ANNUAL ECONOMIC REPORT 2019

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

TABLE OF CONTENTS

Chapter 1

THE WORLD ECONOMIC OUTLOOK

1.1 World Output

Global economic growth declined from 3.8 percent in 2017 to 3.6 percent in 2018. The global expansion became less balanced in 2018 and may have peaked in some major economies. Trade tensions contributed to deteriorating business performance, which in turn led to tightening financial conditions, first mainly for emerging markets, and then extending to advanced economies. According to the International Monetary Fund (IMF), as the global expansion is weakening, global growth is projected to slow down to 3.3 percent in 2019, from 3.6 percent in 2018. In 2020, a slight uptick in growth to 3.6 percent is being forecasted as political uncertainty is expected to ease.

1.1.1 World Output Developments in 2018

In the first half of 2018, global growth remained at 3.8 percent; however, in the second half of the year, it decelerated to 3.2 percent. Advanced economies displayed underwhelming performances relative to projections, and their growth slowed to 2.2 percent in 2018, down from 2.4 percent in 2017. Growth in emerging economies also slowed from 4.9 percent in 2017 to 4.5 percent in 2018. Sub-Saharan Africa registered a small uptick in the regional growth rate, from 2.9 percent in 2017 to 3.0 percent in 2018.

In 2018, the Euro zone grew more slowly than in 2017 due to a number of reasons including the protests against government and proposed reforms in France. Additionally, trade restrictions – realized or threatened – affected export-oriented economies. Europe as a whole was affected by weaker business confidence and waning demand from Asia, on which it is dependent as an export destination.

Economic performance in the United States of America (USA) improved from 2.2 percent in 2017 to 2.9 percent in 2018. Tax cuts stimulated private consumption as well as business investment, which in turn led to higher production and employment figures. Fiscal stimulus was one of the reasons why growth in the United States was higher than in other advanced economies. Advanced Asian countries registered a slowdown in growth in 2018 compared to 2017. Particularly in China, growth slowed from 6.8 percent in 2017 to 6.6 percent in 2018, mainly due to trade tensions with the United States and the implementation of policies against debt growth to restrict shadow banking. In Japan, natural disasters contributed to lower growth rates.

1.1.2 World Output Prospects for 2019 and 2020

Reasons for the decline in projected economic growth to 3.3 percent in 2019 from 3.6 percent in 2018 are continued elevated trade tensions, tightening financial conditions, and country-specific factors in both advanced and developing economies. Trade tensions slow down international trade and investment. At the same time, financial conditions are tightening as central banks tighten monetary policy. Emerging and developing markets are also affected; while growth projections for China have been lowered to 6.3 percent this year, projections for Sub-Saharan Africa, Latin America, and the Middle East are below 2 percent. In 2020, growth rates are forecast to pick up again across almost all groups of economies and growth in world output is expected to reach 3.6 percent.

TABLE 1.1: WORLD OUTPUT (PERCENTAGE CHANGE)

	2017	2018	2019*	2020*
World Output	***3.8***	***3.6***	***3.3***	***3.6***
Sub-Saharan Africa	***2.9***	***3.0***	***3.5***	***3.7***
Advanced Economies	***2.4***	***2.2***	***1.8***	***1.7***
United States	*2.2*	*2.9*	*2.3*	*1.9*
Euro Area	*2.4*	*1.8*	*1.3*	*1.5*
Japan	*1.9*	*0.8*	*1.0*	*0.5*
United Kingdom	*1.8*	*1.4*	*1.2*	*1.4*
Canada	*3.0*	*1.8*	*1.5*	*1.9*
Emerging Market and Developing Economies	***4.8***	***4.5***	***4.4***	***4.8***
Commonwealth of Independent States	*2.4*	*2.8*	*2.2*	*2.3*
Emerging and Developing Asia	*6.6*	*6.4*	*6.3*	*6.3*
China	*6.8*	*6.6*	*6.3*	*6.1*
India	*7.2*	*7.1*	*7.3*	*7.5*
Emerging and Developing Europe	*6.0*	*3.6*	*0.8*	*2.8*
Latin America and the Caribbean	*1.2*	*1.0*	*1.4*	*2.4*
Middle East and North Africa[1]	*2.2*	*1.8*	*1.5*	*3.2*

Source: IMF World Economic Outlook April 2019.

* Projections.

[1]Includes Pakistan and Saudi Arabia.

As the effect of fiscal stimulus wears off in 2019, growth in the U.S. will be lower than in 2018. But U.S. monetary policy has been signaled to accommodate the more skittish market, and the possible resolution of trade tensions between the U.S. and China allows for some cautious optimism. Overall, the global economy will still be growing, albeit at a slower pace than in 2018, when it seems to have peaked.

There is uncertainty about the future relationship between the European Union and the United Kingdom (UK), and the risk of a disorderly exit of Britain from the European Union still looms and continues to stall investment. Lower demand following a no-deal Brexit would have knock-on effects on production and employment not just in the U.K., but, to varying degrees, across its European trading partners. On a more positive note, interest rates remain near historic lows in the Euro zone, which should support investment.

The slowdown in growth is expected to level out in the first half of 2019, before picking up again in the second half of the year. This projection depends on higher growth in the Chinese economy through effective fiscal stimulus, an uptick in financial market sentiment, and overcoming temporary hindrances to growth in European economies. Policy uncertainty like the outcome of U.S.-Chinese trade talks and Brexit still abound.

In the medium term, the growth potential of advanced economies will decline due to ageing populations and low productivity growth. In China, growth rates continue to remain above those in advanced economies, but will gradually decline as the economy matures. Sluggish investment along with slow productivity growth after the global financial crisis permanently reduced growth prospects.

1.2 Regional Output

1.2.1 Regional Output Developments in 2018

At 3.0 percent, economic growth across Sub-Saharan Africa has been slightly higher in 2018 than in 2017, when it was 2.9 percent. Yet, growth in South Africa, the region's second biggest economy and Malawi's primary trading partner, only registered 0.8 percent. Among the reasons for this are high levels of public debt and high unemployment, frequent power cuts and continued policy uncertainty after the elections in May 2019.

TABLE 1.2: REGIONAL OUTPUT (PERCENTAGE CHANGE)

	2017	2018	2019*	2020*
Sub-Saharan Africa	***2.9***	***3.0***	***3.5***	***3.7***
Ethiopia	*10.1*	*7.7*	*7.7*	*7.5*
Kenya	*4.9*	*6.0*	*5.8*	*5.9*
Mozambique	*3.7*	*3.3*	*4.0*	*4.0*
Nigeria	*0.8*	*1.9*	*2.1*	*2.5*
South Africa	*1.4*	*0.8*	*1.2*	*1.5*
Tanzania	*6.8*	*6.6*	*4.0*	*4.2*
Zambia	*3.4*	*3.5*	*3.1*	*2.9*
Zimbabwe	*4.7*	*3.4*	*-5.2*	*3.3*

Source: IMF World Economic Outlook April 2019.
*Projections.

1.2.2 Regional Output Prospects for 2019 and 2020

In Sub-Saharan African economies, growth is expected to pick up further and will average 3.5 percent in 2019 and 3.7 percent in 2020. The economies of Ethiopia and Kenya will continue to grow fast. Regarding Malawi's neighbouring countries, Mozambique is projected to grow by 4.0 percent in 2019 and 2020. However, the effects of the recent cyclone Idai that devastated much of northern Mozambique have not yet been included in the assessment of growth rates. Projected growth in Tanzania and Zambia in 2019 and 2020 is lower than in 2018.

1.3 Inflation and World Commodity Prices

1.3.1 Inflation and World Commodity Prices in 2018

On average, inflation in emerging and developing markets has been low and stable for the past 15 years. While core inflation is close to target in the United Kingdom and the United States, it remains well below in the Euro zone and Japan. In emerging markets, consumer price growth was 4.8 percent in 2018, and in Sub-Saharan Africa, it averaged 8.5 percent.

Volatile prices of oil and other sources of energy in 2018 reflected uncertainty on the supply side such as U.S. sanctions on Iranian oil exports, and weakening demand. Lower oil prices have eased inflation in emerging markets; however, in oil exporting countries this easing has been counter-acted by the pass-through effect of currency depreciation. Slowing demand from China has become apparent in lower prices for metals.

1.3 Inflation and World Commodity Price Prospects for 2019 and 2020

Inflation in advanced economies will remain subdued, while that in emerging markets will remain moderate at below 5 percent. In Sub-Saharan Africa, consumer price growth will decline gradually, to 8.1 percent in 2019 and to 7.4 percent in 2020.

Energy exporters have been buoyed by higher oil prices during the first months of 2019, and they are expected to be at just below 60 USD per barrel throughout 2019 and 2020. Metal prices are projected to decline by 7.4 percent year-on-year in 2019, with no anticipated further price changes thereafter in 2020.

TABLE 1.3: CONSUMER PRICES (PERCENTAGE CHANGE)

	2017	2018	2019*	2020*
Consumer Price Growth				
Advanced Economies	*1.7*	*2.0*	*1.6*	*2.1*
Emerging Markets and Developing Economies	*4.3*	*4.8*	*4.9*	*4.7*
Sub-Saharan Africa	*10.1*	*8.5*	*8.1*	*7.4*

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

1.4 Global Financial Sector

1.4.1 Global Financial Sector Developments in 2018

Contractionary monetary policy in the United States, though recently softened, led to higher borrowing costs in emerging markets as they became relatively less attractive destinations for investment. High economic growth as a result of the fiscal stimulus that took effect in 2018 further contributed to a rise in the US dollar. The South African Rand has recovered from its low point in the second half of 2018.

1.4.2 Global Financial Sector Prospects for 2019 and 2020

Continued trade tensions may negatively affect business and financial market sentiment, thereby slowing investment, and disrupt global supply chains. In the United States interest rates on short-term government bonds increased relative to those on long-term bonds. This development has frequently been a precursor of economic downturns. On the other hand, unemployment remains low with rising labour force participation, so a recession does not appear to be imminent in 2019. The Euro zone has little room for conventional monetary policy as interest rates on deposits with the central bank still hover around zero, low growth persist, and unemployment – though improved – is still high.

1.5 International Trade

International trade shrank by 0.3 percent in the last quarter of 2018, and grew by 3.8 percent over the entire year of 2018, down from a growth rate of 5.2 percent in 2017. In 2019, growth in trade volumes is projected to be 3.4 percent, and it is forecast to reach 3.9 percent in 2020.

1.5.1 International Trade Developments in 2018

Growth in both import and export volumes in 2018 was lower than in 2017 across advanced as well as emerging and developing economies. Reasons are trade disputes and a tampering of economic stimulus in China, which has toned down its demand for imports, thereby lowering exports by countries dependent on the Chinese market.

TABLE 1.5: WORLD TRADE (PERCENTAGE CHANGE)

	2017	2018	2019*	2020*
World Trade Volume (Goods and Services)	***5.2***	***3.8***	***3.4***	***3.9***
Imports				
Advanced Economies	*4.2*	*3.3*	*3.0*	*3.2*
Emerging Markets and Developing Economies	*7.0*	*5.6*	*4.6*	*5.3*
Exports				
Advanced Economies	*4.4*	*3.1*	*2.7*	*3.1*
Emerging Markets and Developing Economies	*6.9*	*4.3*	*4.0*	*4.8*

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

1.5.6 International Trade Prospects for 2019 and 2020

Despite ongoing negotiations aimed at resolving trade disputes, trade tensions remain elevated, including amongst major economies. Negotiations to resolve these will continue in 2019; however, they could not preclude a slowdown in growth in global trade volumes, whether in advanced, emerging or developing economies. A return to stimulus in China in the second half of 2019 may yet support a rebound in economic growth and have knock-on effects on other countries by increasing demand for their exports, which could raise the volume of goods and services traded globally. The volume of world trade is projected to grow by 3.4 percent in 2019 and by 3.9 percent in 2020. Growth in both import and export volumes is forecasted to be higher among developing and emerging than among advanced economies.

Chapter 2

MACROECONOMIC PERFORMANCE IN 2018 AND PROSPECTS FOR 2019 AND 2020

2.1 GDP Performance and Forecast

Real Gross Domestic Product (GDP) growth for 2018 is maintained at 4.0 percent as reported in August 2018, but the growth estimate for 2019 was revised upwards from 4.1 percent as estimated in August 2018 to 5.0 percent in February 2019. In 2020, GDP is projected to grow by 5.1 percent.

The February 2019 Business Interview Survey revealed a number of factors necessitating the revision of the GDP figures. For example, while the Department of Climate Change and Meteorological Services forecasted El Nino conditions for the 2018/19 rainy season, which were expected to have a negative effect on agricultural production, the country received good rainfall, which is expected to increase agricultural production in almost all crops, resulting in a rebound in agricultural production. This is expected to increase disposable income and demand for products and services from other sectors of the economy. Considering that Malawi is an agro-based economy, a rebound in agriculture is automatically translated into higher overall GDP growth.

The favourable weather conditions and other interventions such as the Malawi-Zambia power interconnection project have stabilized the country's power supply since the beginning of 2019. In this regard, apart from good performance of the agriculture sector, the real GDP growth of 5.0 percent for 2019 is underpinned by growth in different economic activities including Manufacturing; Electricity, Gas and Water Supply; Construction; Transportation and Storage; and Information and Communication.

In 2020, the projected real GDP growth of 5.1 percent will be driven by the following sectors: Agriculture; Manufacturing; Mining and Quarrying; Electricity, Gas and Water; Information and Communication; and Financial and Insurance Services. Apart from the positive developments, Government arrears continue to negatively affect the performance of many sectors particularly Construction and Wholesale and Retail Trade.

TABLE 2.1: GDP BY ACTIVITY AT CONSTANT PRICES

Constant 2010 prices (in MK' million)

Sector	**2016**	**2017**	**2018**	**2019***	**2020***
Agriculture, forestry and fishing	364,903	387,296	390 766	406,044	426,776
Crop and animal production	*249,510*	*267,670*	*266,762*	*281,393*	*300,035*
Forestry and logging	*95,257*	*98,418*	*101,194*	*100,314*	*100,754*
Fishing and aquaculture	*20,136*	*21,208*	*22,810*	*24,337*	*25,987*
Mining and quarrying	11,647	11,837	12,083	12 518	13 239
Manufacturing	123,096	125,522	129,993	135,990	141,045
Electricity, gas and water supply	15,978	16,395	17,292	17,981	18,954
Construction	37,002	38,623	40,378	42,442	43,941
Wholesale and retail trade	208,654	219,106	227,996	238,302	247,584
Transportation and storage	35,652	37,774	39,636	41,822	43,664
Accommodation and food services	25,957	27,043	28,643	29,801	30,925
Information and communication	57,951	61,668	65,880	70,503	74,930
Financial and insurance services	68,748	72,509	77,503	81,750	86,595
Real estate activities	101,287	105,712	109,711	114,466	117,993
Professional and support services	3,998	4,156	4,379	4,618	4,883
Public administration and defence	27,123	28,622	30,665	32,608	35,028
Education	35,308	37,635	40,837	43,887	46,783
Health and social work activities	35,777	37,684	39,952	42,507	45,283
Other Services	66,210	69,090	72,686	76,333	80,604
GDP at constant market prices	**1,306,378**	**1,374,556**	**1,430,023**	**1,501,049**	**1,577,714**
GDP at current prices	**3,812,567**	**4,635,556**	**5,266,294**	**5,970,090**	**6,588,576**

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

TABLE 2.2: SECTORAL CONTRIBUTION TO GDP (IN PERCENT)

Constant 2010 prices

Sector	2016	2017	2018	2019*	2020*
Agriculture, forestry and fishing	27.9	28.2	27.3	27.1	27.1
Crop and animal production	*19.1*	*19.5*	*18.7*	*18.7*	*19.0*
Forestry and logging	*7.3*	*7.2*	*7.1*	*6.7*	*6.4*
Fishing and aquaculture	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*
Mining and quarrying	0.9	0.9	0.8	0.8	0.8
Manufacturing	9.4	9.1	9.1	9.1	8.9
Electricity, gas and water supply	1.2	1.2	1.2	1.2	1.2
Construction	2.8	2.8	2.9	2.9	2.9
Wholesale and retail trade	16.0	15.9	15.9	15.9	15.7
Transportation and storage	2.7	2.7	2.8	2.8	2.8
Accommodation and food services	2.0	2.0	2.0	2.0	2.0
Information and communication	4.4	4.5	4.6	4.7	4.7
Financial and insurance services	5.3	5.3	5.4	5.4	5.5
Real estate activities	7.8	7.7	7.7	7.6	7.5
Professional and support services	0.3	0.3	0.3	0.3	0.3
Public administration and defence	2.1	2.1	2.1	2.2	2.2
Education	2.7	2.7	2.8	2.8	2.9
Health and social work activities	2.7	2.7	2.8	2.8	2.9
Other Services	5.1	5.0	5.1	5.1	5.1

Source: National Statistical Office (NSO) and Department of Economic Planning and Development (EP&D)
*Projection

TABLE 2.3: ANNUAL PERCENTAGE GROWTH RATES (IN PERCENT)

	Constant 2010 prices				
Sector	**2016**	**2017**	**2018**	**2019***	**2020***
Agriculture, forestry and fishing	-0.1	6.1	0.9	3.9	5.1
Crop and animal production	*-1.2*	*7.3*	*-0.3*	*5.5*	*6.6*
Forestry and logging	*2.3*	*3.3*	*2.8*	*-0.9*	*0.4*
Fishing and aquaculture	*1.6*	*5.7*	*6.2*	*3.6*	*5.8*
Mining and quarrying	0.4	1.6	2.1	3.6	5.8
Manufacturing	1.3	2.0	3.6	4.6	3.7
Electricity, gas and water supply	0.1	2.6	4.3	5.1	5.4
Construction	3.4	4.4	4.5	5.1	3.5
Wholesale and retail trade	2.3	5.0	4.1	4.5	3.9
Transportation and storage	4.9	6.0	4.9	5.5	4.4
Accommodation and food services	5.7	4.2	5.9	4.0	3.8
Information and communication	5.0	6.5	6.7	7.0	6.3
Financial and insurance services	5.9	5.5	6.9	5.5	5.9
Real estate activities	3.1	4.4	3.8	4.3	3.1
Professional and support services	3.6	4.0	5.4	5.5	5.7
Public administration and defence	6.2	5.7	7.0	6.3	7.4
Education	7.9	6.6	8.5	7.5	6.6
Health and social work activities	7.2	5.3	6.0	6.4	6.5
Other Services	5.5	4.3	5.2	5.0	5.6
GDP at constant market prices	**2.7**	**5.2**	**4.0**	**5.0**	**5.1**
GDP at current prices	**18.7**	**21.6**	**13.6**	**13.4**	**10.4**

Source: National Statistical Office and Department of Economic Planning and Development (EP&D)
*Projections

2.2 Real Sector Performance in 2018 and Prospects for 2018 and Beyond

2.2.1 Agriculture, Forestry and Fishing

In 2018, the sector grew by 0.9 percent. Although growth was affected by the decline in crops (maize) as a result of the dry spell and the Fall Army Worms, there was an increase in tuber production. Growth for 2019 is estimated to be 5.3 percent on account of the good rains the country has received. Growth for the sector will mainly be driven by Crop and Animal Production and the Fishing and Aquaculture sub-sectors. There is a contraction in the Forestry sub-sector on account of deforestation that has plagued the country in recent years. Growth in 2020 is projected to be 3.8 percent.

