

ANNUAL ECONOMIC REPORT 2020

Ministry of Finance, Economic Planning and Development,
Department of Economic Planning and Development,
P.O. Box 30136,
Lilongwe 3.
Telephone: (265) 1 788 888
Fax: (265) 1 788 247
E-mail: epd@malawi.net

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Chapter 1

THE WORLD ECONOMIC OUTLOOK

1.1 World Output

The global economic growth declined from 3.6 percent in 2018 to 2.9 percent in 2019. Growth has declined due to rising trade tension, uncertainty surrounding trade and geopolitics, increased social unrest, weather related disasters and structural factors, such as low productivity growth and aging demographics in advanced economies. These factors contributed to deteriorating global economic activities, especially in manufacturing and trade. According to the International Monetary Fund (IMF), as the world is hit by COVID-19 pandemic, global growth is projected to contract sharply to -3.0 percent in 2020, from 2.9 percent in 2019 which is worse than the 2009 global financial crisis. In 2021, the economy is projected to grow by 5.8 as economic activities are expected to normalize, supported by policy interventions.

1.1.1 World Output Developments in 2019

In 2019, global growth decelerated markedly to 2.9 due to continued weakening global trade and investment. Advanced economies displayed underwhelming performances relative to projections, and their growth slowed to 1.7 percent in 2019, down from 2.2 percent in 2018. Growth in emerging economies also slowed from 4.5 percent in 2018 to 3.7 percent in 2019. Sub-Saharan Africa registered a small uptick in the regional growth rate, from 3.0 percent in 2018 to 3.1 percent in 2019.

In 2019, the growth in Euro zone declined to 1.2 percent from 1.8 percent registered in 2018. This was due to falling demand from Asia, an export destination for European Union (EU) products. This was coupled by the uncertainty surrounding the Brexit. Economic performance in the United States of America (USA) declined from 2.9 percent in 2018 to 2.3 percent in 2019. Trade tension between the US and China also weighed down on growth. Monetary and fiscal stimulus, however, helped to offset the negative impact of US-China trade tensions.

Advanced Asian countries registered a slowdown in growth in 2019 compared to 2018. Particularly in China, growth slowed from 6.6 percent in 2018 to 6.1 percent in 2019, mainly due to trade tensions with the United States which heightened policy uncertainty and weighed down on international trade, global confidence and investment. The decline in growth is also as a result of slowing domestic demand in China.

In Japan, natural disasters and the increase in the value-added tax (VAT) introduced by government towards the end of 2019 negatively affected the economic growth. The economy is also suffering from acute weakness in manufacturing and export, particularly those to China, alongside declining consumer confidence.

1.1.2 World Output Prospects for 2020 and 2021

The world economic growth is projected to decline to -3.0 percent in 2020 from 2.9 percent in 2019 due to continued elevated trade tensions, outbreak of the COVID-19 pandemic, tightening financial conditions, weakening external demand, and country-specific factors in both advanced and developing economies. Trade tensions slow down international trade and investment. Growth in the advanced economy is projected at -6.1 percent in 2020 due to the negative impacts of the pandemic. Although it is essential to contain the virus, lockdowns and restrictions on mobility are negatively affecting economic activities.

Emerging and developing markets are also affected, the growth is projected to contract by -1.0 percent in 2020. The projections for Sub-Saharan Africa, Latin America, and the Middle East are below 1 percent. The disruptions are assumed to be concentrated mostly in the second quarter of 2020 for almost all countries except¹ China, with a gradual recovery thereafter as it takes some time for production to ramp up after the shock. As shown in Table 1.1 below, growth rates for 2021 are forecasted to pick up across almost all groups of economies and growth in world output is expected to reach 5.8 percent, reflecting the normalization of economic activity from very low levels.

TABLE 1.1: WORLD OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2018	2019	2020*	2021*
World Output	3.6	2.9	-3.0	5.8
Sub-Saharan Africa	3.0	3.1	-1.6	4.1
Advanced Economies	2.2	1.7	-6.1	4.5
United States	2.9	2.3	-5.9	4.7
Euro Area	1.8	1.2	-7.5	4.7
Japan	0.8	0.7	-5.2	3.0
United Kingdom	1.4	1.4	-6.5	4.0
Canada	1.8	1.6	-6.2	4.2
Emerging Market and Developing Economies	4.5	3.7	-1.0	6.6
Emerging and Developing Asia	6.4	5.5	1.0	8.5
China	6.6	6.1	1.2	9.2
India	7.1	4.2	1.9	7.4
Emerging and Developing Europe	3.6	2.1	-5.2	4.2
Latin America and the Caribbean	1.0	0.1	-5.2	3.4
Middle East and Central Asia	1.8	1.2	-2.8	4.0

Source: IMF World Economic Outlook April 2020.

* Projections.

¹Where the disruptions occurred in the first quarter

The rebound in 2021, however, depends largely on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence. Significant economic policy actions have already been taken across the world, focused on accommodating public health care requirement, while limiting the amplification to economic activity and financial system.

Many countries are facing a multi-layered crisis due to the outbreak of the coronavirus comprising a health shock, domestic economic disruptions, declining external demand, capital flow reversals and a collapse in commodity prices. Measures aimed at reducing the contagion and protecting lives should, therefore, be seen as an important investment in the long-term human and economic health. There is need for policies that would cushion economies from the novel Coronavirus which has already negatively impacted economic activities and financial systems across the globe.

There is extreme uncertainty around the strength of the recovery. Worse global growth outcomes are possible as some aspects that underpin the rebound may not materialize. The recovery of the global economy could be weaker than expected as a result of lingering uncertainty about contagion, confidence failing to improve, and structural shifts in firm and household behavior leading to more lasting supply chain disruptions and weakness in aggregate demand.

The uncertainty bordering around the Brexit on the United Kingdom and the European Union continues to stall investment and economic growth. In the Euro area, growth is expected to recover in 2021, assuming the Brexit process unfolds with minimal disruption and supposing no further escalation in trade wars and restrictions. Rapid progress on the post-Brexit trade negotiations between the United Kingdom and the European Union could improve investment and economic growth mainly in the Euro zone.

1.2 Sub-Saharan Regional Output

1.2.1 Developments in 2019

At 3.1 percent, economic growth across Sub-Saharan Africa was slightly higher in 2019 than in 2018, when it was 3.0 percent. This notwithstanding, growth in South Africa, the region's second biggest economy and Malawi's primary trading partner, stood at merely 0.2 percent. Table 1.2 below shows Sub-Saharan African regional output. Generally, 2019 was a better year than 2018 when the regional growth averaged 3.1 percent compared to 3.0 percent in 2018. Structural constraints and deteriorating public finances resulted in poor business confidence and private investment in South Africa. Frequent power cuts, high levels of public debt and high unemployment are some of the factors affecting growth in the Sub-Saharan region.

**TABLE 1.2: REGIONAL OUTPUT
(ANNUAL PERCENTAGE CHANGE)**

	<u>2018</u>	<u>2019</u>	<u>2020*</u>	<u>2021*</u>
Sub-Saharan Africa	3.0	3.1	-1.6	4.1
Ethiopia	7.7	9.0	3.2	4.3
Kenya	6.0	5.6	1.0	6.1
Nigeria	1.9	2.2	-3.4	2.4
South Africa	0.8	0.2	-5.8	4.0
Tanzania	6.6	6.3	2.0	4.6
Uganda	6.1	4.9	3.5	4.3
Zambia	3.5	1.5	-3.5	2.3

Source: IMF World Economic Outlook April 2020.

* Projections.

1.2.2 Prospects for 2020 and 2021

In 2020, Sub-Saharan African economies are expected to experience a slow down and growth will average -1.6 percent but is anticipated to rebound to 4.1 percent in 2021. The region will experience a decline in growth reflecting weaker external demand, political instability, devastation from extreme weather events, weakening commodity prices and the devastating effects of novel Coronavirus outbreak.

1.3 Inflation and World Commodity Prices

1.3.1 Global Price Development in 2019

In emerging markets, consumer price growth was 5.0 percent (see Table 1.3 below) in 2019, and in Sub-Saharan Africa, it averaged 8.4 percent. Energy prices and base metal prices declined in 2019 driven by continued trade tensions and fears of global economic slowdown which was partially offset by the rise in prices of iron ore and nickel markets. Oil prices were relatively stable in 2019. Weak global economy contributed to low oil prices which was also amplified by buildup of US crude oil stockpiles.

1.3.2 Global Price Prospects for 2020 and 2021

In 2020, inflation in advanced economies will remain subdued, while in emerging markets inflation will remain moderate at below 5 percent. In Sub-Saharan Africa, consumer price growth will increase to 9.3 percent in 2020 and decline gradually to 7.6 percent in 2021. Since the Coronavirus outbreak, energy and metal prices have fallen sharply as measures to contain the pandemic substantially reduced travel and dented global industrial activity. Prices for base metal, natural gas and crude oil has declined sharply and future markets indicate that oil prices will remain lower than 2019, reflecting persistently weak global demand.

Oil prices collapsed further in the first quarter of 2020 as the Organization of Petroleum Exporting Countries (OPEC+)² coalition broke down, making it difficult for producers to reach agreement on how to react to the weak oil demand outlook. In the first quarter of 2020, oil prices declined by 39.6 percent as the COVID-19 outbreak containment measures directly hit transportation sector, which account for more than 60 percent of oil demand. These developments will weigh heavily on oil exporters but lower oil prices will benefit oil-importing countries.

The price impact has varied significantly across commodities, depending on the specific end-use sectors and regions affected by the outbreak and on the storability and supply elasticity of the commodity. The outbreak has reduced demand for some agricultural raw materials and animal feed, but demand for cereals such as wheat has increased following consumer stockpiling in regions affected by COVID-19. Base metal prices declined by 9.1 in the first quarter of 2020 due to the shutdown of Chinese factories in February (China accounts for about half of the global consumption) and later, in Europe and in the United States, which has weighed heavily on the demand for industrial metals.

**TABLE 1.3: CONSUMER PRICES
(ANNUAL PERCENTAGE CHANGE)**

	<u>2018</u>	<u>2019</u>	<u>2020*</u>	<u>2021*</u>
Consumer Price Growth				
Advanced Economies	2.0	1.4	0.5	1.5
Emerging Markets and Developing Economies	4.8	5.0	4.6	4.5
Sub-Saharan Africa	8.5	8.4	9.3	7.6

Source: IMF World Economic Outlook April 2020.

* Projections.

1.4 Global Financial Sector

1.4.1 Developments in 2019

Monetary policy and investor perceptions about trade tensions are the main two factors that influenced the financial markets in 2019. However, monetary policy remained supportive throughout the year. According to IMF report, global financial conditions eased relatively in the second half of 2019 compared to the first half of 2019, more especially in the United States and the Euro area. While accommodative monetary policy helped ease global financial conditions and supported economic growth, it, on the other hand, fueled a further build-up of financial vulnerabilities; thereby putting medium-term growth at risk.

²OPEC+ includes Russian and other non-OPEC oil exporters

1.4.2 Prospects for 2020 and 2021

Following the COVID-19 outbreak, financial conditions tightened at unprecedented speed. To safeguard economic and financial stability and to prevent the emergence of adverse macrofinancial feedback loops, countries are taking decisive actions. Central banks have eased monetary policy and are providing liquidity to the financial system, including through foreign-currency swap lines, to maintain the flow of credit to the economy. Multilateral cooperation has increased the resources available to support the most vulnerable countries and communities.

The uncertainty related to the coronavirus outbreak makes it essential for monetary policies to remain supportive in all the economies to ensure that long-term interest rates remain low. Unemployment rate is increasing due to the outbreak of the pandemic, so a recession appear to be imminent in 2020. Financial conditions are expected to ease in the second half of 2020 and first half of 2021 reflecting gradual normalization of economic activities as countries ease measures to contain the Coronavirus.

1.5 International Trade

International trade grew by 0.9 percent in 2019 compared to 3.8 percent in 2018. In 2020, growth in trade volumes is projected to fall to -11.0 percent, and it is forecast to reach 8.4 percent in 2021 (see Table 1.4 below).

1.5.1 Developments in 2019

Global trade remained weak in 2019. Growth in both import and export volumes in 2019 was lower than in 2018 across advanced as well as emerging and developing economies. This is as a result of trade disputes, broadening of US tariffs to all imports from China, restrictions placed by the United States on commerce with Chinese technology companies, and a greater perceived risk of a no-deal Brexit. These developments have followed a sequence of tariff hikes and threats since early 2018 between the United States and China that have contributed to the generalized retreat in business confidence and investment and the marked slowdown in global trade.

TABLE 1.4: WORLD TRADE (ANNUAL PERCENTAGE CHANGE)

	2018	2019	2020*	2021*
World Trade Volume (Goods and Services)	<i>3.8</i>	<i>0.9</i>	<i>-11.0</i>	<i>8.4</i>
Imports				
Advanced Economies	<i>3.3</i>	<i>1.5</i>	<i>-11.5</i>	<i>7.5</i>
Emerging Markets and Developing Economies	<i>5.6</i>	<i>-0.8</i>	<i>-8.2</i>	<i>9.1</i>
Exports				
Advanced Economies	<i>3.1</i>	<i>1.2</i>	<i>-12.8</i>	<i>7.4</i>
Emerging Markets and Developing Economies	<i>4.3</i>	<i>0.8</i>	<i>-9.6</i>	<i>11.0</i>

Source: IMF World Economic Outlook, October 2018 and April 2019.

* Projections.

1.5.2 Prospects for 2020 and 2021

The volume of world trade is projected to grow by -11.0 percent in 2020 and 8.4 percent in 2021. Growth in both import and export volumes is forecasted to be higher among developing and emerging than among advanced economies for both 2020 and 2021. Restrictions of labour mobility and travel by countries affected with the novel Coronavirus outbreak has resulted in sharp cutbacks in production and many service sector activities. Countries have resorted to closing the borders as a way of reducing the spread of the virus. Adverse consequences of these developments for other countries are significant, including the direct disruption to global supply chains, weak final demand for imported goods and services and the wide decline in international tourism and business travel.

Recovery from the pandemic, therefore, requires significant multilateral cooperation including avoiding trade restrictions particularly on medicines and other essential supplies to help financially constrained countries with limited health care capacity cope with the disease. This means reducing tariff and non tariff measures that impede cross-border trade and global supply chains as well as scalling back capital flow measures as global financial sentiment recovers.

Chapter 2

MACROECONOMIC PERFORMANCE IN 2019 AND PROSPECTS FOR 2020 AND 2021

2.1 GDP Performance and Forecast

Real Gross Domestic Product (GDP) growth for 2019 has been revised downwards from the 5.2 percent reported in August 2019 to 5 percent following a recent survey in February 2020. The good performance of the economy in 2019, emanated from a number of factors including favourable rains and reduced effect of the fall army worms, the stability in the exchange rate, reduction in interest rates and inflation, improvement in the electricity gas and water sector as well as continued good performance of the wholesale and retail trade sector. In addition, the improved water level in Lake Malawi and various projects in the electricity and water sector boosted output in the power sector thereby positively contributing to overall performance of the economy.

The momentum that was experienced in 2019 was initially expected to continue in 2020 before the intensification of the Coronavirus. Real GDP growth estimate for 2020 has, however, been revised downwards from the 5.5 percent estimated in February 2020 to 1.9 percent after taking into account the effect of the Coronavirus on the economy. This implies that the Coronavirus is expected to erase an equivalent of 3.6 percent of 2020 output that would have been attained without the virus. The spread of the virus is expected to have significant effects in different sectors including tourism and accommodation; transportation and storage services; agriculture, forestry and fishing; wholesale and retail trade; and manufacturing activities. While much of agricultural production has already taken place, the Coronavirus pandemic will affect care for the produce as well as winter cropping. It is in view of this, the Agriculture sector is expected to grow by 1.0 percent in 2020 from an earlier estimate of 5.2 percent.

The real GDP growth projection for 2021 has also been revised downwards to 4.5 percent from 5.8 percent as reported during the Feb 2020 Business Interviews Survey. It should be noted that after the Coronavirus is contained, the economic activities in 2021 will remain subdued as the economy recovers from the coronavirus pandemic. The agriculture sector is expected to register a growth of 3.1 percent in 2021 which will help the economy to register a substantial growth. In the medium term, investments such as the Shire Valley Agricultural Transformation Project and the Agricultural Commercialisation Project are giving hope to the continued booming of the agriculture sector and the whole economy. In general, the sectors that will drive growth in 2021 include Agriculture; Wholesale and Retail Trade; Mining and Quarrying; Electricity, Gas and Water; Information and Communication; and Financial and Insurance Services.

TABLE 2.1: GDP BY ACTIVITY AT 2010 CONSTANT PRICES (IN MK'MILLION)

Sector	2017	2018	2019	2020*	2021*
Agriculture, forestry and fishing	387,296	389,646	406,330	410,326	423,249
<i>Crop and animal production</i>	267,670	265,782	280,668	284,527	296,537
<i>Forestry and logging</i>	98,418	101,194	100,000	99,573	99,934
<i>Fishing and aquaculture</i>	16,282	17,151	17,628	17,574	17,862
Mining and quarrying	11,837	12,104	12,594	12,976	13,379
Manufacturing	125,522	129,870	136,870	139,439	143,977
Electricity, gas and water supply	16,395	17,117	18,200	18,756	19,631
<i>Electricity and gas</i>	6,859	7,161	7,567	7,791	8,154
<i>Water supply</i>	9,536	9,956	10,633	10,965	11,476
Construction	38,623	40,472	42,831	44,404	46,250
Wholesale and retail trade	219,106	227,811	237,945	239,664	254,661
Transportation and storage	37,774	39,636	39,956	40,327	41,844
Accommodation and food services	27,043	28,404	29,766	26,828	29,286
Information and communication	61,731	66,158	70,177	73,339	77,604
Financial and insurance activities	72,509	76,914	81,162	83,016	87,562
Real estate activities	105,712	109,168	112,950	115,670	120,248
Professional and support services	4,156	4,361	4,596	4,772	5,063
Public administration and defense	28,662	30,665	32,608	34,543	36,358
Education	37,635	40,911	44,170	45,634	47,938
Health and social work activities	37,684	40,278	42,959	44,458	46,493
Other services	69,039	72,731	76,346	79,271	81,973
Sum of all industries	1,280,724	1,326,246	1,389,460	1,413,424	1,475,515
Plus: Taxes less subsidies on products	93,781	101,696	110,105	114,312	120,382
GDP in constant 2010 prices	1,374,505	1,427,942	1,499,565	1,527,736	1,595,897
GDP in current prices	4,635,385	5,258,631	6,041,499	6,702,791	7,589,997

TABLE 2.2: SECTORAL CONTRIBUTION TO OVERALL GDP (IN PERCENTAGE)

	2017	2018	2019	2020*	2021*
Agriculture, forestry and fishing	28.2	27.3	27.1	26.9	26.5
<i>Crop and animal production</i>	<i>19.5</i>	<i>18.6</i>	<i>18.7</i>	<i>18.6</i>	<i>18.6</i>
<i>Forestry and logging</i>	<i>7.2</i>	<i>7.1</i>	<i>6.7</i>	<i>6.5</i>	<i>6.3</i>
<i>Fishing and aquaculture</i>	<i>1.2</i>	<i>1.2</i>	<i>1.2</i>	<i>1.2</i>	<i>1.1</i>
Mining and quarrying	0.9	0.8	0.8	0.8	0.8
Manufacturing	9.1	9.1	9.1	9.1	9.0
Electricity, gas and water supply	1.2	1.2	1.2	1.2	1.2
<i>Electricity, gas and air conditioning supply</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>
<i>Water supply</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>
Construction	2.8	2.8	2.9	2.9	2.9
Wholesale and retail trade	15.9	16.0	15.9	15.7	16.0
Transportation and storage	2.7	2.8	2.7	2.6	2.6
Accommodation and food service activities	2.0	2.0	2.0	1.8	1.8
Information and communication	4.5	4.6	4.7	4.8	4.9
Financial and insurance activities	5.3	5.4	5.4	5.4	5.5
Real estate activities	7.7	7.6	7.5	7.6	7.5
Professional and Administrative services	0.3	0.3	0.3	0.3	0.3
Public administration and defence	2.1	2.1	2.2	2.3	2.3
Education	2.7	2.9	2.9	3.0	3.0
Human health and social work activities	2.7	2.8	2.9	2.9	2.9
Other services	5.0	5.1	5.1	5.2	5.1
Sum of all industries	93.2	92.9	92.7	92.5	92.5
<i>Plus: Taxes less subsidies on products</i>	<i>6.8</i>	<i>7.1</i>	<i>7.3</i>	<i>7.5</i>	<i>7.5</i>
GDP in constant 2010 prices	100	100	100	100	100

TABLE 2.3: ANNUAL PERCENTAGE GROWTH RATES (IN PERCENTAGE)

	2017	2018	2019	2020*	2021*
Agriculture, forestry and fishing	6.1	0.6	4.3	1.0	3.1
<i>Crop and animal production</i>	7.3	-0.7	5.6	1.4	4.2
<i>Forestry and logging</i>	3.3	2.8	-1.2	-0.4	0.4
<i>Fishing and aquaculture</i>	5.7	5.3	2.8	-0.3	1.6
Mining and quarrying	1.6	2.3	4.0	3.0	3.1
Manufacturing	2.0	3.5	5.4	1.9	3.3
Electricity, gas and water supply	2.6	4.4	6.3	3.0	4.7
<i>Electricity and gas</i>	3.7	4.4	5.7	3.0	4.7
<i>Water supply</i>	1.8	4.4	6.8	3.1	4.7
Construction	4.4	4.8	5.8	3.7	4.2
Wholesale and retail trade	5.0	4.0	4.4	0.7	6.3
Transportation and storage	6.0	4.9	0.8	0.9	3.8
Accommodation and food services	4.2	5.0	4.8	-9.9	9.2
Information and communication	6.5	7.2	6.1	4.5	5.8
Financial and insurance activities	5.5	6.1	5.5	2.3	5.5
Real estate activities	4.4	3.3	3.5	2.4	4.0
Professional and support services	4.0	4.9	5.4	3.8	6.1
Public administration and defense	5.7	7.0	6.3	5.9	5.3
Education	6.6	8.7	8.0	3.3	5.0
Health and social work activities	5.3	6.9	6.7	3.5	4.6
Other services	4.3	5.3	5.0	3.8	3.4
Sum of all industries	5.0	3.6	4.8	1.7	4.4
Plus: Taxes less subsidies on products	7.7	8.4	8.3	3.8	5.3
GDP in constant 2010 prices	5.2	3.9	5.0	1.9	4.5
GDP current prices	21.6	13.4	14.9	11.4	13.2

2.2 Real Sector Performance in 2019 and Prospects for 2020 and 2021

2.2.1 Agriculture, Forestry and Fishing

In 2019, the Agriculture, Forestry and Fishing sector grew by 4.3 percent. This growth is attributed to the slight increase in production of large-scale crops such as tobacco, sugarcane and macadamia nuts. In 2020, growth for the sector is expected to be 1 percent, down from the earlier projection of 5.2 percent. The downward revision is due to the effects of COVID-19, in particular reduced winter cropping and post-harvest losses as a result of reduced demand for agriculture produce. Growth for 2021 is projected at 3.1 percent in part due to projects such as the Agriculture Commercialization project and the Shire Valley Agricultural Transformation Project whose benefits are expected to start to be seen by that year.

2.2.2 Mining & Quarrying

The mining and quarrying sector grew by 4 percent in 2019, a slight revision from the initial estimate of 3.9 percent. This mild revision is due to new data on the actual realizations of growth observed in the sector. For 2020, the sector is projected to grow by 3 percent against an initial projection of 5 percent. The downward revision reflects the devastating effects of the COVID-19 pandemic which is expected to disrupt work in the sector and also derail construction works which happen to be a major source of demand for the mining and quarrying sector. In 2021, the sector is projected to grow by 3.1 percent.

2.2.3 Manufacturing

Manufacturing sector is one of the worst-hit sectors by the Coronavirus pandemic. The preliminary projections for the February 2020 Business Interviews Survey indicated growth of 5.6 percent for 2020 from estimated growth of 5.4 percent in 2019. At that time, the impact of Coronavirus pandemic was not envisaged to be significant but having considered the impact of the pandemic, the Manufacturing sector is expected to grow by 1.9 percent in 2020 and 3.3 percent in 2021. The sector has been affected through different channels including logistical challenges (lock-downs) which are affecting importation of the raw materials as well as export of goods as neighbouring countries have closed their borders as one way of containing the pandemic. The slow-down in manufacturing will also emanate from subdued aggregate demand due to the general economic slowdown as a result of the pandemic. While the overall growth of the sector has declined, some sub-sectors within manufacturing have registered increased growth. For example, demand for plastics and hand sanitisers has increased necessitating increased production for the concerned products.

2.2.4 Electricity, Gas & Water Supply

The sector's growth estimate for 2019 is 6.3 percent. The high growth in 2019 was due to increased power generation from the diesel generators. For 2020, the effect of the coronavirus outbreak is expected to reduce growth of the sector from an initial projection of 5.8 percent to the current projection of 3 percent. This downward revision is a result of EGENCO's failure to timely import some spare parts for its machinery due to logistical impediments resulting from the crisis. Growth for the sector in 2021 is projected at 4.7 percent.

2.2.5 Construction

In 2019 construction grew by 5.8 percent as many projects were underway including the USAID school projects, the healthy facility in Phalombe, road projects across the country as well as rehabilitation and construction of infrastructure under the Malawi Food Recovery Project after the Cyclone Idai. The momentum from these projects was initially expected to continue in 2020 but the disruption in the supply of imported materials following lock-down in trading partner countries, as well as government measures instituted against the outbreak of the Coronavirus in Malawi are set to significantly derail such growth. Consequently, growth in 2020 is expected to slow down to 3.7 percent with a worst-case scenario of 2.1 percent should the COVID-19 pandemic continue limiting economic activity up to December 2020. In 2021, the sector is still projected to rebound with a 4.2 percent growth owing to recovery in multiple construction projects.

2.2.6 Wholesale & Retail Trade

Wholesale and retail trade industry is projected to slow down to 0.7 percent in 2020 from the earlier estimated growth of 4.9 percent. The sector relies heavily on imports, as such, lock-downs in major trading partner countries such as South Africa and China have heavily weighed down on growth of the sector. Between February and March 2020, the sector over performed due to panic buying of essentials like groceries especially when Government announced the 21-days lockdown for Malawi. This notwithstanding, sales are expected to slowdown in the ensuing months as companies continue facing challenges in replenishing stocks. Furthermore, disposable income is set to decline as the general economic activity slows down and companies start laying-off employees, resulting in reduced demand for the sector. In addition to lengthened border controls, derived demand for commodities such as fuel will decline as other sectors of the economy slowdown. For instance, Petroleum Importers Limited (PIL) projects a 20 percent drop in sales revenues. Projected growth in 2021 has been revised upwards to 6.3 owing to anticipated recovery of the sector when trading partners ease border control measures.

2.2.7 Transportation and Storage Services

The sector's growth in 2019 remains unchanged from the earlier estimate of 5.2 percent. In 2020 growth for Transportation and Storage Services industry is estimated to be 0.9 percent in 2020 from the February projection of 4.4 percent. The sector has been severely affected by the Covid-19 pandemic following restrictions on international travel as well as a slowdown in domestic travel as Government has put in place measures aimed at reducing the spread of the virus. In addition, individuals have revised their travel pattern and have adopted precautionary preventive measures against the virus. The slowdown in international trade following border controls and lockdown in trading partner countries has also negatively affected transportation and storage services. Growth for the sector in 2021 has also been revised downwards to 3.8 percent from the initial projection of 4.9 percent during the February 2020 Business Interviews Survey.

2.2.8 Accommodation and Food Services

The 2019 growth estimate for Accommodation and Food Services was slightly revised from 4.9 percent to 4.8 percent. Growth estimate for the sector for 2020 was initially estimated at 4.1 percent from 4.8 percent as reported in the August 2019 Business Interviews Survey. This higher growth was premised on the sector benefiting from the election related activities and the generally projected good performance of the other sectors of the economy. However, in the face of the Coronavirus, the sector is projected to be amongst the worst hit sectors due to global travel restrictions, cancellations of conferences, meetings and restrictions in the number of people per gathering as well as reduced number of people patronising restaurants. The travel restrictions mean fewer room nights for the lodging facilities and this has greatly affected the revenue performance of the sector. The pandemic has negatively affect tourism sector and this is the worst hit sector with growth for 2020 revised downwards to -9.9 percent. For 2021, growth for the accommodation and food services is projected to be 9.2 percent when business normalises.

2.2.9 Information and Communication

The growth estimate for the information and communication sector in 2019 was revised to 6.1 percent from the earlier estimate of 6.8 percent. The 2020 growth for the sector before the Coronavirus effect was estimated at 6.3 percent but has been revised downwards to 4.5 percent. The reduced growth is attributed to slowdown in activities in all the other sectors as this sector has derived demand from all the other sectors. In addition, for mobile phone operators, revenue from sales of airtime through physical vouchers has been negatively affected since it requires physical contact through their front offices and shops. Revenue from sales of airtime through electronic vouchers has not significantly changed, however, it might pick up as it is an alternative to physical vouchers. While working from home is seen as an opportunity to sale more data especially to corporate customers, it is expected to reduce need for communication for individual customers. The sector's projection for 2021 has slightly been revised downwards to 5.8 percent.

2.2.10 Financial and Insurance Services

The 2019 growth estimate for financial and insurance services was revised from 6.4 percent to 5.5 percent. The main reason for this reduced growth was the post-election disruptions which made some businesses hold out on making investments which in turn negatively affected lending by financial institutions. The growth estimate for financial and insurance services for 2020 is estimated at 2.3 percent, a downward revision from 5.8 percent as reported in Feb 2020 Business Interviews Survey. Before the Coronavirus, the sector was anticipated to register a robust growth on account of reduced interest rates which were expected to improve lending to the private sector and also the stability of the local currency and low non-food inflation rate but the coming in of the Coronavirus has dampened expectations as there is a general decline in business activity. Insurance services, particularly servicing policies and premiums, claims and underwritings, are expected to decline as the business activity deteriorates.

For the banking sector, low customer traffic has reduced deposits, foreign exchange trading income as well as other non-interest revenues. An outbreak of the virus has affected the banks' operations and profitability levels as key customers have experienced a significant drop in their business activity and struggle to service credit facilities at current loan agreements. Non-performing loans are projected to rise above the minimum regulatory level of 5 percent resulting in a deterioration of asset quality. The heightened credit risk is anticipated to reduce risk appetite and therefore credit to the private sector is expected to decline significantly between 5 to 10 percent. Projected growth for the sector in 2021 is pegged at 5.5 percent.

The COVID-19 stress tests for banks indicate that the banking system will deteriorate due to COVID-19 except for one bank. The bank which was reported to be resilient in the short run was cushioned by loan concentration in the agriculture sector.

2.2.11 Real Estate

The growth estimate for the Real Estate sector in 2019 was maintained at 3.5 percent. Before taking into account the impact of the Coronavirus, the 2020 growth for real sector was projected at 4.5 percent on account of anticipated occupancy of houses, office blocks and shopping malls which are currently under construction across the country. In addition, MPICO buildings that were vacated by Government Ministries are now being occupied thereby increasing revenues in the sector. Furthermore, new players in the sector such as Amaryllis complex in Blantyre which has rented shops was expected to increase economic activity in the real estate sector. However, the advent of the Coronavirus is projected to slow down activity in this sector. The anticipated lockdown will affect businesses particularly the small-scale enterprises which may not be able to sustain rentals. Growth in the sector has thus been revised downwards to 2.4 percent in 2020. Going into 2021, growth for this sector is expected to reach 4.0 percent.

2.2.12 Professional, Scientific & Technical Activities, Administrative & Support Service Activities

In 2019 the sector grew by 5.4 percent against an initial estimate of 5.6 percent. Taking into account the impact of Coronavirus pandemic which has reduced economic activities in the country, the 2020 growth projection for the sector has been revised downwards from 5.5 percent registered during February 2020 Business Interviews to 3.8 percent. The pandemic will slow economic activities in this sector. For example, legal services will be affected as fewer cases may be taken to courts. The projected growth for 2021 is estimated at 6.1 percent.

2.2.13 Public Administration and Defence

The growth for the sector has been maintained at 6.3 percent for the year 2019. In the year 2020, the growth rate for the sector has also been maintained at 5.9 percent and that for 2021 is projected to be 5.3 percent.

2.2.14 Education

In 2019, the growth estimate for the education sector was 8 percent which is a 0.5 percentage point adjustment from the initial estimate of 8.5 percent. The 2020 growth of the Education sector was revised downwards from 6.9 to 3.3 percent. The closing down of schools has meant that education institutions have lost revenue which they could have gotten for the remaining period of the first half of 2020. Growth for 2021 is projected at 5.0 percent when schools re-open.

2.2.15 Human health and social work activities

Growth in this sector for 2019 is maintained at 6.7 percent. In 2020 growth in this sector is projected at 3.5 percent, a downward revision from an initial growth estimate of 6.9 percent. The sector is expected to be adversely affected by the disruption of importation of medical supplies. Furthermore, the virus scare in hospitals may lead to lower revenues in 2020. In 2021, the sector is expected to recover and grow at 4.6 percent.

2.2.16 Other Services

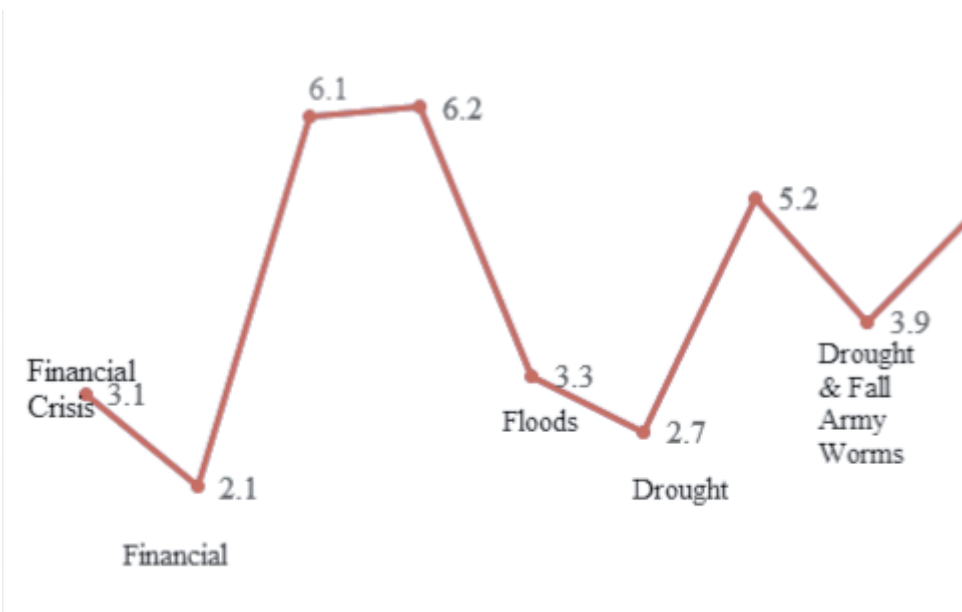
During the February 2020 Business Interviews Survey, Other Services Sector was estimated to grow by 5.6 percent but this has been revised downwards to 3.8 percent for 2020. This is mainly attributed to restriction of gatherings to not more than 100 people especially in the Arts, Entertainment and Recreation sub-sectors. In 2021, the sector is expected to register growth of 3.4 percent.

2.3 Real GDP Growth Before and After Covid-19

Analysis of GDP growth from 2011 to 2021 shows that the growth path for the economy has been bumpy and characterised by ups and downs. The economy has been experiencing different shocks that have affected GDP growth over the years. The notable shocks include the financial crisis between 2011 and 2012, floods in

2015, drought in 2016, the combined effects of drought and fall army worms in 2018 before being hit by the coronavirus in 2020. It is notable, that in a year that the economy experiences a serious shock, growth is also compromised. It is, however, clear from figure 2.1 below that the coronavirus has had significant ramifications to GDP growth in the past decade. Before the coronavirus effect in 2020, 2012 was a year that the economy registered a lowest growth at 2.1 percent.

FIGURE 2.1: REAL GDP GROWTH RATES BEFORE AND AFTER COVID-19



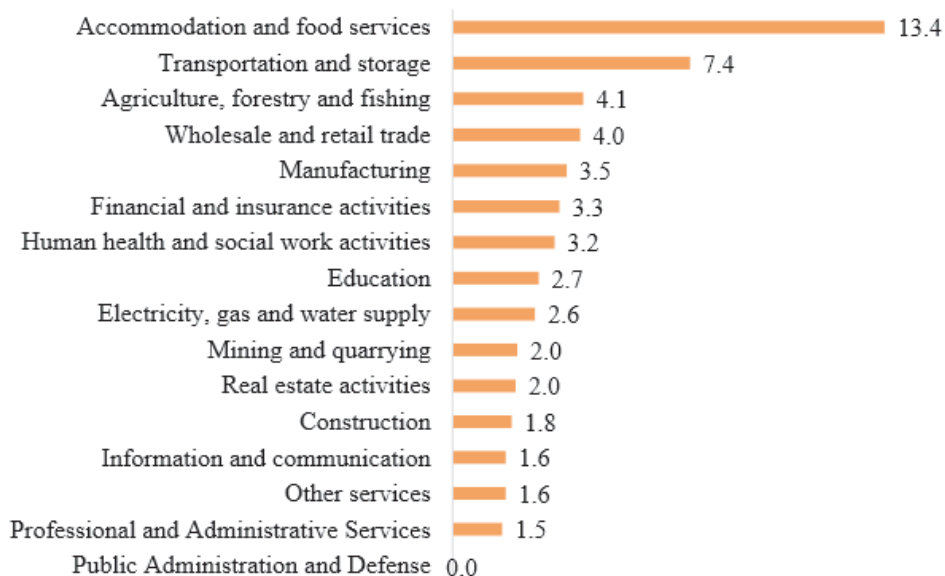
Source: Annual Economic Reports (various issues), National Accounts and Balance of Payment (NABOP) Committee

2.4 Sectoral GDP Loss Due to Covid-19 Pandemic

Almost all sectors of the economy have registered a loss in GDP following the Coronavirus pandemic in 2020. In general, the economy is projected to lose approximately MK56 billion in real GDP (i.e. GDP in constant 2010 prices) which translates to approximately MK244 billion in nominal GDP (i.e. 3.5 percent loss in nominal GDP) if the Coronavirus pandemic is contained by the second quarter of the 2020/2021 financial year. Accommodation and Food services; Transport and Storage services; and Agriculture, Forestry and Fishing are the worst hit sectors. As shown in Figure 2.2 below, Accommodation and Food services as the worst affected sector, lost almost 13.4 percent of its GDP as a result of the Coronavirus. This is followed by Transportation and Storage services sector which lost about 7.4 percent of its real GDP. Similarly, the Agriculture sector lost 4.1 percent of its GDP. The moderately affected sectors

include Wholesale and Retail trade, Manufacturing and Financial and Insurance services. The least affected sectors include Information and Communication, Others Services (arts and entertainment services) and Public Administration and Defense Services.

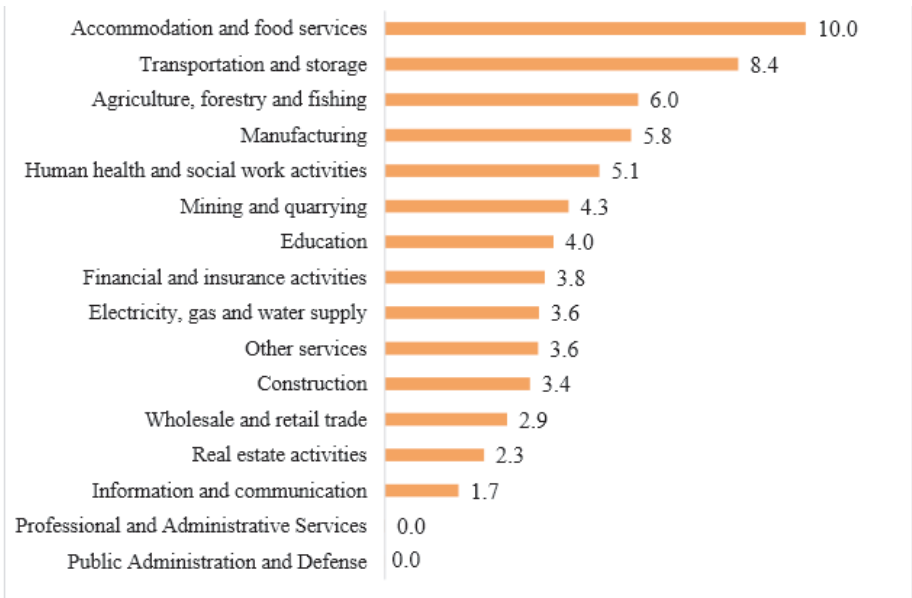
FIGURE 2.2: 2020 SECTORAL REAL GDP LOSS DUE TO COVID-19 (%)



Source: National Accounts and Balance of Payment (NABOP) Committee

Going into 2021, the picture of the sectoral losses is pretty much the same as that of 2020 since Accommodation and Food services, Transportation and Storage services and Agriculture activities continue to be the most affected sectors. While some sectors register further GDP loss in 2021, Wholesale and Retail trade sector shows fast recovery following the containment of the Coronavirus. Generally, the recovery of the economy in the short to medium term will depend on policies that will be implemented now. For example, availability of foreign exchange as well as access to finance will enable many sectors recover quickly from the effects of the Coronavirus pandemic. Figure 2.3 below shows sectoral GDP loss for 2021.

FIGURE 2.3: 2021 SECTORAL GDP LOSS DUE TO COVID-19



Source: National Accounts and Balance of Payment (NABOP) Committee

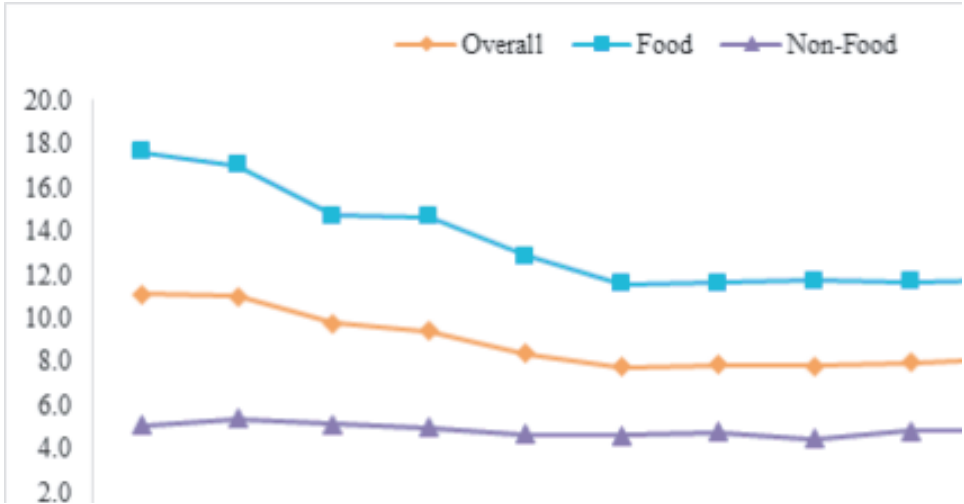
2.5 Price developments

In 2020, annual inflation rate is expected to decline to 8.8 percent with an end period inflation rate of 8.3 percent compared to an average inflation rate of 9.4 percent and end period inflation of 11.5 percent registered in 2019. The anticipated reduction in 2020 annual inflation rate will result from a decline in both food and non-food inflation. In 2020, food inflation is expected to decline to 13.3 percent from 14.3 percent in 2019 due to increased food availability on account of favourable weather conditions experienced in 2019/20 agricultural season. Similarly, non-food inflation is projected to plummet to 4.8 percent in 2020 from 5.4 percent in 2019 mainly on account of the Covid-19 pandemic which is expected to depress demand for goods and services including oil, tradable goods, travel and accommodation. The surge in aggregate demand will result into price decreases, which will outweigh an upward pressure on prices due to shortages caused by disruptions in the supply chain of imported commodities. Hence, exerting a downward pressure on non-food inflation. In 2021, inflation is projected to decline further to 8.4 percent owing to the continued availability of food. Table 2.4 below shows average and end period inflation rates from 2019 to 2021.

TABLE 2.4: AVERAGE AND END PERIOD INFLATION RATES

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Inflation rate (annual average)	9.4	8.8	8.4
Inflation rate (end of period)	11.5	8.3	9.5

Figure 2.4 below illustrates the trend of inflation in 2020. The graph shows that inflation will be driven by both food and non-food inflation.

FIGURE 2.4: INFLATION FORECAST FOR THE YEAR 2020

Source: Department of Economic Planning and Development (EP&D) Projections

In 2020, food inflation is expected to decrease to 13.3 percent from 14.3 percent in 2019. During the first half of the year, food inflation is expected to plummet to 11.5 percent in June 2020 from 17.6 percent in January 2020, before slightly increasing to an end period rate of 12.5 percent. Similarly, non-food inflation will sustain a single digit rate of 4.8 percent, down from 5.4 percent in 2019, largely due to the effect of the COVID-19 pandemic. During the year, non-food inflation is expected to decrease to 4.6 percent in June 2020 from 5.1 percent in January 2020 before plummeting further to an end period rate of 4.3 percent.

2.6 Balance of Payments

2.6.1 Current Account Balance 2019 and 2020, 2021

In 2019, the country recorded a current account deficit of USD 1.6 billion. This deficit is expected to slightly worsen to USD 1.64 billion in 2020, a 2.6 percent increase. In addition, in 2021 the deficit is expected to further worsen to USD 1.7 billion, 2.7 percent higher than the 2020 projection.

The current account balance as percentage of GDP is expected to be slowly improving by at least a percentage point during the period under review, from 19.5 percent in 2019 to 18.3 percent in 2020 and 16.8 percent in 2021. This trend reflects the moderate increase in the deficits in relation to the growth in GDP. Specifically, government's efforts towards diversifying exports is set to stabilize the country's trade balance which will translate into the improved current account situation. The launch of Micro, Small and Medium Enterprises (MSMEs) policy in early 2019 is one such government effort that will improve the current account situation by enhancing the international competitiveness of MSMEs in the country.

2.6.2 Capital and Financial Account Balance 2019 and 2020, 2021

In 2019, Malawi's capital account balance remained positive as the country registered a capital account surplus of USD 908.9 million. In 2020, the surplus is expected to reduce by 1.0 percent to USD 899.8 million. In 2021 the capital account surplus is anticipated to be USD 940.4 million, representing 4.5 percent higher than that expected in 2020.

The main sources of the country's financial income required to finance payments imbalances are; general government loans, private sector loans, monetary authorities' international reserves as well as foreign direct investment. In 2019 the country recorded a USD 588.4 million of net financial inflows; these net inflows are expected to lower down by 0.2 percent to about USD 587.4 million in 2020. It is projected that in 2021 the financial account flows will slow down further by 12.9 percent. The slowdown in net inflows of financial account in 2021 is attributable to a sharp decrease in Other Investment assets mainly currency and deposits of other depository corporations.

2.7 Fiscal Performance

Government is implementing fiscal policies to improve the country's productivity and the wellbeing of the citizens. The fiscal policies are aimed at creating a conducive environment for economic growth, job creation, and economic empowerment. Ultimately, the country will achieve sustainable debt management and infrastructure development.

However, in 2019/20 fiscal year, revenue underperformance that mainly emanated from post 2019 election instability, delays in implementing new revenue policy measures and the Covid-19 pandemic, affected implementation of Government activities. The Covid-19 pandemic has hugely devastated the global economies including Malawi. The preliminary revenue outturn for the 2019/20 fiscal year was 20.1 percent of GDP down from the approved estimate of 24.7 percent of GDP. In FY 2020/21 revenue is projected at 21.5 percent of GDP.

Largely, the taxes dominated the revenue basket with a preliminary outturn of 16.4 percent of GDP. Grants and other revenue consisted of 2.8 percent of GDP and 0.9 percent of GDP respectively. Performance of grants also appeared to be below projection hence in line with the recent trend of volatility associated with grants.

In terms of expenditures, Government spent more than the target set at the beginning of the 2019/20 fiscal year. The over expenditure was on account of the increased expenditure on use of goods and services. Preliminary outturn for 2019/20 fiscal year projected an expenditure of 30.0 percent of GDP comprising of expense of 22.0 percent of GDP and Net Acquisition of Non-financial Assets equivalent to 8.0 percent of GDP. In FY 2020/21 expenditure is projected at 31.8 percent of GDP.

The performance of revenue and expenditure in the 2019/20 fiscal year resulted in a preliminary net borrowing position of 9.9 percent of GDP which is worse than the net borrowing target of 2.5 percent of GDP set at the beginning of the fiscal year.

2.8 Monetary Policy Developments

The Reserve Bank of Malawi (RBM) conducts monetary policy with the aim of achieving price and financial stability. In 2019, monetary policy aimed at preserving inflation in the single digits and steering it towards the medium term objective of 5.0 percent, ensuring stability of the kwacha, and supporting economic activity by ensuring recovery of private sector credit. To achieve these objectives, the monetary policy rate was progressively lowered from 16 percent to 13.5 percent, the Liquidity Reserve Requirement (LRR) on domestic currency deposits was reduced from 7.5 percent to 5 percent, and LRR on foreign currency deposits was reduced from 7.5 percent to 3.75 percent. With these policy interventions, the objectives of monetary policy in 2019 were largely achieved. Headline inflation remained in single digit at 9.4 percent albeit slightly higher than the 9.2 percent achieved in 2018. Higher food inflation was the reason for the slight increase in the headline inflation as 2019 recorded a 14.3 percent increase in food prices against an increase of 9.8 percent in 2018. Non-food inflation remained remarkably low and averaged 5.4 percent compared to 9.0 percent in 2018.

The kwacha remained broadly stable, trading at K738.87 to the United States dollar at the end of the year from K733.69 to the dollar at end-December 2018. The stability in the exchange rate was supported by adequate gross official reserves which were recorded at US\$819.5 million in 2019, equivalent to 3.9 months of imports compared to US\$747.2 million (equivalent to 3.6 months of import) in 2018. Private sector credit annual growth recovered and grew by 15.5 percent in 2019 compared to 5.3 percent in 2018.

Further dividends from monetary policy were constrained by rising food inflation which resulted from high maize prices following the impact of cyclone Idai, delayed fiscal consolidation which arose from accumulated fiscal imbalances, and protracted political uncertainties. Going forward, the RBM is expected to continue with cautious monetary policy implementation to ensure that the current macroeconomic stability is sustained in the medium to long term.

Chapter 3

AGRICULTURE, FISHING AND FORESTRY

3.1 Overview

This chapter reviews the performance of the Agriculture and Natural Resources Sector for the 2019/20 fiscal year. The chapter is divided into three sections: agriculture, fisheries and forestry.

3.2 Agriculture Sector

This section reviews the weather forecast, crop and livestock production, national food security, the Farm Input Subsidy Program (FISP), the National Agriculture Investment Plan (NAIP).

3.2.1 2019/20 Weather Situation

Effective planting rains onset was timely over most areas of the country. Most Agriculture Development Divisions (ADDs) started receiving planting rains in the first week of October except for Kasungu and Mzimba districts which received planting rains in the third week of November 2019. Extremely hot temperatures were experienced in Kasungu and Lilongwe ADDs in the month of September 2019. Karonga and Shire valley ADDs had reported dry spells and flooding in the month of January 2020. Nevertheless, rainfall distribution was recorded to have been better compared to the previous year in all the ADDs as most stations recorded higher figures. This rainfall pattern facilitated good crop development, stimulated pasture growth and also provided adequate water for fish and livestock. Most crops had matured in all ADDs

3.2.2 Crop Production

The second round of the Agricultural Production Estimates Survey (APES) for the 2019/2020 growing season projects an increase in all major crops except tobacco. National maize production is expected to increase from 3,355,232 metric tonnes in the 2018/19 growing season to 4,178,594 metric tonnes in the 2019/20 growing season, representing a 25 percent increase. Table 3.1 below shows national crop production (metric tonnes) for the 2018/19 and 2019/2020 growing seasons. Production of rice, groundnuts, sweet potatoes, sorghum, millet, cotton and pulses have also increased. The increase in production is mainly attributed to favourable weather conditions, improved crop practices and improved use of inputs such as fertiliser, which positively affected crop development and maturity. Meanwhile, tobacco production is expected to decrease by 26 percent this year. This is attributed to poor market prices in the previous season, hence farmers were sceptical of improvements in the current season.

TABLE 3.1 NATIONAL CROP PRODUCTION IN METRIC TONNES

Crops	2019/20 Second Round	2018/19 Second Round	Percentage % Change
Maize	4,178,594	3,355,232	25
Rice	185,948	131,327	42
Cassava	5,995,922	5,700,472	5
Sweet Potato	5,822,558	6,455,631	-10
Sorghum	153,174	133,768	15
Millet	85,298	44,821	90
Tobacco	102,596,997	138,369,838	-26
Groundnuts	881,084	406,029	117
Cotton	52,950	29,575	79
Pulses	1,094,279	928,988	18

Source: Ministry of Agriculture

3.2.3 Livestock Production

Most major classes of livestock species have registered an increase in population with cattle, goats and pigs increasing by 5.0 percent, 7.5 percent and 7.7 percent respectively (see Table 3.2 below). The Chicken population has been an exception in the sense that it has registered a drop by 0.5 percent. The increase in livestock production was mainly attributed to improved and good management practices including disease control resulting into more births than deaths, high breeding prolificacy in pigs, good control of African swine fever, and an increase of households keeping livestock due to livestock pass-on programmes. The decrease in chicken population is attributed to the fact that the broiler figure is just a half year through-put.

TABLE 3.2: LIVESTOCK CENSUS

Type of Livestock	2018/19 Third Round	2019/20 First Round	Percentage Change
Cattle	1,763,704	1,843,845	4.0
Goats	9,147,837	9,831,603	7.5
Sheep	331,272	341,961	3.2
Pigs	7,355,254	7,924,432	7.7
Chickens	156,537,637	155,804,742	-0.5
Rabbits	2,577,733	2,718,693	5.5
Guinea Fowls	2,302,184	2,375,866	3.2
Turkeys	315,231	331,005	5.0
Guinea Pigs	664,208	640,934	-3.5
Doves	8,344,922	9,287,973	11.3
Ducks	2,711,749	3,117,690	15.0
Quails	54,740	160,100	192.5
Geese	3,576	3,707	3.7

Source: Ministry of Agriculture

3.2.4 National Food Security

The percentage of households that did not have food from own production varied across all the Agriculture Development Divisions (ADDs) during the second round of the Agricultural Production Estimates Survey (APES). However, the general observation is that the food situation worsened across the country this year compared to last year. During the period between January and March 2020, six of the eight ADDs reported to be worse off in terms of food situation compared to the same period last season. Overall, 13 percent of households reported to have no food from own production as of March 30, 2020 compared to 12 percent in March 2019. In a bid to cope with the situation, households without food from own production engaged in various income generating activities such as selling of vegetables, charcoal, firewood, livestock, fish, and casual labour. Food was readily available on the local markets although the prices were higher as compared to the same period last season. For instance, price for maize ranged from MK250/Kg to MK300/Kg, which was higher compared to last season's price which ranged from K100/kg to K200/kg. Table 3.3 provides more details on the food situation.

TABLE 3.3: NATIONAL FOOD SITUATION AS OF 30TH MARCH 2020

ADD	2018/19 SEASON			2019/20 SEASON		
	Total Farm Families	Farm Families Without Food	%Farm Families Without Food	Total Farm Families	Farm Families Without Food	%Farm Families Without Food
Karonga	156,336	6,206	3.9	120,107	7,843	6.5
Mzuzu	376,499	26,221	4	317,623	39,723	13
Kasungu	752,219	56,183	7.5	667,226	62,276	9.3
Lilongwe	888,739	148,059	16.7	807,548	140,763	17.4
Salima	231,893	22,827	10	213,676	23,020	11
Machinga	831,058	136,412	16	839,963	116,482	14
Blantyre	829,191	92,608	11	846,688	52,039	6
Shire Valley	227,257	35,047	15	209,104	35,187	17
Total	4,293,192	523,563	12	3,808,259	477,333	13

Source: Ministry of Agriculture

3.2.5 National Agricultural Investment Plan (NAIP)

In the period under review, the sector continued its programming guided by the National Agriculture Investment Plan (NAIP) which is the main implementation vehicle for the National Agriculture Policy (NAP). NAIP is a prioritized and harmonized investment framework for the sector and it is aligned to the MGDS

III as well as both regional and global development policies. It forms a reference sectoral policy document for harmonized investment. Furthermore, the development of programmes was vetted within the consultation structures provided in the sector to make sure that they are addressing priority areas of the sector as defined in the NAIP. The agriculture sector aligns its programming and budgeting to the NAIP results framework.

Within the NAIP framework, the agriculture sector continues to implement the following programs and projects among others: Agriculture Sector Wide Support Project (ASWAp-SP II); the Agriculture Infrastructure and Youth in Agribusiness Project (AIYAP); the Sustainable Agriculture Production Programme (SAPP); and the Agricultural Commercialisation (AGCOM) in collaboration with the Industry and Trade sector.

During the period under review, a number of activities to create an enabling policy environment were implemented. For instance, the Ministerial Strategic Plan and the Malawi Cotton development Strategy was launched in November, 2019. In addition, Horticulture Policy, Fertiliser Policy, and Livestock development Policy have been finalised and are currently awaiting cabinet approval. Furthermore, the sector is reviewing the Agriculture General Purpose Act and Special Crops Act.

3.2.6 Farm Input Subsidy Program (FISP)

In order to achieve food self-sufficiency and increase income for poor households, Government has improved usage of farm inputs and adoption of improved technologies in maize and legume production through the Farm Input Subsidy Program (FISP) for 15 years. In the 2018/19 growing season, a total of 900,000 smallholder farmers were targeted with inputs such as fertilisers and seeds. Farmers completed accessing desired farm inputs where about 99.83 percent (44,924.95mt) and 99.85 percent (44,934.2mt) of NPK and Urea respectively have been accessed. In addition, Farmers accessed improved seed from various Agro-dealers of the approved seed suppliers and arranged marketing was done in hard to reach areas to assist farmers to easily access the inputs thereby reduce cases of selling the coupons. As of 26th March, 2020 about 97 percent of cereal seed were accessed. Redeeming of inputs under the programme was closed on 7th February 2020.

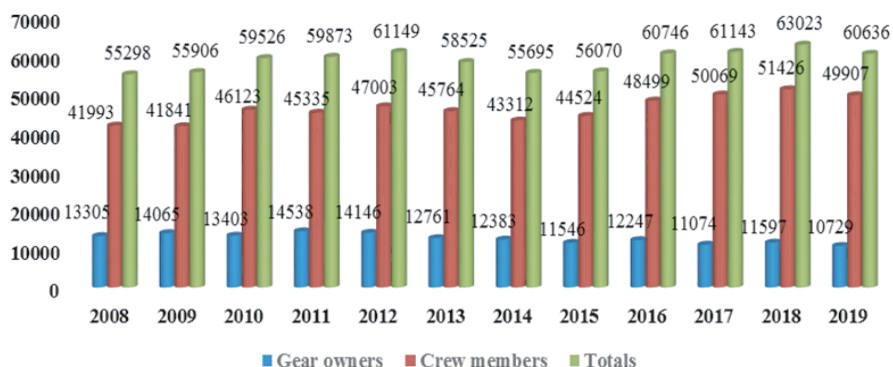
3.3 The Fisheries Sector

3.3.1 The Socio-economic Role of the Fisheries Sector

3.3.1.1 Employment

The Fisheries sector is composed of capture fisheries, aquaculture and aquarium trade sub-sectors. The sector continues to be a major source of employment. Figure 3.1 shows that in 2019 there was a 3 percent decrease in the number of fishers employed in the fishing industry from 63,023 in 2018 to 60,636 in 2019.

FIGURE 3.1: NUMBER OF FISHERS EMPLOYED IN THE FISHING INDUSTRY FROM 2008 TO 2019



Source: Department of Fisheries

Additionally, the sector continues to indirectly employ over half a million people who are engaged in ancillary activities, such as fish processing, fish marketing, boat building and engine repair. The fish industry supports over 1.6 million people and makes substantial contribution to their livelihoods.

3.3.1.2 Food and Nutrition Security

The Fisheries Sector plays an important role in food and nutrition security. With a production of 154,923 metric tonnes, fish continues to be the main source of animal protein in the country. It contributes over 70 percent of the dietary animal protein intake of Malawians and 40 percent of the total protein supply. Figure 3.2 shows fish production of different species in 2019. It shows that usipa comprises the majority of fish protein in the Malawian diet. However, there has been a decrease in total fish landing by 30 percent when compared with 2018 fish landing of 221,849 metric tonnes.

TABLE 3.4: FISH PRODUCTION BY SPECIES FOR 2019 COMPARED WITH 2018

Fish Species	2019 Fish Production	2018 Fish Production	Percentage Change
Chambo	2,800	3,931	-28.8
Kambuzi	7,471	11,867	-37.0
Kasawala	269	144	86.5
Chisawasawa	1,826	1,223	49.3
Kampango	1,835	2,144	-14.4
Mbaba	1,187	1,105	7.4
Mcheni	6,455	6,436	0.3

Fish Species	2019 Fish Production	2018 Fish Production	Percentage Change
Mlamba	5,433	4,812	12.9
Mpasa	239	69	246.5
Nchila	294	9	3125.1
Sanjika	271	240	12.9
Usipa	98,463	156,717	-37.2
Utaka	13,482	19,136	-29.5
Ndunduma	3,317	4,467	-25.7
Nkholokolo	-	14	-100.0
Makumba	1,082	1,367	-20.9
Matemba	801	408	96.4
Other Tilapia	3,114	3,617	-13.9
Others	6,583	4,144	58.9
TOTAL	154,923	221,849	-30.2

Source: Department of Fisheries

3.3.1.3 Source of income

In 2019, fish landings had a beach or landed value of MK169.56 billion (USD227.59 million), with a volume of 154,923 metric tonnes. This is a decrease of fish landing volume by 30 percent compared to 2018. In 2018, fish landings were worth MK196.69 billion (USD273.18 million), representing a volume of 221,849 metric tonnes.

