malawi, the Federation of Disability Organisations in Malawi (FEDOMA) and the UN Family, among others;

2. Continuing capacity building of ministries, departments and agencies (MDAs), district and city councils, and other NGOs in disability mainstreaming. Over 30 MDAs and councils will be targeted in the financial year;

3. Conducting public and targeted awareness campaigns to sensitise the general public on disability and elderly issues as well as promoting the rights of persons with disabilities and the elderly. Targeted training for the media, clergy, judiciary and the legislature on disability issues will be conducted;

4. Finalising the review of the Disability Policy;

5. Continuing vocational skills training of persons with disabilities in the three centres located in Lilongwe, Chiradzulu and Mulanje;

6. Commemorating and observing UN International Days for Older Persons, Disability and Albinism on 1st October, 3rd December and 13th June, respectively;

7. Facilitating the review of the 1911 Witchcraft Act;

8. Developing the National Plan of Action on Violence Against Older Persons; and

9. Developing the National Elderly Bill to strengthen the promotion and protection of older persons’ rights.

15.2.6 Adult Literacy

Currently there are 7,200 Chichewa/vernacular and 1,633 English literacy centres operating across the country by Government with enrolment of approximately 220,825 learners. It is worth acknowledging that other NGOs are also implementing adult literacy classes through off-budget support. In the year under review, the following achievements were registered:

1. Commemoration of 2015 International Literacy Day which was attended by over 2,000 people. This was part of creating awareness on the efforts on adult literacy;
2. Orienting adult literacy instructors and management committees: 15 participants attended the orientation workshop which built the capacity of instructors to effectively implement an adult literacy programme;
3. Distributing teaching and learning materials to all adult literacy centres across the country; and
4. Production of new sets of assessment tools for the Chichewa syllabus for the next five years and one set of English tools for one year.

In the upcoming financial year, the Government shall:

1. Develop a policy on adult literacy to effectively guide adult literacy activities in Malawi; and
2. Link the informal adult literacy system to the formal education system so that graduates of adult literacy can continue their education using the formal education system through the adult education approach.

15.2.7 Community Development

The Ministry promotes community participation in development initiatives through community capacity building, home management and nutrition. In 2015/16 financial year, the Ministry has achieved the following;

1. In collaboration with its partners, the Ministry facilitated nutrition, health and sanitation initiatives for 30 cooperatives from 12 districts (Chitipa, Mzimba, Rumphi, Nkhatabay, Karonga, Kasungu, Lilongwe, Nkhotakota, Dedza, Blantyre, Thyolo and Zomba). In line with this, the 30 cooperatives have developed micro-enterprise projects to mitigate nutrition, health and sanitation problems identified within their communities with a combined capital investment of MK2,726,700 being managed in a revolving fund grants arrangement;
2. 315 cooperatives countrywide were also mobilised under the value chains project to participate in savings and credit clubs across the country. These have accumulated a total savings of about MK645 million; and
3. Conducted a basic community development training course at Magomero College, out of which 61 students graduated with a basic certificate in Community Development.

In the upcoming financial year the Government shall:

1. Mobilise communities into groups for Village Savings and Loans and motivate the communities to participate in community-based projects; and
2. Review guidelines for leadership, home management and nutrition.

15.2.8 NGO Coordination

The Malawi Government recognises that a significant amount of development aid is being channelled through NGOs in Malawi. Therefore, it has strengthened the functions of NGO coordination in order to ensure that donor aid effectively contributes to development results. The Government has achieved a nuber of things. Hence, the Ministry:

1. Facilitated registration of 24 NGOs;
2. Conducted a mapping exercise of NGOs in all the 33 district councils and a total of 247 NGO were mapped. A directory of the NGOs mapped has been published. The Directory features NGOs per council, annual funding, source of funding, and area of focus. The mapping exercise has revealed that over K40 billion in Malawi goes to NGOs which are complementing government efforts in the Health and Education sectors;
3. Developed a draft NGO Policy that is expected to clearly provide guidance on issues of NGO registration, regulation and coordination in Malawi; and
4. Launched an online portal for NGO Registration via www.ngoboard.mw/registration which has simplified NGO registration in Malawi.

In the upcoming financial year, the Ministry will:

1. Launch and operationalise the NGO policy;
2. Establish a web-based NGO management information system; and
3. Scale up the mapping of NGOs to Area Development Committee (T/A) level. This shall provide evidence for the developmental impact of NGOs.

15.2.9 Challenges

Despite the success stories registered in the year 2015/16 financial year, the following challenges were faced:

1. Inadequate financial resources to enable the Ministry to recruit staff; service the Ministry's old fleet of motor vehicles; procure fuel, airtime and consumable goods; provide care and support to the Ministry's institutions such as the Social Rehabilitation Centres and to cater for the basic needs of the children, among others;
2. Delayed disbursement and processing of funds for activities;
3. Limited human resource base at all levels which led to poor coordination and implementation of the Ministry's programmes; and
4. Inadequate teaching and learning materials for ECD and Adult Literacy.

Chapter 16

SOCIAL SUPPORT AND POVERTY REDUCTION PROGRAMMES

16.1 Social Cash Transfer Programme (SCTP)

The programme will continue to target 10 percent of the population who are ultra-poor and labour-constrained households. Providing recipients with regular and predictable transfers of cash gives them the flexibility to plan their expenditure to meet immediate basic consumption needs as well as providing the opportunity for investment in productive activities.

The programme has experienced impressive growth in the last 12 months. By March 2016, the SCTP had reached over 170,122 beneficiary households and had gone to full scale in 15 out of 18 districts where it is implemented. The Government expects to enroll over 319,000 households by the end of June 2016. The programme is being implemented with funding from the European Union; German Government; World Bank; Irish Aid and Malawi Government. On average, each participating household receives MK4,000 per month. However, participating households with children of school-going age receive a cash bonus to cover school expenses aimed at increasing school enrolment and attendance. Plans are underway to adjust the monthly transfer upwards to MK6,700 per month.

16.2 Village Savings and Loans (VSL) Programme

The Department of Economic Planning and Development engaged a consultant to develop best practice guidelines for Village Savings and Loans (VSL) and Community Savings and Investment Promotion (COMSIP). This guide borrows best practices from implementing organisations as well as from the globally accepted Savings and Loans Associations. It is a gold standard guide that acts as a basis for ensuring VSL programme quality and holding service providers accountable in case of deviations. It provides guidance on graduation mechanisms to ensure long term sustainability. 35 percent of implementing institutions had linked beneficiaries to mobile money, banks and also agro–dealers. The linkages are important in that they complement VSL activities and add more value to the lives of the VSL group members. Once linked to banks, the members are able to access bank services while mobile money allows them to use their mobile phones as cash vaults. Currently, there are over 700,000 beneficiaries of various VSL and COMSIP programmes where 79 percent of them are women.

16.3 Microfinance

Microfinance is an important sub-sector of the financial sector. It plays a significant part in supporting access to finance and financial inclusion of the poor. The goal is to have a viable and sustainable private microfinance market with the Government providing a supportive, enabling, and appropriate policy environment and institutional framework. The Ministry of Finance, Economic Planning Development is developing a new microfinance policy whose objective is to reduce poverty through economic empowerment by providing access to financial services to the majority of poor households and micro, small and medium businesses. The policy will pursue to create incentives for greater private sector participation in the microfinance sector and avoid costly, unsustainable and distorting credit subsidies and credit guarantee schemes. The Government is also in the process of developing a Microfinance Hub which will link all microfinance institutions transactions and will assist in data collection. Currently, there are 30 microfinance institutions that report to the Reserve Bank of Malawi and the average loan size to beneficiaries stands at MK83,895.63.

16.4 The School Meals Programme

The School Meals Programme (SMP) is being implemented in 2,305 Public Primary Schools across Malawi. The Government, through the Ministry of Education, is implementing a variant of SMP in 698 schools and reaching 538,000 pupils while the World Food Programme (WFP) is in 748 schools and covering about 900,000 pupils. Additionally, WFP in collaboration with UNFPA and UNICEF is implementing an additional component of SMP targeting girl pupils and orphans in Standard 5 through 8 whereby they are given a take-home ration of 10 kilograms of maize when they attend 80 percent of classes. This initiative has been introduced to address the problem of girl absenteeism in upper primary school classes. Marys Meals with support from DFID and the Scottish Government is in 635 schools in 20 districts. Marys Meals has achieved 100 percent coverage of primary schools in the 20 districts and plans to roll out to 65 additional schools by December 2016. Campaign for Female Education (CAMFED) is reaching 18 schools in Mangochi. Foundation for Irrigation and Sustainable Development (FISD), with funding from Japan Tobacco International (JTI), is implementing the programme in 8 schools in Ntcheu and Dedza. FISD has successfully managed to empower the 8 schools with irrigation equipment that are powered by solar which the schools are using to grow their own crops. The other implementers of SMP include Save the Children, Welthungerhilfe (with support from GIZ), Feed the Children and FAO.

To enhance better standards and SMP infrastructure, the Ministry of Education has developed standardised architectural plans that will be guiding the existing implementers and new ones on the standard designs of infrastructure that should be adhered to.

16.5 Public Works Programme (PWP)

There are a number of implementers of PWP with Local Development Fund (LDF) as the biggest implementer, covering all the 28 districts in the country under the forth Malawi Social Action Fund (MASAF IV). The programme is supporting productive community-driven public works which have an emphasis on ensuring the primacy of cash transfers to the poor, while also promoting improvement in the livelihoods of the community and households. The programme aims at building the asset base of households for resilience and food security and it is following the watershed management and social conservation guidelines. As of March 2016, LDF covered 570,000 beneficiaries using the

MASAF III approach and the number got reduced to 340,000 households using the MASAF IV implementation guidelines. Other important implementers are the World Food Programme with 44,908 beneficiaries in Balaka, Zomba, Phalombe and Karonga districts. CARE Malawi through the UBALE Project is reaching out to 28,000 beneficiaries in Blantyre Rural, Chikwawa and Nsanje districts.

Currently, the PWP wage rate stands at MK600.00 per day per participant and discussions will be initiated soon to adjust it upwards.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

This chapter highlights the financial performance of selected statutory bodies during the 2014/15 financial year and it also provides a brief overview of the mid-year unaudited results up to December 2015 and prospects to June 2016. In general, the performance of the public corporations has been mixed. This was worsened by the unstable macro-economic environment which characterised most part of the year 2015. As a result, the performance of most corporations was negatively affected.

In a bid to improve performance of statutory bodies, the Government undertook several reforms within the public enterprise sector, which were aimed at providing a conducive environment for their operations. One of the reform areas was the development of the Dividend and Surplus Policy. This Policy aims at providing a framework for determination and remittance of dividends and surpluses to the Government. Implementation of the policy will start in the 2016/17 financial year and it is envisaged that remittance of parastatal dividends will significantly improve.

Another significant event that the Government implemented in 2015/16 was the disposal of the majority of its shareholding in Malawi Savings Bank and Indebank. With the launch of Basel II, the Reserve Bank of Malawi prescribed new capital adequacy requirements. This implied that the Government of Malawi needed to inject additional capital to the two banks. However, due to financial constraints, the Government could not recapitalise the banks. As a result, the Government sold majority of the shares it had in the Malawi Savings Bank and Indebank to FDH Bank and National Bank of Malawi, respectively.