2.2.2 Mining and Quarrying

The growth estimate for the sector in 2018 was 2.1 percent. Although Mchenga Coal Mine was closed down in late 2018, the company was mining at a smaller site to maintain production. In 2019, growth in the sector is estimated at 3.6 percent and projected to reach 5.8 percent in 2020. Growth in the sector will be driven by major exploration works that are currently in progress at Malingunde in Lilongwe among others and increased revenue from Kasikizi coal mine and the limestone mine in Mangochi. In addition, with a lot of construction activities taking place, quarrying is also expected to increase, thereby contributing to the overall growth of the sector.

2.2.3 Manufacturing

In 2018, growth in the sector was a moderate 3.6 percent due to frequent power cuts. In 2019, there are expectations of improvement in the availability of raw materials due to a better agriculture season. Moreover, improvements in electricity generation and supply will also help to grow the sector, hence growth is estimated to reach 4.6 percent. In 2020, the sector is projected to grow by 3.7 percent.

2.2.4 Electricity, Gas and Water

The growth estimates for the sector are 4.3 and 5.1 percent in 2018 and 2019, respectively. Growth in 2019 will be driven by increased production from new entrants into the sector. One company established in Salima will contribute around 70 Mega Wats (MW) of electricity using solar energy, 20MW will be produced from Kholombidzo and the Malawi-Zambia project is fully operational. In 2020, growth is estimated to reach 5.4 percent due to a number of projects that will be finalised by that period.

2.2.5 Construction

In 2018, the construction sector grew by 4.5 percent. The Government owed most construction companies large sums of money, which affected their working capital. In 2019, the performance of the sector is expected to improve and growth is estimated to reach 5.1 percent. Growth will be driven by a number of construction projects which started in 2018, such as the dual carriage way in Lilongwe and Blantyre, the Cancer Treatment Centre at Kamuzu Central Hospital, the expansion of Kamuzu International Airport and the construction of secondary schools across the country by United States Agency for Interanational DEvelopment (USAID). In 2020, the sector is projected to grow by 3.5 percent.

2.2.6 Wholesale and Retail

The Wholesale and Retail sector grew by 4.1 percent in 2018. The sector was affected by smuggled and counterfeit products, which were sold at cheaper prices, thereby creating unfair competition. For 2019, growth is estimated to increase to 4.5 percent, mainly on account of a better agricultural season. In 2020, the sector is projected to grow by 3.9 percent.

2.2.7 Transportation and Storage Services

In 2018, the Transportation and Storage Services sector is estimated to grow by 4.9 percent. In 2019, growth is estimated to tick up, to an annual rate of 5.5 percent mainly due to election related activities. The sector is projected to grow by 4.4 percent in 2020.

2.2.8 Accommodation and Food Services

Growth estimates for the Accommodation and Food Services Sector for 2018 and 2019 are 5.9 and 4.0 percent respectively. Growth was mainly driven by activities related to the Population and Housing Census in 2018 and by the elections in 2019. In 2020, growth is projected at 3.8 percent.

2.2.9 Information and Communication

The sector grew by 6.7 percent in 2018. Growth in this sector was affected by the country-wide SIM card registration exercise whereby customers who failed to register their SIM cards had their lines disconnected. Additionally, certain applications downloaded on smartphones allow customers to make international and local calls at a fraction of the price charged when making calls without using these applications (WhatsApp, WeChat and Messenger). In 2019, growth is estimated to be 7.0 percent and in 2020, growth is projected at 6.3 percent.

2.2.10 Financial and Insurance Services

The annual growth rate for financial and insurance services in 2018 was 6.9 percent; nonetheless, the sector struggled with fraudulent insurance claims by customers. In 2019, growth is estimated to be 5.5 percent. This reduction in growth is attributed to a reduction in the Reserve Bank Policy Rate, which is set to have a negative impact on commercial banks by reducing net interest income. However, as the banks continue to intensify efforts in offering better services to clients, it is expected that they will recover from the impact of rate change and improve interest and non-interest income. The gains in key macroeconomic variables in the year so far – prolonged exchange rate stability, lower interest rates, and relatively low inflation rate will work to the advantage of the Banks. The Banks will additionally intensify efforts in collecting all impaired loans and advances. Given these efforts on behalf of financial institutions, in 2020, the sector is projected to grow by 5.9 percent.

2.2.11 Real Estate

In 2018, growth in this sector was 3.8 percent. The growth rate is expected to increase to 4.3 percent in 2019 before slowing down to 3.1 percent in 2020. Growth will mainly be driven by the completion of the 240 houses under the Malawi Housing Corporation project, the completion of office complexes in the major cities and towns, and the Shopping Mall in Lilongwe.

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

In 2018, the sector grew by 5.4 percent, reflecting increased demand for service activities. The industry has been widening its customer base and is expected to continue with strong growth of 5.5 percent in 2019 and 5.7 percent in 2020.

2.2.13 Public Administration and Defence

Growth in activities in public administration and defence was estimated at 7.0 percent in 2018 and projected at 6.3 percent and 7.4 percent for 2019 and 2020, respectively. This growth is explained by the recruitment drive by the Malawi Defence Force.

2.2.14 Education

The growth estimates for education for 2018 and 2019 are 6.0 percent and 6.4, respectively. This growth is partly driven by Government investment in education. In 2019, growth is explained by the recruitment of teachers, and in 2020 the growth is estimated at 6.5 percent.

2.2.15 Human Health and Social Work Activities

There has been strong growth in this sector; in 2018 growth was 6.0 percent and is projected at 6.4 percent in 2019. The outlook for growth in this sector in 2020 is projected at 6.5 percent.

2.3 Price Developments

2.3.1 Inflation Rates in 2018 and Projections for 2019 and 2020

Malawi has been experiencing a decline in inflation due to the stability of the Malawi Kwacha against currencies of major trading partners such as the US and the increased availabity of food. The annual average inflation rate for 2018 was recorded at 9.2 percent with the end period inflation rate at 9.9 percent. In 2019, it is estimated that the economy will sustain a single digit inflation rate, with average inflation estimated to decline to 8.0 percent and end-of-period inflation rate estimated at 8.7 percent. In 2020, annual average inflation is projected to further decrease to 6.1 percent.

In 2019, inflation is expected to be contained on accounnt of continued macroecononmic stability and improved agricultural production. Table 2.4 below provides the average and end-of-period inflation rates from 2017 to 2020. In 2020, inflation is projected to continue on a downward trajectory as the stability of the Malawi Kwacha is maintained and the economy enjoy robust growth without overheating.

TABLE 2.4: AVERAGE AND END PERIOD INFLATION RATES

	2017	2018	2019*	2020*
Inflation rate (annual average)	11.5	9.2	8.0	6.1
Inflation rate (end of period)	7.1	9.9	8.7	6.3

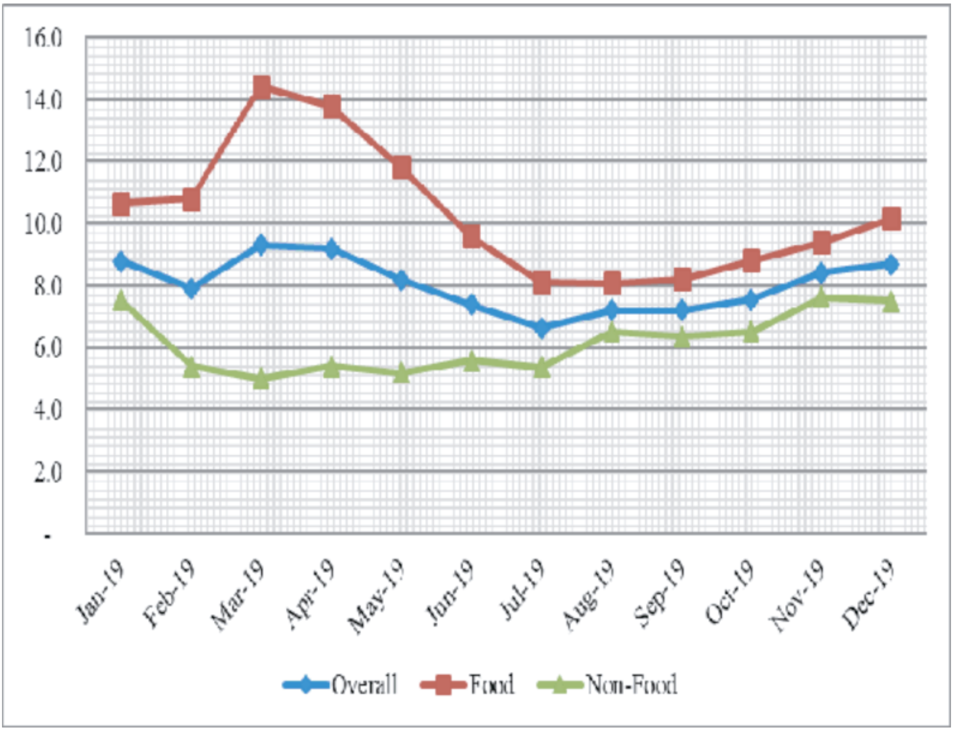
Source: National Statistical Office and EP&D (Projections)

*Projections

In 2019, inflation is estimated to sustain a single digit rate of 8.0 percent with end period inflation of 8.7 percent, compared to an average inflation of 9.2 percent and end period inflation of 9.9 percent in 2018. The year 2018 started with an inflation rate of 8.1 percent in January, which accelerated to 9.9 percent in March before declining to 8.6 percent in June. Inflation for July increased by 0.4 percentage points to 9.0 percent. This was due to increases in both food and non-food inflation from 9.1 percent to 9.5 percent and from 8.2 percent to 8.7 percent, respectively. It was up to 9.9 percent again by the end of the year.

Going forward, inflation in 2019 is expected to stay subdued. In January, prices grew by 8.8 percent, with higher inflation among food items than non-food items. Food inflation is expected to rise slightly towards the end of 2019. Non-food inflation, on the other hand, is expected to remain stable owing to the anticipated continued stability of the Malawi Kwacha.

FIGURE 2.1: FOOD AND NON-FOOD INFLATION FOR 2019



Source: Department of Economic Planning and Development Projection

Figure 2.1 above shows projected inflation for 2019. The graph shows that inflation will be driven mainly by food inflation. Food inflation is expected to drop markedly during the first half of the year, thanks to the good crop harvest. Non-food inflation, on the other hand, dropped from 7.5 percent in January 2019 to 5.4 in April 2019 and it is expected to remain stable in stable in May and June 2019. In the second half of the year, both food and non-food inflation are projected to rise slightly, in tandem with end period rates of 10.2 percent and 7.5 percent, respectively. Over the whole year, non-food inflation is expected to hover around 7.5 percent. From June 2019 onwards, food inflation is expected to rise and maintain an upward trend until the end of the year.

2.4 Balance of Payments

2.4.1 Current Account Balance 2018 and 2019

The country exhibited a current account deficit of US$1,047.2 million in 2018; the deficit is anticipated to worsen to US$1,234.4 million in 2019, representing an increase of 17.8 percent. The current account deficit as a percentage of GDP is expected to be stable between 2018 and 2019 at an average of 14.7 percent of the GDP.

The deficit in the country's current account is continuing to improve since Malawi Government launched the Buy Malawi Strategy which is encouraging consumption of locally produced products as opposed to imported goods, which has in turn seen a stable level in the country's imports during the period under review.

2.4.2 Goods Balance in 2017, 2018 and 2019

In 2018 the country's trade balance improved by 25.7 percent, to a value of US$1,152.4 million in 2018 from US$1,551.5 million in 2017. This is explained by increases in traditional export products especially sugar, edible nuts and tobacco that grew by 86.6 percent, 29.5 percent, and 6.6 percent, respectively in 2018. In 2019 Malawi's trade balance is expected to worsen by 16.4 percent. As shown in the table below, all values of traditional export products are anticipated to go down in 2019. On the other hand, Malawi's imports improved by 7.2 percent between 2017 and 2018, and it is anticipated that they will increase by 4.9 percent in 2019. This is illustrated by a forecasted increase in the country's main import products especially petrol and petrol products that are estimated to go up by 4 percent, also fertilizer imports are expected to increase by 5 percent. But the rise in imports volumes of main imports products have been subdued by stable prices in these products.

TABLE: EXPORT VALUES OF TRADITIONAL COMMODITIES (US$ MILLIONS)

Commodity	2017	2018	2019
Tobacco	483.80	516.09	502.19
Tea	77.16	62.76	62.76
Sugar	40.47	75.51	73.49
Cotton	3.54	4.04	4.10
Coffee	2.52	4.54	7.15
Pulses	3.60	12.45	12.26
Edible Nuts	34.65	44.86	45.26

2.4.3 Capital and Financial Account Balance 2018 and 2019

In 2018, Malawi had a capital account surplus of US$ 332.6 million and this surplus is expected to increase to US$ 354.7 million in 2019, representing a 6.6 percent rise. The country's financial resources required to finance payments imbalances are sourced mainly from general government loans, private sector loans, monetary authorities' international reserves as well as foreign direct investment. The country recorded US$ 700.1 million in 2018 of net financial inflows; these net inflows are expected to lower down by 40.4 percent to about US$ 417.1 million in 2019. The slowdown in net inflows of financial account is attributable to a sharp decrease in other Investment liabilities which is dominated by loans of general government as well as currency and deposits.

2.5 Fiscal Performance

Government continued implementing its policies aimed and sustaining and entrenching macroeconomic stability. This, buttressed with efforts on the monetary policy front, has resulted into a continuing decline in the inflation rate, stable exchange rate and a relatively higher economic growth in 2018/19 fiscal year compared with other countries in the region.

Revenue underperformed in 2018-19 fiscal year due to poor disbursements of grants and uncertainty towards the election period that affected performance of tax revenue against their projections. However, compared to performance registered in 2017-18 fiscal year of 19.96 percent of GDP, revenue recorded a slight and insignificant decline in 2018-19 fiscal year to 19.95 percent of GDP. Taxes and other revenues performed below the levels registered in 2017-18 fiscal years. Taxes declined to 17.25 percent of GDP from 17.41 percent of GDP recorded in 2017-18 fiscal year, while other revenues registered a declined from 1.14 percent of GDP in 2017-18 fiscal year to 0.65 percent of GDP in 2018-19 fiscal year. Government received Catastrophe Draw Down Option (Cat DDO) budget support grants to support the country's response to disaster related risks including the Herrican Idai. This facilitated the improvement in the performance of grants from 1.42 percent of GDP in 2017-18 fiscal year to 2.05 percent of GDP in 2018-19 fiscal year.

Government spent within the target set at the beginning of the 2017-18 fiscal year. Expenditure declined from 26.03 percent of GDP recorded in 2017-18 fiscal year to 25.75 percent of GDP in 2018-19 fiscal year. This was also lower than the anticipated level of 27.89 percent of GDP set at the beginning of the fiscal year. The low performance recorded in expenditure was attributed to a drop in performance of net acquisition of non-financial assets which recorded a performance of 5.01 percent of GDP against the projected level of 5.97 percent of GDP. Despite this being the case, the performance is an improvement from 4.59

percent of GDP recorded in 2017-18 fiscal year. This performance was attributed to improved performance in both domestically financed and foreign financed acquisitions of non-financial assets. Expenses, despite election-related pressures on the other hand, registered a decline from 21.44 percent of GDP registered in 2017-18 fiscal year to 20.74 percent of GDP in 2018-19 fiscal year.

The performance of revenue and expenditure in 2018-19 fiscal year translated to a net borrowing of 5.80 percent of GDP, an improvement from 6.07 percent of GDP recorded during the 2017-18 fiscal year. Government is committed to reduce the deficit to 2.48 percent of GDP as projected in the 2019/20 FY. This is in line with the objective Government stated in the Medium Debt Management Strategy of bringing debt on a downward trajectory. Government will also continue implementing measures to create fiscal space for inclusive and sustainable economic growth.

2.6 Monetary Policy Developments

The Reserve Bank of Malawi conducts monetary policy in an increasingly forward-looking manner, with the aim of achieving price stability so as to support sound and sustainable economic growth. In 2018, RBM conducted its monetary policy in a challenging environment, as the economy experienced numerous shocks. Global oil price increases resulted into a cumulative rise in pump fuel prices of about 16 percent, electricity tariffs increased by 35.2 percent and agricultural performance was affected by dry spells and army worms manifestation. These shocks mounted excessive pressure on inflation that made the conduct of monetary policy challenging. Therefore, the policy rate was maintained at 16.00 percent in order to contain inflationary pressures in the year. The tight monetary policy stance pursued during the year managed to keep inflation in a single digit except for the month of November 2018.

Further, monetary policy in 2018 also aimed at maintaining the level of international reserves at a minimum of 3.0 months of import cover, while at the same time ensuring that the value of the Malawi Kwacha remained relatively stable. This objective was achieved as gross official reserves were consistently maintained at above 3.0 months of imports throughout the year and closed the year at USD747.2 million, which is equivalent to 3.6 months of imports. The RBM will therefore 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 2018/19 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 and the Water Sector Wide Approach (WASWAp).