The national average beach price was MK1054.46 per kilogram of fish, which is an increase from MK928.96 per kilogram in 2018. In general fish prices in 2019 increased, especially for Chambo, kasawala, Mcheni, Mpasa and Makumba. The rise in beach prices was due to increased demand for fish locally and the rising costs of operation. At MK2,126/kg, chambo continues to fetch the highest average beach price.

3.3.1.3.2 Average Beach Prices by District

In 2019, there was a general upward trend of average beach prices compared with 2018. Average beach prices for all fish species were reported to be the highest in NkhataBay (MK1,689/kg), whilst the lowest average beach prices were registered in Nsanje (MK768/kg).

3.3.1.3.3 Fish Landings by District

Nkhata-Bay District contributed the highest fish catch (51,161 metric tonnes) in 2019, representing 33 percent of the total fish landings followed by Nkhotakota (31,682 metric tonnes) representing 20 percent, Mangochi (28,395 metric tonnes) representing 18 percent, Likoma (19,607 metric tonnes) representing 12 percent, Karonga (11,241 metric tonnes) representing 7 percent and Salima (5,916 metric

tonnes) representing 3 percent. While there was a general decrease in total fish landing in 2019, Mangochi district experienced the worst reduction from 66,067 metric tonnes in 2018 to 28,395 metric tonnes (i.e. 57 percent reduction in fish landings).

3.3.1.4 Foreign Exchange Earnings from Ornamental Fish Exports

Lake Malawi has over 800 endemic fish species, which are of both local and international scholarly importance and also act as a source of tourism attraction. Some fish species, such as Mbuna, are exported outside the country and this brings in foreign exchange. Cumulatively, from January to December 2019, a total of 66,461 live fish was exported, generating MK302.93 million. This is slightly higher than the 2018 figure of 49,780 live fish, which generated a total income of MK226.058 million. Hong Kong was the major importer of Malawi's ornamental fish (MK175,576,977) followed by Germany MK46,565,869), Denmark (MK33,515,008) and France (MK32,211,707). Other export markets for Malawi's ornamental fish included China, Sweden, Thailand and United Kingdom.

In terms of monthly export trends, it was observed that more exports were made during the months of April, June, August, October, November and December. This could be explained by the increased level of tourism activities for the importing countries during these months.

3.3.2 Status of the Fisheries Sector

3.3.2.1 Trends in annual fish production by water body

The national catch statistics from all water bodies show that total fish production decreased from 221,849 metric tonnes in 2018 to 154,923 metric tonnes in 2019 representing 30.2 percent decrease. In 2019, Lake Malawi alone registered a total fish landing of 145,434 metric tonnes with artisanal fish standing at 143,325 metric tonnes and commercial production at 2,110 metric tonnes.

The cumulative catch by December 2019 showed that over 93.9 percent of the total fish catch in Malawi was from Lake Malawi. The other water bodies of Lake Malombe, Lake Chilwa, Lake Chiuta and Shire River contributed about 2.3 percent, 1.82 percent, 0.93 percent and 1.09 percent respectively to the total catch implying that Lake Malawi continues to be the major source of fish for the country.

In terms of catch composition, Usipa was the dominant fish species contributing about 64 percent of the total catch. Usipa was followed by Utaka and Kambuzi which contributed 9 percent, 5 percent respectively. Mcheni and Mlamba each contributed 4 percent to the total fish catch.

3.3.2.2 Annual fish production and landed value

The total annual fish production has been increasing over the years. For example, total fish production in 2009 stood at as low as 71,289 metric tonnes but in 2019

fish production had increased to 154,923 metric tonnes. Table 3.5 below shows the fish catch and value for 2019, 2020 and 2021. Fish production in 2020 is estimated to reach 160,555 metric tonnes and it is projected to be 163,075 metric tonnes in 2021. This would translate to increased projected accrued monetary value of MK175.89 billion and MK179.90 billion in 2020 and 2021, respectively.

TABLE 3.5: FISH CATCH AND VALUE FROM 2019 TO 2021 FOR MAJOR SPECIES

Fish Species		2019 Provisional		2020 Estimate		2021 Projection	
Local Name	Scientific Name	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Chambo	Oreochromis spp.	2,800	3,063,999,674	2,884	3,158,918,546	2,941	3,230,920,551
Kambuzi	Lethrinops spp. & Allied genera	7,471	8,177,062,621	7,695	8,430,377,779	7,849	8,622,533,446
Kasawala	Juvenile Oreochromis spp.	269	294,147,070	277	303,259,377	282	310,171,643
Chisawasawa	Lethrinops spp. & Allied genera	1,826	1,998,483,960	1,881	2,060,394,490	1,918	2,107,357,567
Kampango	Bagrus meridionalis	1,835	2,008,620,849	1,890	2,070,845,407	1,928	2,118,046,694
Mbaba	Buccochromis spp. & Allied genera	1,187	1,299,353,857	1,223	1,339,606,212	1,247	1,370,140,184
Mcheni	Rhamphochromis spp.	6,455	7,064,947,247	6,649	7,283,810,464	6,782	7,449,832,141
Mlamba	Bathyclarias & Clarias spp.	5,433	5,946,093,399	5,596	6,130,295,925	5,708	6,270,025,262
Mpasa	Opsaridium microlepis	239	261,258,547	246	269,352,009	251	275,491,416
Nchila	Labeo mesops	294	321,913,520	303	331,885,997	309	339,450,756
Sanjika	Labeo cylindricus	271	297,080,222	280	306,283,396	285	313,264,588
Usipa	Engraulicypris sardella	98,463	107,763,948,066	102,402	112,181,003,701	104,450	114,737,972,814
Utaka	Copadichromis virginalis & relatives	13,482	14,755,902,292	13,887	15,213,021,663	14,165	15,559,775,795
Ndunduma	Diplotaxodon spp	3,317	3,630,083,039	3,416	3,742,538,465	3,485	3,827,843,061
Makumba	Oreochromis shiranus & relatives.	1,082	1,184,145,820	1,114	1,220,829,175	1,137	1,248,655,833
Matemba	Barbus paludinosus & relatives	801	876,599,529	825	903,755,484	841	924,355,004
Other Tilapia	Tilapia rendalli & others	3,114	3,407,722,178	3,207	3,513,289,143	3,271	3,593,368,404
Others	Various spp	6,583	7,205,353,911	6,781	7,428,566,750	6,917	7,597,887,893
TOTAL		154,923	169,556,715,799	160,555	175,888,033,984	163,766	179,897,093,051

Source: Department of Fisheries

3.3.3 Fish supply per capita

There has been a continued increase in the per capita fish consumption, reaching 12.63kg/person/year in 2018, from 5.44kg/person/year in 2008, as shown in Table 3.6 below. However, with the decline in fish production for 2019, there has been a drop to 8.72kg/person/year. This per capita consumption of 8.72kg/yr is still below the recommended 13-15 kg of the World Health Organisation (WHO).

TABLE 3.3: PER CAPITA FISH SUPPLY WITH ESTIMATED POPULATION GROWTH (2008 TO 2019)

	<u>Population</u>	<u>Total catch (kg)</u>	<u>Kg/Person/Year</u>
2014	14,300,000	117,094,878	8.19
2015	14,500,000	144,315,275	9.95
2016	14,700,000	157,267,660	10.70
2017	16,000,000	199,453,838	12.47
2018	17,563,749	221,849,082	12.63
2019	17,763,749	154,922,716	8.72

Source: Department of Fisheries

It is important to note that the revised National Fisheries and Aquaculture Policy (2016), focuses on fish quality and value addition as a means of promoting adoption of best practices. These practices will enhance quality, hygiene and sanitation and value addition for fish and fish products to reduce the annual catch that is lost through post-harvest spoilage and insect infestation. Furthermore, the sector is pioneering aquaculture efforts that will enhance production of the major cultured species, such as Chambo. This will ensure continued availability of fish in required amounts and avert the per capita consumption deficit. The sector has embarked on a project titled ‘Sustainable Fisheries, Aquaculture Development and Watershed Management’ (SFAD WM) Project where a number of interventions are aimed at enhancing production of Chambo fish through pond and cage culture.

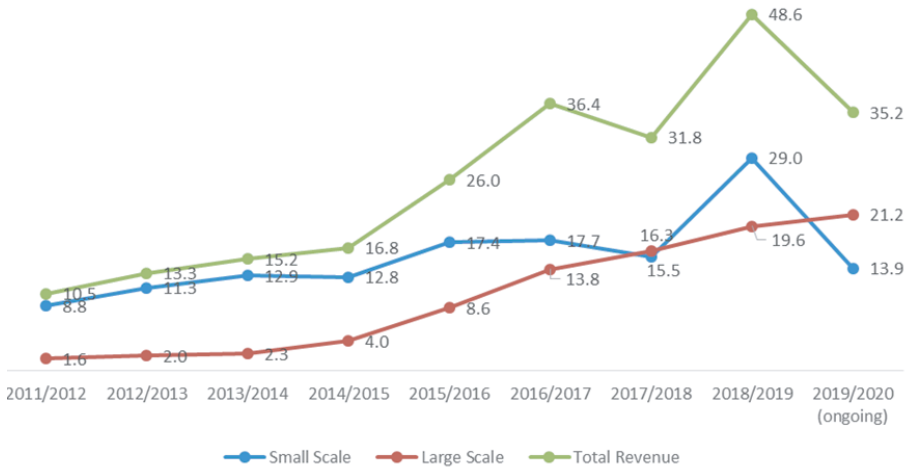
3.3.4 Fish Resource Monitoring and Licensing

To increase fisheries and aquaculture investments, the sector continued to promote fishing related activities through Public Private Partnerships (PPPs). In this regard, a total of 26 large scale commercial fishing units have been licensed to tap the offshore deep water fish resources. In addition, 336 small scale fishing licenses and 150 sanitary certificates have been issued.

The total revenue generated from the licensing exercise of both commercial and small scale fishers is currently at MWK35,161,000 representing 67.62 percent of the annual revenue target of MWK52, 000,000 set by Treasury.

As can be seen in Figure 3.2 below, there has been a progressive increase in the collection of revenue from 2011/12 fiscal year to the current fiscal year. The increase is partly due to the continued revision of the licence fees and enhanced awareness by the district offices of the importance of collecting more revenue. However, more revenue could be collected if certain challenges were addressed, such as lack of functional patrol boats in some districts. In addition, increasing awareness through campaigns may also improve revenue collection. It is therefore planned that two patrol boats would be procured through the SFAD-WM Project.

FIGURE 3.2: TRENDS IN REVENUE COLLECTION FROM LICENSING OF FISHING ECONOMIC UNITS (Millions of Kwacha)



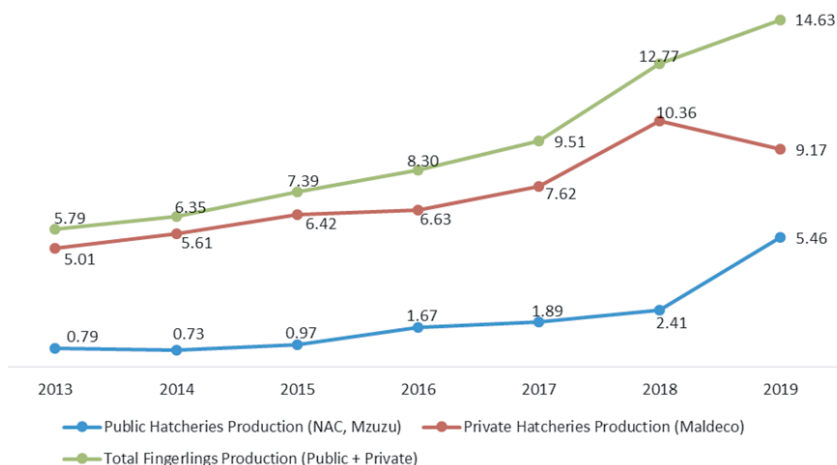
Source: Department of Fisheries

3.3.5 Performance of Aquaculture Sector

The aquaculture sub-sector shows that in total there are approximately 15,465 fish farmers where 61.51 percent are males and 38.49 percent are females. The total recorded number of ponds across the country is currently 10,007 with a total pond area of 251.59 hectares. In terms of their distribution, there are more fish farmers in Mulanje (1,065), Nkhotakota (1,040) and Phalombe (1,034). The lowest number of fish farmers was recorded in Chitipa (230), Nsanje (236) and Dedza (265) while the remaining districts except for Likoma registered a substantial number of fish farmers.

From January to December 2019, a total of 14,650,670 fingerlings were produced. The production came from four hatcheries namely: National Aquaculture Centre (NAC), Mzuzu Fish Farming Station, Kasinthula and MALDECO Aquaculture Limited. As shown in Figure 3.3 below, there has been an increase in fingerling production from both public and private hatcheries over the years.

FIGURE 3.3: TRENDS IN FINGERLING PRODUCTION (millions) FROM PUBLIC AND PRIVATE HATCHERIES



Source: Department of Fisheries

Rainfall patterns have been affecting aquaculture fish production. For example, in 2019 a total of 9,230 metric tonnes of fish was harvested from ponds and cages compared to 12,217 metric tonnes harvested in 2017 as illustrated in Table 3.4. This was largely on account of low rainfall in most of the aquaculture ecological zones which led to the drying up of fish ponds.

TABLE 3.4: ESTIMATED PRODUCTION LEVELS (TONNES) AND VALUE (US\$) OF THE MAJOR CULTURED FISH SPECIES (2010 – 2019)

Species	Production (t)	2015	2016	2017	2018	2019
Oreochromis shiranus/mossambicus	Production (t)	3,422	7,080	8,624	6,460	6,553
	Value (US\$)	3,849,012	18,893,010	23,498,202	17,602,977	17,856,771
Tilapia rendalli	Production (t)	851	142	2,593	1,878	1,871
	Value (US\$)	957,027	377,860	6,919,542	5,010,785	4,994,036
Clarias gariepinus	Production (t)	508	212	900	676	782
	Value (US\$)	571,915	566,790	2,452,316	1,842,172	2,131,499
Cyprinus carpio	Production (t)	94	118	44	-	11
	Value (US\$)	106,005	314,884	119,891	-	30,180
Oncorhynchus mykiss	Production (t)	109	94	56	-	12
	Value (US\$)	122,428	251,907	152,589	-	32,695
Total major species (t)	4,984	7,646	12,217	9,014	9,230	
Total value (US\$)		5,606,387	20,404,451	33,142,539	24,455,934	25,045,181

Source: Department of Fisheries

3.3.6 Challenges and proposed mitigation measures

3.3.6.1 Inadequate supportive infrastructure for fish landing, processing and marketing along the fish value chain. This is currently being considered under the newly launched ‘Sustainable Fisheries and Aquaculture Development Project’ that is being financed through the African Development Bank (AfDB).

3.3.6.2 Substandard fleet of vehicles and patrol speed boats in most of the field stations rendering high operation and maintenance costs to monitor enforcement of fisheries regulations in all water bodies. So far, two speed boats are being planned to be procured under the SFAD WM Project.

3.3.6.3 Insufficient number of technical and support staff to implement the planned programs. A functional review is currently being undertaken to create more posts for the frontline staff. This should be completed by the end of 2019-2020 fiscal year.

3.3.6.4 Climate change leading to poor distribution and amount of rainfall that affect water availability in ponds and reducing breeding grounds of fish thereby affecting fish recruitment. The AfDB proposed project will be implemented in close collaboration with relevant sectors that cover issues of watershed management.

3.3.6.5 Unavailability of floating fish feeds locally for faster growth of fish in cages and ponds. Currently Malawi is importing feed from Zambia. The SFAD WM Project intends to procure feed mill for the production of floating fish feed. This should avert the importation burden that the country is currently experiencing.

3.3.6.6 Limited participation of private sector investment in aquaculture. The institutionalization of Aquaculture round table meetings and annual forums is a platform of bringing awareness in terms of existing potential and the need to tap such potential.

3.4 The Forestry Sector

This section reviews the forestry sector’s performance and contribution to the economy in the 2019/2020 Financial Year. Specifically, the focus is on forest utilisation and marketing; budget allocation and revenue collection; tree planting and plantation rehabilitation. This section also looks at the expectations for 2020 and projections for 2021.

3.4.1 Forest Utilisation and Marketing

3.4.1.1 Exports

The Sector gave 26 Export Licences and 713 Export Permits to various exporters, largely Raiply Malawi Limited and Vizara Rubber Plantations, to export forest products including medium- density fibre (MDF). Major destinations of exports for forestry products are the Republic of South Africa, Kenya, and Tanzania

Zimbabwe; while minor ones are Zimbabwe, India, Germany, Mozambique and United States of America. The quantities and values of forestry products that were exported in the period under review are summarised in Table 3.5 below. However, it is important to note that the recorded weight and number of eucalyptus poles and wood carvings/curios has doubled during the year under review (90M3 and 862Kgs respectively).

TABLE 3.5: EXPORT OF FOREST PRODUCTS DURING THE 2019/2020 FY

<u>Forest Product</u>	<u>Quantity Exported</u>
MDF laminated Boards	439,000
Rubber	970,480
Eucalyptus Poles	841
Shutter ply	15,380
Ply wood	22,150
Blockboard	38,925
Rubber timber	900M3
MDF plain boards	8,018,000
Colombo roots	30,000Kgs
Moringa products	500Kgs
Flush doors	3,170
Bamboo seedlings	36,000
Wood carvings/curios	2,691

Source: Department of Forestry

3.4.1.2 Imports of Forest Products

During the 2019/2020 Financial Year, 20 import licences and 308 import permits were issued to different stakeholders allowing them to import forestry related products in various quantities as shown in Table 3.6 below.

TABLE 3.6: IMPORT FIGURES OF FOREST PRODUCTS FOR 2019/2020

<u>Forest Product</u>	<u>Quantity Imported</u>
MDF Boards	250
Rail sleepers	2,100
Eucalyptus Poles	7,230M3
Ply wood	12.8M3
Flush doors	1,760
Timber	285.3M3
Melanine boards	397.2M3

Source: Department of Forestry

3.4.3 Revenue Collection

The major sources of revenue for the Department of Forestry in the year under review were sale of logs, sale of firewood and royalties on forestry products. Much revenue was collected from plantations, mainly Viphya in the Northern Zone as shown in Table 3.7 below.

TABLE 3.7: REVENUE COLLECTED BY END-MARCH 2020

<u>Source of Revenue</u>	<u>Collection by End March, 2020(MK)</u>
Sale of firewood	27,292,806.00
Log sales	1,123,531,024.97
Phytosanitary Certificate/receipts on Certificates	13,905,250.00
Rest House Fees	293,500.00
Licence Fees	10,802,000.00
Miscellaneous	31,000.00
Accommodation and Hall hire	583,000.00
Rent for MG Houses	1,636,870.00
Accommodation and hall hire	696,300.00
Royalties on forestry produce	89,065,372.36
Total	1,267,140,823.33

Source: Department of Forestry

This sector has the potential to increase its revenue collection if more investments are made in the development and management of timber, pole and fuelwood plantations. It should be noted that as of the end of March 2020, the forestry sector had collected more than its target of K1,205,451,421.00.

3.4.4 Tree Planting and Plantation Rehabilitation.

3.4.4.1 Customary Land and Government Plantations.

In the reporting period, the tree planting target on both customary land and in Government plantations was 62 million trees. As at the end of March, 48,004,670 trees were planted in Customary Land while 4,697,351 were planted in Government Plantations. This cumulates to 52,702,021 trees planted, representing 85 percent of the set target (see Table 3.8. Different stakeholders, such as NGOs, religious organisations, local communities, companies and schools, all contributed to the achievement of the tree planting figures. In government plantations, pine and eucalyptus (blue gum) trees have been planted, whereas on customary land, both exotic and indigenous trees are grown. The table 3.8 below summarises tree planting by Zones and plantations.

TABLE 3.8: TREE SEEDLING PRODUCTION AND PLANTING BY ZONES AND PLANTATIONS

No	ZONE/PLANTATION	TARGET	PRODUCTION	PLANTED
1	NORTH	8,730,000	8,790,109	7,244,595
2	CENTRE	22,200,000	23,658,633	21,511,825
3	SOUTH	13,500,000	12,360,753	9,161,628
4	EAST	12,570,000	11,549,770	10,086,622
5	PLANTATIONS	5,000,000	4,700,000	4,697,351
GRAND TOTAL		62,000,000	61,059,265	52,702,021

Source: Department of Forestry

The Central Zone has registered the highest whereas the Northern Zone has registered the lowest. It is expected that the number of trees planted will increase by the end of the National Forestry Season on 15th April, 2020 though the Coronavirus pandemic is expected to negatively affect the planting of trees.

3.4.4.2 Fire Protection

Out of 90,000ha, 87,834.46ha of Government Plantations were protected from bush fires through firebreak maintenance, weeding activities and early controlled burning. A good portion of the burnt area of 1,165.54ha of the plantations has shown some regrowth after the rains with only small portions completely damaged.

3.4.5 Forestry Development and Management Fund (FDMF)

The Forestry Development and Management Fund (FDMF) became operational in the 2011/12 Financial Year. Its aim is to promote the conservation and management of forest resources in order to increase forest cover in the country. In the year under review, the FDMF was allocated MK1,377,813,399.18. The major activities for FDMF in the 2019/20 financial year included the following:

- i. Tree planting and management including tree survival promotion;
- ii. Contract work in Government plantations for various silvicultural activities;
- iii. Management of natural regenerants;
- iv. Conducting law enforcement through patrols in forest reserves and on customary land;
- v. Awareness of the Bill once it is assented.
- vi. Finalisation of concession agreements.
- vii. Completion of Network connectivity in the Zones and Viphya plantation; and
- viii. Support to Forestry Research in four strategy areas.

3.4.6 Malawi Youth Forest Restoration Programme (MYFRP)

The Malawi Youth Forest Restoration Program (MYFRP) was initiated by the Government of Malawi to address the problem of deforestation and soil degradation. This programme engages youth in forest restoration activities while prioritizing fragile areas within their localities. Following this initiative, the Government of Malawi provided funds amounting to MK1 billion in the 2019/2020 Financial Year for the implementation of the MYFRP in all districts. The allocated funds are under the jurisdiction of Ministry of Local Government. The programme intends to enhance forest cover in line with the Forest Policy of 2016 and the National Forest Landscape Restoration Strategy of 2017. The MYFRP had a target to plant 4,733ha, and to manage regeneration on 34,000ha using youth groups across the country. By end of March, 2020 the districts had not started producing reports of implementation through their respective councils.

3.4.7 Other Major Achievements for the Sector

- i. 1091.61 Km of firebreak was maintained in Viphya and other plantations.
- ii. 84Km of road was maintained in Viphya and other plantations.
- iii. 867 camping patrols were conducted by Forest Ranger, National Parks and Wildlife rangers, and Police mainly in priority forest reserves of Mua-Livulezi, Dzalanyama, Viphya, Zomba and Mulanje Mountain and also along hot routes.
- iv. Out of 90,000 hectares that are covered by state owned industrial plantations, 87,834.46ha were protected from fires.
- v. 918ha is being managed under Natural regeneration.
- vi. 80 students have been recruited for GFC 42 awaiting commencement of the training at Malawi College of Forestry and Wildlife.

3.4.8 Challenges

Amongst the many challenges, the following have been picked as major ones impeding progress in the implementation of activities in the forestry sector:

- i. Continued encroachments in protected areas and on customary estates, mainly through commercial charcoal and firewood production, illegal cultivation and settlements;
- ii. Forest fires in Government plantations led to loss of revenue as well as young stands;
- iii. High rate of vacancies for both technical and support staff in most stations reaching up to 60 percent and above;
- iv. Continued absenteeism in stations mainly in Government Plantations. This negatively affected the performance of the Department in various fields;

- v. Increased number of dilapidated buildings (offices and staff houses). Moreover, some districts have no forestry offices e.g. Chitipa, Balaka, Neno and Phalombe; and
- vi. Lack of vehicles and motorcycles.

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 OVERVIEW

This chapter provides a brief of the major achievements for the Irrigation and Water Development Sector during the 2019/2020 Financial Year (FY), as well as a summary of the prospects of the 2020/2021 FY. The policy objectives for the sector are to achieve sustainable and integrated water resources management systems; increase availability and accessibility of water and sanitation services for social economic growth and development; develop the institutional capacity of the irrigation water and sanitation sector; and increase agricultural productivity through irrigation development. The sector has direct linkages with agriculture and food security, industrial development, climate change, natural resources and environmental management, health, tourism, energy generation, fisheries and other socio-economic developments.

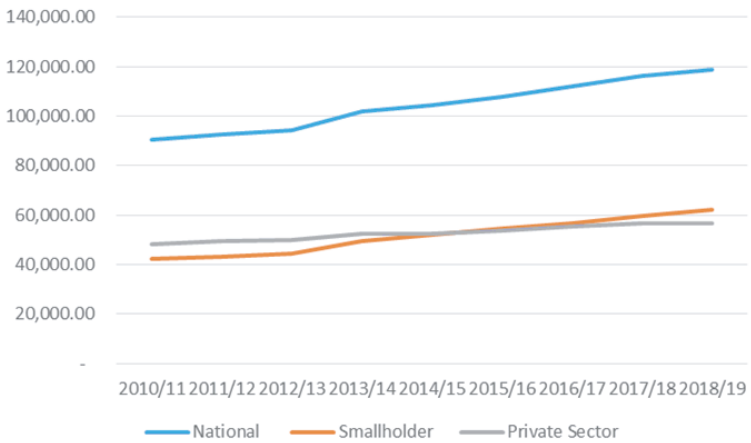
4.2 SECTOR PERFORMANCE

4.2.1 Irrigation

During the reporting period, total area developed for irrigation increased from 116 249 hectares (ha) to 118 843 ha against a potential irrigable land of 407, 862 ha. This represents a 2.23 percent annual increase which is below the 6 percent targeted minimum annual growth rate stipulated in the Comprehensive African Agriculture Development Program (CAADP) for the agricultural sector. About 90 percent of this increase (i.e. 2,332 ha of 2,594 ha developed during the year) was registered under the smallholder irrigation management while the rest was under private management. Of the 118,843 ha, 56,856 ha are under estates and 61,987 ha under smallholder farming (benefiting about 370,618 smallholder households) with total utilization rate standing at 84.8 percent. Over the years, the total land developed for irrigation has been on a steady increase as indicated in figure 4.1. However, as can be noted, land under smallholder management has been growing at a faster rate than that under estate management and has since 2016/17 surpassed area under estate management.

The main technologies being used are watering cans (10 percent), treadle pumps (20 percent), motorized pumps (24 percent) and gravity systems (46 percent). Approximately, irrigation farming contributes about 20 percent of the gross national cereal production and about 26 percent for tuber production.

FIGURE 4.1: TREND OF LAND DEVELOPED FOR IRRIGATION



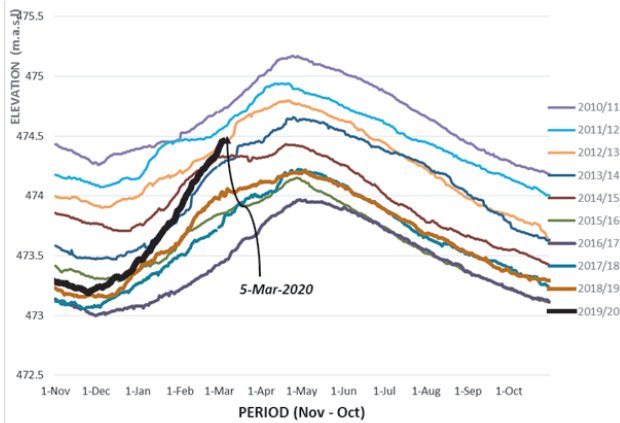
4.2.2 Water Resources Management and Development

Water is one of the core elements for sustainable development and very critical for social economic development of our country including ensuring healthy ecosystems and human survival. The water sector, therefore, continued to prioritize water resources management and development activities in the reporting period. Among others, the sector implemented various projects which focused on provision of sustainable infrastructure such as multipurpose dams and other hydraulic structures (including flood protection structures). Water resources monitoring was also emphasised in order to ensure capturing of accurate information on the condition and trends of the country’s water resources (both surface and groundwater) for socio-economic development and maintenance of environmental quality.

During the reporting period, the estimated water availability still stood at 1102.5m³/capita/year but having laid a good foundation for implementation of strategic interventions which will foster an increase in the next two to three years ahead.

To increase water availability for various productive uses, the sector enhanced the efficient operation of the Kamuzu Barrage at Liwonde using the Kamuzu Barrage Operational Model (KABOM). This enables the regulation of flow in the Shire River to meet hydropower generation and other water demands downstream but also helped to regulate the water level in Lake Malawi. This, in principle, enabled the overall conservation of water in the Lake as evidenced by the significant improvement of the lake levels above those recorded for the past seven years as indicated in Figure 4.2 below. The improved operation of the barrage abated occurrence of extreme low flows in the Shire River thereby sustaining hydropower generation. Additionally, the new barrage also helped to improve management of weeds which usually affect hydropower generation downstream.

FIGURE 4.2: LAKE MALAWI MEAN LEVEL SINCE 2010



The sector further completed the construction of the extension of Mlowe Dyke in Rumphi through the Malawi Flood Emergency Recovery Project, rehabilitation of Chilanga Dam in Kasungu and prepared designs for 10 small dams and 5 medium sized dams under the “Malawi Drought Resilient and Recovery Project. These structures are expected to enhance water harvesting to support irrigation, water supply, fisheries, domestic uses, livestock watering, groundwater recharge, recreation and also used for flood control.

As the country continue to experience water scarcity problems, the need for reliable hydrological data becomes more urgent. This will stimulate political commitment, public and private investments including facilitating informed decision making at all levels thereby triggering well placed investments targeted towards optimum health, environment and economic gains. For example, information on drinking water quality including wastewater discharge helps to support public health intervention and protection of water bodies. As such, 136 hydrological stations have been established for monitoring the trends of the available surface water resources. During the period under review, the sector rehabilitated a total of 15 hydrological monitoring stations in Kasungu, Dowa, Salima, Lilongwe, Dedza and Mchinji. These stations will go a long way in supporting the operations of flood early warning system.

Groundwater availability in the country is monitored through a network of groundwater monitoring wells established by government. The sub-sector continued to collect data from all the 75 monitoring wells spread across the country.

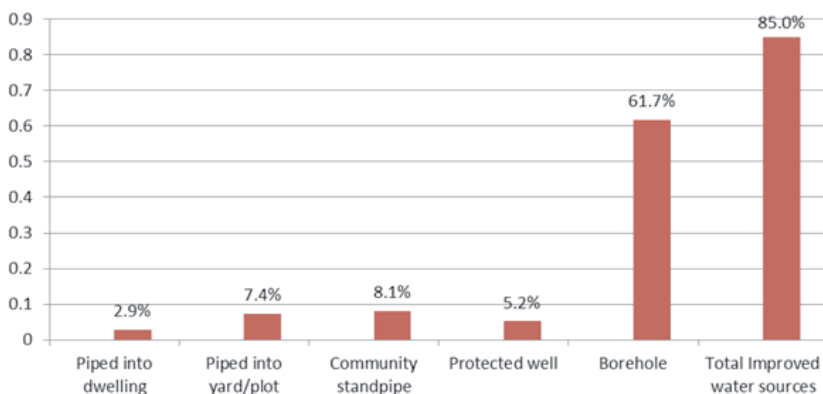
4.2.3 Water Supply and Sanitation

Provision of rural water supply services is the responsibility of the Department of Water Supply and Sanitation Services (supported by various CSOs/NGOs) while urban water supply is a responsibility of the five Water Boards³ (National Water

³ Lilongwe, Blantyre, Southern Region, Central Region and Northern Region Water Boards

Policy, 2005). According to the Malawi Population Census (NSO), 85 percent of population have access to improved sources of drinking water. As presented in figure 4.3 majority of the population access safe drinking water through boreholes (61.7 percent) while only 2.9 percent of the population have water sources piped into their dwelling.

FIGURE 4.3: DISTRIBUTION OF ACCESS OF SAFE DRINKING WATER BY TECHNOLOGY



Sources: NSO (2018)

4.2.3.1 Rural Water Supply

The Integrated Household Survey (2017) estimates that 86 percent of the rural population have access to safe drinking water. According to the Sector's Performance Report (2019), functionality of rural water supply systems on average is estimated at 66 percent⁴ which represents 5 percent decline from the previous year mainly due to the devastating effects of the Cyclone Idai.

In order to ensure that access to safe water supply for all is achieved, the sub-sector continued with implementation of various projects aimed at extending upgrading and rehabilitating rural gravity water supply systems but also development and rehabilitation of boreholes across the country. Through these projects⁵ the sector finalized and commissioned 6 gravity fed rural water supply schemes with a total of 2274 water connections; continued with the rehabilitation works of 6 other gravity fed rural water supply systems (with progress averaged above 85 percent completion); and constructed 418 boreholes across the country. Apart from government owned projects, the subsector through the CSOs/NGOs working in the sector and registered with WES-Network, constructed additional 1,287 water points and facilitated rehabilitation of 1,882.

To enhance sustainability of the rehabilitated and newly constructed water facilities and improve their functionality rate, 418 Water Point Committees have been formed

⁴ According to the Water Sector Performance Report (2018/19)

⁵ Sustainable Rural Water Supply and Sanitation for Improved Health and Livelihood Project, Malawi Floods Emergency Resilience Project, Malawi Disaster Risk Reduction Project, & Ground Water Extraction Project

and trained for 418 boreholes that were constructed while 12 Water User Associations were formed for the 6 gravity fed schemes (GFS) constructed and the other 6 GFS under rehabilitation. In a bid to support government efforts in ensuring sustainability of these facilities, CSO/NGOs also trained additional 145 Water Point Committees and 194 Area Mechanics.

4.2.3.2 Urban Water Supply

The Integrated Household Survey (2017) estimates that access to potable water supply in the urban areas stands at 93.1 percent. As presented in Table 4.1, during the reporting period the population covered with safe drinking water in the urban and town centers serviced by the water boards increased by 65,758 representing a 3 percent increment. At an individual water board level, Northern Region Water Board (NRWB) registered the highest increment of about 6 percent while Blantyre Water Board (BWB) and Southern Region Water Board (SRWB) registered the lowest percentage increment of 2 percent.

TABLE 4.1: POPULATION SERVED BY WATER BOARDS

Water Board	Population Served 2018/19	2019/2020	Increase in Population	Percentage increase
LWB	1,115,545	D/A	N/A	N/A
BWB	1,221,301	1,245,727	24,426	2
CRWB	301,820	313,020	11,200	4
NRWB	367,804	391,634	23,830	6
SRWB	363,990	370,292	6,302	2
TOTAL	2,254,915	2,320,673	65,758	3

Source: Water Boards Reports, 2019

On average the population that access water within 30 minutes from a water source (within Water Boards service areas) increased to 87 percent from 86 percent the previous financial year as presented in Table 4.2. The table indicates that CRWB registered the highest rate at 96 percent which is a drop by 2 percent from 98 percent the previous 3 financial years, while BWB had the least population with access to safe water within 30 minutes at 78 percent.

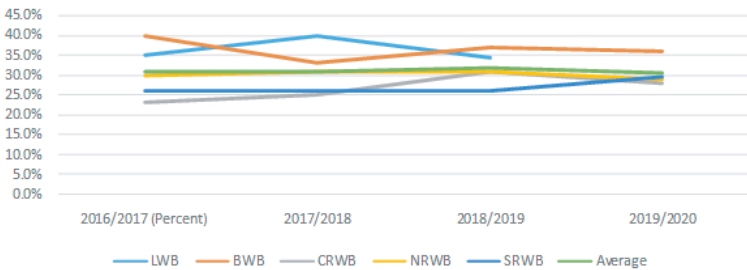
TABLE 2: POPULATION WITHIN 30 MINUTES WALKING DISTANCE

Water Board	2016/2017	2017/2018	2018/2019	2019/2020
LWB	75%	75%	87.7%	D/A
BWB	79%	77%	78%	78%
CRWB	98%	98%	98%	96%
NRWB	76%	77%	79%	83%
SRWB	87%	88%	89%	89%
Average	83%	83%	86%	87%

Source: Water Boards Reports, 2019

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, unauthorized water use, vandalism of water supply plants, and inaccuracies in billing or meter reading. A reduction in the percentage of NRW implies an improvement in utility efficiency. The internationally recommendation maximum level of NRW is 25 percent. In the period under review, the percentage of NRW on average was 30.63 percent. While this was a positive development having registered a reduction from an average of 31.9 percent the previous year, there is no statistic difference in the change ($p=0.63$). Individually, none of the water boards met the recommended international standard. Among all the Water Boards, BWB registered the highest figure of 36 percent. Figure 4.4 illustrates levels of NRW for each of the water boards for the past 3 financial years.

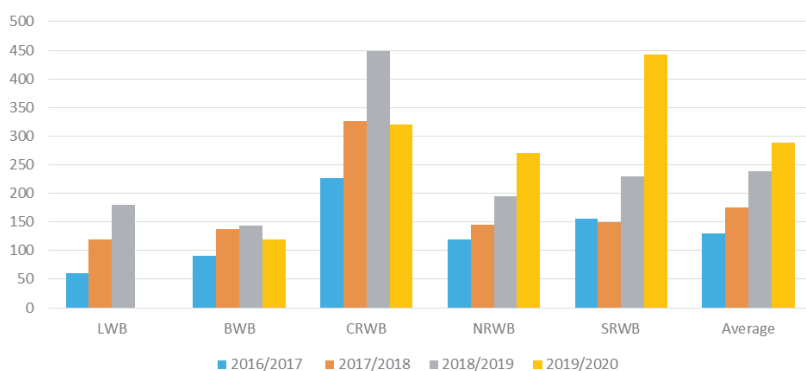
FIGURE 4: NON-REVENUE WATER LEVELS IN WATER BOARDS



Source: Water Boards Report 2019

The average number of debtor days increased to 288 from 239 in the previous year. SRWB was the worst performer with its debtor days increasing from 229 to 443 days while BWB registered the lowest (120) number of debtor days indicated in Figure 4.5 below. Debtor days describe the average number of days that pass before its debtors pay and an indication of how efficiently a utility bills and collect debts from its customers. The recommended international standard is a maximum of 60 days. This therefore means that none for the water boards met the standard. This has been attributed to delays in payment of water debt mostly by Government Departments/Agencies. This negatively affects the Boards' cash flow position. In an effort to reduce water debtors, the Water Boards are implementing various initiatives among which are installation of prepaid meters in government institutions and all new water connections while replacing the existing post-paid meters as an ongoing activity.

FIGURE 5: AVERAGE NUMBER OF DEBTOR DAYS



Source: Water Boards Report 2019

4.2.4 Sanitation and Hygiene

The percentage of people with access to improved sanitation facilities remained at 44 percent (43 percent in the rural and 48 percent in the urban) according to the Joint Monitoring Program (2017). Only 10 percent of the population has a functioning hand washing facility with water or soap. Out of the 263 TAs across the country, only 95 have been declared Open Defecation Free (ODF).

During the reporting period, the sector finalized preparation of detailed designs for the rehabilitation and expansion of the Kauma Sewer System but also constructed on site sanitation facilities for 10 public schools and market center for Lilongwe city⁶ and triggered and declared 2 TAs ODF in Ntcheu. In addition, through the CSOs/NGOs working in the sector and registered with WES-Network constructed and rehabilitated 286,281 latrines and 242,920 hand washing infrastructure.

4.3 PROSPECTS FOR 2020/2021 FISCAL YEAR

In 2020/2021 FY, the sector will continue to work towards attainment of its goal of water and sanitation for all always and prosperity through irrigation.

The sector will continue its initiatives towards catchment protection for dams, irrigation and water supply schemes. Construction of water harvesting structures in the form of excavated tanks and dams to harness water for productive uses such as water supply, irrigation and fish keeping will be continued. Through various projects, in the upcoming year, the sector plans to develop about 13 small dams, rehabilitate 22 water resources monitoring stations, and undertake preparation studies (including feasibility studies and engineering designs) for development of 6 multipurpose dams across the country.

Guided by the Irrigation Master Plan and Investment Framework, the sector will continue following a pragmatic approach to irrigation development, shifting from

⁶ through the Lilongwe Water Supply and Sanitation Project

subsistence to commercialized irrigated agriculture through development of medium to large scale irrigation infrastructure. Promotion of fully functional and financially autonomous Irrigators Organisations (WUAs & Cooperatives) will continue to ensure efficiency and sustainability in utilization of the schemes. Through various projects being implemented, the sector plans to develop about 2000 ha (new area) for irrigation and rehabilitate 2000ha of old schemes.

Through both the Department of Water Supply and Sanitation and Water Boards, the sector will continue with construction of new water supply systems, rehabilitation and extension of existing schemes through the various projects currently under implementation but also new project to start being implemented in the 2020/2021 financial year.

4.4 CHALLENGES EXPERIENCED IN THE SECTOR

Although the sector has recorded achievements as highlighted above, it has also faced a number of challenges ranging from vandalism of irrigation and water infrastructure, ageing infrastructure, dwindling sources of water, wash-away of irrigation and water supply infrastructure due to cyclone Idai, 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 and delayed disbursement of funds, 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 Accountant General.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1. Overview

This chapter reviews the performance of the Transport and Public Infrastructure sector and highlights the major activities carried out during the 2019/20 fiscal year and provides projections for the 2020/21 fiscal year.

The sector embarked on creating an enabling environment for the successful implementation of the National Transport Master Plan (NTMP). To this end, the National Transport Policy and the Ministry's Strategic Plan were both revised to align them to the Master Plan and provide a framework for its implementation. The sector also implemented a number of projects in each sub-sector as detailed in the sections below. These projects contribute towards meeting the goals and objectives of the NTMP and the Malawi Growth and Development Strategy (MGDS) III.

The year under review saw relatively good performance in project implementation as well as revenue collections across the sector. Performance, however, is likely to be affected by the COVID-19 pandemic as the economic activity has slowed down and a number of projects have been suspended.

5.2. Road Programmes

Road infrastructure programmes are implemented by the Roads Authority (RA) and local councils with funding from the Roads Fund Administration (RFA), the Government of Malawi and Development Partners (DP). The Roads Authority, in conjunction with the local assemblies, develops an Annual National Roads Programme (ANRP) which outlines a comprehensive plan of action for the construction, maintenance and rehabilitation of public roads, tracks and trails for a financial year. For the 2019/20 FY, the ANRP was worth MK76.2 billion and was revised to MK86.2 billion at mid year. The ANRP is aligned to the Malawi Growth and Development Strategy III and the National Transport Master Plan with the ultimate aim of facilitating economic activity in the country. The ANRP is divided into recurrent and development programmes.

5.2.1. Performance in 2019

5.2.1.1. Recurrent Programmes

Recurrent programmes are activities that are carried out by the Authority on a continuous basis to ensure that the roads remain passable at all times. Recurrent programmes for the 2019/20 FY are as detailed below.

Routine and Periodic Maintenance

Routine road maintenance works are carried out annually on the whole road network in Malawi depending on the condition of the road. Works include grading and reshaping of unpaved roads; edge break repairs, crack sealing and line marking

on paved roads; cleaning of drains and other drainage structures and replacement of road furniture for both paved and unpaved roads. Due to the age and condition of most of the road infrastructure in the country, a relatively higher percentage of the maintenance budget targets pothole patching, sectional periodic maintenance of paved roads and drainage structures.

Periodic maintenance covers works undertaken after a specified period from the time a road is constructed or has undergone a major rehabilitation. These works include sectional maintenance of roads and reinforcement of concrete bridges. The former covers the sealing of roads and shoulder reconditioning while the latter aims at improving the safety and condition of the road drainage structures by mitigating negative effects of environmental factors and increased traffic volumes on the structures. Table 5.1 below provides a summary of estimated budgets for activities under the recurrent programmes.

TABLE 5.1: RECURRENT PROGRAMMES BUDGET 2019/20

Programme	Approved Budget (MK million)	Amount Spent (MK million)	Physical Progress
Pothole patching	1,449.85	807.00	65%
Road Centre and Edge lines Marking	297.16	252.00	85%
Road Signs Replacement/Marking	99.29	32.92	46%
Sectional Periodic maintenance of paved roads	1,726.79	835.70	47%
Rehabilitation of Unpaved Roads	602.48	374.00	64%
Reinforced Concrete Bridges	1,514.42	490.70	48%
Upgrading of single bridges to dual bridges	329.50	60%	
Rural Structures	1,630.17	832.00	60%
Supervision	1,520.00	355.80	40%
TOTAL	15,211.32	4,309.62	57%

5.2.1.2. Development Programmes

The approved 2019/20 budget for development programmes was MK51.67 billion, out of which MK22.03 billion was secured for donor funded projects and MK29.64 billion was for projects that are wholly or partially funded by the Malawi Government. The development partners that supported road infrastructure programmes during the year include the World Bank, the African Development Bank, the European Union, the Kuwait Fund for Arab Economic Development

(KFAED), the Saudi Fund, the Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund for International Development (OFID) and the Peoples' Republic of China.

The scope of planned works and the respective estimated budgets for the development programmes are presented in Table 5.2 below.

TABLE 5.2: DEVELOPMENT PROGRAMMES BUDGET 2019/20

<u>Programmes</u>	<u>Approved Budget (MK' million)</u>	<u>Percentage of Total Budget</u>	<u>Planned Targets (km)</u>
Road Upgrading and Construction	49,121	95.1	178
Periodic Maintenance/Rehabilitation	2,550	4.9	15
TOTAL	51,672	100.00	183

5.2.1.3. Road Upgrading and Construction

By 31st December, 2019, 22.7km of the planned road projects had been upgraded and constructed against a target of 178km. The projects under this programme included the upgrading of the Lirangwe - Chingale - Namatunu - Machinga road, Livingstonia – Njakwa and Ntcheu – Tsangano roads. Remarkable progress has been registered on Kawere – Mkanda and Dowa – Chezi roads where all works have been substantially completed.

5.2.1.4. Periodic Maintenance / Rehabilitation

By 31st December, 2019, 2 km had been rehabilitated against a target of 15km (see Table 5.3 below). During the Financial Year, only one road project, Nkhotakota to Bua road section, was targeted for rehabilitation. However, works have been greatly affected by inadequate funding.

TABLE 5.3 DEVELOPMENT PROGRAMMES PERFORMANCE

<u>Programmes</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Targets 2019/20</u>	<u>Mid-Year 2019/20</u>
Rehabilitation of paved roads (km)	79.6	90	15.5	2
Upgrading/construction of roads (km)	100	78	178	44

The main objective of investing in road construction, rehabilitation, periodic and routine maintenance works is to improve accessibility and mobility of goods, services and people. One of the major indicators for this improvement is the condition of the road network. Table 5.4 below shows the effect of road programmes that were implemented in the previous years on the condition of the road network.

TABLE 5.4: ROAD CONDITION OF PAVED NETWORK 2011 – 2022

Condition	2011	2014	2017 (Est)	2022 (Desired)*	Strategic Action
GOOD					
Km (%)	2,447 (40%)	1,639 (38%)	1,552 (36%)	2,768 (54%)	Routine Mtce
FAIR					
Km (%)	1,346 (33%)	1,725 (40%)	1,725 (40%)	1,384 (27%)	Periodic Mtce
POOR					
Km (%)	286 (7%)	949 (22%)	1,035 (24%)	974 (19%)	Rehabilitation
Total					
Km (%)	4,079 (100%)	4,312 (100%)	4,312 (100%)	5,125 (100%)	

Source: Roads Authority – Road Condition Surveys

*Desired estimate after implementation of the RA 5-Year Strategic and Business Plan (2017 – 22).

Results of road condition surveys carried out in 2011 and 2014 and the 2017 show the deteriorating condition of the road network. This can mostly be attributed to inadequate funds being invested in road intervention works. While an expansion of the paved road network would significantly improve accessibility to most areas, the availed resources are not adequate to sustainably preserve the existing network.

Despite the trend depicted from the road condition surveys, it is estimated that 54 percent of the road network will be classified as good, and 27 percent and 19 percent will be classified as fair and poor, respectively by the 2022. This aspiration is dependent upon sustainable and adequate funding of all programmes; clearing of backlog payments to the construction industry; and carrying out the necessary reforms in the Roads Authority and the Transport sector.

5.2.2. Outlook for 2020

During the 2019/20 Financial Year, preparatory works were advanced for the rehabilitation of the M1 road from KIA turn-off to Mzimba turn-off and from Kacheche to Chiweta with funding from the European Investment Bank (EIB) and the European Union (EU); the capacity improvement/dualisation of the M1 from Lilongwe CCAP to Lilongwe Hotel road co-financed by JICA and Malawi Government and from Crossroads Hotel to Kanengo to be financed by the Chinese Government. In addition, preparatory works commenced for the rehabilitation of the Nsipe – Liwonde road section with funding from the African Development Bank.

5.3. Road Traffic and Safety Services

The Directorate of Road Traffic and Safety Services (DRTSS) continues to provide Traffic and Safety Management Services in the country with the legal framework derived from the Road Traffic Act (1997) and Regulations (2000). DRTSS, has the overall responsibility for road traffic regulations and ensuring and promoting road safety in the country.

This report gives an annual summary of economic achievements and the performance of the Directorate of Road Traffic and Safety Services in the 2019/20 Financial Year.

5.3.1. Economic achievements/progress in 2019/20

5.3.1.1 Revenue Performance (July 2019-March 2020)

As at 30th March, 2020, the Directorate of Road Traffic and Safety Services collected a total of MK4.295 billion against a target of MK 5.995 billion representing 72 percent revenue performance. It is important to note that the revenue targets were arrived at on the assumption that Road Traffic (Miscellaneous Fees) and (Prescribed Offences and Penalties) Regulations will be revised and implemented.

The revenue performance for the Directorate has been a challenge in the 2019/20 Financial due to the political situation in the country and the COVID-19 Pandemic amongst others. However, as will be noted from the table below, revenue figures started to pick up after the approval of the revised fees and penalties which started to be implemented on 9th March, 2020.

5.3.1.2 Vehicle Population

As at December 2019, the number of active vehicles in the Malawi Traffic Information System (MalTIS) managed by the Directorate of Road Traffic and Safety Services was 237,921. This figure excludes Malawi Government, Police and the Malawi Defense Force vehicles. The figure includes newly registered vehicles as well as those that have been migrated from the old MalTIS. Table 5.5 summarises the growth in the vehicle population for the past 3 years.

TABLE 5.5: VEHICLE POPULATION

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of New Vehicles Registered	24,236	29,187	34,250
Total Vehicle Population	172,857	202,694	237,921

5.3.1.3 Protection of Road Infrastructure Enhanced

The DTRSS has statutory powers to manage vehicle and axle load control and to enforce the regulations dealing with the control of vehicle loading. The primary purpose of vehicle load control is to protect the road network against damage by overloaded vehicles. To this end, the Department formulated a Vehicle Load Control Strategy that came into force in 2016. The Strategy identifies the expansion of the network of weighbridge stations across the country to complement those found at the border posts.

One of the places identified is Nkhotakota where construction of the Weighbridge Station is in progress with designs for staff houses, main office, ablution facilities and parking yard completed and construction works have started. The station will be very crucial for the M5 road which continues to deteriorate due to the overloading of vehicles by both domestic and international traffic.

The Directorate through the World Bank procured 2 Portable Scales to be used for mobile vehicle load enforcement activities. These will replace some of the scales that have outlived their lifespan and have become obsolete. Table 5.6 below shows that the vehicle load control measures are beginning to have the desired impact as the proportion of vehicles that are overloaded is falling even as the number of vehicles weighed increases.

TABLE 5.6: VEHICLE LOAD CONTROL

	2016/17	2017/18	2018/19	2019/20*
Vehicles Weighed	105,934	95,046	116,386	142,732
Vehicles Overloaded (%)	2.7	2.8	2.7	2.3

*Figures cover the period up to March, 2020

5.3.1.4 Review of the Road Traffic Regulations

The Directorate of Road Traffic and Safety Services reviewed and began implementation of the Revised Road Traffic (Miscellaneous Fees) and (Prescribed Offences and Penalties) Regulations, 2019. The revision of the fees was necessary to sustain the operational and maintenance costs of the MalTIS; meet the ever-increasing cost of raw materials and improve processes and service delivery to the general public. The operational costs for the Directorate had increased and mainly in respect of service providers for Network, Internet, license fees for softwares, raw materials for the output documents with the MalTIS and management of interfaces with other stakeholders such as Malawi Revenue Authority (MRA), NBS bank, Police (InterPol), Driving Schools and Vehicle Inspection Stations.

The revision of the Road Traffic (Prescribed Offences and Penalties) Regulations, on the other hand, was aimed at increasing compliance of road traffic regulations by road users. The previous penalties were not deterrent enough to enforce compliance which resulted in significant increases in the number of fatal and serious accidents over the past 3 years.

5.3.1.5 E-Enforcement in all DRTSS Stations

During the period under review, Directorate of Road Traffic and Safety Services scaled up implementation of the Electronic Enforcement for all its Road Traffic Enforcement officers in all its regions including weighbridges. E-Enforcement involves use of electronic gadgets linked to MalTIS to record offenses and issue tickets, and the use of speed cameras that are also linked to the system. The Government, this far, has a total of 360 PDAs which are now being used by all Road Traffic Officers and the total requirement is to have 1200 PDAs. Going forward, additional gadgets will be procured to target traffic police officers. Use of the gadgets will result in the removal of spot fines, improve efficiency and effectiveness in the collection of fines whilst at the same time providing time for the road users to service their fines.

5.3.2 Road Safety Situation

The year 2019, registered a total of 10,193 road traffic accidents as compared to 5,326 road traffic accidents which occurred in 2018 representing a 91 percent increase. In the same year 2019, 1,061 accidents were fatal, 683 were serious and registering a decrease of 3 percent and an increase of 4 percent respectively. The increase in the number of accidents recorded is as a result of the requirement to record all accidents in the database as agreed by the Directorate and the Malawi Police Service within the Crash Data Management Workshops in 2019.

With regards to these accidents, 1,241 people lost their lives, 947 people suffered severe injuries, 5,958 people sustained slight injuries and 1,681 damages were recorded. This constitutes a 3 percent decrease in actual people killed, 3 percent increase in severely injured people and 82 percent increase in minor injuries sustained in comparison to data collected in the year 2018. Table 5.7 below shows the worrying trend on accidents and fatalities in the country.

TABLE 5.7: ACCIDENT DATA

Type of Accidents	2017	2018	2019
Total Accidents	3,634	5,326	10,193
Fatal	940	1,095	1,061
Serious	536	657	683
Fatalities*	1,133	1,275	1,241

*Number of people who have died due to a road accident

5.3.3 Challenges

The post-election demonstrations affected service delivery and DRTSS' ability to collect revenue. In certain cases DRTSS offices were attacked resulting in services not being provided for a number of days afterwards. Revenues were further affected by delays in the approval process for the new fees and penalties on which budget projections were based.

The COVID-19 pandemic will further affect revenue collection by DRTSS as registration of new vehicles will slow down and the general economic slow down will reduce demand for other services provided by DRTSS.

5.3.4 2020/21 Outlook

In the next financial year, the Directorate plans to undertake the following to counter some of the challenges faced as well as improve efficiency and effectiveness in service delivery.

5.3.4.1 Construction of Nkhotakota (Dwangwa) Weighing Station

DRTSS aims to finalise the construction of Nkhotakota Weighbridge Station with construction of an access road and installation of the weighbridge equipment at the station as the main deliverables in the course of the year.

5.3.4.2 Dedza-Kalinyeke Weighing Station

In the next reporting period of the 2020/2021, DRTSS will start construction of Dedza Weighbridge Station at Kalinyeke with financing from the Roads Fund Administration. Currently the station is operational using a mobile scale. The scope of works for the project have been revised to include a toll fee plaza. The station will also be very important to control the overloading considering the increasing traffic through Dedza Border and to Lilongwe City originating from the south of Malawi.

5.3.4.3 Construction of the Mwanza Weighbridge Station

DRTSS is relocating the Mwanza Border Weighbridge Station to a new inland station between Mwanza and Blantyre after a Government directive to limit number of institutions operating at the border. The project is expected to be financed by the World Bank and will include land acquisition as well as construction works. The new site will be upgraded to a multi deck scale to facilitate a once off weighing of the vehicles at a station other than a single deck scale.

5.3.4.4 Vehicle Testing Stations

DRTSS in partnership with the Plant, Vehicle Hire and Engineering Services (PVHES) intends to finalise works in Mangochi, Karonga, and Ngabu in Chikwawa Vehicle Inspection Stations. The DRTSS has already procured equipment for the stations and has engaged three contractors to expedite the construction works for the three sites. The works for the three sites are expected to be concluded within 3 months and hence operations are expected to start in 2020/21 FY.

5.3.4.5 Expansion of the E-Enforcement Programme

In 2020, the DRTSS is also expected to expand implementation of E-Enforcement by procuring more PDAs and other equipment such as speed cameras. DRTSS together with Malawi Police Service are therefore expected to stop the spot fines as well as manual payments and the programme will improve efficiency in revenue collection.

5.3.4.6 Construction of DRTSS Head Office and Lilongwe Regional Offices

In 2019, land was identified along Lumbadzi-Lilongwe Road for construction of DRTSS Office Park to accommodate the Headquarters and Lilongwe regional office. In the year 2020, the plan is to complete payment of the land and designs for the office buildings.

5.4. Railway Services

Rail transport is key to reducing Malawi's transport costs which are among the highest in the region. Interventions in the sector have aimed at enhancing efficiency in rail operations through the rehabilitation of the entire network.

5.4.1. Performance in 2019

5.4.1.1 Budget Performance

Operations of the Department of Railway Services are financed by resources collected as concession fees from the Central East Africa Railways (CEAR) and Vale Logistics Limited (VLL). The Concession fees are paid annually and are dependent on the amount of cargo carried on the railway line.

5.4.1.2 Railway Infrastructure Improvements

Infrastructure improvements have led to a reduction in speed restrictions and train derailments resulting in increased speeds as well as reduced turnaround times for trains. The improvements account for the sustained increase in the tonnage of cargo carried by rail as depicted in the Table 5.8 below.

Government and the Central East Africa Railways (CEAR) are committed to improving the condition of the infrastructure in order to meet the objectives of the National Transport Master Plan and shift cargo from road to rail transport. To this end, the following projects are being implemented;

- i. Rehabilitation of the 399km Nkaya-Mchinji Railway section which commenced in March, 2018 and includes the upgrading of the Nkaya-Salima section from 15 tonne axle load to 18 tonne axle load capacity and rehabilitation of the Salima-Mchinji section. Overall physical progress of the project is at 50 percent. The project was expected to be completed by December, 2020. However, this will be affected by the COVID-19 pandemic which has led to some project sites being closed in line with prevention measures instituted by Government.
- ii. Resuscitation of the 201km Limbe-Marka railway section in a phased approach starting with the rehabilitation of the 72km Limbe-Sandama railway section whose progress now stands at 36 percent with the project expected to be completed by December, 2021. The project is financed by CEAR while Government has embarked on the construction of a combined rail/road bridge at Ruo Breakaway at Osiyana near Makhanga in Nsanje.
- iii. Construction of a new railway bridge across the Shire River at Shire-North in Balaka is at 85 percent with works expected to be completed by July, 2020. The new bridge will lead to safer and improved operations along the railway line.
- iv. Construction of hygiene and sanitary structures on passenger shelters along the Limbe-Balaka-Nayuchi Railway section
- v. Completed the rehabilitation of the office building for the Railway Services Department which will enable the Department to better fulfill its functions as a regulator for the sub-sector.

The rehabilitation of Nkaya – Mchinji railway section should lead to increased traffic from Zambia carrying cargo between Chipata in Zambia and Nacala Port in Mozambique.

TABLE 5.8: RAILWAY SECTOR PERFORMANCE

	2017	2018	2019	2020*
Rehabilitation of railway line (km)	36	85	85	70
Number of Speed Restrictions	6	10	6	11
Railway infrastructure in good and fair condition (%)	57.42	68.8	55	60
Total Freight by Rail (Tonnes)	384,503	401,087	466,399	490,000
Total Passengers by Rail (Passengers)	225,706	216,000	303,300	320,000

* Targets in Transport Sector Performance Indicator Framework which was developed in 2015

5.4.2. Challenges and Lessons Learnt

Encroachment, vandalism and theft remain big challenges in the railway sub-sector. The Department of Railway Services continues to engage communities living close to railway lines, conducting sensitization activities. In addition, the Department of Railway Services has commenced bush clearing, stumps removal, grubbing and assessment of railway infrastructure materials on the 72km Bangula-Marka section. Progress is at 60 percent with the activities expected to be extended to other sections of the railway line. This will help curb encroachment and theft of railway infrastructure.

The sector also has capacity constraints with respect to Government's ability to effectively monitor the performance of the concessionaires as well as the various projects that are being implemented. The Department of Railway Services has hired 15 graduate engineers who are being trained on railway engineering in collaboration with CEAR.