17.2 Water Utility Portfolio

17.2.1 Blantyre Water Board (BWB)

Blantyre Water Board continued to report losses in 2015. The 2014/15 audited accounts recorded a loss of MK352.7 million, a slight improvement from MK424.614 million loss in 2013/14. As at 31 December 2015, the Board had made a loss of MK128.0 million. The continued poor performance was mainly due to poor sales volumes arising from the delayed completion of the Walker's Ferry Project which resulted in lower water production than budgeted. In addition, the Board continued to experience high levels in non-revenue water averaging 46 percent in December 2015. This was due to postponement of pipe replacement leading to increased occurrence of pipe bursts which led to increased water pressure after the completion of the Walker's Ferry Project. This also had negative effect on the profitability of the Board.

The liquidity position of BWB continued to be weak and below desirable levels of more than 2:1. With a current ratio of 1.28:1 as at 31 December 2015, the Board is barely able to cover its current liabilities. To improve this position, the Board is focusing on reducing its non-revenue water in order to improve sales. In terms of its financial leverage, the BWB is still vulnerable to any downturns as revealed by its ever increasing high debt-to-equity ratio of over 100 percent. This indicates that most of the Board's activities are to a higher degree financed by creditor funds as compared to owner's equity. This is an indication of a weak financial leverage position.

Another blow to the Board during the period under review was the increase in its debtors as indicated by trade receivable days standing at 216 days in December 2015. This arose from the inconsistency in the billing cycles as well as due to non-payment of outstanding bills by both the Government institutions and private debtors. The Board has intensified its debt collection using various strategies to reduce the level of debtors.

Table 17.1 shows the financial performance of the Board as at 31 December 2015.

TABLE 17.1: SELECTED PERFORMANCE STATISTICS FOR BWB

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	4,523,400	8,303,705	7,593,984	5,118,192	3,257,995	2,654,934
Change in revenue	(0.46)	0.09	0.48	0.57	0.23	0.11
Total expenditure	4,278,200	4,278,200	7,036,178	6,306,157	4,879,912	2,869,338
Change in expenditures	(0.39)	0.12	0.29	0.70	0.17	0.13
Profit after Tax	(128,000)	(352,700)	(424,614)	59,795	207,863	58,941
Change in surplus/loss	(0.64)	(0.17)	8.10	0.71	(2.53)	0.23
Net Current Assets	749,082	1,231,052	745,272	546,392	392,807	13,752
Current liabilities	2,633,438	1,926,505	1,349,888	1,664,877	976,563	799,053
Current ratio	1.28	1.64	1.55	1.33	1.40	1.02
Debt/Equity, %	*143*	*140*	*76*	*60*	*32*	*9*
Trade receivable days	216	100	80	128	103	102

Source: Blantyre Water Board (BWB)

17.2.2 Southern Region Water Board (SRWB)

Southern Region Water Board registered a profit after tax of MK136.9 million in 2015, a significant decline compared to a profit after tax of MK220.7 million realised in 2013/14. Nevertheless, the position had significantly improved as at 31 December 2015, with a profit after tax of MK264.3 million already realised. However, this profit is largely attributed to under expenditures in operating expenses on account of cash flow challenges which led to deferring some activities. Notwithstanding, the Board produced water volumes below the target mostly due to reduction in available water resources as a result of delayed rain coupled with power outages. On the other hand, the Zomba zone experienced increased water consumption after a customer meter verification exercise thereby offsetting the reduced water sales in other zones. Although still high, the meter verification exercise had a positive impact on reducing non-revenue water which stood at 32.8 percent at the end of 2014/15 financial year and at 30.9 percent as at 31 December 2015. The Board is putting in place various measures to ensure that the target of reducing non-revenue water to 28 percent by close of 2015/16 financial year is met.

Generally, SRWB has a good liquidity position at the current ratio of 2.96:1 which indicates the Board's financial strength and ability to meet its current liabilities as it has a good proportion of asset value relative to the value of its current liabilities. This is also an improvement from the previous financial year's position of 2.1:1. To further strengthen this position, the Board is focusing on reducing its non-revenue water in order to improve sales. Similarly, the Board has a good financial leverage with a debt-to-equity ratio of 33 percent showing that its activities are to a higher degree financed by owner's equity as compared to creditor funds. The Board has put in place revenue collection strategies to reduce the overall debt position.

Table 17.2 shows the financial performance of the Board as at 31 December 2015.

TABLE 17.2: SELECTED PERFORMANCE STATISTICS FOR SRWB

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	2,105,772	3,067,671	2,169,434	1,818,478	1,259,471	1,068,266
Change in revenue	(0.31)	0.41	0.19	0.44	0.18	0.13
Total expenditure	1,575,037	2,538,053	1,963,419	1,508,420	1,158,499	1,032,426
Change in expenditures	(0.38)	0.29	0.30	0.30	0.12	0.13
Profit after Tax	264,295	136,918	220,770	358,632	100,483	35,566
Change in surplus/loss	0.93	(0.38)	0.38	(2.57)	(1.83)	(0.19)
Net Current Assets	1,500,804	1,011,889	994,078	1,051,677	607,389	675,425
Current liabilities	765,332	925,426	672,297	403,966	239,105	126,627
Current ratio	2.96	2.09	2.48	3.60	3.54	6.33
Debt/Equity, %	*33*	*32*	*47*	*16*	*0*	*0*
Trade receivable days	325	167	207	159	175	186

Source: Southern Region Water Board (SRWB)

17.2.3 Central Region Water Board (CRWB)

Central Region Water Board registered a loss of MK166.2 million in 2014/15, as compared to a net profit of MK202.4 million realised in 2013/14. However, the Board registered a significant improvement as at 31 December 2015, with a profit after tax of MK76.1 million. Nevertheless, this profit does not reflect an increase in the sales volumes and it is largely attributed to savings on operating expenses as a result of cash flow challenges and delayed implementation of some activities. There was a 7 percent reduction in growth of water sales volume over the last year which was mainly due to dwindling of raw water sources and ESCOM power outages. Despite the Board having enough capacity to produce more, the water demand in CRWB continues to grow slowly due to the existence of alternative water sources in the supply area. To improve the situation, the Board is undertaking promotion campaigns to encourage more customers to get connected.

Non-revenue water had reduced to 22 percent at the end of 2014/15 financial year compared to 24 percent in 2013/14. However, it had increased to 25 percent as at 31 December 2015. The liquidity position for CRWB continues to be weak with the current ratio persistently below 1. Thus, the Board is barely able to meet its current liabilities as it does not have a good proportion of asset value relative to the value of its liabilities. Similarly, the Board has a very weak financial leverage with a debt-to-equity ratio of more than 100 percent showing that the Board's activities are to a higher degree financed by creditor funds as compared to owner's equity. The Board has put in place revenue collection strategies to improve collection from trade debtors.

TABLE 17.3: SELECTED PERFORMANCE STATISTICS FOR CRWB

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	1,246,206	2,017,623	1,405,091	1,188,044	876,268	725,149
Change in revenue	(0.38)	0.44	0.18	0.36	0.21	0.24
Total expenditure	1,027,356	1,723,134	1,324,642	1,121,139	809,634	655,102
Change in expenditures	(0.40)	0.30	0.18	0.38	0.24	0.16
Profit after Tax	76,059	(166,291)	202,353	54,441	(9,812)	68,690
Change in surplus/loss	(1.46)	(1.82)	(2.72)	6.55	1.14	(2.37)
Net Current Assets	(80,606)	(90,324)	(19,867)	(146,460)	(351,093)	(214,348)
Current liabilities	1,404,414	1,072,685	790,021	1,031,368	923,861	656,107
Current ratio	0.94	0.92	0.97	0.86	0.62	0.67
Debt/Equity, %	*178*	*170*	*84*	*41*	*14*	*0*
Trade receivable days	303	106	141	132	113	94

Source: Central Region Water Board (CRWB)

17.2.4 Lilongwe Water Board (LWB)

The performance of Lilongwe Water Board (LWB) has taken a positive turn. Since 2013, LWB has been reporting profits. The company recorded growth of 85 percent in their revenues from MK4.96 billion in 2014 to MK9.16 billion in 2015. However, expenses also significantly increased by 20 percent largely due to reported increases in electricity costs and administration and general expenses. Nevertheless, the profits for LWB grew by 120 percent from MK0.56 billion in 2014 to MK1.24 billion in 2015.

The current ratio for LWB increased from 1.2 in 2014 to 2.4 in 2015. This signifies that the company has adequate capital to cover their current liabilities. Consequently, the net current assets position increased from MK0.51 billion in 2014 to MK3.02 billion in 2015. The Board reported current liabilities amounting to MK2.18 billion in 2015. The debt-to-equity ratio reduced from 0.69 reported in 2014 to 0.67 reported in 2015. This signifies efforts by management to finance their operations by equity rather than debt. The debt collection days remained high at 100 days. However, this is a slight improvement from 132 days reported in 2014.

Going forward, the Board is expecting an improvement in their financial position evidenced by the financial performance reported at mid-year. Nonetheless, this is being challenged by the growth in expenditure due to protection of catchment areas among others. The Board is also challenged by the dwindling level of the water table as well as low water levels in two dams.

Table 17.4 shows the financial performance of the Board as at 31 December 2015.

TABLE 17.4: SELECTED PERFORMANCE STATISTICS FOR LWB

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	6,837,396	9,163,490	4,956,225	3,189,557	2,207,546	1,940,938
Change in revenue	(0.25)	0.85	0.55	0.44	0.14	0.10
Total expenditure	3,107,562	5,343,282	4,439,092	2,809,140	1,776,629	2,169,410
Change in expenditures	(0.42)	0.20	0.58	0.58	(0.18)	0.43
Profit after Tax	2,015,792	1,238,435	564,119	(437,411)	(163,334)	(192,529)
Change in surplus/loss	0.63	1.2	2.29	(1.68)	(0.15)	(0.84)
Net Current Assets	5,004,993	3,018,191	510,321	(736,234)	480,917	283,030
Current liabilities	2,450,739	2,182,109	2,197,151	2,129,582	698,147	744,918
Current ratio	3.04	2.38	1.23	0.65	1.69	1.38
Debt/Equity, %	*67*	*69*	*68*	*51*	*42*	*42*
Trade receivable days	228	100	132	121	110	

Source: Lilongwe Water Board (LWB)

17.2.5 Northern Region Water Board (NRWB)

The financial performance of the Northern Region Water Board showed signs of improvement during the first half of 2015/16. In 2014/15 financial year, total revenue grew to MK4.0 billion from MK2.6 billion in 2013/14 financial year. Despite the shrink in profit after tax from MK218.2 million at the end of 2013 to MK2.9 million in 2014/15, the net profit has improved significantly with MK243.1 million already realised as at December 2015. This growth was mainly on account of increased water sales volume emanating from both domestic households and commercial customers. Water sales revenue also increased over last year's performance, largely due to the upward adjustment of the water tariff by 35 percent in August 2014.