3.2.1 2018/19 Weather Forecast

The effective start of the rainfall season was in November 2018, representing a timely onset over most areas and 10-20 days late in few areas. Appreciable rainfall amounts were recorded over the Southern Region. Rainfall was below average in the Northern Region and average to above average in the Central Region. Heavy rainfall was recorded in December 2018 and continued in January and February 2019. The Water Requirement Satisfaction Index (WRSI) model is sensitive in the semi-arid tropics, where water is a major limiting factor for crop production. Based on this model and taking into account the weather pattern, it is expected that the national maize production (rain-fed only) will increase compared to last season's production.

3.2.2 Crop Production

The second round of the Agricultural Production Estimates Survey (APES) projects an increase in all major crops except tobacco. National maize production is expected to increase from 2,791,741 metric tonnes in the 2017/18 growing season to 3,355,232 metric tonnes in the 2018/19 growing season, representing a 20 percent increase. 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 6 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	2017/18 Second Round	2018/19 Second Round	Percentage Change
Maize	2,791,741	3,355,232	20
Rice	113,580	1,31,327	16
Cassava	5,528,587	5,700,472	3
Sweet Potato	5,685,215	6,455,631	14
Potato	1,160,220	1,392,092	20
Wheat	711	714	-
Sorghum	86,023	133,768	56
Millet	34,015	44,821	32
Tobacco	147,800,000	138,369,838	-6
Groundnuts	360,627	406,029	13
Cotton	28,062	29,575	5
Pulses	853,138	928,988	9

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.3 Livestock Production

All classes of livestock species have registered an increase in population, with major classes increasing at a minimum of 5 percent and a maximum of 54 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.

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) in the country in the second round Agricultural Production estimates (APES). However, the general observation is that the food situation improved across the country this year compared to last year. During the period between January and March 2019, five of the eight ADDs reported better food situation compared to the same period last season. Good rainfall conditions and considerable harvests from the 2017/2018 growing season has been the main attribute to a decrease in households without food from own production. In a bid to cope with the situation, households without food from own production are engaging in various income generating activities such as selling of vegetables, charcoal, firewood, livestock, fish, and casual labour. Food has been readily available on the local markets and ADMARC, resulting into low prices of commodities compared to last year season owing to last year's good production. For instance, the prevailing price range for maize is low, from K100/kg to K200/kg compared to last season's price range from K175 to K250kg.

TABLE 3.2: LIVESTOCK CENSUS

Type of Livestock	2017/18 Third Round	2018/19 First Round	% Change
All Cattle	1,617,485	1,730,605	7
Beef Cattle	1,521,842	1,625,724	7
All Dairy Cattle	95,643	104,881	10
Goats	8,124,346	8,950,992	10
Sheep	310,761	323,473	4
Pigs	5,752,742	7,328,668	27
All Chickens	106,585,261	137,001,243	29
Indigenous	57,997,631	63,823,159	10
Broilers	39,760,744	62,733,834	58
Layers	7,255,461	8,365,209	15
Black Australorp	1,571,425	2,079,041	33
Rabbits	1,998,280	2,635,219	32
Guinea Fowls	2,114,819	2,300,447	9
Turkey	284,639	318,435	12
Guinea Pigs	548,175	624,952	14
Doves/Pigeons	6,228,494	7,475,921	20
Ducks	2,324,349	2,688,937	16

Source: Ministry of Agriculture, Irrigation and Water Development

TABLE 3.3: NATIONAL FOOD SITUATION AS OF 30TH MARCH 2019

	2017/18 SEASON			2018/19 SEASON		
ADD	Total Farm Families	Farm Families without Food	%Farm Families without Food	Total Farm Families	Farm Families without Food	%Farm Families without Food
Karonga	150,923	17,023	11.3	158,730	6,206	3.91
Mzuzu	404,527	64,022	16	376502	27895	7
Kasungu	743,498	69,585	9.0	752,219	55,079	7.3
Lilongwe	848,603	169,929	20	888,739	165,923	19
Salima	221, 296	28,779	13	231,893	22,827	10
Machinga	807,254	127,013	16	831,058	181365	22
Blantyre	806,693	162,207	20	829,191	81,563	10
Shire Valley	218,659	66, 343	30	227,257	35,047	15
Total	4,201,453	704,901	16.8	3,921,070	209 626,65	14

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.5 National Agricultural Investment Plan (NAIP)

The NAIP is the main implementation vehicle for the National Agriculture Policy (NAP). NAIP provides a framework to coordinate and prioritise investments by Government agencies, development partners, and non-state actors in the agriculture sector. This programme was launched in June, 2018.

Therefore, the Ministry is currently implementing its programmes in line with the NAIP. However, within the NAIP, the Ministry is expected to implement the Agriculture Sector Wide Support Project (ASWAp-SP II). In addition to these programmes, the Ministry continues to implement other projects including the Smallholder Irrigation and Value Addition project (SIVAP); the Agriculture Infrastructure and Youth in Agribusiness Project (AIYAP), the Agriculture Productivity Programme for Southern Africa (APPSA); the Farm Input Diversification Programme II (FIDP II); the Sustainable Agriculture Production Programme (SAPP); the Shire Valley Transformation Programme (SVTP) and the Agricultural Commercialisation (AGCOM) in collaboration with the Ministry of Industry, Trade and Tourism.

The Ministry has developed a number of policies to enhance the performance of the sector. The policies that are in draft form waiting for approval are the Farm Organization Development Strategy, the Agriculture Sector Food and Nutrition Strategy, Crops Act, Agriculture General Purposes Act, Contract Farming Legislative, and the Extension and Advisory Services Strategy while the Seed Policy was approved by the Office of the President and Cabinet (OPC).

3.2.6 Farm Input Subsidy Program (FISP)

To achieve food self-sufficiency and increase income in poor households, the Government has improved farm inputs and adoption of improved technologies in maize and legume production through the Farm Input Subsidy Program (FISP) for 13 years. In the 2018/19 growing season, a total of 1,000,000 smallholder farmers were targeted with inputs such as fertilisers and seeds. The Ministry also contacted the Smallholder Farmers Fertiliser Revolving Fund of Malawi (SHFFRFM) to carry out the logistics part of the programme.

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 the capture fisheries, aquaculture and aquarium trade sub-sectors. The sector continues to be a major source of employment. In 2018 there was a 3 percent increase in the number of fishers employed to 63,023 from 61,143 in 2016.

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 contributions 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 221,849 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. In 2018, Usipa was the major source of fish protein in the Malawian diet.

3.3.1.3 Source of Income

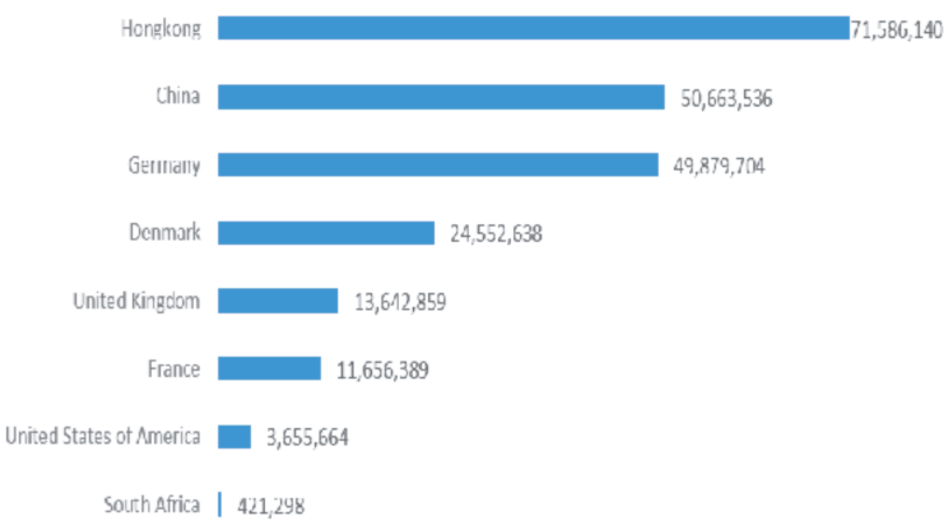
In 2018, fish landings had a beach or landed value of MK196.69 billion (USD273.18 million), with a volume of 221,849.08 metric tonnes. This is an increase of fish landing volume by 11.23 percent compared to 2017. In 2017, fish landings were worth MK173.04 billion (USD235.74 million), representing a volume of 199,454 metric tonnes.

The national average beach price was MK928.96 per kilogram of fish in 2018, which is an increase from MK867.95 per kilogram in 2017. In general, fish prices in 2018 increased, except for Chambo, Mpasa, Usipa and Ndunduma whose beach prices slightly decreased. The rise in beach prices was caused by the increased demand for fish locally and the rising costs of operation. At MK1,557/kg, Chambo fetched the highest average beach price.

3.3.1.4 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 tourist attraction. Some fish species, such as Mbuna, are exported outside the country and brings foreign exchange. Cumulatively, from January to December 2018, a total of 49,780 live fish was exported, generating MK226.058 million. This is slightly higher than the 2017 figure of 36,367 live fish, which generated a MK167.172 million. As shown in Figure 3.1 below, Hong Kong was the major importer of Malawi's ornamental fish (MK71,586,140) followed by China (MK50,663,536) and Germany (MK49,879,704). Other export markets for Malawi's ornamental fish included Denmark, United Kingdom, France, United States of America and South Africa.

FIGURE 3.1: 2018 EXPORT OF LIVE ORNAMENTAL FISH (MALAWI KWACHA)



Source: Department of Fisheries

3.3.2 Status of the Fisheries Sector

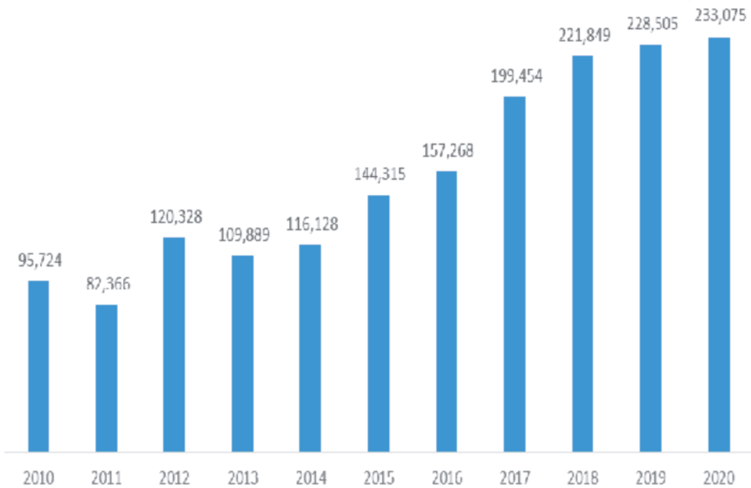
3.3.2.1 Annual Fish Catch

The national catch statistics from all water bodies show that total fish production increased from 199,453.85 metric tonnes in 2017 to 221,849 metric tonnes in 2018, representing 11 percent increase. In 2018, Lake Malawi alone registered a total landing of 208,632 metric tonnes (artisanal production - 205,814 metric tonnes and commercial production 2,818 metric tonnes).

The cumulative catch by December 2018 showed that over 94 percent of the total catch originated from Lake Malawi (both artisanal and commercial production), whilst the other water bodies of Lake Malombe, Lake Chilwa, Lake Chiuta and the Shire River system contributed minimal figures of 3.1 percent, 0.8 percent, 0.8 percent and 1.2 percent, respectively, to the total catch implying that Lake Malawi continues to be the major source of fish for the country. In 2018, Usipa was the dominant fish species that contributed the largest share at 71 percent of the total catch. This was followed by Utaka, Kambuzi and Mcheni which accounted for 9 percent, 5 percent and 3 percent respectively.

The total fish catch has been increasing over the years. As shown in figure 3.2 below, there has been a steady increase in the fish catch from as low as 95,724 metric tonnes in 2010 to about 221, 849 metric tonnes in 2018 representing 131.8 percent increase. It is anticipated that fish production will increase from the current 221,849 metric tonnes to 228,505 metric tonnes and 233,075 metric tonnes in year 2019 and 2020 respectively. This increased fish production is attributed to increased construction of dams by the Local Development Fund (LDF) and other partners.

FIGURE 3.2: TOTAL FISH CATCH IN TONNES (2010 – 2020)



Source: Department of Fisheries

3.3.3 Fish Supply per Capita

There has been a continued increase in per capita fish consumption, reaching 12.63kg/person/year in 2018, from 12.47kg/person/year in 2017, as shown in Table 3.4 below.

TABLE 3.4: PER CAPITA FISH SUPPLY (2008 TO 2018) WITH ESTIMATED POPULATION GROWTH

	Population	Fish Total catch (kg)	Fish supply/kg/person/yr
2008	13,100,000	71,266,000	5.44
2009	13,300,000	71,289,000	5.36
2010	13,500,000	95,724,000	7.09
2011	13,700,000	81,070,000	5.92
2012	13,900,000	120,328,000	8.66
2013	14,100,000	109,889,000	7.79
2014	14,300,000	117,094,878	8.19
2015	14,500,000	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

Source: Department of Fisheries

The average per capita consumption of 12.63kg/year is a major achievement as the country is closer to the recommended 13-15kg of the World Health Organisation (WHO). 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 the continued availability of fish in required amounts that will avert the per capita consumption deficit.

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 31 large-scale commercial fishing units have been licensed to tap the offshore deep water fish resources. In addition, 567 small-scale fishing licenses and 99 sanitary certificates have been issued. The total revenue generated from the licensing exercise of both commercial and small scale fishers is currently at MK44,516,000 representing 85.6 percent of the annual revenue target of MK52,000,000 set by the Treasury.

As can be seen in Table 3.5 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 the lack of functional patrol boats in some districts. In addition, increasing awareness through campaigns may also improve revenue collection.

TABLE 3.5: TRENDS IN REVENUE COLLECTION FROM LICENSING OF FISHING ECONOMIC UNITS

Year	Revenue (Small Scale)	Revenue (Large Scale)	Total Revenue
2011/2012	8,820,000	1,641,750	10,461,750
2012/2013	11,250,000	2,000,000	13,250,000
2013/2014	12,900,000	2,286,000	15,186,000
2014/2015	12,751,400	4,000,000	16,751,400
2015/2016	17,438,250	8,564,000	26,002,250
2016/2017	17,731,700	13,792,000	36,417,200
2017/2018	15,522,250	16,280,000	31,802,250
2018/2019 (ongoing)	24,980,000	19,536,000	44,516,000

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 is currently at 10,007 countrywide with a total pond area of 251.59 hectares. In terms of distribution, there are more fish farmers in Mulanje (1065), Nkhotakota (1040), Phalombe (1034), Thyolo (944), Ntchisi (862), and Machinga (859). The number of farmers has increased in recent years due to communal ownership of ponds that are being constructed with support from the Local Development Funds (LDF) and other partners.

From January to December 2018, a total of 12,765,050 fingerlings were produced. The production came from four hatcheries: National Aquaculture Centre (NAC), Mzuzu Fish Farming Station, Kasinthula and MALDECO Aquaculture Limited. Over the years, there has been a progressive increase in fingerling production from both public and private hatcheries. An increase in quality fingerlings (seed) and feed boosted aquaculture production, are the main reasons for increased fingerling production.

Rainfal patterns have been affecting aquaculture fish production. For example, in 2018 a total of 9,014 metric tonnes of fish was harvested from ponds and cages compared to 12,217 metric tonnes that was harvested in 2017. This was largely on account of low rainfall in most of the aquaculture ecological zones which led to the drying up of fish ponds.

3.3.6 Challenges and Proposed Mitigation Measures

i. Inadequate support of infrastructure for fish landing, processing and marketing along the fish value chain. This is currently being considered under the proposed 'Sustainable Fisheries and Aquaculture Development Project' that will be financed through the African Development Bank (AfDB).

ii. 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 planned to be procured under the MCLIMES and FIRM GEF Project.

iii. Insufficient number of technical and support staff to implement the planned programmes. A functional review is planned to be undertaken to create more posts for the frontline staff. This should be done before the end of 2018/19 fiscal year.

iv. Climate change leading to poor distribution and amount of rainfall that affects the water availability in ponds and reducing breeding grounds of fish thereby affecting fish recruitment. The African Development Bank (AfDB) proposed project will be implemented in close collaboration with relevant sectors that cover issues on watershed management.

v. Unavailability of floating fish feeds for faster growth of fish in cages. There is possibility of private investment in feed mills for the production of floating fish feed. This should avert the importation burden that the country is currently experiencing.

vi. Limited participation of private sector investment in aquaculture. The institutionalisation 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 2018/19 Financial Year. Specifically, the focus is on forest utilisation and marketing, revenue collection, tree planting and plantation rehabilitation. The section also looks at expectations for 2019 and projections for 2020.

3.4.1 Forest Utilisation and Marketing

3.4.1.1 Exports

The Sector gave 45 Export Licences and 587 Export Permits to various exporters largely Raiply Malawi Limited and Vizara Rubber Plantations to export forest products to the Republic of South Africa, Kenya, Tanzania and Zimbabwe. The quantities and values of forest products exported to other countries included 8,316,000 Kgs of medium-density fibre (MDF) Plain Boards, 2,661,120 Kgs of Rubber and 200Kgs of Eucalyptus Poles

3.4.1.2 Imports of Forest Products

21 Import Licences have been issued to different stakeholders in order to import forestry related products such as electricity poles and melamine boards. In relation to this, a total of 372 import permits have been issued to different companies to-date.

3.4.2 Revenue Collection

The major sources of revenue for the Department of Forestry in the year under review were concessions, sale of logs and royalties on forestry products. Most revenue was collected from plantations, mainly Viphya in the Northern Zone. Table 3.6 below shows revenue collected from various sources by March, 2019.