5.4.3. 2020/21 Outlook

While cargo traffic has grown over the last few years, this is expected to slow down in 2020 and 2021 as the world continue suffering the effects of COVID-19 pandemic. Economic activity across the globe and Malawi in particular is likely to slow down resulting in a reduction of cargo movements.

Slower growth in cargo will also affect revenue collections for the sub-sector as concession fees are dependent on the volume of cargo carried by rail. This may not affect implementation of projects in the sector in the short term as there are some reserves from revenue collections over the last 3 years. The loss of revenue is likely to impact the commencement of other big projects in the sub-sector. Government, however, intends to engage private sector financiers for implementation of some of these projects, particularly the resuscitation of the Limbe-Marka railway line.

5.5. Air Transport Sub-sector

Air transport is an enabler for economic activity, facilitating trade of perishable goods and movement of tourists into as well as within Malawi. In recent years, Government has focused on improving infrastructure at Kamuzu and Chileka

International Airports in order to increase capacity for handling of passengers and flights, respectively.

Government also initiated some sub-sectoral reforms but their implementation has stalled over the past 2 years. The reforms are aimed at restructuring the sub-sector by separating regulation from operations and management of airports.

5.5.1. Performance in 2019

Key Performance Indicators

The sub-sector performed moderately well in 2019. Cargo tonnage recorded a 4 percent increase when compared to 2018 with 6,092 tonnes carried by air. Imports continued to dominate, accounting for 92 percent of all cargo transported by air.

On the other hand, passenger traffic recorded an 18 percent drop when compared to 2018 with 363,500 passengers using the two primary international airports. The underperformance can in part be attributed to the resurfacing of the runway at Chileka International Airport which took place from March to December, 2019 and limited the number of air services into Blantyre.

The cargo and passenger traffic figures translate into a 2 percent increase in revenue collection for the sub-sector with revenues in 2019 amounting to MWK4.397 billion against MWK4.304 billion in 2018.

Infrastructure Improvements

The resurfacing of the 2.3km Chileka International Airport runway was carried out between March and December, 2019 with the runway being open for use from 1st January, 2020. The project cost stood at MWK 4.8 billion and was wholly funded by the Government of Malawi. Completion of the project has addressed serious safety deficiencies that posed a threat to safe air operations in and out of the commercial city of Blantyre

With respect to Kamuzu International Airport, Government, through Japanese grant aid, has completed Phase 2 of the Expansion and Rehabilitation of the Terminal Building which concentrated on the rehabilitation of the old existing terminal building. Phase 1 of the project covered the construction of new terminal buildings and the installation of a new radar system at KIA. In addition, Government, with funding from the European Investment Bank is implementing a project aimed at improving safety and security at Kamuzu and Chileka International Airports. The project has procured 5 firefighting vehicles which were delivered to the two airports.

5.5.2. Challenges and Lessons Learnt

Slow progress in the implementation of sub-sectoral reforms, particularly the establishment of a Civil Aviation Authority has meant that Malawi is yet to reap the full benefits of the revision of the Civil Aviation Act. The sub-sector is unable to reinvest the revenue it collects into infrastructure, safety and security improvements that are required for Malawi to improve the rating of its airports.

5.5.3. 2020/21 Outlook

The resurfacing of the runway at Chileka International Airport provides an opportunity for airlines offering international scheduled air services to increase their frequencies to Blantyre. There has been considerable demand by international air carriers to have daily flights into Chileka but this was not possible in the past due to condition of the runway which rendered it unsafe to have many flights using the runway.

The expansion and rehabilitation of the terminal building at Kamuzu International Airport has not only provided a facelift to the internal structure for the airport, it will also enable the handling of greater volumes of travelling passengers due to the increased floor space. The European Investment Bank (EIB) project will result in improvements in the safety and security of both Kamuzu and Chileka International Airports. The project will support the procurement of assorted ground services equipment as well as security equipment in 2020.

Whereas the infrastructure improvements should ideally lead to an increase in passenger and cargo volumes, the travel restrictions imposed by the COVID-19 pandemic will mean that these improvements will not be seen in the short term. The aviation industry in Africa is expected to experience a 40 percent drop in passenger traffic translating to revenue reduction of over US\$ 4 billion. The sector in Malawi will lose an estimated MWK1.5 billion in revenue in the period January to June, 2020 alone.

Several companies operating in the sector are already facing financial challenges which have resulted in the laying off of some staff. These companies include travel agencies and air services providers. Companies operating at the airport are also not exempted with both Lilongwe Handling Company and Airports Development Limited requesting for a bail out from Government.

5.6. Water Transport

The National Transport Master Plan recognizes that strengthening the water transport sub-sector through infrastructure development and procurement of equipment. Investments can play a key role in reducing transport costs. The sub-sector used to play a significant role in the transportation of both passengers and cargo. However, lack of investments in the sector meant that the sub-sector could not provide the much needed needed. To revamp the sub-sector, there is need for heavy investments.

5.6.1. Performance in 2019

The sub-sector has generally done better in the current fiscal year as manifested by the following achievements.

- i. The Marine Training College in Monkey Bay successfully concluded a four year diploma course and within the same fiscal year there was recruitment of yet another intake that has the largest number of advanced diploma courses since the inception of the college in 1989.

- ii. The Department has not registered any reported accident. It carried out numerous law enforcement activities covering all zones and for the first time it carried out safety tasks on Christmas and New Year days to minimise fatalities that characterise the festivities. Plans are also to cover every Easter Break and in all cases extend the coverage to one week.
- iii. The on-going Jetty project at Likoma got part of the funding and the contractor commenced preparatory works pending full mobilisation once the precast materials being done at Zalewa are completed.
- iv. Revenue has generally improved as it now stands at 16.5 million beating a target of 12 million.

5.6.2. Challenges and Lessons Learnt

The Marine Department has not performed well for many years despite the subsector's potential to contribute to the national economy. The Department experiences various challenges including the following;

- v. Continued lack of significant investment in the sub-sector – lack of significant investment in the sub-sector leading to lack of growth and dilapidation of existing infrastructure. Most of the ships, port infrastructure, equipment and machinery are in very poor state thereby making shipping services unattractive to the would be investors.
- vi. Absence of appropriate personnel which greatly affects performance of the Department. This fiscal year however will be exceptional because of the lined up interviews to promote and recruit staff. Progress has however been affected by the pandemic.
- vii. Low level of funding – funding for the Department is generally low thereby affecting discharge of duties. It must, however, be acknowledged that the current fiscal year has generally been better because there has been no budget cut. Funding level has also been reasonably high but more improvement is anticipated.
- viii. Climate Change – effects of climate change have continued to affect water transport as Chipoka Port remains closed. On the positive side the lake level has risen reasonably but siltation problem remains a challenge. There is need to acquire a new heavy duty dredger. Dredgers once procured serve the ports and other sectors like Egenco and water board.
- ix. Subscription arrears – the Department owes the IMO and PMAESA subscription arrears in excess of 100 million Kwacha. While the Department has started settling the balance, still remains a huge backlog.

5.6.3. Outlook for 2020

The Department will strive to maintain its performance though the impact of Covid-19 remains a threat. The improved funding and mobility will likely provide some positive impact on the Department's regulatory roles and it is also expected that

the jetty project will get into an advanced phase that will require well sustained funding. The allocation for 2020/2021 is on the lower side at MWK 2.2 Billion.

5.7. Buildings

The Department of Buildings exists to facilitate the provision of a safe and sustainable building environment, through regular enforcement of policies, standards and regulations in an efficient, transparent and accountable manner.

5.7.1. Performance in 2019

During the year under review, the Ministry finalised the review of the Buildings Regulations in order to incorporate climate change issues such as floods related aspects so that buildings are resilient. The Department also initiated the process of formulating a National Buildings Policy that will guide operations in the buildings sector. The formulation of the Policy started with stakeholder consultations to identify the gaps and the policy needs in the sector. These consultations provided the framework under which the Policy has been drafted.

The Department also supervised a number of projects including Luanar Teaching Complex, Phalombe District Hospital, Ntcheu Stadium, Thyolo Stadium, Blantyre Police, Domasi Community Hospital and the Mbelwa District Council Buildings, all of which are at different stages of construction.

5.7.2. Challenges and Lessons Learnt

5.7.2.1 Insufficient Funding and Late Payments of Building Projects

All the projects that are managed by the Department of Buildings are funded through the clients' budget lines which means the Department has no control over the cashflows and funding patterns of the project activities. This affects effective planning of the project management programs since the schedule of activities by the Department depends on the availability of funding of the clients and their priority areas of funding.

5.7.2.2 Inadequate Human Resource Capital and Development

The Department of Buildings is one of the departments within the Ministry of Transport and Public Works that is characterized by high staff turnover in all its five technical divisions.

5.7.2.3 Poor Planning During Project Management

Poor planning has a negative impact on both quality construction costs and completion period. It has been observed that most of the clients and stakeholders usually do not provide enough information for the project brief and detailed designs.

5.7.3. Outlook for 2020/21

The Ministry will continue to make sure that buildings are constructed, rehabilitated and maintained following the proper regulatory frameworks. The Department will

work hand in hand with the local councils and construction practitioners to make sure that appropriate building plans are implemented and are being enforced even at the local level.

The Department of Buildings will focus on finalising the National Buildings Policy whose formulation is nearing final stages.

5.8. PVHES

The Department of Plant & Vehicle Hire and Engineering Services (PVHES) was established under the Public Finance Management (Plant and Vehicle Hire and Engineering Services Fund) Order, 2013 to provide plant and vehicle hire and allied engineering services to both the public and private sectors on a commercial basis.

This is in line with Malawi Government's policy of divestiture of public enterprises that is underpinned by various objectives which include fostering of economic efficiency, increasing competition, promoting investment, increasing participation of the Malawi public in enterprise ownership and raising revenue for the Government.

5.8.1. Performance in 2019

Revenue collection has been slow in the year under review. At the time of reporting, PVHES revenues totaled MK365 million against an end of year estimate of MK894 million representing current performance of 41 percent. The revenue performance is due to a decline in business during the year in review which was affected by the dispute over the May 2019 election and has been exacerbated by the outbreak COVID-19 pandemic. Consequently, PVHES may fail to attain its revenue and other performance targets.

The revenue was used in part to finance the rehabilitation of district workshops in Ngabu, Mangochi and Karonga. The Department also commenced procurement of number plates embossing equipment and completed eighty per cent (80 percent) of processes towards the acquisition of certification and licensing for number plate embossing business.

5.8.2. Challenges and Lessons Learnt

PVHES, just as most Government agencies, has a very high vacancy rate which, coupled with limited resources, affects its ability to effectively deliver services to its clients. Lack of resources also results in the plant and equipment dilapidating over time such that they have become expensive to run or obsolete in some cases. PVHES also faces stiff competition from the private sector operators who are better equipped in terms of equipment, human and financial resources.

5.8.3. Outlook for 2020/21

PVHES in collaboration with DRTSS will finalise the establishment of Vehicle Inspection Centres in Mangochi, Ngabu and Karonga. Further to this, PVHES will be rehabilitating some of its critical plants and workshop infrastructure. In addition,

the Department will endeavor to finalise the establishment of the registration plates embossing business. These activities should position the Department to improve its revenue collection capacity and capabilities in the near future.

PVHES intends to develop a Strategic Plan that will, among others, guide implementation of reforms covering restructuring of the Department as well as support capacity development. One of the key activities in the restructuring of the Department is recapitalization in order to improve service delivery and to enable the Department to compete with private players in the same field. To this end, the Department is engaging the private sector financiers to provide the required resources for recapitalization.

In addition to the Strategic Plan, the Department will formulate a Fleet Management Policy for the vehicles it manages and operates. The Policy will also guide automation of the vehicle and equipment central registry that will improve efficiency and effectiveness in management of plant and Government vehicles. The Department will also provide transport and logistical support for the Fresh Presidential Elections that will take place in 2020.

Chapter 6

MINING

6.1 Overview

The mining sector arguably has the most viable potential in the Malawi economy, especially uranium which boasts about substantial proven reserves. In addition, advanced exploration projects in rare earth elements, graphite, rutile and heavy mineral sands have produced positive results showing significant quantities of probable reserves.

In order to make the mining sector one of the significant contributors to the economy, Government continues to improve the investment climate including creating and sustaining a stable regulatory framework that provides for the transparent and equitable treatment of investors; and providing a secure, competitive and fair mining fiscal regime.

Following the assenting of the Mines and Minerals Act by the president on 25th January, 2019; the new Act was gazetted and the Minister responsible for mining declared that the Mines and Minerals Act be in force from 1st September 2019 through a Notice of Commencement published in the Government Gazette. The review process for the mining legislation was collective and involved inputs and analyses from a broad spectrum of mineral sector stakeholders across the country with a view of ensuring that it veritably reflects authentic hopes and aspirations of all Malawians and investors. Currently, what is remaining is the finalisation of the Mineral Title Regulations together with the Mine Safety and Health regulations to make the management and monitoring of mineral sector activities complete.

During the 2019/20 financial year, access to updated geo-scientific information and mineral rights licensing and management in the mining sector has been greatly improved due to progressive updating of the geo-data management platform at Geological Survey Department and the computer-based Mining Cadastre System at the Department of Mines. The systems have promoted transparent, effective and efficient processing and management of data sets for investors, both local and foreign, interested in the mineral sector. The Computer-based cadastral system has been in operation since 2017 and has improved the aspects of transparency and effective management and administration of mineral rights in the country.

In terms of growth, the mining sector experienced a steady growth trajectory of over 1.3% in the financial year 2019/20 in lime and rock aggregate quarrying due to increased construction projects in the country. Mineral exploration also increased in most cases as a result of continued demand by the mineral consuming industries, and the export market. However, the advent of COVID-19 in the world, including Malawi, has taken a toll on the progress of the exploration works by companies on the ground as travel restrictions and social distancing measures were being enforced to avoid further spread of the Coronavirus.

The contribution of mining and quarrying sector to GDP remains low at 0.8% in 2019, more so as a result of Kayelekera Uranium Mine (KUM) remaining under care and maintenance due to persistently low global prices of Uranium.

6.2 Mineral Production

Malawi continues to produce different minerals as shown in Table 6.1 below. The table summarises the mineral production levels and monetary values realised from the sale of minerals. The details of mineral production during the period under review are explained in the subsequent sub-sections. It should be noted that for 2021 only projections of mineral production and monetary values were available during compilation of the report.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES

Type	2019 (Actual)		2020 (Estimate)		2021 (Projection)	
	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Coal	33 100.69	488	36 410.76	536.80	40 051.83	590.48
Cement	243 075	150.3	218 767.5	135.26	262 521	162.32
Agricultural and Hydrated Lime	92 892.84	1 213.09	94 821.77	1 238.23	96 769.99	1 263.72
Other						
Uranium Concentrate	-	-	-	-	-	-
Rock Phosphate	1 453	20.98	1 730.38	30.56	1 628	28.76
Rock aggregate	15 729 206.62	26 154.52	17 302 127.28	28 769.98	19 032 340	31 646.98
Gemstones	716.39	295.87	752.21	310.66	789.82	326.20
Iron ore	1 008.67	2.55	1 109.54	2.80	1 220.49	3.08

Source: Department of Mines

6.2.1 Coal Production

Malawi has significant core reserves (over 22 million tonnes) in seven coalfields spread across the country, with four coalfields of bituminous coal in Northern Region. In general, coal remains one of the most energy mineral mined for industrial use in the country. Coal production increased from 33,100 tonnes produced in 2019 to 36,410 tonnes in 2020 due to, among other factors, the optimisation exercise at Kasikizi Coal Mine in Karonga in 2018 and increased production at several other medium scale coal mines in the northern region of Malawi. This was driven by the need for heat in tobacco curing and production processes at the Salima Sugar Company. However, the total production in 2019 was still less than the total uptake of coal in the country due to continued coal imports from Moatize in Mozambique. The coal mined in the country is mainly used for provision of energy to different production processes in the cement, tobacco, textile, brewery, food processing and ethanol industries.

During the next financial year, coal production is expected to increase further due to an expected increase in demand as some companies are venturing into serious

thermal electricity production in the country. Recently, the Electricity Generation Company (EGENCO) conducted site visits to five operating underground coal mines in the northern region in readiness for the feasibility study for Kam'mwamba Coal-fired Power Plant. This reconnaissance study will involve substantial coal resource exploration; help to understand the technologies to be used in mining to boost coal production and explore types of agreements between the companies and EGENCO with regards to coal resource assessment study, further mine developments and potential coal supply agreements.

In the interim, almost all the coal mining companies continue with expansion projects by implementing exploration programs outside their current mining areas.

6.2.2 Uranium Concentrates Production

Kayelekera Uranium Mine continues to be under care and maintenance during the financial year under review, as a result of the continued shutdown of Japanese reactors following the Fukushima nuclear reactors accident. This has been causing the uranium prices at world market to fall far below \$40/lb. As a matter of fact, there was no uranium production at the Mine during 2019/20 financial year. Almost all the work at the mine centred on environmental management, care and maintenance of the plant and machinery. In the past month, the spot price for uranium has risen from US\$24/lbs. to US\$34/lbs. While some of this may be driven by Covid-19 related supply disruptions, the increase in prices has renewed interest in the uranium sector. On the same note, Haywood Securities reported that about 56 new nuclear reactors are under construction with China, India and Russia leading; and about 450 nuclear reactors are operational with about 111 planned and about 300 reactors proposed worldwide. There are, however, some good prospects that the price for uranium may pick up in the near future due to supply and demand fundamentals that point to a need for significant additional supply to meet global demand.

On the other hand, ASX-listed Lotus Resources Limited; who purchased a controlling interest in Kayelekera Uranium Mine from Paladin Energy; are optimistic of re-starting the operations at the mine in Karonga. Lotus Resources is currently conducting investigations into all aspects of the operation. Resumption of mine operations will happen upon completion of a detailed review of mining, processing, engineering and overall site management with the main aims of increasing the resource base hence increasing mine life, and reduction of operating costs. Considering everything constant, coupled with some global increase in demand for uranium may propel Kayelekera Uranium Mine to recommence production in the near future.

6.2.3 Cement Production

Most of the local cement used in the country was produced by Shayona Cement Corporation, Cement Products Limited and Lafarge Holcim companies, and fetched at least MK15 billion in sales. Compared to the previous year, production in 2019 considerably increased from 210,500 tonnes to 243,075 tonnes. With

anticipated increase in economic activities in the country in the impending financial year, it is expected that cement production will concomitantly increase significantly to meet demand. With the recently opened clinker plant by Cement Products Limited at Njereza in Mangochi district continually producing at optimum capacity and expressed interest by a Chinese firm (Sino Sky Industries Limited) planning to invest about US\$100 million in another state-of-the-art cement plant at Phirilongwe in Mangochi district, the competition is envisaged to significantly increase to meet the industry demand. There is also a promise of different variety of quality cement with a strongest brand of 52.5R planned to be produced. If fruitful, both companies in Mangochi district will use locally mined limestone at their cement plants. This development is likely to be one of the contributing factors to an anticipated increase in production and consumption of locally made cement in the country.

6.2.4 Agricultural and Hydrated Lime Production

Zalewa Agriculture Lime Company (Zalco) and Lime Company (Lime-Co) are the largest producers of agriculture, hydrated and calcitic lime in the country with a combined production capacity of at least 5,000 metric tonnes of lime products per month. Zalco was recently issued a Mining Licence for Calcitic Limestone in Balaka district which has further increased their production which was only coming from their mine in Zalewa, Blantyre. Some of the limestone that is mined by Zalco is exported outside the country most notably to Mozambique for agricultural purposes. All the lime producing companies increased their respective production capacity in 2019/20 as compared to their productions in the previous year. Demand for agriculture lime from the poultry and paint industries remained robust within the country. Small-scale to medium-scale operators, such as Lirangwe Lime Makers Association and Balaka Lime Makers Association, continued to produce hydrated lime during the year.

6.2.5 Rock Aggregate Production

The production of rock aggregates increased in 2019 as compared to 2018 due to a considerable increase of economic activities in the country which included Government projects involving the rehabilitation of roads, agricultural irrigation schemes, construction of secondary schools and technical colleges, among other infrastructure development activities. In 2020, there are prospects that the production will increase further as the country's economy continues to stabilise. There are more than 20 rock aggregate quarries in operation and producing rock aggregate in the country both for commercial and Government project purposes and a number of companies have recently obtained both exploration licences and mining licences for the same. This will likely contribute to the projected increase in rock aggregate production in the coming year.

6.2.6 Phosphate Production

Phosphate is mined at Tundulu carbonatite complex in Phalombe District for the manufacture of compound phosphate fertilizers by Optichem (2000) Malawi Limited. The production statistics record indicate about 1,453 tonnes of phosphate

was produced from Tundulu in 2019. The deposit indicates reserves of about 2 million metric tonnes with a grade of 17 percent P₂O₅. There is high potential for increasing the ore reserves by investigating the adjacent areas capped by agglomerate. Two other carbonatite complexes, the Kangankunde carbonatite and the Chilwa Island carbonatite, also contain considerable amounts of primary apatite. The P₂O₅ concentration in residual and alluvial phosphate accumulations range from 1.32 percent to 8.9 percent P₂O₅ with an average of 2.5 percent P₂O₅. Other alluvial phosphate accumulations are from the Chingale meta-pyroxenite (8.7 million tonnes at 3.7 percent P₂O₅), the Bilira meta-pyroxenite (mean 1.42 percent P₂O₅), and the Ordovician Mlindi ultrapotassic pyroxenite to syenite which have some potential for extraction of phosphates.

6.2.7 Gemstones

Gemstones in Malawi are best mined by small scale miners but marketing of gemstones requires use of sophisticated marketing techniques. Currently, Malawi is fighting to establish gemstone marketing centres to ease problems of lack of market access encountered by most of the artisanal and small-scale miners. In the 2019/20 financial year, recorded data indicate considerable increase for gemstone production from around 700 tonnes in 2019 to 750 tonnes in 2020. This may have been caused by the steadily increasing demand for gemstones both locally and internationally. However, the production figures might be much more than the declared figures as there are sometimes smugglers camouflaging as innocent and yet clandestine middlemen in the gemstone subsector who do not declare at all what they get from the small-scale miners. Similarly, neither do the small-scale miners bother to declare their production figures for fear of being investigated by Government regulators on the whereabouts of their illegal gemstone buyers.

Government is working very hard to curb illegal gemstone mining and selling through intensive sensitization campaigns and systematic formalization of the small-scale subsector. In the same vein, Government is looking into ways of establishing a well organised and coordinated gemstone market and other precious metals found locally. This will ensure maximisation of revenue lost due to smuggling and under declaration.

6.3 Employment Opportunities in the Mining Sector

6.3.1 Employment Levels

Employment levels in the sector increased considerably in 2019 as compared to 2018. The increase was attributed to increased exploration activities for graphite and gold, with a lot of new companies coming into the sector; and also because of increased production of rock aggregate and lime products (agricultural and hydrated lime), which significantly increased the employment numbers, among others.

Towards end of 2020 and beginning of 2021, there are prospects that there will be some significant increase in employment numbers due to the prospects of increased economic activities in the mining sector. The investment climate in the

impending financial year looks more promising because of planned mining investments estimating employment opportunities to about 200 to 300 Malawians and some few expatriates.

In addition, some of the major companies in the sector are moving towards the final stages in their exploration programmes, i.e. Bankable Feasibility Study (BFS) and pilot plant test runs; while other companies might be going into construction phase since discussions on their Mining Development Agreements (MDA) are nearing conclusion. These companies are expected to employ many Malawians, thanks to the local content initiative enshrined by the new mining law which include the requirement for all Mining Licence applicants to develop an Employment and Training Plan to be approved before the grant of the licence. The employment figures are shown in Table 6.2 below:

TABLE 6.2: EMPLOYMENT IN THE MINING SECTOR

Workforce	2019	2020	2021
	(Actual)	(Estimate)	(Projection)
Coal	1,122	1,128	1,200
Uranium Mine	142	15	215
Agricultural, Calcitic and Hydrated Lime	2,105	2,560	2,580
Quarry Aggregate production	9,691	10,569	10,700
Cement manufacturing	1,569	1,545	1,800
Gemstones/Mineral Specimens	506	836	840
Ornamental Stones	83	78	80
Terrazzo	138	135	140
Other Industrial Minerals	1,156	1,066	1,200
Exploration activities	728	853	800
Total	17 240	18 785	19 555

Source: Department of Mines

6.4 Export Sale of Minerals

6.4.1 Export of Minerals

Export of minerals in 2019/20 by different mine operators continued to be dominated by lime products and gemstones, as shown in Table 6.3 below. Revenue generated by the Government through the Department of Mines only between the period July, 2019 to April 2020 amounted to about MK450 million in terms of royalties, licence processing and annual ground rent fees.

TABLE 6.3: MINERAL EXPORTS

<u>Export</u>	2019		2020		2021	
	<u>(Actual)</u>		<u>(Estimate)</u>		<u>(Projection)</u>	
<u>Type</u>	<u>Quantity</u> <u>(tonnes)</u>	<u>Value</u> <u>(K'million)</u>	<u>Quantity</u> <u>(tonnes)</u>	<u>Value</u> <u>K'million)</u>	<u>Quantity</u> <u>(tonnes)</u>	<u>Value</u> <u>(K'million)</u>
Coal	0.015	0.00033	-	-	-	-
Agricultural/calceitic lime	1 920.22	71.08	2 016.23	74.63	2 117.04	78.37
Other						
Rock aggregate	-	-	-	-	-	-
Gemstones	716.39	295.87	752.21	310.66	789.82	326.20
Rock/Soil samples	57.00	3.6	-	-	-	-

Source: Department of Mines

Gemstones continue to be exported to various parts of the world like India, Indonesia, Thailand, Malaysia, South Africa, China, U.S.A, Italy and UK, while agricultural lime was mainly exported to Mozambique. 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.

6.5 New Mining Operations and Licenses

In 2019/20 financial year, Government, through the Department of Mines granted various mineral tenements to exploration and mining companies, associations, cooperatives and individuals as presented in table 6.4 below:

TABLE 6.4: NEW MINING AND EXPLORATION LICENCES ISSUED IN 2019/2020

<u>Type of Licence</u>	<u>Number issued</u>	<u>Mineral (s)</u>
Small-Scale Operators		
Non-Exclusive Prospecting Licence	82	Gemstones, Ornamental stones, e.t.c
Mining Claim Licence	48	Gemstones, Ornamental stones, e.t.c.
Reserved Minerals Licence	71	Gemstones, Ornamental stones, e.t.c
Large and Medium-Scale Operators		
Exploration Licence/Exclusive Prospecting Licence	29	Uranium, Heavy Mineral Sands, Base Metals, Platinum Group Metals, Limestone, Gypsum, Iron ore, Gold, Rare Earth Elements e.t.c
Medium-Scale Mining Licence	9	Rock aggregate, Limestone
Large-scale Mining Licence	0	
Reconnaissance Licence	0	

Source: Department of Mines

6.6 Mining Investment Opportunities

6.6.1 Mineral Potential of the Country

Malawi is richly endowed with mineral resources that if sustainably developed, could significantly contribute towards economic growth and development. These resources include bauxite, heavy mineral sands, monazite, coal, vermiculite, uranium, gemstones, limestone, graphite, rare-earth-elements, iron ore, niobium-tantalum, precious and semi-precious stones, dimension stones, gypsum and rock aggregates. Alluvial gold mineralization and kimberlitic anomalies in the country have also been reported in recent years by Geological Survey Department. The deposits for these minerals are spread across the country – from Southern, Central and Northern parts of Malawi. The collection of high resolution geophysical data which indicated the availability of some magnetic and radiometric anomalies signal the possibility of further exploration for various mineral types including radioactive ore or ores associated with radioactive elements. It is expected that exploration activities together with an on-going French funded Geological Mapping and Mineral Assessment Project (GEMMAP), with an allocation of 10.8 million Euros, will help collect data on the different types of minerals that exist in Malawi.

Recent exploration reports have revealed significant quantities of rare earth elements in Phalombe. This is in addition to the substantial deposits of niobium, uranium and tantalum that were previously reported at Kanyika in Mzimba District. Further to this, the Kasiya exploration project under ASX listed Sovereign Metals Limited (ASX:SVM) reported exceptional drilling results which extend the high-grade rutile zone along the strike to +5.5 km and all mineralisation occurring from surface is hosted in soft, free dig, friable saprolite. Results confirm that Kasiya prospect has the potential to become a world-class rutile deposit due to its large, high-grade and at surface attributes. Availability of such reports and data is truly going to increase opportunities for mineral exploration and mining activities in Malawi.

Table 6.5 below indicates some known mineral deposits in the country including their locations, sizes and grades.

TABLE 6.5: KNOWN MINERAL DEPOSITS, RESERVES AND GRADE

DEPOSIT	LOCATION	DELIANATION RESERVES
		(Million tonnes/ grade)
Bauxite	Mulanje	28.8/43.9% Al ₂ O ₃
Uranium	Kayelekera	12,5/0.15% Ur ₃ O ₈
Monazite/ Strontianite	Kangankhunde	11/ 8% Strontianite and 60% REO
Graphite	Katengeza-Dowa	8.0/75.6gm per m ³
Rutile	Kasiya - Lilongwe	1.32% rutile
Limestone	Malowa Hill-Bwanje	15/4% CaO, 1.2% MgO
	Chenkumbi-Balaka;Chikoa-	10/46.1% CaO, 3.5% MgO
	Livwezi-Kasungu	Titanium bearing Heavy
Mineral Sands	NKhotakota-Salima	700/5.6% HMS
	Chipoka	
	Mangochi	680/6.0% HMS
	Halala (Lake Chilwa)	15/6.0% HMS
Vermiculite	Feremu-Mwanza	2.5/4.9% (Med+Fine)
Coal	Mwabvi-Nsanje	4.7/30% ash
	Ngana-Karonga	15/21.2% ash
	Mchenga	5/17% Ash, 0.5% Sulphur and calorific value of 6,800kcal/kg
Phosphate	Tundulu-Phalombe	2.017% P ₂ O ₅
Pyrite	Chisepo-Dowa	34/8% S
	Malingunde-Lilongwe	10/12% S
Glass Sands	Mchinji Dambos	1.6/97% SiO ₂
Dimension Stone	Chitipa, Mzimba, Mangochi, Mchinji,Chitipa	Blue, Black, Green, and Pink Granite
Gemstones	Mzimba, Nsanje, Chitipa, Chikwawa, Rumphi, Ntcheu	Numerous pegmatites and volcanic

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

6.6.2 Pipeline Projects

A number of both international and local companies continue to be actively engaged in mineral exploration and mine development for various minerals. The minerals being sought after include Rare earth minerals, Niobium, Uranium, Zircon, Rutile, Graphite, Tantalite, Limestone and other Heavy Mineral Sands.

During the 2019/20 financial year, a number of mineral exploration concessionaires continued to actively explore for different minerals in various parts of the country. Generally, the year 2019 experienced a slight increase in exploration activities compared to 2018. The major projects in the pipeline include the Kanyika multi-commodity project in Mzimba, the anticipated cement production by Bwanje Cement Company in Ntcheu, Tengani Heavy Mineral Sands Project in Nsanje, Mkango Resources Rare Earth Elements Project in Phalombe, Mawei Mining Limited Heavy Mineral Sands Project and McCourt Mining Pty Limited (Sovereign Services Limited) Graphite and Rutile Project in Malingunde/Kasiya area of Lilongwe district. A summary of potential mining projects is presented in Table 6.6.

TABLE 6.6: POTENTIAL MINING PROJECTS

Company	Minerals to be Mined	Site	Country of Origin	Status
Globe Metals & Mining	Niobium, Uranium, Zircon and Tantalite	Kanyika, Mzimba	Australia	Mining Agreement Negotiations
Mkango Resources Limited	Rare Earth Elements	Songwe Hill, Phalombe	Canada	Bankable Feasibility Study completed
The Bwanje Cement Project (Bwanje Cement Company Limited)	Limestone	Bwanje, Ntcheu	Malawi	Bankable Feasibility Study
Tengani Titanium Minerals Ltd	Heavy Mineral Sands	Tengani, Nsanje	Malawi	Bankable Feasibility Study
Mawei Mining Limited	Heavy Mineral Sands	Makanjira, Mangochi	China	About to start construction and development
McCourt Mining Pty Limited (ASX:SVM)	Graphite	Malingunde, Lilongwe	Australia	Bankable Feasibility Study

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

It is hoped that these projects will graduate into medium and large-scale operational mines in the near future as the prognosis for the mining sector continues to look better and more promising going by the current auspicious price dynamics of most mineral commodities at the world market.

Chapter 7

ENERGY

7.1 Overview

This chapter reviews the performance of the Energy Sector in the 2018/2019 fiscal year in terms of developments in the electricity, petroleum, coal and biomass subsectors and various renewable energy programmes.

7.2 Electricity

In the period under review, ESCOM sold 1,576 GWh of electricity compared to 1,477 GWh recorded in the same period previous year representing a 6.7 percent increase in electricity consumption. The total customers base also increased by 6.13 percentage points from 413,816 to 439,187 as shown in table 7.1 below.

**TABLE 7.1: ELECTRICITY GENERATION AND CONSUMPTION
(2010-2019)**

<u>YEAR</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Installed Hydro Capacity (MW)	285.85	285.85	285.85	351	351	351	351	351	363
Maximum (Peak) Demand (MW)	277.75	277.88	279.73	323.91	335.26	328.26	322.56	317	299.6
Energy generation (GWh)	1,871.88	1,911.51	1,828.2	1,906.51	1,975.02	1,977.0	1,808.6	1,792	1,887
Number of Consumers	205,045	218,164	238,211	269,469	312,857	344,953	395,923	413,816	439,187
Consumption Domestic (GWh)	593.85	596.10	577.65	614.20	699.03	766.3	693.33	642.6	568.2
General (GWh)	250.43	244.47	214.96	183.26	150.30	117.4	62.2	156.6	292.5
Power Demand (GWh)	612.23	604.88	613.82	639.27	620	620	552.84	620	620
Export (GWh)	19.08	21.1	23.82	23.62	21.85	24.43	20.43	19.3	19.9
Total Consumption (GWh)	1,475.59	1,466.52	1,429.68	1,460.35	1,491.18	1,854.8	1,328.8	1,477	1,576

Source: ESCOM Limited

In the year under review, the country experienced a declining trend in the total energy generation in all power stations across the country mainly as a result of low water levels in Lake Malawi and reduced flow in the Shire River despite the high availability of generation plants, high maintenance costs and increased number of registered customers. From a grand system total of 160,285,126.97 Kwh generated in July 2019, the generation capacity has been steadily declining in all power stations across the country reaching 139,337,495.52 kwh in March 2020. The Table 7.2 below shows electricity generated by all power stations from July 2019 to March 2020.

TABLE 7.2: ELECTRICITY GENERATION IN KWH (JULY 2019-MARCH 2020)

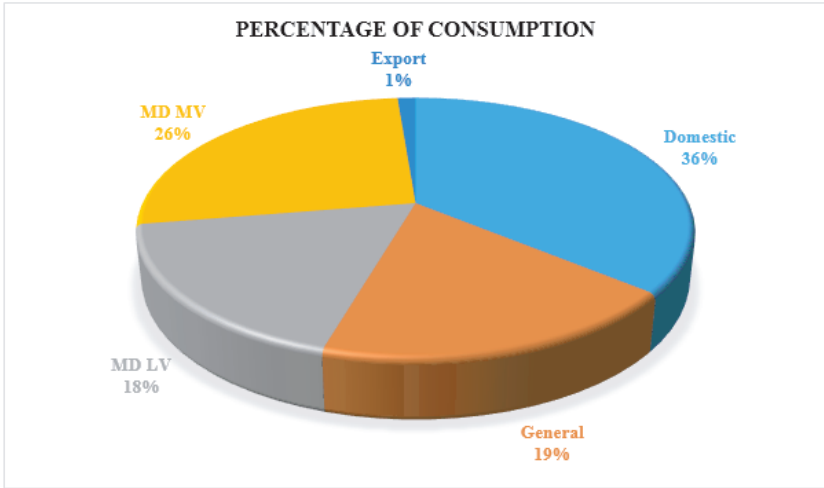
MONTH	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
NKULA A	12,980,700	11,767,800	11,427,300	13,887,800	14,108,700	15,512,000	17,381,500	14,885,400	10,605,400
NKULA B	41,221,770	41,427,390	37,416,810	33,982,340	30,931,030	32,031,900	42,274,500	42,998,860	41,103,980
TEDZANI I & II	25,024,800	23,847,780	22,245,720	21,295,620	20,167,620	21,142,920	21,251,920	18,971,420	21,603,900
TEDZANI III	13,281,760	15,991,840	13,162,720	14,108,160	12,982,560	15,169,280	23,383,520	23,607,040	16,734,240
KAPICHIRA	29,538,200	34,001,000	23,488,600	9,935,600	14,965,400	17,872,200	17,319,200	17,304,000	19,411,600
KAPICHIRA PHASE II	32,033,600	28,355,00	28,337,00	41,024,400	34,548,000	24,804,400	15,373,800	7,911,80	22,303,400
WOVWE	2,975,44	2,975,530	2,703,160	2,325,01	1,934,530	2,621,880	2,874,560	2,767,420	3,010,710
LILONGWE B	1,364,900	1,854,560	2,186,540	1,705,090	1,934,98	2,332,160	1,836,550	1,861,890	2,385,420
LIKOMA	77,108.00	69,585.00	59,148.00	6,460.00	46,396.68	76,305.76	88,597.16	80,860.80	94,143.44
CHIZUMULU	18,646.17	18,335.27	17,613.92	19,153.04	16,867.38	18,268.88	20,017.98	19,324.56	21,492.48
LUWINGA	446,352.80	605,089.40	855,551.10	554,081.00	261,593.30	190,794.70	37,431.60	-	592,439.60
MAPANGA	1,321,850	1,353,550	466,810	-	1,282,590	1,772,34	1,165,919	370,964	1,470,770
	3,228,857	3,901,119.7	3,585,663.0	2,334,784.0	3,542,427.4	4,389,870.4	3,148,515.6	2,333,039.4	4,564,265.5
GRAND SYSTEM TOTAL	160,285,127	162,267,460	142,366,973	138,893,714	133,180,267	133,544,450	143,007,515	130,778,979	139,337,496

Source: EGENCO

7.2.1 Electricity Sales by Customer Category

In terms of sales of electricity by customer category, 36 percent was sold to domestic customers while the general category accounted for 19 percent of the sales. Industries in the Low Voltage (LV) and Medium Voltage (MV) customers' categories accounted for 18 percent and 26 respectively. A total of 1.2 percent was exported to the neighbouring countries in the year under review as is shown in the figure 7.1 below.

FIGURE 7.1: ELECTRICITY CONSUMPTION



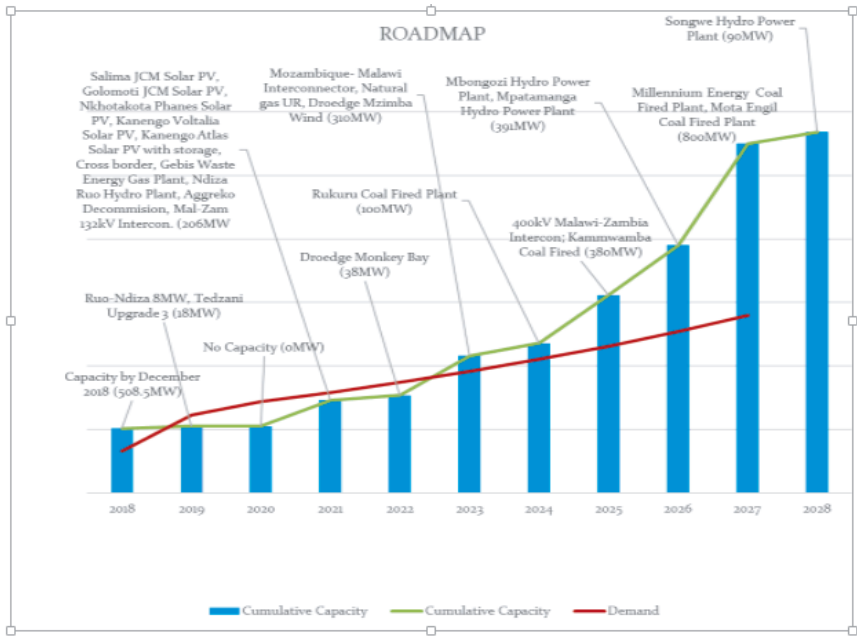
Source: ESCOM Limited

7.2.2 Demand Analysis and Planned Projects

The Government of Malawi targets to increase access to electricity to 30 percent by 2030. To achieve these aspirations, the Government has developed an Integrated Resource Plan (IRP) for power development (generation and transmission facilities) as a blueprint for Malawi’s electricity sector requirements up to 2037. The IRP essentially sets out a road map for optimal and least-cost expansion and development of the Electricity sector in Malawi spanning over 20 years from 2017 to 2037.

In terms of trends in electricity demand, the country recorded an increase from 230MW achieved in 2005 to 330MW by 2018, representing an average annual growth rate of 4 percent. The IRP estimates that maximum demand will reach 612 MW by 2020, 1,158 MW by 2025 and 1,873 MW by 2030. In the period under review, there were significant load sheddings due to low rainfall and the system maximum demand was severely constrained due to generation capacity challenges.

FIGURE 7 2: DEMAND GROWTH AND POWER SUPPLY ROAD MAP (2018-2028)



In pursuance of its mandate of facilitating entry of Independent Power Producers (IPPs) in the electricity market and increase in power supply and ensuring security of energy for the Country, ESCOM has this far, signed Eleven (11) Power Purchase Agreements (PPAs) for various power supply options, totalling 328MW:

- i. 41MW HE Power Mbongozi Hydropower in Kasungu/Ntchisi
- ii. 78MW Aggreko Diesel Powered Generators for Chichiri, Blantyre; Kanengo, Lilongwe; and Chinyama, Kasungu
- iii. 50MW Quantel Solar PV Farm in Bwengu in Mzimba
- iv. 50MW Droege Wind Farm in Chikangawa in Mzimba
- v. 21MW Phanes Solar PV Farm in Nkhotakota
- vi. 60MW JCM Solar Farm in Salima
- vii. 20MW Atlas Solar PV Farm in Kanengo, Lilongwe
- viii. 20MW JCM Solar Farm in Golomoti, Dedza
- ix. 20MW Droege Lake Floating Solar Farm in Monkey-Bay, Mangochi
- x. 10.8MW Mulanje Hydro Limited in Mulanje
- xi. 20MW ZESCO Cross-Border Supply from Chipata in Zambia to Mchinji in Malawi (at Distribution Level).

On the transmission front, the IRP recommends the following projects: constructing a (400kV) Malawi – Mozambique interconnector to enable both exports and imports of power, and a new double circuit 132kV overhead line from Nkhoma substation in Lilongwe and via a Nanjoka substation in Salima, to Chintcheche in Nkhatabay.

Other projects include, energy efficiency bulbs projects, which are initiatives aimed at managing demand and reducing losses on the system. These efforts are also planned to be undertaken during the IRP implementation period. It is envisaged that DSM and loss reduction initiatives will save about 40MW.

7.2.4 Electricity Tariff Developments

Following ESCOM’s application for tariff review, the Malawi Energy Regulatory Authority (MERA) has approved a tariff increase. In the period under review, ESCOM was granted the Third Base Tariff, with a total increase of 31.8 percent to be spread and implementation over the four-year period from 2018 to 2022. ESCOM, therefore, started implementing the Third Base Tariff by effecting the first tranche of 20 percent tariff increase in the second quarter of the 2018/2019 financial year, which became effective in October 2018.

Recognising that renewable energy sources have the potential to enhance the country’s electricity supply capacity, Government of Malawi through MERA, has developed the Malawi Feed-In-Tariff policy. Formulation of this policy, which is specifically for small hydro, wind, solar, biomass, biogas and municipal waste will encourage and boost development of renewable energy sources.

7.2.5 Establishment of Power Market Limited

In continuing with its power sector reform drive, the Government has recently registered the Power Market Limited as a public company authorized to undertake the role of a single buyer in purchasing and selling electric power in Malawi. The company was incorporated in June 2018 with an initial capital injection of MK50 million. In particular, the company is mandated to make a significant contribution to national development by devising robust plans for current and future power requirements and ensuring the generation and supply of reliable quality, sustainable, efficient and affordable power that meets demand for both industrial and domestic users.

7.3 Malawi Rural Electrification Programme (MAREP)

The Ministry of Energy is implementing Malawi Rural Electrification Program (MAREP). The purpose of MAREP is to increase access to electricity for the rural and peri-urban communities with the objective of transforming the rural economies and reducing poverty among rural masses thereby contributing to Government’s agenda on poverty reduction. The Programme started in the 1980s with Electricity Supply Corporation of Malawi (ESCOM) Ltd as the implementing agency using donor and own resources. Following the reforms in the electricity sector in 1998, ESCOM Ltd was commercialized and mandated to

operate as a commercial entity. ESCOM Limited found that rural electrification was not economically viable and could thus not continue implementing the Rural Electrification Programme. Faced with the obligation of providing social services to the rural communities, Government took over the responsibility of implementing Rural Electrification and named the programme MAREP. The Department of Energy Affairs was then mandated to plan and implement MAREP. Funding for the program, as of now, is through rural electrification levy which benefits from energy sales; electricity, fuel, ethanol and LPG.

The Program is implemented in phases. The Department started implementation of MAREP in its fourth phase. In Phase 3, the program installed a 4.5MW Wovwe power plant in Karonga district, in Phase 4, a total of 98 centres were electrified, in Phase 5, a total of 27 centres were electrified, in Phase 6 a total of 89 centres were electrified while in Phase 7 a total of 136 centres were electrified. The Ministry has just finalized implementation of MAREP Phase 8. The phase targeted 452 sites including beneficiary sites for all districts except Likoma Island. However, during the course of implementation of phase 8, demand for electricity rose which prompted the Ministry to extend the phase. The extended phase which now is being implemented is called Extended MAREP phase 8 and has electrified 394 sites including beneficiaries. The Ministry is currently planning for implementation of MAREP phase 9 which will electrify 575 sites.

7.3.1 Service connections of sites under Ndawala Initiative - MAREP Phase 8 sites

The Ministry through the Department of Energy Affairs using MAREP funds is implementing Ndawala Initiative targeting centres electrified under MAREP Phase 8. The Initiative was introduced to assist low income houses with wiring services and connections through a soft loan of MK55,000.00. The loan will be deducted over a period of time when customers are buying units and 40 percent will be deducted from every purchase made. Potential customers are identified by the contractors and certification of the customers is done by ESCOM. The customers are requested to pay MK5000 commitment fee. The list of certified customers is submitted to contractors for execution of works. Contractors are involved in wiring of houses while meter connections are done by ESCOM. The Initiative targeted 25 households per sites and 16,000 households across the country will benefit from the initiative and get electrified. In the future, the initiative will also be implemented in centres under other MAREP phases.

7.4 Petroleum

7.4.1 Fuel Importation

During the year under review, overall imports of petroleum products increased by 20.86 percent above that of last year. The importation of petrol increased by 11.2 percent, while for diesel and paraffin the imports decreased by 6.12 percent and 22.7 percent and respectively as compared to last year's imports (Table 7.3). 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. Among the reasons attributed to the increased demand for the imported fuel is the stable fuel prices that prevailed in the period under review.

TABLE 7.3: FUEL IMPORTS (LITRES) 1999 – 2019

Year	<u>Petrol</u>	<u>Diesel</u>	<u>Jet a-1</u>	<u>Paraffin</u>	<u>Avgas</u>	<u>Total</u>
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
2016	166,190,150	190,395,240	8,841,768	851,795	176,206	366,455,159
2017	184,831,438	226,596,033	9,653,413	632,559	176,714	421,890,157
2018	209,053,949	273,288,621		472,207		
2019	247,234,190	256,553,903	5,570,403	365,037	175,644	509,899,177

Source: Malawi Energy Regulatory Authority (MERA)

7.4.2 Fuel Import per Route

Just as the previous year, Malawi capitalized on the Beira, Nacala, Dar-es-Salaam routes for haulage of fuel in 2019. Due to civil unrest in northern Mozambique which interrupted flow of petroleum products into the country, the imports through Nacala decreased from last year’s volumes by 62 percent, while imports through Dar-es-Salaam and Beira increased by 9 percent and 2 percent respectively. Malawi lifted part of its contracted volumes from Msasa depot (4%) in Zimbabwe which were transported into the country whilst avoiding the conflict-affected areas of Mozambique. Based on the figures provided in Table 7.4 below, about 55 percent of fuel imports were procured through Beira, 38 percent through Dar-es-Salaam, 4 percent through Msasa and 3 percent through Nacala.

TABLE 7.4: MALAWI FUEL IMPORTS PER ROUTE 2000 – 2019

<u>Year</u>	<u>ROUTES</u>					<u>Total</u>
	<u>Beira</u>	<u>Nacala</u>	<u>Dar-es-Salaam</u>	<u>Mbeya</u>	<u>Gweru</u>	<u>Msasa</u>
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
2016	213,462,494	15,172,473	104,462,494		32,967,457	366,455,159
2017	232,769,004	12,343,079	158,285,510		17,788,779	421,890,157
2018	241,070,521.55	5,260,913.49	236,826,687.00			483,158,122.04
2019	246,610,787.70	1,978,980.00	258,636,865.45		2,672,543.78	509,899,176.93

Source: Malawi Energy Regulatory Authority (MERA)

7.4.3 Petroleum Pricing

Since the establishment of MERA in December 2007, all energy pricing activities are handled by Energy Pricing Committee of MERA as per the requirement in the Energy Laws. For Petroleum Pricing, the Automatic Pricing Mechanism (APM) 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, pump price revisions have largely been downward mainly due to a stable exchange rate and declining global fuel prices. The table 7.5 below depicts pump price revisions from July 2019 to May 2020.

TABLE 7.5: PUMP PRICE REVISIONS FROM 2019-2020 (MK/LITRE)

Product	July 2019	Nov 2019	Jan 2020	March 2020	April 2020	May 2020
Petrol	868	930	868	930	780	690.50
Diesel	874	924	874	887	765	664.80
Paraffin	710.50	710.50	710.50	693	625	441.70

Source: Malawi Energy Regulatory Authority (MERA)

7.4.3. Recent developments in petroleum levies

Levies on sales of petroleum products continue to be effectively utilized in meeting socio-economic objectives of the country. For instance, the, Rural Electrification Levy has financed MAREP Phase 8 and MAREP Phase 8 Extended with a total cost of K49.452 billion. Additionally, the fund will also finance MAREP Phase 9 which is at planning stage.

The Storage Levy has been used to set up strategic fuel reserve storage facilities in Blantyre, Lilongwe and Mzuzu with a combined capacity of 60 million litres. Currently, the levy is being used to repay a loan of US\$26.5 million obtained from Export and Import (Exim) Bank of India.

Another important development in petroleum levies has been the establishment of the Distribution Margin Fund in 2018 to facilitate uplifts from the Fuel Strategic Reserves to depots of Oil Marketing Companies and promote increased distribution of petroleum products in remote areas. In promoting access of fuel in rural areas, Oil Marketing Companies distributing products beyond a 20-kilometer radius from their depots are compensated through this fund to recover the distribution costs.

7.5 Feasibility Studies on Potential Hydropower Sites

The Government carried out three feasibility studies for hydropower development at Fufu, Mpatamanga and Kholombidzo. Below are the specifics for each of these potential hydropower projects.

7.5.1 Fufu Hydropower Feasibility study

The site is on South Rukulu River in Rumphi District and has a potential to generate up to 261MW. Government has completed full feasibility studies, Geotechnical investigations and Environmental and Social Impact studies up to preparation of the Tender Documents for the development of the project. Financing for the project is not yet identified, however, Government would like to develop the project under the PPP arrangement.

7.5.2 Mpatamanga Hydropower Feasibility Study

Government completed the full feasibility studies and ESIA studies for this site in 2018. The feasibility studies not only identified a potential of 309MW for this site but also proved that the project was economically and financially viable. Further studies ranked it as a priority project based on the least cost power development plan for the country. Government therefore decided to implement the project through a PPP arrangement. In the process, IFC (World Group) has partnered with Government to co-develop the project. At the moment, together Government and IFC are in the process of procuring the main private investor (Strategic Sponsor) for the project targeted for third quarter of this year. Final close is planned for June 2021 and construction is expected to commence early 2022 for four to five years. The scheme for the project has changed in order to adhere to the environmental requirements of the project. The project now will have two dams; main dam peaking plant with installed capacity of 309MW and a regulating dam base load plant with installed capacity of 41MW.

7.5.3 Kholombidzo Hydropower site Feasibility Studies

The Kholombidzo Falls are located in the middle of Shire River, upstream of Nkula Falls and is the first falls downstream of Liwonde Barrage. The Site has a potential to generate up to 210MW. Full feasibility studies and ESIA studies have been completed. Financing for the development of the project is not yet identified, however, Government would like to develop the project under the PPP arrangement.

7.6 Promotion of Renewable Energy Sources

7.6.1 PICO solar and solar home systems

Off-grid solar products such as Pico Solar Products (PSP) or Solar Home Systems (SHS) which generally use a combination of solar panels linked to rechargeable batteries can provide safe, secure and effective energy to meet the needs of some of the most vulnerable members of Malawi's society. The target group for these technologies are those rural vulnerable people that cannot afford connection through both National and mini-grid. The 2018 Malawi Population and Housing Census estimates that 6.6 percent of Malawi's population or households use these off-grid solar products for lighting. Government intends to address the regulatory and financing challenges facing the off-grid solar industry in Malawi.

Furthermore, Government has secured support from World Bank which will help promote and roll out off-grid solar products in Malawi. The project is called Malawi Electricity Access Project (MEAP). The total estimated budget for the project is USD 150 million. The Project has three components. The first component is Grid electrification which seeks to extend the grid to urban centres and rural trading centres. The component has an allocation of USD 105 million and will be implemented by ESCOM. The second component is Off-grid market development which seeks to address the challenges in scaling up the off-grid Market. This component will provide a working capital for solar technologies and financing for minigrids. The total estimated budget for this component is USD 30 million and will be implemented by the Ministry of Energy. The last component is Technical Assistance to ESCOM and Ministry of Energy which seeks to finance activities to support ESCOM and MREM effectively implement the project. This project is expected to double the electricity access rate from the current 11 percent to 22 percent by 2024.

Import taxes were removed on all solar products to make the technologies affordable thereby support the Government's policy for Renewable Energy technologies.

7.6.2 Increasing access to electricity through mini-grids

Malawi considers mini-grids as a 'high-impact opportunity' for sustainable development and can be a viable and cost effective route to rural electrification where communities are far (over 10 km) from the national grid or where population is not dense enough to justify a grid connection before other communities. As such the Government has set itself a target of rolling out 50 minigrids by 2025. Currently, the Government through UNDP and GEF funded project called "Increasing access to Clean and Affordable Decentralised Energy Services in vulnerable areas of Malawi" has upgraded a hydro Minigrid by Mulanje Electricity Generation Agency (MEGA) in Mulanje by extra 120 kW, connecting over 850 households and has also successfully supported Community Energy Malawi to develop 80 kW Solar Minigrid in Sitolo Village in Mchinji connecting the first 150 households. Further, the project is also supporting the upgrade of a 50 kW Chipopoma hydro Minigrid in Mantchewe, Rumphi, development of a 50 kW hydro Minigrid in Kavuzi and a 300 kW hydro minigrid in Usingini Nkhatabay by Practical action. In complementing Government's efforts on minigrids, Electricity Generation Company (EGENCO) is doing preliminary assessments of more than 3 sites for possible development of minigrids.

7.6.3 National Clean Cook Stove Project

The Ministry of Energy is promoting use of alternatives to charcoal and firewood which include use of liquefied petroleum gas (LPG), biogas and biomass briquettes. However, there is need for Government to consider waiving some taxes and removing levies on LPG to make it affordable to majority of Malawians. Clean and efficient cook-stoves are being promoted to reduce charcoal and firewood consumption. To this end, Government has developed a National

Charcoal Strategy covering the period 2017 to 2027 aimed at providing guidance on sustainable use of charcoal while promoting alternative energy sources of cooking and heating to charcoal.

The Ministry of Energy, by working with various NGO's intends to disseminate 2 million clean and efficient cook-stoves by 2020. To date, more than 1.6 million cook stoves have been disseminated.

Chapter 8

TRADE AND INDUSTRY

8.1 Overview

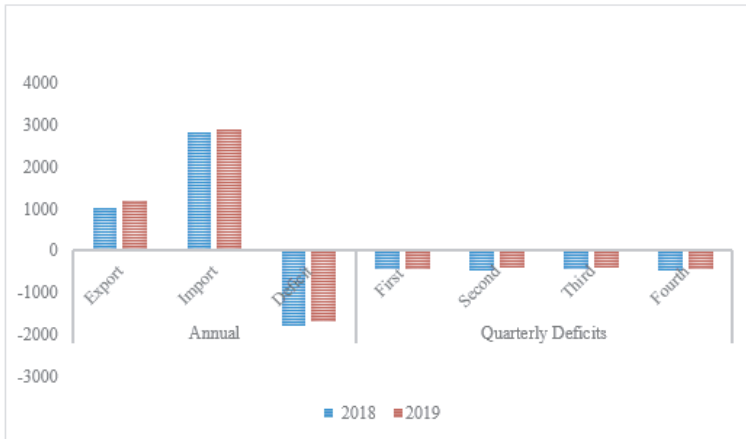
A vibrant industry and trade sector has potential of being a driver of socio-economic growth and development for the country. In recognition of this fact, Government continues to implement measures aimed at creating an enabling business environment. Apart from promoting growth and diversification of exports, Government is striving to strengthen the capacities of the sector by improving coordination and delivery of the sector projects and programmes. This notwithstanding, the sector continues to face challenges including unstable supply of tradable goods from the agricultural sector⁷ due to production shocks such as climate change, and unpredictable policy measures such as export bans and licencing requirements which affect predictability of trade deals. In addition to these usual challenges, the sector has also been affected by the novel Corona virus in the period under review. This chapter, therefore, describes performance of the industry and trade sector in 2019, expected performance in 2020 and projections for 2021.

8.2 Merchandise Trade Overall Performance

In 2019, exports grew by 16 percent to USD1,187 million up from USD1,021 million in 2018. Imports, on the other hand, slightly grew by 2 percentage points from USD2,827 million to USD2,895 million. These developments led to a minor improvement in Malawi's merchandise trade deficit position which pulled up by 5 percentage points from USD1,806 million down to USD1,708 million. Available quarterly figures indicate Malawi's negative merchandise trade balance kept easing for four successive quarters from the fourth quarter of 2018 through the third quarter of 2019. Despite the agricultural lean season which weighed down on exports in the first quarter of 2019, Malawi's trade deficit stood at USD454 million, an improvement from previous quarter's USD470 million. This is owing to a 3 percent decline in imports within the quarter. A rise in sugar exports in the second quarter of 2019 saw exports picking up from the previous quarter. Despite a corresponding increase in imports, trade deficit experienced a 10 percentage point improvement in the second quarter. Seasonal uptick in agricultural export commodities in the third quarter saw continued improvement in export figures. This, coupled with a slight 0.4 percent increase in imports to US\$726.9 million, saw trade balance improve to a deficit of US\$399.9 million from US\$407.1 million in the previous quarter. Trade balance deficit only widened in the fourth quarter to US\$446.5 million from a deficit of US\$399.9 million in the previous quarter. Overall, there was an improvement in Malawi trade balance position by 5 percentage points.

⁷ Malawi economy predominantly depends on agriculture and over 80 percent of Malawi's exports are agricultural based.

FIGURE 8.1: TRADE BALANCE FIGURES SINCE 2018 (USD' MILLION)



Source: Reserve Bank of Malawi

8.3 Malawi Major Import And Export Products

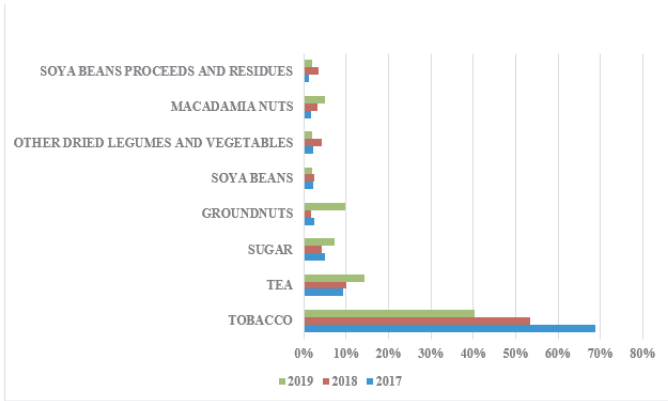
8.3.1 Major Exports

In the period under review, Malawi’s export basket continued to be highly concentrated with a few agricultural products with tobacco alone accounting for well over 40 percent of the country’s exports (Figure 8.2). Available data⁸ from National Statistical Office and Ministry of Industry and Trade indicate that a basket of tobacco, tea, sugar, groundnuts, soyabeans and soya bean extracts and residues, other dried legumes, and macadamia nuts account for well over 80 percent of Malawi export products. Looking at this against a background of Government export diversification effort calls for even more to be done. As the expected decline in global tobacco demand sets in, there remains an urgent need for Malawi to intensify its efforts to diversify its exports. Exportation of ores after opening of the Kayelekera Mine was the closets Malawi came to repackaging this basket of traditional export products. In the meantime, however, tobacco smallholder farmers are being encouraged to grow other cash crops as part of Malawi’s Integrated Production System (IPS)⁹. Expectations are high that on going trade negotiations will greatly help open up markets for products such as pigeon peas, soya, macadamia, and groundnuts, which have shown increased potential in recent years. Again, to optimize its diversification initiatives, Malawi seeks to move up the value chain as envisaged in the draft second National Export Strategy. 2020 prospects for the export sector however hang in the dark shadows of the global Coronavirus pandemic. Unsettled international markets coupled with declining global demand for tobacco seem to give gloomy outlook for Malawi export position due to its continued reliance on tobacco exports and lack of diversification in its export basket.