The debt position for NRWB deteriorated during the first half on the 2015/16 financial year compared to June 2015 with debtor days at 194 days and 77 days, respectively. The liquidity position also slumped as at the end of December 2015 with the current ratio at 1.5:1 compared to 2.33:1 in June 2015. In terms of non-revenue water, there was an improvement as it averaged 31.5 percent in December 2015 down from 37 percent in June 2015. This is expected to improve further through the installation of bulk meters which will assist in directing focus to appropriate and specific areas that are losing water.

Table 17.5 shows the financial performance of the Board as at 31 December 2015.

TABLE 17.5: SELECTED PERFORMANCE STATISTICS FOR NRWB

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	2,473,539	4,001,471	2,649,967	1,906,155	1,444,987	1,059,836
Change in revenue	(0.38)	0.51	0.39	0.32	0.36	0.24
Total expenditure	1,985,479	3,529,468	2,147,221	1,663,355	1,157,557	939,606
Change in expenditures	(0.44)	0.64	0.29	0.44	0.23	0.21
Profit after Tax	243,122	2,922	218,163	84,030	205,524	50,763
Change in surplus/loss	82.20	(0.99)	(1.60)	0.59	(3.05)	1.56
Net Current Assets	408,525	588,952	184,642	(78,195)	112,232	123,452
Current liabilities	816,330	442,585	1,198,851	749,056	308,039	332,122
Current ratio	1.50	2.33	1.15	0.90	1.36	1.37
Debt/Equity, %	*51*	*54*	*32*	*26*	*42*	*45*
Trade receivable days	194	77	108	100	102	102

Source: Northern Region Water Board (NRWB)

17.3 Property Development and Management

17.3.1 Malawi Housing Corporation (MHC)

Malawi Housing Corporation has continued to perform poorly for the last five years. Although the institution's revenue had been increasing in the first three years of the period under review, it has been making losses in the last two years. Profit increased by 6 percent from 2011 to 2012 but in 2013 profits fell by 29 percent as a result of a MK38.4 million loss. The poor performance is largely due non-payment of rentals by the Government which has 85 percent of the institution's houses. Currently, the Government owes the institution MK47.9 million.

The current ratio, which measures the institutions ability to meet its short-term obligations, has persistently been below desirable levels as it stood at 0.88:1 at 31 December 2015. This is also exacerbated by the reduction in net current assets to MK147.3 million in 2014/15 from MK963.7 million at the end of 2013/14. Furthermore, current liabilities have persistently been higher than current assets. However, the institution's debts are not more than its equity as indicated by a debt-to-equity ratio at only 6 percent for the last two years.

One major challenge for the institution remains the high cost of project finance in Malawi. In this respect, MHC is in the process of applying for loans with the Biz Planners and Advisors Pte Limited, Industrial and Commercial Bank of China and Kuwait Fund. The institution continues to experience an increase in debt collection days which in turn restricts cash flow as it impacts negatively on revenue.

Table 17.6 shows the financial performance of the Corporation as at 31 December 2015.

TABLE 17.6: SELECTED PERFORMANCE STATISTICS FOR MHC

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000
Total revenue	1,144,656	1,980,616	1,689,794	1,308,235	1,235,779
Change in revenue	0.08	(0.42)	0.17	0.06	0.06
Total expenditure	1,363,905	2,019,867	1,701,337	1,238,525	1,205,557
Change in expenditures	(12)	(32)	19	37	3
Profit after Tax	(46,831)	42,589	38,380	43,960	18,999
Net Current Assets		147,364	963,670	1,246,797	1,515,455
Current liabilities		3,058,480	2,517,731	2,414,426	1,835,830
Current ratio	0.88	0.88	0.95	0.6	1.52
Debt/Equity, %		*6*	*6*	*12*	
Trade receivable days	214	190	148	109	69

Source: Malawi Housing Corporation (MHC)

17.3.2 National Construction Industry Council (NCIC)

The performance of NCIC has steadily improved over the period under audit as evidenced by the 40 percent increase in revenue from MK0.72 billion in 2014 to MK1.02 billion in 2015. This is attributed to increase in the construction levy and subscription fees which grew by 54 percent and 39 percent, respectively, from 2014. However, expenditure also increased by 31 percent due to costs incurred by the Council in establishing new offices in the Southern Region and also due to provision of old doubtful debts amounting to MK41 billion. Consequently, NCIC registered a 4926 percent increase in profit from MK1.38 million in 2014 to MK69.36 million in 2015.

The liquidity position of the Council also reported a positive growth. The current ratio increased from 4.4 in 2014 to 5.8 in 2015. This signifies that the Council has more than adequate working capital and thus there is need to employ the capital to generate returns from the asset base. Consequently, the net current assets position improved from MK300 million in 2014 to MK380 million in 2015 and the current liabilities reduced by 9.6 percent from MK87.97 million in 2014 to MK79.55 million in 2015. In addition, the company managed to reduce its leverage from 11 percent in 2014 to 8 percent in 2015 indicating that operations are financed by the company's assets rather than its debts. It takes the Board 89 days for customer invoices to be settled in 2015. This is a reduction from 102 days reported in 2014. Nonetheless, this position needs to be improved.

Going forward, the Council is anticipating a reduction in financial performance as evidenced by the position reported at mid-year. Nonetheless, the current ratio remained high at 8.74. It would be ideal for the Council to utilise the working capital to generate returns from its asset base. On a good note, the Council reported a reduction in the debt-to-equity ratio from 8 percent in 2015 to 5 percent at mid-year. This signifies management efforts to finance their operations more with equity and less with debt.

Table 17.7 shows the financial performance of the Council as at 31 December 2015.

TABLE 17.7: SELECTED PERFORMANCE STATISTICS FOR NCIC

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	553,265	1,017,118	724,708	677,347	456,242	414,712
Change in revenue	(0.46)	0.40	0.07	0.48	0.10	0.47
Total expenditure	529,759	947,754	723,028	514,475	411,707	316,265
Change in expenditures	(0.44)	0.31	0.41	0.25	0.30	0.83
Profit after Tax	23,506.00	69364	1379	162872	44535	102240
Change in surplus/loss	(0.66)	49.30	0.99	(2.66)	0.56	0.07
Net Current Assets	399,749	380,107	300,914	368,134	205,742	169,688
Current liabilities	51,631	79,547	87,969	56,513	57,955	47,700
Current ratio	8.74	5.78	4.42	7.51	4.55	4.56
Debt/Equity, %	*5*	*8*	*11*	*0.07*	*11*	*32*
Trade receivable days	184	89	102	139	181	121

Source: National Construction Industry Council (NCIC)

17.4 Power Portfolio

17.4.1 Electricity Supply Corporation of Malawi Limited (ESCOM)

Electricity Supply Corporation of Malawi (ESCOM) continued to perform well in 2014/15 when compared to 2013/14. ESCOM's revenue had grown from MK49.25 billion in 2013/14 to MK55.01 billion in 2014/15, thus reporting a 12 percent growth. However, expenses grew by 24 percent to MK43.03 billion during the same period. Maintenance costs largely contributed to the growth in expenses. Thus, the profit after tax fell by 67 percent from MK26.82 billion in 2014 to MK8.73 billion in 2015.

The current ratio for ESCOM increased from 1:5.46 reported in 2014 to 1:5.9 in 2015. This implies that ESCOM has a lot of liquidity floating around. Consequently, the net current assets position grew from MK26.0 billion in 2014 to MK36.7 billion in 2015. Regardless, ESCOM recorded an increase in the trade receivable days from 64 days in 2014 to 92 days in 2015. This implies that ESCOM should continue to improve its efficiency in collecting outstanding invoices from customers. One of the strategies in place is intensifying the installation of pre-paid meters to reduce the amount of money that is tied up by its debtors. The debt-to-equity position of 79 percent implies that the enterprise is employing debt to finance its operations other than equity. This is not sustainable and dangerous as the equity base can easily be consumed by debt.

Going forward, it is anticipated that the performance of ESCOM will improve as evidenced by the growth in profits after tax reported at mid-year and the reduction in the debt-to-equity ratio. ESCOM needs to intensify its efforts to recover debt from its creditors as the trade receivable days increased to 186 days at mid-year from 92 days reported at the end of the 2015 financial year.

Table 17.8 shows the financial performance of the Commission as at 31 December 2015.

TABLE 17.8: SELECTED PERFORMANCE STATISTICS FOR ESCOM

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	30,117,054	55,098,247	49,246,288	34,403,257	22,564,426	13,828,962
Change in revenue	(0.45)	0.12	0.43	0.52	0.63	0.32
Total expenditure	24,436,040	43,025,990	34,571,300	21,510,150	12,897,269	10,416,037
Change in expenditures	(0.43)	0.24	0.61	0.67	0.24	0.15
Profit after Tax	8,981,550	8,730,030	26,818,774	17,959,525	5,969,691	5,806,797
Change in surplus/loss	0.03	(0.67)	(0.49)	(2.01)	(0.03)	66.16
Net Current Assets	43,657,156	36,652,655	26,014,068	16,234,456	(753,827)	(5,874,304)
Current liabilities	8,137,539	7,487,155	5,835,770	3,531,385	10,228,671	12,197,288
Current ratio	6.36	5.90	5.46	5.60	0.93	0.52
Debt/Equity, %	*74*	*79*	*74*	*106*	*99*	*202*
Trade receivable days	186.95	92.17	63.95	66.79	89.60	79.92

Source: Electricity Supply Commission of Malawi (ESCOM)

17.4.2 National Oil Company of Malawi (NOCMA)

NOCMA's performance over the five year period has been somewhat mixed. There was a significant increase in revenue from 2012 to 2013 (13,180 percent) but the company realised a 71 percent drop in revenue in the preceding year. However, there is a 228 percent projected increase in income in 2015/16. Expenses also followed a similar trend, although they have been projected to go down in the 2015/16 financial year.

NOCMA has maintained a 1:1 current ratio indicating that it cannot cover its current liabilities with its current assets. This may affect its repayments of any financial obligations that it may have. The debt-to-equity position has been significantly high at an average of 3,749 percent. This is unsustainable because it signals that it is over-leveraged.

Table 17.9 shows the financial performance of the Company as at 31 December 2015.

TABLE 17.9: SELECTED PERFORMANCE STATISTICS FOR NOCMA

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000
Total revenue	32,109,908	9,802,752	33,947,924	255,641
Total expenditure	94,099	9,780,745	33,848,604	9,780,745
Profit after Tax	32,204,007	22,007	99,320	414,951
Net Current Assets	927,175	680,986	1,000,000	545,776
Current liabilities	14,225,105	32,766,592	34,478,490	39,805,784
Current ratio	1.0	1.0	1.0	1.0
Debt/Equity, %	*1,098*	*6,411*	*4,225*	*3,424*
Trade receivable days	154	25	19	

Source: National Oil Company of Malawi (NOCMA)

17.4.3 Malawi Energy Regulatory Authority (MERA)

The performance of Malawi Energy Regulatory Authority (MERA) improved in 2015. The revenue for the Authority grew by 52 percent from MK1.82 billion in 2014 to MK2.78 billion in 2015. Expenses also reported a positive growth of 30 percent from MK1.08 billion in 2014 to MK1.40 billion in 2015. Thus, profit after tax for the Authority increased by 85 percent from MK0.74 billion in 2014 to MK1.37 billion in 2015.