TABLE 3.6: REVENUE COLLECTED BY THE DEPARTMENT OF FORESTRY BY END-MARCH IN 2018/19 FY

Source of Revenue	Collection by End March, 2019
Sale of firewood	48,198,200.45
Forest Seed Sales	6,608,610.00
Log Sales	897,707,081.30
Phytosanitary Certificate/ Receipts on Certificates	22,471,190.00
Course fees	27,000.00
Rest House Fees	564,000.00
License fees	18,534,500.00
Miscellaneous fees	320,100.00
Accommodation and hall hire	696,300.00
Rent for MG Houses	1,979,160.00
Royalties on Forestry produce	121,979,145.09
Total	**1,119,085,286.84**

Source: Department of Forestry

The estimated contribution of the Forestry Sector to GDP is 7 percent. The sector has the potential to increase its contribution if more investments are made in the development and management of timber, pole and fuelwood plantations, which generate much of the revenue for the Department.

3.4.3 Tree Planting and Plantation Rehabilitation

3.4.3.1 Customary Land and Government Plantations

In the reporting year, the tree planting target on both customary land and in Government plantations was 60 million trees. By the end of March, 54,858,719 trees were planted in Customary Land while 2,593,932 (831.39 hectares) were planted in Government Plantations. This gives a cumulative planting of 57,452,651 representing 96 percent of the set target. 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.

3.4.3.2 Fire Protection

Out of 90,000ha, 88,203ha of Government Plantations were protected from bush fires through firebreak maintenance, weeding activities and early controlled burning. Almost 70 percent of the 1,796.72 ha that was burnt was partially damaged. Yet, growth has been observed after the rains.

3.4.4 Forest Development and Management Fund (FDMF)

The Forestry Development and Management Fund (FDMF) became operational in the 2011/12 FY. 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 MK929,247,000. The major activities for FDMF in 2018/19 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; and

v. Completion of the Review of the Forest Act (1997).

3.4.5 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 degradation. This programme engages youth in forest restoration activities giving priority to fragile areas within their localities. Following this initiative, the Government of Malawi provided funds amounting to MK1.5 billion in the 2018/19 FY for implementation of the MYFRP in all districts. The programme intends to enhance forest cover in line with the Forest Policy of 2016 and the National Forest Landscape Restoration Strategy of 2017. By mid-March 2019, MYFRP had planted 3,059ha out of a target of 4,733ha, with 45,298 youths involved from the 2,161 youth groups participating in the implementation of the programme across the country.

3.4.6 Other Major Achievements for the Sector

i. 179km out of 250km of forest reserve boundaries were retraced across the country.

ii. 92 camping patrols were conducted by the Malawi Defence Force, National Parks and Wildlife rangers, Police and Forest Rangers mainly in priority forest reserves of Dzalanyama, Viphya, Zomba and Mulanje Mountain.

iii. 70 forest guards were successfully trained as forest rangers in handling guns.

iv. Out of 90,000 hectares that are covered by state owned industrial plantations, 89,06ha were protected from fires.

v. The Forestry Act (1997) was reviewed and approved by the Cabinet.

3.4.7 Challenges

The forestry sector faced a number of challenges in the reporting perion. Among others, encroachments of protected areas and customary estates mainly through commercial charcoal and firewood production, illegal cultivation and settlements remained a challenge. In addition, forest fires in Government plantations led to loss of revenue. The high rate of vacancies for both technical and support staff in most stations (in some cases reaching 60 percent), absenteeism in stations mainly Government Plantations as well as lack of vehicles and motorcycles in several stations negatively affected performance of the sector. Finally, inadequate or dilapidated building (both offices and staff houses) continued to be a challenge. Some districts do not have forestry offices e.g. Balaka, Neno and Phalombe (under construction) which affects effective operations in the sector.

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

This chapter provides a brief overview of the major achievements for Irrigation and Water Development during the 2018/2019 Financial Year (FY) and a summary of the prospects of the 2019/2020 FY. The Irrigation and Water Development sector is guided by the following policy objectives: to achieve sustainable and integrated water resource management systems; increase availability and accessibility of water and sanitation services for social economic growth and development; develop the institutional capacity of the water and sanitation sector; increase agricultural production; and finally enhance food security through irrigation development.

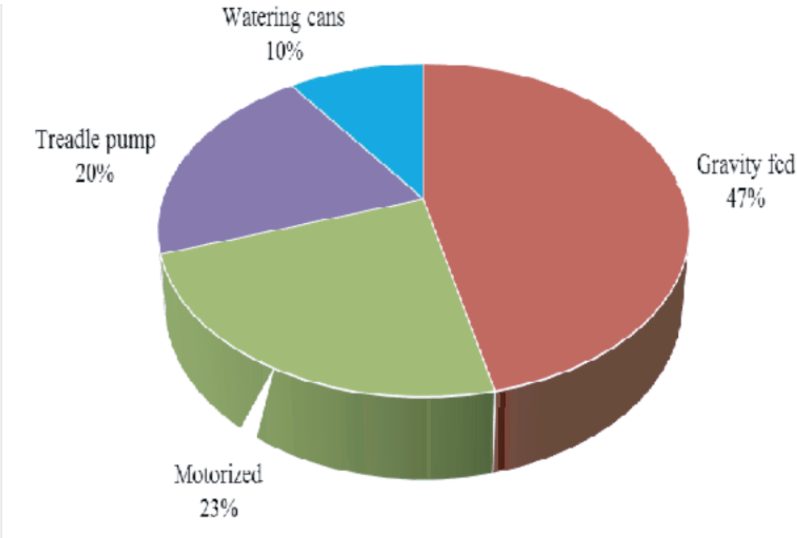
4.2. Irrigation

During the reporting period, a total of 4,058 hectares (ha) were developed; 2,788ha for smallholder and 1,270ha for private sector. In addition to newly developed areas, 1,315ha of old schemes were rehabilitated. This led to a 3.5 percent increase in the total land developed for irrigation from 112,172ha to 116,249ha. However, this is still below the 6 percent targeted minimum annual growth rate stipulated in the Comprehensive African Agriculture Development Program (CAADP) for the agricultural sector. Out of the 116,249ha, 56,594ha was under estates and 59,655ha was under smallholder farmers. Of the total land developed for irrigation, the utilisation rate stood at 88 percent compared to 77 percent in the 2017/18 production year. The estimated production from the land that was being utilized is 184,000 metric tonnes of food crops from smallholder famers and about 283,000 metric tonnes of export crops for the private sector.

Several development projects and programmes contributed to the achievements registered under smallholder irrigation. With assistance from development partners, Government implemented the following projects and programmes; the Malawi Irrigation Development Support Programme (MIDSUP), the Agriculture Infrastructure Support Project (AISP), the Smallholder Irrigation and Value Addition Project (SIVAP), the Small Farms Irrigation Project (SFIP), the Shire Valley Irrigation Project (SVIP), the Malawi Flood Recovery Project (MFERP) and the Malawi Drought Recovery and Resilience Project (MDRRP).

The newly developed schemes under the aforementioned programmes/projects comprise all the technologies currently being promoted, i.e. gravity fed schemes, motorized and treadle pump based schemes. In terms of utilisation by technology, out of the area developed for smallholder irrigation farming, 47 percent of the area was under gravity fed schemes, while the watering can was the least used technology at 10 percent. Figure 4.1 outlines the breakdown of the irrigation area utilized by technology.

FIGURE 4.1: IRRIGATION UNDER SMALLHOLDER FARMERS BY TECHNOLOGY



Source: Department of Irrigation Services

4.3 Water Resources Management and Development

In order to ensure that water services are available at all times and do not impede socio-economic development and poverty alleviation in the country, Government has prioritized water resources management and development in its national development agenda. The Government continued to implement various projects with special focus placed on the provision of both structural and non-structural interventions. Physical infrastructure such as multi-purpose dams and other hydraulic structures (including flood protection structures) were developed on top of enhancing water resources monitoring. This was done to ensure the capture of accurate information on the condition and trends of the country's surface and ground water resources in terms of quantity and quality as a basis for socio-economic development and for preserving the environment.

During the reporting period, the estimated water availability was 1050m3/capita/year. To increase the availability of water for productive uses, the sub-sector finalised the upgrading works of Kamuzu Barrage at Liwonde. This will enable the regulation of the water level in Lake Malawi and the flow of the Shire River to meet hydropower generation. The new barrage also has a facility for managing weeds, which usually affect hydropower generation downstream.

The sub-sector further constructed two dams: Gala Dam in Ntcheu through the Malawi Flood Emergency Recovery Project, and Stambuli Dam in Mangochi implemented by the Council with support from UNDP. The sub-sector also constructed two excavated tanks in Mangochi through the Small Grants Project with support from UNDP and prepared designs for 15 excavated tanks 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 flood control.

To this end, 136 stations are operated for monitoring the trends of the available surface water resources, which are essential for making decisions that concern water quantity. During the period under review, the sub-sector rehabilitated a total of 15 hydrological monitoring stations in Karonga, Rumphi, Salima, Zomba, Mulanje and Chikwawa to support the operation of flood early warning systems. The sub-sector acquired and commissioned new tools, namely the Shire River Basin Operational Decision Support System (ODSS) for forecasting and early warning, and the Kamuzu Barrage Operational Model (KABOM) for forecasting water levels in Lake Malawi and the flow in the Shire River. These tools use data from the existing hydrological network.

Groundwater availability in the country is monitored through a network of groundwater monitoring wells established by Government. The sub-sector managed to install data loggers in all the 75 monitoring wells for automatic data recording and with dippers also used to manually collect data at 30 of the monitoring wells.

Over the period, the sub-sector constructed eight flood protection structures (dykes and retaining walls) through the Malawi Floods Recovery Emergency Project (MFERP) benefitting a total of 84,668 people in flood-prone areas in Chikwawa, Nsanje, Phalombe, Mulanje, Machinga, Ntcheu, Salima, Rumphi and Karonga districts.

4.4 Water Supply and Sanitation

4.4.1 Rural Water Supply

According to the National Water Policy, the provision of rural water supply services is the responsibility of the Department of Water Supply and Sanitation Services. According to the Integrated Household Survey (IHS) 2017, the rural population with access to safe water supply is currently at 86 percent, which represents an increase by 2 percent from 2016 accessibility of 84 percent. The major source of safe drinking water supply in rural areas is boreholes. The second mostly used source is piped water (taps), which is supplied by Rural Gravity-fed Piped Water Supply schemes, then Protected Shallow wells and lastly, protected springs. According to the sector performance report (2018) the functionality of rural water supply systems on average declined from 77 percent during the last financial year to 71 percent in the reporting period.

In order to ensure access to safe water supply, the sub-sector continued to implement projects aimed at extending, upgrading and rehabilitating water supply systems but also development and rehabilitation of boreholes across the country. Through these projects[1] the sub-sector finalized the rehabilitation of nine gravity-fed rural water supply schemes (GFS); continued with the rehabilitation works of 13 other gravity-fed rural water supply schemes; and constructed 91 and rehabilitated 46 boreholes across the country.

To enhance the sustainability of the rehabilitated and newly constructed water facilities, 462 facility management committees (i.e. twelve Water User Associations for gravity-fed schemes and 450 Water Point Committees for boreholes) were established and trained to manage the facilities. In addition to facility management committees, the sub-sector further trained 181 entrepreneurs, 77 extension workers, 187 Area Mechanics and 189 Health Surveillance Assistants across the country. Apart from government-owned projects, the sub-sector through the CSOs/NGOs working in the sector and registered with the WES-Network installed around 828 water points (492 boreholes, 217 gravity fed taps, 21 kiosks, and 98 shallow wells), and facilitated the rehabilitation of 414 boreholes.

4.4.2 Urban Water Supply

Urban water supply is the responsibility of the five water boards[2] according to the National Water Policy (2005). Currently, access to potable water supply in the urban areas stands at 93.1% (IHS IV, 2017). During the reporting period the population covered by safe drinking water in the urban and town centres serviced by the water boards increased (on average) by 275,316 representing a 37.8 percent increment (from 3,095,292 in 2017/2018 to 3,370,608 in 2018/2019). At an individual water board level, Lilongwe Water Board registered the highest increment of about 27.4 percent of the population served while the share of the population served by the Southern Region Water Board remains unchanged. This increase can be attributed to the increased water production in the year under review, and a rise in the number of new customers that the boards registered. For example, Lilongwe Water Board, constructed an additional Network Reticulation of 64.6km resulting into a total network of 1,880.47km as of March and is likely to increase to 1,895.47km by June 2019.

[1] Sustainable Rural Water Supply and Sanitation for Improved Health and Livelihood project, malawi Foods Emergency Resilience Project, Malawi Disaster Risk Reduction, and the ground Water Extraction project.
[2] Lilongwe, Blantyre, Southern Region, Central Region and Northern Region Water Boards

From the population currently being serviced by the water boards, the percentage of people able to access water within 30 minutes from a water source on average stands at 86.34 percent, compared to 83 percent in the previous financial year, as presented in Table 4.1 below. The table indicates that CRWB registered the highest rate at 98 percent, which has persisted for over four financial years, while NRWB and BWB had the least population with access at less than 30 minutes at 79 and 78 percent respectively.

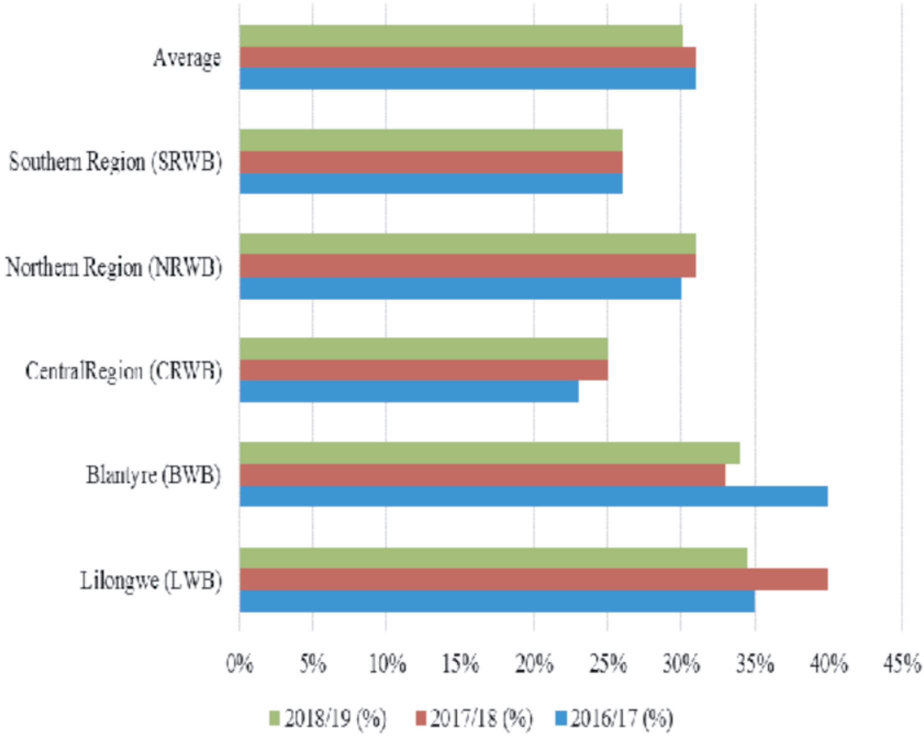
TABLE 4.1: PERCENTAGE OF PEOPLE FAR FROM WATER SOURCE

Water Board	2015/16	2016/17	2017/18	2018/19
Lilongwe (LWB)	72	75	75	88
Blantyre (BWB)	75	79	77	78
Central Region (CRWB)	98	98	98	98
Northern Region (NRWB)	76	76	77	79
Southern Region (SRWB)	84	87	88	89
Average	77	83	83	86

Source: Water Boards Reports, 2018.

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 recommended maximum level of NRW is 25 percent. In the period under review, the percentage of NRW on average was 30.1 percent, which was not significantly different from the 31 percent registered last financial year. Of all the water boards, only CRWB was within an acceptable rate while SRWB was slightly above the international standard at 26 percent. Among all the Water Boards, LWB registered the highest reduction from 40 percent to 34.5 percent. Figure 4.3 illustrates NRW for each of the water boards.

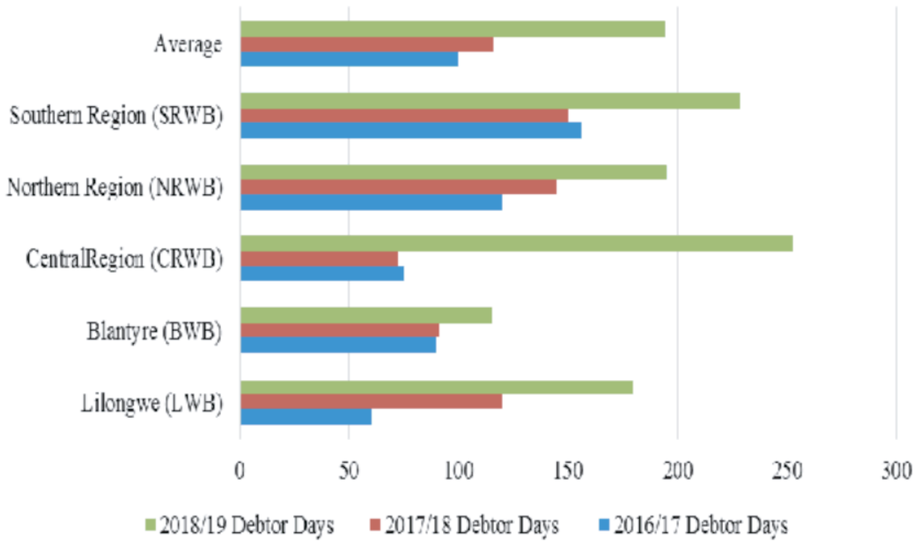
FIGURE 4.3: NON-REVENUE WATER IN WATER BOARDS



Source: Water Boards Reports, 2018.

The average number of debtor days increased from 115 in 2017/18, to 194.4 in 2018/19. CRWB was the worst performer with its debtor days tripling from 72 to 253 days. No Water Board has registered a reduction in debtor days as indicated in Figure 4.4 below. This has been attributed to delays in payment of water debtors by Government Departments and Agencies and other customers, which also had an impact on the Boards' cash flow position. In an effort to reduce water debtors, the Water Boards are implementing various initiatives among which are the installation of prepaid meters in Government institutions and all new water connections while replacing the existing post-paid meters as an ongoing activity.

FIGURE 4.4: AVERAGE NUMBER OF DEBTOR DAYS



Source: Water Boards Reports, 2018.