⁸ Due to data availability, only four months (January through April) worth of provision export value has been considered for the period under review, 2019

⁹ Malawi Economic Monitor, World Bank, June 2019

FIGURE 8.2: SHARES OF MALAWI MAIN EXPORT PRODUCTS

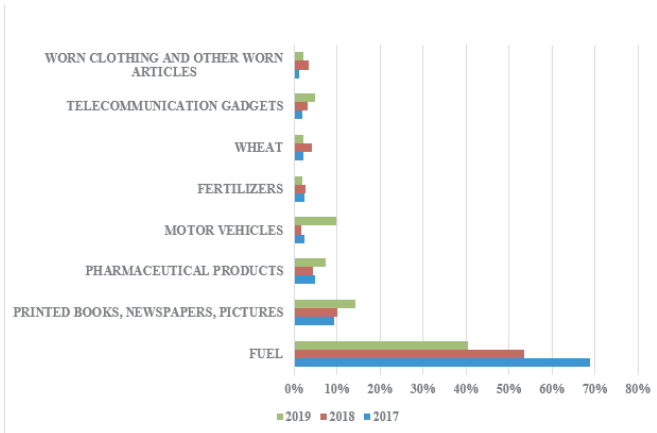


Source: National Statistical Office (NSO) and Ministry of Industry and Trade(MoIT)

8.3.2 Major Imports

Fuel and fertilizers remain key elements of Malawi’s import basket. Well over eighty percent of the import bill has consistently been taken up by these two products with an addition of pharmaceuticals, motor vehicles, wheat, second hand clothing items, telecommunication gadgets, printed books, newspapers and pictures as presented in figure 8.3 below.

FIGURE 8.3: SHARES OF MALAWI MAIN IMPORT PRODUCTS



Source: National Statistical Office(NSO) and Ministry of Industry and Trade(MoIT)

8.4 Malawi's Major Trading Partners

8.4.1 Country Partners

A group of Malawi's top 10 trading partners has consistently provided a market for over sixty percent of Malawi's products since 2017. Belgium stands out as a major export market for Malawi products seconded by South Africa. With total exports pegged at USD 842 million in 2017, the top 10 trading partners accounted for 62 percent of Malawi's export markets. They accounted for 64 percent of Malawi export market in 2018 with exports pegged at USD 878 million. Due to data availability, only four months worth of export value has been considered for the period under review wherein exports stood at USD 230 million, seventy one percent of which were export markets from the top ten block.

TABLE 8.1: MALAWI'S TOP 10 EXPORT MARKETS

	<u>2017</u>		<u>2018</u>		<u>2019¹⁰</u>	
	Percentage of Total Exports	Cumulative Percentage	Percentage of Total Exports	Cumulative Percentage	Percentage of Total Exports	Cumulative Percentage
BELGIUM	23%	23%	15%	15%	8%	8%
SOUTH AFRICA	8%	31%	10%	25%	11%	19%
ZAMBIA	3%	34%	6%	31%	6%	25%
UNITED STATES OF AMERICA	5%	38%	5%	36%	6%	31%
EGYPT	6%	44%	5%	41%	12%	43%
NETHERLANDS	3%	47%	5%	46%	5%	48%
KENYA	2%	49%	5%	51%	15%	62%
GERMANY	6%	55%	5%	56%	2%	64%
ZIMBABWE	3%	59%	4%	60%	3%	67%
UNITED KINGDOM	4%	62%	4%	64%	4%	71%

Source: National Statistical Office (NSO) and Ministry of Industry and Trade (MoIT)

On the sourcing markets for Malawi imports, South Africa, China, India, United Arab Emirates, Kuwait, Japan, Zambia, Tanzania and the Netherlands collectively account for over seventy percent. With total imports pegged at USD 2,569 million, USD 2,702 million and USD 784 million in 2017, 2018 and the first four months of 2019, these top 10 trading partners accounted for 71, 75, and 77 percent of Malawi's import sourcing markets in that order.

¹⁰ Due to data availability, only four months (January through April) worth of export value has been considered for the period under review

TABLE 8.2: MALAWI'S TOP 10 IMPORT SOURCING MARKETS

	<u>2017</u>		<u>2018</u>		<u>2019¹¹</u>	
	Percentage of Total Exports	Cumulative Percentage	Percentage of Total Exports	Cumulative Percentage	Percentage of Total Exports	Cumulative Percentage
SOUTH AFRICA	18%	18%	18%	18%	21%	21%
CHINA	15%	32%	14%	33%	18%	39%
INDIA	11%	43%	9%	42%	11%	50%
UNITED ARAB EMIRATES	7%	50%	9%	51%	7%	57%
UNITED KINGDOM	5%	55%	8%	59%	8%	65%
KUWAIT	5%	60%	4%	63%	3%	68%
JAPAN	3%	63%	4%	67%	3%	72%
ZAMBIA	4%	68%	3%	71%	3%	74%
TANZANIA	2%	69%	2%	73%	2%	76%
NETHERLANDS	2%	71%	2%	75%	1%	77%

Source: National Statistical Office (NSO) and Ministry of Industry and Trade (MoIT)

8.4.2 Trading Blocks

Africa manifestedly grew in importance over the 2017-19 period, both a destination for Malawi's exports and sourcing market for imports. On average, Africa accounted for 33 percent of Malawi's export market between 2017 and 2018, and for the first four months of 2019, it accounted for over 52 percent of Malawi's export market. This points to the Africa market as Malawi's real potential market within the context of export diversification. This is because markets outside Africa, especially Europe, import mostly tobacco, tea and coffee. Excluding tobacco, Europe's share of Malawi's export, has on average been only 11 percent over the last five years. SADC offers a much more significant opportunity for Malawian diversified exports than the EU, which has more stringent access requirements than the regional market. Due to Malawi's landlockedness, it is cheaper to export to the region than to destinations outside Africa. The tripartite framework (SADC-COMESA-EAC FTA) and the newly launched African Continental Free Trade Area (AfCFTA) are, therefore, promising market for Malawi which must be vigorously pursued and supported.

¹¹ Due to data availability, only four months (January through April) worth of imports value has been considered for the period under review

TABLE 8.3: MALAWI'S IMPORT SOURCING AND EXPORT BLOCK MARKETS

	Exports					
	2017	Percentage of Total Exports	2018	Percentage of Total Exports	2019	Percentage of Total Exports
AFRICA	244	29%	317	36%	119	52%
EU27	357	42%	288	33%	46	20%
SADC	159	19%	209	24%	53	23%
COMESA	132	16%	186	21%	82	35%
Total Exports	842		878		230	

	Imports					
	2017	Percentage of Total Imports	2018	Percentage of Total Imports	2019	Percentage of Total Imports
AFRICA	762	30%	808	30%	244	31%
SADC	377	15%	386	14%	142	18%
COMESA	208	8%	194	7%	48	6%
EU27	290	11%	193	7%	48	6%
Total Imports	2,569		2,702		784	

Source: National Statistical Office (NSO) and Ministry of Industry and Trade (MoIT)

8.5 Trade Agreements

Malawi is one of the founding members of the World Trade Organization (WTO) and is part of different preferential trade regimes such as COMESA, SADC, and has bilateral agreements with China, South Africa, Zimbabwe, Mozambique, and Botswana. As a Least Developed Country (LDC), Malawi also benefits from development-focused pro-LDC trade agreements with the EU and USA, such as Everything But Arms (EBA) and the African Growth and Opportunity Act (AGOA).

At the regional level, Malawi is also participating in the COMESA-SADC-EAC Tripartite Free Trade Area (FTA) negotiations. The tripartite arrangement is envisaged to harmonize customs procedures, promote free movement of business persons, undertake joint implementation of inter-regional infrastructure programmes, and establish institutional arrangements to foster cooperation among the RECs, with the ultimate goal of creating one large single market.

At the multilateral level, Malawi is participating in the only multilateral agreement that was reached since the establishment of the WTO, i.e. the Trade Facilitation Agreement (TFA), even though it is yet to ratify the agreement. The TFA entered into force on 22 February 2017 following ratification by two-thirds of the WTO membership. The agreement aims at expediting movement, release

¹² Due to data availability, only four months (January through April) worth of export value has been considered for the period under review

and clearance of goods, including goods in transit. For developing countries and LDCs such as Malawi, the agreement contains provisions for technical assistance and capacity building for activities designated as Category C (i.e. activities that can only be implemented with donor support).

8.6 Policy Interventions

8.6.1 Formulation of Cooperatives Development Policy and Strategy

Government through Ministry of Industry and Trade is formulating a Cooperatives Development Policy and Cooperatives Development Strategy. The Cooperative Development Policy seeks to support development of a vibrant and sustainable cooperative sector in Malawi. It strives to create a more supportive and enabling environment to enable the emergence of business driven cooperatives. It seeks to address the key shortcomings of the 1997 policy which lacked measurable targets; monitoring and evaluation criteria; limited policy integration and alignment to ILO Recommendation 193. The proposed policy also seeks to address current positive developments in the cooperative sector as well as other factors that are key to cooperative development. The Policy recognises that Government should create an enabling environment that combines firm regulation with maximum openness to provide opportunities for all types of cooperatives to flourish.

8.6.3 Development of Micro, Small and Medium Enterprise Bill

Ministry of Industry and Trade has developed the MSME Bill with the aim of improving the business environment for MSMEs. The bill classifies and regulates MSMEs. It also seeks to increase formalization of informal businesses through simplification of procedures on business registrations, access to credit and facilitation of investments. Approval of the bill is the next step following approval of the MSME policy in February, 2019.

8.6.3 Review of Investment and Export Promotion Act

Government reviewed the Investment and Export Promotion Act which aims at strengthening Malawi Investment and Trade Centre (MITC) to improve its investment and trade promotion efforts. Cabinet approved the Bill in March, 2019 and is scheduled to be tabled in the August House in 2020.

8.6.4 Developments in the Domestic Trade Policies

Some of the policies and regulatory frameworks being updated include the Anti-Counterfeit Policy and the Business Licensing Policy. The Ministry is also considering reviewing the Automotive Trades Legislation (Garages) Act and introducing a regulatory or policy framework that can support the implementation of the Buy Malawi Initiative.

8.6.5 Electronic Business Registration System and Business Licensing System

Government is set to develop an electronic Malawi Business Registration System (MBRS) and a Business Licensing System with support from the World Bank

through the Agriculture Commercialisation Project. MBRS will be launched in September this year whereas development of the business licensing system will commence later this year.

8.6.6 Warehouse Receipt System and Commodity Exchanges

The Warehouse Receipt Systems Act, 2018 came into force on 1st October 2019 whereas the Commodity Exchanges Directive under the Financial Services Act came into force on 26th April 2019. In order to promote smooth operationalization of the two legislations, Government, through the Agricultural Commercialization Project, placed some members of staff from the Reserve Bank of Malawi on attachment at regulatory institutions in India and Ethiopia. It is expected that this will improve access to markets and finance for small and medium enterprises in the country through lessons learned under the exchange programme.

8.6.7 Immigration Electronic Permit (E-permit) System

The Department of Immigration, with support from the Agriculture Sector Wide Approach Support Project (ASWAP-SP) has developed the E-permit system that has reduced the time it takes to obtain various permits such as Business Residence Permit and Temporary Employment Permit from six months to five days. The system has also enabled the Department to effectively monitor and enforce issuance of permits and improve national security. It is expected that the country will be able to attract more investment since investors can now establish their businesses in the country quicker than before.

8.7 Major Challenges Affecting Trade And Private Sector Development

Industrial and private sector development efforts experienced a number of challenges during the period under review which included: (i) Demonstrations following the post-elections period and continued political uncertainty; (ii) Vulnerability of Malawi's agricultural sector to production shocks, particularly extreme weather events, which have increased the frequency and intensity of droughts and floods in recent years thereby affecting availability of raw materials; (iii) Unpredictable and less transparent market interventions, opaque and idiosyncratic implementation of most export bans negatively affected private investments; (iv) The global Coronavirus pandemic which has affected trading within Malawi and beyond; and (v) Insufficient and unreliable supply of electricity which contributed to increased cost of doing business as investors were forced to provide for stand-by power supply which is expensive

Chapter 9

EDUCATION, SCIENCE AND TECHNOLOGY

9.1. Overview

The Ministry of Education, Science & Technology (MoEST) is the policy holder for the provision of education in the country. In this regard, the Ministry provides education in collaboration with faith-based organizations, as well as the private sector. Other ministries, including those responsible for youth, gender and labour, complement the MoEST in the provision of both formal and non-formal education. The Ministry of Gender, Children Development and Community Development leads in the provision of Early Childhood Development (ECD), while the Ministry of Youth, Sports and Culture leads in the provision of sports and other services targeting out-of-school youths, while the Ministry of Labour, Skills and Innovation takes the lead in the provision of technical education and vocational training.

Programming in the education sector is guided by the National Education Sector Plan (NESP) which has been extended to cover 2008-2020, as well as the Education Act 2013, the National Education Policy, and the National Education Standards. The NESP will be succeeded by the National Education Sector Investment Plan (NESIP) 2020-2030 which is currently being developed. The Joint Sector Review (JSR) was held in November 2019 with the aim of looking back at past performance to inform sector programmes and policy interventions. The implementation of the NESP is guided by two successive 5 year plans, the Education Sector Implementation Plan (ESIP) I and ESIP II. All plans are in line with the Malawi Growth and Development Strategy III. This report highlights progress made on key indicators by the education sector in the 2019/20 financial year.

9.2 Key Sector Achievements

9.2.1 Primary Education Sector

The NESP identifies access and equity to education as one of its central tenets. Table 9.1 below indicates some of the key indicators used by the Ministry to gauge the progress of its initiatives. Access to education continues to grow; year-over-year growth in enrolment in public and religious schools has increased by 1 percent from 5.06 million learners in 2019 to 5.10 million in 2020. The Gender Parity Index (GPI) remains near equity in our public schools, at 1.02, with the number of female learners being greater than the number of male learners.

The Net Intake Rate (NIR) measures the proportion of 6-year-old learners entering into, or enrolled in, primary education. The NIR for both boys and girls in 2019 stood at 84 percent (NIR for girls at 86 percent and for boys at 82 percent) indicating high degree of access of the 6 year olds learners to primary education. However, the disparity between boys and girls is due to a gender split in population growth.

Similarly, the Net Enrolment Rate (NER) estimates the number of school-aged children (6-13 years-old) enrolled in school. Using Education Management

Information System (EMIS) data gathered from schools, the NER is at 91 percent with the NER for girls at 92 percent and for boys at 87 percent. This shows that Government initiatives aimed at improving access to education are bearing fruits.

Learners with special needs totalled 173,715 in 2020 which is approximately 3.41 percent of the entire basic education population. This number is down 19.84 percent from 175,051 in 2019. This shows that, while the Ministry is attempting to expand access to Malawian learners, Government funding needs to keep up with the extra burden of providing quality teaching and learning to students with special needs. The Ministry has dedicated MK300 million to special needs education in the 2020/2021 financial year, including the procurement of assistive devices and adapted teaching-and-learning materials. Students with learning difficulties make up approximately 47 percent of all students with disabilities, while students who are hard of seeing or hearing make up another 23 percent and 20 percent respectively.

TABLE 9.1: KEY INDICATORS ON PRIMARY EDUCATION

Indicator	2019	2018	Growth Rate
Enrolment (public)	5,095,640	5,063,917	1.00%
Special Needs Enrolment	173,715	175,051	19.84%
Gender Parity Index	1.02	1.02	0.00%
Pupil-Permanent-Classroom ratio	119.5	120.9	-1.16%
Repetition rate	22.70%	24.50%	-7.35%
Completion rate	58%	52%	11.54%

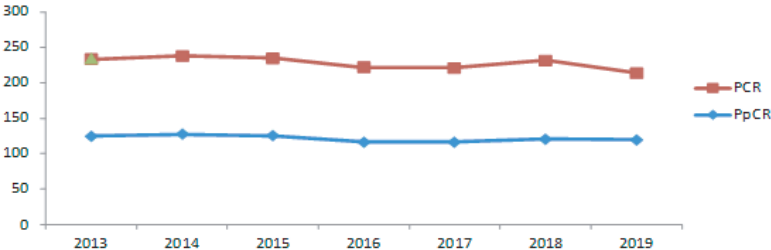
Source: MoEST Calculations, EMIS database

With a growing population of young people and growing enrolment rates throughout the country, the need to increase schools' capacity and infrastructure in order to keep up with demand is paramount if the quality of education is to keep pace. The Ministry's quest to reduce congestion in classrooms, and improve sanitation continues. The Malawi Education Sector Improvement Project (MESIP) involves the construction of 500 classrooms, 300 latrine blocks focusing mainly on girls' sanitation needs and some 150 water points in the 8 most disadvantaged districts. MESIP is funded by the Global Partnership for Education (GPE) and the Royal Norwegian Embassy (RNE) and facilitated through the World Bank and the Ministry of Education. DfID funded projects are also supporting the Ministry in tackling overcrowding in classrooms. In the 2019/20 financial year, DfID funded the construction of 158 classroom blocks, and 52 teachers' houses, as well as latrines in many schools. The Ministry also continued building new schools, classrooms, and latrines through the ORT funding. This has helped to decongest classrooms and maintain the pupil-classroom ratio (Figure 9.1). Continued investment from Government and donors will target school infrastructure, and attempt to keep up with the growing demand for classrooms.

In the 2019/2020 financial year, the Ministry procured MK1.5 billion worth of teaching and learning materials for distribution following the roll out of the new

curriculum, of which K300 million were for students with special needs. Furthermore, the Ministry printed 3 million learner pass book and registers and 12600 facilitators guides for distribution to primary schools.

FIGURE 9.1: PUPIL CLASSROOM AND PUPIL PERMANENT CLASSROOM RATIO (2013-19)



Source: MoEST Calculations, EMIS Database

Internal efficiency is a key concept in understanding how the Ministry operates in an environment of constrained resources and limited time. Primarily, the Ministry uses three key indicators to measure progress: repetition, completion, and dropout rates. Repetition rates, which measure the number of repeaters in a given standard in a given year as a proportion of last year’s enrolment, have slipped across both genders, and nationally from last year. For girls, the figure is 22.2 percent down from 23.9 percent last year; for boys, 23.2 percent down from 25.1 percent, and overall at 22.7 percent which is 1.8 percent down from last year (24.5 percent). Repeaters tend to put a large strain on schools, by using up more public resource than otherwise would be required. The Ministry is working on a new promotion policy to reduce the burden of repeaters on the system, and the drain on resources. The overall completion rate in Malawi, which measures the proportion of 17-19 year-olds in the country who have completed at least their PSLC has increased to 58 percent up from 52 percent in 2018 according EMIS data set. This continues to represent a large leakage in our primary school system. However, dropout rates increased this year from 3.2 percent in 2018 to 6.2 percent in 2019. Therefore, there is need to increase our efforts in collaboration with development partners focusing on the education of adolescent youths, especially girls, as well as effective school management in order to help correct these inefficiencies which put an undue strain on the education system.

Decentralization within the primary sub-sector also took a hold fully last financial year. However, it has stoped at district level. It is uncertain if complete devolution to school level is an eventual consideration. It is predicted that the devolution of key activities from the central Ministry into the hands of local councils, school councils, and District Education Managers (DEMs) will help the overall efficiency and efficacy of the primary education system, as well as the capabilities of districts and schools to correct inefficiency as they see fit and in a timelier manner. Typically decentralization is accompanied by an emphasis on involvement of community participation in school management and this issue is specified in the new Education

Act. Activities which have been devolved include management of day-to-day school activities, procurement of teaching and learning materials, including textbooks, construction and maintenance of school infrastructure, management of Complementary Basic Education (CBE) learning centers, utilization of ORT resources, and perhaps most importantly, management of teachers and teaching resources, including recruitment, deployment, placement, promotion, of teachers, appointment of head teachers, and handling all teacher discipline. Moving these activities from the Ministry to the schools will make them much more effective and agile in reacting and correcting issues as they see fit.

9.2.1.1 Teachers for Basic Education

Construction at the three new public Teacher Training Colleges (TTCs) in Rumphi, Chikwawa, and Mchinji began in January 2020. Two new primary TTCs have been constructed and inaugurated, and a new secondary school TTC is currently under construction. These colleges are being built to expand the capacity of teacher training and education in Malawi in order to keep up with the constantly growing enrolment rates in both primary and secondary subsectors.

Additional activities in the period under review included extending the in-service training on Mathematics and Science under the SMASSE programme to other subject areas. 2671 teachers joined the inset for Mathematics and Science in designated 19 inset centers across the 6 education divisions. The Continuous Professional Development (CPD) framework was piloted in 3 designated districts of Mangochi, Salima and Dedza. It was finally launched by the MoEST with support from UNICEF and UNESCO. The instruction materials that were developed by SMASSE were revised to align them with the revised secondary school curriculum and assessment. This was intended to improve the quality of Science and Mathematics instruction in community day secondary schools.

New recruits into Initial primary Teacher Education (IPTE) programmes totalled 3,700 in this financial year, of which 2,075 are males and 1,525 are females. This figure included all student teachers who had graduated from the TTC's.

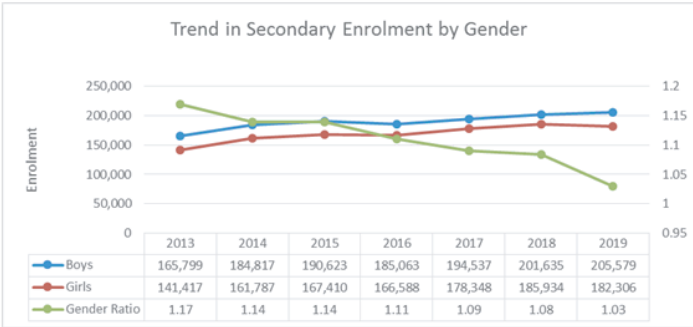
The pupil-teacher-ratio in the primary subsector came down from 77:1 last year to 66.1 this year – solid progress though above the target national average of 60:1. The gender ratio among primary school teachers continues to trend towards equality. This year, male teacher's account for about 56 percent of the workforce, while last year this figure was 57 percent.

9.2.2 Secondary Education Subsector

The Secondary subsector has continued to improve over the years in spite of its handicap with respect to funding in the recent past. The number of public schools has grown from 1103 in 2019 to 1133 in 2020 with the establishment of 16 new Community Day Secondary Schools (CDSSs), 14 new Open Secondary Programs, and with 10 additional schools slated for construction in Machinga and Balaka with the help of USAID. An additional 250 new secondary schools are being constructed with funding from USAID. Furthermore, the World Bank project is slated to

construct 80 remote secondary schools. Total enrolment (EMIS data 2019) in the subsector has grown to 387,885 this year up from 387,569 last year indicating an increase of 0.08 percent from the previous year’s enrolment. The gender gap in the subsector has also improved (Figure 9.2). The ratio of male to female learners has come down to 1.03 this year down from 1.08 in the previous school year. While the expansion of enrolment is obviously a sign of good health in the sector, it has put an additional strain on teachers and classroom sizes. Efforts are being made throughout the sector to ensure that quality of education is maintained.

FIGURE 9.2: TRENDS IN SECONDARY EDUCATION BY GENDER



Source: MoEST Calculations, EMIS database

Government is working hard to expand access to secondary education for learners in need. In this school year, Government has provided bursaries to 15,544 learners. Donors in the sector also continue their own efforts in providing financial support to needy students. Privately funded bursaries and financial aid were disbursed to 27,296 students, 69.5 percent of whom are female. Efforts will continue to close the gender gap in secondary, but a lack of capacity for gender parity in District Boarding Schools remains a key challenge in this area due to limited bed space for girls.

Further efforts in the subsector are aiming to improve the overall quality of a secondary public education. Government is currently in the process of constructing science laboratories and libraries in 28 CDSSs, and has recruited and deployed 500 teachers to these schools. Furthermore, USAID is constructing additional 250 secondary schools across the country. Traditionally, CDSSs have been incapacitated by a lack of resources, and overcrowding, but Government is committed to ensuring that all secondary school learners receive a quality education, regardless of where students are selected to. In 2018/19 school year, Government recruited 500 Secondary School Teachers for CDSSs across the country and is also promoting many more teachers to different grades. Additionally, the Ministry procured 35,250 student desks and chairs and 79,000 flip charts which were distributed to CDSSs whilst procurement of 170,000 senior secondary school textbooks is at an advanced stage. Government is also committed to improving the quality of teachers. In 2019/20 Government has supported the upgrading of unqualified secondary school

teachers through a one-year professional development scheme called the University Certificate of Education (UCE) and intends to continue with this programme in the coming years.

In public schools, MoEST is committed to improving the quality of education. In 4 National Secondary Schools, rehabilitation efforts are ongoing in order to keep the schools modernized while running at their peak performance. Plans are underway to make these schools centers of excellence. MoEST has finished the upgrading of 21 CDSSs and 12 other public secondary schools with technical subject education and support is being provided by the European Union.

More projects namely EQUALS, SEED and ISEM II among others, are being introduced with the support of donors in the sector, all aimed at expanding access for Malawi's poorest students, expanding capacity of public schools to reach a greater number of primary-school graduates, and improving the quality of teaching and learning in order to make a secondary education a viable option, and a prudent investment for learners and their families.

9.2.2.1 Teachers for Secondary Education

In the 2018/19 school year, 14,398 teachers in total were deployed to both public and grant aided schools, of which 11,106 were male and 3,292 were female. This totals figure is a 0.5 percent increase from the previous year's 14,333 teachers. While this is a commendable progress, the challenge remains that most of these new teachers are not properly qualified teachers. Many of the teachers in public secondary schools have been temporarily moved from nearby primary schools, or have degrees, which are not directly education related. These 'unqualified' teachers have not been adequately trained on secondary schools curricula nor have they gone to teachers' college to learn how to teach more advanced students. Only an estimated 61 percent of teachers in secondary schools are qualified, and the estimated pupil-to-qualified-teacher ratio has increased to 46.0:1 in 2019 up from 41.0:1 last year. The Ministry has developed a Continuous Professional Development (CPD) policy to give unqualified teachers a path to expanding their own abilities and upgrading themselves to fully qualified secondary school teachers.

The Ministry has devoted a large proportion of funding towards building new TTCs and expanding enrolment across all Teacher Training Institutions. Efforts have been focused in Mathematics and Science subjects in order to bring down particularly high PTRs in these subjects, though expansion has happened in all subject areas in order to keep up with growing enrolment, and to improve the overall quality of education.

9.2.3 Higher Education Subsector

The Directorate of Higher Education's mission is to develop highly knowledgeable and skilled citizens capable of performing in a competitive, diverse and knowledge-led global economy. The vision for the directorate is to Create an inclusive Higher Education system relevant for sustainable socio-economic growth in global society. The Higher Education subsector is comprised of four public universities: The

University of Malawi (UNIMA) comprised of Chancellor College (CHANCO), the Polytechnic, College of Medicine (CoM) and Kamuzu College of Nursing (KCN) which will soon be delinked to three separate universities; Mzuzu University (MZUNI); Lilongwe University of Agriculture and Natural Resources (LUANAR); and Malawi University of Science and Technology (MUST). There are also public colleges that offer diplomas and degrees such as Domasi College of Education (DCE), Nalikule College of Education (NCE) and Malawi College of Accountancy (MCA). Furthermore, there are public Higher Education governing bodies such as National Council for Higher Education (NCHE) and Higher Education Students' Loans and Grants Board (HESLGB). These are in addition to private universities and colleges.

The student enrolment in 2019-20 academic year in public universities and colleges increased from 34,167 students in 2018/19 to 43,420 in 2019/20 representing a 27 percent increase from last year's enrolment. The 2019/20 enrolments for each public institution are as depicted in the Table 9.2 below.

**TABLE 9.2: ENROLLMENTS PER PUBLIC INSTITUTION
(2019-2020)**

Institution	Number of Students
Chancellor College (CHANCO)	5,380
College of Medicine (CoM)	1,432
The Polytechnic (Poly)	8,294
Kamuzu College of Nursing (KCN)	1,289
Lilongwe University of Agriculture and Natural Resources (LUANAR)	13,976
Malawi University of Science and Technology (MUST)	1,984
Mzuzu University (MZUNI)	6,579
Domasi College of Education (DCE)	1,211
Nalikule College of Education (NCE)	775
Malawi College of Accountancy (MCA)	2,500
Total	43,420

Source: Ministry of Education

In addition to routine student intakes, enrolment in public universities and colleges has greatly increased due to a general growth in other modes of learning such as weekend classes, ODL and e-learning platforms.

According to data from Higher Education Students Loans and Grants Board, 17,232 total tuition, upkeep, and book loan beneficiaries were approved in the 2019/20 school year up from 12,735 beneficiaries approved in 2018/2019. This translated into disbursement of MK9.0 billion this year up from MK6.830 billion last year, which was 35 percent increase in number of beneficiaries and 32 percent in total

disbursements from last year. In the year 2020/2021 the Loans Board is projecting a number of 19,000 loan beneficiaries. The loan applicants are thoroughly and systematically screened to identify eligibility based on need and merit through the loan processes in collaboration with administrators in both public and private institutions of higher education.

Furthermore, the higher education sub-sector completed implementation of the Skills Development Project (SDP) in December 2019. The project was implemented by five tertiary participating institutions (PIs) namely: Chancellor College (CHANCO), Lilongwe University of Agriculture and Natural Resources (LUANAR), Mzuzu University (MZUNI), The Polytechnic (POLY), Technical, Entrepreneurial, Vocational Education and Training Authority (TEVETA). On enrollment, the project as a whole has exceeded the end-of-project target. The overachievement is mainly due to TEVETA, LUANAR and MZUNI who have exceeded their end of project targets by a wide margin.

The overall rating of the Skills Development Project (SDP) component one was 100 percent satisfactory. In particular, enrollment of direct project beneficiary students was 20,047 against a target of 13,000, representing 154 percent achievement of the set target. The performance on female beneficiary students was also highly satisfactory as the Project enrolled a total of 6,528 female students against a target 4,030 female students thereby achieving 162 percent of the set target.

The overall performance rating of SDP on Component Two was at 95 percent satisfactory. Furthermore, the Project built capacity among young women in various trades such as steel installation, building and electrical wiring. The Project has also facilitated the establishment of Students Finance Management Information System (SFMIS) to ease the process of loans application and processing. At the time of the EPR, Kamuzu College of Nursing (KCN) and College of Medicine (COM) were involved in piloting the operation of the SFMIS where 445 (75 percent) female students at KCN and 238 (39 percent) female students at COM were recommended to access loans through the system in the 2019/20 academic year.

The Skills Development Project (SDP) expanded infrastructure in various higher education institutions and provided state of the art equipment that have helped improve the quality of and increase access to higher education in Malawi

Worth noting is the establishment of Africa Centres of Excellence for Eastern and Southern Africa (ACEESA) in Malawi. LUANAR has established the ACEESA for Aquaculture and Fisheries Science (AquaFish) Centre. The Centre aims to expand the production of highly skilled, fit-for-purpose agricultural scientists, as well as foster their innovativeness and entrepreneurship. The target set by the AquaFish Centre is to train 28 students from the region at masters level, 11 females and 17 males but only managed to enrol 6 males and 3 females to study at LUANAR for the AQUAFISH programme from 2016-2021. Additionally, LUANAR managed to attract 10 males and 3 female international students for its PHD programme surpassing a target of 7 males and 3 females. Some of the

indicators are Memorandum of Understanding (MOUs) on partnerships for collaboration in applied research and training entered into by the ACEs, and for LUANAR out of 9 the planned for, 10 verified and signed the MOU. For Faculty and PhD students' exchanges to promote research and teaching the university planned for 16 females and 24 males and the progress had been that 29 males and 6 females have been involved in the foreign exchange programme.

Additionally, the College of Medicine has established the ACEESA for Public Health and Herbal Medicine, which will be conducting research in public health and in the identification of commonly used medicinal plants, as well as quality assurance of herbal medicines used for the treatment of malaria, maternal health, HIV and AIDS, and non-communicable diseases. The Centre will benefit not only Malawi but the whole of the Eastern and Southern Africa region. The Centre had set a target to recruit a total of 72 Masters students and 16 PhD students over the five-year period from 2016 to 2021. So far 83 Masters Students and 16 PhD students (4 of whom are international) have been recruited. The Centre has so far published 51 research articles in peer reviewed journal, conducted short courses which attracted 601 participants of whom 300 were regional.

On infrastructure development, under the Higher Education Science and Technology (HEST) Project, the Polytechnic constructed the Information Communication Technology (ICT), Open Distance Learning (ODL) and Business Centre (BC). The complex has created 940 students teaching spaces. The total cost of building was US\$ 4,424,143.14. The second HEST three-storey building was completed and fitted with equipment and furniture and is in use by students. It was funded by AfDB at US\$ 2,941,116.50. It has created 480 students teaching space. The College has also been rehabilitating existing infrastructure using Public Sector Investment Programme (PSIP) funding especially at Chichiri campus. At the main campus the boardrooms, lecture theatres, exiting engineering laboratories and offices have been rehabilitated. The work was handed over to the College and rooms are currently in use.

9.3 Development Projects

There are several development partners who are financing the educational sector. Such partners include the World Bank, Global Partnership in Education, German Development Bank (KfW), European Union (EU), United States Agency for International Development (USAID), Japanese International Cooperation Agency (JICA) and Africa Development Bank (AfDB). The following is a selection of some of the projects being implemented by development partners.

With support from the Japanese Government, the Malawi Government has started the project on expanding and upgrading Domasi College of Education. The project value is about MK13 billion and the works commenced in July 2019. Key Components of the Project are: two story library with a capacity of 40,000 volumes of books, and 500 reading spaces; two 150 seat lecture theatres; three 40 seat lecture rooms; one 20 seat capacity computer laboratory; two story building laboratory block for Chemistry, Biology and Physics, i.e. two laboratories for each subject;

one special needs education unit; two story office block for deans of faculty and heads of department with 23 offices; and a 144 bed space hostel block for female students. Furthermore, DCE is constructing a befitting structure for a clinic financed by funds from college revenue and the Malawi Government's funds committed to support the Expansion and Upgrading Project.

DCE is further implementing distance education programme under the sponsorship of the ISEM TA PE ODL Project. The programme aims at upgrading under qualifying teachers currently teaching in some of the Community Day Secondary Schools (CDSSs) to diploma in education level. Currently, there are 181 teacher-learners (students) of which 59 percent are enrolled in Humanities and 41 percent are in Sciences.

On infrastructure development, the College of Medicine finished refurbishing all the teaching annexes at Queen Elizabeth Central Hospital. The College has also expanded the teaching theatres and offices specifically for the department of Obstetrics and Gynaecology with partial funding from the Royal Norwegian Embassy and the Malawi government through the PSIP. In addition, in agreement with University of Glasgow the College is renovating laboratory facilities at Mahatma Ghandi campus under a Blantyre-Blantyre Project. The project has total funding of £2 million budget with half of the budget provided by the Scottish Government. The College will use this facility for research, training and resource mobilization. Furthermore, with the support of the University of Glasgow, the College has developed and rolled out Malawi's first Dental School through a project called MALDENT. Through the MALDENT project, the College received £150,000 for the architectural designs of the purpose built Dental School Infrastructure.

Kamuzu College of Nursing is continuing rehabilitation of Girls Hostel with funding from the Government of Malawi and under technical guidance of the Buildings Department of the Government of Malawi. In addition, the Government approved a budget under Public Sector Investment Programme (PSIP) for the construction of Skills Laboratory for Nursing and Midwifery. The College has completed consultations and compilation of an architectural brief. Furthermore, the College completed major curriculum review exercise and presented the new curricula to UNIMA Senate for approval, in line with Quality Assurance expectations of the Malawi Government through the National Council for Higher Education.

LUANAR is implementing a number of infrastructure development projects. The Teaching Complex A and Gateway Administration which is funded by the Malawi Government under the PSIP Programme and is to the tune of about MK10 Billion. Construction works started in 2012. It was supposed to be completed in 2014 but has delayed due to funding challenges. The infrastructure will be completed in the 2020/2021 financial year. The infrastructure comprises 4 laboratories, Offices and over 1,000 learning spaces for undergraduate and postgraduate students. In addition to this, the Teaching Complex B whose construction commenced in 2015 was completed in 2019/2020 financial year. The facility comprises 2 laboratories, offices

and classrooms. Total project cost was MK3.6 Billion. Furthermore, the PIL Multipurpose Hall is being constructed with a MK120 Million contribution from the Petroleum Importers Ltd (PIL). This structure comprises 1,000 seat capacity space, 1 conference room and over 10 offices. The structure has not been fully completed although it is being used for teaching and learning due to shortage of space. The University requires MK200 million to complete the facility. The college has completed building the Postgraduate Hostel which has 20 rooms completed and other 20 rooms yet to be completed. The works were suspended due to lack of finances. Construction works will commence in the next two months courtesy of provision of financial resources by the LUANAR Aquafish Centre of Excellence. Lastly, ODL Hub at Bunda College and ODL Teaching Complex in Area 47 are being constructed under the Skills development project and total project cost is MK4.9 Billion. Works were suspended due to financial challenges because the funds under the project were MK3 Billion. The ODL based at Bunda College was completed and handed over to the University in March 2020.

MUST is implementing two major infrastructure projects with funding from the Malawi Government under the Public Sector Investment Plan (PSIP). Firstly, the construction of a Mini Industrial Park, which is scheduled for completion in 2019/2020. Secondly, construction of the Purpose-Built Science Laboratory which is divided into phases and the first phase was the design stage of the laboratory which was completed in 2019/20.

MZUNI has completed construction and furnishing of ODL satellite centres in Karonga, Lilongwe, Balaka and Mulanje under the Skills Development project. Furthermore, the University has finalised two venture projects towards enhanced own generated income towards institutional self-reliance by implementing investment projects through multi-bottling facility and printing press.

TABLE 9.3: CUMULATIVE DIRECT PROJECT BENEFICIARIES

PI	Male	Female	Total	End Target	% End Target Achieved
CHANCO	907	295	1202	920	130.7%
LUANAR	1561	379	1940	1100	176.4%
MZUNI	2392	943	3335	2700	123.5%
POLY	720	217	937	900	104%
TEVETA	7955	4692	12647	6500	194.5%
Total	13,535	6526	20,061	12120	165.5%

With support from European Union, the Ministry is also carrying out a project on Improving Secondary Education in Malawi (ISEM) in 21 CDSS's across the country. The work involves Construction of Classroom Blocks, Administration Blocks, halls, Labs and Ablution Blocks. Work commenced in January, 2017 and is progressing well.

The Ministry with assistance from Global Partnership for Education (GPE) and with technical oversight by the World Bank is implementing the Malawi Education Sector Improvement Project (MESIP) with the aim to improve education delivery at the primary level focusing on quality and efficiency. The total project portfolio is \$44.90 million and it is implemented in 32 education districts with key focus on 8 disadvantaged districts. Among other, the project is constructing 500 classrooms, 300 latrine blocks focusing mainly on girl's sanitation needs and some 150 water points. With financial support from the royal Norwegian Embassy, MESIP-extended is to implement some of the key policy reform areas that include performance based school improvement grants, improving equity for the most disadvantaged, including girls and improving learning outcomes, accountability and cost effectiveness at school level. Furthermore, with funding from the World Bank, the ministry is implementing the Equity with Quality and Learning at Secondary (EQUALS) project with total project cost of \$75 million. The project aims at improving the quality of Science and Mathematics instruction in CDSSs and to increase access to secondary education in selected remote areas. Among others, the project focuses on elevating at least 80 CDSSs from 13 remote districts to absorption capacity and learning environments like district days schools as well as expands district day schools. The expansion package will include 2 furnished classroom blocks (4 classroom), a twin furnished multipurpose science block installed with requisite systems for science instruction, 2 ablution blocks, 1 block comprising of furnished library and ICT laboratory and Solar power installation for schools.

9.4 Key Implementation Challenges

Some of the key challenges faced by the Ministry in the year under review are as follows:

- i. High repetition rates in primary education, combined with enrolment of under-aged learners continue to put undue strain on classrooms, school infrastructure, and teachers. Pupil-Teacher ratios in primary have come down from last year, but remain well above Ministry targets of 60:1.
- ii. The transition rate from Primary into Secondary remains low, and capacity for new students, while growing, remains well below required levels. As of now, conventional schools can only absorb about 38.4 percent of primary-school leavers. This leaves primary schools with the burden of high repetition rates in Standard 8, as well as large numbers of young people who finish their education at a primary school level, and enter the labour force with very low levels of training. It further strains the secondary school infrastructure. Low transition rates lead to increased demand for Open Secondary Schools (OSSs), quasi-private schools which tend to operate within the premises of existing public schools and with their teachers. It also can lead to an overall worsening of teaching and learning quality in the secondary sub-sector: OSSs occasionally gain Ministry approval out of necessity, and possibly without meeting minimum standards. OSSs also approximately double the workloads of the teachers in these schools.

- iii. Delays and general underfunding in ORT activities continues to cripple initiatives and hinder the Ministry's effectiveness. For example, MK1.50 billion worth of teaching and learning materials were procured and distributed in Secondary schools which is below the requirement. This leads to delayed timelines of activities, under-achievement of goals, compromised quality of education, and continued strain on all sectors and actors within the Education sector.
- iv. General understaffing in key directorates leads to inadequate capacity to undertake more ambitious activities, and a smaller capacity to keep up with existing activities.

9.5 Science and Technology

In the period under review, Malawi continued to make great exploits in research, science, technology and innovation activities in all sectors of the economy. A number of strides that were recorded include the following:

9.5.1 Climate Technology Centre and Network (CTCN) Incubator Programme

In December 2019, the approval of the CTCN proposal on National framework for leapfrogging to Energy Efficient Appliances and Equipment through regulatory and financing mechanism was granted. The Global Climate Fund approved the CTCN proposal which was prepared by the NCST in collaboration with EAD, Energy Affairs Department and CTCN. Government of Malawi is yet to be advised on the implementation modalities after which NCST and all stakeholders shall have a consensus at national level for the institutions involved in the programme to agree on the implementation modalities.

9.5.2 Feasibility Study on Manufacturing Renewable Energy (RE) components

With funding from United Nations Development Programme (UNDP), the National Commission for Science and Technology (NCST) completed a project entitled "Feasibility Study on Manufacturing Renewable Energy (RE) components". These components comprise PV modules, rechargeable batteries for RE systems, Charge Controllers, Inverters, Turbines, Generators and Transformers among others. This project was financed by UNDP and EAD. The Feasibility study report also included costs of setting up of manufacturing plants for different components in Malawi.

9.5.3 Programme for Biosafety Systems (PBS) - Food and Feed Safety Guidelines for the Assessment of GM crops

Malawi is among the few countries in Africa that has embraced modern biotechnology sector as one of the tools to enhance agricultural production in effort to attain food security for the ever-growing population. Two GM food crops cowpea and banana are undergoing trials to combat Maruca and buntchytov virus,

respectively. GM technology, however, is relatively new and not well understood. Issues of food and feed safety of products produced through GM technology are a major concern among regulators, decision makers and the general public.

To address this concern National Commission for Science and Technology (NCST) in collaboration with the Environmental Affairs Department (EAD) has embarked on formulating Food and Feed safety guidelines to assist regulators in evaluating GM crops. A first draft has been produced and is under review by both international and national experts.

9.5.4 Renewal of Global Biodiversity Information Facility project

Malawi, through the National Commission for Science and Technology, has been an Associate Participant of the Global Biodiversity Information Facility (GBIF) since 2015. The category of Associate Participant Country is a temporary category of up to five years' duration starting from signature of the MoU, which in the case of Malawi was 23 January 2015. During this period, the Associate Participant Country may decide to become either a Voting Participant or may withdraw from GBIF completely.

The country's status as a GBIF Associate Participant expired on 23 January 2020. However, we were granted three (3) months to continue as an Associate Participant up until April 2020 while we decide to become either a Voting Participant or withdraw from GBIF. The Global Biodiversity Information Facility (GBIF) is an international organization that focuses on making scientific data on biodiversity available via the Internet using web services. As an associate participant, Malawi has been participating in the GBIF programs with an emphasis on promoting participation and working through partners to mobilize biodiversity data and promote capacity building in the area of data mobilization and management for purposes of biodiversity conservation and improved decision-making.

Through Malawi's participation in the GBIF activities, NCST has:

- (i) Developed the structure, framework and procedures for biodiversity data mobilization and management at national level;
- (ii) Assisted stakeholders at national level to participate in different GBIF projects which have promoted data mobilization and management at national level;
- (iii) Conduct awareness raising activities for different stakeholders on GBIF;
- (iv) Achieved sufficient commitment from stakeholders to allow the successful implementation of GBIF activities at national levels;
- (v) Supported different institutions at national level in biodiversity data mobilization; data management; data analysis and utilization;
- (vi) Coordinated the landscape of biodiversity-related initiatives including participating in the GBIF network;

- (vii) Fostered collaboration between existing initiatives relating to biodiversity, including making connections to the international GBIF network; and
- (viii) Held and published biodiversity data from different data holders with GBIF website through a system called Integrated Publishing Toolkit (IPT).

Malawi became a Voting Participant on 12th March 2020. As a Voting Participant Malawi has privileges to:

- Influence priorities of GBIF as a global community through its vote in the GBIF Governing Board, for example approving annual budgets, work programmes and strategic plans, as well as nominations to the GBIF Executive Committee, advisory committees and other posts;
- Support the global biodiversity open data infrastructure increasingly used in research and policy, thus contributing towards Target 19 of the Aichi Biodiversity Targets on sharing data and knowledge;
- Participate in GBIF meetings and capacity enhancement programmes; and
- Continue to collaborate at global and regional levels on developing best practices for organizing, publishing and accessing digital biodiversity data, through contact with the GBIF.

9.5.5 AFRA Projects

AFRA is an intergovernmental agreement among countries in the African region, which was established in February 1990 to promote cooperation among the International Atomic Energy Agency (IAEA) Member States in the region, as well as between these and the IAEA, in the peaceful applications of nuclear science and technology. Through AFRA, and Environmental Affairs, NCST solicited support from the International Atomic Energy Agency (IAEA) to build capacity in nuclear science in Malawi. In 2019, about 12 capacity building projects were approved for implementation by different local institutions mostly Universities and constituent colleges including NCST amounting to Euro 4,947,775 and Euro 6,051,680 for the period 2020/21 and 2021/2022 respectively.

9.5.6 Partnerships and Collaborations

During the period under review, the NCST has developed a number of partnerships that are expected to enhance implementation of the national science and technology policy in Malawi. Some of these partnerships are as follows:

9.5.6.1 Ministry of Foreign Affairs and Reserve Bank of Malawi

NCST developed a partnership with Ministry of Foreign Affairs and Reserve Bank of Malawi in building Malawi Diaspora's Portal. This portal will assist in improving research collaboration between local researchers and the ones in diaspora. The portal will also help the academia to have a database of a pool of researchers and their exploits abroad. The Portal will also be used to enhance collaboration among the researchers in diaspora.

9.5.6.2 Southern Africa Research and Innovation Management Association (SARIMA) and the New Partnership for Africa Development (AUDA-NEPAD)

NCST also build partnership with Southern Africa Research and Innovation Management Association (SARIMA) and the New Partnership for Africa Development (AUDA-NEPAD). Apart from building capacity of stakeholders in undertaking research, this partnership will assist NCST to manage R&D as well as Innovation data. In addition, the partnership will help NCST to effectively implement its role in the Research and Innovation Ecosystem. AUDA-NEPAD will continue to support AU member countries in monitoring their research and innovation ecosystems especially in using Science, Technology and Innovation Indicators to inform policy. NCST is now the Focal Point for carrying out Research and Development surveys in Malawi and currently, efforts are underway to undertake a 2018-19 Survey for contribution to the African Innovation Outlook Series and State of Science and Technology Report.

9.5.6.3 Peking University School of Public Health

NCST at the invitation of Peking University School of Public Health (PKU) in China visited the institution on a delegation that assisted to establish a partnership between the University and NCST. This partnership will focus on Health Research Capacity Strengthening in such areas as (i) Research Granting in global and public health; (ii) Research Infrastructure Development in Health; (iii) Supporting fellowship in global health research and training; (iv) Supporting South-South and China-Malawi research and innovation capacity; (v) Public and Private partnership Research Grants; and (vi) Research Dissemination and Science Communication.

9.5.6.4 Regional Science Granting Councils', the Zambian National Science and Technology Council (NSTC) and Mozambican National Research Fund (NFI)

Another partnership has been with Zambian National Science and Technology Council (NSTC) and Mozambican National Research Fund (NFI) whose main objective is to establish a formal co-operation in the fields of research, science technology and innovation. Areas of cooperation include (i) Research and development, and management of granting in joint research priorities; (ii) Promotion of public understanding of science, engineering and technology; (iii) Upscaling of funded projects and dissemination (and where applicable, technology transfer and commercialization); (iv) Science, Technology and Innovation Policy Development; (v) Human Capacity Development in science, technology and innovation (ST&I); and (v) Exchange and learning visits of staff of the Parties and researchers of Zambia and Malawi in any specifically identified area of need of each Party.

9.5.7 Establishment of Public and Private Innovation Hubs

Malawi continues to witness establishment of Innovation Hubs that are fostering innovation and entrepreneurship developments. Malawi has registered over 10 Innovation Spaces of which the most active ones are mHub, The Garage (MUST), Project Innovation Centre, Polytechnic Innovation Hub, Inventors Association of Malawi, LUANAR Innovation Hub and the Technology Innovation Support Centres Network (TISC Network). Through United Nations Economic Commission for Africa (UNECA), NCST has developed a framework of assessment of the Innovation Hubs in the country. However, the Covid-19 pandemic has limited the process of data collection and assessing the achievements. Only mHub achievements have been included in this report.

mHub is a social enterprise that trains, mentors and incubates youth and women entrepreneurs with business development expertise. mHub has directly impacted the youths and women through interventions in entrepreneurship, technology, training and outreach. In this report, focus has been put on Business Growth Accelerator programme, Fembiobiz programme, Techtribe Accelerator, Using technology as a tool for accelerating justice (Ufulu Wanga), and ICT for citizen engagement, transparency and accountability.

9.5.7.1 Harnessing Impactful Businesses through the Growth Accelerator

Growth Accelerator is an acceleration programme for post-revenue innovative and impactful businesses. The programme offers each entrepreneur access of up to USD40, 000 in financing and six months of technical assistance and mentorship. The 12-month programme selects a cohort of 10 to 15 Entrepreneurs annually. The programme is supported by United Nations Development Program (UNDP) Malawi and The Royal Norwegian Embassy and implemented by mHub and GrowthAfrica. Furthermore, the programme has partnered with four private sector investment partners namely: Accesserator, Kweza Equity Partners, National Bank of Malawi and Ecobank Malawi Ltd to promote private sector engagement in supporting Small and Medium Enterprises.

In 2019 Growth Accelerators entrepreneurs created 35 permanent jobs and they successfully matched entrepreneurs to mentors, and 55 percent of the 2019 cohort were women. Growth Accelerator has conducted trainings in leadership and visioning, customer segmentation, market and competition, financial management as well as business growth plans, just to mention a few.

Entrepreneurship is a challenging balance of socially conscious business practices and profit optimization. This is why entrepreneurship has a significant positive impact on the community and the environment at large. Growth Accelerator is a programme that aims to support the budding entrepreneurship eco-system in Malawi, with a focus on post-revenue businesses. The programme aspires to promote entrepreneurs with high social impact potential. This support includes: mentorship, technical business assistance, and a co-financing facility of up to USD40, 000. The programme champions a blended approach of financing that

includes loans and equity investment, with the aim of stimulating private finance appetite for post-revenue Small and Medium Enterprises.

The Growth Accelerator provides an environment that allows entrepreneurs to critically analyse their business challenges and create realistic, attainable and step-wise growth strategies. The six-months of cohort based business audit and analysis sessions, combines workshops, peer-to-peer learning and expert feedback sessions, to support entrepreneurs in ultimately developing a well-informed three-year growth plan. The programme further capitalizes on the wealth of experienced professionals by providing the entrepreneurs with experienced mentors and sages. Mentors are strategic advisors that provide feedback on the overall growth and strategy of a business; whilst sages are experts in specific fields who can provide insight and direction in their technical area. For example; a mentor will help one think through their strategy whilst a sage in financial management will help one setup their accounting software and recruit an accountant. The programme Growth Accelerator's first cohort of 11 exciting ventures have completed their workshop phase and are deep into implementing their growth strategies with the support of their mentors and sages.

The 11 ventures are namely: Apex Medical Laboratories, Chonona Aquaculture, Environmental Industries, Honey Products Industries, Infinity Energy, Kombeza Foods, Pamudzi Property Investments, Thanthwe Farms, Tehilah Bakery and Value Addition Center, Truss Group and Wijays Enterprises.

One highlight is Kombeza yoghurt, founded and run by Mdingase Chirwa. Kombeza's journey started with struggles of selling fresh milk to consumers and evolved to finding innovative ways to conserve milk. After attending an official training in South Africa on yoghurt production, Kombeza Yoghurt was born. Kombeza is a drinking yoghurt largely found in Blantyre City and now in Lilongwe and other cities in Malawi. Kombeza joined Growth Accelerator with a capacity of 400Litres a day produced at home. Today Kombeza Foods has almost completed its factory with funding from Growth Accelerator and is at a capacity of 1,200Litres of yoghurt per day.

Also on the road of growth is Infinity Energy Solutions; an energy company that creates an alternative cooking fuel. From a small space behind a bar and a maximum capacity of 16 tonnes a month, Infinity Energy now has its own premises and produces 60 tonnes of briquettes per month. Through the Growth Accelerator programme, Infinity Energy has purchased heavy duty machinery and developed appropriate processes that have pushed the company further into actualizing their growth. Infinity Energy is also one of the beneficiaries of the blended financing option pairing with an equity investor.

Growth Accelerator is in the process of selecting its 2020 cohort and aspires for a diverse, impactful and innovative cohort as was round one. Growth Accelerator is implemented by mHub, Malawi's first innovation and incubation hub; and GrowthAfrica, a business accelerator working across five African countries. The programme has four investing partners: Kweza Partners, Accesserator, National

Bank of Malawi and EcoBank; with the Royal Norwegian Embassy and UNDP Malawi as principal partners.

9.5.7.2 Accelerating Female Entrepreneurs in Bio-Sciences: The Fembiobiz Programme

FemBioBiz Acceleration Programme is an initiative by Southern Africa Network of Bio-sciences (SANBio) with support from Hivos Southern Africa. The aim of the programme is to transcend women inclusion in the field of bio-science entrepreneurship by providing business development services, regional and national exposure to markets, and access to mentors and potential access to finance. In 2019, mHub as the FemBioBiz Acceleration Programme Season III Malawi country co-ordinator, was responsible for providing business development training to shortlisted women entrepreneurs and conducting in-country pitch competitions. FemBioBiz Acceleration Programme issued a call for applications from the 28th March 2019 to 20th April 2019. Malawi received a total of 206 applications and shortlisted 30 participants to attend a Boot-camp. The first Boot-camp was held from the 6th September 2019 and concluded with a pitch competition on 8th September 2019. The Boot-camp was held at Crossroads Hotel, Lilongwe.

After a rigorous selection process 10 participants were chosen for the second boot-camp that was hosted from the 16th September, 2019 to the 17th September, 2019 and the final pitch competition was held on 23rd September 2019. Yankho Kaimila and Mwayi Kampesi emerged as in-country representatives of the season III of the FemBioBiz initiative and went on to compete on a regional level in South Africa, Capetown. Yankho plans to expand her nutritional services by creating a contextualized weight loss app for food available in Malawi whilst Mwayi has created an alternative cooking fuel to charcoal.

9.5.7.3 Using Technology to bridge the Entrepreneurial Pan African Gap: TechTribe Accelerator

TechTribe Accelerator conducted a RoadShow in five SADC countries of Zambia, Tanzania, Botswana, Namibia and Malawi. mHub took the lead in planning the launch roadshow in Malawi that took place on 13th September 2019 at Capital Hotel. The launch was attended by over a 100 entrepreneurs, mentors, hubs and other institutions working with entrepreneurs such as Small and Medium Development Institute (SMEDI) and Malawi University of Science and Technology (MUST) Innovation center to mention a few. TTA closed applications on the 24th November 2019 with 256 applications. Malawi had the second highest number of applications with 12 percent of the application pool coming from Malawi. As of December 2019, 100 participants were selected to participate in the TTA starting January 2020.

TechTribe Accelerator (TTA) is a Pan-African online accelerator and virtual mentorship platform for post-revenue tech and IP driven impact entrepreneurs in the SADC region. The programme is designed for ventures who primarily seek to become grant and/or investment ready. Its offering includes: online learning; virtual

mentorship; access to investment opportunities; and a peer network. The first cohort of 100 entrepreneurs is generously funded by Southern Africa Innovation Support Programme (SAIS 2). The programme has a consortium of four organizations: Southern Africa Innovation Summit (SAIS), Impact Amplifier, Southern African Network of Biosciences (SANBio) and mHub. mHub brings its wealth of industry knowledge in entrepreneurship and practical experience of running an accelerator programme in Malawi to the creation of the Pan-African online accelerator.

9.5.7.4 My Rights, Your Rights, Our Rights: Using Technology as a Tool For Accelerating Justice (Ufulu Wanga)

Ufulu Wanga is Malawi's first ICT for Human Rights initiative that promotes and protects the rights of the citizens using advanced and basic innovative technology platforms such as SMS, USSD, website and social media. Using the platform, citizens report on human rights violation and abuse; and access basic information about human rights. Ufulu Wanga has reached out to over 5,000 beneficiaries since its inception in the year 2016. 2019 was a fruitful year for Ufulu Wanga having reached out to a total of 3,500 beneficiaries. The team conducted a digital campaign for the 16 Days of Activism against Gender Based Violence with the Malawi Irish Consortium on Gender Based Violence (GBV). Through Our Shared Goal initiative run with support from British Council Malawi aimed at smashing all gender stereotypes using football, Ufulu Wanga enrolled two cohorts in football and life skills and hosted a community festival with over 668 adolescents in attendance.

9.5.7.5 ICT for Citizen Engagement, Transparency and Accountability

The ICT for Citizen Engagement, Transparency and Accountability is a project that has been in implementation since 2016. The project is built on the foundations of an integrated mobile web-based technology platform called "Mzinda" which means "City" in the vernacular Chichewa language. Since its inception, the project has been implemented with support from various partners and with different targeted geographical locations and or programme partners and stakeholders. The partners that have supported the use of the Mzinda platform over the last three years include: the Open Society Initiative for Southern Africa (OSISA) and DAI under the Local Government Accountability and Performance (LGAP) framework with support from the UKAID and United States Agency for International Development (USAID). Mzinda response rate in 2019 was recorded at 92 percent; a total of 121 reports came in from the citizens and 64 percent of these being verified and resolved.

Chapter 10

TOURISM

10.1 Tourism Performance in Malawi

Travel and Tourism is an emerging economic sector of influence in the world. Accounting for 10.3 percent of the global GDP, the World Travel and Tourism Council (WTTC) reports that in 2019 the sector grew by 3.5 percent compared to 2.5 percent growth of the global economy. The same applies to the SADC region where the tourism sector is contributing 7.2 percent of total GDP and 6.9 million jobs. In Malawi, tourism sector is among the hardest hit sectors of the raging COVID-19 global pandemic. According to the United Nations World Tourism Organization (UNWTO), the unparalleled introduction of travel restrictions across the world are expected to reduce international tourist arrivals by 20 percent to 30 percent in 2020 when compared with 2019 figures. However, UNWTO stresses that these numbers are based on the latest developments as the global community faces up to an unprecedented social and economic challenge and should be interpreted with caution in view of the extreme uncertain nature of the current crisis.

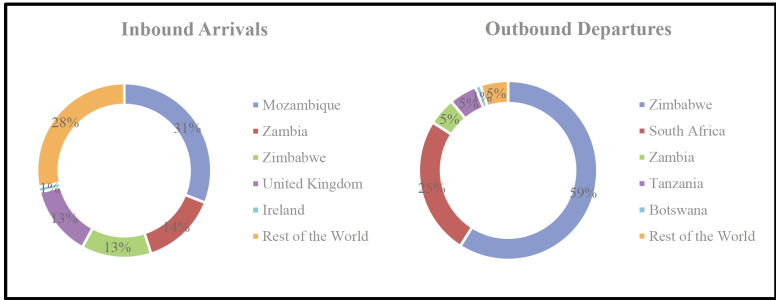
The expected fall of between 20 to 30 percent in arrivals could translate into a global decline in international tourism receipts (visitor exports) of between USD300 to 450 billion, almost one third of the US\$ 1.5 trillion generated in 2019. Taking into account past market trends, this would mean that between five and seven years' worth of growth will be lost to COVID-19. Putting this into context, UNWTO notes that in 2009, on the back of the global economic crisis, international tourist arrivals declined by 4 percent, while the SARS outbreak led to a decline of just 0.4 percent in 2003.

Locally, WTTC reports that the total contribution of Tourism to GDP in Malawi has dropped from MK 403 billion to MK 389 billion. This represents a reduction of about 13% from 7.7 percent to 6.7 percent of GDP. The total contribution of the sector to employment is at 525 thousand jobs, representing 6.8 percent. Visitor exports, foreign exchange earned within the country generated by international tourists' expenditure on business and leisure trips, including spending on transport, have increased from MK 26.8 billion to MK 32.6 billion, representing 2.2 percent of total exports. According to National Statistical Office (NSO), the number of international visitors currently is about 840,000. In terms of expenditure characteristics, 25 percent is leisure spending while the rest is business spending.