The current ratio for MERA increased from 1.24 reported in 2014 to 3.24 in 2015. The reduction in current liabilities by 68 percent from MK21.66 billion in 2014 to MK6.92 billion in 2015 might have contributed to the growth. Consequently, the net current assets position increased from MK5.12 billion in 2014 to MK15.49 billion in 2015. The debt-to-equity ratio for the Authority significantly reduced to 53 percent in 2014/15. This signifies efforts by management to finance the operations by equity and less by debt. MERA is anticipating a further improvement in its performance in 2016 despite reporting a loss at mid-year. The current ratio slightly decreased from the position reported in 2014. Nonetheless, a current ratio of 1:3.01 at mid-year implies that MERA has adequate working capital to be employed in its operations.

Table 17.10 shows the financial performance of the Authority as at 31 December 2015.

TABLE 17.10: SELECTED PERFORMANCE STATISTICS FOR MERA

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	1,987,331	2,776,576	1,822,962	1,111,255	663,718	528,618
Change in revenue	(0.28)	0.52	0.64	0.67	0.26	0.32
Total expenditure	887,659	1,403,228	1,079,817	704,594	650,812	500,096
Change in expenditures	(0.37)	0.30	0.53	0.08	0.30	0.53
Profit after Tax	1,032,283	1,373,348	743,145	406,661	12,906	28,522
Change in surplus/loss	(0.25)	0.85	(0.83)	(30.51)	0.55	0.47
Net Current Assets	25,150,088	15,493,925	5,167,442	2,094,525	675,211	364,914
Current liabilities	12,505,285	6,917,123	21,655,747	23,202,288	9,768,840	5,702,596
Current ratio	3.01	3.24	1.24	1.09	1.07	1.06
Debt/Equity ratio	0.49	0.53	13.13	5.76	13.23	12.39
Trade receivable days	45	45	45			

Source: Malawi Energy Regulatory Authority (MERA)

17.5 Telecommunication Portfolio

17.5.1 Malawi Posts Corporation Limited (MPC)

The performance of Malawi Posts Corporation (MPC) slightly improved from the position reported in 2014/15. In 2014/15, revenues grew by 3 percent from MK3.24 billion to MK3.35 billion. Expenses grew by 15 percent from MK3.27 billion to MK3.76 billion during the same period. Thus, the financial position of the Corporation worsened with a loss increasing from MK171 million reported in 2014 to MK463 million recorded in 2015.

With a current ratio of 0.71, MPC had inadequate working capital to finance its day-to-day operations in 2015. The current liabilities for the Corporation increased from MK2.48 billion as reported in 2014 to MK2.86 billion in 2015. Consequently, the net current assets position worsened from a liability of MK748 million in 2014 to a liability of MK834 million in 2015. Thus, the Corporation would not have been able to meet their obligations in 2015 due to more current liabilities than current assets. The Corporation reported a trade receivable days position of 49 days implying that management is employing efforts to collect resources from their creditors. The debt-to-equity position, however, remained high at 108 percent in 2015.

Going forward, MPC anticipates an improvement in their financial position. The Corporation reported a profit of MK127 million at mid-year of 2015/16 financial year. The net current assets position has slightly improved. However, the Corporation still reported negative working capital of MK231 million at mid-year. Notably, the current ratio improved from 1:0.71 at the end of 2014/15 financial year to 1:0.89 at mid-year of 2015/16.

Table 17.11 shows the financial performance of the Corporation as at 31 December 2015.

TABLE 17.11: SELECTED PERFORMANCE STATISTICS FOR MPC

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000	2010/11 (Audited) K'000
Total revenue	1,940,777	3,345,514	3,239,818	2,613,213	1,510,322	1,206,453
nge in revenue	(0.42)	0.03	0.24	0.73	0.25	0.25
Total expenditure	1,851,334	3,761,488	3,273,184	2,106,007	1,565,142	1,195,515
Change in expenditures	(0.51)	0.15	0.55	0.35	0.31	0.53
Profit after Tax	127,426	(463,271)	(171,101)	44,142	(87,579)	59,887
Change in surplus/loss	(1.28)	1.71	4.88	1.50	2.46	0.85
Net Current Assets	(231,791)	(834,472)	(748,133)	(249,955)	(576,987)	(174,506)
Current liabilities	2,043,371	2,865,572	2,479,689	1,594,633	1,421,587	826,756
Current ratio	0.89	0.71	0.70	0.84	0.59	0.79
Debt/Equity, %		108	109	(15.92)	(15.74)	60.39
Trade receivable days	23	49				

Source: Malawi Posts Corporation (MPC)

17.5.2 Malawi Communications and Regulatory Authority (MACRA)

Malawi Communications Regulatory Authority (MACRA) has consecutively reported surpluses over the years. Income for MACRA increased by 103 percent from MK6.64 billion reported in 2014 to MK13.50 billion in 2015. Expenses, on the other hand, increased by 62 percent from MK3.44 billion in 2014 to MK5.59 billion in 2015. Consequently, surpluses grew by 107 percent from MK3.20 billion in 2014 to MK8.61 billion in 2015.

Table 17.12 shows the financial performance of the Authority as at 31 December 2015.

TABLE 17.12: SELECTED PERFORMANCE STATISTICS FOR MACRA

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000
Total revenue	6,435,378	13,503,831	6,641,779	3,377,847	2,286,898
Change in revenue	(0.52)	1.03	0.97	0.48	0.14
Total expenditure	2,964,553	5,594,074	3,445,989	2,706,382	1,624,130
Change in expenditures	(0.47)	0.62	0.27	0.67	0.24
Profit after Tax	3,262,970	8,614,669	3,195,790	671,465	662,768
Change in surplus/loss	(0.62)	1.70	(3.76)	(0.01)	0.06
Net Current Assets	4,641,265	4,336,386			
Current liabilities	4,140,119	5,911,197			
Current ratio	2.12	1.73			
Debt/Equity ratio	0.83	1.08			
Trade receivable days	416	165			

Source: Malawi Communications and Regulatory Authority (MACRA)

17.6 Agriculture Portfolio

17.6.1 Agriculture Development and Marketing Corporation Limited (ADMARC)

The performance of the Agriculture Development and Marketing Corporation (ADMARC) remained poor in the period under review. In 2015, total revenues shrunk to MK9.5 billion from MK11.2 billion in 2014. Thus, the financial position of the Corporation worsened by 307 percent from a loss of MK169.4 million reported in 2014 to a loss of MK914.3 million in 2015.

With a current ratio of 0.5, ADMARC had inadequate working capital to finance its day-to-day operations in 2015. The current liabilities for the Corporation increased from MK8.7 billion reported in 2014 to MK10.2 billion in 2015. Consequently, the net current assets position worsened from a liability of MK3.3 billion in 2014 to a liability of MK5.4 billion in 2015. Thus, the Corporation would not have been able to meet its obligations in 2015 as they reported more current liabilities than current assets. The Corporation reported a trade receivable days position of 51 days implying that management is employing efforts to collect resources from their creditors. The debt-to-equity position, however, remained high at 86 in December 2015, meaning that a large proportion of the Corporation is consumed in debt. Furthermore, the current ratio remained at undesirable levels averaging 1:0.5, implying that the corporation's ability to meet its short term obligations was still very weak.

Table 17.13 shows the financial performance of the Corporation as at 31 December 2015.

TABLE 17.13: SELECTED PERFORMANCE STATISTICS FOR ADMARC

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000
Total revenue	9,555,009	11,168,955	10,986,251	9,127,835	2,035,857
Change in revenue	(0.14)	0.02	0.20	3.48	2.61
Total expenditure	10,469,309	11,045,893	10,758,542	4,025,025	2,951,605
Change in expenditures	(0.05)	0.03	1.67	0.36	6.63
Profit after Tax	(914,300)	(169,417)	227,709	5,102,810	(915,748)
Change in surplus/loss	(3.07)	(0.46)	(0.96)	6.57	0
Net Current Assets	(5,413,315)	(3,312,703)	(2,588,708)	(8,742,050)	(7,227,501)
Current liabilities	10,243,281	8,720,483	3,475,589	3,959,723	
Current ratio	0.5	0.6	0.4	0.2	0.2
Debt/Equity, %	*86*	*77*	*36*	*118*	
Trade receivable days		51	23	33	162

Source: Agriculture Development and Marketing Corporation (ADMARC)

17.7 Pharmacy, Medicines and Poisons Board (PMPB)

Pharmacy, Medicines and Poisons Board's (PMPB) performance was generally good during the audit period. Revenue grew by 46 percent in 2015 and this was mainly attributed to a 131 percent increase in registration fees and a 78 percent increase in grant income particularly from National Aids Commission (NAC). This exceptional increase in income combines with a mere 20 percent growth in expenditure leading to an increase in profits by 181 percent.

However, PMPB's current ratio is at 1:4.8 due to the existence of too much cash and cash equivalents mainly in the Board's foreign currency denominated account amounting to MK318 million. The Board has maintained a low debt-to-equity position over the years and it further lowered it to 17 percent in 2015. The institution took an average of 56 days to collect outstanding customer invoices in 2015.

At mid-year of 2015/16 financial year, PMPB reported a surplus of MK84 million. Thus, going forward, the institution anticipates continued positive performance. However, the assessment of mid-year performance reveals that the financial performance for 2015/16 might slightly decline from the position reported in 2014/15.

Table 17.14 shows the financial performance of the Board as at 31st December 2015.

TABLE 17.14: SELECTED PERFORMANCE STATISTICS FOR PMPB

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000
Total revenue	369,613,441	665,316,645	454,194,460	337,268,378	218,883,822
Change in revenue	(0.44)	0.46	0.35	0.54	0.25
Total expenditure	285,453,370	461,631,620	383,221,979	286,244,052	181,152,269
Change in expenditures	(0.38)	0.20	0.34	0.58	0.12
Profit after Tax	84,160,071	206,906,431	73,564,965	55,951,050	39,947,204
Change in surplus/loss	(0.59)	1.81	(0.31)	(0.40)	(1.71)
Net Current Assets		326,492,445	147,031,506	100,850,152	110,768,584
Current liabilities		102,576,844	116,336,202	69,531,933	42,561,720
Current ratio		4.18	2.26	2.45	3.60
Debt/Equity, %		*17*	*28*	*33*	*24*
Trade receivable days		56	86	67	35

Source: Pharmacy, Medicines and Poisons Board (PMPB)

17.8 Technical Education and Vocational Training Authority (TEVETA)

TEVETA has been consistently performing fairy well during the last four years. In 2015 however, revenue dropped by 17 percent. Despite this, the Authority has consistently been able to make profit as their profit after tax has been increasing during the period under review. Expenditure fell by 26 percent in 2013 but rose by 31 percent in 2014.