4.5 Sanitation and Hygiene

According to the Joint Monitoring Program (2017), the percentage of people with access to improved sanitation facilities, during the reporting period, remained at 44 percent (43 percent in the rural and 48 percent in the urban). Only 10 percent have a functioning hand washing facility with water or soap. Of the 263 TAs across the country, only 95 have been declared open defecation free.

4.6 Prospects for 2018/2019 Fiscal Year

In 2019/2020 FY, the sector will continue to work towards the attainment of its goal of water and sanitation for all and prosperity through irrigation. The sector will also continue with 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 the Mclimes project, the sub-sector also intends to extend and upscale the ODSS to cover other basins outside the Shire and enhance flood early warning systems and water resources monitoring. For example, through the Malawi Disaster Risk Reduction Project (MDRRP) the sub-sector has targeted the implementation of 28 excavated tanks and 27 multi-purpose dams across the country.

The sector will also continue to diversify into low cost technologies for small-scale irrigation while the rehabilitation of existing irrigation schemes will also remain an important activity in the coming financial year. The sector also intends to extend and upscale its solar powered irrigation schemes under the programmes and projects being implemented.

Through both the Department of Water Supply and Sanitation and the Water Boards, the sector will continue the construction of new water supply systems, rehabilitation and extension of existing schemes through the projects currently under implementation as well as new projects to be implemented in the upcoming financial year.

4.7 Challenges Facing the Sector

Although the sector has recorded the achievements highlighted above, it has also faced a fair share of challenges ranging from vandalism of irrigation and water infrastructure, ageing infrastructure, dwindling sources of water, wash-away of irrigation infrastructure due to floods, inadequate production capacity of water due to increased water demand and lack of access to land for commercial farming. The sector has also been hit hard by exorbitant electricity tariffs for irrigation schemes using ESCOM power to pump water for irrigation purposes as they are charged at industrial rates and maximum voltage use. Furthermore, low and delayed disbursement of funds and low funding levels to district offices are affecting operations, maintenance and sustainability of water supply and sanitation systems. Lastly, non-adherence to projected cashflows by the Treasury affects the 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 Works sector and highlights the major activities carried out during the 2018/19 fiscal year. The development programmes are guided by the National Transport Master Plan (NTMP) whose objective is to reduce transport costs in order to improve the competitiveness of the country's commodities at domestic and international markets.

5.2 Road Programmes

Road infrastructure programmes are mainly implemented by the Roads Authority (RA) with funding from the Roads Fund Administration (RFA), the Government of Malawi and Development Partners (DP). During the 2018/19 FY, the Authority through its Annual National Roads Programme (ANRP) progressed, and in some cases completed a number of road projects, and commenced new ones. All the projects implemented by the Authority aim at reducing transport journey times, transport costs as well as improving safety, which, taken together, contribute to the acceleration of economic growth in the country. The projects are divided into two programmes: recurrent and development programmes.

5.2.1 Recurrent Programmes

Under the Recurrent Programmes the Authority carried out road activities as detailed in the following sections.

5.2.1.1 Routine Maintenance

Routine road maintenance programmes consist of maintenance activities that are required on a continuous basis. The programme includes the cleaning of drains and other drainage structures and replacement of road furniture regardless of the road type. Whereas grading and reshaping is for unpaved roads, edge break repairs, crack sealing and line marking activities are specifically for paved roads. The major routine maintenance works are pothole patching and grading and reshaping of unpaved roads and these two activities take up most of the routine maintenance budget.

5.2.1.2 Pothole Patching

The main objective of this programme is to address and cover a number of areas that may have developed potholes due to old age and other effects of traffic on most of the road network. The total approved budget for the activity was

MK1.315 billion and certified works as at 31st December, 2018 were worth MK414 million, representing 32 percent of the approved budget. For the first six months of the period under review, 40 percent of the planned physical works were achieved.

5.2.1.3 Grading and Reshaping

The total budget towards grading and reshaping was MK1.77 billion and by December, 2018, contracts worth MK1.8 billion had been awarded to various contractors. All of these works are expected to be complete by the end of the financial year.

5.2.1.4 Sectional Periodic Maintenance of Paved Roads

This programme aims at restoring the original condition of relatively short stretches of paved roads that are characterised by excessive material loss, deformation and potholes due to factors such as aging, traffic action and environmental damage, which render other intervention measures ineffective. This programme includes works such as slurry sealing and sectional rehabilitation works. The total approved budget for the activity was MK3.942 billion. As at 31st December, 2018, the certified works were worth MK1.8 billion, representing 51 percent of the budgeted funds, and physical progress was at 62 percent.

5.2.2 Development Programmes

The approved 2018/19 budget for development programmes was MK44.871 billion, out of which MK16.522 billion was secured for donor funded projects and MK28.350 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 5.1 below.

TABLE 5.1: DEVELOPMENT PROGRAMMES BUDGET 2018/19

Programmes	Approved Budget (MK' million)	Percentage of Total Budget	Planned Targets (km)
Road Upgrading and Construction	32,616	72.7	151
Periodic Maintenance/Rehabilitation	12,256	27.3	123
TOTAL	44,872	100.00	254

5.2.2.1 Road Upgrading and Construction

By 31st December, 2018, 58km of the planned road projects had been upgraded and constructed against a target of 151km. The projects under this programme included the upgrading of the Lilongwe Old Airport – Kwanyanda – Santhe and Kwanyanda – Kasiya Spur road, Kawere – Mkanda road, Livingstonia – Njakwa and Ntcheu – Tsangano roads. Good progress has, however, been registered on Kawere – Mkanda and the Lilongwe Old Airport road projects with progress of physical works at 95 percent and 52 percent, respectively.

5.2.2.2 Periodic Maintenance/Rehabilitation

By 31st December, 2018, 64km of the planned road projects had been rehabilitated against a target of 123km. Whereas some projects registered slow progress, the most notable achievements include the completion of the Mzuzu – Nkhata Bay road project and improved and good progress on the Liwonde – Mangochi road which, both of which were funded by the African Development Bank.

5.2.2.3 Projects in the Pipeline

A number of projects are expected to kick off during the 2019/20 financial year. The most notable projects that are expected to contribute to the national development goals include the rehabilitation of the M1 from Kamuzu International Airport (KIA) turn-off to Mzimba turn-off and from Kacheche to Chiweta with funding from the European Investment Bank (EIB)/European Union (EU); capacity improvement/dualisation of the M1 from Lilongwe C.C.A.P. to Lilongwe Hotel road co-financed by Japanese International Coroperation Agency (JICA) and Malawi Government; and the rehabilitation of the Nkhotakota – Dwangwa road with funding from the Malawi Government.

5.2.3 Impact of Road Improvements on the Economy

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 5.2 below shows the effect of road programmes that were implemented in the previous years on the condition of the road network.

TABLE 5.2: 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 estimate reflect 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.

5.2.3 Challenges

The implementation of the annual road infrastructure programme continues to be affected by a number of challenges including inadequate funding, vandalism of road infrastructure, delayed compensations, inadequate capacity of contractors and consultants, and price escalation.

Over the years, the budget allocations for road programmes have not been adequate to cover all the maintenance and development of road works as planned by the Authority. Proposed and approved budgets for the road programmes are normally scaled down and inconsistent with the availed funds. In turn, the reduced budget and the further reduction of funding do not meet all the requirements of the road network for any prescribed period of time. Vandalism of road furniture continues to be a major challenge for the road sub-sector. The act of replacing vandalised road furniture exerts avoidable pressure on the already meagre approved budget for road programmes.

Moreover, during the period under review, progress on a number of projects was affected by delays in addressing compensation issues, thereby slowing down implementation of road works. It was also noted that the local construction industry has capacity problems in terms of personnel in technical and managerial skills. There are few qualified and well-experienced people on the ground, so that it is a big challenge to cope with the sector demands especially for maintenance works. In addition, most of the contractors lack adequate equipment to execute the demanded works. Finally, price escalation especially as a result of delayed payments affected most of the project contract periods, the extension of which has allowed for price adjustments, consequently increasing the contract prices.

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.

5.3.1 Economic Achievements in 2018/19

5.3.1.1 Malawi Traffic Information System (MalTIS)

Implementation of the Malawi Traffic Information System (MalTIS) upgrade, which started in 2015, continued in the period under review and so far, progress is at 95 percent. The system is expected to be handed over from the consultant to the Government by June, 2019. The objective of the upgrade is to improve road safety through, the automation of manual transactions and enhancing the safety procedures with regard to vehicle testing as well as testing and licensing of drivers. The upgrade of the system has improved efficiency in the delivery of road traffic and safety services in the country as it has linked with key stakeholders including the Malawi Revenue Authority (MRA) and the Malawi Police Service, Interpol Division, in clearing vehicles for vehicle registration. It has further been linked with driving schools and vehicle inspection stations. It is further expected that by June, 2019, the system will be linked with all weighbridges and the insurance companies.

5.3.1.2 Outsourcing of Vehicle Inspection Services (VIS)

The decision to outsource Vehicle Inspection Services (VIS) for Certification of Fitness (CoF) to private service providers was reached to comply with the Road Traffic Act (1997) and also bring efficiencies in delivery of this service to the public. This is expected to improve road safety; decongest the existing stations and also allow private sector participation as one of the strategic outcomes in the National Transport Policy.

So far, Lilongwe has four VIS in operation while Blantyre has three. Mzuzu also has one registered VIS with operations scheduled to start soon.

Under DRTSS/PVHES partnership, the establishment of VIS in Mangochi, Ngabu in Chikhwawa and Karonga for vehicle testing stations has also progressed well during the period. VIS equipment for these stations has been procured and now the civil works are in progress. The Mangochi VIS is expected to be operational by December, 2019.

5.3.2 Protection of Road Infrastructure Enhanced

5.3.2.1 Progress on Semi-Permanent Weighbridge Stations

In general, land for all the stations has been acquired. All the civil works have been completed and are now operational at Lirangwe while at Bwengu, land was procured in the 2016/17 financial year, but further works on the site are yet to start. The Linthipe site was moved to Dedza at Kalinyeke and an assessment report is out to compensate the land owners. In the interim, DRTSS is geared to construct a “layby” at Kalinyeke where an axle weigh scale will be fixed.

5.3.2.2 Progress for Permanent Weighbridge Station at Dwangwa

The construction of Nkhotakota Weighbridge Station is underway. The contractor has made good progress and all of the 13 staff houses are nearing completion. The contractor will also proceed to construct an office block, holding yard and access roads once all designs are ready. The station will be crucial for the M5, which continues to deteriorate due to the over-loading of vehicles along this Lake Shore Road.

5.3.2.3 Upgrade of the Balaka Weighbridge Station

In the reporting period the Ministry through the DRTSS has upgraded the Balaka Weighing Station from a single deck into a four deck weighing scale. The civil works were completed in December, 2018 and the new bridge is now operational. The objective was to improve the efficiency of weighing of vehicles at the station as each vehicle is being weighed once unlike in the past when it was weighed axle by axle.

5.3.3 Review of Road Traffic Regulations

Realising the gaps in the regulations of road traffic through the Road Traffic Act (1997) and the Road Traffic Regulations (2000), the Ministry through DRTSS reviewed the Road Traffic Regulations (2000), fees, and penalties to reduce lawlessness on the roads that can lead to increasing cases of road crashes. The revisions were also necessitated by the increase in cost of service delivery and processes. The final documents were submitted to the authorities for necessary approvals. However, the documents were pended subject for further consultations with the relevant stakeholders.

5.3.4 E-Enforcement

One important deliverable during the period is the implementation of electronic road traffic enforcement introduced to replace all spot fines. This includes the 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 purchased 250 PDAs which are being used on a pilot basis in all regions in the country. Additional gadgets on the same are expected to be procured to cover the whole country.

5.3.5 Road Safety Situation

In the year 2018, a total of 5,331 road accidents were recorded, of which 1,095 accidents were fatal, 657 caused serious injuries, 1,889 minor injuries, 1,691 property damages only, and nine were accidents involving animals. In comparison to the same period in 2017, an increase in the number of accidents has been observed, with 3,634 recorded. This represents an increase of 47 percent in general road accident occurrence. During the same period in the year 2017, 940 accidents were fatal while 536 caused serious injury, 1,362 minor injury and 789 caused property damage, seven involving animals only. This means an increase of 16 percent has been registered in fatal accidents while serious accidents and the minor accidents increased by 23 percent and 39 percent, respectively.

Regarding the actual number of fatalities 1,275 persons were killed, while 921 persons were seriously injured and 3,287 people sustained minor injuries in road accidents in 2018. This constitutes an increase of 13 percent on the actual people killed, an increase in number of seriously injured people by 5 percent and 39 percent increase in minor injuries as compared to the year 2017.

5.3.6 Challenges

The major challenges during the period under review included inadequate office space for both clients and staff and inadequate Human Resource especially on all technical sections of road traffic and safety management. This affected efficient operations of the Department.

5.4 Railway Services

The mission is to facilitate the provision of a safe, efficient, and sustainable rail infrastructure and transport system. The strategic objectives of the Department of Railways are (i) To ensure the provision of safe, reliable, effective and efficient rail transport operations which best meet demand and facilitate economic growth; (ii) To develop rail transport corridors in order to improve the competitiveness of Malawian goods and services on the regional and international markets and lower the cost of imports; and (iii) To ensure the provision of technical expertise in the rail sub-sector.

5.4.1 Progress in Rail Infrastructure Projects

There have been efforts to improve the infrastructure in order to enhance efficiency in rail operations. During 2017/18 financial year, Government developed the National Transport Master Plan (NTMP), which advocates for heavy investment in the rail subsector. The intention is to shift more cargo from road to rail which would eventually reduce transport costs, thereby enhancing the competitiveness of imports and exports. To this end, the Government is rehabilitating rail infrastructure in order to reduce further deterioration of the rail infrastructure and resuscitate some operations that have not been operational for decades.

Development programmes that the Government, in conjunction with Central East African Railways (CEAR) and with the support of Developing Partners, is undertaking in order to improve rail infrastructure include the following:

i. The studies on Sedimentation, Hydrology, Topography and Climate Change for the Limbe-Makhanga railway section, now concluded.

ii. Designs for a combined rail/road bridge for the Ruo Breakaway at Osiyana near Makhanga. The Government is in the process of recruiting consultants to carry out engineering designs and the supervision of works for the Limbe-Marka railway section.

iii. Rehabilitation of the 399km Nkaya-Mchinji railway section, which commenced on 2nd March, 2018. The scope of works includes the rehabilitation and upgrading of the section from being able to support a 15 tonne axle load to an 18 tonne axle load. The overall physical progress of the rehabilitation of the railway line is at 45 percent. The project is expected to be completed by end of March, 2020.

iv. Commencement of the rehabilitation and reconstruction of the Limbe-Marka railway line. Phase I of the project covers the rehabilitation of the 72km Limbe-Sandama railway section. In the meantime, progress is at about 11 percent and Phase I works are expected to be completed by June, 2020.

v. Construction of a new railway bridge across the Shire at Shire-North in Balaka District. The physical progress for the works is currently at 38 percent. Works are expected to be completed by August, 2019 subject to rainfall pattern. The newly constructed railway bridge will lead to safer and improved operations.

vi. Commencement of bush clearing, stumps removal, grubbing and assessing the rail infrastructure materials using labour intensive method for the Bangula-Marka railway section.

5.4.2 Major Achievements in 2018/19

i. Completed the construction of 14 passenger shelters on the Limbe-Balaka-Nayuchi section.

ii. Completed the rehabilitation of the Railway Services Department Office Building.

iii. Completed the study on Sedimentation, Hydrology, Topography and Climate Change for the Limbe-Makhanga railway section.

iv. Commenced the clearing and grabbing on the Limbe-Marka railway section through labour intensive method.

v. Carried out monitoring activities on the rehabilitation of the Nkaya-Salima railway section, reconstruction of the Limbe-Sandama railway section and the new railway bridge construction across the Shire River in Balaka district.

vi. Conducted sensitisation activities against theft, vandalism and encroachment of railway infrastructure in Mchinji, Lilongwe, Salima, Balaka, Blantyre and Nsanje.

vii. Trained train accident first responders in some areas along the railway network.

viii. Carried out accident investigations on the Kachaso-Nkaya-Nayuchi and the Limbe- Nkaya-Mchinji railway sections.

5.4.3 Impact of Rail Infrastructure Improvements on the Economy

Rail infrastructure improvements in the country have resulted in safe and efficient services delivery. The rehabilitated and new infrastructure has led to reduced speed restrictions, increased speeds, reduced number of train derailments and reduced turn round times. These improvements have further necessitated the increased tonnages of cargo movement by rail from around 200,000 tonnes to around 500,000 tonnes per annum. These gains are in line with the National

Transport Master Plan (NTMP) whose objective is to reduce transportation costs by shifting some of the cargo from road to the cheaper rail mode.

The rehabilitated railways network has attracted countries that are already linked to Malawi's railway network, hence increasing the volume of cargo and reducing transport costs. Thanks to increased investment in the rehabilitation and construction of the rail network, Malawi becomes a transit country thereby turns from landlocked to land-linked.

5.4.4 Challenges

In 2018/19 the challenges experienced in the rail sub-sector included (i) High technical vacancy rates in the department and the sub-sector as a whole; (ii) Increase in rail accidents and incidents; (iii) Vandalism, theft, trespass and encroachment onto the land reserved for rail infrastructure; (iv) Extreme weather events such as floods destroying railway infrastructure; and (v) Slow increase of traffic volumes using rail transport. To address these challenges, the Ministry plans to undertake sensitisation activities against theft, vandalism and encroachment of railway line reserves to communities along the railway line and amongst the general public.

5.5 Air Transport Subsector

Air transport is one of the enablers of economic growth for Malawi. The importance of the sector is underlined by the need for fast means of moving people and cargo over longer distances. The subsector therefore needs to be properly nurtured if it is to produce the necessary dividends in growing the economy.

5.5.1 Air Transport Development Programmes

5.5.1.1 Enhancement of Safety and Security

In continuing with the process of upgrading the two major airports, Kamuzu and Chileka International, the Government has procured five major and one medium fire vehicles. This is under the Upgrade of Aviation Safety and Security Equipment Project, financed through a loan from the European Investment Bank (EIB). The vehicles are expected in the country around June 2019. The procurement of other equipment under the same project is underway and most of the equipment should be received in the second half of 2019.