As indicated in figure 10.1 below, Mozambique leads inbound tourist arrivals with 31 percent, Zambia 14 percent, Zimbabwe 13 percent, United Kingdom 13 percent, Ireland 1 percent while the rest of the world contributes 28 percent. Zimbabwe leads the outbound tourism with 59 percent followed by South Africa at 25%. At 5% each, Zambia and Tanzania are the third destination of choice for Malawi's outbound travelers. Malawi has not been spared from the effects of the COVID-19 pandemic which has caused travel restrictions globally. As a result, in

2020 Malawi has experienced a steep decline in international visitor arrivals thereby affecting visitor experts and employment in the sector. Further local restrictions and measures to reduce COVID-19 infections are expected to lead to a decline in domestic tourism and slow down of economic activities.

FIGURE 1.1: INBOUND AND OUTBOUND TOURISM FOR MALAWI



Source: WTTC

10.2 Major Challenges and Constraints to Development and Promotion of Tourism

The major challenges that are frustrating the Government to turn Malawi into one of the leading tourism and investment destinations in the region and the world at large are as follows:

10.2.1 Current COVID 19 pandemic

The current local and international travel restrictions have negatively affected the local tourism industry due to the abrupt decline in international tourist arrivals, patronization of tourism facilities and general economic activities. This is expected to affect the sectors contribution to foreign exchange earnings, GDP and employment. Other sector initiatives being implemented by Government and other stakeholders have also slowed down due to the same reasons. However, as part of sustaining business in the sector, Government has introduced incentives such as the suspension of the Tourism Levy in order to encourage patronization of the tourism facilities.

10.2.2 Lack of Land for Tourism Investment and Limited Tourism Investment Incentives

Despite an increasing number of investors willing to invest in Malawi especially in districts along the Lakeshore and in other areas with tourism potential, there is lack of land to cater for such investments. This calls for Government to properly map and zone the land. In addition, fluctuating, inconsistent, unclear and uncompetitive investment incentives discourage local and foreign direct

investment. Moreover, the current incentives structure is quantitative rather than qualitative and disadvantages the MSMEs that represent the majority of operators in Malawi. The “Promoting Investment and Competitiveness in the Tourism Sector (PICTS)” project that the Government is implementing with support from the AfDB will address this challenge through mapping and zoning of all areas with potential for tourism development.

10.2.3 Inadequate Tourism Information Base

Currently, the Tourism sector in Malawi faces a huge challenge in terms of limitations in data gathering, analytical and storage capacity to support and inform decision-making in the sector. This greatly affects policy and investment decisions in the sector. In order to address this, the Government, in conjunction with the AfDB, under the PICTS project, is building capacity for tourism statistics so that data on tourism is readily available and the economic contribution of the sector is clearly known or quantified.

10.2.4 Low Service Quality and Underdeveloped Product

The tourism sector in Malawi is largely characterized by low service quality as a result of limited supply of skilled labour, lack of high quality training institutions and outdated curriculum, low literacy levels, limited number of specialist investors and unattractive conditions of service leading to unmotivated labour force. Low quality of services adversely affects the competitiveness of the destination. Further to that, Malawi’s diversity of natural, cultural and man-made attractions is generally underdeveloped. These include sites and events linked to cultural, colonial and religious heritage. They also include the lakeshore, mountains and protected areas. Further, wildlife population is also low due to poaching, encroachment, inadequate funding for wildlife conservation and enforcement and environmental degradation of areas with outstanding natural beauty.

As part of the efforts to address this, the World Bank is supporting Government, through the Skills Development Project at Mzuzu University (MZUNI) aimed at increasing access, market relevance, sustainability and cost efficiency of hospitality and tourism courses. The focus of the project at MZUNI is to establish a Skills Development Centre, supply equipment and upgrade staff skills. On the other hand, The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), through the More Income and Employment in the Rural Areas (MIERA) programme, is also supporting the Government to strengthen vocational education and training at Malawi Institute of Tourism (MIT). In addition, Government intends to increase the capacity of the MIT by building a modern tourism training school at Lingadzi Inn in Lilongwe.

10.3 Current Interventions in the Sector

10.3.1 Implementation of the National Tourism Policy

Following the approval of the National Tourism Policy in February, 2019, Government is implementing initiatives aimed at achieving the policy objectives.

The overall aim of the policy is creating an enabling environment for development, regulation and promotion of a sustainable tourism sector which enhances tourist experiences and satisfaction whilst improving the socio-economic wellbeing and maintaining cultural identity of the local communities. The Policy presents the direction of Government towards transforming the sector into a major source of economic growth, job creation and tool for poverty reduction.

Among other interventions, Government is pursuing several reforms which will help transform the sector as outlined in the policy. This includes the establishment of appropriate semi-autonomous Tourism Authority which will be responsible for regulation and marketing. This will be preceded by a functional review for the Ministry responsible for Tourism aimed at delinking the regulation and marketing functions from the institution. Government is also pursuing the review of the tourism law in order to strengthen enforcement and compliance with minimum standards.

As a way of creating a platform for stakeholder dialogue aimed at improved coordination and implementation of tourism interventions, Government is working towards strengthening Tourism Sector Working Group (TSWG). The policy also encourages empowerment of local authorities to monitor and enforce standards for tourism developments in their vicinities. This will involve devolving some tourism functions to local authorities. Some specific policy initiatives in the sector are as follows:

10.3.2 Marketing Initiatives

In order to attract foreign tourists, Government is intensifying tourism marketing and promotion of Malawi as a tourist destination as a way of creating awareness in both domestic and international markets. Currently, Government is implementing Tourism Marketing Strategy, a five-year strategy for marketing Malawi locally, regionally and internationally.

However, due to the current COVID-19 pandemic, implementation of some key marketing interventions has been negatively affected. For instance, the annual Takulandirani Malawi International Tourism Expo (MITE) which was planned to take place in April, 2020 has been postponed to a later date. MITE is an annual event which gives a platform to over 80 local and international tourism and related businesses to exhibit their products and services. Over 40 international buyers participate. Since the establishment of MITE in 2017, Malawi's profile as a tourist destination has improved.

10.3.3 Development of a Tourism Investment Masterplan

Malawi is endowed with rich natural and cultural resources. However, most of these are not fully developed for tourism purposes. Furthermore, rapid population growth and climate change puts pressure on these resources. In areas where tourism development has taken place, the development has been haphazard resulting in incompatible land use.

To this end, Government with support from the African Development Bank (AfDB), is developing a Tourism Investment Master Plan which will serve as a central document for promoting tourism development in Malawi. The document will incorporate all aspects of tourism to ensure proper coordination of tourism activities. The Master Plan will highlight current gaps in coordinating tourism activities and recommend ways to improve coordination and allocate responsibilities to all stakeholders.

The Masterplan will also help solve the urgent need to conduct a tourism investment mapping for tourism developments especially along Lake Malawi and other sites with tourism potential across the country. This will ensure that future tourism industry is well planned and monitored. The exercise will also ensure availability of infrastructure for the development of tourism in Malawi. So far, an assessment of the current status has been conducted and the exercise is currently in the phase of developing profiles for the ten tourism development zones.

10.3.4 Improvement of the System of Tourism Statistics

The Tourism sector in Malawi is also challenged by inadequate information base. This includes limitations in data gathering, analytical and storage capacity to support and inform decision-making in the sector. As such, Government, with support from AfDB, is supporting initiatives aimed at providing decision-makers in Malawi with the information necessary to monitor and guide progress in the development of the tourism sector and the general economy for the benefit of the nation. This is being done by providing support to the Department of Tourism and its fellow members of the Inter-Institutional Platform (IIP) on Tourism Statistics to improve and sustain the production of a comprehensive system of tourism statistics (STS) with a view to compiling a Tourism Satellite Account (TSA) using the UNWTO methodology with the help of Technical Assistance from UNWTO.

So far, an assessment of the current status of Tourism Statistics has been carried out and the first phase of training workshops on Tourism data gathering and analysis has also been conducted. The next phase is to conduct the Domestic and Outbound Tourism Survey as well as the Visitor Exit Survey in order to compile data necessary for the development of the TSA.

10.3.5 Building Capacity for Tourism Micro Small and Medium Enterprises (MSMEs)

The National Tourism Policy recognizes that MSMEs represent the majority of operators in Malawi. It also calls for the promotion of youth and women empowerment in tourism. As such, through the Promoting Investment and Competitiveness in the Tourism Sector (PICTS) project, Government is also implementing initiatives aimed at developing a conducive business environment for the development of MSMEs in the tourism sector. Through these initiatives, youth and women will be capacitated to invest and manage businesses in the hospitality and tourism sector. In its 2010 report, World Bank indicated that involvement of MSMEs in the tourism sector has been mostly opportunistic in Malawi, particularly by non-specialized domestic investors interested in niche

opportunities, which resulted in a lack of professionalization of the sector and service quality below standards. The Tourism sector also has a pro-poor impact through employment and business opportunities, often in remote areas where there are few other opportunities.

In order to take advantage of these opportunities and create jobs for youth and women, the sector requires (i) an efficient Public Private Dialogue (PPD); (ii) skilled human resources through market driven curriculum and strong linkages with the industry and (iii) MSME development through business incubation and capacity building.

In order to develop the Tourism MSME sector, Government through the PICTS project, conducted a scoping study and needs assessment of Tourism MSMEs. The objective of this activity was to analyse the tourism value chain and assess training needs of MSMEs and players operating in the tourism sector, including women, youth; and develop/adapt, translate training materials in cooperation with local training institutions to be selected on a competitive basis. The next phase of the exercise is selection of trainers and training of trainers for Tourism MSMEs. This will be followed by actual training deployment for MSMEs. Trainings will include basic enterprise management and entrepreneurship, conservation awareness, introduction to the history of cultural sites in Malawi, standards and grading and specific technical skills in tourism required to upgrade various players in the value chain. Trainers will be in charge of coaching and counselling a defined number of MSMEs.

Chapter 11

LOCAL GOVERNMENT AND RURAL DEVELOPMENT

11.1 Overview of Integrated Rural Development and Decentralization Sector

Development of all aspects of rural communities is vital for effective improvement of local authorities. These aspects include infrastructure, employment opportunities, housing, civic amenities, agriculture, health, education, and environmental conditions. Malawi adopted integrated development as a deliberate approach to connect the design, delivery and evaluation of programmes across disciplines and sectors in order to produce an amplified, lasting impact on the people's lives. Malawi Growth and Development Strategy (MGDS) III recognises that inclusive and Integrated Rural Development requires that all stakeholders are involved regardless of sex, age, race, religion, ethnicity, and political affiliation. Government of Malawi adopted a National Decentralization Policy in 1998 with the aim of devolving some functions from the central government to councils. Upon effective decentralization, the country will realize participatory planning, implementation, monitoring and evaluation of policies and programmes; and increased impact of development interventions at the local level for the benefit of local citizens. It is expected that councils will continue to take an active role in effective implementation of development programmes and projects that help the country attain sustainable development. Strategies to transform Malawi (especially in rural areas) have to address the challenge of low investment and productivity, poor infrastructures and unfavourable policy and regulatory frameworks in local authorities.

By involving all stakeholders in rural development, synergies are promoted in resource mobilization, planning, coordination, implementation, monitoring and evaluation. This is opposed to the previous fragmented, piecemeal and uncoordinated approach that characterized development interventions in rural areas. The development of Rural Growth Centres (RGCs) is at the centre of Integrated Rural Development (IRD) approach for improved service delivery and reduce rural-urban migration, since Malawi is at an early stage of urbanisation (only 16 percent of its population live in urban areas). The occurrence of these problems and challenges, not only impose detrimental effects upon the living conditions of the local citizens, but also impose barriers in the course of their progression.

Government, therefore, adopted the RGCs development approach which involves construction of rural infrastructure such as markets, small-scale factories, community banks, health centres, police units, community grounds (sports stadiums) and rural roads within the realm of Integrated Rural Development Strategy (IRDS). In order to achieve these aspirations, Ministry of Local Government and Rural Development and Local authorities, continued implementing various development programmes and projects during the 2019/2020 fiscal year (FY) and plans to further roll out implementation of these

development endeavors in the 20/2021 FY and beyond. This chapter therefore, highlights key achievements that have been attained during the 2019/2020 FY in tandem with strategic focus areas of the local government sector as stipulated in the policies and local development plans, and also Sustainable Development Goals (SDGs).

11.2 Major Achievements during the 2019/20 FY

The major achievements for the period under review include: continued construction of RGCs, urban and rural market centres, mini stadia, district commissioners' and civic offices, bus depots and rural roads. The achievements occurred throughout the key priority outputs as follows:

11.2.1 Local Economic Development and Investments

The Local Economic Development intervention's objective is to improve economic wellbeing of the rural population in the impact areas, which are 86 percent of the total over 17 million people. Evidence shows that interventions have achieved their development objectives as confirmed by the Beneficiary Assessment that showed that 92 percent of beneficiaries expressed satisfaction with Project interventions (NLGFC, Annual Report, 2019). Key interventions include construction of RGCs, urban and rural markets centers, community grounds, bus depots and other rural infrastructure including rural roads. The interventions, specifically sought to (i) Increase incomes of households; (ii) Support sub-projects geared towards spurring local economies and development of growth centres; (iii) Support provision of technological and business skills training to local entrepreneurs; (iv) Support beneficiaries to engage in savings and acquire business skills and (v) Facilitate provision of business advisory services.

11.2.2 Rural Growth Centres (RGCs) Development Programme

Most rural areas in Malawi are characterised by inadequate infrastructure and service provision, weak employment and income growth, and rising poverty. Integrated Rural Development is a catalyst of poverty reduction in rural areas. According to recent studies, RGCs model has proven to have potential to generate economic gains which can lead to improvements in rural livelihoods in both medium to long term.

In the period under review, a total of three (3) medium to large scale project investments (RGCs) have been implemented in Dowa (Nambuma), Chikhwawa (Chapananga) and Mchinji (Mkanda) districts. Key infrastructure developed include: completion of the construction of health centre at Nambuma; and markets and bus depots at Mkanda and Chapananga . Table 11.1, indicates progress achieved during implementation of RGCs in the FY under review.

TABLE 11.1: PROGRESS ON RURAL GROWTH CENTRES

<u>Name of RGC</u>	<u>Structures</u>	<u>Outstanding Works</u>	<u>Progress to Date</u>	<u>Annotations</u>
Nambuma	Health Centre	Landscaping	Works in progress (95 percent completion rate)	Substantially complete
Chitekesa	1. Market kiosks	Finishes	Work in progress (80 percent completion rate)	Substantially complete
Chapananga	1. Market kiosks	Drainage works and Installation of transformer	Work in progress (98 percent completion rate)	Substantially complete
	2. Market sheds	None		
	3. Bus depot	None		
	4. Drainage works	None		
Mkanda	1. Market kiosks	Filling of pits in the markets	Work in progress (98 percent completion rate)	Substantially complete
	2. Market sheds	None		
	3. Bus depot	None		

Source: MLGRD, 2020

For some projects such as Chitekesa RGC completion delayed due to compensation issues and flooding when the site was used as a shelter camp. Following evacuation of the flood victims, the contractor demanded revision of contracts to accommodate inflation and devaluation of the local currency which has taken place with passing time and has rendered building materials expensive. The contractor has downsized on the construction of the Market and the Bus Depot awaiting revision of project costs. Despite these challenges, Ministry of Local Government and Rural Development is committed to successfully complete these projects because of their catalytic role to rural development and also the potential to curbing rural-urban migration. It is envisaged that the investments that will be made in RGCs will create a conducive environment for economic growth and prosperity of the rural populace, thereby reducing rural poverty.

11.2.3 Markets Development Programme (Urban and Rural Markets)

The Market Development Programme is aimed at improving rural marketing system, so that rural buyers can easily access needed standard goods and services at fair prices. Additionally rural marketing can also improve their income and all these aspects can directly improve living standards. Overall, during the 2019/20 FY, a total of five markets were constructed namely: Mulanje district (Mulanje Mission Market, Chinakanaka Market, Nsika wa Njala Market and Nsanje (Nsanje Boma and Tengani). Currently, constructions of works are in progress at Nsanje, Tengani, Chinakanaka and Mulanje Mission markets. The major challenge so far has been resistance from vendors at Nsanje Boma who are demanding compensation thereby delaying construction of the market. Table 11.2 presents progress on the urban and rural markets.

TABLE 11.2: PROGRESS ON URBAN AND RURAL MARKET CONSTRUCTION

<u>Name of RGC</u>	<u>Structures</u>	<u>Outstanding Works</u>	<u>Progress to Date</u>	<u>Annotations</u>
Chinakanala Market	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery 5. Perimeter Fence	Finishes None None None None	Works in progress	NA
Mulanje Mission	1. Market sheds	Pavement and water	Works halted due to valuation wrangle	Works substantially Complete
Chapananga	1. Market kiosks 2. Slaughter house 3. Market kiosks 4. Butchery 6. Perimeter Fence 6. Pavements Works	Drainage works and Installation of transformer None None None None None	Work in progress (98 percent completion rate)	Substantially complete
Nsanje Boma market	1. Market Kiosks 2. Market sheds 3. Bus depot 4. Slaughter house 5. Water pump 6. Butchery	Finishes, slaughter house, water pump and butchery None None None None None	Works in progress	Most of the structures are at finishing stage
Tengani Market.	1. Market Kiosks 2. Market sheds 3. Bus Depot 4. Water pump	Bus depot and water pump None None None	Works in progress	Kiosks (shops) and sheds are completed

Source: MLGRD, 2020

As presented in Table 11.2 above the analysis has revealed that there has been commendable progress in the year under review (over 95 percent completion rate). Nonetheless, for Markets that were completed during the last reporting period, traders continue to shun the facilities due to outstanding basic amenities such as access roads which have higher total estimated project costs compared to the actual project of market construction. This revelation proves the importance of integrating views of all key stakeholders during the planning stages of such investments.

11.2.4 Construction of Mini Sports Stadia/Community Grounds

Given the young population and youth enthusiasm and interest in sports, the need for authorities to develop a plan for development of sport facilities in different parts of Malawi cannot be overemphasised. The aim of the Stadia project is to enhance distribution of sport stadiums in rural and urban areas thereby propelling rural talent to championship as well as using them for revenue generation for the councils. The use of sports stadia for economic development and regeneration has gained increasing credibility in recent years, both academically and in terms of rural and urban policy. During the period under review four community grounds were being constructed. The beneficiary councils included Zomba, Thyolo, Ntcheu and Mzimba with Ntcheu stadium being about 65 percent complete and scheduled to be completed by September 2021. As shown in Table 11.3 below, construction of different stadia was at various stages.

TABLE 11.3 PROGRESS ON THE CONSTRUCTION OF COMMUNITY STADIUMS

<u>Name of RGC</u>	<u>Structures</u>	<u>Outstanding Works</u>	<u>Progress to Date</u>	<u>Annotations</u>
M'mbelwa	1. Construction of fence	Apart from the fence works are still outstanding	Works in progress	Works delayed due to lack of structural designs
	2. Construction of dressing rooms	None		
	3. Pitch improvement	None		
Mulanje	1. Construction of perimeter	All the works are still outstanding	Works in progress valuation wrangle	The works delayed due to lack of structural designs.
	2. Construction dressing rooms			
	3. Pitch Improvement			
	4. Elevation of stands			
Ntcheu	1. Construction of perimeter fence	All works are still outstanding	Work in progress (98 percent completion rate)	The works delayed due to lack of structural designs. Currently, there is need of funds to honour outstanding certificates.
	2. Construction dressing rooms	None		
	3. Pitch Improvement	None		
	4. Elevation of stands	None		

Source: MLGRD, 2020

As presented in Table 11.3 above there has been a slow pace in the construction of works and this is because of downward revision of the budgets over the past two years. For all projects constructing stadia, progress is below 50% completion rate, except for Ntcheu stadium.

11.2.5 Construction of Council Offices

Every business needs its employees to work together as a team in a health environment to create and innovate. In addition to productivity, a functional workspace contributes to the value of an institution and also helps in attracting quality workforce and clients. In the year under review, the Ministry of Local Government and Rural Development continued constructing four council office buildings namely: Thyolo, Ntcheu, Mzimba and Mzuzu. This Project has been developed after noticing various challenges including dilapidated offices and serious shortage of office space leading to public offices being dispersed across the council instead of being under one roof. These challenges have affected quality of service delivery by the councils.

TABLE 11.4: PROGRESS ON THE CONSTRUCTION OF COUNCIL OFFICES

<u>Name of RGC</u>	<u>Structures</u>	<u>Outstanding Works</u>	<u>Progress to Date</u>	<u>Annotations</u>
Thyolo DC's Office	1. Office Block	Construction stalled and contract terminated	Works being retendered	There was no progress due to payment wrangle and non availability of labour force on site.
Ntcheu DC's Office	Office Block	Tendering halted	No progress	Due to in adequate funding Ntcheu was shelved.
Mzimba DC's Office	Office Block	Construction is currently at about 20percent	Construction in progress	Works were halted due to vandalism during mass demonstrations and lack of structural designs.
Mzuzu Civic Office	Office Block	Construction halted	No progress	Works couldn't commence due to inadequate budget provision.

Source: MLGRD, 2020

11.2.6 Construction of Bus Depots

In recent years, the number of public vehicles increased sharply in many councils, which has negatively impacted public transportation in both urban and rural areas especially with regards to parking space. A good public transport facilities such as bus depots, road network among others, particularly in productive rural areas, is pre-requisite for rural development and growth. During the 2019/20 fiscal year 2 bus depot were being constructed in Nsanje and Nkhata Bay District Councils; and Lunchenza Municipal Council.

TABLE 11.5: PROGRESS ON THE CONSTRUCTION OF BUS DEPOTS

<u>Name of RGC</u>	<u>Structures</u>	<u>Outstanding Works</u>	<u>Progress to Date</u>	<u>Annotations</u>
Nsanje	Bus Depot	None	Work in progress	NA
Luncheza	Bus Depot	None	Completed	Handed over to the council
Nkhata Bay	Bus Depot	None	Completed	Handed over to the council

Source: MLGRD, 2020

Table 11.5 above shows that two of the three bus depots were completed and handed over to councils and are now in use. The councils have started collecting revenues from these structures and the revenue generated will help to supplement revenues of these councils thereby improving their daily operations.

11.2.7 Construction of Rural Roads

Rural roads are critically enabling condition for improved living conditions in rural areas and are needed to facilitate access to markets therefore encouraging commercial activities, schooling, health services and many other social and economic activities. A good transport network improves access to goods and services and is generally considered to be a fundamental determinant of local economic growth. Poor transport systems are said to encourage isolation of rural areas by limiting opportunities in the affected areas due to, among others, restricted access to goods and services as a direct consequence of high transportation costs. In view of this, the local Governments and development partners have been pushing for increase investment in rural roads. In the year under review, five rural roads were under construction as depicted in the Table 11.6 below. These projects are at different levels of completion. For example, three of the roads were completed (except construction of Namadzi, Natchefu, Mpatsa and Ngulura Brides at Thyolo-Goliati-Mangunda Road, which are at various stages of completion rate) but other roads including Linengwe Bridge on Balaka-Bilira via Mkwisa Road stalled due to funding challenges.

TABLE 11 6: SHOWING THE PROGRESS OF THE RURAL ROADS

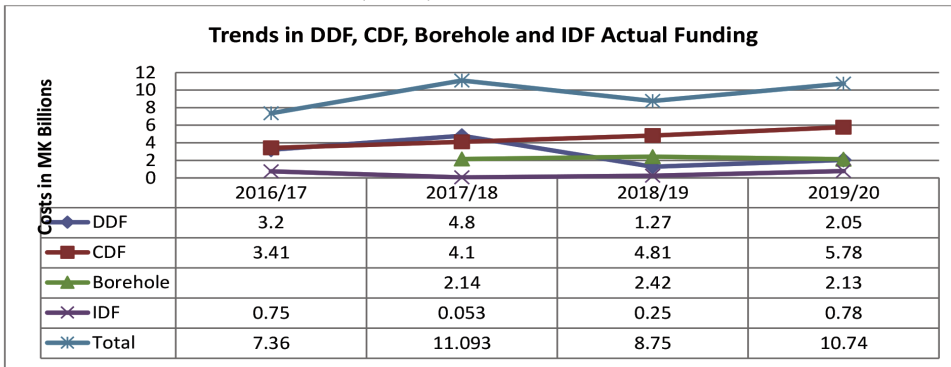
<u>Name of RGC</u>	<u>Structures</u>	<u>Outstanding Works</u>	<u>Progress to Date</u>	<u>Annotations</u>
Balaka- Bilila via Khwisa (Phase 1)	The upgrading of the road to asphalt standard (13.5 km).	None	Completed	Need for funds to honour outstanding payments due to in adequate funds
Khwisa– Bilila) Phase 2	The upgrading of the road to asphalt standard (10 km).	Original works completed but there is Linengwe Bridge that needs construction.	Designs and tender documentation	Need for funds to honour outstanding payments on completed works while the bridge awaits confirmation of funds
Thyolo-Goliati-Mangunda Turn-Off Road (16.5) km	The upgrading of the road to asphalt standard (16.5 km)	Namadzi bridge, Nantchefu, Mpsa and Ngulula bridges	Works in progress	Need for additional funding to honour outstanding certificates.
Mulanje-Selected roads (13.3km)	1. Chinakanaka Turn Off to Nasomba CDSS (6.22 Km) 2. Thunguzi to Sikoya Road (2.5 Km) 3. Nkhonya-Thabwa Road (5.48 Km)	Original works completed but there is an additional 4.2 kms from Nansomba Turn off to the nearest trading centre- Msikawanjala.	Preparation of an addendum	Need for funds to honour outstanding certificates.
Chiweta-Mlowe (11 km)	Upgrading of the road to asphalt standard.	Bill of Quantities and Construction works	Designs have been completed	There is need of funding in the budget to commence civil works

Source: MLGRD, 2020

11.2.8 Projects under Constituency and Borehole Development Fund

The Constituency Development Fund (CDF) was established in 2006 and is there to respond to immediate, short-term community development needs on the local communities. It is a means of ensuring that rural development spreads evenly throughout the local authorities. Projects being financed under CDF include construction of bridges, markets and market sheds, CBCCs and ECDs centres, small clinics, boreholes, school blocks and houses/small offices for frontline extension workers. The fund is administered by the Members of Parliament (MP) as presented in figure 11.1 in accordance with the CDF Guidelines.

FIGURE 11.1: TRENDS IN EDF, CDF, BOREHOLE AND IDF ACTUAL FUNDING



11.2.9 Projects under District Infrastructural Development Fund

The DDF/ Infrastructural development fund (IDF) aims at funding investment projects in the councils. The fund was introduced as part of devolution of micro-projects to the councils. Just like CDF, projects being financed under DDF include construction of minor projects such as bridges, boreholes, school blocks and houses for frontline and extension workers. During the reporting period, the local authorities were funded MK2.83 billion which MK0.78 billion was for IDF. The IDF is for urban councils’ infrastructure development projects and this does not include urban roads rehabilitation. Implementation of projects are at different stages in different councils, for instance in Kasungu District Council 10 projects were implemented and are at different completion rates.

11.3 National Decentralization Program II (NDPII)

Decentralisation is seen as a solution to problems such as economic decline, government inability to fund services and a general decline in performance of overloaded services, demand of minorities for a greater say in local governance, general weakening legitimacy of the public sector and global pressure on countries with inefficient undemocratic and overly centralized system. Government is committed to deepening decentralisation to local authorities as a means of promoting Local Governance and accelerating participatory democracy. Under this programme, 21 sectors have devolved some of their functions to local authorities from 17 sectors, and the newly four devolved sector include: Ministries of Information, Ministry of Local Government and Rural Development, and Departments of Disaster Management Affairs (DoDMA) and Department of Culture Funds for these devolved sectors are disbursed directly to local authorities.

The Ministry is also working towards devolving plans for the remaining sectors of energy, Ministries of Transport and Public Works, and Departments of Energy, Mines and Tourism. The Ministry is also working with the Accountant General's office to devolve physical assets to the local authorities.

11.4 Challenges

One of the major challenges facing the implementation of infrastructural projects is failure to complete the construction works on time and following estimated costs. This is attributed to capacity challenges and low funding compared to approved financial cash flows. For instance, the construction of RGCs, Markets and other infrastructure including DCs offices and Rural roads in the year under review experienced funding challenges which affected completion of projects.

11.5 Lessons Learnt from implementing the above projects

The following lessons have been learnt from the implementation of the RGCs, Markets and Other infrastructures (rural roads, construction of Council offices and Bus depots) in the councils:

- i. Need to do proper land use maps, urban structure plans, detailed layouts, opening access roads, upgrading access roads and beaconing before erecting buildings (RGC);
- ii. Councils need to lease land and do enforcement to curb encroachment;
- iii. Authorities should focus on completion of infrastructure projects currently under construction before embarking on new ones;
- iv. Producing detailed designs before commencing works; and
- v. Concentrate on works that can be accommodated within the approved budget.

Chapter 12

PUBLIC HEALTH, NUTRITION AND HIV/AIDS MANAGEMENT

12.1 Overview

The constitution of the Republic of Malawi recognises human health as a fundamental right by providing for adequate healthcare, commensurate with the health needs of Malawian society and international standards of health care. Pursuant to this constitutional provision, the Malawi Growth and Development Strategy (MGDS III) earmarked health as a key priority area for attainment of sustainable social-economic growth.

As a way of institutionalising implementation of interventions that are aimed at meeting these provisions, the health sector in Malawi developed the National Health Policy whose goal is to improve health status of all Malawians, and to increase client satisfaction and financial risk protection towards attainment of the Universal Health Coverage (UHC). In order to operationalise the policy, Health Sector Strategic Plan II was developed to guide implementation of interventions that are aimed at moving the country towards Universal Health Coverage of quality, equitable and affordable health care with the aim of improving health status, financial risk protection and client satisfaction.

This chapter presents an update of implementation status of interventions in the health sector for 2019, 2020 and 2021.

12.2 Overall Sector Performance and Progress

12.2.1 Health Output Indicators

Table 12.1 below shows performance of some selected health indicators extracted from the Health Sector Strategic Plan II.

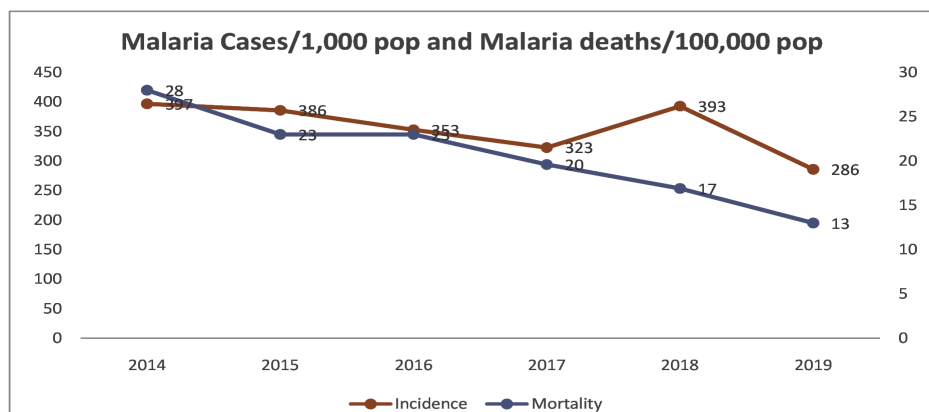
TABLE 12.1: HEALTH SECTOR INDICATOR PERFORMANCE

Indicator	2018 Actual	2019 Target	2019 Actual
Institutional maternal mortality ratio per 1000 live births	453	400	353
Institutional infant mortality rate (IMR) per 1000 live births	42	39	42
Percentage of children discharged from the CMAM program as cured	89.7	90	91
Number of females who received Youth Friendly Health Service Family Planning Information and Counselling	530,354	700,000	1,655,113
Villages that are declared open defaecation free (ODF)	17891	22,500	19871
TB case notification rate per 100,000	88	99	123
Percentage of 1-year old children fully immunized	82	89	88
Percentage of women attending ANC who received three* or more doses of intermittent preventive treatment during antenatal care visits during their last pregnancy	62	55	42
ART coverage (%)	78	90	78

12.2.2 Malaria

Malaria remains a public Health concern in Malawi with very high incidences annually. In 2019, about 5 million people were treated for malaria cases in health facilities across the country. This was a decrease from 6.9 million cases recorded in 2018. Malaria deaths have also gone down to about 2000 from over 3500 in past years. The decline can also be depicted from sample data as shown in the Figure 12.1 below.

FIGURE 12.1: MALARIA CASES AND DEATHS PER 100,000 PEOPLE



From the figure above, Malaria cases are showing a downward trend from 397 cases in 2014 to 286 in 2019 (per 1000 people) although in 2018, the number increased by 22%. But from 2018 to 2019, the number of cases reduced drastically by 27%. Mortality rate per 100,000 people has also been on a steady decline from 28 deaths in 2014 to 13.

This success story can be attributed to a number of interventions which were implemented during the period under review. Some of the interventions include distribution of Malaria commodities to all public facilities (Government and CHAM), which resulted into no public facility experiencing any commodity stock-outs and the launch and implementation of Indoor Residual Spraying in the malaria hard-hit districts across the country.

12.2.3 Tuberculosis

Tuberculosis is another health burden in Malawi. With high HIV and AIDS prevalence in the country, and high correlation between HIV and AIDS and TB, the country's TB incidence is also high. An active TB mobile screening intervention which was undertaken during the period showed that out of 57,616 individuals that were screened, 577 cases were diagnosed. The exercise targeted only key populations in high burden TB sites. These sites were the country's cities and eight other districts. These findings suggest that TB is really serious in these high burden sites.

Despite this high incidence, the health sector continues to undertake a number of interventions aimed at containing the vice. Amongst the intervention are the following;

- i. Trained Health Surveillance Assistants in case detection;
- ii. Conducted National TB Coordination meetings with Zonal Officers and other stakeholders;

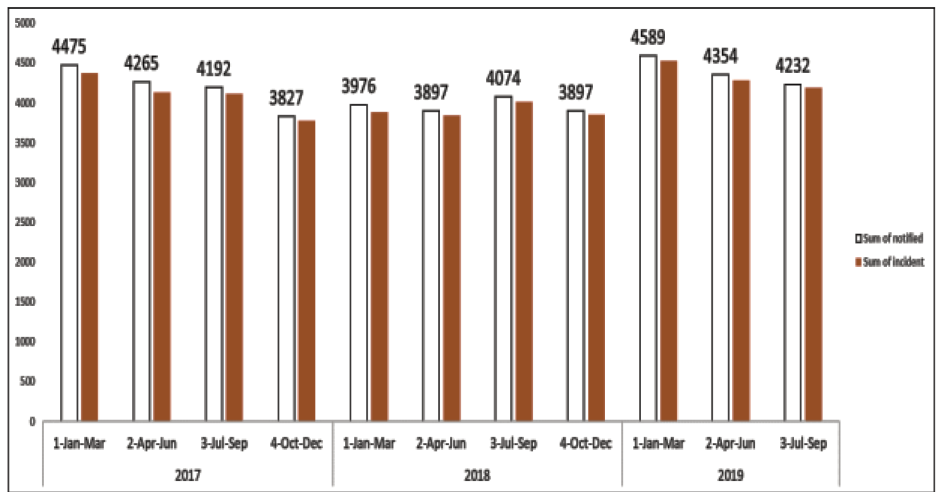
- iii. Trained CSCPs volunteers on HIV self-testing; and
- iv. Distributed sputum collection points to community volunteers in 7 districts.

12.2.3.1 TB Case Notification and Treatment

12.2.3.1.1 Case Notification

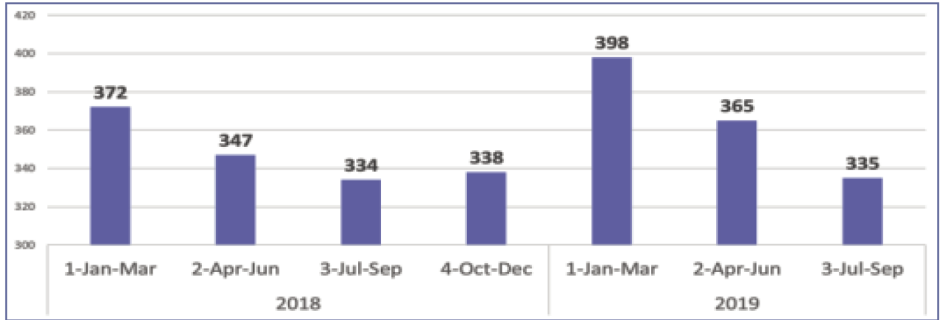
During the period under review, TB case notification has improved significantly compared to the same period in the previous year. As it can be seen in Figure 12.2 below, TB case notification has increased from 3,976 between January and March 2018 to 4,232 between July and September 2019.

FIGURE 12.2: TRENDS IN TB CASE NOTIFICATION



During the same period, childhood TB notification rate also increased in 2019 compared to 2018 as illustrated in Figure 12.3 below. Between January and March 2019, childhood TB notification was 7% higher than the rate for the same period in 2018 while for April to June, it was 5% higher in 2019 compared to same period in 2018. However, between July and September, the notification rates for both years were almost the same. In absolute terms, Child TB notification rates were higher for 2019 than in 2018.

FIGURE 12.3: CHILDHOOD TB NOTIFICATION RATES FOR 2018 AND 2019



12.2.3.1.2 Treatment

The health sector has also registered an improvement in the treatment of Drug Sensitive TB (DRT). The Quarterly Success Treatment Rates (STR) indicate that 2019 registered higher rates for all quarters than the corresponding quarters in 2018. This was attained partly because of numerous investments that were undertaken in different program thematic areas with an aim of improving treatment outcomes. Figure 12.4 below shows the differences in Success Treatment Rates for Drug Sensitive TB by quarter for four years.

FIGURE 12.4: STR FOR DRT



The Figure above shows that in 2019, the highest Success Treatment Rate for Drug Sensitive TB was for April to June, which was 88.9%. This is the highest STR registered in the four years depicted in the graph. From January to March, 2019, STR was 87.2% just the same as for October to December, 2018. This rate is the second highest to be registered in the four years. The 86.0% for July to September, 2019 is the third highest STR in the period. It can therefore, be

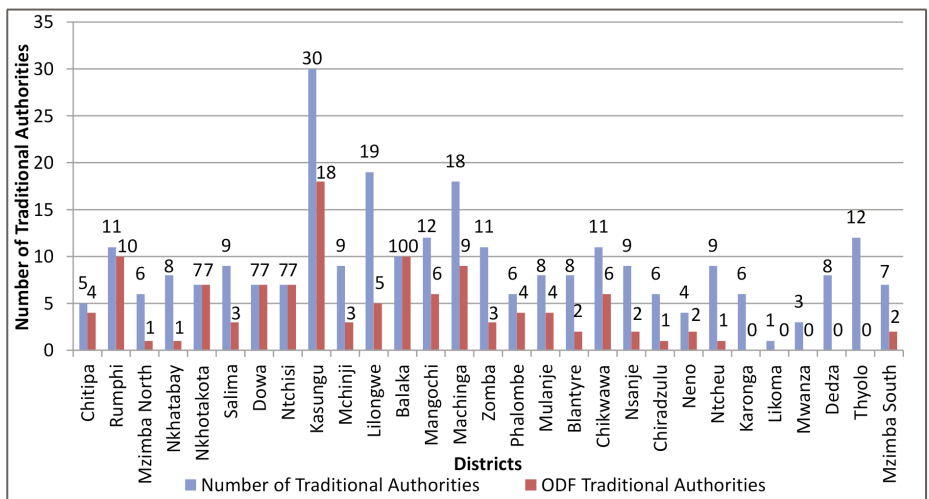
concluded that the initiatives which the health sector employed to improve treatment outcomes are yielding positive results and 2019 was a successful year in treating DST.

12.3 Environmental Health Services

The role of environmental health services in the health sector is to ensure that the environment is not harmful to health and well-being of people in the country, as such, the main objective for these services is to reduce incidence of water and sanitation related diseases. These services are very crucial to Malawi in the fight against diseases that are spread due to lack of adherence to sanitation guidelines. The Environmental Health Services, amongst others, promotes household water treatment programmes, promote hygiene activities including hand-washing with soap and discourage open defecation.

In 2019, the Health Sector declared eight more Traditional Authorities in the country as Open Defecation Free (ODF), these eight are Ngabu in Chakwawa, Chiwalo, Nkoola and Mposa in Machinga, Chikumbu in Mulanje, Kabudula in Lilongwe, Mavwere in Mchinji and Malemia in Zomba District. These eight Traditional Authorities raised the cumulative number of Open Defecation Free Traditional Authorities in Malawi to 118 out of 268. Figure 12.5 below shows the status of Traditional Authorities that have been declared Open Defecation Free in all districts in the country.

FIGURE 12.5: TRADITIONAL AUTHORITIES DECLARED ODF

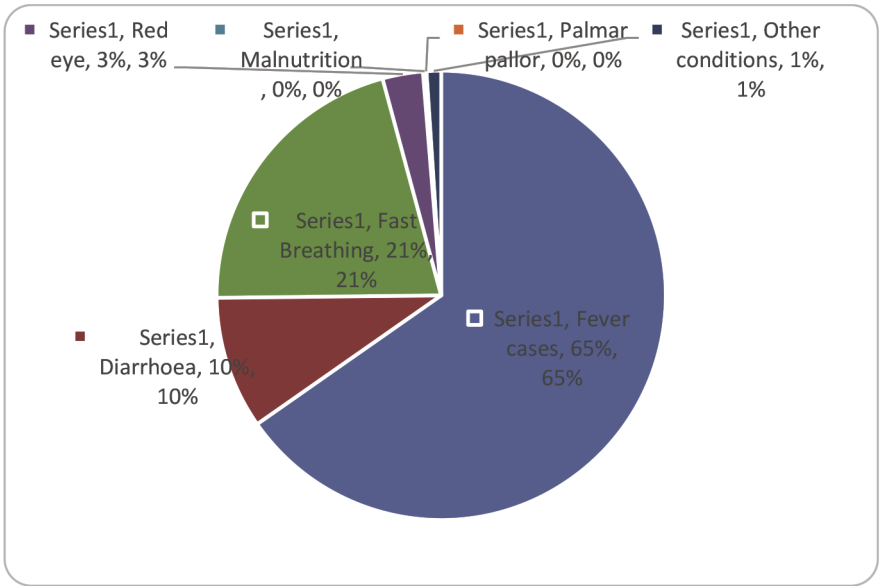


12.4 Integrated Management of Childhood Illnesses

In 2019, the Integrated Management of Childhood Illness (IMCI) unit of the Ministry of Health continued to provide health care services at community and facility levels through implementation of community case management and Possible Serious Bacterial Infection where referral is not possible. As seen in

Figure 12.6 below, fever continues to be the highest condition seen at the village clinic as compared to other conditions.

FIGURE 12.6: CASES SEEN AT THE VILLAGE CLINICS



During the period under review, there were also tremendous improvements in the availability of antimalarials than in previously periods. However, during this period there were complaints regarding unavailability of dispersible amoxicillin with 16.5% of HSAs reporting a stock out of the product for 7 days continuous or more with Zinc at 18.3% and ORS at 10.7%. These supplies have been reported to be out of stock for a longer period (more than 3 months) in specific districts.

12.5 Other Disease Programmes

During the reporting period, the Ministry of Health through its disease programmes undertook Mass Drug Administrations for the control and elimination of onchocerciasis and schistosomiasis. 2,127,614 persons were treated for onchocerciasis out of a target of 2,567,803, representing treatment coverage of 82.9%. For schistosomiasis, the objectives were to achieve Mass Drug Administration therapeutic coverage of at least 75% among school aged children. This was targeted for 27 districts, except Nsanje and Chikwawa where MORBID study was being piloted for a major project which tries to experiment morbidity control measures of the disease.

Malawi has managed to eliminate diseases like leprosy and lymphatic filariasis. Leprosy was eliminated in 1990 while for the latter, is in the process of getting certification from the World Health Organization and as such, Malawi stopped administering Mass Drug Administration for the two diseases.

The Ministry also made sure that drugs for trypanosomiasis were available in districts which are still reporting disease cases including Nkhotakota and Rumphi. The Ministry is also undertaking a study on a new drug for treating Trypanosomiasis. This study is being done at Rumphi District Hospital with financial and technical support from DNDi of Geneva in Switzerland.

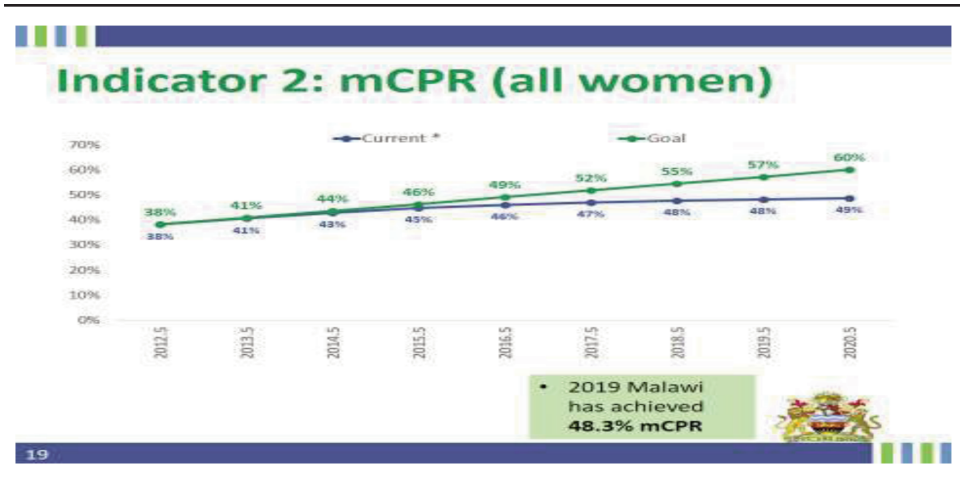
12.6 Sexual and Reproductive Health and Rights (SHRH)

SHRH in Malawi is aimed at improving sexual and reproductive health for all men, women and young people in Malawi, especially the vulnerable and underserved. It promotes informed choices, safer reproductive health practices by men, women and young people, including increased use of high quality, accessible sexual and reproductive health and rights services.

Malawi is working towards attainment of the Family Planning 2020 London Summit Commitments for a modern Contraceptive Prevalence Rate (mCPR) of 60% for all women with focus on the 15-24 years age group and generation for new (additional) users. In 2019, Malawi was at 48.3%, an increase from 47.5% in 2018 with 888,000 additional users.

Malawi's progress to the 2012 London Family Planning Summit Commitments in-terms of growth for Modern Contraceptive Prevalence Rate (mCPR) for All women from 2012- 2020 with focus on the 15-24 years old is presented in Figure 12.7 below—

FIGURE 12.7: ATTAINMENT OF LONDON SUMMIT COMMITMENTS IN MCPR



12.7 Maternal and New-born Health (MNH) Program

In the quest to reduce maternal and newborn mortality rate in Malawi which is currently at 439 per 100,000 live births and 27 per 1000 live births respectively (MDHS, 2015/16), MNH program made a commendable progress in

implementing planned activities in the period under review. Supportive and mentorship visits to Central West Zone Districts of Mchinji, Lilongwe, Dedza and Ntcheu revealed that maternity services are provided by Community Midwife Assistants alone in some facilities and inadequate equipment such as delivery beds and vacuum extractors were a cross cutting challenge in the facilities. At the meantime, 40 health facilities (10 per district) were selected for the exercise.

On the Malaria during pregnancy exercise that was conducted in South East Zone districts, it was found that all health facilities which were visited did not register stock outs of Fansidar (SP) and Long- acting insecticide treated nets (LITNs). None of the facilities, however, was providing comprehensive package of antenatal care (ANC) services including routine hemoglobin tests due to lack of hemacue machines. This compromised quality of ANC care in these districts.

12.8 Youth Friendly Health Services (YFHS) Program

Ministry of Health in collaboration with Ministry of Youth, developed and disseminated Adolescent Girls and Young Women (AGYW) strategy monitoring and evaluation frameworks and Standard Operation Procedures (SOPs) at national and regional levels, respectively. A total of 36 health facilities were accredited in Chikwawa, Chiradzulu, Mchinji, Dedza, Mangochi, Salima and Nkhata Bay. Currently, the programme has 850 YFHS sites of which 620 are accredited facilities for YFHS and actively provide SRHR services to young people.

During the reporting period, 3, 067, 531 young people aged 10-24 accessed SRHR services through various outlets, an increase of 38% from 2018/2019 mid-year. The breakdown is as follows: Girls 10-24 (1,895,555) and Boys 10-24 (1,171,976).

12.9 Health Infrastructure Development

Progress on health infrastructure projects being implemented by the MoHP is summarized below.

12.9.1 Construction of Phalombe District Hospital

Construction of a 250 bed Phalombe District Hospital commenced in May 2017 and was expected to be completed by September, 2019. As of June, 2019, the project progress was at 53%. The progress during the first year of implementation was affected by delays in disbursement of funds by co-financiers for the project, Saudi Fund and BADEA. The Project completion date has, therefore, been revised to September, 2020.

12.9.2 Construction of the National Cancer Treatment Centre

The construction of the first ever National Cancer Treatment Centre at Kamuzu Central Hospital, which commenced in February 2017, continued during 2018/19 financial year and was expected to be completed by September, 2019. Progress as of June, 2019 was 95%. However, construction of bunkers to house the radiotherapy equipment was yet to commence in the period under review due to

capacity challenges on the part of the consultants. The project will be fully completed in 2020/21 financial year.

12.9.3 Construction of Domasi Community Hospital

Construction of Domasi Community Hospital re-commenced during the first half of the 2017/18 financial year. Project progress as of June, 2019 was at 56% and the project is expected to be completed by July, 2020.

12.9.4 Construction of Ntcheu District Hospital Fence

The MoH in the 2018/2019 commenced the construction of a perimeter fence at Ntcheu District Hospital. As of June, 2019 project progress was at 80%. The project was expected to be completed by December, 2019 but has delayed due to cost-escalations beyond the original contract sum. The Ministry is working with the District council to resolve the cost-escalation issue.

12.9.5 Rehabilitation of Kitchen at Mchinji District Hospital

The rehabilitation of Mchinji District Hospital Kitchen commenced in August, 2018 and was expected to be completed by February, 2020. The progress as of June, 2019 was at 25 percent. The slow progress on the project is a result of capacity challenges on the part of the contractor. The Ministry is working hand in hand with the Department of Building to ensure that the project is completed within the shortest period possible.

12.9.6 Construction and Rehabilitation of Health Centres under Malawi Floods Emergency Recovery Project (MFERP)

The MoHP with support from the World Bank under the MFERP in August 2017 commenced the construction of Osiyana Health Centre in Nsanje and Thuchira Health Centre in Mulanje. Progress at Thuchira is at 98% while that of Osiyana is at 90%. The two projects were expected to be handed over during the 2019/2020 financial year.

12.9.7 Construction of Health Centres and Staff houses Under Health Services Joint Fund

The MoHP with support from the Health Services Joint Fund (HSJF) is constructing health centres and staff houses across the country. These projects were initially being funded through the MoH's Development budget but stalled in 2012 following donor withdraw of budgetary support. As of June, 2019, works were in progress at Area 23 health centre In Lilongwe, Khwisa health centre in Balaka, Chilanga Health Centre in Zomba, Chikapa health centre in Blantyre. Staff houses at Lisungwi community hospital and Luwani health centre had been completed while works on staff houses in Thyolo, Phalombe and Chikwawa were on-going.

12.9.8 Rehabilitation of Health Centres

In the period under review, the MoHP with support from KFW, commenced the rehabilitation of 12 health centres in the Northern region. The sites comprise

Mzuzu, Kaweche and Bwengu HCs Bolero and Katowo Community Hospitals Madede and Kafukule HCs, Luzi, Ngo’nga and Chitimba HCsWenya and Ifumbo HCs. The projects are expected to be completed during the 2020/21 financial year.

12.10 HIV and AIDS, Sexually Transmitted Diseases and Viral Hepatitis

12.10.1 Introduction

Strategic direction for HIV and Sexually Transmitted Diseases is provided for in the Malawi HIV 2015-2020 National HIV Strategic Plan (NSP) while Viral Hepatitis is highlighted in the current HSSP and strategic guidance document is being finalized. The strategic objectives for HIV aim at achieving the ambitious 90-90-90 UNAIDS targets by 2020 (diagnosing 90% of all people living with HIV, initiate 90% of those diagnosed on ART and achieve viral suppression of 90% of patients on ART. Although goals will be achieved through consolidated sectoral efforts, Ministry of Health plays a major role in meeting the targets by creating an enabling biomedical policy environment through and ensuring fidelity in implementation of the policies. The report provides a summary of key achievements and challenges during the year under review.

12.10.2 HIV Testing Services

A total of 4,441,021 HIV tests were done during the reporting period. Out of the total, 993,206 (22%) were first time testers. The proportion for first time testers is slightly lower from the previous year (25%). About 78% were repeat testers and 4% of the tests came from confirmatory testing. A total of 128,494 new HIV cases were diagnosed over the period. By HIV testing location, 4,274,776 (96%) of the total HIV tests were performed at health facilities, 1% were done in standalone HTS sites and 3% were done outside health facilities or in the communities. Concentration on facility based testing is deliberate due to the high yield which is obtained from facility based testing as opposed to community testing. Thirty four percent (34%) were males and 66% were females and 50% of the people tested in the reporting period, were aged 25 years and above. Thirty eight percent (38 %) were the adolescent or young adults (15 – 24 years) and 11% were children aged 14 years and below. It should be noted that the increase in the total testing outputs is partly attributed to the deployment of new HIV testing dedicated staff, HIV Diagnostic Assistants (HDAs).

12.10.3 Prevention of Mother to Child Transmission (PMTCT)

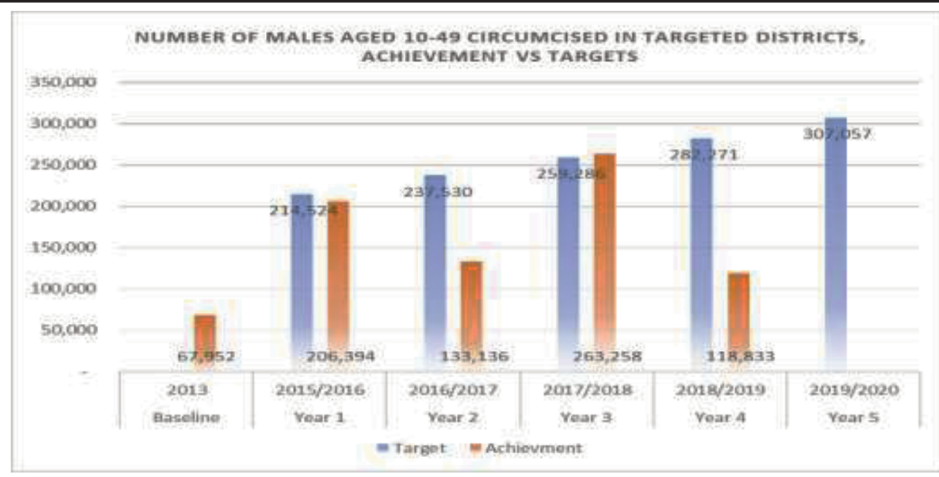
One of the core indicators in PMTCT is HIV- Free survival rate at 24 months of age. This is defined as the proportion of children who were discharged as confirmed HIV uninfected by the age of 24 months. The table 12.2 below summarizes the performance of several PMTCT indicators across the four quarters in 2018-19 fiscal year. HIV free survival at 24 months was at 72%.

TABLE 12.2: SELECTED PMTCT INDICATORS

Indicators	Jul- Sept 18	Oct- Dec 18		Jan- Mar 19		Apr- June 19	
Total ANC Women	159,686	155,429		164,380		165,689	
HIV Status ascertainment at ANC	155,566 (97%)	150,495	(97%)	159,425	(97%)	160,860	(97%)
ANC HIV Positives	11,664 (7%)	11,982	(11%)	10,038	(6%)	10,830	(7%)
Total Maternity Admissions	148,190	142,860		136,653		142,538	
HIV Status ascertainment in Maternity	144,829 (98%)	135,236	(95%)	129,526	(95%)	134,297	(94%)
Maternity HIV Positives	10,412 (7%)	10,589	(8%)	10,018	(8%)	9,845	(7%)
Infants discharged alive & Exposed to HIV	9,509 (7%)	9,533	(7%)	9,377	(8%)	9,037	(7%)
Infants on Prophylaxis (Nevirapine)	9,086 (96%)	9,017	(95%)	8,787	(94%)	8,456	(94%)
HIV exposed children newly enrolled for follow-up	14,689	14,944		14,451		13,892	
HIV-free survival at 24 months of age	70%	72%		72%		72%	

12.10.4 Voluntary Medical Male Circumcision (VMCC)

The VMCC target set in the NSP was 1, 300,688 by 2020. Out of the expected 993 ,611 circumcisions targeted between 2018-2019, 721,621 circumcisions were performed by end of June 2019, representing an achievement of 72%. During the 2018/19 financial year rates of circumcision were lower due to completion of the World Bank Grant which supported 21 districts in early 2018. Figure 12.8 below shows number of males aged 10-49 who underwent the VMCC.

FIGURE 12.8: VMCC NUMBERS

12.10.5 Treatment, Care and Support

Malawi is implementing Universal eligibility for ART ('Test & Treat') for all children and adults with confirmed HIV positive starting ART without delay, regardless of clinical or immunological stage or any other criteria.

As at the end of June 2019, an estimated 92% of PLHIV were diagnosed; 84% of whom were on ART; 91% of whom were virally suppressed. This means that the scale-up target for the population diagnosed as at June 2018 was exceeded while the population on ART and Virally suppressed was slightly below the quarterly target. The apparent gap between the estimated number of PLHIV diagnosed and those on ART has further widened reaching almost 200,000 individuals diagnosed but not on ART. This gap may be explained by increasing challenges with early ART uptake among the large number of PLHIV diagnosed over the last quarters, many of whom are asymptomatic. However, the number of new diagnoses may also be considerably overestimated due to an increase in the number of people misclassified as 'newly diagnosed' while they were actually previously diagnosed and did not disclose this to the HTS provider.

12.10.6 Sexually Transmitted Infections (STIs)

According to MDHS (2015/16), 14.7% of women aged 15-49 years and 9.6% of men aged 15-64 years reported STI symptoms in the past 12 months. Based on this estimate, there were about one million STI cases from July 2018 to June 2019. Number of STI cases reported represents about 76% of all the cases treated based on completeness of reporting. One of the key indicators is HIV ascertainment among the STI clients.

The rate of HIV status ascertainment at STI clinics has improved and stabilized at 89%. This is likely due to increased numbers of dedicated testing staff available at the sites (HDAs). Actual HIV ascertainment rates may be slightly higher due to weaknesses with back-referral from HIV testing rooms at some sites where testing is not provided directly in the STI clinic. HIV Self Testing has been incorporated in all high yield service delivery points in order not to miss these high risk clients.

Between July 2018 to June 2019, the most common syndrome was abnormal vaginal discharge (AVD) with 130,758 (31%) cases, followed by urethral discharge (UD, 100,775 cases), genital ulcer diseases (GUD, 56,239 cases) and lower abdominal pain (LAP, 55,533 cases). Serologically confirmed syphilis accounted for 7% of the cases. Scrotal swelling, bubo and genital warts each accounted for 1% of cases. Other STI syndrome accounted for 6% of the cases.

12.10.7 Viral Load Monitoring

Routine VL monitoring for patients on ART was introduced in 2012 and the number of patients receiving VL testing has increased considerably over the last few quarters. However, due to resource and staffing constraints at the sites and in the labs, the program was maintaining a routine monitoring schedule at 6 and 24

months after ART initiation and every 2 years thereafter, before changing to the new annual viral load monitoring policy in April 2019.

During the reporting period, 322,312 routine samples were produced from 10 laboratories aligned to the MOH Laboratory Information Management System (LIMS). Viral load monitoring performance by districts was only achieved by Neno at 60% of while the rest of the districts, a majority (66%) were in the ranges of 40% -55%. Mulanje District had the least number of patients going through routine viral load monitoring at 25%. This clearly suggests there is gap in having the ART patients going through routine viral load monitoring which needs addressing.

In terms of viral suppression, 21 out of 28 districts had 90% of patients with routine viral load monitoring in the reporting period suppressing with <1000 copies/ml. Chiradzulu district performed well at 95% and Nsanje was the least with 87%. This clearly indicates that the programme is achieving the third 90 target of having patients who are on ART with a suppressed viral load. Take note that samples for Neno and Chiradzulu are not incorporated into LIMS.