The current ratio in the last two of the five years was 1:8.1. Although this indicates a high capacity of the Authority to meet its short-term obligations, they have too much liquidity which could be used for investment. In 2015/16, despite rising prices of goods and services, the Authority achieved 36 percent of the annual budget with a resource use of about 39 percent of the MK3.1 billion annual budget.

Table 17.15 shows the financial performance of the Authority as at 31 December 2015.

TABLE 17.15: SELECTED PERFORMANCE STATISTICS FOR TEVETA

Performance targets	2015/16 (half year) K'000	2014/15 (Audited) K'000	2013/14 (Audited) K'000	2012/13 (Audited) K'000	2011/12 (Audited) K'000
Total revenue	2,186,605	2,646,599	1,840,154	1,462,413	1,392,348
Change in revenue	(0.17)	0.44	0.26	0.05	
Total expenditure	1,358,308	1,371,989	1,050,245	1,422,012	1,361,043
Change in expenditures	(0.01)	0.31	(0.26)	0.04	
Profit after Tax	828,297	441,249	29,845	40,401	
Change in surplus/loss	0.88	13.78	(0.26)	0.29	
Net Current Assets	1,418,269	1,805,690	662,151	288,404	338,874
Current liabilities	198,904	242,358	242,358	168,073	107,524
Current ratio	8.1	8.5	3.7	2.7	4.2
Debt/Equity, %	*10*	*14*			
Trade receivable days	246	69	74	88	65

Source: Technical Education and Vocational Training Authority (TEVETA)

Chapter 18

BANKING AND FINANCE

18.1 Overview

The objectives of monetary policy in the 2015/16 fiscal year was to achieve and maintain stability in the general price level in the economy and to build foreign exchange reserves to a minimum of 3 months import cover. To meet these objectives, the bank used a variety of instruments that included the policy rate, the Liquidity Reserve Ratio (LRR), open market operations (OMO) and communication.

Despite the tight monetary policy stance during the first half of the 2015/16 fiscal year, growth in broad money supply, M2, accelerated to 23.7 percent in December 2015 from 13.8 percent recorded at the end of 2014/15 fiscal year. In line with this development, headline inflation picked up to 24.9 percent in December 2015 from 21.3 percent in June 2015. Two other factors were also behind this development. Firstly, following the floods and sporadic drought conditions experienced in 2014/15 agricultural season and the resulting low supply of food, food prices rose remarkably. Secondly, the kwacha depreciated significantly in the first half of 2015/16 fiscal year.

18.2 The Banking System

Broad money supply (M2) picked up strongly and recorded MK778.8 billion as at end-December 2015 from MK642.0 billion at the end of 2014/15 fiscal year. This mainly reflected a MK77.4 billion accumulation of foreign currency denominated deposits. Net maturity of securities led to a growth of savings deposits during the first half of the 2014/15 fiscal year as reflected by a MK30.8 billion accumulation of term (time and savings) deposits. Demand deposits also increased by MK29.6 billion between June 2015 and December 2015. Meanwhile, currency in circulation declined by MK1.0 billion due to a slowdown in economic activity after the tobacco marketing season. On a year-on-year basis, the annual growth rate of broad money supply (M2) stood at 23.7 percent in December 2015 compared 13.8 percent in June 2015.

On the counterparts, the growth in M2 resulted from increases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. In the first half of the 2015/16 fiscal year, NFA and NDA grew by MK83.5 billion and MK53.2 billion to MK339.5 billion and MK439.3 billion, respectively, as at end-December 2015. However, in dollar terms, NFA shrunk in the first half of 2015/16 fiscal year and stood at US$511.0 million from US$580.3 million. Therefore, the growth in NFA during the first half of the 2015/16 fiscal year was largely due to revaluation gains following the continued depreciation of the kwacha against the dollar. The kwacha traded at MK664.3650 in December 2015 compared to MK437.2315 in June 2015. NDA of the banking system increased by MK53.2 billion between June and December 2015 and stood at MK439.3 billion at end-

December, 2015. The growth in the NDA reflected increases in claims on the private sector (MK78.7 billion) and net claims on Government (MK55.3 billion). Other items (net) and net claims to statutory bodies had a contractionary effect on net domestic assets. Other items (net) decreased by MK80.1 billion while net claims on statutory bodies shrunk by MK659.8 million.

TABLE 18.1: MONETARY SURVEY (K' MILLION)

	End-period balances				Changes during periods			
	2013 Jun	**2014 Jun**	**2015 Jun**	**2015 Dec**	**2013 Jun**	**2014 Jun**	**2015 Jun**	**2015 Dec**
A. Net Domestic Credit								
1. Credit to government (i+ii)	152,934.7	243,906.9	149,072.3	204,352.4	-17,288.5	82,613.7	-94,834.7	55,280.2
i. Monetary Authorities	110,695.2	152,065.5	17,763.2	100,211.1	-26,423.6	41,370.3	134,302.3	82,447.90
ii. Commercial Banks	42,239.5	91,841.5	131,309.1	104,141.4	9,135.1	41,243.4	39,467.6	-27,167.70
2. Credit to statutory bodies	17,775.4	5,706.3	5,735.9	5,076.1	687.8	-12,069.0	29.6	-659.8
3. Credit to private sector (gross)	231,786.5	274,453.3	311,645.5	390,325.1	23,885.6	42,666.8	37,192.2	78,679.6
B. Narrow Money (M1)	191,415.6	244,924.4	289,210.3	317,789.5	22,489.5	53,508.8	44,285.9	28,579.2
4. Currency outside banks	85,680.1	99,886.6	111,561.5	110,575.3	24,156.2	14,206.6	11,674.9	-986.2
5. Private sector demand deposits	105,735.6	145,037.8	177,648.8	207,214.2	-1,666.7	39,302.2	32,611.0	29,565.4
C. Quasi-money	256,890.5	319,221.6	352,819.4	461,018.3	69,229.2	62,331.1	33,597.8	108,199.0
D. Money Supply (M2) (B+C)	448,306.1	564,146.0	642,029.7	778,807.8	91,718.7	115,839.9	77,883.7	136,778.1
E. Net Foreign Assets	107,971.2	111,397.6	255,953.3	339,486.0	112,614.6	3,426.3	144,555.7	83,532.7
6. Monetary Authorities	49,493.5	63,017.7	191,631.5	221,695.0	93,369.2	13,524.2	128,613.8	84,762.5
7. Commercial Banks	58,477.8	48,379.9	64,321.8	63,092.0	19,245.5	-10,097.9	15,941.9	-1,229.8

Source: Reserve Bank of Malawi

18.2.1 Commercial Banks: Sources and Uses of Funds

Commercial banks' resources grew by MK211 billion during the first half of the 2015/16 fiscal year and stood at MK1.0 trillion as at end-December 2015. The increase was largely attributed to accumulation of MK121.9 billion private sector deposits following aggressive deposit mobilisation by the banks. The main contribution to the surge in private sector deposits emanated from foreign currency denominated deposits which grew by MK75.1 billion, largely due to capital inflows for projects coupled with revaluation gains on foreign currency deposits. The accumulation of term deposits (MK28.4 billion) and demand deposits for transaction motives (MK18.4 billion) also increased private sector deposits. The contribution of private sector deposits was followed by resources from abroad which rose by MK30.9 billion. Official sector deposits grew by MK28.0 billion due to increases in deposits of both government and statutory bodies. mainly on account of receipts of project funds. Meanwhile, capital accounts rose by MK16.9 billion as a result of an increase in commercial banks' profits and retained earnings. All other uncategorised liabilities of the commercial banks further contributed MK13.1 billion to the resources.

On the usage, commercial banks utilised a large share of their resources, amounting to MK78.7 billion, to extend credit to the private sector. Investment abroad reflected by an increase in claims on non-residents rose by MK29.7

billion. Meanwhile, commercial banks reduced their net claims on central government and statutory bodies by MK14.9 billion and MK659.8 million, respectively. These developments mainly reflected redemption of Treasury bills and repayment of loans by the statutory bodies. Deposits at the Reserve Bank plus till money declined by MK2.3 billion largely due to a downward adjustment of the LRR in August 2015.

18.2.2 Reserve Bank: Sources and Uses of Funds

During the first half of 2015/16 fiscal year, the resources for RBM increased by MK292.4 billion to MK796.3 billion as at end-December 2015 from MK503.9 billion at the end of 2014/15 fiscal year. The major source of funds for the central bank during the period was unsectored liabilities which increased by MK194.3 billion to MK185.7 billion as at end-December 2015, on account of open market operations. This was complemented by official sector deposits which grew by MK55.4 billion due to receipts of project funds and on account of revaluation gains following depreciation of the local unit. These developments were, however, partly offset by the declines in commercial banks deposits plus till money and currency in circulation.

The Reserve Bank of Malawi used a bulk of the resources in extending Ways and Means advances to Central Government and investing abroad. During the period, a total of MK137.8 billion was extended to Government to support its fiscal operations and to redeem maturing securities. Investments abroad increased by MK134.3 billion mainly due to purchases from the market, receipt of project funds and on account of revaluation gains. Unsectored assets of the RBM also increased by MK26.1 billion between July 2015 and December 2015. These developments were partly counteracted by a MK5.9 billion reduction in net claims on the commercial banks following maturity of Reverse Repurchase Agreements (REPOs).

Chapter 19

PUBLIC FINANCE

19.1 Introduction

This chapter presents the performance of central government budgetary operations during the 2015/16 fiscal year compared with the 2014/15 fiscal year. Furthermore the section presents the medium term framework for the next two fiscal years thus 2016/17 to 2017/18 fiscal years. The structure of the chapter is as follows: section two provides the summary of central government budgetary operations followed by discussion on performance of total revenues and grants in section 3. The fourth and fifth sections present the performance of central government recurrent expenditures and development expenditures respectively. Finally the chapter ends with highlights of the 2016/17 budget in section six and major implementation challenges of the 2016/17 budget in section seven.

19.2 Summary of Central Government Budgetary Operations

The 2015/16 budget was formulated against the theme of rebuilding fiscal discipline as a foundation for restoration of macroeconomic stability for poverty reduction. The aim was to ensure lower inflation, lower interest rates, stable exchange rate and inducing inclusive growth. The 2015/16 budget considered priorities in the Malawi Growth and Development Strategy II, revenue policy reforms and policy interventions which government implemented to address the social and macroeconomic imbalances that were prevailing in the country. With regard to the macroeconomic outlook, the budget considered prospects in the global, regional and domestic economy. At the global level, real output growth was projected at 3.5 percent and 3.8 percent in 2015 and 2016 respectively. Stagnation and prolonged deflation which ultimately result in persistent weak global trade growth were still major concerns in advanced economies such as Japan and the Euro area, hence the slowdown in the expected growth forecast. The 2015/16 FY also considered development in the sub-Saharan region where growth was projected to remain robust at 4.5 percent and 5.1 percent in 2015 and 2016 respectively due to continued investment in infrastructure and increase in agricultural production. The Malawi economy on the other hand was projected to decline to 3.1 percent in 2015 due to the setbacks such as recent floods and dry spells that exterted pressure on growth prospects.