5.5.1.2 Extension of Kamuzu International Airport Terminal

Works on the extension of Kamuzu International Airport terminal building continued in the year. A slight delay was expected and the works were completed by end of March 2019 and not January 2019 as was earlier proposed. The project is financed by a grant from the Japanese Government through the Japan International Cooperation Agency (JICA) and the project sum is USD33 million. When taken into operation the extended terminal will ease passenger facilitation and offer ample space and comfort to the traveling public.

5.5.1.3 Chileka Airport Rehabilitation

The works on the rehabilitation of the terminal building at Chileka is almost complete. The only major outstanding work is the installation of the two lifts. The terminal should be ready for use by June 2019. The project is funded locally and has taken too long due to funding challenges. Going forward the Government has plans to rehabilitate the runway at Chileka which is in critical condition.

5.5.1.4 Institutional Reforms

The creation of an autonomous Civil Aviation Authority (CAA) and Airports Company has not happened yet as planned. The matter is still being pursued and it is hoped that the two institutions will have been established by the end of 2019. The Ministry of Transport and Public Works believes that this will address many challenges currently being faced by the sector owing to dependence on monthly Treasury funding, which in most cases has not been adequate in providing for the operations of the airports and carrying out surveillance work.

5.6 Water Transport Subsector

During the period under review, the Marine Department continued to play its role of regulating and monitoring the operations of the water transport subsector. The Department implemented a number of activities aimed at enhancing safety of ships, including the following:

5.6.1 Installation of Solar Powered Aids to Navigation on Lake Malawi

The Marine Department replaced the old gas lit aids to navigation equipment on Lake Malawi with solar power lit equipment. The aids to navigation are intended to identify dangerous spots of the lake in order to prevent accidents. Procurement of equipment commenced in 2015/2016 and its installation commenced in August 2017. It was finalised in early 2018 when fine tuning works were completed bringing the project total cost to MK150 million.

The equipment was installed at the following eight strategic locations of Lake Malawi: Thumbi Island East at Monkey Bay in Mangochi District; Mbenji islands and Namalenje in Salima District; Nkhotakota; on Chizumulu Island; on Likoma Island; Chindozwa Point in Nkhata Bay District; and Mphanga Rocks at Chilumba in Karonga District. The objective of the project is to improve the safety of navigation on Lake Malawi and is expected to drastically reduce the number of maritime accidents.

Apart from guiding merchant ships, the equipment also guides fishermen during night time fishing. The equipment needs to be consciously upgraded and repaired.

5.6.2 Construction of a Finger Jetty at Nkhata Bay Port

In collaboration with the Malawi Ports Company Limited, construction works for a finger Jetty at Nkhata Bay to replace a floating Jetty which sunk in 2016 commenced in the third quarter of 2017. Works were finalised in March 2018. The new jetty, which is considered to be only a temporary measure, is much safer and more accessible as vehicles get right to the ships berthing area, speeding up cargo handling works and the embarkation and disembarkation of passengers. The temporary Jetty was constructed by the Concessionaire and cost about MK250 million. Plans are underway to develop the port further so that it links with Mbamba Bay Port in Tanzania as the two ports are part and parcel of the Mtwara Corridor. The Mtwara Corridor is largely remaining with the development of the two ports as the roads of the corridor are nearly completed. Only 67km is left on the Tanzanian side from Mbinga to Mbamba Bay but under construction and expected to be finalised in 2020.

5.6.3 Construction of Likoma Jetty

The full feasibility and design studies for the construction of a jetty at Likoma Island were carried out by WTM Chirwa and Associates Consulting Engineers. The studies involved a full Environmental and Social Impact Assessment (ESIA), detailed engineering designs for the jetty and preparation of the Bill of Quantities.

Procurement of the constructor and the supervising consultant was done in 2018/19. The project has since commenced and is expected to be completed within 18 months. The project is estimated to cost MK10 billion, wholly funded by the Malawi Government. The project therefore requires adequate funding in 2019/2020 in order to meet the completion time frame (18 months). The project has so far only accessed MK950 million, which is too little to meet initial payments.

5.6.4 Shipping Operations

In terms of performance of shipping operations, the period under review has registered some improvements in the reduction of the maritime accidents. No serious incidents have been reported. Cargo and passenger haulages have however been poor due the complete closure of Chipoka Port. The closure of Chipoka Port implies the closure of Chilumba Port as the two ports are the two end points of the lake ships.

The sector moves large volumes of fish by fishing boats that are difficult to separate from merchant ships. Merchant ships also move the fish to selling points. The fish business greatly contributes to the country's economy.

5.6.5 Major Challenges

The water transport sub-sector has continued to perform below expectations for many years, despite its potential to contribute remarkably to the economy. Challenges that are contributing to poor performance of the subsector include climate change, inadequate personnel, innadequate funding and innappropriate law enforcement.

Climate change has adversely affected water transport operations. The water level of Lake Malawi has dropped to unprecedented levels rendering Chipoka Port inaccessible to ships. Chipoka area is naturally a flat area such that the experienced four metre drop of the lake make vessels runs aground at a distance of over 500 metres from the berth. Dredging used to be the solution up until the depth of dredging nearly got to the foundation of the Jetty. Another compounding factor remains the lack of appropriate dredging equipment. Procurement of a heavy duty dredger is therefore an issue to look into.

Lack of appropriate personnel has also greatly contributed to the sub-sector's failure to perform to its full potential. Shipping is international in nature and requires highly qualified and competent personnel. The department has since submitted a proposed functional review that, once approved and implemented, will address the staffing problem currently being faced.

The operation budget of the Marine Department has, for many decades, been among the lowest of the Ministry's Department. In addition, its monthly funding has always been low and as a result the Department fails to implement most of its planned activities. Shipping is generally capital-intensive but in the long term it can benefit the economy when ships operate due to economies of scale, take over a big share of freight so as to relieve the roads from continuous damage that costs government heavily, and guarantee safe and secure movement of freight.

The Department derives its mandate from the Inland Waters Shipping Act, which was last revised in 1995 and is currently under another review. The Act is outdated, hence the ongoing review that aims to improve law enforcement. Appropriate law enforcement will require adequate personnel to be in place as well as the availability of law enforcement equipment, which includes motor vehicles, patrol boats, search and rescue boats. It is expected that the level of investment in the sector will increase mainly in leisure activities that currently lag when compared with the neighbouring countries. Most of the tourists feel safety has to be improved in order for them to comfortably patronise leisure activities on the lake. Key to safety is the establishment of a search and safety regime.

5.7 Plant Vehicle, Hire and Engineering Services

The Plant Vehicle, Hire and Engineering Services (PVHES) is the Treasury Trust Fund, which is mainly involved in the hiring out of plant and equipment to the construction sector. The PVHES is undergoing reforms to improve and sustain its operations. The institution is struggling due to obsolete equipment and the emergence of stiff competition from the private sector.

During the period under review, the PVHES undertook a number of activities including rehabilitation of the district workshops in Chikhwawa (Ngabu), Mangochi, Salima, Kasungu and Karonga. This will enable workshops to carry out vehicle inspection and issue COFs to clients. A percentage of COF fees, which will be retained by the PVHES, will improve its revenue base. In addition, the PVHES purchased a vehicle number plates embossing machine in order to increase revenue generation. One embossing machine was bought in 2016/ 2017 financial year for Lilongwe service centre and four more will be purchased in 2018/2019 for the Blantyre, Zomba, Mangochi and Mzuzu service centres.

5.8 Buildings Department

The Buildings Department exist 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.

During the year under review, the Ministry reviewed the Buildings Regulations in order to incorporate climate change issues such as floods related aspects so that buildings are resilient. This exercise will be finalised by June, 2019.

The Ministry is also developing the Buildings Policy which will act as a framework to regulate the industry for the next five years (2019-2024). The policy is expected to be completed in August, 2019.

During the year under review the Department supervised a number of projects: Phalombe Hospital, Cancer Centre, 10km of Mombera University access road, and the Mbelwa District Council Buildings, all of which were completed and have been handed over.

KIA terminal buildings are now completed and handed over to the Government, and the rehabilitation of the terminal building at Chileka which is now completed but remaining with the commissioning and installing two lifts. These works are expected to be finalised by June 2019.

During the year under review, the Department supervised a number of projects such as the construction of the Government Office Blocks at Capital (GOBC 7), which was completed in 2017, the construction of a female hostel, a filling station, a business centre for the Lilongwe University of Agriculture and Natural

Resources (LUANAR – Bunda Campus), which was completed and handed over, and the construction of health centre and staff houses under the Umoyo Project in different districts across the country.

Chapter 6

MINING

6.1 Overview

The mining sector is one of the key sectors with great potential to significantly contribute to sustainable economic growth and development of the country. Government realises that in order to make mining one of the significant contributors to the national economy, there is need to cultivate and maintain a good investment climate; create and sustain a stable regulatory environment that provides for the transparent and equitable treatment of investors; and provide a secure, competitive and fair mining fiscal regime.

Government approved and launched a modern Mines and Minerals Policy in 2013. In addition, the country's Mining Fiscal Regime underwent a serious review and was approved in September, 2016. A review of the Mines and Minerals Act, 1981 was done in an effort to make it resonant with the modern Mines and Minerals Policy. The Mines and Minerals Bill was approved by Parliament in December, 2018 and was assented to by the president on 25th January, 2019. The new Mines and Minerals Act is waiting to be gazetted. The review process for the mining legislation took a considerably long time to be completed since it needed to be given a thorough and correct dose of inputs and analyses from a broad spectrum of mineral sector stakeholders across the country with a view to ensuring that it veritably reflects authentic hopes and aspirations of all Malawians and investors.

Another important development in the mining sector in 2018/19 financial year is the establishment and progressive update of the geo-data management platform at Geological Survey Department, following the successful completion of the high-resolution airborne geophysical survey in 2015, aimed at providing easy access to geo-scientific information by investors, among others. In addition, the Department of Mines introduced a computer-based mining cadastral system in a quest to promote transparent, effective and efficient processing and management of mineral licenses for investors. The computer-based cadastral system has been in operation since 2017 and has improved transparency and effective management and administration of mineral rights in the country.

The mineral sector experienced a tremendous growth trajectory of over 1.6 percent in the year 2018/19. Mineral exploration and production also increased as a result of continued demand by the mineral consuming industries and the export market.

6.2 Mineral Production

Table 6.1 below 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 2019 only projections of mineral production and monetary values were available during compilation of the report.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES

	2017 (Actual)		2018 (Actual)		2019 (Projection)	
Type	**Quantity (tonnes)**	**Value (K'million)**	**Quantity (tonnes)**	**Value (K'million)**	**Quantity (tonnes)**	**Value (K'million)**
Coal	45,230	666.81	49,753	733.49	54,728	806.84
Cement	210,500	13,925	231,550	14 317	243,075	15,120
Agricultural and Hydrated Lime	43,650	570.01	48,015	627.01	52,816.50	689.71
Other						
Uranium Concentrates	-	-	-	-	-	-
Rock Phosphate	1 000	17.8	1 594	28.16	1 753	30.98
Rock aggregate	2,500,000	4,157	2,679,321.18	4,455.1	2,947,253.3	4,900.61
Gemstones	2 000	315.38	2,240	350.07	2,643	416.58
Iron ore	5 000	12.62	2 562.51	6.47	3 000.00	7.57

Source: Department of Mines.

6.2.1 Coal Production

Malawi has over 22 million tonnes of proven coal reserves in a number of coal fields across the country. In general, coal remains one of the energy minerals most mined for industrial use in the country. Coal production increased from 45,230 tonnes produced in 2017 to 49,753 tonnes in 2018 due to the opening of Kasikizi Coal Mine in Karonga in 2018 and increased production at several other medium scale coal mines in the Northern Region of Malawi. Most of the coal produced in 2018 was from Mchenga and Kaziwiziwi coal mines as was the case in 2017. However, the increased production in 2018 was still less than the 2016 coal production in the country due to continued competition from coal imports from Moatize in Mozambique. The coal mined in the country is mainly used for the 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 there are companies that are venturing into serious thermal electricity production in the country. In the interim, almost all the mining companies continue with expansion projects by implementing exploration programmes outside their current mining areas.

6.2.2 Uranium Concentrates Production

Kayelekera Uranium Mine continued to be under care and maintenance during the financial year under review as a result of the continued falling of uranium prices at world market to below $40/lb. As a matter of fact, there was no uranium production at the mine during 2018/19 financial year. Almost all the work at the mine centred on environmental management, care and maintenance of the plant and machinery. In order for the Kayelekera Mine to resume production, the world market price for uranium should be within the range of US$70 - US$75 per pound. There are, however, some good prospects that the price for uranium may pick up in the near future. The Vancouver-based Haywood Securities reported that about 22 new nuclear reactors are under construction in China, 6 are reportedly being built in India, 8 in Russia, and another 2 in the neighbouring Belarus and, in the Middle East, 4 are reportedly under construction in the United Arab Emirates (UAE) with many more planned in the region. The coming of these nuclear reactors may result in some global increase in demand for uranium, which may propel the 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 the Shayona and Lafarge Holcim companies and fetched MK14 billion in sales. Compared to the previous year, production in 2018 considerably increased from 210,500 tonnes to 231,550 tonnes. With an anticipated increase in economic activity in the country in the impending financial year, it is expected that cement production will concomitantly increase significantly. Cement Products Limited recently opened a clinker plant at Njereza in Mangochi district and is using locally mined limestone at their mine in Mangochi. This development is likely to be one of the contributing factors to an anticipated increase in cement production 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 3,000 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 had previously only come 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 2018/19 as compared to their productions in the previous year. Demand for agriculture lime from the tobacco estates, poultry and paint industries remained robust within the country. Production of hydrated lime continued to be mostly dominated by medium to small scale operators like the Lirangwe Lime Makers Association and Balaka Lime Makers Association.

6.2.5 Rock Aggregate Production

The production of rock aggregates increased in 2018 as compared to 2017 due to a considerable increase in economic activity in the country, which included Government projects involving the rehabilitation of roads and a number of other infrastructure development activities. In 2019, there are prospects that the production will increase further as the country's economy continues to stabilise. There are more than 20 operating rock aggregate quarries in operation, producing rock aggregate in the country both for commercial and Government project purposes. A number of companies have recently obtained exploration licences for same. This will likely contribute to the projected increase in rock aggregate production in the coming year.

6.2.6 Phosphate Production

The phosphate is mined from Tundulu carbonatite complex in Phalombe District for the manufacture of compound phosphate fertilizers by Optichem (2000) Malawi Limited. The production statistics record indicates about 1,594 tonnes of phosphate produced from Tundulu in 2018. 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 eluvial phosphate accumulations range from 1.32 percent to 8.9 percent P2O5 with an average of 2.5 percent P2O5. Other eluvial 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 the problem of lack of market access encountered by most of the artisanal and small-scale miners. In the 2018/19 financial year, recorded data indicated considerable increase for gemstone production from around 2,000 tonnes in 2017 to 2,240 tonnes in 2018. 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 sub-sector 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 sensitisation campaigns and systematic formalisation of the small-scale sub-sector.

6.3 Employment Opportunities in the Mining Sector

6.3.1 Employment Levels

Employment levels in the sector increased considerably in 2018 as compared to 2017. The increase was a result of increased production of rock aggregate, coal, agricultural and hydrated lime and others which significantly increased the employment numbers.

TABLE 6.2: EMPLOYMENT IN THE MINING SECTOR

Workforce	2017 (Actual)	2018 (Actual)	2019 (Estimate)
Coal	650	715	1,122
Uranium Mine	179	179	142
Agricultural, Calcitic and Hydrated Lime	2,050	2,097	2,105
Quarry Aggregate production	9,650	9,667	9,691
Cement manufacturing	1,500	1,557	1569
Gemstones/Mineral Specimens	380	473	506
Ornamental Stones	70	79	83
Terrazzo	150	146	138
Other Industrial Minerals	1,100	1,147	1,156
Exploration activities	300	532	728
Total	**16,029**	**16,592**	**17,240**

Source: Department of Mines

In 2019, there are prospects that there will be some increase in employment numbers due to the prospects of increased economic activity since the mining investment climate in the impending financial year looks more promising than in the year under review. This is shown in Table 6.2 above.

6.4 Export Sale of Minerals

6.4.1 Export of Minerals

The export of minerals in 2018/19 by different mine operators continued to be dominated by coal, ornamental stones and gemstones, as shown in Table 6.3 below. Revenue generated by the Government through the Department of Mines between the period July, 2018 to April 2019 amounted to about MK500 million in terms of royalties, licence processing and ground fees.

TABLE 6.3: MINERAL EXPORTS

Exports	**2017 (Actual)**		**2018 (Actual)**		**2019 (Projection)**	
Type	**Quantity (tonnes)**	**Value (K'MN)**	**Quantity (tonnes)**	**Value (K'MN)**	**Quantity (tonnes)**	**Value (K'MN)**
Coal	9 500	188.05	9655	190.09	729.84	15.87
Agric./calcitic lime	2,500	500	2667	615.00	319.00	11.7
Other						
Rock aggregate						
Gemstones	4,500	5882.30	4671	5915.80	386.76	127.66
Rock/Soil samples	40.00	10.00	49.20	2.3	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. Coal was largely exported to Rwanda while agricultural lime was mainly exported to Mozambique. The average prices of minerals vary by individual operator/producer depending on the 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 Licences

In the 2018/19 financial year, Government granted licenses to exploration and mining companies and individuals as presented in Table 6.4 below:

TABLE 6.4: NEW MINING AND PROSPECTING LICENCES ISSUED IN 2018/2019

Type of Licence	Number issued	Mineral(s)
Small Scale Operators		
Non-Exclusive Prospecting Licence	122	Gemstones, Ornamental stones, etc.
Mining Claim Licence	29	Gemstones, Ornamental stones, etc.
Reserved Minerals Licence	117	Gemstones, Ornamental stones, etc.
Large-Medium Scale Operators		
Exclusive Prospecting Licence	36	Uranium, Heavy Mineral Sands, Base Metals, Platinum Group Metals, Limestone, Gypsum, Iron ore, Gold, Rare Earth Elements etc
Mining Licence	2	Rock aggregate, Galena
Reconnaissance Licence	0	

Source: Department of Mines.