12.11 Performance in Nutrition

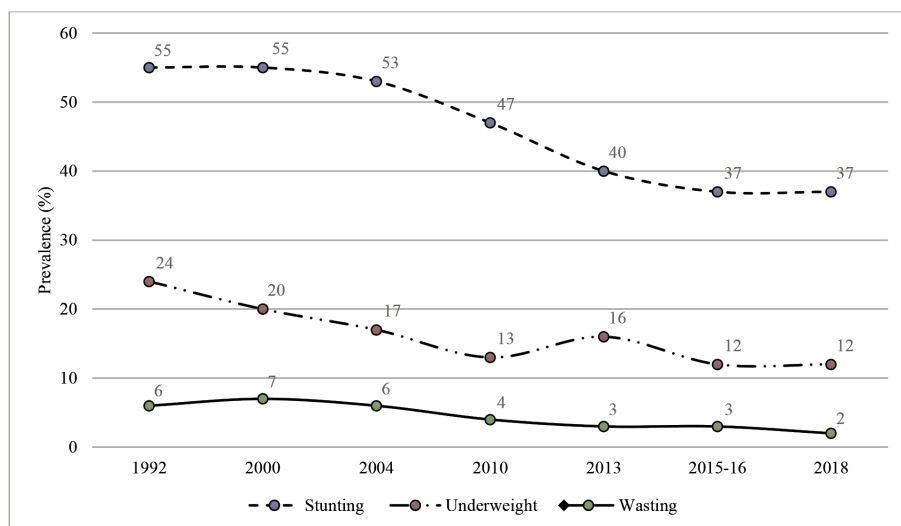
Nutrition is a pre-requisite for human growth and development and an integral element for the social and economic development of a country. Adequate nutrition is critical for physical and intellectual development of an individual. It is a major determinant of one's intellectual performance, academic and professional achievement, and overall work productivity at later stages in life. This directly and indirectly influences one's potential future gains and potential economic contribution to the nation. To respond to this, Government developed the National Nutrition Policy and Strategic Plan (NNPSP) in 2007 as a framework to guide the implementation of the country's nutrition agenda.

The Cost of Hunger Report showed that in 2012 alone, Malawi lost 10.3% of her GDP equivalent to MWK147 billion, or US\$597million, due to the negative effects of under-nutrition on health, education and productivity. For instance, under-nutrition at an early age predisposes children to higher morbidity and mortality risks estimated at 23% of all mortality cases. This translates into high medical costs associated with treating nutrition-related diseases such as acute malnutrition, diarrhoea and respiratory infections, thereby burdening both the families and the health sector. While on education, 18% of all school year repetitions were associated with stunting and were at high risk of dropping out of school and this is costly to the education systems and families. If a child dropped out of school early and is working in non-manual labour, he or she may be less productive. If he or she is working in manual labour he or she has reduced physical capacity and may be less productive. People who are absent from the work force due to under nutrition related child mortalities contribute to loss in economic productivity. Eliminating stunting and other forms of malnutrition is a necessary step for inclusive and sustained development in the country.

12.11.1 Levels of Undernutrition

Malawi has made significant strides in reducing the rates of under-nutrition, an indication that investments in nutrition are paying-off. Notably among children under the age of five, stunting has reduced from 47% in 2010 to 37% in 2016, representing a 10% decline, iron deficiency from 51% in 2009 to 22% in 2016, while Vitamin A deficiency from 22% in 2009 to 4% in 2016. Similarly, Vitamin A deficiency among women of reproductive age group has reduced from 1.6% in 2009 to 0.3% in 2016. Severe acute malnutrition is less than 1 percent and one of the lowest in Africa. However, Zinc deficiency across all age groups is very high at 60% and only 8% of under-five children are meeting the minimum acceptable diet which means that 92% of the children are at risk of being under-nourished. Figure 12.9 shows trend in stunting, underweight and wasting.

FIGURE 12.9: STUNTING, UNDERWEIGHT AND WASTING IN CHILDREN UNDER FIVE YEARS



Source: DHS (1992, 2004, 2010, 2016); CBN

12.11.2 Infant and Young Child Feeding Practices

The proportion of children who were exclusively breastfed from 0 to 6 months increased from 52.8 percent in 2004 to 71.4 percent in 2010 while in 2016 it declined to 61 percent. In 2010, proportion of children who meet a minimum dietary diversity was 27.9 percent and it then dropped to 22.9 percent in 2015 and before slightly increasing to 23.3 percent in 2018. The share of children who met the minimum meal frequency drop from 55.9 percent in 2010 to 29.2 percent in 2015 and increased again to 49.7 percent in 2018. The proportion of children who received a minimum acceptable diet (given foods from three or more food groups) reduced from 19.9 percent in 2010 to 8.1 percent in 2015 before increasing to 12.4 in 2018 refer to Table 12.3 below.

**TABLE 12.3: INFANT AND YOUNG CHILD (6-23 MONTHS)
FEEDING PRACTICES**

	<u>2004</u>	<u>2010</u>	<u>2015</u>	<u>2018</u>
Proportion of children who are exclusively breastfed from 0-6 months	52.8	71.4	61	ND
Proportion of children who consume a minimum dietary diversity	ND	27.9	22.9	23.3
Proportion of children who receive a minimum meal frequency	ND	55.9	29.2	49.7
Proportion of children who receive a minimum acceptable diet	ND	19.9	8.1	12.4

Source: DHS (2004, 2010, 2016); CBN

12.9.3 Challenges and Lessons Learnt in Implementing the Nutrition Programme

12.9.3.1 Challenges in Implementing the Nutrition Programme

A number of challenges were faced in implementing the nutrition programmes in the 2019/20 fiscal year including:

- I. Inadequate financial resources for delivery of nutrition interventions at district and community levels as evidenced by lack of nutrition budget line in District Implementation Plans.
- II. Nutrition interventions heavily depend on development partners.

12.9.3.2 Lessons Learnt in Implementing the Nutrition Programme

- I. With adequate funding, effective coordination and collaboration and adequate human resources, Malawi can farther reduce stunting and other forms of malnutrition.
- II. Absence on nutrition budget in District plans would hinder economic growth and productivity.

12.9.4 Targeted Nutrition Performance for 2019/20 and 2020/21 Fiscal Years

The National Multi-Sector Nutrition Strategic Plan 2018-2022 defines performance targets relating to nutrition. Table 12.4 gives a summary of performance targets for 2019/20 and 2020/2021 financial years as outlined in the strategic plan.

**TABLE 12.4: TARGETED NUTRITION PERFORMANCE FOR
2019/20 AND 2020/21**

<u>Performance Indicators</u>	<u>Target</u>	
	<u>2019/20</u>	<u>2020/21</u>
Percentage of children under five years of age who are stunted	33	31
Percentage of children 6-23 months of age who received a minimum acceptable diet	22	27
Percentage of children under five years of age who are underweight	9	7
Percentage of children age 6-23 months who received minimum meal frequency	44	49
Percentage of women of reproductive age 15-49 years who are thin	4	3
Percentage of children under five years of age who are wasted	2.0	1.7
Percentage of children under five years of age who are overweight	4.1	3.8
Percentage of women of reproductive age (15 – 49 years) who are obese or overweight	18	17
Percentage of children 0 – 5 months of age who are exclusively breastfed	67	69

Source: National Multi-Sector Nutrition Strategic Plan 2018-2022

Chapter 13

LABOUR, SPORTS AND SKILLS DEVELOPMENT

13.1 Overview

This chapter reflects developments in the sectors of labour, youth, sports and manpower development for the period July 2019 to June 2020 and projections for 2020/22.

13.2 Skills Development

During the period under review, Government continued developing skills and reducing youth unemployment by establishing 28 Community Colleges in all the 28 districts of the country. So far 14 Community Colleges have been established and are operational, two colleges (Chikwawa and Salima) were finalised and awaiting opening, while construction works have begun for 3 more Community Colleges in Nkhotakota, Chiradzulu and Machinga districts, which will be finalised in the next financial year. Government also plans to establish Skills Centres in the 193 constituencies in the country. Currently, 28 Community Skills Centres have started offering training. This initiative will provide youths with access to technical, entrepreneurial and vocational skills training regardless of their physical or financial status. Lately, there are 3000 students enrolled in the 14 operational Community Colleges and 2610 students enrolled in the 7 National Technical Colleges.

The People's Republic of China is also constructing five Community Technical Colleges namely: Sakata in Zomba, Chitambi in Mulanje, Tengani in Nsanje, Ntonda in Ntcheu and Kavinkhama in Mzimba. The Government is also expanding and rehabilitating the seven existing National Technical Colleges. So far, Government has expanded 4 National Technical Colleges namely: Soche, Nasawa, Lilongwe and Salima Technical Colleges to increase access to technical and vocational training.

13.3 Trade Testing Services

Through the newly established Assessment and Certification Unit (ACU), a total of 14,438 students were tested with 8,805 of them passing, representing a 56 percent pass rate. The assessment was conducted in 46 Technical and Vocational Training Institutions across the country in 22 prescribed trades.

13.4 Labour Services

The Ministry has finalized the development of the second generation Decent Work Country Programme (DWCP), which will augment the National Employment and Labour Policy (NELP). Specifically, this programme focusses on employment creation, rights at work, social protection and social dialogue. The implementation of this programme will therefore ensure creation of decent and productive employment within the framework of the International Labour Organization (ILO) Decent Work Agenda and Sustainable Development Goals. The Ministry will continue sensitizing all sectors about creation of decent and

productive employment within the framework of Decent Work Country Programme. The Ministry has also established a Universal Labour Guarantee which will ensure that all workers enjoy fundamental rights and collective bargaining rights, safety and health, and social dialogue.

In order to reduce unemployment in the country, Government is implementing the Graduate Internship Program which started in 2018/19 financial year. The purpose of the initiative is to provide work integrated experience to improve graduates' employability. Currently, the Ministry has 4,000 interns in different Ministries, Departments and Agencies in which 2,700 interns were carried over from the 2018/19 financial year while 1300 interns were newly allocated interns. Government intend to continue implementing this program to enable new graduates gain relevant experience.

13.4.1 Occupational Safety, Health and Welfare

Government will endeavour to improve working conditions in order to improve safety, health and welfare of workers and reduce work related accidents and diseases by intensifying occupational safety and health inspections. Currently, Occupational Safety, Health and Welfare Act Subsidiary Regulations have been drafted to support implementation of Occupational Safety, Health and Welfare (OSHW) Act. During the year under review, the Ministry conducted 788 workplace inspections, examined 267 pressure vessels and conducted 18 industrial hygiene surveys. The revenue collected from inspections and pressure vessel examinations amounted to MK 112,365,000.

13.4.2 Employment Injury and Workers Compensation

During the period under review, Government facilitated payment of MK 707,823,748.86 as compensation for 473 out of a registered 1705 cases. In order to speed up workers' compensation payments and to guarantee availability of funds, the Ministry is developing a Workers Compensation Fund (WCF). This will reduce financial burden to Government as well as private sector. Government has so far drafted regulations for guiding delivery of workers' compensation services.

13.4.3 Child Labour

The Ministry is aware of the high prevalence rate of Child Labour which is at 38 percent. This is certainly a worrisome situation as this has negative repercussions on the country's social-economic development. Child labour is perceived as forced labour and products produced using forced and child labour are not accepted at international markets. Government has committed to be a Pathfinder country in achieving Sustainable Development Goal 8.7 which calls for ending child labour in all its forms by 2025 and eradicating forced labour, modern slavery and human trafficking by 2030.

Government has also developed the National Child Labour Mainstreaming Guide. This document will be the reference and guiding document for Government Ministries, Departments and Agencies (MDAs) including all stakeholders in the country to participate in the elimination of child labour. Stakeholders are expected to include child labour interventions in their plans and budgets so that child labour is eliminated at all costs.

13.5 Youth Development

With over 13 million of the 18.6 million Malawians being the youth, Malawi is a youthful nation and will remain so in the next decade. Therefore, the youth represent a vast human resource potential that could positively contribute to long-term national development if properly nurtured. Problems commonly faced by the youth in Malawi include high unemployment and under-employment, high illiteracy levels, HIV and AIDS, early pregnancies and marriages, limited access to sexual and reproductive health services, limited access to technical and vocational training, and limited scientific and technological knowledge. In the period under review, the Ministry through the Department of Youth achieved the following:

- i. In an effort to provide skills to the youth to improve their chances of being employed and employ others, 1,411 youths have been trained in vocational skills, 1 in electrical installation, 1,681 youths in Village Savings Loan (VSL) in 4 districts (Ntchisi, Chikwawa, Mzimba and Machinga), 3 youths in Agri-business, and 697 in meaningful youth participation and advocacy;
- ii. With funding from the African Development Bank (ADB), the Department has continued to implement the Jobs for Youth (J4Y) project which is slated to create 17,000 jobs. The Department has undertaken the following activities; procured equipment for 4 public incubation centers comprising of Malawi University of Science and Technology (MUST), Mzuzu University, The Polytechnic and Lilongwe University of Agriculture and Natural Resources (LUANAR); recruited 318 out of the targeted 1,228 incubates in private incubation centers. These Private incubation centers include M-Hub, SOS, Nthanthwe Farm and DAPP Mikolongwe; and recruited 379 incubates out of the targeted 1,080 incubates at Mzuni and MUST incubation centers;
- iii. The Department commenced the process of extension and undertook the rehabilitation of Ngala, Naminjiwa and Mbandira community technical colleges in Karonga, Nkhotakota and Phalombe districts respectively, and Neno Youth development center in Neno;

- iv. In an effort to offer second chance opportunities to out-of-school youth, the Department has so far established 174 functional literacy centers with 30 youths per center totaling 5, 200 youths in 9 districts. The Department also recruited Functional Literacy Coordinators and Supervisors in the established centers;
- v. The Department coordinated the establishment of Adolescents Girls and Young Women (AGYW) secretariat which has overseen the establishment of AGYW Coordination and Governance structures at national and district levels. These structures include AGYW Advisory Body for decision making at national level, AGYW Sub Technical Working Group (TWG) and AGYW Core Group at both national and district levels. These structures are key in the implementation of AGYW strategy, thereby ensuring that Adolescent Girls and Young Women in Malawi are given the opportunities to realize their full potential through uninhibited access to quality integrated education, health and social services and economic empowerment in an environment free from discrimination and violence including child marriages;
- vi. Reached 24,818 youths with Sexual Reproductive Health Rights information and back to school messages in Mwanza, Dowa, Blantyre, Machinga, Chikwawa, and Phalombe districts. This has been possible through funding from the Norwegian Agency for Development Cooperation (NORAD) on a three-year project aimed at empowering 5,000 adolescents and youth from specific vulnerable groups to develop their skills and capabilities to enable them make informed decisions about their sexuality and reproductive health rights and wellbeing. In line with the same goal, the Department has also reached 59,059 youths with out of school comprehensive education;
- vii. The Department mobilized and sensitized district youth networks in participation of the Youth Forest Restoration program and also incorporated 7,600 youth networks in all districts;
- viii. To improve the policy environment in Malawi, the Department undertook and completed the review of the 1996 National Youth Council of Malawi (NYCOM) act, coordinated the development of business incubation strategy with the Ministry of Industry and Trade, and is currently reviewing the 2013 National Youth Policy; and
- ix. Under the Development budget, the Department engaged a contractor to construct First Phase of Mzuzu Youth Centre Project which comprises of administration block, auditorium, indoor sports complex, two netball courts, two basketball courts, two tennis courts and two volleyball courts. The project aims at providing a sporting and recreation facility for the youth in Mzuzu which currently has no standard recreation facility.

13.6 Sports Development

During the financial year under review, Government recognizing how vital sports is to the development of the country, has continued the implementation of activities that facilitate the promotion and development of sports in the country. Good sports infrastructure in Malawi remains a big challenge. The Ministry through the Department of Sports is addressing the highlighted challenges through the implementation of the following activities;

- With the aim of producing quality athletes and ensuring a physically health nation, the Ministry has plans to reintroduce Physical Education in Schools in collaboration with the Ministry of Education. In ensuring the implementation of this goal, in the 2019/20 financial year the Ministry has coordinated the formation of a Technical Committee on promotion of Physical Education (PE) and Sports in schools and developed the committee's TORs;
- In an effort to improve the quality and standard of sports coaching and management, the Department facilitated training of 150 coaches in netball and football and 40 sports administrators;
- To ensure the successful hosting of the 2022 Africa Union Sports Council, Region 5 under 20 Youth Games, the Ministry facilitated vetting of a Protocol Agreement by the Ministry of Justice for hosting of the 2022 Games to be signed with the Region 5 secretariat. In furthering the same goal, the Ministry has engaged a contractor to construct a swimming pool complex and ancillary facilities; and
- In an effort to ensure adequate sports infrastructure in the country, the Ministry has identified construction sites and engaged contractors to construct Nyasa Big Bullets and Beforward Wanderers Stadia.

13.7 Challenges

Achievement of labour and skills development sector aspirations in Malawi has been affected by a number of factors such as: inadequate labour inspectors, lack of operational resources such as finances and motor vehicles, skilled labour shortages; inadequate numbers of professional technical staff and ineffective monitoring and evaluation system and lack of appropriate infrastructure and institutional framework. Similarly, the implementation of the Youth and Sports Development Programs has been affected largely by inadequate financial resources.

Chapter 14

ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE

14.1. Overview

Government recognizes the critical role of natural resources in sustainable economic growth and poverty reduction in the country. Through Environmental Affairs Department (EAD) in the Ministry of Environment, Tourism and Wildlife, Government continues to make commendable strides towards safeguarding the country's natural resource base. The Environmental Affairs Department is mandated to provide cross-sectoral coordination in Environment, Natural Resources and Climate Change Management through monitoring, overseeing compliance, and provision of technical and information services. This chapter provides information on the performance, challenges, lessons learnt and future plans by the Environment, Natural Resources and Climate Change sector.

14.2. Performance in 2019 / 2020.

In the 2019/2020 financial year, Government through the Environmental Affairs Department implemented several programmes on sustainable management of the environment, natural resources and climate change impacts. The following are some of the key achievements;

14.2.1. Environment, Natural Resources and Climate Change Policy and Regulatory Frameworks

Policy and regulatory frameworks play a critical role in ensuring sustainable management of natural resources in the country. The Environment Management Act which was passed into law in 2017 entered into force during the reporting period. The Act provides for establishment of the Malawi Environment Protection Authority (MEPA). The MEPA will strengthen enforcement and compliance monitoring mechanisms on environment and natural resources management and enable Malawi to conserve its valuable environment and natural resources which is adversely affected and impacted by effects of environmental degradation, climate change and other factors. The MEPA consists of a Board and a Secretariat. Government is currently conducting a functional review and appointment of the Board and Secretariat for the MEPA to be operational. According to the Act the operating and financial costs of the Authority shall be financed from different sources including all moneys received or recovered under this Act by or on behalf of the Authority by way of fees, including any penalty or fines in respect of the fees. In addition, Government introduced a carbon levy which will be one source of funding for the MEPA, although other environmental taxes are being explored. MEPA will also be able to collect resources, for the Government, through license and permit fees and take enforcement action for non-compliance with the Act through administrative fines.

Government continued monitoring compliance with the Chemicals and Waste Management Regulations made under the Environment Management Act and to

strengthen enforcement of the ban of importation, manufacturing, trade and commercial distribution of plastics, plastic bags and plastic sheets made of plastic film for use within Malawi, with a wall thickness of less than sixty micrometres. In this regard, the Government, among others, has trained stakeholders including the Law Enforcers, the Judiciary, Councils and District Environmental Officers (EDOs) on implementation of the ban on thin plastics in the county. Government has also engaged members of the media and civil society organizations to raise public awareness on the ban on thin plastics. Furthermore, Government intensified inspections of plastic manufactures, suppliers and traders to assess compliance with the Plastics Regulations and the Environment Management Act. Enforcement action was taken through administrative monetary fines and issuance of Environmental Protection Orders and Closure Orders.

14.2.2. Mainstreaming of ENRM issues into Development Policies and Programmes.

Government continued promoting the integration of environmental considerations into development projects through implementation of Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plans (ESMPs) and Environmental Audit processes. Various development projects in the areas of infrastructure, energy, mining, waste management, agriculture and water resources were reviewed for adherence to ESIA guidelines and environmental standards/legislations. During the fiscal year, 28 ESIAs and 52 ESMPs were reviewed and approved to ensure environmental sustainability. The proposed development projects whose ESIA were approved included: Nyasa Farm Ranch at Jombo in Chikwawa; Pananyama Poultry Farm in Balaka and Ntcheu; Lake Chilingali Dam Spillway Repair and Rehabilitation of the Kaombe-Thiwi Irrigation Scheme in Nkhotakota; Tchanga Irrigation Scheme in Dedza; 150 MW Wind Farm in Chipumulo –Chikhwenge, Mzimba; OG Retail Park and Hotel Complex, Lilongwe City; Pearls Venture Hotel, Lilongwe; Construction of Students’ Hostels at College of Medicine in Lilongwe and Blantyre Campuses; Construction of Students’ Hostels at Lilongwe University of Agriculture and Natural Resources at Bunda Campus; Moni Bus Terminal Project at Area 46 in Lilongwe City; Chiweta Section of the M1 Road, Rumphu; Improvement of Mzimba Turn-off, Mzuzu-Kacheche M1 Roadmap; 236 Km KIA turn-off to Mzimba Turn off Section of the M1 Road, Construction of Aviation Fuel Depot for Kamuzu International Airport; Rehabilitation of Chilanga Dam, Kasungu; and Kambiri Point Cage Fishing Farming Project, Salima; Kalumbu Quarry, Lilongwe District; Chibwata Hill Rock Aggregate Quarry, STA Chadza in Lilongwe District; Kambwata Quarry, TA Mpama in Chiradzulu District; Construction and operation of cooking oil manufacturing plant in Traditional Authority Kalolo, Lilongwe District; Raising of Lunyangwa Dam, Mzuzu; 2 river intakes on Lunyangwa River, Mzuzu; Construction and operation of Energem

Petroleum Limited Fuel Storage Depot, Area 51, Lilongwe City; Developments within Lilongwe Wildlife Centre, Lilongwe City; Construction and operation of Chilipa Quarry, TA Makata, Blantyre District; and Golomoti Solar Project, Dedza District.

Government continued monitoring implementation of development projects to ensure compliance to ENRM legislations. In this regard, 26 potentially polluted sites were inspected and best environmental practices were promoted. Some of the sites and facilities inspected included: Suncrest in Blantyre; Qingdao Plastic Company in Lilongwe; Chibuku Breweries at Makata; Tasty Foods in Chirimba; Limbe River; Capital Hill; Fisheries Department's solid waste disposal site; Ministry of Transport solid waste disposal site and Ministry of Natural Resources, Energy and Mining solid waste disposal site; Blue Waters Hotel in Salima; Illegal disposal of waste along Blantyre-Thyolo Road; Crossroads Hotel; Polypack; Siku Transport Limited; Polypack Limited; Knit Wear; Mama's Food Limited-pre-bread mix factory at Maselema Blantyre; Mount Meru Millers; and Sunseed Oil Company Limited. All companies that were found non-compliant were ordered to conduct Environmental Audits and to adhere to the principles of good environmental management. Therefore, 36 Environmental Audit reports were submitted for review and approved by Environmental Affairs Department. In this regard, 7 companies that were found polluting the environment were fined and ordered to undertake clean-ups of the polluted sites.

Furthermore, Government has revised the M&E framework for the Environment, Natural Resources and Climate Change Management (ENRCCM) sector. The M&E Framework on ENRCCM provide information for tracking progress in the implementation of interventions by various stakeholders on the environment, natural resources and climate change management sector, in support of key national strategies and programmes such as the Malawi Growth and Development Strategy III. The Framework underscores the importance of systematic data collection and utilization of monitoring and evaluation results for programming by Government, its partners and other stakeholders. It also provides an opportunity for strengthening coordination among sectoral ministries and departments, Non-Governmental Organizations, and local councils to collect, analyze, and productively use the information. The M & E Framework shall further enhance understanding of trends in environmental parameters and explaining the changes in order to inform policy, and programming of interventions.

In order to promote awareness on the Environment, Natural Resources and Climate Change Management, Government continued sensitizing the general public on the importance of managing the environment, natural resources and climate change in the country through the print and electronic media. In the reporting period, policy briefs in various thematic areas such as Waste Management including ban on thin plastics, Phase-out of Ozone Depleting Substances, Biodiversity Conservation and Climate Change Management have been developed and disseminated. Furthermore, the Government has developed a

draft National State of Environment and Outlook Report (NSEOR). The report provides information about trends in environmental change for the country. Government has also supported the development of District State of Environment and Outlook Reports (DSOER) for Kasungu, Nkhatabay, Zomba and Ntcheu districts. The reports gauge the performance of Environmental policy and guide decision making process.

14.2.3. Climate Change Management

The economy is extremely sensitive and vulnerable to climate change and variability due to its heavy dependence on natural resources. These also provide a source of livelihood to majority of the Malawian population. Malawi's long-term goal for climate change management is the reduction in the socio-economic impact of adverse effects of climate change. The medium-term outcome is to achieve improved community resilience to climate change through the development of sustainable livelihoods and reduced emissions of Green House Gases into the atmosphere.

Recognizing that the effects of climate change are multi-sectoral, the Ministry has continued collaborating with key stakeholders in Government, Civil Society Organisations, academia, youths and the private sector. This has been done with the aim of improving food security and nutrition, increasing climate resilience, reducing carbon emissions into the atmosphere, and increasing adaptive capacity of the people and ecosystems, as well as providing awareness on the causes and effects of climate change and climate variability. In this regard, the Government continued implementing various programmes and interventions in climate change vulnerable communities. Government through the Adapt Plan Project has constructed Solar powered integrated water supply systems in Lisungwi in Ntcheu district in November, 2019. The project has further constructed five Community Based Adaptation (CBA) learning centres in Nkhatabay, Ntcheu and Zomba districts. The centres will assist Malawi in having resilient communities through knowledge sharing.

Furthermore, Government through the National Climate Resilience Project (NCRP) and the Pilot Programme on Climate Resilience (PPCR) has conducted several analytical studies to help the nation set its priorities as it strives to build climate resilient communities. The studies include: Analytical Study in Agriculture Value Chain, Analytical Study on Opportunities to Modernize Climate Services and Analytical Study on Climate Proofed Roads and Infrastructure. Government further conducted the Technology Needs Assessment (TNA) in order to identify appropriate technologies which will increase Malawi's adaptive and mitigation capacity. Climate technologies in the Agriculture, Water, Energy and Forestry sectors were prioritised using the Multicriteria Analysis (MCA). Development partners and all actors and stakeholders are encouraged to invest in these prioritised technologies when investing in these sectors. Additionally, Adaptation and Mitigation Expert Working Group members under the National Climate Change Technical Committee (NCCTC) were capacitated on the TNA and MCA processes.

The Ministry has championed the establishment of a National Climate Change Fund, which is aimed at to mobilize, disburse, monitor and account climate change resources received both from domestic and international sources. The Fund will be accessible to all key climate change stakeholders from government, civil society, academia, youths and the private sector.

14.2.4. Phase-out of Ozone Depleting Substances

In accordance with the requirements of the Montreal Protocol on the protection of the ozone layer, the Government continued to implement activities on the phase out of Ozone Depleting Substances (ODS) in the country. Currently, the Government is phasing-out use of Hydrochloroflouorocarbons (HCFCs) which are mainly used in the refrigeration and air-conditioning sector as refrigerants. More than 54 percent of HCFCs have been phased-out in the country and a complete phase-out of HCFCs will be on 31st December 2030 as per Montreal Protocol schedule. This substantive reduction in consumption of HCFCs is attributed to the strong enforcement of ODS regulations, enhanced awareness on ozone issues and enhanced capacity of key stakeholders involved in the ODS phase-out activities. In an effort to meet the phase-out targets under the Montreal Protocol, Government has trained 230 refrigeration technicians on good refrigeration practices; trained 180 customs officers on control and monitoring imports of Ozone Depleting Substances and continued monitoring compliance to regulations on the management of Ozone Depleting Substances in the country.

14.2.5. Biodiversity Conservation and Protection

Biodiversity plays a critical role on poverty reduction in the country, as such, Government continued promoting conservation and sustainable use of biodiversity. Biodiversity in the country is being affected by introduction of Invasive Alien Species (IAS). The Government, through Invasive Alien Species project, has implemented a number of initiatives on management of IAS in Mulanje Mountain Forest Reserve and Nyika National Park. During the reporting period a baseline survey on knowledge for IAS Management in communities around Nyika National Park (NNP) and Mulanje Mountain Forest Reserve (MMFR) was conducted. The survey assisted in identifying knowledge gaps and design targeted capacity building programmes. Furthermore, through the project the Invasive Alien Species in the NNP and MMFR were mapped using drones and the documentaries were produced.

The Government further developed and is implementing a Biodiversity Finance Initiative (BIOFIN) project. The project aims at developing a methodology for quantifying the biodiversity finance gap at national level, for cost-effectiveness through mainstreaming of biodiversity into national development and sectoral planning and for developing comprehensive national resource mobilizing strategies. Among others the project will enable Malawi to conduct Biodiversity Expenditure Review and Biodiversity Financial Needs Assessments.

14.2.6. Management of Nuclear Radiation Sources.

The Atomic Energy Regulatory Authority (AERA) is mandated to coordinate and promote management of nuclear radiation sources in the country. The Government, through the Authority developed Atomic Energy (Safe and Secure Transport of Radioactive Materials) Regulations; and Atomic Energy (Naturally Occurring Radioactive Materials) Regulations. These Regulations will be useful in ensuring safety of the workers, the patients, the general public and the environment from the harmful effects of ionising radiation. The Regulations will also ensure security of the radioactive sources and radioactive materials that are used or produced in various facilities and activities. These will assist the country to minimise and combat harmful effects of radiation to human beings and the environment.

Furthermore, a Personnel Dosimetry Laboratory was installed at AERA offices. The purpose of this Laboratory is to monitor the radiation exposure of various occupationally exposed workers in the country both in medical and industrial fields to ensure that they are not exposed to radiation beyond the recommended levels as prescribed in the Atomic Energy Act of 2011 and Atomic Energy Regulations of 2012. The Laboratory uses a Thermoluminescent Dosimeter (TLD) Card Reader Model to monitor exposure to radiation. During the reporting period the authority processed TLDs for; Mulibwanji Mission Hospital (3), Dedza (4), Kamuzu Central Hospital (36), and Mchinji (4). Processing of the TLD analyses the amount of radiation dose accumulated by the workers thereby providing a picture of how much radiation the workers are being exposed to. In this case, the accumulated dose helps in decision making in order to ensure protection of the workers.

14.3. Challenges

The Department encountered a number of challenges related to implementation of environment and climate change programmes in the country. Some of the challenges included:

- i. Inadequate funds from Treasury. The disbursement of funds from Treasury did not follow the agreed cash flow, as such, the Department failed to implement some of its planned activities under ORT;
- ii. Public and Private sector not fully involved in implementation of Ban of thin plastics.

14.4. Possible solutions

- i. Timely disbursement of funds from donors which will ensure timely implementation of project activities by the Government;
- ii. Provision of adequate resources to the Department to enable it achieve its crucial targets;

- iii. The General Public and Private sectors should actively participate in effecting the ban of thin plastics through enforcements and sensitisation at both local levels and institutions, and manufacturing of alternative (Biodegradable) carrier bags to replace the thin plastics.

14.5. Projected Performance for 2021

The Government intends to implement the following key activities in the 2020/2021 fiscal year on Environment, Natural Resources and Climate Change Management Sector:

- i. Promote integration of environmental considerations into development projects through implementation of Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plan (ESMP) and Environmental Audits.
- ii. Promote Implementation of projects/ programmes on Biodiversity conservation and protection
- iii. Conservation and protection
- iv. Promote implementation of National Climate Change Management Policy (NCCMP), Nationally Determined Contributions, and the National Adaptation Plans to address the impacts of Climate Change in Malawi through enhancement of adaptation and mitigation measures.
- v. Capitalize and operationalize the National Climate Change Management Fund
- vi. Upscale environmental enforcement activities to ensure compliance to Environmental and Natural Resources Management (ENRM) Legislation/ Regulations
- vii. Upscale Environmental awareness campaigns on various thematic areas in order to promote positive behavior change on good environmental practices
- viii. Strengthen institutional capacity on the phase-out of Ozone Depleting Substances (ODS) in the country through provision of targeted trainings to refrigeration technicians and enforcement officers.
- ix. Enforcement of the ban on production and use of thin plastics
- x. Facilitate Establishment and Operationalization of Malawi Environmental Protection Authority (MEPA).
- xi. Coordinate implementation of AERA activities aimed at protecting people and the environment from the harmful effects of ionizing radiation;
- xii. Promote sanitation and waste management in the country.

Chapter 15

GENDER, DISABILITY AND SOCIAL WELFARE

15.1 Overview

This chapter provides a review of the following programmes: Gender Equality and Empowerment; Community Development and Functional Literacy; Child Affairs, Nutrition, HIV and Aids; and Social Protection, Welfare and Development under the Gender, Social Welfare and Community Development subsector.

15.2 Performance for 2019

The performance under the subsector was generally very good and most of the planned interventions were implemented in the period under review.

15.2.1 Gender Equality and Empowerment

Government of Malawi has put in place strong measures to ensure that Gender equality is mainstreamed in all development frameworks. Among others, Government has prioritized implementation of gender related laws which include Prevention of Domestic Violence Act of 2006; Deceased Estates (Wills, Inheritance and Protection) Act of 2011; Gender Equality Act of 2013, Trafficking in Persons Act of 2015; Child Justice Act; and the Marriage, Divorce and Family Relations Act of 2015. In addition, the Government has invested efforts and resources to enforce the National Strategy on Ending Child Marriage which was developed in 2018; the National Action Plan on Economic Empowerment of Women and the National Plan of Action to Combat Gender based Violence in Malawi (2016-2021).

The rates of child marriages have declined from 50 percent in 2015 to 42 percent in 2019. Over 20,000 child marriages have been annulled by both the courts and traditional leaders which has helped to improve girls' education. The reporting and prosecution of perpetrators increased in 2019 after improving the Integrated Gender Based Violence Information Management System and Women Empowerment Management Information System.

The country continued to implement section 11 of the Gender Equality Act (2013) which provides for 40:60 or 60:40 gender quota of either sex in the public service recruitment. As an extension to the achievement, Malawi is developing a public service sexual harassment policy which will enforce section 7 of the Gender Equality Act. Women constitute 24 percent of the decision making positions in the public service, 11 percent are in executive positions, 13 percent of the judiciary, 27.7 percent of the 21 judges and 25 percent of the 20 ambassadors. In the elected and appointed bodies, women constitute 22 percent of the 193 member parliament and 14.5 percent of the 460 local government councillors.

More women continue to be infected by HIV in Malawi. In 2019, an estimated 1,060,666 were living with HIV and out of this, 628,411 were females versus 432,254 males. It is therefore, paramount to conduct a gender assessment to

deepen policy makers and programme implementers' understanding of the extent to which the current gender equality interventions are sensitive to the needs of people living with; at risk of; and affected by HIV and AIDS.

15.2.2 Community Development and Functional Literacy

Soon after the 2019 General Elections, Government reconstituted and trained 400 ADCs countrywide to enable them acquire skills and knowledge to ensure effective local Government service delivery and public engagement in local development planning, budgeting and monitoring processes. The training ensured that the ADCs effectively manage local development initiatives funded by MASAF IV, DDF, Constituency development fund and IFAD funded FARMSE programme among others.

In 2019, 18 Savings and Loan Groups (SLG) networks were formed in 18 districts in the country which will ensure sustainable VSLs/ COMSIP groups in the country. In addition, 4,000 VSL/COMSIP groups were supported with various trainings and some were upgraded into networks/SACCOs to enhance their capitalisation. Government also provided financial literacy lessons and enhanced the savings culture to over 100,000 people countrywide in collaboration with the Reserve Bank of Malawi and several NGOs like Heifer International, COMSIP Cooperative Union, MUSSCO, FDH Bank, CARE Malawi and IFAD FARMSE.

During the same period, Government trained 204 returning migrants in collaboration with IOM in business management for them to engage in entrepreneurship to ensure resilient livelihoods. In 2019, Magomero Community Development College provided upgrading courses to serving staff and trained 200 students in Diploma in Community Development and Social Welfare, Certificate in Agro-processing and Integrated Social Protection which will ensure the country has qualified experts in the social protection and community development sector.

Government, realising the enormity of the adult illiteracy problem in the country where 14.2 percent of the adult population aged 16 years and above are illiterate translating into 2.1 million individuals (NSO,2018) in 2019 developed and facilitated the approval of the first ever National Adult Literacy and Education Policy and the policy is expected to facilitate reduction of the number of illiterate adults by 300,000 annually and 1,500,000 cumulatively by the end of 5 years.

Meanwhile, in 2019 Government through the National Adult Literacy Programme opened 9,633 adult literacy classes, 8,000 in Chichewa and 1633 in English which graduated 102,124 learners in basic reading, writing and numeracy skills.

15.2.3 Child Affairs, Nutrition, HIV and Aids

Government continues to invest in early years of its citizens in order to spur sustainable development. In 2019, Government continued implementing the ECD Policy and its strategic plan which was launched in 2017 whose major paradigm shift has been moving away from focusing on center based ECD services to broader ECD spectrum which takes into consideration issues of parenting education. In view of the shift, the Government has reviewed the

Integrated Early Childhood Development (IECD) curriculum framework which will provide a standard set of services as stipulated in policies and program guidelines for children from birth to eight years of age, their parents/guardians and caregivers.

In the year under review, Government through the Ministry of Gender, Children, Disability and Social Welfare and Ministry of Education, Science and Technology conducted both ECD Sector Analysis and the Education Sector Analysis which has contributed to the paradigm shift in the ECD programming in Malawi. As a result of this analysis, the Department has upgraded 60 CBCCs and printed and distributed over 5,000 copies of the policy and other instructional materials respectively across the nation. This has improved access to ECD services such that 2,409,332 children are benefiting from the services as of January 2020.

In the same year, Government through the Investing in Early Years project facilitated the appraisal of the 250 model CBCC which will be constructed in ten Districts of Rumphi, Dowa, Mchinji, Ntcheu, Machinga, Mangochi, Chiradzulu, Thyolo, Chikwawa and Neno. The model will service other 1,225 satellite CBCC in those Districts. To ensure that ECD services provided in the CBCCs are of high quality, 1,200 caregivers were trained in 2019 to serve the purpose.

15.2.4 Social Protection, Welfare and Development

Social Protection and Development aims at promoting access to social justice and improved social wellbeing of vulnerable and disadvantaged groups through the social welfare services delivery system. In 2019, government recruited and trained 41 visually impaired students at Mulanje School for the Blind in various trades. In addition, the government provided resettlement package to thirty nine (39) students that graduated in 2018/19 to enable them settle in their communities and practice what they had learnt at Mulanje School for the Blind in order to earn a living.

In a continued fight for the rights of persons with albinism, through implementation of the National Albinism Action Plan, the government identified 193 persons with albinism to benefit from the Decent and Affordable housing program across the country. The government further facilitated the training of 64 persons with albinism on human rights monitoring. In addition, the government through the Ministry of Persons with Disability and the Elderly facilitated the transfer of 89 learners with albinism from Community Day Secondary Schools to boarding secondary schools and provided them with school fees.

Government recognizes the importance of inclusive development, as such in 2019; the government facilitated seven hundred (700) older persons to get support of food and non-food items from across the country. The government also developed the Draft National Older Persons Bill to address the current gaps in existing legislation on the rights of older persons as well as emerging issues.

The government is committed to ensuring that persons with disabilities participate in all development initiatives in the country. Accordingly, during the review

period, government trained 350 care givers in inclusive early childhood development. The trainings focused on how care givers could ensure that children with disabilities participate in the day to day activities in their respective Early Childhood Development Centres (ECDs). The government further trained 143 women and girls with disabilities on gender based violence (GBV) and sexual reproductive health (SRH). In addition, the government trained 25 services providers in Chiradzulu, Mangochi, Dedza, Mchinji and Nkhatabay in disability mainstreaming. In the education sector, the government disseminated 450 copies of the Disability Mainstreaming Strategy to six education divisions. A total of 315 education officials from both district and divisional levels were trained on disability mainstreaming. The government provided six (6) assistive devices to persons with disabilities.

In 2019, 70 Officers upgraded to degree level at Chancellor College a constituent college of the University of Malawi. These will help Government in delivery of quality social welfare service. In addition, Government continued to register progress in the reintegration of children in need of care and protection from childcare institutions. In 2019 government reintegrated 723 children from childcare institutions into alternatives forms of care through interns recruited with funding from UNICEF and Raising Malawi Trust as well as social welfare interns under the presidential initiative. The Ministry also developed the foster care manual to ensure quality care to children provided with this alternative care option.

During the period under review, the Ministry of Gender, Children, Disabilities and Social Welfare facilitated the Gazetting of 120 probation officers to attend to matters of children in conflict and contact with the law, and 196 social workers as protection officers to deal with matters of human trafficking. The Ministry also provided reintegration support to 613 returnees from South Africa as well as other countries for proper resettlement. The Ministry through the Child Case Review Board reviewed cases of children reformatory centers and endorsed for release of 157 children from reformatory centres

As regards, street connected children, the Ministry also reached out to 981 children who are currently out of the streets. The Ministry also developed the strategy for the reintegration of street connected children. A manual for provision of psychosocial support during emergency situation was also developed to ensure psychological and mental wellbeing of populations affected by different emergency situations.

The social cash transfer currently covers 292,519 beneficiary households, an increase from 280,000 households in the 28 districts. The increase is due to the completion of late enrolment in the 3 districts of Lilongwe, Dowa and Kasungu. The overall characteristics of the beneficiary household heads are: 69 percent female, 46 percent elderly, 20 percent disability, 42 percent chronically ill and 2 percent child headed households. In 2019 the program also responded to the Cyclone Idai by providing vertical expansion of MK 58,000 to the affected areas of Mangochi, Machinga, Phalombe, Chikwawa, Zomba, Nsanje, Mulanje, Neno and Mwanza districts.

The NGO Sector registered the following key achievements:

- i. In the year under review the sector had a total estimated annual income of MK1 trillion based on the audited financial statements submitted by the NGOs. The NGO sector had employed 11,209 of which 8,370 Malawians; 172 expatriates and 2,667 volunteers.
- ii. The NGO Board of Malawi developed and launched a five 5-year Corporate strategy to operationalize the Non-Governmental Organizations Policy;
- iii. Held an international NGO Accountability Conference that aimed at promoting alignment of NGO work to both the National and Local Development Strategies (MGDS III and DDPs)
- iv. Built the capacity of 60 Executive Directors and 110 Chairpersons of various NGOs on good governance with an aim of ensuring that there is proper governance in the NGO sector;
- v. Developed standard MoU for the NGO operating within the Health sector;
- vi. Developed regulations on reporting by NGOs so as to ensure that compliance levels among the NGOs in terms of submission of annual reports increases from 27 percent to 45 percent by the end of 2019/20 financial year;
- vii. Tracked and facilitated registration of 46 NGOs and the total number of NGOs currently registered with the Government through the Board has increased from 720 in 2019/20 financial year to 766 in 2019/20 financial year; and
- viii. Revitalized the NGO Board through the procurement of office premises; 5 motor vehicles; established six district offices in Mangochi, Blantyre Nsanje, Balaka, Dowa and Mzimba.

15.3 Challenges/Lessons Learnt and Possible Solutions

Despite the successes recorded above, the subsector continued to experience a number of challenges attributed to, mainly, limited funding to this subsector. The challenges/lessons learnt and possible solutions among the Programmes are enlisted below—

15.3.1 Gender Equality and Empowerment

- i. Inadequate human resources in established portfolios both at national and district levels. The establishment has several vacant positions at national level rendering the Department responsible for Gender Affairs inefficient in its operations. Out of 28 districts only 14 have District Gender Officers;

- ii. Lack of recognition of gender issues such as GBV as essential package in the disaster response;
- iii. Failure by decision makers to articulate roles of Department of Gender Affairs which include formulation of gender related laws; mainstreaming gender in sectors; capacity building of stakeholders on gender and coordinating progress reporting of all national gender programmes and indicators
- iv. Failure to execute gender related functions due to inadequate vehicles and funding; and
- v. The country's national HIV response is not gender responsive.

There are however, some lessons learnt under the Programme.

- i. Gender mainstreaming and gender budgeting needs more resources to influence needed changes in programmes
- ii. Development of Gender Policies and Strategies increase commitment to service delivery
- iii. The National Plan of Action for Women Economic Empowerment is a good tool to provide strategic guidance on interventions of Women Economic Empowerment and improve gender indicators at all levels.

15.3.2 Community Development and Functional Literacy

- i. Inadequate supervision and technical guidance in implementation of community development programmes/projects due to lack of adequate operational funds;
- ii. Minimal recognition by Donors on the role of Community Development in capacitating communities in influencing people centred development. Most donors are promoting hand-outs culture and the allowance culture;
- iii. Transport challenges under the Programme and District Community Development Officers; and
- iv. Demotivated staff because of issues of promotions and career advancement.

15.3.3 Child Affairs, Nutrition, HIV and Aids

- i. Child protection workforce at district and community levels is insufficient in terms of numbers and skills to provide adequate and comprehensive child protection services;
- ii. Implementation of child protection interventions is done in silos due to weak coordination mechanisms at all levels;

- iii. Child participation programs is being implemented in very few districts due to limited participations and willingness of partners to support;
- iv. There are no resources to support ECD decentralization and to facilitate policy direction.
- v. Poor ECD infrastructure at community level and inadequate capacity to implement ECD;
- vi. Lack of curriculum documents in most ECD centers;
- vii. Inadequate collaboration between private and public on ECD; and
- viii. Inadequate/lack of Water Sanitation and Hygiene (WASH) facilities and capacity in ECD/CBCC centers which mostly provide school meals.

Lessons learnt:

- i. The provision of WASH facilities, capacities to handle the facilities and messages in ECD and CBCCs is particularly important this moment when world is hit by the COVID-19 virus;
- ii. Investing in Early years is becoming a global concern such that it has contributed to the conceptualization Investment in Early Years project in Malawi;
- iii. It is very critical to depend on electronic data collection and management using tablets as it is cheaper and provides accurate data;
- iv. Measurement of early learning environment should always take into account measurements of child outcomes; and
- v. It is effective to have officers specifically designated for ECD as they ease the communication and implementation of the children's interventions.

15.3.4 Social Protection, Welfare and Development

- i. The reintegration programme is facing resistance from CCI owners who for a long time have used these institutions to raise funds from donors and well-wishers;
- ii. There is a weak regulatory mechanism to enforce minimum operating standards;
- iii. Limited awareness on the disadvantages of prolonged institutionalization to a child's cognitive, emotional, social and physical development;
- iv. Despite gazetted social workers under the relevant laws, the numbers are not adequate to discharge the duties due to increased case load;

- v. The Ministry responsible for Social Welfare may not be able to provide the reintegration support due to the phasing out of the IOM programme;
- vi. For a long time the CCRB has relied on donor support for its operation and from all indication Government may not allocate funds from Treasury this year;
- vii. Loose coordination arrangement that makes children move from one institution to another to get support even within the same city. This leads to double counting and worse still children are not supported to meet all their needs; and
- viii. Most districts lack proper functioning equipment for payments of transfers under the SCTP;

The coordination of the NGOs faced a number of challenges in the year under review and these included:

- i. Low compliance levels among the NGOs due to among other things weak enforcement of the NGO Law coupled with inadequate capacity of the NGO Board;
- ii. Injunctions obtained by CONGOMA restraining the implementation of fees regulations and tabling of the NGO amendment Bill which sought to among other things transform the NGO Board to become an NGO Regulatory Authority
- iii. Weak NGO Law requiring comprehensive review

15.4 Projections/Plans for the current year (2020)

The outlook for the current year 2020/2021 is not different from that of the previous year due to the fact that there haven't been any improvements as regards to funding allocations to the subsector. However, it is expected that progress will be registered in the following areas:

15.4.1 Gender Equality and Empowerment

- i. Launch the Women Economic Empowerment Platform to give women a chance to be sharing business information, conducting exchange visits and linking each other to markets, among others;
- ii. Conduct more gender audits for statutory corporations which have entered into contract with the OPC such as MACRA to establish gender mainstreaming progress in institution, and monitor and assess progress of capacity development of public sector servants in response to Gender Equality Regulations and MDGS III objectives.
- iii. Conduct capacity building of the newly recruited Gender Officers to be able to coordinate the implementation of the National Gender Policy at council level.

- iv. Supervise Women business groups and extension workers in 8 district councils
- v. Commemorate World Rural Women's Day and Mother's Day on 15th October and International Women's Day on 8th March to celebrate mothers and their contributions to development of the nation
- vi. Launch and conduct 16 Days of Activism campaign against GBV to condemn violation of women's rights.
- vii. Review the National Plan of Action to combat GBV to include emerging issues like COVID-19 GBV experiences whose time frame expires in mid-2021
- viii. Conclude the development and present the CEDAW Report to the UN CEDAW Committee
- ix. Conduct the dissemination of the provisions of the gender related laws at council and national levels to promote and protect women's right
- x. Build capacities of the Female Ward Councilors on the Local Government Laws, Rules and Regulations to enhance their performance.

15.4.2 Community Development and Functional Literacy

- i. Government will continue building the capacity of local governance institutions at district council levels through training of 1,200 VDCs and close to 2,000 project committees;
- ii. With the introduction of new courses at Magomero Community Development College and Liwonde Community Development Training centre, mostly at certificate level in community development and social protection, close to 600 extension workers will be trained improving their capacity to implement effectively community development and social protection programmes in the country;
- iii. Government will also facilitate the formation of SLG networks in the remaining 10 districts;
- iv. There will also be efforts to integrate Home Improvement and Community Nutrition as core learning units of adult literacy classes;
- v. Government through the National Adult Literacy Programme will open 9,633 adult literacy classes, (8,000 in Chichewa and 1,633 in English) and enrol around 180,000 learners;
- vi. The initiative to translate Chuma ndi Moyo primer into Tonga will be finalised and Yao translation for the same book will be done; and

- vii. Government through the National Adult Literacy Programme will further embark on activities to disseminate and launch the new Policy, develop implementation guidelines and develop a national strategy to operationalise the new Policy.

15.4.3 Child Affairs, Nutrition, HIV and Aids

In 2020, Government through the Ministry responsible for Child Affairs will prioritise the following:

- i. Development of the child participation guidelines and strategy;
- ii. Facilitation of the establishment and operationalization of the National Children's Commission;
- iii. Finalisation of the process of harmonizing the child and gender related laws with the Republican Constitution;
- iv. Participation in preparedness, response and recovery programs during emergencies;
- v. Capacity building of child protection stakeholders;
- vi. Dissemination of child related policy documents to stakeholders;
- vii. Construction of 150 CBCCs with funding from World Bank;
- viii. Training of 2,500 caregivers with funding from World Bank.
- ix. Printing of instructional materials for 1,500 CBCCs; and
- x. Upgrading of 95 CBCCs in non-World Bank districts.

15.4.4 Social Protection, Welfare and Development

- i. 1,200 children to be reintegrated from Child Care Institutions (CCIs) owing to the availability of reintegration tools and system;
- ii. The Ministry responsible for Social Welfare will develop a robust foster care system that will be ready to register and train foster parents. This will also provide a well prepared space for any child in need of parental care to be placed in a family thereby eliminating the option of placing child in an institution;
- iii. The gazetting of social welfare officers as probation officers under the Probation of Offenders Act and protection officers under the Trafficking in Persons Act mandates these social workers to discharge their duties legally under the said statutes. Under the Programme it is expected that court cases for children in conflict with the law will be disposed-off with speed thereby ensuring child justice. There will also be improved supervision of children placed under probation order. Similarly, victims of human trafficking will get services for their protection, care and support as well as the perpetrators prosecuted in time;

- iv. Under the Programme, the Department of Social Welfare intends to follow up 600 returnees who received the reintegration support to check if their economic activities are flourishing;
- v. The Ministry responsible for Social Welfare is planning to convene 4 Board meeting and release 70 children from the two reformatory centres. The number of children in reformatory centres is expected to be low this year due to efforts to decongest all detention centres. The Board also intends to inspect prisons and Child Care Institutions to ensure rights of children are upheld ; and
- vi. The Ministry responsible for Social Welfare intends to reach out to 1,500 children as most of them will be removed from the streets through routine street patrols as one preventive measure against COVID-19.

Government, through the NGO Board of Malawi, will map out all NGOs at Traditional Authority level and NGO to be categorized based on their risks; develop a Web-based Non-Governmental Organisations Management Information System (NGOMIS); develop and enforce regulations on registration and partnerships; review comprehensively the NGO Act of 2001; Develop and enforce MoUs with NGOs in all the districts for effective monitoring and alignment of NGO work to District Development Plans and the MGDS III; and increase NGOs compliance levels to 65%.

Chapter 16

SOCIAL SUPPORT AND POVERTY REDUCTION PROGRAMMES

16.1 Overview

Social support in Malawi is firmly anchored in the country's medium-term development framework, the Malawi Growth and Development Strategy (MGDS III), and is guided by the National Social Support Policy (NSSP). The Malawi National Social Support Programme II (MNSSP II) operationalizes the NSSP. The MNSSP consists of a set of social protection interventions, coupled with a programming approach that emphasises coordination, harmonisation and strategic linkages that is aimed at improving the socio-economic status of the ultra-poor and vulnerable across the country. The MNSSP II was designed to provide a reference point for all stakeholders in the design, delivery and/ or implementation of cost-effective, high impact, predictable, timely and sustainable social support interventions in the country.

The MNSSP II 2018-2023 is organised around three thematic priority areas and provides clear strategic policy guidance on promoting linkages, strengthening systems and improving delivery and monitoring of interventions within the MNSSP II. The three thematic areas (pillars) are; Consumption Support, Resilient Livelihoods and Shock-Sensitive Social Protection in addition to the two cross-cutting thematic areas of systematic and strategic programme Linkages and Systems Strengthening.

The MNSSP II operationalizes these thematic areas through Social Cash Transfer Programme (SCTP), Public Works Programme (PWP), School Meals Programme (SMP), Village Savings and Loans (VSL) and Microfinance (MF) instruments.

16.1.1 Consumption Support Pillar

The pillar aims at ensuring provision of consumption support through timely, predictable and adequate cash and/or in-kind transfers to the ultra-poor and vulnerable people throughout their life cycles. The main programmes under this pillar include; Social Cash Transfer Programme (SCTP), Public Works Programme (PWP) and School Meals Programme (SMP).

16.1.1.1 Social Cash Transfer Programme

Social Cash Transfer Programme (SCTP) supports the ultra-poor and the labour constrained households across all districts in the country. it is implemented by the Ministry of Gender, Children, Disability and Social Welfare, with support from Irish Aid, the European Union, KfW, the World Bank and the Government of Malawi. SCTP was programmed to reduce poverty and extreme hunger among the 10 percent ultra-poor and labor-constrained households, increase school enrollment of children in the beneficiary households and improve nutrition, economic and general well-being and protection of targeted households. Between November, 2019 and March, 2020, a total of MK1, 597, 259, 000.00 transfers were made, reaching out to 291,650 beneficiary households, 69 percent of whom

are female-headed. Effective 1st July, 2020, following the approval made by the National Social Support Steering Committee (NSSSC), new transfer levels averaging MK10, 000.00 per beneficiary household will be in effect.

16.1.1.2 Enhanced Public Works Programme

The Enhanced Public Works Programme (E-PWP) is a pilot public works programme that is earmarked for 10 districts, and expected to reach out to 1,000 beneficiary households per district council. Following various challenges encountered during the implementation of the regular public works programme (PWP), EPWP is set to provide a learning platform for an enhanced performance, efficiency and effectiveness of the programme. The success of this pilot programme is therefore crucial as it will determine the future of public works programming in the country. Just like the previous mainstream PWP, EPWP aims to provide consumption support to the country's ultra-poor and vulnerable beneficiary households with labour capacity to enhance their food security needs and income generating opportunities in addition to creation of productive assets through natural resource conservation in selected micro-catchments. Implementation will follow the integrated catchment management (ICM) approach, making use of a climate-smart design based on an in depth technical analysis of Malawi's experience and international lessons.

16.1.1.3 School Meals Programme

Schools meals programme (SMP) is one of the instruments of the MNSSP II that operationalize the Consumption Support Pillar. Through this programme, learners at targeted public primary schools are given a meal during classes, and sometimes with a take home ration (targeted to girls and orphaned boys). The overall objective of the programme is to promote school performance and improve education outcomes in the country. Specifically, the programme aims at reducing drop-out rates and absenteeism, promoting regular attendance, increasing enrolment rates, and improving pupils' capacity to concentrate and learn in class. The SMP is implemented by different partners and is currently in 2,036 public primary schools, reaching out to 2,158,428 learners across the country.

16.2 Resilient Livelihoods Pillar

Resilient livelihoods pillar focuses on pathways to graduation from poverty, through systematic and strategic intra and inter-programme linkages, which includes facilitating access and utilization of services by beneficiaries within and beyond MNSSP. Attention is paid to specific needs and individual, households and/or community capacities.

16.2.1 Graduation pathways

As part of the efforts to get the poor out of poverty, MNSSP II fully integrates graduation pathways in its programming. The programme's graduation concept is currently operationalized through the first component "ultra-poor graduation scaling up" under the Financial Access for Rural Markets, Smallholder and Enterprises (FARMSE) project. FARMSE is a 7-year Government programme

(2018 - 2025) whose overall goal is to reduce poverty, improve livelihoods and enhance the resilience of rural households on a sustainable basis. The total cost of the programme is US\$57.7 Million financed by the International Fund for Agricultural Development (IFAD). The programme is divided into three components: Ultra poor graduation scaling up; support to financial innovation and outreach and; strategic partnerships, knowledge generation and Policy.

By design, the ultra-poor component is being delivered by service providers (SP) that were identified through a competitive process and these include; CARE International, OXFAM, COMSIP, World Relief and Save the Children. Through the Project Management Unit (PMU), a total of MK 512 million kwacha has been disbursed to the five SPs.

16.3 Shock Sensitive Social Protection Pillar

The shock-sensitive pillar of the MNSSP II was set to protect gains made under pillars 1 and 2 through offering of additional assistance in times of shocks. Through this pillar, MNSSP II has collaborated with programmes in the humanitarian sector and together, implemented the 2020 Lean Season Response (LSR) programme in the districts of Phalombe, Nsanje and Balaka where SCTP beneficiaries (vertical expansion) and other poor, vulnerable and seasonally food insecure households (horizontal expansion) were reached out with a monthly cash transfers of K23, 000.00 per household for two months.

16.4 System Strengthening Pillar

The systems strengthening pillar aims at developing clear lines of accountability and joint delivery systems in order to create synergies and harmony to coordinate the delivery of MNSSP II, and enhance efficiency and effectiveness of social support programmes delivery in the country. Currently, these systems include the Unified Beneficiary Registry (UBR), E-payment Mechanisms, Communication Strategy, Monitoring and Evaluation Framework, among others.

16.4.1 Unified Beneficiary Registry

The Unified Beneficiary Registry (UBR) is a national platform that supports the processes of outreach, intake and registration, and assessment of needs and conditions to determine potential eligibility for social support and other programs. The UBR collects and stores household data which include demographic and socio-economic characteristics details, poverty status, among others. Currently, data collection under UBR follows an en-masse (census sweep) approach, covering 100 percent of households in 17 districts. UBR has been achieved with financial and technical support from Irish Aid, KfW, EU, the World Bank, FAO and GIZ. Plans are underway to deepen integration of the UBR with various programme Management Information Systems (MISs) and NRB among others, to enable wider stakeholders so utilise the UBR.

16.4.2 E-Payment

Government, through the Department of Economic Planning and Development, and with support from Irish Aid, piloted e-payment mechanism for social cash transfer beneficiaries in the two districts of Ntcheu and Balaka. E-payment will contribute towards meeting the needs of the beneficiaries by offering a mechanism for regular/timely and efficient payment of transfers, reducing the work load for district councils, enhancing transparency and accountability, and according beneficiaries an opportunity to be included in the formal financial sector and access their money in a more flexible way that meets their convenience. Transaction costs are borne by the programme, for a maximum of 3 times a month. The plan is to extend this payment mechanism to other instruments of MNSSP II and into other districts.

16.4.3 Social Support Fund (SFP)

The Social Support Fund (SFP) is a pooled fund for the MNSSP II programmes that will enhance funding predictability hence improve timeliness in response and programming for social protection in the country. The harmonised reporting that will come with SFP will reduce the time and bulk of reports that social protection implementing agencies such as district councils are required to write and consolidate. As a pilot, SFP will start by pooling funds for SCTP from all its donors and through the lessons learnt, funds for other programmes such as EPWP will also be pooled. Eventually, the nation will have established an SFP for all the social protection programmes in the country. As of March, 2020, the Department of Economic Planning and Development was in the process of hiring a consultant to facilitate the development and establishment of the Fund.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

This chapter highlights the performance of selected commercial statutory bodies during the 2018/19 financial year (FY) and provides an overview of the 2019/20 mid-year performance (unaudited results) up to December 2019 and outlook for June 2020. In 2019/20 FY, the economy grew by 3.1 percent and inflation eased to an annual average of 9.5 percent on account of exchange rate stability and the reduction in food inflation due to the improved availability of food. However, performance of most statutory bodies still remained subdued largely due to unfavourable market conditions and political instability among other things.

On the monetary side, although the policy rate declined to 13.5 percent as at December 2019, financing remained unaffordable and the high interest rates continued to impact on the level of new investments and cost of debt servicing for statutory bodies. Nevertheless, the stable exchange rate contributed positively to those statutory bodies doing international transactions while stability in fuel prices on the domestic market continued to make positive contribution towards containing operational expenditures in various statutory bodies.

Generally, this outturn on macroeconomic fundamentals, market conditions and the operating environment resulted in the downward revisions of the anticipated turnover for most statutory bodies thereby reducing their profitability for the financial year ending 30th June 2020. On average, statutory bodies generated less than half of the projected revenues as at the mid-year. On the other hand, expenditures generally remained high due to the fixed nature of some expenditure lines. In terms of investments, most of the capital expenditure budget was not utilized due to cash flow challenges.