However, just like the 2014/15 FY budget the 2015/16 FY framework was designed in such a way that all recurrent expenditures are financed by domestic resources amidst uncertainty of budgetary support by development partners. The macroeconomic assumption upon which the budget was formulated included an annual average inflation of 16.4 percent and real GDP growth rate of 5.4 percent coupled with a nominal GDP growth of 22.8 percent. These assumptions were key to a stable macroeconomy and consequently growth of the economy. The nominal anchors of the 2015/16 FY budget remained a reduction of accumulation of arrears and reduction of net domestic borrowing to 0.7 percent of GDP.

The 2015/16 budget operated under the assumption of zero budgetary support from development partners. Government's focus was therefore on raising sufficient domestic revenues to finance the budget. Furthermore austerity measures were implemented extensively to ensure that expenditures are within the budget framework. The Malawi Revenue Authority stepped up its efforts to strengthen revenue collections and this included enforcement of compliance rules and of use of electronic fiscal devices. In addition Government financially supported revenue collecting departments such as Department of Immigration, Malawi Police and Road Traffic Directorate to carry out their functions effectively.

Despite diminishing domestic resources during the 2015/16 fiscal year, Government continued its commitment in increasing spending to social sectors as Health, Education, Agriculture and Social Protection Programmes. For instance allocations to the Farm Input Subsidy Programme (FISP), Cement and Iron sheets subsidy and social cash transfers to the vulnerable were implemented as budgeted.

The implementation of the 2015/16 FY budget faced a number of challenges. The sharp depreciation of the exchange rate towards the end of the first half increased the cost of the FISP contracts as well as importation of essential commodities such as drugs and fuel. The dry spell and drought experienced during the year resulted in heightened fiscal pressures due to the increased need for humanitarian food response. This was aggravated by the aftermath of the food shortage from the 2014/15 FY due to the floods and drought experienced during the fiscal year. Nevertheless amid the challenges, Government received drought support from the European Union, World Bank and other cooperating partners.

During 2015/16 FY total expenditures and net lending marginally declined to 25.8 percent of GDP from 27.7 percent of GDP in 2014/15 FY. This expenditure outturn was against a resource envelope (including grants) of 22.1 percent of GDP. The decline in total expenditure and net lending was mainly on account of recurrent expenditure which declined as a result of a reduced domestic resource envelope. Domestic revenues reduced from 19.0 percent of GDP to 18.4 percent of GDP as a result of poor performance in revenue collecting departments and a slowdown in taxes on goods and services due to the slowdown in the economy during the year. This was worsened by lack of adequate budgetary support during the year. On the contrary total grants increased from 2.8 percent of GDP in 2014/15 FY to 3.6 percent of in 2015/16 FY. However, over 70 percent of these grants were direct project grants and sector specific dedicated grants thereby leaving little room for government discretion to allocate resources to other critical sectors. Overall, fiscal deficit in 2015/16 significantly declined to 3.8 percent of GDP from 5.8 percent in 2014/15 FY and was largely financed by domestic borrowing amounting to 0.7 percent of GDP. The reduced fiscal deficit was a result of the expenditure control measures implemented by Government during the Year.

Going forward into 2016/17 fiscal year, total expenditure and net lending is estimated at 26.7 percent of GDP which is a marginal increase from the 25.8 percent of GDP in 2015/16. The increase in total expenditure is expected in order to address the current food crisis by financing maize purchases on the domestic market and through imports, countering the effects of climate change, and enhancing rural incomes to enable people to purchase food. In addition, in 2016/17 FY government is committed to increasing capital expenditure to enhance the productive capacity of the economy. This includes allocating more resources towards the transformation of the Greenbelt Initiative into a full Authority to manage the country's large-scale irrigation projects. It is on account of these initiatives that the fiscal deficit is projected to marginally increase to 3.9 percent of GDP from 3.8 percent in 2015/16 FY. Government will continue to implement expenditure control measures and revenue enhancing measures to ensure that the budget is implemented within the estimated resource envelope. Furthermore, in its pursuit of the macroeconomic stability objective Government will ensure that domestic borrowing does not exceed the acceptable norm of 1.5 percent of GDP. Table 19.1 gives a summary of Central Government budgetary operations.

19.3 Total Revenues and Grants

Table 19.1 below shows that as a share of GDP, total revenues and grants increased from 21.8 percent in 2014/15 FY to 22.1 percent in 2015/16 FY and this was mainly on account of grants which slightly improved from 2.8 percent of GDP to 3.7 percent of GDP. The outturn on grants was on account of direct project support and sector dedicated grants. Nevertheless, many development partners did not commit any budget support grants except African Development Bank which disbursed K17.9 billion following progress by government in Public Finance Management reforms. Nevertheless, with the recent extension of the IMF ECF supported programme Government expects more budget support in 2016/17 FY. However, the 2016/17 FY budget has been designed on the assumption of no budget support. On the other hand, domestic revenues slightly declined from 19.0 percent of GDP in 2014/15 FY to 18.4 percent of GDP in 2015/16 FY despite remarkable performance on taxes in income and profits. The dismal performance was on account of low collections in taxes on goods and services due to the slow down in the economy during the year. Low collections from revenue collecting government departments also contributed to the low outturn of domestic revenues.

TABLE 19.1: CENTRAL GOVERNMENT BUDGETARY OPERATIONS 2014/15-2017/18

	2014/15 Outturn	2015/16 Approved	2015/16 Revised	2016/17 Estimate	2017/18 Projection
Total Revenue and Grants	609,580.4	763,480.0	784,839.5	965,226.6	998,353.5
Domestic Revenue	530,188.8	666,348.0	653,948.8	774,790.4	907,889.1
Grants	79,391.6	97,132.0	130,890.6	190,436.2	90,464.4
Total Expenditure and Net Lending including MAREP	**771,856.8**	**931,274.0**	**924,540.0**	**1,139,920.9**	**1,126,680.6**
Total Expenditure and Net Lending	771,856.8	925,490.0	918,730.0	1,139,920.9	1,126,680.6
Total Expenditure	771,856.8	923,990.0	917,230.0	1,136,420.9	1,123,680.6
Recurrent Expenditure	620,237.9	699,852.6	693,048.8	819,040.7	837,537.0
Development Expenditure	151,619.0	224,137.4	224,181.2	317,380.2	286,143.6
MAREP		5,784.1	5,810.0		
Net Lending		1,500.0	1,500.0	3,500.0	3,000.0
Deficit					
Excluding Grants 1a	(242,435)	(264,926.0)	(264,781.2)	(365,130.5	(218,791.6)
Including Grants 1b	**(163,043.0)**	**(166,294.0)**	**(138,200.5)**	**(171,194.3)**	**(128,327.1)**
Financing	**163,043.0**	**166,294.0**	**138,200.5**	**171,194.3**	**128,327.1**
Foreign Borrowing (Net)	69,995.6	113,113.0	102,198.9	111,194.3	94,004.7
Borrowing	81,532.6	130,810.0	124,303.9	136,715.3	120,000.0
Repayment 2a	(11,537.4)	(17,697.0)	(22,105.0)	(25,521.0)	(25,995.3)
Domestic Borrowing (Net) 2b	94,297.3	53,181.0	25,001.6	60,000.0	34,322.4
Privatisation proceeds			11,000.0		
	(Percentage of GDP)				
Revenue (Including Grants)	*21.9*	*21.5*	*22.1*	*22.2*	*20.7*
Revenue (Excluding Grant)	*19.0*	*18.8*	*18.4*	*17.8*	*18.8*
Grants	*2.8*	*2.7*	*3.7*	*4.4*	*1.9*
Total Expenditure and Net Lending	*27.7*	*26.1*	*25.9*	*26.2*	*23.4*
Recurrent Expenditure	*22.3*	*19.7*	*19.5*	*18.8*	*17.4*
Development Expenditure	*5.4*	*6.3*	*6.3*	*7.3*	*5.9*
Deficit (Excluding Grants)	*(8.7)*	*(7.5)*	*(7.5)*	*(8.4)*	*(4.5)*
Deficit (Including Grants)	*(5.8)*	*(4.7)*	*(3.9)*	*(3.9)*	*(2.7)*
Domestic Borrowing (Net)	*3.4*	*1.5*	*0.7*	*1.4*	*0.7*
GDP at Current Prices (FY)	**2,786,115.8**	**3,551,562.9**	**3,551,562.9**	**4,356,272.9**	**4,816,797.7**

19.3.1 Domestic Revenues

Table 19.2 indicates that the performance of domestic revenues particularly taxes on goods and services mirrored the overall slowdown of the economy during the year. Overall taxes on goods and services marginally reduced from 6.8 percent in 2014/15 FY to 6.7 percent in 2015/16 FY. A marginal performance in taxes on goods and services particulary Value added Taxes (VAT) was on account of non-compliance of some operators of Electronic Fiscal Devices that were implemented by the Malawi Revenue Authority (MRA) during the year.

Similary, Taxes on international trade declined from 1.6 percent of GDP in 2014/15 FY to 1.5 percent of GDP in 2015/16 FY and this was on account of a decline in volumes of taxable imports.

Nevertheless, taxes on income and profits continued to register an increase in 2015/16 FY from the previous year with an increase from 8.5 percent of GDP to 8.7 percent of GDP. This mirrored better performance in other economic activities following the continued availability of foreign exchange and fuel as well as salary increments in both the public sector and private sector.

On the other hand, non-tax revenues marginally declined to 2.02 percent of GDP in 2015/16 FY from 2.4 percent of GDP in 2014/15 FY. The dismal perfomance in non-tax revenues was on account of low collections under departmental receipts and parastatal dividends.

Going forward, economic growth is expected to rebound to 5.1 percent in 2016/17 FY from 3.1 percent in 2015/16 FY as macroeconomic fundamentals become relatively stable. Consequently, domestic revenue collections are expected to remain relatively stable over the period due to the rebound in economic activities such as agriculture, manufacturing, electricity gas and water supply, information and communications. Total tax revenues are expected to stabilise at 16.3 percent of GDP in 2016/17 FY and this is on account of increases in taxes on income and profits which are estimated to increase from 8.6 percent in 2015/16 FY to 9.1 percent in 2016/17 FY. In addition, with regards to taxes on goods and services it is envisaged that going forward the loss incurred during the 2016/17 FY due to non-compliance will be offset by an expected rise of the VAT which will be enhanced by penalties charged on non-compliant operators.