6.6 Mining Investment Opportunities

6.6.1 Mineral Potential of the Country

Like many countries in the resource-rich East African Rift Valley, Malawi is endowed with abundant and diverse mineral resources most of which remain unexplored and unexploited to date. These minerals include: rare earth minerals, limestone and dolomite, coal, uranium, heavy mineral sands, semi-precious gemstones, bauxite, graphite, gypsum, kaolinitic ceramic clays, glass sands, brick clays, rock phosphates, vermiculite, talc, pyrite/pyrrhotite, salt and kyanite. The deposits for these minerals are spread across the country – across the Southern, Central and Northern parts of Malawi. Alluvial gold mineralization and kimberlitic anomalies in the country have also been reported in recent years by the Department of Geological Survey. In 2015, Malawi completed a high resolution country-wide airborne geophysical survey, the results of which reveal a lot more mineral deposits. Availability of such data is ostensibly going to increase opportunities for mineral exploration and mining activities. Table 6.5 below indicates some known mineral deposits in the country including their locations, sizes and grades.

TABLE 6.5: MINERAL DEPOSITS, RESERVES AND GRADES (MN TONNES/GRADE)

Deposit	Location	Delianation Reserves
Bauxite	Mulanje	28.8/43.9% Al2O3
Uranium	Kayelekera	12,5/0.15% Ur3O8
Monazite/ Strontianite	Kangankhunde	11/8% Strontianite and 60% REO
Graphite	Katengeza-Dowa	8.0/75.6gm per m3
Limestone	Malowa Hill-Bwanje	15/4% CaO, 1.2% MgO
	Chenkumbi-Balaka; Chikoa-Livwezi-Kasungu	10/46.1% CaO, 3.5% MgO
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% P2O5
Pyrite	Chisepo-Dowa	34/8% S
	Malingunde-Lilongwe	10/12% S
Glass Sands	Mchinji Dambos	1.6/97% SiO2
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 that are being sought after include rare earth minerals, niobium, uranium, zircon, tantalite, limestone and heavy mineral sands. During the 2018/19 financial year, a number of mineral exploration concessionaires continued to actively explore different minerals in various parts of the country. The minerals explored included rare earth minerals; platinum group metals (PGMs), coal, heavy mineral sands, base metals and bauxite. Generally, the year 2018 experienced a slight increase in exploration activities compared to 2017. The major projects in the pipeline include 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 in Mangochi and McCourt Mining Pty Limited (Sovereign Services Limited) Graphite Project in Malingunde, Lilongwe. A summary of potential mining projects is presented in Table 6.6.

TABLE 6.6: POTENTIAL MINING PROJECTS

Company	Minerals to be Mined	Site	Origin	Status
Globe Metals & Mining	Niobium, Uranium, Zircon and Tantalite	Kanyika, Mzimba	Australia	Mining Agreement Negotiations
Mkango Resources	Rare Earth Elements	Songwe Hill, Phalombe	Canada	Bankable Limited 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	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 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 performance of the Energy Sector in the 2018/2019 fiscal year in terms of developments in the electricity, petroleum, coal and biomass sub-sectors and various renewable energy programmes.

7.2 Electricity

In the period under review, Electricity Supply Corporation of Malawi (ESCOM) sold 1,489.15GWh of electricity compared to 1,477.32 GWh in the same period in the previous year. This represents an 8 percent increase compared to the previous year. This was attributable to improved generation capacity registered in the period. The number of bona-fide registered customers stood at 409,425. The installed generation capacity increased by 27 percent, from 351MW to 445MW, with the coming in of a total of 94MW of diesel generators (see Table 7.1).

TABLE 7.1: ELECTRICITY GENERATION AND CONSUMPTION (2008-2018)

YEAR	2010	2011	2012	2013	2014	2015	2016	2017	2018
Installed Hydro Capacity (MW)	285.85	285.85	285.85	285.85	351	351	351	351	445
Maximum (Peak) Demand (MW)	273.01	277.75	277.88	279.73	323.91	335.26	328.26	371	316.6
Energy generation (GWh)	1,809.17	1,871.88	1,911.51	1,828.2	1,906.51	1,975.02	1,976.99	1,792.90	1,305.83
Number of Consumers	194,459	205,045	218,164	238,211	269,469	312,857	344,953	413,816	409,425
Consumption Domestic (GWh)	571.56	593.85	596.10	577.65	614.20	699.03	766.3	642.61	615.425
General (GWh)	253.70	250.43	244.47	214.96	183.26	150.30	117.4	156.64	155.29
Power Demand (GWh)	580.76	612.23	604.88	613.82	639.27	620	620	658.76	660.50
Export (GWh)	20.66	19.08	21.1	23.82	23.62	21.85	24.43	19.31	82.22
Total Consumption GWh)	1426.68	1475.59	1,466.52	1,429.68	1460.35	1491.18	1,854.82	1,477.32	1,489.15

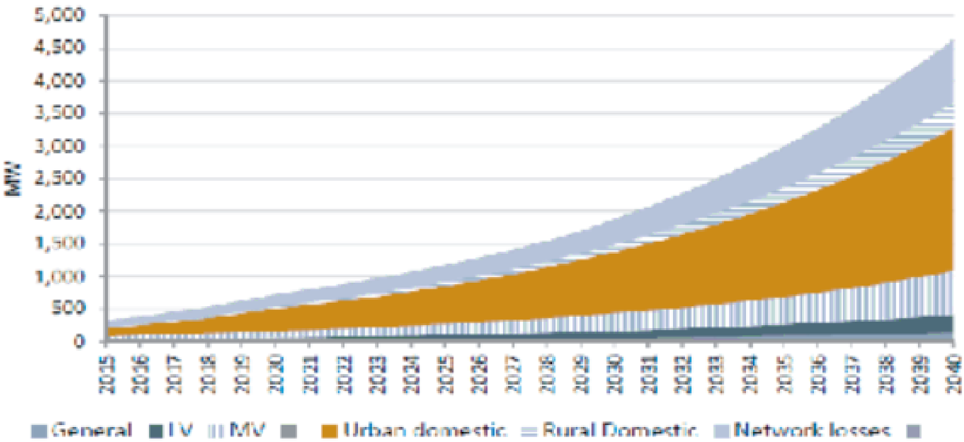
Source: ESCOM Ltd.

In terms of sales of electricity by customer category, 41.3 percent was sold to residential customers while the general category accounted for 10.4 percent of the sales. Power demand consumption was at 44.4 percent while export was at 5.5 percent.

7.2.1 Demand Analysis and Planned Projects

According to the base scenario of Power Demand Forecast of the Integrated Resource Plan (IRP) 2017, as revised in 2018, demand for electricity is projected to increase to in excess of 800MW, 1200MW and 2500MW by 2020, 2025 and 2035 respectively as per Figure 7.1. below.

FIGURE 7.1: BASE ELECTRICITY DEMAND (MAXIMUM DEMAND, MW)



Source: Malawi IRP, 2017.

In order to meet the increasing demand for electricity in the country, the IRP 2017 sets out an optimal generation plan with a mix of diverse sources of energy, which includes the following: Kam'mwamba coal power plant-phase 1 & 2 with a total capacity of up to 300MW, Tedzani IV hydro power plant (18MW) by 2020 and Mpatamanga Hydropower Plant (258MW) by 2025.

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

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

7.2.2 Electricity Tariff Developments

Following the amendment of the Electricity Act in 2016, ESCOM was unbundled into two state-owned power utilities: namely the Electricity Generation Company of Malawi Limited (EGENCO) and the Electricity Supply Corporation of Malawi Limited (ESCOM). The Amendment to the Electricity Act also resulted in the liberalisation of the electricity generation sector of the business by allowing new entrants/participants in the electricity generation business.

The functions of the Single Buyer and System Market Operator were added to ESCOM over and above Transmission and Distribution functions. Each of these functions are required, in accordance with the New Tariff Methodology, to submit a Base Tariff application to the Malawi Energy Regulatory Authority (MERA) once every four years for consideration and approval.

In the period under review, MERA considered and approved a 31.8 percent base tariff average increase effective from 1st October 2018, to be implemented by ESCOM over a four-year period from 2018 - 2022 as follows: 20 percent (2018/19), 7 percent (2019/20), -3 percent (2020/21) and 10 percent (2021/22).

The approved average tariff increase therefore moves the average tariff from the current average of MK73.23 per kWh to MK95.15 per kWh over the four-year period. The approved tariff consolidates efforts in achieving a cost recovery tariff in the electricity sector, which would typically help to promote and incentivize investments, sustain purchase costs for power from Independent Power Producers (IPP), and ultimately improve access to electricity in the country.

7.3 Malawi Rural Electrification Programme (MAREP)

The Government of Malawi started implementing MAREP in the 1980's. The objective of MAREP is to increase access to electricity for people living in peri-urban and rural areas as part of Government's effort to reduce poverty, transform rural economies, improve productivity and improve the quality of social services.

The Department of Energy Affairs (DoEA) is currently implementing MAREP Phase 8 Extended. This phase will electrify a total of 270 centres by engaging ESCOM Ltd and also private local contractors in undertaking construction works. This will not only build capacity of local contractors but also increase their participation in the sector and thus fulfil Government's objective of liberalizing the energy sector. DoEA has already implemented MAREP Phases 4, 5, 6, 7, and 8. In Phase 4 a total of 98 centres were electrified; in Phase 5, 27 centres were electrified; in Phase 6 a total of 89 centres were electrified; and in Phase 7, 136 centres were electrified. Furthermore, 336 centres were electrified under MAREP phase 8 proper and 200 more centres were electrified under MAREP Phase 8 extension. Government is now planning to implement MAREP Phase 9, which will electrify 500 centres. It is expected that the MAREP phase 9 will cost a total of MWK 51,920,472,552.00 for material purchases and construction works.

7.4 Petroleum

7.4.1 Fuel Importation

During the year under review, overall imports of petroleum products increased by 15.1 percent above those of last year. The importation of petrol, diesel and Jet A-1 increased by 13.1 percent, 20.6 percent and 14.4 percent respectively, while for paraffin and Avgas the imports decreased by 25.3 percent and 50.2 percent respectively as compared to last year's imports. The decline in paraffin importation demonstrates the noted observation that paraffin has been substituted by other forms of energy for lighting e.g. re-chargeable lamps that have proliferated on the local market. Among the reasons attributed to the increased demand for the imported fuel are the stable fuel prices that prevailed in the period under review. Table 7.3 presents fuel imports since 2010.

TABLE 7.3: FUEL IMPORTS (LITRES) 1999 – 2018

Year	Petrol	Diesel	Jet A-1	Paraffin	Avgas	Total
2010	101,173,574	186,539,556	11,710,626	10,639,538	318,087.5	310,381,382
2011	104,825,891	189,983,124	12,838,968	10,254,955	126,422	318,029,360
2012	99,593,583	205,213,866	7,525,000	6,565,312	261,700	319,159,461
2013	108,885,428	212,460,625	9,896,951	1,749,159	223,686	333,215,849
2014	108,885,190.	159,798,758	7,785,520	1,533,155	133,067	278,135,690
2015	133,103,655	166,402,223	8,766,307	506,304	176,058	308,954,547
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	273,288,620	11,043,449	472,207	88,044	493,946,269

Source: Malawi Energy Regulatory Authority (MERA).

7.4.2 Fuel Imports per Route

In 2018, Malawi used Beira, Nacala, Dar-es-Salaam as its main routes for haulage of fuel. Due to civil unrest and adverse weather conditions (cyclones and floods) in Mozambique, which interrupted flow of petroleum products into the country, the imports through Beira and Nacala decreased from 55.2 percent to 48.8 percent and from 2.9 percent to 2.1 percent, respectively. On the other hand, imports through Dar-es-Salaam increased from 37.5 percent to 47.9 percent. As can be seen from Table 7.5, Malawi significantly reduced the volume of petroleum lifted through the Nacala route to avoid haulage disruption along the conflict-affected areas of North-Eastern Mozambique. Furthermore, figures provided in Table 7.4 show that from 2017 to 2018 the volume of fuel imported through Beira and Dar-es-Salaam increased by 3.6 percent and 49.6 percent, respectively. In contrast, the volume of petroleum imported through Nacala declined by 57.4 percent.

TABLE 7.4: MALAWI FUEL IMPORTS PER ROUTE 2010 – 2018

	ROUTES						
Year	Beira	Nacala	Dar-es-Salaam	Mbeya	Gweru	Msasa	Total
2010	211,143,990	21,708,391	42,803,344	22,296,943	-		298,352,668
2011	167,765,872	17,240,701	50,845,869	13,343,270	0		249,195,712
2012	258,442,871	7,552,721	35,918,180	-	9,458,989		311,372,761
2013	268,560,053	10,715,210	43,819,950	-	-		323,095,212
2014	225,767,402	11,367,566	41,000,722				278,135,690
2015	233,479,738	6,250,367	69,224,442				308,954,547
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	5,260,913	236,826,687				493,946,269

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 (EPC) of MERA as stipulated 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 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.

For the larger part of the period under review, pump prices have remained stable despite initial increase at the beginning of the 2018/19 financial year. Prices of petrol, diesel and paraffin have hovered around MK868.00, MK874.00 and MK710.50, respectively. This is on account of the APM which takes into account exchange rate movements as well as the world oil prices. Thus, although the world oil prices have been flactuating during the reporting period, stability of the exchange rate helped to maintain fuel prices.

7.5 National Clean Cook Stove Project.

The National Cook Stoves Presidential Initiative was launched in January, 2013 with funding from the ENDEV, Irish Aid, and DFID. Since its launch, the initiative has managed to disseminate over 1.2 million portable fuel efficient cook stoves with the intention of saving energy and reducing smoke emissions for healthy and improved cooking environments in the households.

The activities leading to the achievement of the 2 million target by 2020 are now guided by the Malawi Renewable Energy Strategy 2017-2022. These activities are led by the National Cook Stoves Steering Committee (NCSC), which is chaired by the Department of Energy Affairs. The NCSC has an objective of facilitating the uptake of two million cook stoves by 2020 by among others implementing a nation-wide campaign aimed at raising awareness on the benefits of cleaner cook stoves. Clean and efficient cook stoves are being promoted to reduce charcoal and firewood consumption. To this end, the Government has developed a National Charcoal Strategy covering the period 2017 to 2027. The strategy aims at providing guidance on the sustainable use of charcoal while promoting alternative energy sources for cooking and heating.

Government is also promoting the use of alternatives to charcoal and firewood, which includes the use of liquefied petroleum gas (LPG), biogas and biomass briquettes. There is, however, need for Government to consider waiving some taxes and removing levies on LPG to make it affordable to the majority of Malawians.

7.6 Feasibility Studies on Potential Hydropower Sites

Government, with support from World Bank implemented the Energy Sector Support Project (ESSP) in order to increase reliability and quality of electricity supply in the major load centres in the country. Through this project, Government has undertaken feasibility studies on two potential hydropower sites of Fufu and Mpatamanga.

Fufu Hydropower site is located on South Rukuru River in Rumphi and has the potential to generate up to 261MW. In the period under review, the consultant completed feasibility studies, Geotechnical investigations and Environmental and Social Impact studies. Financing for the project is yet to be identified but Government intends to develop this project under a public-private partnership (PPP) arrangement.

Mpatamanga Hydropower site is on the Shire River, and has a potential to generate up to 309MW. Major achievements under this project include conducting feasibility studies and developing detailed designs. Government has also signed a Corporation Agreement with International Finance Corporation

(IFC), an investment arm of the World Bank, for the development of the 309 MW Mpatamanga Hydropower plant using the public private partnership (PPP) financing model. Government has also negotiated and signed a Joint Development Agreement (JDA) with IFC. While the financial close is expected to be concluded by June 2020, construction will commence in 2021 and be completed by end 2025.

In addition, Government, with assistance from African Development Bank, has conducted feasibility studies for Kholombidzo Hydropower Project. 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 of generating up to 210MW.

7.7 Renewable Energy Resource Assessments

Government is exploring possibility of generating electricity from other resources such as wind, geothermal and solar. In view of this, resource assessments on wind power, geothermal power and solar power generation are underway with support from the World Bank.

Some IPPs have already been engaged to invest in the renewable energy sub-sector including JCM Capital, Phanes Solar and Voltaria. JCM Capital intends to develop 60MW of a grid-connected solar photovoltaic system at Nanjoka in Salima and 40MW of the same at Golomoti in Dedza. The Power Purchase Agreements (PPAs) for both Nanjoka and Golomoti systems were signed in September, 2018. In addition, Phanes Solar plans to develop 20MW of grid-connected solar PV in Nkhotakota. The Independent Power Producer (IPP) has completed land acquisition processes. PPA negotiations with ESCOM Limited have also been completed, and the PPA is ready to undergo approval processes before being signed. Finally, Voltaria intends to develop between 17.5 MW and 20 MW from solar PV near Magwero primary school on the road to the Kamuzu International Airport. There have, however, been some delays on this IPP due to land issues.

7.7.1 Wind Resource Assessment

In the period under review, data collection and analysis continued in four 80-metre high wind masts, which have been installed in Chitipa, Lilongwe, Dedza and Zomba. The final pre-feasibility studies report was submitted by the consultants. From the analysis, the results show that a total capacity of 100MW can be installed at the Chitipa and Dedza site and 36MW at the Zomba site.

7.7.2 Geothermal Resource Assessment

In the period under review, geothermal resource-assessment exercises continued in the six sites of Chiweta in Rumphi, Kanunkha and Kasanama in Nkhata Bay, Mawira and Kasitu in Nkhotakota, and Chipunzi in Chikwawa. Furthermore, pre-feasibility studies for two prospects at Chiweta and Kasitu were successfully conducted. The studies have revealed that 5.6 MW and 13.5 MW can be generated at Kasitu and Chiweta respectively.

7.7.3 Solar Resource Mapping

From the installation of the Automatic Weather Stations at Chileka International Airport, Kasungu Air-wing and Mzuzu University, a solar resource map for the country has been produced. The map will be used to guide investors in the solar resource for power generation.