Liquidity positions for most parastatals worsened due to buildup of trade debtors and this resulted in the erosion of their working capital. This situation was mostly prevalent among the Water Boards and other trading parastatals. As a result, most parastatals resorted to obtaining bank overdrafts to cushion their cash flows. Other parastatals resorted to deferring payment of tax obligations, pensions and other trade payables. Borrowing among commercial parastatals also increased thus leading to high gearing positions.

Looking forward to the close of the financial year in June 2020, the prospects among the commercial parastatals suggests improved profitability although these projections are likely to be unmet due to uncertainties arising from the impact of COVID-19 and the slowdown in business operations for the enterprises. Going forward, government will continue to strengthen monitoring of the statutory bodies in order to safeguard and minimize fiscal risks that may arise from the impact of the pandemic among statutory bodies.

17.2 Financial performance

17.2.1 Water Portfolio

17.2.1.1 Blantyre Water Board

Blantyre Water Board financial performance further deteriorated in 2018/19 financial year with the unaudited accounts indicating a loss of K4.5 billion compared to K2.3 billion loss reported in 2017/18 FY. Worse still, the Board continued to report a net loss of K3.2 million at mid-year of the 2019/20FY. Overall, the performance of the Board worsened due to non-implementation of the budgeted tariffs of 45% increase despite it being one of the main assumptions for revenue growth in the approved 2019/20 budget. The prevailing tariffs were below cost recovery thresholds and had not been adjusted in the last two years, hence, compromising the operations of the Board. Based on the mid-year performance, the Board revised downwards the budgeted revenues and expenditure resulting in projecting a further loss of K4.4 billion by the end of the 2019/20 FY.

The Board continues to face serious challenges to finance its operations as monthly operating expenses continue to increase with 60 percent of the operating expenses committed to settling of electricity bill averaging K952 million per month. Non-Revenue Water (NRW) was still very high at an annual average of 37 percent. However, the Board plans to attain 35 percent by June 2020 through installing bulk meters and conducting water balancing. In an effort to reduce electricity bills, the Board installed Power Factor Units at Walker's Ferry and Chileka pumping stations which may result in 2.5 percent reduction in the electricity bills.

Overall, the Board's profitability was still poor as indicated by the operating profit margin which stood at -19.92 percent as at December 2019 worsening from -11.68 percent in 2018/19 this means that for every Kwacha sale, the Board loses K19.92 after tax. The continued negative working capital position of the Board puts the Board at a disadvantage including lower creditability in banks as well as creating poor supplier relationships.

The liquidity position of BWB continued to be weak as demonstrated by a current ratio of below desirable levels of more than 1. This is also demonstrated by the insolvent state of the Board as it continued reporting negative working capital over the years. As at 31st December 2019, the Board reported a liquid ratio of 0.26:1 meaning that it was still unable to cover its current liabilities as they fall due. As at mid-year, trade payables had worsened to K10.78 billion from K7.1 billion in 2017/18 of which electricity payment arrears constituted 78 percent. On the other hand, trade debtors had worsened to K8.5 billion comprising of K5.1 billion for public institutions while K3.5 billion were private customers. This shows that the Board was still struggling with its receivables management with debt receivables days at 392 days as at 31st December, 2019 hence the worsening in the liquidity position since most of its cash was locked up in debtors.

Going forward, the Board has intensified debt collection by conducting periodic mass disconnection campaigns and cleaning up of customer data-base through customer verification exercises. Installation of prepaid meters to all its customers is also a key strategy being used by the Board to reduce the receivables.

In terms of its efficiency to use its assets, the Board has a very weak financial leverage position which is too vulnerable to any downturns as revealed by high debt ratio which stood at 120 percent in December 2019 midyear. This means that the Board was fully financed by debt rather owner's equity. Table 17.1 shows the financial performance of the Board as at 31st December 2019.

TABLE 17.1: SELECTED PERFORMANCE STATISTICS FOR BWB

<u>Financial Indicators</u>	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 (Audited) Actuals K'million	Outlook to 20 June 2020 K'million
Income	9,630.57	13,017.96	15,738.77	18,233.59	8,481.46	19,849.88
Change in Income , %		35%	21%	16%	-35%	9%
Expenditure	(12,062.65)	(14,361.07)	(16,087.88)	(20,250.12)	(10,095.72)	(20,691.80)
Change in expenditure, %		19%	12%	26%	-30%	2%
Profit After Tax	(3,490.05)	(4,111.85)	(2,337.37)	(4,506.16)	(3,227.54)	(4,400.51)
Change in PAT		18%	-43%	93%	(0.22)	0.36
Profit Margin (%)	(27.44)	(11.07)	(2.53)	(11.68)	(19.92)	(4.49)
Return on Assets (%)	(12.13)	(11.20)	(5.68)	(8.44)	(5.62)	(7.65)
Working capital	(4,828)	(13,040)	(9,566)	(14,210)	(15,737)	(15,295)
Current Ratio	0.39	0.26	0.44	0.34	0.33	0.41
Liquid Ratio	0.32	0.21	0.42	0.25	0.26	0.34
Debt Ratio, %	97%	106%	112%	115%	120%	122%
Trade Receivable Days	159.86	155.27	177.13	171.85	392.39	231.82
Capital Employed	22,456	19,111	24,023	31,829	33,889	31,741

Source: BWB Audited Accounts and 2019/20 Performance Management Plans and Budget

17.2.1.2 Southern Region Water Board

Southern Region Water Board registered a profit after tax of K649 million in 2018/19 FY, a slight increase from the previous year's profit after tax of K488.8 million. However, as at 31st December 2019, the profitability had taken a downward trajectory with a profit K260.5 million and looking forward to 30th June 2020, the Board further projects a lower profit of only K124.7 million. This downward movement in the profit is due to the reduced total income, as a result

of failure to implement a budgeted 10 percent tariff adjustment and cash flow challenges which resulted in failure to meet budgeted sales volumes due to reduced volumes of water produced, failure to implement the planned pipeline extension which could expand network for customer base and delayed implementation of the Thondwe, Zalewa and Migowi water supply projects.

These factors contributed to the declining profitability of the Board to K649.9 million in 2018/19 FY compared to K2.96 billion in 2017/18. Profits further declined to K260.4 million at midyear and is projected to further decline to K124.7 million by the close of the financial year.

Nevertheless, the liquidity position of the Board was still good at 1.6:1 in June 2019. This further improved at mid-year to 1.9:1. However, this position is projected to decline to 1.2:1 by June 2020 largely due to accumulation of unpaid water bills which increased to K13.2 billion in December 2019 up from K11.39 billion in June 2019. The receivables comprise of K10.17 billion public while private debtors were K3.06 billion. This outturn resulted in a negative cash flow position as the cash was locked up in debtors forcing the Board to operate on bank overdrafts. Due to cash flow challenges, trade payables also worsened from K5.89 billion in June 2019 to K7.86 billion in December 2019. It is, therefore, important that the Board is more cautious to work on strategies that will reduce the receivables thereby improving the capacity to meet debt obligations as they fall due.

The Board also demonstrated efficiency in generating revenue through its assets with a working capital turnover ratio of 1.6:1. SRWB, further, maintained its solvency with a positive working capital of K6.9 billion as of December 2019 indicating effectiveness in using its working capital.

However, the Board missed its target on containing Non-revenue Water at 26.2 percent as it registered 27.5 percent as at 31st December 2019 owing to lack of maintenance materials which affected the Board's responsiveness to pipeline breakdowns. One of the other issues is that as at December 2019, the Board had not paid VAT amounting to K2.0 billion. This is due to cash flow challenges being faced by the Board.

Table 17.2 shows the financial performance of the Board as at 31st December 2019.

TABLE 17.2: SELECTED PERFORMANCE STATISTICS FOR SRWB

<u>Financial Indicators</u>	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	4,438.34	7,005.60	7,123.55	8,176.58	4,127.59	9,840.31
Change in Income, %	56%	58%	2%	15%	-58%	40%
Expenditure	(2,763.81)	(4,372.70)	(4,587.52)	(6,878.65)	(3,485.66)	(9,008.23)
Change in expense, %	30%	58%	5%	50%	-61%	106%
Profit After Tax	439.38	596.71	2,966.83	649.90	260.47	124.74
Change in PAT, %	-157%	36%	397%	-78%	109%	-79%
Profit Margin (%)	38%	38%	36%	17%	16%	9%
Return on Assets (%)	177%	218%	982%	194%	75%	26%
Net current assets	1,189	2,099	3,429	4,798	6,916	1,191
Current Ratio	1.6	1.5	1.6	1.6	1.9	1.2
Liquid Ratio	1.5	1.4	1.6	1.5	1.7	1.2
Debt Ratio	27%	32%	36%	40%	41%	50%
Debt-to-Equity	38%	48%	56%	66%	69%	100%
Trade Receivable Days	231	295	423	569	1,293	218
Capital Employed	22,871	23,327	24,762	25,413	26,683	43,386

Source: SRWB Audited Accounts and 2019/20 Performance Management Plans and Budget

17.2.1.3 Central Region Water Board

Central Region Water Board financial performance worsened in the 2018/19 financial year as it registered an increased loss of K405.6 million in 2018/19 financial year compared to a loss of K160.5 million in 2017/18 FY. Furthermore, as at 31st December 2019 the Board recorded a net loss of K196.0 million against a planned profit of K63.0 million. This was largely on account of the decline in sales volumes due to failure to carry out projects earmarked for increased water production and non-approval of the 15 percent water tariff adjustment.

Based on the mid-year out turn, the annual targets were also revised downwards with a reduction of 8 percent for production volumes while billed volumes were revised down by 10 percent. Subsequently, these factors also resulted in revision downwards of the revenues to K4.0 billion from K5.9 billion. The revised budget also contains a net loss before tax of K2.3 billion down from a projected profit of K127 million largely due to expenditure provision for receivables impairment in

accordance with IFRS 9, loss in revenue as a result of non-approval of tariff adjustment by 15 percent, and drop in sales volumes due to failure to carry out projects earmarked to produce more water and reduce non-revenue water. Funds for these projects were locked up in debtors, largely public institutions. In December 2019 debt receivables stood at K5.03 billion of which K4.3 billion were public institutions debtors. Debt collection days has subsequently worsened from 325 days in 2017/18 to 514 days in December 2019 and projected to further increase to 608 days by June 2020. These delays in settling water bills continue to put pressure on the cash flow position of the Board.

Non-revenue water averaged 31 percent during this period an increase from 30 percent in 2017/18. However, looking forward to the close of the financial year, the Board plans to contain Non-Revenue Water at 30 percent through timely repair of tanks in Salima and Madisi schemes, replacement of stuck and old pipes network and the replacement of 2.25km Asbestos Cement pipeline with polyvinyl chloride in Dowa, Dedza and Ntchisi.

Overall, the Board's profitability was very poor with losses registered since 2018 and this is projected to dip further by June 2020 as shown by the negative operating profit margin of 26.2 percent, meaning that for every Kwacha sale, the Board will be losing K26. 2 after tax. In addition, the continued negative working capital position of the Board puts the Board at a disadvantage including lower creditability in banks as well as creating poor supplier relationships.

There was a decline in the liquidity position of the Board with current ratio deteriorating to 0.32:1 in 2017/18 from 0.73:1 in 2018/19. As at 31st December 2019, current ratio stood at 0.43:1 and the Board is projecting to close the 2019/20 FY with a current ratio of 0.49:1. This indicates a worsening liquidity position which shows that the Board has insufficient cash flow and is hence unable to meet its obligations as they fall due, such as remittance of taxes, pension and suppliers of goods and services. The Board was cushioning the cash squeeze through bank overdrafts.

Similarly, the Board continues to have a very weak financial leverage with a debt ratio at 130 percent as at 31st December 2019 showing that the Board's activities are to a higher degree financed by creditor's funds as compared to owner's equity. Going forward, the Board has put in place revenue collection strategies to improve collection from trade debtors through use of prepaid meters for institutional and commercial customers. Table 17.3 shows the financial performance of the Board as at 31st December, 2019.

TABLE 17.3: SELECTED PERFORMANCE STATISTICS FOR CRWB

Financial Indicators	2016	2017	2018	2019	2019/20	Outlook to
	(Audited)	(Audited)	(Audited)	(Audited)	Mid-year	30 June
	K'million	K'million	K'million	K'million	Actuals	2020
					K'million	K'million
Income	2,535.31	3,103.88	3,742.86	3,936.44	2,060.62	4,004.78
Change in Income, %	25.75%	0	0	0.05	-33.61%	0.94
Expenditure	(2,153.63)	(2,464.20)	(2,626.52)	(3,083.56)	(1,626.70)	(4,997.77)
Change in expense, %	14.82%	0	0	0.17	-33.99%	2.07
Profit after Tax (PAT)	5.68	163.16	(160.53)	(405.65)	(196.44)	(2,296.45)
Change in PAT	-103.42%	27.72	(1.98)	1.53	-220%	10.69
Profit Margin (%)	15.05	20.61	40.31	22.53	21.77	(26.16)
Return on Assets (%)	0.50	54%	-35%	(2.75)	(1.27)	(12.59)
Working Capital (WC)	(225.17)	211.94	(1,174.02)	(4,079.65)	(3,570.29)	(3,991.83)
Current Ratio	0.88	1.10	0.73	0.34	0.45	0.49
Liquid Ratio	0.82	1.04	0.70	0.32	0.43	0.47
Debt ratio	65%	65%	103%	131%	130%	1.32
Trade Receivable Days	193	246	373	177	484	355
Capital Employed	12,066.87	12,436.62	11,425.48	8,562.68	8,949.33	10,404.49
Capital Turnover	-0.53%	0.67%	-0.92%	0.00%	0.00%	0.00%
WC turnover ratio	(11.3)	14.6	(2.4)	(0.9)	(0.6)	(1.0)

Source: CRWB Audited accounts and Performance Management Plans and Budgets

17.2.1.4 Lilongwe Water Board

Lilongwe Water Board (LWB) continued to maintain its profitability in 2018/19 financial year with a profit after tax of K4.8 billion up from K2.5 billion in 2017/18 financial year. However, at mid-year of 2019/20, the Board realised K1.9 billion and by the close of the financial year, the Board projects to realise a net Profit after Tax of K726.4 million. This out turn is largely due to non-approval of water tariff adjustment. However, relative to prior year, the growth in revenue increased by 26% in 2018/19 financial year as compared to growth of 12% growth recorded in 2017/18 financial year. Water sales volume improved in 2018/19 with 40.6 million m³ produced compared to 36.9 million m³ in 2017/18 financial year owing to good rainfall season. As at December 2019, the Board had produced 18.5 million m³. Non-Revenue Water averaged 37% against an annual average target of 33%. To attain this target by the close of the financial year, the Board has intensified implementation of operationalization of the District Metered Areas, automation of tank monitoring mechanism, replacement of stuck meters and introduction of tip-off anonymous schemes on illegal connections.

The liquidity position for LWB improved in 2018/19 financial to 7.27:1 from 3.4:1 in 2017/18 financial year. This position, however, declined at midyear to 2.26:1 and it is projected to further reduce significantly to 2.0:1 at the close of the 2019/20 financial year. Though liquidity has reduced, at this position the Board is still able to cover its current liabilities when they fall due. As at mid-year, the Board still had a challenge with high trade debtors of K10.84 billion, which contributed to the decline in the liquidity position. The debt collection days remained high at 361 days as at 31st December 2019 but with prospects of further improving to 151 days by the end of the financial year. In terms of financial leverage, the Board's debt ratio steadily increased to 60% in 2019 from 49% in 2018 financial year.

Going forward, the Board plans to continue with the implementation of the water improvement projects, pipe rerouting, lowering and replacement, reticulation and other development projects which would improve water supply to the City in view of increasing demand. Table 17.4 shows the financial performance of the Board as at 31st December, 2019.

TABLE 17.4: SELECTED PERFORMANCE STATISTICS FOR LWB

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	13,112.90	16,294.33	18,210.32	22,893.15	11,537.14	28,856.56
Change in Income, %	40%	24%	12%	26%	-29%	77%
Expenditure	(8,851.45)	(8,723.91)	(13,394.73)	(14,492.47)	(7,118.70)	(21,748.86)
Change in expense, %	47%	-1%	54%	8%	-18%	149%
Profit after Tax (PAT)	2,517.48	3,553.25	2,458.29	4,773.18	1,900.06	726.39
Change in PAT, %	31%	41%	-31%	94%	(0.47)	-80%
Profit Margin (%)	35%	46%	28%	38%	38%	25%
Return on Assets (%)	780%	997%	1217%	315%	2.78	1.19
Working Capital	3,695.12	7,627.14	9,660.06	30,023.41	15,610.51	7,714.45
Current Ratio	2.06	3.39	3.44	7.64	2.60	2.25
Liquid Ratio	1.81	2.97	3.12	7.27	2.26	2.07
Debt Ratio	52%	7%	49%	60%	10%	7%
Debt-to-Equity	108%	7%	98%	152%	11%	8%
Trade Receivable Days	164	1,618	208	198	361	151
Capital Employed	40,360.32	45,767.92	50,298.36	81,730.58	87,931.86	81,306.72
WC turnover ratio	3.31	2.14	1.81	0.73	0.74	3.70

Source: LWB Audited accounts and Performance Management Plans and Budgets

17.2.1.5 Northern Region Water Board

The financial performance of the Northern Region Water Board (NRWB) improved as at June 2019 with K8.6 billion generated in revenues compared to K7.5 billion in 2017/18. The improvement in sales revenues was largely due to water volume increase by 10 percent. Overall, NRWB maintained its profitability with a profit after tax of K323.8 million in 2018/19 compared to a profit after Tax of K185.5 million in 2017/18 and a profit after Tax of K66.4 million in 2016/17. At mid-year, the Board realized a Profit after Tax of K256.5 million and looking forward to 30th June 2020, the Board expects a Profit after Tax of K395.1 Million. The low mid-year out turn in revenues was largely due of low water sales volume which were premised on the implementation of the Mzimba water project which had delayed.

The liquidity position for NRWB, however, worsened mainly due to increasing debtors particularly public institutions who contribute 65 percent of the trade receivables amounting to K5.1 billion an increase from K3.8 billion position in 2018/19 financial year. Similarly, debt collection days remained very high at 141 days in June 2019 but deteriorated to 685days at midyear mainly due to delays in payment by public and private institutions. As a result of the accumulation of debtors, the ability of the Board to pay its obligations as they fall due was further weakened with current ratio falling to 0.5:1 in June 2019 from 1:1 in the previous year.

The NRWB continued to be highly geared with the debt ratio growing to 86 percent in June 2019 from 70 percent in 2018. The debt to equity ratio of the Board, however, shows that the company is heavily financed by debt than the shareholder's equity with a debt to equity ratio of 328 percent in December 2019. Table 17.5 shows the financial performance of the Board as at 31st December, 2019.

TABLE 17.5: SELECTED PERFORMANCE STATISTICS FOR NRWB

Financial Indicators	2016	2017	2018	2019	2019/20	Outlook to
	(Audited)	(Audited)	(Audited)	(Audited)	Mid-year	30 June
	<u>K'million</u>	<u>K'million</u>	<u>K'million</u>	<u>K'million</u>	Actuals	2020
					<u>K'million</u>	<u>K'million</u>
Income	5,212.03	6,630.79	7,462.51	8,588.75	4,522.49	10,289.27
Change in Income, %	30%	-100%	13%	15%	-32%	128%
Expenditure	(4,446.21)	(4,996.64)	(5,863.57)	(6,626.17)	(3,305.85)	(7,703.69)
Change in expense, %	26%	-100%	17%	13%	-34%	133%
Profit after Tax (PAT)	(264.79)	66.48	185.50	323.87	256.51	395.07
Change in PAT, %	-138%	-100%	179%	75%	286%	54%
Profit Margin (%)	16%	27%	23%	24%	28%	26%
Return on Assets (%)	144%	118%	69%	104%	70%	124%
Net current assets	(622.41)	1,101.26	132.92	(5,069.35)	1,607.39	1,435.76
Current Ratio	0.8	1.2	1.0	0.5	1.2	1.5
Liquid Ratio	0.6	1.0	0.8	0.4	1.0	1.2
Debt Ratio	66%	73%	70%	86%	77%	74%
Debt-to-Equity	195%	266%	235%	627%	328%	285%
Receivable Days	131.72	277	250	141	685	166
Capital Employed	18,552.88	22,244.12	33,621.32	34,508.78	41,820.92	42,289.03
WC turnover ratio	-7.77	5.56	51.72	-1.59	2.74	6.98

Source: NRWB Audited accounts and Performance Management Plans and Budgets

17.2.2 Construction, Property Development and Management

17.2.2.1 Malawi Housing Corporation

Malawi Housing Corporation's financial performance worsened in 2018/19 with revenues declining to K3.7 billion from K5.1 billion in 2018/19. This notwithstanding, there was an improvement at mid-year on 2019/20 and the Corporation projects to close the year with a higher revenue of K6.0 billion. The 27 percent growth decline in revenues in 2019 was largely due to failure to approve house rentals adjustments despite rising of costs on the market. In addition, the Corporation realised low income from plot sales due to delays in plot development and slow regularization of encroached areas also contributed to the poor performance. Table 17.6 shows the financial performance of the Corporation as at 31st December 2019.

TABLE 17.6: SELECTED PERFORMANCE STATISTICS FOR MHC

Financial Indicators	2016	2017	2018	2019	2019/20	Outlook to
	(Audited)	(Audited)	(Audited)	(Audited)	Mid-year	30 June
	K'million	K'million	K'million	K'million	Actuals	2020
					K'million	K'000
Income	3,298	4,098	5,126	3,727	2,462	6,027
Change in Income, %	28%	24%	25%	-27%	-40%	145%
Expenditure	(2,955.34)	(3,600.72)	(4,722.73)	(5,135.12)	(2,380.18)	(5,776.27)
Change in expense, %	11%	22%	31%	9%	-34%	143%
Profit after Tax (PAT)	55.20	183.66	257.39	(1,545.01)	57.20	175.28
Change in PAT, %	-150%	233%	40%	-700%	-69%	206%
Profit Margin (%)	11%	13%	12%	-40%	5%	4%
Return on Assets (%)	0%	0%	0%	-1%	0%	0%
Working Capital (WC)	(596.73)	(557.73)	(1,413.98)	(471.42)	4,080.91	(678.22)
Current Ratio	0.86	0.88	0.70	0.81	2.52	0.75
Liquid Ratio	0.81	0.84	0.66	0.74	2.43	0.64
Debt Ratio	6%	6%	5%	6%	8%	10%
Debt-to-Equity	7%	6%	5%	6%	8%	11%
Trade Receivable Days	173	136	193	84	434	107
Capital Employed	65,705.83	76,235.95	88,724.50	102,746.70	104,644.92	108,651.49
WC turnover ratio	-5.30	-7.01	-2.37	-7.52	0.43	-9.76

Source: MHC Audited accounts and Performance Management Plans and Budgets

Despite the poor performance in revenues, the Corporation continued to face challenges from Public Institutions whose arrears in unpaid rentals increased to K1.164 billion as at December 2019 from K812 million in June 2019. Public institutions occupy 85 percent of the Corporation's houses and had an average collection days of 84 days in 2018/19 financial year. This performance resulted in the liquidity position of the Corporation to remain below average at 0.81:1 as at June 2019 which makes it difficult for the Corporation to meet its short term obligations a slight improvement from 0.70:1. Furthermore, the working capital remained in the negative thus showing the Corporations inability to finance its day-to-day operations including taxes. Though the Corporation registered an improvement in liquidity position at 2.52:1, this position is projected to plummet to 0.75:1 signifying negative cash flows for MHC in June 2020.

On the other hand, the debt/equity ratio was still very low at 8 percent as at midyear 2019/20 with prospects of a slight increase to 10 percent by June 30, 2020 signifying that the Corporation is to a large extent financed by owner's equity compared to debt.

17.2.2.2 National Construction Industry Council

The National Construction Industry Council's financial and operational performance has been reasonable over the years with surpluses registered throughout. At midyear, however, the Council posted a deficit of K161 million due to challenges on construction levy collection and low turn up for registration from the market players in the industry. Revenues grew by 27 percent in 2018/19 financial year and projection to June 2020 suggests further increase in revenues and surplus. Table 17.7 shows the financial performance of the Council as at 31st December 2019.

TABLE 17.7: SELECTED PERFORMANCE STATISTICS FOR NCIC

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'000
Income	1,161.10	1,548.10	1,925.68	2,439.75	1,185.41	2,749.25
Change in Income, %	18%	33%	24%	27%	-23%	132%
Expenditure	(1,248.64)	(1,542.98)	(1,893.85)	(2,398.99)	(1,147.01)	(2,641.68)
Change in expense, %	32%	24%	23%	27%	-26%	130%
Profit after tax (PAT)	(231,545)	4,360	43,276	54,122	40,386	92,087
Change in PAT, %	-434%	-102%	893%	25%	826%	128%
Profit Margin (%)	-20%	0%	2%	2%	3%	4%
Return on Assets (%)	-22%	0%	3%	3%	3%	5%
Working Capital WC)	304.94	319.73	272.99	56.20	318.05	76.51
Current Ratio	3.40	3.90	3.21	1.27	4.11	1.51
Liquid Ratio	3.40	3.90	3.21	1.27	4.11	1.51
Debt Ratio	12%	10%	19%	22%	17%	26%
Debt-to-Equity	14%	12%	23%	29%	20%	35%
Receivable Days	117	83	50	34	70	28
Capital Employed	939.84	944.19	1,340.41	1,378.56	1,380.79	1,582.49
WC turnover ratio	3.81	4.73	6.91	42.54	3.62	34.99

Source: NCIC Audited accounts and Performance Management Plans and Budgets

The liquidity position of the Council remained healthy at 1.27:1 as of June 2019 and this is projected to slightly improve to 1.51:1 by close of the financial year indicating the Council's ability to manage its working capital so that there are sufficient resources to pay its debt obligations as they fall due including tax and pensions obligations.

Similarly, the debt/equity ratio was still very low at 20 percent as at midyear 2019/20 with prospects of a slight increase to 35 percent by June 30, 2020 signifying that the Corporation is to a large extent financed by owner's equity compared to debt.

17.2.3 Energy Portfolio

17.2.3.1 Electricity Supply Corporation of Malawi

The performance of Electricity Supply Corporation of Malawi (ESCOM) continued to worsen in 2018/19 with a loss of K13.0 billion registered. This is a decrease from a loss of K18.7 billion registered in 2017/18. Overall, operating revenue has grown by 30.2 percent over the years up to 2018/19 financial year. On the other hand, expenditure grew by 85 percent over the same period resulting in the Corporation to register increasing losses over time. In 2018/19 financial year, ESCOM's registered lower revenues than in 2017/18 largely due to the reduced energy sold as a result of reduced water levels. Looking forward to June 2020, ESCOM projects to generate K170.1 billion in revenues and expenditure is projected at K158.3 billion, resulting in a Profit after Tax of K7.8 billion.

The projected level of profitability will largely be attained with a total energy purchased at 2,132 GWh from independent power producers. However, the level of transmission and distribution losses is projected at 18.76 percent leaving 2,233GWh for transmission and distribution to the end users. The Corporation further projects to connect 60,000 new prepaid customers and in order to enhance collection efficiency. Further, the Corporation projects to migrate 87 percent of its customers, including maximum demand customers, to pole mounted prepaid split meters. These efforts are aimed at attaining the projected 90 percent collection efficiency. The average tariff in the year was at K92.44 per KWh following a 20 percent base tariff adjustment in 2018/19 financial year.

The liquidity position of the Corporation was weak as indicated by current ratio of 0.85:1 in both 2017/18 and 2018/19 financial years. However, this position is expected to slightly improve to 0.95: 1 by June 2020 but this was still below the required benchmark of above 1. This improvement will largely be attained through converting the inventory which stood at K9.8 billion in December 2019, to among other things, network extension. Furthermore, the improvement will be attained through migrating about 50 maximum demand customers to prepaid metering system. Maximum demand customers' accounts for about 50 percent of the total revenues and most of them were Government institutions that were not up to date in their electricity bill payment.

Due to the current low liquidity level, the Corporation has accumulated payables due to insufficient cash flow and the inability to pay off liabilities as they fall due. The Corporation has so far experienced an accumulation of payables to an unprecedented high of K57.2 billion as at December 2019. This poses a serious challenge to the operations of the Corporation as most suppliers' accounts fall to over 120 days while the debt collection days were around 109 days as of December 2019. With the migration to prepaid meter, the debt collection days are expected to fall to 60 days. Table 17.8 shows the financial performance of ESCOM as at 31st December, 2019.

**TABLE 17.8: SELECTED PERFORMANCE STATISTICS
FOR ESCOM**

Financial Indicators	2016	2017	2018	2019	2019/20	Outlook to
	(Audited) K'million	(Audited) K'million	(Audited) K'million	(Audited) K'million	Mid-year Actuals K'million	30 June 2020 K'million
Income	74,786.57	84,695.31	97,400.00	95,396.34	80,000.00	170,300.00
Change in Income, %	36%	13%	15%	-2%	-6%	113%
Expenditure	(62,488.25)	(78,151.75)	(115,400.00)	(114,400.51)	(83,800.00)	(158,340.00)
Change in expense, %	45%	25%	48%	-1%	7%	89%
Profit after tax (PAT)	7,903.37	6,026.93	(18,700.00)	(12,963.39)	(6,600.00)	7,760.00
Change in PAT	-36%	-24%	-410%	-31%	-210%	-218%
Profit Margin (%)	17%	8%	-19%	-21%	-5%	7.5%
Return on Assets (%)	11%	6%	-13%	-10%	-2%	1.8%
Working Capital	34,809	21,423	(6,000)	(8,115)	20,100	(2,000)
Current Ratio	2.55	1.88	0.85	0.85	1.38	0.98
Liquid Ratio	1.43	1.19	0.48	0.62	1.17	0.64
Debt Ratio	52%	64%	79%	75%	90%	87%
Debt-to-Equity	107%	181%	375%	302%	894%	632%
Receivable Days	110	98	74	118	272	140
Capital Employed	106,423.81	97,501.30	103,800.00	121,172.14	251,100.00	330,400.00

Source: ESCOM Audited accounts and Performance Management Plans and Budgets

17.2.3.2 National Oil Company of Malawi (NOCMA)

NOCMA's performance in 2018/19 financial year was a huge improvement on the 2017/18 performance as it registered a profit of K732 million from a loss of K1.2 billion in 2018. As at 31st December 2019, NOCMA maintained its profit position as it has registered a profit of K520 million and it further projects an improved profit of K865 million at the end of the June 2020 financial period. In the 2018/19 financial year NOCMA imported 178.6 million Litres of fuel and sold 189.7 million liters of fuel. As at 31st December 2019, NOCMA imported 153.2 million Litres and sold 147.5 Litres. By the close of the 2019/20 financial year, NOCMA projects to import a total of 315.2 million Litres leading to total sales of K6.47 billion.

NOCMA maintained a healthy liquidity position with a current ratio of 1.01:1 in 2018/19 financial year while a current ratio of 1.0:1 was registered in 2017/18. However, looking forward to close of the 2019/20 financial year, current ratio is projected to slightly improve to 1.03:1 which shows that NOCMA is just on the margins of its ability of meeting its short term liabilities, hence the need to be cautious and work on further improving the cash flow position. Nevertheless, the working capital for NOCMA was good and growing.

Looking ahead, with the 50-50 fuel import arrangements supported by the various fuel importation facilities, NOCMA has good prospects for future growth and profitability. Table 17.9 shows the financial performance of NOCMA as at 31st December, 2019

TABLE 17.9: SELECTED PERFORMANCE STATISTICS FOR NOCMA

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	1,498.52	620.02	102,574.19	165,353.25	3,136.91	8,045.47
Change in Income, %	54%	-59%	16444%	61%	406%	1198%
Expenditure	(1,248.91)	(1,513.45)	(104,141.52)	(165,632.29)	(1,975.64)	(5,374.35)
Change in expense, %	115%	21%	6781%	59%	31%	255%
Profit after Tax (PAT)	159.57	(893.43)	(1,206.03)	732.65	520.38	865.54
Change in PAT, %	-2352%	-432%	-856%	-182%	226%	-197%
Profit Margin (%)	115%	-586%	-2%	0%	49%	41%
Return on Assets (%)	184%	-539%	-188%	-21%	95%	204%
Working Capital (WC)	2,172.92	3,718.24	87.84	1,167.66	2,272.94	(2,474.10)
Current Ratio	1.23	1.45	1.00	1.01	1.03	0.98
Liquid Ratio	1.23	0.36	0.69	0.91	0.91	0.81
Debt Ratio	69%	50%	92%	94%	95%	95%
Debt-to-Equity	220%	100%	1103%	1590%	1783%	1358%
Receivable Days	8,099	2,785	121	155	10,745	3,310
Capital Employed	4,235.28	8,293.95	29,150.69	30,166.20	30,900.08	31,378.89
WC turnover ratio	0.10	0.04	1160.35	140.80	1.05	-2.61

Source: NOCMA Audited accounts and Performance Management Plans and Budgets

17.2.3.3 Malawi Energy Regulatory Authority

The performance of Malawi Energy Regulatory Authority (MERA) achieved a remarkable growth in both revenues and expenditures in 2019. Revenues for the Authority grew by 10 percent to K7.5 billion in 2019 from K6.8 in 2018. Expenses also reported a positive growth of 28 percent to K4.7 billion in 2019 from K3.6 billion in 2018. Thus, due to the increase in expenditure which was higher than the increase income, the surplus for the Authority for the year 2018/19 was K2.8 billion which was as 10 percent decrease from a surplus of K3.2 billion attained in 2017/18 financial year. The Authority used most of the surplus to invest in construction of an office complex that was still under way during the 2018/19 financial year.

The liquidity position for the Authority was good with current ratio at 1.65:1 in 2018/19 financial year though slightly reducing from 1.94:1 in 2017/18 owing to a significant increase in current liabilities from K22 billion in 2017/18 to K35 billion in 2018/19. Consequently, the working capital also increased to K22.8 billion in 2019 from K20.9 billion in 2018. Table 17.10 shows the financial performance of MERA as at 31st December, 2019.

TABLE 17.10: SELECTED PERFORMANCE STATISTICS FOR MERA

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	3,927.74	5,464.48	6,802.27	7,513.43	4,353.98	8,793.76
Change in Income, %	54%	39%	24%	10%	-20%	61%
Expenditure	(2,377.35)	(3,248.48)	(3,633.25)	(4,668.50)	(2,400.39)	(5,840.42)
Change in expense, %	71%	37%	12%	28%	-26%	80%
Surplus	1,931	2,216	3,169	2,845	1,659	2,293
Change in surplus, %	41%	15%	43%	-10%	-25%	3%
Return on Assets (%)	7%	13%	7%	4%	4%	8%
Profit Margin (%)	40%	47%	51%	38%	46%	34%
Net current assets	10,984	5,172	20,944	22,815	18,645	5,160
Current Ratio	2.19	1.78	1.94	1.65	1.76	1.27
Liquid Ratio	2.19	1.78	1.94	1.65	1.76	1.27
Debt Ratio	45%	40%	48%	83%	48%	51%
Debt-to-Equity	81%	68%	92%	496%	91%	103%
Receivable Days	839	21	1,331	1,562	1,917	781
Capital Employed	11,572	9,780	24,251	29,830	26,728	18,367
WC turnover ratio	0.36	0.91	0.30	0.33	0.23	1.67

Source: MERA Audited accounts and Performance Management Plans and Budgets

17.2.3.4 Electricity Generation Company (EGENCO)

Since its inception in 2017/18 financial year, the Electricity Generation Company (EGENCO) has maintained its profitability with K16.3 billion realised in 2018 /19 as profit after tax, while at mid-year of 2019/20, EGENCO posted a profit after tax of K8.9 billion and projected position at the close of the financial year stands at K3.5 billion as profit after tax. This is a significant decline in profitability in the last three years and the main reason for this decline was the reduction in power generation due to the breakdown of two plants at Kapichira

64MW and the diesel plants. Although revenues were revised downwards by 8 percent to K66 billion in 2019/20 financial year, expenditures were revised upwards by 24 percent due to repairs on the river training dyke at Kapichira and also due to provision of bad debts at K5 billion. These consequently eroded the anticipated profits to K3.5 billion in June 2020.

On the other hand, debtor days were still very high at 238 days in 2018/19 but projected to decline to 181 days by close of the financial year in June 2020 which is way above the 30 days agreed in the power purchase agreements. As at 31st December 2019, debtors were at K35 billion, but the Company projects to close the financial year with K36 billion in debtors. Despite this challenge, the liquidity position for EGENCO was healthy with current ratio of 5.27:1 as of December 2019. Looking forward, current ratio is projected to close at a reduced level of 2.6:1 which was still a good indication of the Company's ability to meet its obligations as they fall due. Table 17.11 shows the financial performance of EGENCO as at 31st December 2019.

TABLE 17.11: SELECTED PERFORMANCE STATISTICS FOR EGENCO

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	14,835	43,080	56,650	31,954	65,942	
Change in Income, %		190%	31%	-44%	106%	
Expenditure	(9,859)	(29,155)	(42,495)	(19,607)	(61,652)	
Change in expense, %		196%	46%	-54%	214%	
Profit after Tax (PAT)	2,825	11,035	16,283	8,940	3,542	
Change in PAT, %		291%	27,316	-45%	25%	
Operating Profit Margin (%)	34%	36%	39%	42%	10%	
Return on Assets (%)	10%	21%	10%	5%	2%	
Net current assets	9,223	12,445	45,382	49,247	27,873	
Current Ratio	1.99	1.60	6.28	5.27	2.6	
Liquid Ratio	1.78	1.48	5.51	4.46	2.4	
Debt Ratio	21%	40%	37%	36%	39%	
Debt-to-Equity	27%	66%	59%	56%	64%	
Trade Receivable Days	195	218	238	423	181.0	
Capital Employed	35,684	52,306	224,501	231,256	229,092	
WC turnover ratio	1.61	3.46	1.25	0.65	2.37	

Source: EGENCO Audited Accounts and Performance Management Plans and Budgets

17.2.4 Communication Portfolio

17.2.4.1 Malawi Posts Corporation

The performance of Malawi Posts Corporation (MPC) further worsened in the year 2018/19 compared to the position reported in 2017/18. The revenues dropped by 14 percent to K3.6 billion in 2018/19 from K4.1 billion in 2017/18. On the other hand, expenses increased by 2 percent in 2018/19 to K4.8 billion from K4.6 billion during the same period 2017/18. Although expenditures were contained, the reduction in revenues resulted in a worsening of the loss after tax to K1.2 billion compared to a loss of K523.1 million in 2017/18 financial year. As at December 2019, the Corporation also posted a Loss after Tax of K527.3 million and further projects an end of June 2020 of K1.1 billion.

MPC's liquidity position remains very weak with a current ratio of 0.47:1 reported in 2018/19 just as it was in the 2017/2018 financial year. This signifies that MPC had inadequate resources to meet its current debt obligations as they fall due; two years in a row. The working capital was still deteriorating signifying that it had inadequate working capital to finance its day-to-day operations. The current liabilities for the Corporation significantly increased to K4.4 billion in 2018/19 from K3.91 billion reported in 2017/18 financial year. Projections to June 2020 also show the same level (K4.42 billion) in current liabilities while trade receivables are projected at K1.45 billion from K1.3 billion in December 2019. Trade payables mostly comprise tax arrears at K2.96 billion and pension arrears at K290 million as at 30th June 2019. These arrears arose due to running of 120 loss making post offices as a social service. Government has since included a subvention to MPC to cover the social services offered by MPC while in the near future the Universal Service Fund will be used to offset this element.

Trade receivable days position of 252 days were recorded in December 2019 with prospects of maintaining this position by close of the 2019/20 financial year. This requires the Corporation to employ more efforts to collect resources from their debtors. The debt-to-equity position, however, increased to 80 percent in December 2019 from 40 percent in June 2019. This was largely due to the loan facility acquired by MPC to finance the purchase of Postal coaches and buses as one way of boosting its courier services. Table 17.12 shows the financial performance of MPC as at 31st December, 2019.

**TABLE 17.12: SELECTED PERFORMANCE STATISTICS
FOR MPC**

<u>Financial Indicators</u>	<u>2016</u> <u>(Audited)</u> <u>K'million</u>	<u>2017</u> <u>(Audited)</u> <u>K'million</u>	<u>2018</u> <u>(Audited)</u> <u>K'million</u>	<u>2019</u> <u>(Audited)</u> <u>K'million</u>	<u>2019/20</u> <u>Mid-year</u> <u>Actuals</u> <u>K'million</u>	<u>Outlook to</u> <u>30 June</u> <u>2020</u> <u>K'million</u>
Income	3,424.04	4,463.24	4,153.51	3,591.63	1,947.86	3,895.72
Change in Income, %	4%	30%	-7%	-14%	-43%	-13%
Expenditure	(3,820.33)	(4,755.54)	(4,676.63)	(4,792.35)	(2,475.19)	(5,012.24)
Change in expense, %	7%	24%	-2%	2%	-35%	5%
Profit after tax (PAT)	1,447.47	(292.31)	(523.11)	(1,200.72)	(527.33)	(1,116.52)
Change in PAT, %	37%	-120%	79%	130%	-136%	2.8
Profit Margin (%)	-12%	-7%	-13%	-38%	-29%	-30%
Return on Assets (%)	7%	-2%	-4%	-9%	-4%	-9%
Working Capital (WC)	(1,412.84)	(1,369.71)	(1,629.05)	(2,273.20)	(2,932.45)	(2,802.27)
Current Ratio	0.62	0.66	0.58	0.49	0.46	0.36
Liquid Ratio	0.57	0.62	0.58	0.47	0.44	0.34
Debt Ratio	38%	44%	28%	32%	45%	41%
Debt-to-Equity	61%	80%	40%	48%	80%	70%
Receivable Days	151	126	171	167	252	252
Capital Employed	10,189	10,078	10,069	9,288	8,311	7,599
WC turnover ratio	-2.28	-3.26	-2.55	-1.39	-0.63	-1.31

Source: MPC Audited Accounts and Performance Management Plans and Budgets

17.2.4.2 Malawi Communications Regulatory Authority (MACRA)

Malawi Communications Regulatory Authority (MACRA) continued to report increases in surpluses over the past five years. However, MACRA recorded a drop in revenues in 2018/19 financial year where the Authority realised K17.7 billion in revenues while surplus was at K6.9 billion. The decline in revenues was due to continuous drop in incoming international call minutes which is a basis for circulation of international call termination fees. The other reason for the decline was due to the implementation of the Universal Service Fund (USF) where the Authority is required to apportion 20 percent levy receivable from operations to USF. Table 17.13 shows the financial performance of MACRA as at 31st December, 2019.

**TABLE 17.13: SELECTED PERFORMANCE STATISTICS
FOR MACRA**

<u>Financial Indicators</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019/20</u>	<u>Outlook to</u>
	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>Mid-year</u>	<u>30 June</u>
	<u>K'million</u>	<u>K'million</u>	<u>K'million</u>	<u>K'million</u>	<u>Actuals</u>	<u>2020</u>
					<u>K'million</u>	<u>K'million</u>
Income	14,293.08	17,055.98	18,219.76	18,106.75	9,935.20	19,776.36
Change in Income, %		19%	7%	-1%	(0.42)	0.99
Expenditure	(9,660.03)	(11,160.76)	(6,970.10)	(10,780.19)	(6,076.59)	(13,424.43)
Change in expense, %		16%	-38%	55%	(0.46)	1.21
Surplus 5,219.31	6,119.85	11,284.03	7,326.56	3,858.62	6,351.93	
Change in surplus, %		0.17	0.84	(0.35)	(0.37)	0.65
Profit Margin (%)	33%	35%	62%	42%	0.43	0.34
Return on Assets (%)	35%	43%	58%	32%	0.15	0.26
Working Capital (WC)	7,742	8,148	3,562	4,107	7,441	6,849
Current Ratio	3.23	3.83	1.57	1.44	1.76	1.79
Liquid Ratio	3.23	3.81	1.56	1.43	1.76	1.79
Debt Ratio	42%	35%	41%	49%	0.44	0.41
Debt-to-Equity	73%	53%	71%	96%	0.77	0.70
Receivable Days	118	106	91	161	355.24	203.42
Capital Employed	11,343	11,426	13,072	13,334	16,341	15,495
WC turnover ratio	0.60	0.72	3.16	1.78	0.52	0.93

Source: MACRA Audited Accounts and Performance Management Plans and Budgets

In the year 2019/20, revenues are projected to grow by 9% over 2018/19 position to K19.8 billion. However, by June 2020 surplus is expected to register a 13 percent decline over 2018/19 financial year whereby K8.0 billion was recorded against K6.9 billion expected by June 2020.

Although the liquidity of the Authority shows declining trends, MACRA liquidity remains health and capable of meeting short term obligations as they fall due. Additionally, the Authority's working capital is strong enough to finance its day-to-day operations.

17.2.5. Agriculture portfolio

17.2.5.1 National Food Reserve Agency (NFRA)

The performance of the National Food Reserve Agency (NFRA) in 2018/19 was good though it was a decline from the 2017/18 position. NFRA reported a net surplus of K230.8 million as compared to a net surplus of K 6.34 million in 2018. However, as of December 2019, the Agency registered a net deficit of K32.13 million. This performance was largely due to depreciation and stock losses incurred in storage which was at 0.10 percent which was way lower compared to

the internationally accepted storage loss of 2 percent. During the first half of the year, the Agency received 3,261 metric tonnes (MT) of maize and total draw down was 21,991 MT. Overall, the Agency handled a total of 66, 551 MT of Maize and it projects to handle 95,000MT of maize and 10, 000MT of flour by June 2020.

The liquidity position for NFRA, improved to a ratio of 4.7:1 in 2018/ 2019 financial year compared to 1.54:1 in 2017/18 financial year. However, the situation greatly improved at midyear where a current ratio was at 7.59:1 with prospects of continued improvement by the close of the 2019/20 financial year. The debt-to-equity position also improved to 28 percent in 2018/19 from 35 percent in 2018/2019 financial year and as at mid-year 2019/20 it registered the debt ratio of 0.13percent. This indicates that the Agency was to a large extent being financed through owner’s equity. Table 17.14 shows the financial performance of NFRA as at 31st December 2019.

TABLE 17.14: SELECTED PERFORMANCE STATISTICS FOR NFRA

<u>Financial Indicators</u>	<u>2016</u> <u>(Audited)</u> <u>K'million</u>	<u>2017</u> <u>(Audited)</u> <u>K'million</u>	<u>2018</u> <u>(Audited)</u> <u>K'million</u>	<u>2019</u> <u>(Audited)</u> <u>K'million</u>	<u>2019/20</u> <u>Mid-year</u> <u>Actuals</u> <u>K'million</u>	<u>Outlook to</u> <u>30 June</u> <u>2020</u> <u>K'million</u>
Income 1,053	10,080	9,393	1,887	1,038	2,241	
Change in Income, %	(44%)	857%	(7%)	(80%)	(0.90%)	1.16
Expenditure	(1,287)	(9,391)	(3,057)	(1,657)	(966)	(2,065)
Change in expense, %	-63%	630%	-67%	-46%	(0.90)	1.14
Surplus (233.90)	688.75	6,335.75	230.82	(32.13)	(46.17)	
Change in surplus, %	(0.85)	(3.94)	8.20	(0.96)	(1.05)	0.44
Profit Margin (%)	-22%	7%	71%	16%	0.07	0.08
Return on Assets (%)	-1%	4%	23%	1%	(0.00)	(0.00)
Net current assets	10,868	11,913	18,332	18,469	18,546	14,743
Current Ratio	1.85	10.67	4.15	6.12	7.59	15.08
Liquid Ratio	1.53	7.59	1.54	4.68	6.71	9.11
Debt Ratio	61%	30%	35%	28%	12%	5%
Debt-to-Equity	155%	43%	53%	39%	13%	6%
Trade Receivable Days	95	7	12	64	115.73	25.24
Capital Employed	14,403	14,957	21,159	21,255	21,226	18,967
WC turnover ratio	0.10	0.85	0.49	0.08	0.06	0.15

Source: NFRA Audited Accounts and Performance Management Plans and Budgets

17.2.5.2 ADMARC LIMITED

The performance of ADMARC Limited varied across the past five years due to unique circumstances that prevailed in each respective year. Revenues in 2018/19 fell below the 2017/18 position with K31.978 billion reported of which actual sales were K16.9 billion while cost of sales were K15.2 billion, translating into a gross profit of K1.8 billion. K14.5 billion of the 2018/19 revenues were other revenues of which a large proportion was invoiced to Government for undertaking social obligations on its behalf.

As at half year of the 2019/20 financial year, ADMARC recorded a negative gross profit margin of 0.61 percent which translated to negative K3.8 billion. This was largely because all revenues for all commodities were below budget as ADMARC did not achieve the export sales that were budgeted for legumes. In addition, price of cotton had plummeted since the onset of the selling season and further, maize sales were also below budget as the demand peaked later than expected and it was sold below cost. On the other hand, expenditures were slightly contained with a 4 percent decline over 2017/18.

The liquidity position of ADMARC in 2018/19 financial year was barely on the margins at a current ratio 1:1 while leverage was at 72 percent as measured by debt/equity proportions. At mid-year, however, the current ratio had worsened to 0.91:1 and it is projected to further worsen to 0.71:1 by June 2020 indicating the Corporations inability to meet short term obligations as they fall due. Table 17.15 shows the financial performance of ADMARC as at 31st December 2019.

**TABLE 17.15: SELECTED PERFORMANCE STATISTICS FOR
ADMARC LIMITED**

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income 21,346	9,655	42,669	31,978	6,250	29,765	
Change in Income, %		-55%	342%	-25%	(0.35)	3.76
Expenditure	(28,293)	(33,037)	(28,324)	(27,324)	(13,625)	(27,685)
Change in expense, %		17%	-14%	-4%	(0.59)	1.03
Profit after tax (PAT)	(7,991)	(23,383)	14,330	1,961	(3,815)	2,080
Change in PAT, %		1.93	(1.61)	(0.86)	(0.84)	(1.55)
Profit Margin (%)	(0.39)	(3.19)	1.00	0.22	(0.61)	0.13
Return on Assets (%)	-274%	-24%	13%	5%	(0.04)	0.02
Net current assets	(890)	(33,566)	311	4,481	1,373	(4,229)
Current Ratio	0.07	0.48	1.01	1.16	1.06	0.89
Liquid Ratio	0.07	0.11	0.64	1.00	0.91	0.71
Debt Ratio	38%	79%	50%	42%	41%	47%
Debt-to-Equity	59%	368%	101%	72%	70%	87%
Trade Receivable Days	0	335	582	266	1,157	553
Capital Employed	1,582	32,255	66,486	70,934	67,702	72,701
WC turnover ratio	-19.98	-0.22	45.95	4.73	4.55	-3.75

Source: ADMARC Limited's Audited Accounts and Performance Management Plans and Budgets

17.2.5.3 TOBACCO COMMISSION (TC)

The performance of the Tobacco Commission (TC) in 2018/19 was an improvement over 2017/18 financial year whereby the Commission reported a 20 percent increase in revenues to K3.2 Billion compared to K2.6 billion reported in 2017/18 financial year. On the other hand, expenditures also grew by 27 percent resulting into a reduced surplus of K89.2 million compared to K305.5 million reported in 2017/18. This was mainly due to the increase in tobacco volumes sold from 142.2 million kilogrammes to 159.2 million kilogrammes. In the 2019/20 financial year, a total of 191.7 million kilogrammes is projected to be sold. However, as at mid-year, 89.9 million kilogrammes had been sold leading to lower levies collection and ultimately to a deficit of K154.6 million. By the end of the year, a surplus of K220.5 million is expected. The anticipated volumes are above the recommended sustainable annual volume of 150 to 160 million Kilograms of all tobacco types and as such, current levies and current operations of the Commission would not be sustainable.

Liquidity levels for the Commission were good in 2018/19 as measured by the current ratio of 1:1, however at midyear of 2019/20, the position slightly deteriorated and it is anticipated to further deteriorate to 0.89:1 by the close of the financial year. This indicates that the Commission’s current assets would not be enough to meet the current liabilities. However, this picture is only bad due to the accounting revenue recognition policies of the commission.

The leverage position of the Commission has improved over the years as measured by debt/equity which is expected to close at 34 percent, signifying that the Commission’s assets are to a large extent funded by owner’s equity than debt. Table 17.16 shows the financial performance of TC as at 31st December 2019.

TABLE 17.16: SELECTED PERFORMANCE STATISTICS FOR TC

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	2,217.63	3,525.13	2,653.48	3,193.31	1,588.24	3,857.05
Change in Income, %		59%	-25%	20%	(0.59)	0.09
Expenditure	(1,954.73)	(2,550.98)	(2,769.48)	(3,505.55)	(1,948.30)	(4,027.59)
Change in expense, %		31%	9%	27%	(0.52)	0.58
Surplus (124.50)	1,306.40	305.49	89.18	(154.61)	220.45	
Change in Surplus, %		(11.49)	(0.77)	(0.71)	(1.70)	(0.83)
Profit Margin (%)	12%	28%	-4%	-10%	(0.23)	(0.04)
Return on Assets (%)	-4%	28%	6%	2%	(0.03)	0.04
Working Capital (WC)	(301)	516	405	3	(25)	(150)
Current Ratio	0.69	1.66	1.31	1.00	0.99	0.89
Liquid Ratio	0.69	1.66	1.30	0.99	0.98	0.88
Debt Ratio	32%	17%	33%	27%	38%	26%
Debt-to-Equity		20%	49%	36%	59%	34%
Trade Receivable Days	86	56	90	55	32	51
Capital Employed	2,074	3,838	3,950	3,646	3,462	3,745
WC turnover ratio	-7.36	6.83	6.55	1079.18	-63.14	-25.74

Source: TC Audited Accounts and Performance Management Plans and Budgets

17.2.6 Health Portfolio

17.2.6.1 Pharmacy and Medicines Regulatory Authority (PMRA)

The performance of the Pharmacy and Medicines Regulatory Authority (PMRA) previously known as Pharmacy, Medicines and Poisons Board (PMPB) declined

during the 2018/19 financial year as it registered a deficit of K74.1 million from a surplus of K161.8 million recorded in the 2017/18 financial year. As at 31st December 2019, the Authority further registered a loss K117.1 million with a projection of a further loss of K120.6 million. The major reason for the down turn being challenges faced in collection of product fees which constitutes 70 percent of the total revenues for the Authority. As at mid-year, the Authority only managed to collect less than 50 percent which are supposed to be paid in advance before 1st July. As a direct result operating profit margin has also declined from 8 percent in the year 2017/18 to negative 10 percent in year 2018/19 with a projection of -37percent at the end year of the year 2019/20.

Due to the poor financial performance, the liquidity position of the Commission weakened from 1.7:1 in 2017/18 to 0.7:1 in 2018/19 resulting in failure to meet some cash flow requirements during the first half of the year. This position is further projected to worsen to 0.2:1 by the close of the financial year. As such, the Authority plans to intensify pre-collection of fees and charge penalties subject to gazetting the same in order to enforce compliance. Nevertheless, the Authority has maintained low debt-to-equity position over the years at 14 percent in 2019, which is slightly above the 10 percent registered in 2018 but below the average required benchmark which is good for the Authority. Table 17.17 shows the financial performance of the Board as at 31st December, 2019.

TABLE 17.17: SELECTED PERFORMANCE STATISTICS FOR PMRA

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	1,327.86	1,159.88	1,300.38	1,216.80	571.19	1,328.92
Change in Income, %	102%	-13%	12%	-6%	-51%	133%
Expenditure	(564.80)	(907.43)	(1,192.33)	(1,303.95)	(688.32)	(1,449.60)
Change in expense, %	22%	61%	31%	9%	-24%	111%
Surplus 787.03	306.17	161.78	(74.14)	(117.13)	(120.68)	
Change in Surplus, %	295%	-61%	-47%	-146%	-138%	3%
Profit Margin (%)	123%	23%	8%	-10%	-37%	-14%
Return on Assets (%)	45%	15%	7%	-3%	-5%	-6%
Working Capital (WC)	601	624	150	(85)	(1,970)	(468)
Current Ratio	4.8	4.4	1.7	0.7	0.4	0.2
Liquid Ratio	4.8	3.8	1.6	0.7	0.3	0.2
Debt Ratio	9%	9%	10%	14%	23%	18%
Debt-to-Equity	10%	10%	11%	16%	30%	23%
Trade Receivable Days	34	49	37	10	18	4
Capital Employed	1,602	1,908	2,028	1,954	224	1,614
WC turnover ratio	1.27	0.40	0.72	1.03	0.06	0.26

Source: PMPA Audited Accounts and Performance Management Plans and Budgets

17.2.7 Labour and Man power development

17.2.7.1 Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA)

TEVETA registered a surplus of K162 million in 2018/19 financial year. Despite registering a 70 percentage increase in the total revenues of the Authority, there was also a corresponding 81 percent increase in the expenditure which resulted in a surplus that was 53 percent less than the previous financial year. As at midyear 2019, the Authority posted a surplus of K950 million. However, the prospects to the close of the financial year indicates a decline in the net surplus to K496 million. The improvement is largely due to the prospect of increase in levy from the private sector, enhanced enforcement of both MRA and TEVETA and also the introduction of examination fees for students in Technical Colleges.

The Authority's current ratio slightly declined in 2018/19 to 1.93:1 from 3.3:1 in 2017/18 financial year. Although this was the case, it still shows that the Authority is able to meet its short-term obligations as they fall due. As at mid-year, the current ratio had increased to 9.92:1 and is projected to close at 9.43:1 which is a very good position for the Authority. The working Capital dropped from K3.3 billion at the end of 2017/18 financial year to K1.8 billion in 2018/19 but this is projected to improve significantly by the end of June 2020 to K5.7 billion.

Financial leverage as measured by debt to equity ratio increased to 53 percent in 2018/19 and this quickly improved at mid-year of 2019/20 to 13 percent and it's projected to moderate to 15 percent by the close of the financial year. This indicates that mostly the Authority will use its own resources compared to external resources to finance its assets. Table 17.18 shows the financial performance of TEVETA as at 31st December, 2019.

**TABLE 17.18: SELECTED PERFORMANCE STATISTICS
FOR TEVETA**

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	6,211.66	6,035.82	6,039.80	10,489.16	4,209.70	7,720.00
Change in Income, %	56%	-3%	0%	74%	-30%	28%
Expenditure	(4,336.72)	(6,343.79)	(5,697.04)	(10,327.27)	(3,258.75)	(7,224.28)
Change in expense, %	15%	46%	-10%	81%	-49%	14%
Surplus	1,874.93	(307.98)	342.76	161.89	950.94	495.72
Change in surplus, %	836%	-116%	-211%	-53%	-409%	-48%
Profit Margin (%)	42%	-6%	6%	2%	23%	7%
Return on Assets (%)	35%	-6%	5%	3%	11%	5%
Net current assets	2,474	2,279	3,210	1,788	3,467	5,772
Current Ratio	2.70	2.70	3.27	1.94	9.92	9.43
Liquid Ratio	2.69	2.69	3.27	1.93	9.91	9.42
Debt Ratio	30%	33%	25%	34%	11%	13%
Debt-to-Equity	42%	49%	38%	53%	13%	15%
Receivable Days	305	168	251	0	0	0
Capital Employed	3,938	3,814	5,443	4,353	8,003	10,276
WC turnover ratio	0.76	-0.14	0.11	0.09	0.27	0.09

Source: TEVETA Audited Accounts and Performance Management Plans and Budgets

17.2.7.2 Malawi Institute of Management (MIM)

Malawi Institute of Management (MIM) continued to post losses with 2018/19 financial being the eightieth year of posting losses even though at a declining rate. In 2018/19 MIM reported a loss after tax of K305.1 million against a loss of K308.6 million reported in 2017/18 financial year. As at mid-year, MIM posted a profit after tax of K30.1 million and outlook to 30th June 2020 indicates that MIM will post a Loss after Tax of K230.5 million. The losses are largely due to MIM incurring increased expenditures annually against dwindling revenue generation sources owing to low patronage of MIM short courses and academic programmes as well as failure to attract high value consultancies as clients currently prefers to hire individual consultants.

In terms of the Institute's liquidity it remained very weak with a current ratio of below the minimum recommended level of 1. This position means that MIM is not capable of meeting its current liabilities as they fall due with existing current assets. Furthermore, the Institute has maintained a high debt-to-equity position over the years and also the debt collection days are also high as most of its resources are tied up in unpaid bills with its customers.

Going forward, the Management of MIM developed strategies to turn around the situation, which includes the operationalizing the Malawi School of Government through incorporation of the Malawi Institute of Management and the Staff Development Institute. In addition, MIM has also introduced its own degree programmes at both undergraduate and postgraduate levels. Table 17.19 shows the financial performance of MIM as at 31st December 2019.