TABLE 19.2: CENTRAL GOVERNMENT REVENUE 2014/15-2017/18 FY

	2014/15 Outturn	2015/16 Approved	2015/16 Revised	2016/17 Estimate	2017/18 Projection
A. GROSS TAX REVENUE	**472,525.6**	**604,287.0**	**595,501.8**	**719,471.5**	**851,194.6**
1. TAXES ON INCOME & PROFITS	**236,906.9**	**312,413.5**	**307,474.9**	**397,509.5**	**460,064.3**
Companies	57,909.3	76,640.0	76,640.0	99,713.4	115,468.1
Individuals	136,301.9	176,907.1	176,907.1	226,424.6	62,199.7
Non Resident Tax	4,585.0	6,971.5	6,971.5	8,529.4	9,877.0
P.A.Y.E	126,367.1	163,294.5	163,294.5	209,770.8	242,914.6
Fringe Benefit Tax	5,349.8	6,641.1	6,641.1	8,124.4	9,408.1
Withholding Tax	39,143.0	49,958.6	49,958.6	66,550.5	77,065.5
Other*	3,552.7	8,907.8	3,969.1	4,821.0	5,331.0
2. TAXES ON GOODS & SERVICES	**188,943.4**	**236,796.3**	**232,870.7**	**263,746.6**	**318,349.4**
VAT	147,156.7	181,620.5	181,620.5	206,360.1	248,817.5
Excise Duties	41,786.7	55,175.8	51,250.2	57,386.4	69,531.9
3. INTERNATIONAL TRADE TAXES	**46,675.4**	**55,077.2**	**55,156.2**	**58,215.5**	**72,781.0**
Customs Duties	46,121.3	54,519.2	55,156.2	58,215.5	72,781.0
Import Duties	46,121.3	54,519.2	54,519.2	57,543.2	71,940.4
Miscellaneous Duties	554.1	558.0	637.0	672.3	840.5
4. *Less*: TOTAL TAX REFUNDS	9,618.0	11,873.0	13,424.8	10,635.0	12,767.9
5. NET TAX REVENUE	**462,907.6**	**592,414.0**	**582,077.0**	**708,836.5**	**838,426.7**
B. NON TAX REVENUE	**67,281.2**	**73,934.0**	**71,871.8**	**65,953.9**	**69,462.4**
Departmental Receipts	11,396.6	15,174.5	15,174.5	18,053.5	20,906.0
Other Revenue (dividends etc)	32,815.2	20,623.6	18,561.5	23,240.3	20,000.0
Receipts from PIL	13,148.3	22,973.8	22,973.8	23,285.1	26,964.2
Rural electrification levy	8,680.9	13,459.2	13,459.2	-	-
Storage levy	1,240.2	1,702.8	1,702.8	1,375.0	1,592.3
GROSS DOMESTIC REVENUE	**539,806.8**	**678,221.0**	**667,373.6**	**785,425.4**	**920,657.0**
NET DOMESTIC REVENUE	**530,188.8**	**666,348.0**	**653,948.8**	**774,790.4**	**907,889.1**
	Percentage of GDP				
GROSS TAX REVENUE	*17.0*	*17.0*	*16.8*	*16.5*	*17.7*
Taxes on Income and Profit	*8.5*	*8.8*	*8.7*	*9.1*	*9.6*
Taxes on Goods and Services	*6.8*	*6.7*	*6.6*	*6.1*	*6.6*
International Trade Taxes	*1.7*	*1.6*	*1.6*	*1.3*	*1.5*
NET TAX REVENUE	*16.6*	*16.7*	*16.4*	*16.3*	*17.4*
NON-TAX REVENUE	*2.4*	*2.1*	*2.0*	*1.5*	*1.4*
GRAND TOTAL	19.4	*19.1*	*18.8*	*18.0*	*19.1*
GDP at Current Market Prices (FY)	**2,786,115.8**	**3,551,562.9**	**3,551,562.9**	**4,356,272.9**	**4,816,797.7**

Source: Ministry of Finance

19.4 Central Government Recurrent Expenditures

Total recurrent expenditure as at end 2015/16 FY closed at K693.0 billion despite a projected total recurrent expenditure of K699.8 billion implying that the government was within the budget by K6.8 billion. The decline in recurrent expenditure implied that as a percent of GDP, total recurrent expenditure closed at 19.5 percent down from 22.2 percent in 2014/15 FY. The decline was on account of public finance management reforms that government implemented during the year. These included ensuring that MDAs are funded only when they submit comprehensive monthly expenditure returns and bank reconciliations. In addition, government implemented full operationalisation of the monthly cash management function, which ensured that monthly funding is done based on available resources. These measures were complemented by a number of expenditure control measures such as reduction of government fully funded travel and reduction of "ghost workers" through a recently concluded payroll headcount audit that government implemented during the course of the year.

Going forward, total recurrent expenditure for 2016/17 FY is estimated at K819.0 billion representing 18 percent of GDP and is projected at K837.5 billion in 2017/18 representing 17.4 percent of GDP. Government's policy stance in 2016/17 FY is that a large proportion of recurrent expenditure will be financed by domestic resources hence most of the foreign resources will be directed to capital expenditure.

Tables 19.3 and 19.4 present Functional and Economic classification of the recurrent budget respectively.

TABLE 19.3: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE

	2014/15 Outturn	2015/16 Approved	2015/16 Revised	2016/17 Estimate	2017/18 Projector
General Public Services	**151,753.3**	**170,206.5**	**158,427.8**	**214,143.9**	**218,180.2**
General Administration	92,906.5	109,927.1	97,961.8	146,316.0	159,431.9
Defence Affairs	19,170.7	18,798.7	20,133.1	21,556.0	21,051.4
Public Order and Safety Affairs	39,676.1	41,480.7	40,333.0	46,271.9	37,696.9
Social and Community Services	**230,769.5**	**288,513.9**	**292,530.2**	**335,049.6**	**336,781.2**
Education Affairs and Services	119,462.1	154,392.5	152,085.3	169,361.4	175,396.6
Health Affairs and Services	44,259.8	73,043.2	78,456.0	90,999.8	84,231.6
Social Security and Welfare Affairs Services(social protection)	53,168.1	46,871.8	46,030.6	53,816.7	56,451.5
Housing and Community Amenity Services	12,200.0	11,573.8	14,108.4	18,315.4	18,100.6
Recreational,Tourism, Cultural & Other Social Services	1,679.5	2,632.5	1,849.8	2,556.4	2,601.0
Economic Services	**237,715.1**	**241,132.2**	**242,090.8**	**269,847.0**	**282,575.5**
Mining and Manufacturing and environmental protection	5,867.9	5,850.3	6,304.3	7,086.1	7,240.0
Agriculture and Natural Resources	72,191.9	73,689.2	90,370.8	82,633.7	82,511.6
Transport and communication Services	29,037.8	30,656.2	30,961.6	28,721.7	36,262.0
General Economic, Commercial and Labor Affairs	4,220.5	5,089.5	4,797.9	7,616.4	7,777.1
R & D Economic Affairs and public debt	126,397.0	125,847.0	109,656.2	143,789.0	148,785.5
Total Recurrent Expenditure	**620,237.9**	**699,852.6**	**693,048.8**	**819,040.5**	**837,536.8**
	Percentage of GDP				
GENERAL PUBLIC SERVICES	*5.4*	*4.8*	*4.5*	*4.9*	*5.0*
SOCIAL AND COMMUNITY SERVICES	*8.3*	*8.1*	*8.2*	*7.7*	*7.7*
ECONOMIC SERVICES	*8.5*	*6.8*	*6.8*	*6.2*	*6.5*
TOTAL RECURRENT EXPENDITURE	*22.3*	*19.7*	*19.5*	*18.8*	*19.2*
GDP at Current Market Prices (FY)	**2,786,115.8**	**3,551,562.9**	**3,551,562.9**	**4,356,272.9**	**4,816,797.7**

Source: Ministry of Finance

Table 19.3 above shows the different allocations of total recurrent expenditure using functional classification. Social and community services continued to benefit significantly as a large share of total recurrent expenditure followed by economic services. Despite drawing down more resources from the total recurrent expenditure social community services stagnated at 8.2 percent in 2015/16 FY from the same level in 2014/15 FY and is expected to decline further to 7.6 percent of GDP in 2016/17 FY and 2017/18 FY. Despite the decline from 8.5 percent of GDP in 2014/15 FY to 6.8 percent of GDP in 2015/16 FY economic services also continued to benefit from a fair share of the recurrent expenditure compared to General Public services which only recorded 4.5 percent of GDP in 2015/16 FY a decline from 5.4 percent of GDP in 2014/15 FY. Recurrent Expenditure towards general public services is expected to improve to 4.9 percent of GDP in 2016/17 FY and 5.0 percent of GDP in 2017/18 FY.

These allocations are consistent with Government's commitment in supporting social and community services and economic services since they are priority areas in the MGDS II. In the medium term, Government will continue to put much focus on these services particularly Agriculture and Irrigation, Education, health, transport and communication in order to achieve the country's development objectives and goals.

TABLE 19.4: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE

	2014/15 Outurn	2015/16 Approved	2015/16 Revised	2016/17 Estimate	2017/18 Projection
Gross Consumption	**354,772.0**	**415,679.0**	**405,802.5**	**503,014.0**	**547,101.6**
Compensation of Employees	196,930.1	228,690.0	222,275.3	264,652.0	285,309.3
Use of Goods and Services	157,841.9	186,989.0	183,527.1	238,362.0	261,792.3
Less: Fees, Sales and Recoveries	1.0	-	-		
Net Consumption	**354,771.0**	**415,679.0**	**405,802.5**	**503,014.0**	**547,101.6**
Interest on Debt	**114,947.5**	**125,497.0**	**118,074.4**	**147,018.3**	**108,974.3**
Pensions and Gratuities	**30,980.7**	**43,148.0**	**42,145.0**	**50,155.0**	**52,663.2**
Grants, Subventions and Transfers	**119,537.6**	**115,528.6**	**127,027.0**	**118,853.2**	**170,289.6**
Local Authorities	25,704.0	16,535.6	9,003.0	29,613.2	61,764.9
Public Bodies	36,292.3	50,493.0	47,095.0	47,340.0	49,123.7
Private	57,541.3	48,500.0	70,929.0	41,900.0	59,401.0
Abroad	-	-			
Gross Fixed Capital Formation	**620,236.8**	**699,852.6**	**693,048.8**	**819,040.5**	**879,028.7**
Loans and Capital Transfers	-	-	-		
Total Recurrent Expenditures	**620,236.8**	**699,852.6**	**693,048.8**	**819,040.5**	**879,028.7**
	As a Percentage of GDP				
Gross Consumption	*12.7*	*11.7*	*11.4*	*11.5*	*11.4*
Interest on Debt	*4.1*	*3.5*	*3.3*	*3.4*	*2.3*
Pensions and Gratuities	*1.1*	*1.2*	*1.2*	*1.2*	*1.1*
Grants, Subventions and Transfers	*4.3*	*3.3*	*3.6*	*2.7*	*3.5*
Gross Fixed Capital Formation	*22.3*	*19.7*	*19.5*	*18.8*	*18.2*
Total Recurrent Expenditures	*22.3*	*19.7*	*19.5*	*18.8*	*18.2*
GDP at Current Market Prices (FY)	**2,786,115.8**	**3,551,562.9**	**3,551,562.9**	**4,356,272.9**	**4,816,797.7**

Source: Ministry of Finance

With regards to economic classification as shown in table 19.4 above, gross fixed capital formation maintained the largest proportion of recurrent expenditures despite a marginal decline from 22.3 as percentage of GDP in 2014/15 FY to 19.5 percent in 2015/16 FY and is expected to decline further to 18.8 percent of GDP in 2016/17 FY and 18.2 percent of GDP in 2017/18 FY. Nevertheless, expenditure towards gross consumption relatively declined from 12.7 percent of GDP in 2014/15 FY to 11.4 percent of GDP in 2015/16 FY and is expected to be maintained at the same levels in 2016/17 FY and 2017/18 FY. This is in line with government policy stance of supporting economic services which are among the priority areas of MGDS II. The decline in gross consumption reflects government commitments to boost growth through investment rather than consumption.