TABLE 17.19: SELECTED PERFORMANCE STATISTICS FOR MIM

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	1,051.35	1,017.00	985.16	1,466.66	811.74	1,726.49
Change in Income, %	2%	-3%	-3%	49%	-20%	113%
Expenditure	(1,132.32)	(1,390.68)	(1,301.96)	(1,667.97)	(771.78)	(1,957.34)
Change in expense, %	4%	23%	-6%	28%	-45%	154%
Profit after tax (PAT)	(64.96)	(354.27)	(308.67)	(198.48)	30.17	(230.59)
Change in PAT, %	7%	445%	-13%	-36%	-109%	-864%
Profit Margin (%)	-8%	-38%	-42%	-14%	5%	-13%
Return on Assets (%)	-2%	-17%	-15%	-9%	2%	-11%
Working Capital	(260)	(635)	(912)	(1,120)	(923)	(1,132)
Current Ratio	0.76	0.40	0.29	0.28	0.48	0.30
Liquid Ratio	0.74	0.38	0.28	0.26	0.47	0.28
Debt Ratio	56%	63%	78%	89%	84%	94%
Debt-to-Equity	129%	174%	345%	797%	515%	1443%
Receivable Days	212	107	136	96	371	96
Capital Employed	1,447	1,107	796	605	767	533
WC turnover ratio	-3.71	-1.54	-0.83	-1.31	-0.88	-1.52

Source: MIM Audited Accounts and Performance Management Plans and Budgets

17.2.8 Industry and Trade

17.2.8.1 Malawi Bureau of Standards (MBS)

The Malawi Bureau of Standards (MBS) performance in 2018/19 financial year was good with reported revenue increase increasing to K7.05 billion from K5.2 billion in 2017/18, representing 36 percent growth. On the other hand, expenditures increased by 51 percent to K4.4 billion from K2.9 billion in 2017/18 which enabled the Bureau to realise a surplus of K2.7 billion in the 2018/19 financial year. The Bureau invested a significant portion of the surplus in the

construction of new MBS offices and modern laboratory currently under way but was also able to remit surplus to the government during year 2018/19. As at 31st December 2019, the Bureau had registered a surplus of K733.4 million and projects a profit of K1.7 billion at the end of June 2020, a decline of 57 percent from the previous year

The Bureau’s liquidity slightly declined to a current ratio of 2.3:1 in 2018/19 down from 2.7:1 in 2017/18. Despite the decline, the reported position still indicates that MBS is capable of meeting its current liabilities as they fall due with existing current assets. The prospects to the end of the 2018/19 shows a further decline in the current ratio to 1.63:1 largely due to the disinvestment in short-term investments to procure heating and air conditioning system in the new laboratory and offices which resulted in a decrease in current assets. Table 17.20 shows the financial performance of the Bureau as at 31st December, 2019.

TABLE 17.20: SELECTED PERFORMANCE STATISTICS FOR MBS

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	2,390.96	3,720.34	5,179.34	7,045.24	3,269.21	6,334.42
Change in Income, %	7%	56%	39%	36%	-12%	94%
Expenditure	(2,085.31)	(2,664.76)	(2,880.79)	(4,358.27)	(2,535.81)	(4,621.15)
Change in expense, %	7%	28%	8%	51%	-5%	82%
Surplus	397.57	1,055.58	2,298.55	2,686.97	733.40	1,713.27
Change in surplus, %	8%	166%	118%	17%	-31%	134%
Profit Margin (%)	13%	28%	44%	41%	22%	27%
Return on Assets (%)	15%	22%	24%	16%	4%	9%
Working Capital (WC)	1,356	2,012	2,146	3,224	3,119	1,098
Current Ratio	11.24	5.59	2.70	2.31	2.55	1.65
Liquid Ratio	11.07	5.53	2.68	2.30	2.53	1.63
Debt Ratio	5%	9%	13%	15%	11%	9%
Debt-to-Equity	5%	10%	15%	17%	13%	10%
Receivable Days	44	13	13	75	163	73
Capital Employed	2,465	4,352	8,457	14,264	15,671	16,400
WC turnover ratio	0.23	0.52	1.07	0.83	0.24	156%

Source: MBS Audited Accounts and Performance Management Plans and Budgets

17.2.9 Tourism

17.2.9.1 Malawi Gaming Board (MGB)

The Malawi Gaming Board (MGB) continued to perform well in 2018/19 financial year with a total revenues increased by 15 percent from K799.6 million in 2017/18 to K917.3 million during 2018/19 financial year. The increase was largely as a result of better performance of Colony Casino and Marina Casino. The Board consequently posted a surplus of K85.5 million, a decline from K131.1 million reported in 2017/18 financial year. However, at the mid-year of 2019/20, the Board realized K110.6 million and it projects to realize a higher surplus of K253.6 million by close of the financial year.

The Board's liquidity remained reasonable with a current ratio of 0.7:1 in 2018/19 and prospects to the close of the 2019/20 financial year shows that the Board will attain a current ratio of 0.9:1, up from the mid-year position of 1.09:1. This implies that MGB is barely capable of meeting its current liabilities as they fall due with existing current assets. The Board continued to maintain a low debt-to-equity position over the years. Table 17.21 shows the financial performance of the MGB as at 31st December, 2019.

TABLE 17.21: SELECTED PERFORMANCE STATISTICS FOR MGB

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	544.48	674.39	799.64	916.34	541.54	1,111.78
Change in Income	81%	24%	19%	15%	-20%	105%
Expenditure	(435.59)	(540.54)	(668.45)	(831.84)	(430.94)	(858.17)
Change in expense, %	70%	24%	24%	24%	-20%	99%
Surplus	72.18	78.71	131.19	84.50	110.61	253.62
Change in Surplus, %	-18%	9%	67%	-36%	41%	129%
Profit Margin (%)	23%	22%	17%	10%	21%	24%
Return on Assets (%)	10%	10%	15%	6%	7%	14%
Working Capital (WC)	397	318	257	(145)	71	(77)
Current Ratio	16.57	4.10	2.59	0.76	1.09	0.92
Liquid Ratio	16.57	4.10	2.59	0.76	1.09	0.92
Debt Ratio	4%	13%	18%	45%	47%	50%
Debt-to-Equity	4%	15%	23%	81%	90%	99%
Receivable Days	96	104	593	88	373	181
Capital Employed	674	693	718	751	862	919
WC turnover ratio	1.214	1.872	2.937	-5.977	740%	-1393%

Source: MGB Audited Accounts and Performance Management Plans and Budgets

17.2.10 Transport Portfolio

17.2.10.1 Airport Development Limited (ADL)

Airport Development Limited (ADL) continued to be profitable in 2018/19 financial year with revenues increasing to K2.5 billion compared to K2.3 billion reported in 2017/18 financial year translating into a profit after tax of K131 million. This profit position shows an increase in profit after tax of 8 percent from the previous year 2017/18. As at December 2019, the revenues lines of ADL drastically decreased due to non-commencement of some business lines that were budgeted such as commercial farming and also a decrease in rental income as some houses became vacant due to the eviction of staff that were no longer working with the organization. This led to a loss of K18 million as at 31st December 2019 and projections to the end of the financial year is an even higher loss of K53 million. Although the profitability has been declining in the period under review, the refurbishments at KIA terminal and the modernization of the navigation aid equipment provides prospects in improving the image of the airport and hence attract a lot of flights in the country.

ADL's liquidity remained barely good with a current ratio of 1.23:1 in 2018/19 from 1.28:1 in 2017/18. As at midyear, the current ratio further increased to 1.51:1 and is projected to increase further to 3.59:1 at the end of the 2019/20 financial year, implying that the company is able to meet its current liabilities as they fall due with existing current assets. The high debtors collecting days were affecting the operations of the company and reducing these could improve ADL's liquidity position. Table 17.22 shows the financial performance of the ADL as at 31st June, 2019.

**TABLE 17.22: SELECTED PERFORMANCE STATISTICS
FOR ADL**

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	1,635	1,946	2,294	2,523	1,438	2,665
Change in Income	60%	19%	18%	10%	-26%	85%
Expenditure	(1,493.93)	(1,446)	(2,201)	(2,378)	(1,447)	(2,699)
Change in expense, %	66%	-3%	52%	8%	0%	87%
Profit after tax (PAT)	127.97	474	68	131	(18)	(53)
Change in PAT, %	3%	271%	-86%	91%	-104%	196%
Profit Margin (%)	11%	29%	5%	6%	-1%	-1%
Return on Assets (%)	63%	0.02	0.00	0.00	0%	0%
Working Capital (WC)	206	349	211	223	571	706
Current Ratio	1.37	1.47	1.28	1.23	1.51	3.59
Liquid Ratio	1.23	1.28	1.14	1.09	1.38	3.08
Debt Ratio	3%	3%	3%	3%	3%	1%
Debt-to-Equity	3%	3%	3%	3%	3%	1%
Receivable Days	196	178	151	154	397	116
Capital Employed	19,827.54	25,343.17	34,571.24	41,713.47	42,083.96	42,141.39
WC turnover ratio	6.13	4.94	9.60	11.24	2.50	376%

Source: ADL Audited Accounts and Performance Management Plans and Budgets

17.2.10.2 Lilongwe Handling Company (LIHACO)

The Lilongwe Handling Company (LIHACO) maintained a positive performance in 2018/19 with total revenues increasing by 8 percent to K3.2 billion from K2.9 billion in 2017/18. However, expenditures grew by 10 percent to K3.04 billion thereby giving a profit after tax of K119 million from K85 million in 2017/18. As at December 2019, LIHACO had generated a total revenue of K1.7 billion against a budget of K1.5 at midyear largely due adjustment in frequency on domestic flights by Malawian Airlines as a result of closure of Chileka airport. Looking forward to the end of the financial year, LIHACO projects a revenue of K3.2 billion.

LIHACO's liquidity position slightly increased in 2018/19 to a current ratio of 1.09:1 compared to 0.83:1 in 2017/18. As at mid-year, the situation continues to improve where a current ratio of 1.91:1 was reported with prospects of 1.40:1 by the close of the 2019/20 financial year. This implies that the Company was capable of meeting its current liabilities as they fall due with existing current

assets in 2018/19 financial year but a more cautious approach is required as it is just above the benchmark. This current ratio is highly affected by the long debt collection days signifying that the resources are tied up with the debtors thereby affecting the operations of the company.

Looking forward, LIHACO plans to boost its revenue base by providing additional services to enhance revenue streams by introducing new business lines within the transport and tourism sector. Table 17.23 shows the financial performance of the LIHACO as at 31st December 2019.

TABLE 17.23: SELECTED PERFORMANCE STATISTICS FOR LIHACO

<u>Financial Indicators</u>	<u>2016</u> <u>(Audited)</u> <u>K'million</u>	<u>2017</u> <u>(Audited)</u> <u>K'million</u>	<u>2018</u> <u>(Audited)</u> <u>K'million</u>	<u>2019</u> <u>(Audited)</u> <u>K'million</u>	<u>2019/20</u> <u>Mid-year</u> <u>Actuals</u> <u>K'million</u>	<u>Outlook to</u> <u>30 June</u> <u>2020</u> <u>K'million</u>
Income 2,409	3,036	3,002	3,249	1,652	3,301	
Change in Income, %	31%	26%	-1%	8%	-46%	100%
Expenditure	(2,079)	(2,394)	(2,756)	(3,039)	(1,540)	(3,187)
Change in expense, %	15%	15%	15%	10%	-36%	107%
Profit after tax (PAT)	270	549	85	119	65	17
Change in PAT, %	2378%	103%	-84%	40%	-88%	-74%
Profit Margin (%)	-16%	-27%	-9%	-7%	-7%	-4%
Return on Assets (%)	29%	38%	7%	9%	4%	1%
Working Capital (WC)	(33)	93	(204)	102	607	328
Current Ratio	0.96	1.13	0.83	1.09	1.91	1.40
Liquid Ratio	0.96	1.13	0.83	1.09	1.91	1.40
Debt Ratio	86%	58%	63%	59%	57%	67%
Debt-to-Equity	632%	138%	169%	147%	131%	202%
Receivable Days	82	71	68	108	120	62
Capital Employed	275	958	767	964	1,518	1,814
WC turnover ratio	-68.64	30.34	-14.31	31.35	2.55	9.52

Source: LIHACO Audited Accounts and Performance Management Plans and Budgets

17.2.10.2 Air Cargo Malawi Limited(ACM)

Air Cargo Malawi Limited (ACM) reported a loss in 2018/19 with total revenues declining by 7 percent to K4.2 billion from K4.5 billion in 2017/18. However, expenditures grew by 4 percent to K4.5 billion from K4.3 thereby giving rise to a net loss after tax of K202 million from a profit of K179 million reported in 2017/18. This outturn was largely due to reduced volumes of cargo uplifted in

2019 (1.1 million kilogrammes) compared to a total of 1.2 million kilogrammes uplifted in 2018. In addition, the declining profit margins on freight due to high freighter rates charged by Emirates which averaged US\$2 per kilogramme in 2019 compared to US\$1.90 per kilogramme in 2018. To counter this challenge, ACM was negotiating for lower rates with the freighter in addition to maximizing other revenue streams such as cargo handling and storage.

As at December 2019, ACM had generated a total revenue of K2.8 billion and expenditures amounted to K2.77 billion, giving rise to a profit of K28 million. Looking forward to the end of the year, the performance is expected to improve on account of increased volumes and the effect of the lower renegotiated block space rate with 1.4 million kilogrammes uplifted, generating K5.6 billion in revenues and posting a profit of K74 million.

ACM's liquidity position slightly plummeted in 2018/19 to a current ratio of 1.45:1 compared to 0.74:1 in 2017/18. As at mid-year, the situation picked up to a current ratio of 1.62:1 with prospects of 1.38:1 by the close of the 2019/20 financial year. This implies that the Company was capable of meeting its current liabilities as they fall due with existing current assets. Table 17.24 shows the financial performance of the ACM as at 31st December 2019.

TABLE 17.24: SELECTED PERFORMANCE STATISTICS FOR ACM

<u>Financial Indicators</u>	<u>2016</u> <u>(Audited)</u> <u>K'million</u>	<u>2017</u> <u>(Audited)</u> <u>K'million</u>	<u>2018</u> <u>(Audited)</u> <u>K'million</u>	<u>2019</u> <u>(Audited)</u> <u>K'million</u>	<u>2019/20</u> <u>Mid-year</u> <u>Actuals</u> <u>K'million</u>	<u>Outlook to</u> <u>30 June</u> <u>2020</u> <u>K'million</u>
Income	3,358	3,974	4,560	4,227	2,806	5,589
Change in Income, %		18%	15%	-7%	(0.29)	0.99
Expenditure	(3,175)	(3,873)	(4,325)	(4,510)	(2,766)	(5,483)
Change in expense, %		22%	12%	4%	(0.29)	0.98
Profit after tax (PAT)	183	100	179	(202)	28	74
Change in PAT, %		(0.45)	0.79	(2.13)	(0.72)	1.62
Profit Margin (%)	-6%	-3%	6%	-8%	0.02	0.02
Return on Assets (%)	7%	0%	14%	-20%	0.03	0.07
Net current assets	(890)	(33,566)	571	343	391	299
Current Ratio	0.07	0.48	1.74	1.45	1.62	1.38
Liquid Ratio	0.07	0.48	1.74	1.45	1.62	1.38
Debt Ratio	38%	67%	48%	52%	0.47	0.52
Debt-to-Equity	59%	312%	92%	110%	0.88	1.07
Receivable Days	(2)	(634)	95	55	50.22	23.89
Capital Employed	1,582	32,255	891	687	716	732
WC turnover ratio	3.57	0.12	6.83	10.28	6.59	17.26

Source: ACM Audited Accounts and Performance Management Plans and Budgets

17.2.11 Finance

17.2.11.1 Malawi Enterprise Development Fund (MEDF)

The Malawi Enterprise Development Fund (MEDF) in 2018/19 registered a profit from operations of K157.5 million but after an impairment allowance its total comprehensive income in 2018/19 was a loss of K839.5 which was a huge drop from the previous year where it registered K2.60 billion as the profit after impairment. As at 31st December 2019, MEDF managed to realize a profit of K 68 million with projections for an operating profit of K111 million and a profit after impairment allowance of K1.11 billion, which shows a great improvement in performance from the previous year.

Liquidity of the Fund has generally been good throughout although it tends to fluctuate through the years. In 2018/19 it had a current ratio of 5.30: 1 that was a drop from 2017/18, which was 12.19:1. At midyear in December 2019, this picked up to 8.48:1, however, projections to the end of the year indicates a decrease to 3.36:1, which still implies MEDF's ability to meet its short term obligations but caution need to be taken to avoid reducing the position further.

The Fund's debt-to-equity was at 36 percent in June 2019 but at midyear MEDF recorded a debt/equity of 73 percent and further projects to be much higher at the end of the year 2019/20 to 239 percent. This shows that MEDF is largely financed by external borrowing than from owners' equity. This has come about due to the additional borrowing acquired in Jan 2020 as capitalisation to finance the women and youth loans programme. Table 17.25 shows the financial performance of the MEDF as at 31st December, 2019.

**TABLE 17.25: SELECTED PERFORMANCE STATISTICS
FOR MEDF**

<u>Financial Indicators</u>	<u>2016</u> <u>(Audited)</u> <u>K'million</u>	<u>2017</u> <u>(Audited)</u> <u>K'million</u>	<u>2018</u> <u>(Audited)</u> <u>K'million</u>	<u>2019</u> <u>(Audited)</u> <u>K'million</u>	<u>2019/20</u> <u>Mid-year</u> <u>Actuals</u> <u>K'million</u>	<u>Outlook to</u> <u>30 June</u> <u>2020</u> <u>K'million</u>
Income	1,489	198	4,407	1,712	920	3,219
Change in Income, %	-23%	-87%	2130%	-61%	365%	250%
Expenditure	(1,828)	(1,160)	(1,802)	(2,552)	(852)	(2,107)
Change in expense, %	-82%	-37%	55%	42%	-27%	147%
Profit after tax (PAT)	(339)	(962)	2,605	(840)	68	1,111
Change in PAT, %	-96%	184%	-371%	-132%	-107%	1545%
Profit Margin (%)	-65%	-544%	443%	-49%	7%	50%
Return on Assets (%)	-11%	-59%	57%	-22%	1%	8%
Working Capital (WC)	2,012	656	3,996	2,604	3,891	8,486
Current Ratio	3.61	1.89	12.19	5.30	8.48	3.36
Liquid Ratio	2.75	1.89	12.19	5.30	8.48	3.36
Debt Ratio	24%	45%	16%	26%	42%	0%
Debt-to-Equity	31%	61%	19%	36%	73%	0%
Receivable Days	836	2,379	45	104	378	1,189
Capital Employed	2,458	904	4,199	3,212	4,463	9,692
WC turnover ratio	0.74	0.30	1.10	0.66	0.24	0.38

Source: MEDF Audited Accounts and Performance Management Plans and Budgets

17.2.11.2 Malawi Accountants Board (MAB)

The Malawi Accountants Board (MAB) registered a profit of K17 million in 2018/19, an improvement from the previous year where it registered a loss of K22.8 million. As at 31st December 2019, MAB registered a profit of K3.3 million with a projection of a profit of K11.9 million.

Liquidity position for MAB has generally been good throughout with 2018/19 registering a current ratio of 27.6:1 and projections to the end of the year indicates a further improvement in MAB's ability to meet its short term obligations. The Board's debt-to-equity was at 6 percent in December 2019 and projects a further improvement at the end of the year 2019/20. This shows that MAB is largely financed by owners' equity. Table 17.26 shows the financial performance of the MAB as at 31st December, 2019.

**TABLE 17.26: SELECTED PERFORMANCE STATISTICS
FOR MAB**

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	234.15	208.55	266.74	152.39	406.45	
Change in Income, %		-11%	28%	-27%	167%	
Expenditure	(222.49)	(231.39)	(249.74)	(148.99)	(393.30)	
Change in expense, %		4%	8%	-36%	164%	
Profit after tax (PAT)	11.65	(22.84)	17.00	3.03	11.91	
Change in PAT, %		-296%	-174%	-113%	293%	
Profit Margin (%)	5%	-11%	7%	2%	3%	
Return on Assets (%)	3%	-6%	5%	1%	4%	
Working Capital (WC)	291	244	285	298	243	
Current Ratio	31.04	9.68	27.64	14.17	72.93	
Liquid Ratio	31.04	9.68	27.64	14.17	72.93	
Debt Ratio	3%	8%	3%	6%	1%	
Debt-to-Equity	3%	9%	3%	7%	1%	
Receivable Days	47	98	129	395.41	26.61	
Capital Employed	349	327	344	347	312	
WC turnover ratio	0.80	0.85	0.86	0.50	1.61	

Source: MAB Audited Accounts and Performance Management Plans and Budgets

17.2.12 Education Portfolio

17.2.12.1 Malawi College of Accountancy (MCA)

The Malawi College of Accountancy (MCA) registered a loss of K25.3 million in 2018/19 an improvement from the previous year where it registered a loss of K275.1 million. As at 31st December 2019, MCA registered a profit of K104.3 million with a projection of a profit of K89.8 million.

Liquidity position for MCA has generally been good throughout with 2018/19 registering a current ratio of 0.54:1 and projections to the end of the year indicates a further improvement in MCA's ability to meet its short term obligations. The Board's debt-to-equity was at 11 percent in December 2019 and projects a further improvement at the end of the year 2019/20. This shows that MCA is largely financed by owners' equity. Table 17.27 shows the financial performance of the MCA as at 31st December, 2019.

**TABLE 17.27: SELECTED PERFORMANCE STATISTICS
FOR MCA**

Financial Indicators	2016 (Audited) K'million	2017 (Audited) K'million	2018 (Audited) K'million	2019 (Audited) K'million	2019/20 Mid-year Actuals K'million	Outlook to 30 June 2020 K'million
Income	1,347.19	1,590.92	1,546.93	1,768.84	1,122.74	2,280.81
Change in Income, %	47%	18%	-3%	14%	-27%	103%
Expenditure	(992.84)	(1,566.37)	(1,822.04)	(1,794.13)	(1,018.46)	(2,190.99)
Change in expense, %	27%	58%	16%	-2%	-44%	115%
Profit after tax (PAT)	354.35	24.54	(275.11)	(25.29)	104.29	89.82
Change in PAT, %	162%	-93%	-1221%	-91%	-138%	-14%
Profit Margin (%)	27%	2%	-19%	-1%	9%	4%
Return on Assets (%)	13%	1%	-11%	-1%	2%	2%
Working Capital (WC)	(57)	(133)	2,010	(105)	(112)	(212)
Current Ratio	0.82	0.62	5.17	0.54	0.77	0.42
Liquid Ratio	0.81	0.62	5.17	0.54	0.77	0.42
Debt Ratio	11%	13%	19%	10%	11%	8%
Debt-to-Equity	13%	15%	23%	11%	12%	9%
Receivable Days	27	23	20	14	33.82	21.78
Capital Employed	2,358	2,382	2,107	2,082	4,175	4,160
WC turnover ratio	-22.82	-11.29	0.72	-16.42	-9.93	-10.64

Source: MCA Audited Accounts and Performance Management Plans and Budgets

Chapter 18

BANKING AND FINANCE

18.1 Overview

The banking system, comprising the Reserve Bank of Malawi (RBM) and the Malawi's commercial banks, performs a crucial financing role to the economy. This chapter reviews the monetary and financial developments for the year 2019. In particular, the chapter analyses the components and determinants of money supply and the banking system's sources and uses of funds in 2019.

18.2 Banking System

18.2.1 Broad Money and its Components

Broad Money (M2) increased by K96.4 billion (8.1 percent) in 2019 to K1,292.9 billion, following another growth of K122.1 billion (11.4 percent) in the preceding year. The expansion in 2019 followed a rise in both narrow money (M1) and quasi money (QM) amounting to K74.2 billion (13.4 percent) and K22.3 billion (3.5 percent) to K628.8 billion and K664.2 billion, respectively. The upturn in M1 was attributed to demand deposits and currency in circulation which went up by K61.8 billion and K12.4 billion to K426.9 billion and K201.8 billion, respectively. Meanwhile, the uptick in QM was entirely underpinned by term (time and savings) deposits, which climbed up by K35.0 billion to K477.1 billion while foreign currency denominated deposits decreased by K12.7 billion to K187.1 billion. The increases in demand deposits, term deposits and currency in circulation generally mirrored economic growth in the year whereas the decrease in foreign currency denominated deposits was mainly on account of outflows in respect of import payments.

This notwithstanding, the contribution of QM and M1 to the annual growth rate of M2 decreased to 1.9 percentage points and 6.2 percentage points from 4.7 percentage points and 6.7 percentage points in 2018, respectively. Meanwhile, at 8.1 percent, the annual growth of M2 was lower than the estimated nominal GDP growth rate of 13.4 percent for 2019. This suggests that monetary expansion was not expansionary and therefore did not exert pressure on domestic prices.

18.2.2 Counterparts to Broad Money

On the asset side, the growth in M2 was driven by both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) which grew by K68.3 billion (8.3 percent) and K28.2 billion (7.6 percent) to K892.2 billion and K400.7 billion, respectively. Reflecting the downturn in M2 annual growth rate, the contribution of NDA to the annual growth rate of M2 decreased to 5.7 percentage points in 2019 from 19.1 percentage points in 2018 whereas NFA explained 2.4 percentage points, up from minus 7.7 percentage points in 2018.

18.2.2.1 Net Domestic Credit

The banking system net domestic claims grew by K140.8 billion (12.8 percent) to K1,238.8 billion in 2019 compared to an increase of K171.7 billion (18.5 percent) in 2018. The increase was on account of credit to the private sector, credit to statutory bodies and net credit to central government.

18.2.2.2 Private Sector Credit

The annual growth rate of private sector credit averaged 15.5 percent in 2019 and closed the year at 21.3 percent. In contrast, annual growth rate of private sector credit averaged 5.3 percent and closed at 11.5 percent in 2018. In real terms, private sector credit grew by 8.8 percent in 2019 compared to 1.4 percent in 2018. The stronger growth of private sector credit in 2019 relative to 2018 was attributed to low interest and inflation rates, continued stability in the exchange rate, improvement in economic activity in 2019 and less cautious approach by the banking sector.

In the year, growth in private sector credit was supported by all loan categories including commercial and industrial loans, individual and household loans, foreign currency denominated loans and mortgages which rose by K53.9 billion, K46.4 billion, K1.6 billion and K1.2 billion, respectively. Meanwhile, commercial banks raised their provisions for loan losses by K5.7 billion to K27.4 billion to hedge against credit risk arising from burgeoning private sector credit.

A sectoral decomposition of private sector credit showed that the greatest recipients of credit in 2019 were the Agriculture sector (K27.8 billion), Community, social and personal services sector (K19.3 billion), Wholesale and retail trade sector (K18.5 billion) and Transport, storage and communications sector (K10.0 billion) sectors. Further, credit growth was also observed in Electricity, gas, water and energy sector (K9.7 billion), Financial services sector (K4.8 billion), Construction (K3.2 billion), Restaurants and hotels sector (K1.3 billion) and Mining and quarrying sector (K1.1 billion) sectors. Meanwhile, credit to Manufacturing sector declined by K3.6 billion in 2019.

18.2.2.3 Net Credit to the Public Sector

The banking system's claims on the public sector (government and statutory bodies) grew by K43.4 billion (6.8 percent) to K684.7 billion in 2019 compared to a growth of K124.8 billion (24.2 percent) in 2018. In the reviewed year, commercial banks' net claims on the central government increased by K175.8 billion (61.4 percent) to K462.4 billion, solely on account of growth in commercial banks' holding of Treasury notes. Specifically, holding of Treasury notes went up by K208.6 billion to K379.1 billion. Meanwhile, commercial banks' holding of Treasury bills went down by K30.9 billion to K154.2 billion whereas government deposits declined by K1.9 billion to K70.9 billion in the year. Further, credit to state-owned enterprises surged by K21.3 billion (61.7 percent) to K55.7 billion in 2019 compared to a growth of K26.4 billion (325.4 percent) in 2018.

From the RBM, net credit to government decreased by K153.6 billion (48.0 percent) to K166.6 billion, following another contraction of K76.7 billion (19.3 percent) recorded in the preceding year. The downturn in 2019 was on account of RBM holding of Treasury bills and Ways and Means advances which dropped by K100.0 billion and K70.4 billion to K943.9 million and nil as at the end of 2019, respectively. Partially offsetting the foregoing contractionary effect on net credit to government, RBM holding of Treasury notes increased by K15.9 billion to K381.0 billion while government deposits decreased by K905.6 million to K215.3 billion..

The notable shift of the banking system’s claims on central government from short term (Treasury bill holdings and Ways and Means advances) to longer term (Treasury notes) was a result of a government’s deliberate debt restructuring from short term debt to longer term debt.

TABLE 18.1: MONETARY SURVEY

	<u>End Period Balances</u>			<u>Changes During Period</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
A. Net Domestic Credit						
1. Credit to government (i+ii)	508,340.2	606,782.4	628,962.2	198,656.9	98,442.2	22,179.8
i. Monetary Authorities	396,893.2	320,206.0	166,569.4	168,722.5	-76,686.8	-153,637.0
ii. Commercial Banks	111,447.0	286,576.0	462,392.8	29,934.4	175,129.0	175,816.8
2. Credit to statutory bodies	8,102.0	34,469.5	55,731.0	-1,112.8	26,367.5	21,261.5
3. Credit to private sector (gross)	409,812.3	456,737.4	554,108.0	1,507.3	46,925.1	97,370.6
B. Narrow Money (M1)	482,535.3	554,578.5	628,757.8	93,488.2	72,043.2	74,179.3
4. Currency outside banks	165,365.9	189,462.4	201,816.1	19,360.5	24,096.5	12,353.7
5. Private sector demand deposits	317,169.4	365,116.1	426,941.7	74,127.7	47,946.7	61,825.6
C. Quasi-money	591,824.8	641,897.1	664,154.5	83,606.3	50,072.3	22,257.5
D. Money Supply (M2) (B+C)	1,074,360.1	1,196,475.5	1,292,912.3	177,094.4	122,115.4	96,436.8
E. Net Foreign Assets	455,473.5	372,572.5	400,738.8	99,699.2	-82,900.9	28,166.3
6. Monetary Authorities	318,949.7	313,998.1	353,520.1	94,396.0	-4,951.6	39,522.0
7. Commercial banks	136,523.8	58,574.4	47,218.7	5,303.2	-77,949.4	-11,355.7

Source: Reserve Bank of Malawi

18.2.3 Activities of Commercial Banks

Commercial banks realised total resources amounting to K219.6 billion in the year, expanding the sector’s resource envelope to K1,890.2 billion as at end 2019. In contrast, commercial banks’ total resources grew by K102.3 billion in 2018. Sources of funds in the reviewed year comprised private sector deposits, profit/loss accounts, official sector deposits and unsectored liabilities which grew by K76.6 billion, K48.1 billion, K9.3 billion and K90.9 billion to K1,055.0 billion, K315.1 billion, K107.0 billion and K365.1 billion, respectively. Meanwhile, liabilities to non-residents went down by K5.4 billion to K47.9 billion.

In terms of uses of the available funds, commercial banks increased domestic credit by K296.3 billion, following another increase of K245.4 billion in the preceding year. Meanwhile, commercial banks' deposits with RBM and vault cash, investment in the foreign sector and investment in unsectored assets decreased by K43.6 billion, K16.7 billion and K16.4 billion to K74.3 billion, K95.2 billion and K577.5 billion in the year, respectively.

TABLE 18.2: COMMERCIAL BANKS: SOURCES AND USES OF FUNDS (K'MN)

	<u>End Period Balances</u>			<u>Changes During Period</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
A Sources of Funds						
1. Private sector	864,190.4	978,375.0	1,055,003.8	134,524.4	114,184.5	76,628.8
2. Official Sector Deposits ¹	116,892.5	97,679.5	107,019.0	45,827.7	(19,213.1)	9,339.6
3. Borrowing from the RBM	...	...	...	...	...	...
4. Foreign Borrowing	52,975.6	53,287.2	47,931.8	36,134.7	311.6	(5,355.5)
5. Capital Accounts	254,001.4	267,058.6	315,140.2	43,613.7	13,057.2	48,081.6
6. All other liabilities	280,225.5	274,143.2	365,059.6	68,559.7	(6,082.3)	90,916.4
7. Total (1+2+3+4+5+6)	1,568,285.4	1,670,543.5	1,890,154.4	328,660.3	102,258.0	219,610.9
B. Uses of Funds						
I. Domestic credit to:						
8. Private sector (gross)	409,812.3	456,737.4	554,108.0	1,507.3	46,925.2	97,370.6
9. Statutory bodies (gross)	8,102.0	34,469.5	55,731.0	(1,112.8)	26,367.5	21,261.5
10. Central Government (gross)	183,535.8	355,617.3	533,319.4	52,552.6	172,081.5	177,702.1
11. Sub-total (8+9+10)	601,450.1	846,824.2	1,143,158.4	52,947.1	245,374.1	296,334.2
II Deposits with Reserve Bank plus currency in banks	117,170.6	117,965.0	74,331.3	10,567.6	794.4	(43,633.7)
III. Foreign assets	189,499.4	111,861.7	95,150.5	41,437.9	(77,637.7)	(16,711.2)
IV. All other assets	660,165.4	593,892.6	577,514.2	223,707.6	(66,272.8)	(16,378.4)
V. Total (I+II+III+IV)	1,568,285.4	1,670,543.5	1,890,154.4	328,660.3	102,258.0	219,610.9

Source: Reserve Bank of Malawi

¹Consists of Central Government and Statutory bodies

18.2.4 Reserve Bank of Malawi: Sources and Uses of Funds

In contrast to the developments at the commercial banks, RBM's resources went down by K9.1 billion to K1,210.7 billion in 2019, following another contraction of K56.3 billion in 2018. The decrease reflected developments in commercial banks' deposits plus till money, government deposits and miscellaneous liabilities which declined by K23.7 billion, K905.6 million and K15.0 billion to K76.3 billion, K215.3 billion and K491.7 billion, respectively. The decrease in commercial bank's deposits plus till money was largely on account of RBM's decision to cut the Liquidity Reserve Requirement (LRR) by 50.0 percent for foreign currency denominated deposits and 33.3 percent for local currency deposits. Meanwhile, liabilities to the foreign sector and currency in circulation increased by K18.1 billion and K12.4 billion to K252.3 billion and K201.8 billion, respectively. The upsurge in liabilities to the foreign sector was partly on

account of receipt of US\$43.3 million from the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) program in the year.

In line with the foregoing decline in sources of funds, RBM lowered its claims on central government by K154.5 billion to K381.9 billion. Meanwhile, RBM investments in the foreign sector and unclassified asset items went up by K57.6 billion and K87.8 billion to K605.8 billion and K249.7 billion, respectively.

TABLE 18.3: RESERVE BANK OF MALAWI: SOURCES AND USES OF FUNDS

(K'mn)	End Period Balances			Changes During Period		
	2017	2018	2019	2017	2018	2019
A. Sources of Funds						
i. Private sector:						
1. Currency outside banks	165,365.9	189,462.4	201,816.1	19,360.5	24,096.5	12,353.7
ii. Commercial banks						
2. Deposits plus till money	113,564.7	99,977.3	76,274.2	18,952.0	(13,587.5)	(23,703.1)
iii. Official sector deposits	167,031.9	216,212.9	215,307.3	(24,041.7)	49,181.0	(905.6)
3. Sub-total (i+ii+iii)	445,962.6	505,652.6	493,397.6	14,270.8	59,690.0	(12,255.0)
iv. Foreign Sector	230,949.6	234,230.4	252,316.6	16,897.0	3,280.8	18,086.2
v. All other liabilities	625,911.1	506,636.9	491,662.6	204,612.1	(119,274.2)	(14,974.4)
vi. Total (i+ii+iii+iv+v)	1,302,823.4	1,246,519.9	1,237,376.8	235,779.8	(56,303.4)	(9,143.2)
B. Uses of Funds						
i. Domestic credit (gross)	563,925.1	536,419.3	381,876.7	144,680.8	(27,505.8)	(154,542.6)
1. Statutory bodies						
2. Central Government	563,925.1	536,419.3	381,876.7	144,680.8	(27,505.8)	(154,542.6)
3. Commercial Banks	...	...	...	...	...	...
ii. Foreign assets (gross)	549,899.3	548,228.5	605,836.7	111,292.9	(1,670.8)	57,608.2
iii. All other uses	188,999.0	161,872.1	249,663.3	(20,193.8)	(27,126.8)	87,791.2
iv. Total	1,302,823.4	1,246,519.9	1,237,376.8	235,779.8	(56,303.4)	(9,143.2)

Source: Reserve Bank of Malawi

Chapter 19

PUBLIC FINANCE

19.1 Introduction

This public finance chapter presents fiscal performance of Budgetary Central Government operations for 2018/19 and 2019/20 fiscal years as well as estimates for the 2020/21 fiscal year based on economic classification of Government operations. The position for 2018/19 fiscal year is actual outturn while for 2019/20 fiscal year position is preliminary. The chapter is structured as follows: Section 19.2 presents performance summary of Budgetary Central Government Operations while Sections 19.3 and 19.4 illustrate performance of revenue, expenditure, and financing.

19.2 Performance Summary of Budgetary Central Government Operations

The 2019/20 Budget was formulated based on the premise that it will create favourable environment for economic growth, job creation, and economic empowerment through sustainable debt management and infrastructure development. The budget allocations were therefore in line with the priorities of Malawi Growth and Development Strategy (MGDS III). The budget was intended to consolidate the macroeconomic stability that has been achieved during the past fiscal budgets.

In the 2019/20 fiscal year both grants and taxes underperformed resulting in a lower performance of revenue than projected. Post-election demonstrations coupled with the emergence of COVID-19 pandemic were the major reasons for the lower revenue outturn. Table 19.1 presents a Summary of performance of Budgetary Central Government Operations for 2018/19 to 2020/21 fiscal years. Comparing 2018/19 FY and 2019/20 FY, revenue constituted 19.0 percent of GDP in 2018/19 FY while in 2019/20 FY the preliminary revenue outturn is 20.1 percent of GDP. Revenue in 2018/19 FY comprised of Taxes at 16.4 percent of GDP, Grants at 2.8 percent of GDP, and Other revenue at 0.9 percent of GDP. In 2020/21 FY revenue is projected at 21.5 percent of GDP.

In 2018/19 Expenditure stood at 24.9 percent of GDP and this led to net borrowing of 6.0 percent of GDP. In 2019/20 the approved budget estimates set a net borrowing target of 2.5 percent. However, the outturn indicates that the net borrowing is about 9.9 percent of GDP which is way too high than the set target.

**TABLE 19.1: BUDGETARY CENTRAL GOVERNMENT
OPERATIONS (MK' MILLION)**

<u>Category</u>	<u>2018/19 Actual</u>	<u>2019/20 Approved Estimates</u>	<u>2019/20 Revised Estimates</u>	<u>2019/20 Preliminary Outturn</u>	<u>2020/21 Proposed Estimates</u>
Revenue	1,132,529.59	1,575,412.00	1,526,572.00	1,279,268.00	1,371,772.00
Taxes	986,710.30	1,369,262.00	1,281,091.00	1,044,684.00	1,151,647.00
Grants	109,255.36	150,058.00	175,049.00	175,339.00	156,930.00
Other Revenue	36,563.93	55,803.30	70,431.51	59,245.00	63,195.00
Expense	1,214,212.08	1,298,956.22	1,370,722.66	1,404,552.00	1,505,569.00
of which Interest	224,319.23	243,996.00	243,995.66	243,996.00	376,014.00
Net Operating Balance	-81,682.49	254,455.78	155,849.34	-125,284.00	-133,797.00
Net Acquisition of Non-Financial Assets	273,667.30	438,249.00	470,714.00	506,813.00	517,736.00
Foreign financed (Part I)	167,959.73	306,486.00	333,332.00	333,622.00	361,118.00
Domestic financed (Part II)	105,707.57	131,763.00	137,382.00	173,191.00	156,618.00
Expenditure	1,487,879.38	1,737,204.00	1,841,436.00	1,911,365.00	2,023,304.00
Net borrowing	-355,349.80	-183,792.00	-314,864.00	-632,097.00	-651,532.00
Primary balance	-131,030.57	60,204.00	-70,868.34	-388,101.00	-275,518.00
Percent of GDP					
Revenue	19.0	24.7	24.0	20.1	21.5
Taxes	16.5	21.5	20.1	16.4	18.1
Grants	1.8	2.4	2.7	2.8	2.5
Other Revenue	0.6	0.9	1.1	0.9	1.0
Expense	20.3	20.4	21.5	22.0	23.6
of which Interest	3.8	3.8	3.8	3.8	5.9
Net Operating Balance	-1.4	4.3	2.4	-2.0	-2.1
Net Acquisition of Non-Financial Assets	4.6	6.9	7.4	8.0	8.1
Foreign financed (Part I)	2.8	4.8	5.2	5.2	5.7
Domestic financed (Part II)	1.8	2.1	2.2	2.7	2.5
Expenditure	24.9	27.3	28.9	30.0	31.8
Net borrowing	-6.0	-2.5	-4.9	-9.9	-10.2
Primary balance	-2.2	1.3	-1.1	-6.1	-4.3

19.3 Revenue performance

Overall, average revenue collection has been 21.1 percent of GDP in the past two fiscal years, thus 2018/19 and 2019/2020 FYs. In 2018/19 FY, revenue amounted to 19.0 percent of GDP while in 2019/20 FY, revenue was projected at 24.7 percent of GDP. However, it was later revised downwards during the mid-year budget review to 24.0 percent of GDP. In 2020/21 FY, revenue is projected at 21.5 percent of GDP following moderation of tax efficiency gains. In 2019/20 FY, tax revenue underperformed mainly on account of subdued economic performance owing to post-election aftermath and uncertainties. Hence, underperformance of all the categories of taxes.

Grants have been registering dismal performance in recent times. For instance, in 2018/19 FY, only 1.8 percent of GDP was disbursed. Even though there are indications that grants in 2020/21 FY might slightly improve to 2.5 percent of GDP, the Government of Malawi is strengthening domestic revenue systems in order to improve efficiency and effectiveness of domestic revenue collection in the wake of the declining grants.

Other revenue was not greatly affected during the 2019/20 FY as it remained at 0.9 percent of GDP both for the approved estimate and the preliminary outturn. The performance was mainly on account of improved parastatal dividends remitted during the third quarter of the FY. The Government will continue working on various Public Finance Management reforms with the aim of realising more parastatal dividends by enhancing performance of State-Owned Enterprises. Table 19.2 provides a summary of revenue performance.

**TABLE 19.2: BUDGETARY CENTRAL GOVERNMENT REVENUE
(MK' MILLION)**

Category	2018/19 Actual	2019/20 Approved Estimates	2019/20 Revised Estimates	2019/20 Preliminary Outturn	2020/21 Proposed Estimates
Revenue	1,132,529.59	1,575,412.00	1,526,572.00	1,279,268.00	1,371,772.00
Taxes	986,710.30	1,385,159.99	1,334,683.38	1,044,684.00	1,151,647.00
Taxes on income profits and capital gains	460,724.26	637,445.12	610,222.00	502,544.00	548,998.00
Payable by individuals	302,060.72	413,087.79	407,944.60	335,064.00	366,947.00
Payable by corporations and other enterprises	158,663.54	224,357.33	202,277.39	167,479.00	182,051.00
Taxes on goods and services	436,980.39	608,052.00	558,897.00	451,657.00	504,267.00
General taxes on goods and services	287,973.97	431,344.00	392,229.00	305,146.00	340,211.00
Value-added taxes	287,926.22	431,276.00	392,181.00	305,112.00	340,173.00
Turnover and other general taxes on goods and services	47.75	69.00	47.53	34.00	38.00
Excise	142,344.24	169,122.00	158,859.00	138,764.12	155,128.00
Taxes on use of goods and on permission to use goods or perform activities	6,662.17	7,586.20	7,808.65	8,117.00	8,929.00
Motor vehicle taxes	6,662.17	7,586.20	7,808.65	8,117.00	8,929.00
Taxes on international trade and transaction	88,292.11	122,762.55	111,097.00	89,813.00	97,598.00
Other taxes	713.54	1,001.59	875.05	670.00	783.00
Grants	109,255.36	128,347.00	175,049.00	175,339.00	156,930.00
From Foreign Governments	-	35,712.00	43,935.00	43,935.00	26,450.00
From International Organisations	109,255.36	92,635.00	131,115.00	131,405.00	130,480.00
Other Revenue	36,563.93	55,803.30	70,431.51	59,245.00	63,195.00
Percent of GDP					
Category					
Revenue	19.0	24.7	24.0	20.1	21.5
Taxes	16.5	21.5	20.1	16.4	18.1
Taxes on income profits and capital gains	7.7	10.0	9.6	7.9	8.6
Payable by individuals	5.1	6.5	6.4	5.3	5.8
Payable by corporations and other enterprises	2.7	3.5	3.2	2.6	2.9
Taxes on goods and services	7.3	9.5	8.8	7.1	7.9
General taxes on goods and services	4.8	6.8	6.2	4.8	5.3
Value-added taxes	4.8	6.8	6.2	4.8	5.3
Turnover and other general taxes on goods and services	0.0	0.0	0.0	0.0	0.0
Excise	2.4	2.7	2.5	2.2	2.4
Taxes on use of goods and on permission to use goods or perform activities	0.1	0.1	0.1	0.1	0.1
Motor vehicle taxes	0.1	0.1	0.1	0.1	0.1
Taxes on international trade and transaction	1.5	1.9	1.7	1.4	1.5
Other taxes	0.0	0.0	0.0	0.0	0.0
Grants	1.8	2.4	2.7	2.8	2.5
From Foreign Governments	0.0	0.6	0.7	0.7	0.4
From International Organisations	1.8	1.5	2.1	2.1	2.0
Other Revenue	0.6	0.9	1.1	0.9	1.0

19.4 Expenditure Performance by Economic Classification

As presented in Table 19.3, expenditure increased from 24.9 percent of GDP in 2018/19 to 27.3 percent of GDP in 2019/20 approved budget thereafter revised to 28.9 percent of GDP during midyear budget review. The 2019/20 budget faced expenditure pressures emanating from financing of national elections, increased interest payment and investments in energy. There is also an increase in compensation of employees from 6.7 percent of GDP in 2018/19 to 7.2 percent of GDP in 2019/20 approved budget but revised to 7.5 percent of GDP during the midyear budget review. Compensation of employees will further rise to 7.9 percent of GDP in the 2020/21 financial year.

Unpredictable nature of grants contributed to modest investment in Net Acquisition of Non-Financial Assets (NANA). NANA accounted for 4.6 percent of GDP in 2018/19 which then improved to 6.9 percent of GDP in the 2019/20 approved budget. Going forward, NANA will improve in 2020/21 FY and is expected to hit 8.0 percent of GDP. The realisation of the projected NANA will largely depend on actualisation of grants since foreign resources (Part I) are expected to contribute 5.2 percent of GDP to NANA compared to 2.7 percent of GDP contributed by domestic resources (Part II).

TABLE 19.3: EXPENDITURE PERFORMANCE BY ECONOMIC CLASSIFICATION

<u>Category</u>	<u>2018/19 Actual</u>	<u>2019/20 Approved Estimates</u>	<u>2019/20 Revised Estimates</u>	<u>2019/20 Preliminary Outturn</u>	<u>2020/21 Proposed Estimates</u>
Expense	1,214,212.08	1,298,956.22	1,370,722.66	1,404,552.00	1,505,569.00
Compensation of employees	398,712.67	455,790.00	478,057	478,057	506482
Wages and salaries	387,350.67	443,429.00	465,696	465,696	493144
Employers social contributions	11,362.00	12,361.49	12,361	12,361	13337
Use of Goods and Services	292,488.48	296,822.00	345,970	377,040	300850
Interest	224,319.23	243,996.00	243,996	243,996	376014
Foreign Interest	15,609.58	15,472.29	15,472	15,472	11854
Domestic Interest	208,709.65	22,823.00	22,823	228,523	364160
Subsidies	–	–	–	–	–
Grants	181,408.16	173,899.00	173,851	174,325	181523
To other general government units	181,408.16	173,899.00	173,851	174,325	181523
Social benefits	110,869.70	123,869.00	123,869.00	123,869	137200
Pensions and gratuities	72,276.58	85,919.00	85,919	85,919	95800
Other Expenses	6,413.83	4,580.22	4,980	7,265	3500
Other Statutory expenditures	6,413.83	4,580.22	4,980	7,265	3500
Acquisition of Non-Financial Assets	273,667.30	438,249.00	470,714.00	506,813	517736
Fixed Assets	273,667.30	438,249.00	470,714.00	506,813	517736
Foreign (Part I)	167,959.73	306,486.00	333,332.00	333,622	361,118
Domestic (Part II)	105,707.57	131,763.00	137,382	173,191	156,618
Expenditure	1,487,879.38	1,737,204.00	1,841,436.00	1,911,365	2,023,304.00
Net borrowing	(355,350)	(183,792)	(314,864)	(632,097)	(651,532)

Percent of GDP

Expense	20.3	20.4	21.5	22.0	23.6
Compensation of employees	6.7	7.2	7.5	7.5	7.9
Wages and salaries	6.5	7.0	7.3	7.3	7.7
Employers social contributions	0.2	0.2	0.2	0.2	0.2
Use of Goods and Services	4.9	4.7	5.4	5.9	4.7
Interest	3.8	3.8	3.8	3.8	5.9
Foreign Interest	0.3	0.2	0.2	0.2	0.2
Domestic Interest	3.5	0.4	0.4	3.6	5.7
Subsidies	0.0	0.0	0.0	0.0	0.0
Grants	3.0	2.7	2.7	2.7	2.8
To other general government units	3.0	2.7	2.7	2.7	2.8
Social benefits	1.9	1.9	1.9	1.9	2.1
Pensions and gratuities	1.2	1.3	1.3	1.3	1.5
Other Expenses	0.1	0.1	0.1	0.1	0.1
Other Statutory expenditures	0.1	0.1	0.1	0.1	0.1
Acquisition of Non-Financial Assets	4.6	6.9	7.4	8.0	8.1
Fixed Assets	4.6	6.9	7.4	8.0	8.1
Foreign (Part I)	2.8	4.8	5.2	5.2	5.7
Domestic (Part II)	1.8	2.1	2.2	2.7	2.5
Expenditure	24.9	27.3	28.9	30.0	31.8
Net borrowing	-6.0	-2.9	-4.9	-9.9	-10.2

19.5 Conclusion

Government is committed to implement fiscal policies aimed at creating fiscal space to ensure that the country attains sustainable economic growth and development in the short to medium term. It is envisaged that once the impact of the Covid-19 pandemic has been managed, revenues will increase, and Government will implement the activities that were affected by the pandemic. In addition, Government will implement revenue policy measures with the aim of broadening the tax base. Some of these measures include revision of user service fees, automation of tax administration, and for

Chapter 20

INFORMATION AND COMMUNICATIONS TECHNOLOGY

20.1 Overview

The chapter provides information of the ICT sector based on 2019 performance, challenges and possible solutions, estimation of the 2020 performance, and projected performance for the 2021 of the sector.

20.2 2019 Performance

20.2.1 ICT Performance Indicators on Increased Access to Information and Communications services and Infrastructure Development

TABLE 20.1: ICT SERVICE AND INFRASTRUCTURE PERFORMANCE INDICATORS

No	Key Performance Indicator	Target	2019/2020	2020/2021*
1	Proportion of individuals who own a mobile telephone (%)	37	36	39
2	Proportion of population covered by a mobile network (2G) (%)	99	84	99
3	Proportion of population covered by a mobile network (3G) (%)	44	54	60
4	Proportion of population covered by a mobile network (4G) (%)	40	34	45
5	Fixed Internet broad band subscriptions (Internet users per 100 people) (%)	19	0.01	0.001
6	Proportion of individuals using the Internet (%)	20	34.6	40
7	Retail Price of Prepaid Mobile Broadband Monthly Bundle, 500MB (USD) Data Volume (US\$)	3.8	2.40	3.5
8	ICT development Index.	2.5	1.74	3
9	Number of Licensed TV Broadcasters	32	26	40
10	Number of Licensed Radio Broadcasters	58	56	60
11	Number of Telecentres/ Public internet/Information Access Centres	15	30	-
12	Number of Post Offices converted into One Stop Public Service Delivery Centres	3	2	2

Source: MACRA database

20.2.2 Information and Civic Education Indicators

The Government continues to implement initiatives in promoting awareness among individuals through information provision to be used for developmental purposes for the benefit of the country. This covers all angles from information production to dissemination and usage of information among the recipients. Specific objectives have been realized and are being achieved by the Government in establishing an informative and effective civic education environment among the general masses. Objective (1) To provide an enabling environment for information, communication and technology development and (2) To improve communication and dissemination of public information.

**TABLE 20.2: PERFORMANCE INDICATORS UNDER
INFORMATION AND CIVIC EDUCATION**

Indicators	2019 Actual	2019/20 Target	2020/21 Target	2021/22 Projections	2022/23 Projections
Percentage of population accessing public information	90	100	100	100	100
Number of publications and IEC materials (Boma lathu) produced and distributed	200,000	324,000	324,000	324,000	330,000
Increased number of news articles produced and transmitted to various media houses/ institutions	14,500	15,000	16,500	16,600	16,650
Number of documents translated from English to local languages (Chichewa and Tumbuka)	25	10	15	15	15
Number of Photographic images produced	78,300	75,000	80,000	80,000	80,000
Number of Photographic images transmitted	45,000	45,000	50,000	50,500	50,6000
Number of documentaries produced and distributed to various media houses and online	40	38	42	43	44

Source: 2019/20 Program Based Budget

20.3 Project Performance

20.3.1 Last Mile Rural Connectivity Project

This is a project through which the Government is extending network connectivity to rural masses through construction of Telecommunication towers across the country. Progress has been as follows:

- i. 2018/19 Construction of 2 towers
- ii. 2019/20 Construction of 25 towers

20.3.2 National College of Information and Technology Project

The project was developed in 2012 and received approval from PSIP in 2015. The purpose of the project is improving the quality and scope of ICT training in the public sector through the improvement of the dilapidated and outdated NACIT infrastructure (both physical infrastructure and ICT infrastructure), as well as strengthening the essential human capital investment through ICT training. A number of tangible achievements have been registered in 2019 at all campuses (Lilongwe, Blantyre and Mzuzu).

TABLE 20.3: ACHIEVEMENTS UNDER NACIT BLANTYRE CAMPUS

<u>Output No.</u>	<u>Description</u>
1	Rehabilitation of Administration block (containing 7 apartments)
2	Rehabilitation of computer laboratory/classroom block (containing 5 apartments)
3	Construction of 1 girls hostel (108 student capacity)
4	Construction of 1 library (120 user capacity)
5	Construction of 1 recreation center
6	4 lecturers trained to Masters degree level
7	20 secondary school leaver computer clubs established
8	Specialized data analysis package training course rolled out

Source: Third quarter Projects Report of 2019/2020

TABLE 20.4: ACHIEVEMENTS UNDER NACIT LILONGWE AND MZUZU CAMPUS

Lilongwe Mzuzu NACIT Development Project

<u>No.</u>	<u>Description</u>
1	Land for purpose build NACIT Lilongwe Center procured
2	Architectural Drawings and BOQs for NACIT Lilongwe and Mzuzu purpose build center completed
3	Construction of sites completed
4	Human and technical resource capacity building (i.e. lecturer training and equipment procured)

Source: Third quarter Projects Report of 2019/2020

20.3.3 District Information Capacity Enhancement Project (DICEP)

The project aims at empowering the districts to produce content at district level. Essentially, with good equipment at district level, the department would fill the gap for local content production from all local councils, hence providing a solution to one of the challenges digital broadcasting is envisaged to encounter. The overall goal of the project is to enhance participation of Malawians in democratic governance and development processes through the provision of timely and relevant information using digital broadcasting. The project is broken down to three main components: (1) Establishment of studios (2) Capacity Enhancement (3) Devolution of functions.

TABLE 20.5: PROGRESS UNDER DICEP

<u>Achievements under 2019</u>	<u>Outputs Planned for 2020/2021</u>
-Establishment of two fully fledged studios	-Establishment of 5 studios in Mzuzu and Lilongwe
-Procurement of heavy duty public address	-5 offices to be rehabilitated
-Procurement of 25 laptops and recorders for District offices	-150 officers to be trained in video content systems in each region of the country production
-Capacity building for 63 district officers technicians on documentary production (Target was 56)	-4 officers to be sent for long term training
-Long term training in journalism for 14 officers at various tertiary institutions (Target was 20)	-Devolution plan and management and guidelines document produced
	-Devolved district budget approved

Source: Project Report

20.3.4 Digital Migration Project

The Malawi Digital Broadcast Network Limited implements the Digital Migration Project Part II Project which is being funded by Malawi Government. The Project was approved by Government and is in the Public Sector Investment Programme (PSIP). The Project was to run from July, 2015 to June, 2020. The main objective is to transit from analogue to digital television broadcasting by installing digital television equipment thereby improving efficiency in management of frequencies and improving quality picture. The overall goal is to reach 95% of Malawi's geographical area covered with DTT signal. A number of initiatives are being implemented leading to different levels of achievements towards the optimal goal of the project.

TABLE 20.6: PROGRESS UNDER DIGITAL MALAWI PROJECT

Target	2019 Actual Performance	2020/2021 Projects
2 Equipment shelters constructed and functioning	4 Equipment shelters constructed and functioning	3 Equipment shelters to be constructed
4 Transmitter, PIE Equipment Standby plant, 4 AVR's and ATS Installed and Commissioned	5 Transmitter, PIE Equipment, Standby plant, 4 AVR's and ATS Installed and Commissioned	Installation of 6 Transmitters and 1 headend system 10,000 to be Procured and delivered
10,000 STBs and 10,000 Outdoor antennae supplied and distributed	20,000 STBs Procured and Delivered	3 Foreign channels to be procured
3 Foreign channels identified and procured	4 Foreign channels identified and procured	7 Technical staff to be trained in CAS and EPG management
14 Technical staff members trained in CAS and EPG management	14 Technical staff members trained in CAS and EPG management	Procurement of 6 panel antennae system Conduct 1 Monitoring and Evaluation exercise

Source: Project Report

20.3.5 Government Wide Area Network (GWAN) Project

This is an on going PSIP project under the Ministry of Information, Civic Education and Communication Technology since July, 2013 objectives of providing Central and Local Government services such as: official Email services, Local Area Network (LAN) services, Network Security Services; and Hosting of Government Websites. Implementation of the project has led to a number outputs in 2019 and projects of the 2020/2021 year.

Achievements in 2019

- i. Repaired Fiber Optic Cables in City Centre and Old Town;
- ii. Enabled Multi Protocol Label Switching (MPLS) in all districts along VLP route. The process allows use of internet link to transmit other network data (HRMIS, IFMIS etc) on internet link.
- iii. Conducted GWAN Services Awareness Orientation/meetings in districts along the VLP route
- iv. Trained GWAN Engineers in Cyber Boot camp, Optic Fiber Management, Domain Registration
- v. Migrated email service to Zimbra platform

- vi. 95% of Districts Councils Connected to GWAN
- vii. 20 Government institutions bridged to GWAN
- viii. 10 Monitoring & Evaluation Visits of ICT infrastructure investments

Projected activities for 2020

- i. Restore Karonga District network by procuring Server, Desktop set, Routers, Switch
- ii. Procure GWAN Vehicle
- iii. 100% of Districts Councils Connected to GWAN
- iv. 35 Government institutions bridged to GWAN
- v. 2 Monitoring & Evaluation Visits of ICT infrastructure investments
- vi. Procure High End Servers (DHCP/DNS/AD), Routers (4 unfinished Sites), Laptops (GWAN Team)
- vii. Assessment of Treasury Cashier Offices in the South for GWAN connection (ZA, BT, MJ)
- viii. Train five (5) GWAN Officers in Data Centre Management & Five (5) GWAN Officers in Cyber Security
- ix. Establishment of Network Operating Centre for GWAN
- x. Connect and Terminate Fiber at Goch 7 (at New Building)
- xi. Procure Vehicle for GWAN
- xii. Procure Consultancies to:
 - a. Deploy Network Services Domain Name Service (DNS)/Domain Host Configuration Protocol (DHCP) & Active Directory (AD).
 - b. Deploy and Train GWAN Engineers on Sophos

20.3.6 National Physical Addressing Project

The project is implemented by the Ministry along with the Malawi Communications Regulatory Authority (MACRA) with the main objective of developing and implementing a comprehensive National Addressing System for Malawi. Addresses are essential for economic and social development as they allow people to be connected to the formal economy thereby having access to a host of commercial and social products and service. Since the project's implementation there has been several achievements in 2019 leading to 2020/2021 projections.

TABLE 20.7: ACTIVITIES CONDUCTED UNDER THE IMPLEMENTATION PLAN

<u>No.</u>	<u>Planned Activities</u>	<u>Actual Performance</u>
1.0	Conduct Public Awareness Campaign	1 review session
2.0	Conduct geo-Mapping	1 review session
3.0	Conduct monitoring and evaluation	1 Monitoring and Evaluation Exercise

Source: Project Report

20.4 Challenges

20.4.1 Inadequate and outdated equipment

This has compromised smooth delivery of core office operations. ie. vehicles that are due for board off, computers, heavy duty printers, editing suits, video cameras public address system, simultaneous interpretation equipment needs two extra control units.

20.4.2 Low funding levels and untimely disbursement of funds to the Ministry

The challenge has led to drastic effect on the planning and the actual execution of the activities. Among other affected core office functions are: coverage of VVIP functions, news gathering and dissemination, maintenance of equipment, video documentary production, production and distribution IEC materials and upgrading of staff for further studies. In creating a haven of funds adequacy, there are a number of initiatives the Ministry has to undertake including lobbying with Government and development partners for adequate timely disbursement of funds in an effort to achieve the intended results timely

20.4.3 Low staffing levels among the technical staff

This accompanied by inadequate human capacity as well as some government bureaucracies also affects the timely achievement of some of the outputs. There is need to conduct capacity building in the sector as well as that Government provides waivers (where necessary) to speed up the processes required for the achievement of outputs.

20.4.4 Unavailability of data

This has resulted in many gaps hence difficult to trace the progress of some output and outcome indicators. Solutions have to include development of the Ministry's database for record keeping for tracking progress on outputs and indicators which is underway in the current financial year. In addition to solutions, the Ministry is working with National Statistical Office (NSO) in finalizing the ICT Enterprise survey that was conducted across the country.