19.5 Development Expenditure

The functional and economic classification of development expenditures are presented in Tables 19.5 and 19.6 respectively.

TABLE 19.5: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2014/15-2017/18 FY

	2014/15 Outturn	2015/16 Approved	2016/17 Revised	2016/17 Estimate	2017/18 Projection
General Public Services	**33,800.8**	**50,452.8**	**66,691.0**	**63,133.2**	**31,407.9**
General Administration	30,015.8	46,805.8	63,044.0	60,483.8	24,841.8
Defence Affairs	535.0	535.0	535.0	449.4	364.4
Public Order and Safety Affairs	3,250.0	3,112.0	3,112.0	2,200.0	6,201.7
Social and Community Services	**29,745.3**	**37,845.3**	**38,799.1**	**40,444.3**	**92,182.1**
Education Affairs and Services	11,120.3	10,120.3	10,732.2	22,295.0	57,187.1
Health Affairs and Services	10,692.8	14,992.8	14,555.2	12,773.2	20,690.4
Social Security and Welfare Affairs Services (social protection)	1,244.6	1,144.6	1,144.6	260.0	75.0
Housing and Community Amenity Services	1,145.0	6,145.0	5,815.0	4,225.0	13,753.7
Recreational, Cultural & Other Social Services	5,542.6	5,442.6	6,552.1	891.0	476.0
Economic Services	**88,072.9**	**135,839.3**	**118,691.1**	**213,802.7**	**162,553.6**
Mining and Manufacturing and enviromental protection	-	26,428.3	26,428.3	12,843.6	11,630.7
Agriculture and Natural Resources	51,621.5	65,042.6	50,436.8	117,827.9	54,975.2
Tourism Affairs and Services	-	-	-	-	-
Transport and communication Services	30,937.3	39,154.3	36,759.3	70,381.5	79,714.6
General Economic, Commercial and Labor Affairs	5,514.1	5,214.1	5,066.7	12,749.8	16,233.0
R & D Economic Affairs and public debt	-	-	-	-	-
Total Development Expenditure	**151,619.0**	**224,137.4**	**224,181.2**	**317,380.2**	**286,143.6**
	Percentage of GDP				
GENERAL PUBLIC SERVICES	*1.2*	*1.4*	*1.9*	*1.4*	*0.7*
SOCIAL AND COMMUNITY SERVICES	*1.1*	*1.1*	*1.1*	*0.9*	*1.9*
ECONOMIC SERVICES	*3.2*	*3.8*	*3.3*	*4.9*	*3.4*
TOTAL DEVELOPMENT EXPENDITURE	*5.4*	*6.3*	*6.3*	*7.3*	*5.9*
GDP at Current Market Prices (FY)	**2786115.8**	**3551562.9**	**3551562.9**	**4356272.9**	**4816797.7**

Source: Ministry of Finance

Table 19.5 above of functional classification of development expenditures suggests that with an increase from 3.1 percent of GDP in 2014/15 FY to 3.3 percent of GDP in 2015/16FY in expenditure under economic services the 2015/16 FY development budget continued to reflect a pro-growth fiscal policy stance to ensure that government spurs economic growth through economically productive sectors such as infrastructure development. The outturn reflected Government's commitment of resources towards economically productive sectors as opposed to non-productive sectors. The productive sectors during the fiscal year included Mining, Agriculture, Transport and communication in line with the MGDS II prioritisation. Going forward, the resources towards economic services are expected to increase further to 4.9 percent in 2016/17 FY against the same fiscal policy stance. In particular, part of the resources will be channelled towards the Greenbelt Initiative which will be transformed into a fully-fledged Authority to manage the country's large-scale irrigation projects for increased agricultural productivity and sustainable economic growth. In addition, the Ministry of Agriculture, Irrigation and Water Development will be funded adequately for increased investments in improving the effectiveness and performance of small holder irrigation projects. Furthermore, the increase is partly on account of funds allocated for infrastructure projects on roads and Public Universities, schools and colleges, namely University of Malawi, Malawi University of Science and Technology, Lilongwe University of Agriculture and Natural Resources and Mzuzu University as well as Construction of Technical colleges and Secondary schools across the country.

However, the sustained lower levels of resources towards general public services at less than 2 percent of GDP signalled government's effort to implement fiscal discipline to remain at sustainable levels of domestic borrowing consistent with the ECF targets while at the same time responding to the diminishing external resources from development partners. Going forward into 2016/17 FY the trend is expected to be sustained as development expenditure on general public services is estimated at 1.4 percent of GDP in 2015/16 FY and 0.6 percent of GDP in 2017/18 FY.

TABLE 19.6: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2014/15-2017/18 FY

	2014/15 Outturn	2015/16 Approved	2016/17 Revised	2016/17 Estimate	2017/18 Projection
Gross Consumption	**65,736.6**	**95,637.6**	**103,871.4**	**144,451.9**	**176,421.9**
Compensation of Employees	6,028.7	10,685.0	17,666.9	22,609.7	27,613.7
Use of Goods and Services	59,707.8	84,952.7	86,204.6	121,842.2	148,808.3
Grants	**47,518.6**	**52,922.0**	**61,299.1**	**126,781.1**	**69,073.0**
Gross Fixed Capital Formation	**38,828.4**	**75,542.7**	**60,022.1**	**89,838.6**	**109,721.7**
Building	6,135.7	17,811.5	11,038.7	17,951.9	21,925.0
Construction Works	10,569.7	19,951.9	15,505.0	24,217.0	29,576.7
Services	5,119.9	15,908.6	9,225.5	11,770.8	14,375.9
Equipment	17,003.1	21,870.7	24,252.8	35,898.9	43,844.0
Total Development Expenditures	**151,619.0**	**224,137.4**	**224,181.2**	**317,380.2**	**286,143.6**
		Percent of GDP			
Gross Consumption	*2.4*	*2.7*	*2.9*	*3.3*	*3.7*
Compensation of Employees	*0.2*	*0.3*	*0.5*	*0.5*	*0.6*
Use of Goods and Services	*2.1*	*2.4*	*2.4*	*2.8*	*3.1*
Gross Fixed Capital Formation	*1.4*	*2.1*	*1.7*	*2.1*	*2.3*
Total Development Expenditures	*5.4*	*6.3*	*6.3*	*7.3*	*5.9*
GDP at Current Market Prices (FY)	**2,786,115.8**	**3,551,562.9**	**3,551,562.9**	**4,356,272.9**	**4,816,797.7**

Source: Ministry of Finance

Under the economic classification as shown in Table 19.6 above, the increase in gross fixed capital formation from 1.4 percent of GDP in 2014/15 FY to 1.7 percent of GDP in 2015/16 FY signalled government's commitment to enhance more productivity capacity in the economy through addition of more stock to infrastructure as supported by continued construction of roads and more improvements in the electricity sector through the Malawi electrification programme resources among other projects. This trend is expected to be maintained going forward with an increase to 2.1 percent of GDP in 2016/17 FY and a further rise to 2.3 percent of GDP into 2017/18 FY.

19.6 Highlights of the 2016/17 FY Budget

The 2016/17 FY budget has been developed within a fiscal policy stance of supporting the monetary policy objective of reducing inflation. Spending will therefore be kept within available resources, and hence government's recourse to domestic borrowing, particularly from RBM, will strictly be limited, so that demand-pull inflation and second-round effects of recent food price increases are contained. Tight fiscal policies will be maintained over the medium term to keep public debt as a ratio to GDP on a downward trajectory, and to prevent government borrowing from crowding out the private sector, and to avoid debt service costs replacing other, more productive, growth enhancing forms of government expenditure. The 2016/17 budget will keep domestic financing fixed in nominal terms at MKW 60 billion or 1.5 percent of GDP which is the same share of GDP as in 2015/16 FY.

Over and above the economic objectives the 2016/17 FY budget is also set to address the current food crisis by financing maize purchases on the domestic market and through imports, countering the effects of climate change, and enhancing rural incomes to enable people to purchase food.

On the resource side, Government will continue to prioritise revenue mobilization in the wake of increased uncertainty regarding budget support as donors are increasingly gravitating towards other forms of assistance. Government will therefore develop more reliable forms of resource mobilisation, specifically by improving the efficiency of tax administration and through tax policy changes aimed at generating additional revenue. In particular, Government has developed a Dividend and Surplus Policy to enhance financial management in statutory bodies and facilitate remittances.

In addition, Government is committed to implement broad based tax reforms starting from the 2016/17 Fiscal Year with the aim of creating a simple, efficient, transparent and fair tax system. To this effect, Government will streamline tax incentives, eliminating unproductive tax measures and concentrating all revenue provisions in tax legislation. The tax policy initiatives will be guided by a shift in reliance on revenue from taxation of labour and investment (factors of production) to consumption. That is, shifting the relative burden from income taxes to consumption taxes, primarily the value added tax (VAT), to spur economic development.

The 2016/17 budget will continue the process of fiscal and debt consolidation. With regard to wage policy the budget will provide for annual wage creep as well as recruitment of frontline staff mainly in the Ministries of Education, Health and Natural Resources among others. A general increase of the wage bill at a rate lower than inflation will be implemented. The wage bill will be restricted to 7 percent of GDP. In terms of FISP, the reforms implemented in the 2015/16 growing season are currently under review in light of the lessons learnt during the pilot phase. It is expected that findings from the pilot phase will inform program implementation in the 2016/17 financial year. Furthermore, the Government will continue with austerity measures on the expenditure side and the aforementioned domestic revenue enhancing measures to ensure that the end of the 2016/17 FY domestic borrowing target of 1.5 percent of GDP is met while complementing the monetary policy objective of price stability.

19.7 Major Implementation Challenges of the 2016/17 FY Budget

Short-term risks are expected as the looming food crisis approaches—aggravated by the El Niño weather phenomenon—and this is expected to weigh on the 2016/17 FY budget. The current estimation of the food gap suggests a substantial financing requirement which the 2016/17 FY domestic resource envelope alone cannot contain. In the event of the expected severe deterioration in the humanitarian outlook due to the external weather conditions, there will therefore be a need for additional financing from cooperating partners to create more fiscal space for channelling domestic resources to productive sectors of the economy.

The 2016/17 FY budget also continues to face the challenge of uncertainty surrounding full resumption of budget support from the country's development partners. In this regard, the 2016/17 budget will rely more on domestically generated revenues as was largely the case with the 2015/16 FY budget with more risk of high domestic financing if some development partners will not disburse as pledged. This may result in high domestic debt service costs which may potentially pose a risk to the successful implementation of the fiscal programme and also crowd out private sector development as interest rates continue to rise.

Lastly, if tobacco prices on the auction floors will continue to be low this may pose challenges with possible negative effects on incomes which may result in reduced tax revenue collections.