7.7.4 Bagasse Co-generation

Studies were conducted in 2016 to explore the possibility of increasing power generation using bagasse (a by-product of sugar production) by the two sugar mills at Dwangwa and Nchalo. Illovo Sugar Company has adapted the recommendations of the study and is planning to first implement the upgrading of the Dwangwa Plant, which will generate about 9MW. Out of this, Illovo will use about 3MW for their Dwangwa Factory and the remaining 6MW will be sold to ESCOM Limited through the national grid.

7.8 Kam'mwamba Coal Fired Power Plant

This project is on-going and is expected to contribute to ensuring reliability and quality of power supply in the country. Currently, 11 out of 13 key agreements have been negotiated and signed. The remaining agreements are Coal Supply and Operation and Maintenance of the railway spur. These agreements are expected to be concluded in 2019 as negotiations are at an advanced stage.

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

Government is implementing this project with funding from Global Environmental Facility (GEF) and United Nations Development Programme (UNDP). The project aims at expanding the existing mini-grid at Mulanje Energy Generation Agency (MEGA), replicating the MEGA Mini-Grid Model to other sites, piloting new mini-grid models and capacity building in the mini-grid subsector. In the period under review the following activities were undertaken:

i. Installation of distribution network for, and wiring of, 150 households under the Sitolo 80kW Solar PV mini-grid in Mchinji have been completed. Construction of Solar PV Plant is under way. The mini-grid is expected to be commissioned by the end of June, 2019.

ii. The expansion of MEGA by another 100kW Bondo 3 generation plant alongside the extension of its distribution network to four more villages (Nesa, Kanyizira, Nandolo and Namainja villages) have been completed. Furthermore, household connection has reached 610. The project plans to extend the distribution network to another three villages (Naluwadi, Kashoni and Mlima villages), each having a population of up to 1000 households.

iii. Procurement of a consultant to do the detailed design for the Usingini (Nkhata Bay) 300kW hydro mini-grid systems have started. It is expected that the system will be commissioned by December 2020.

7.10 Electricity Interconnection

Interconnecting Malawi's and neighbouring countries' power systems entails Malawi's connection to the Southern Africa Power Pool (SAPP) since two neighbouring countries (Zambia and Mozambique) are already connected to SAPP. Malawi intends to initially import 50MW of power from Mozambique.

The feasibility studies for the Malawi-Mozambique interconnector have been completed. Additionally, the two countries have jointly secured financing for the project from the World Bank, KfW and the Norwegian Trust Fund. Technical and financial agreements have been signed between ESCOM and EDM.

In September, 2018, Malawi signed a Power Supply Agreement with Zambia for the importation of 20MW through Chipata and Mchinji. The power trading arrangement between the two countries was launched on 10th December, 2018.

Chapter 8

TRADE AND INDUSTRY

8.1 Overview

Government recognises that trade is a powerful engine necessary for socio-economic growth and poverty reduction. It is difficult, however, to maximise the potential of the sector due to lack of capacity in terms of policies, procedures, institutions, and infrastructure to integrate and compete in global markets effectively. This chapter describes Malawi's performance in the trade sector in 2018 and estimates for 2019. This also includes the performance of Malawi in areas of industry and private sector development during the period under review.

8.2 Overall Trade Performance

Latest statistics indicate that Malawi is still experiencing a negative trade balance. Between 2016 and 2017, the trade balance widened by 44 percent from MK869 billion to MK 1.2 trillion. Between 2017 and 2018, the trade balance narrowed by 6 percent. It is expected that the negative trade balance will further reduce in 2019. The reason for this is that sugar volumes are projected to increase by 30.9 percent due to Illovo expecting normal weather conditions, an improvement in the levels of Lake Malawi and the installation of more efficient irrigation systems. In addition, exports of pulses are expected to increase by 20 percent as market conditions return to normal. While the country strives to grow its exports, the value of imports mostly increases or is maintained thereby sustaining the trade deficit. This notwithstanding, the country is undertaking efforts aimed at diversifying exports with the aim of sustainably narrowing the negative trade balance. In the period under review, trade balance eased from the deep of MK1.2 billion in 2018 to MK0.8 billion in 2019 (Figure 8.1).

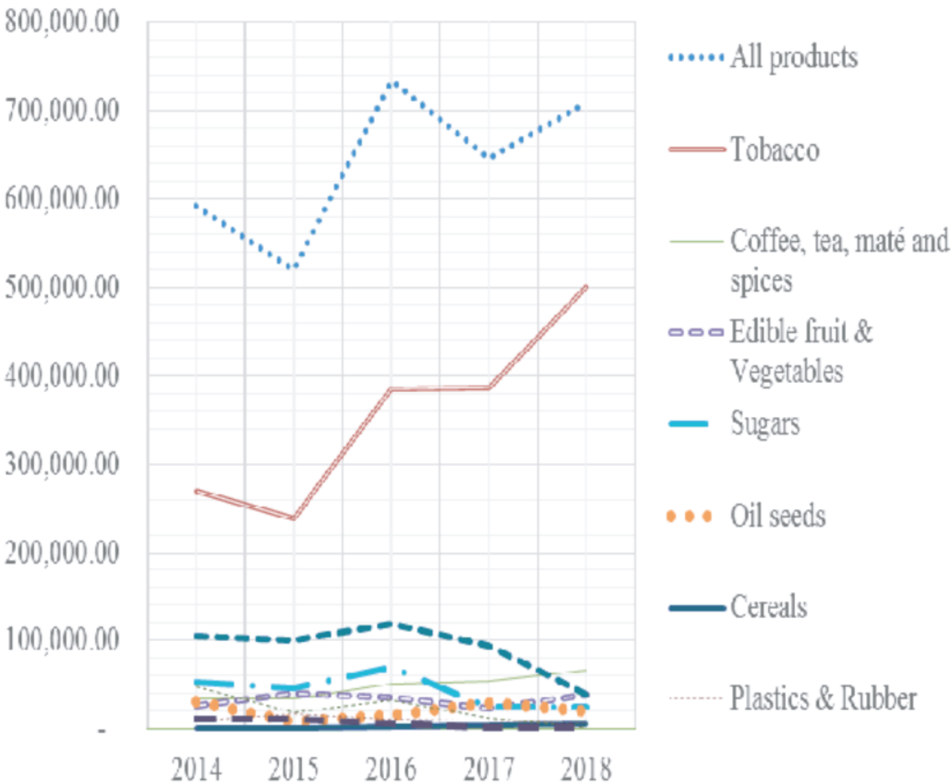
FIGURE 8.1: TOTAL EXPORTS AND IMPORTS SINCE 2016 (MK' MILLION)

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

8.3 Malawi's Major Import and Export Products

Being an agricultural based economy, agricultural products continue to dominate Malawi's export basket, accounting for close to 80 percent. Most sectors remain in infancy as tobacco, sugar, coffee and tea constitute the largest export sectors of the economy. The closing of the Kayelekera Mine in 2014 greatly affected the export of ores. The export basket, therefore, continues to be highly concentrated with a few products with tobacco alone accounting for more than 40 percent of the country's exports (Figure 8.2).

FIGURE 8.2: MALAWI'S MAJOR EXPORTS SINCE 2014 (MK' MILLIONS)

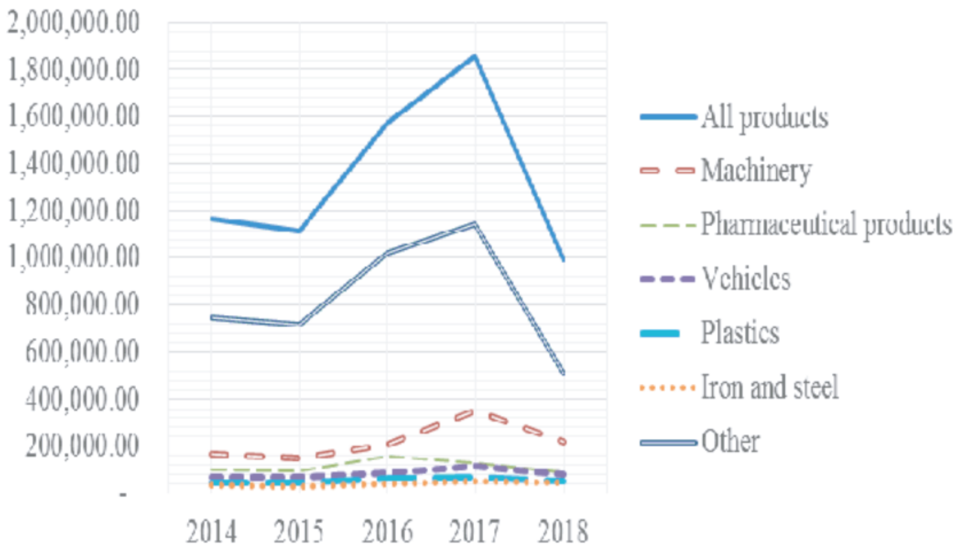


Source: ITC Trade Map Data.

Continued dominance of tobacco in the export basket makes Malawi vulnerable to external shocks. According to the World Bank's Malawi Economic Monitor report (March, 2015), this situation is attributable to similar concentration of firms involved in exports. The World Bank estimated that the five largest firms account for more than 60 percent of total exports. This calls for diversification of agricultural products, value addition and industrialisation in order to close the negative trade balance. Other export products from Malawi include raw hides and skins, clothing accessories, meat products, beverages, dairy as well as poultry products.

Malawi's imports are dominated by high value equipment and manufatured products. As indicated by Figure 8.3 below, machinery constitute a larger share of country's imports. This is a positive characteristic considering that machinery are capital assets that will help to build the country's industrial base. Pharmaceuticals and vehicles are second and third major imports, respectively. Preliminary statistics for 2018 show a sharp decrease in the imports resulting in the narrow negative trade balance reported above. Other products imported by Malawi include, furniture, textiles, mineral fuels, essential oils and fertilizers.

FIGURE 8.3: MALAWI'S MAJOR IMPORTS SINCE 2014 (MK' MILLIONS)



Source: ITC Trade map data.

8.4 Malawi's Major Trading Partners

Since 2016, Southern Africa Development Community (SADC) has been a major source of Malawi's imports amounting to more than USD 545 million. Asia comes second with imports of over USD 525 million, the Common Market for Eastern and Southern Africa (COMESA) at USD 140 million and the European Union (EU) at USD 134 million. South Africa, China, India, Zambia and United States of America (USA) in that order, are the five major sources of imports for Malawi.

The European Union is the biggest export market for Malawi, receiving over 39 percent of Malawi's exports, worth USD 382 million. This is followed by Asia with USD 251 million. Malawi is currently exporting goods worth about USD 153 million to the SADC region. The African market is 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. Additionally, due to Malawi's land-lockedness, 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.

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 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 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 Approval of the Micro, Small and Medium Enterprises (MSME) Policy

On 14th February, 2019, Government approved the MSME policy. This is a significant development in the MSME sector as the policy aims at address bottle necks affecting its development. The sector has the potential to promote entrepreneurship, which is a seed for industrialisation. In an enabling environment, MSMEs can create jobs, transfer modern technological skills, foster innovation and enhance international competitiveness. Successful MSMEs have the potential to uplift women, the youth and marginalised groups from poverty.

8.6.2 Development of Investment and Export Promotion Bill

Government is spearheading development of Investment and Export Promotion (IEP) Bill whose aim is to strengthen the legislative framework of Malawi Investment and Trade Center (MITC) and make its mandate more robust. Under the new Bill, MITC will have a stronger mandate of investment and export promotion and facilitation that under the current bill. The provisions in the new bill include establishing the board and management of the centre, setting up its administrative structure and funding framework. Issues of registration of investors and exporters have also been tackled in the bill as well as issues of access and administration of incentives. Among others, the bill seeks to repeal the Investment and Export Promotion (IEP) Act and the Export Incentives Act [Cap. 39:04]. The bill is at the Cabinet Committee level and will, therefore, soon be considered for approval.

8.6.3 Promotion of Leather Products

Government is also implementing National Leather Value Chains Strategy from 2015 to 2024. In addition, in December 2015, the Ministry of Industry, Trade and Tourism from COMESA Regional Integration Support Mechanism (RISM) programme facilitated development of Textiles and Garment Value Chains Strategy which seeks to revamp the sector. The two sectors are critical to manufacturing and value addition as espoused in the National Industrialisation Strategy which actualising the job creation drive by Government. Malawi Enterprise Productivity Enhancement (MEPE) Project implemented under the COMESA-RISM Programme has built productive capacity for MSMEs and cooperatives in the two sectors in addition to the oil-seed sector. So far, the project has supported MSMEs and cooperatives with sewing equipment, leather products making equipment, oil crushing, refining and other tools including laboratory equipment. Members of cooperatives have steadily been gaining ground in finding domestic markets but are yet to register export trade.

According to the National Leather Value Chain Strategy (2015), the leather sector has potential to significantly contribute to economic growth of the economy. Based on its animal resource base of goats, bovine and sheep, the value chain has potential of grossing USD102 million dollars if all hides and skins produced in Malawi are processed into finished products. It is, therefore, estimated that at full potential optimisation, the value chain could contribute about 3.9 percent to Gross Domestic Product (GDP).

8.6.4 Development of Micro, Small and Medium Enterprise Bill

Ministry of Industry, Trade and Tourism has developed the Micro, Small and Medium Enterprise (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.

8.7 Major Challenges Affecting Trade and Private Sector Development

During the period under review, industrialisation efforts experienced a number of challenges including (i) Exchange rate fluctuations whereby industries that rely on imported inputs had difficulties to properly plan for their businesses; (ii) High costs of and limited access to raw materials in which case small-scale producers had problems in accessing reliable suppliers; (iii) High transportation costs which affected profitabilitiy of businesses; (iv) 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; and (v) Poor access to serviced land making starting business a night mare for new investors.

Chapter 9

EDUCATION, SCIENCE AND TECHNOLOGY

9.1 Overview

Ministry of Education, Science & Technology (MoEST) is the policy holder in provision of education in the country, and provides education in collaboration with faith-based organisations, as well as the private sector. Other Government Ministries, Departments and Agencies (MDAs) including those responsible for youth, gender and labour, complement MoEST in provision of both formal and non-formal education. In this regard, Ministry of Gender, Children, Disability and Social Welfare leads in provision of Early Childhood Development (ECD), Ministry of Sports and Culture leads in provision of sports and other services targeting out-of-school youths, and Ministry of Labour, Youth and Manpower Development takes lead in 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 of 2013, the National Education Policy, and the National Education Standards. The Joint Sector Review that was held in November 2018 revealed that the ducation sector performed well in the year under review. This chapter highlights progress made in the education sector especially on key indicators of the NESP in the 2018/19 financial year.

9.2 Key Achievements of the Education Sector

9.2.1 Primary Education

NESP identifies access to education as one of its central tenets. Key indicators used by the Ministry to gauge progress of its initiatives include enrolment (public), special needs enrolment, pupil-classroom ratio, pupil-permanent-classroom ratio and repetition and dropout rate (Table 9.1). as shown in Table 9.1 below, access to education continues to grow; year-on-year growth in enrolment in public and religious schools is two percent up from last year's 4.96 million learners to 5.06 million this year. The gender parity index remains near equity in our public schools, at 1.02, with the number of female learners greater than the number of male learners.

Net Intake Rate (NIR) measures the proportion of 6-year-old learners entering into, or enrolled in, primary education. Using population estimates from the National Statistical Office (NSO), the NIR for both boys and girls is approximately 100 percent, though it should be noted that the 2014 Welfare Monitoring Survey (WMS) estimated that these figures were closer to 87 percent, but rising.

Similarly, Net Enrolment Rate (NER) estimates the number of school-aged children (6-13 years-old) enrolled in school. Using National Statistical Office (NSO) projections from the last census, and data gathered from schools, the NER is approximately 100 percent, but could be inflated. The same aforementioned

Welfare Monitoring Survey also estimated this figure at approximately 87 percent in 2014, but had shown an increasing trend.

The total number of learners with special needs is 175,051, representing about 3.39 percent of the entire basic education population. This number is also up 20 percent from last year's figure of 146,075. This could be caused by a greater understanding, sensitivity for identification, and mainstreaming of the learners with disabilities in schools. While the Ministry is expanding access to education for all learners, funding should also be increasing in order to ensure provision of quality education to students with special needs. Ministry of education has dedicated MK300 million to special needs education, 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 with difficulties in seeing or hearing make up another 23 percent and 20 percent respectively.

TABLE 9.1: KEY INDICATORS ON PRIMARY EDUCATION

Indicator	2018	2017	Growth rate
Enrolment (public)	5,063,917	4,964,457	2.00%
Special Needs Enrolment	175,051	146,075	19.84%
Pupil-Classroom Ratio	111.23	105.4	5.53%
Pupil-Permanent-Classroom ratio	120.9	121.5	-0.49%
Repetition rate	24.50%	23.90%	2.51%
Dropout rate	3.20%	3.97%	-19.40%

Source: MoEST Calculations, EMIS Database

With a growing population and growing enrolment rate, there is need to increase capacity of schools in order to maintain or improve the quality of education in our schools. In this case, there is need to increase and improve school infrastructure, training and recruit more qualified teachers as well as provide relevant quality teaching materials in all schools.

The Ministry's quest to reduce congestion in classrooms and improve sanitation continues. During the period under review, the Ministry, through the Malawi Education Sector Improvement Project (MESIP) completed 56 classrooms, built 778 learning shelters, as well as 69 changing rooms for girls, and additionally 288 classrooms and 134 pit latrines for girls and 67 pit latrines for boys are at various stages of construction. 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. In addition, 510 more classroom blocks and 309 pit latrines are slated for construction in by June 2019.

DfID funded projects are also aiding the Ministry in tackling overcrowding in classrooms. This year, UK Department for International Development funded construction of 158 classroom blocks, 52 teachers' houses, as well as latrines in many schools. The Ministry also continues to build new schools, classrooms, and latrines through its ORT funded activities. This push has just been able to keep up with growing enrolments; these ratios have remained more or less steady after three years of rather marked improvement. Continued investment from the Government and donors will target school infrastructure, and attempt to keep up with the growing demand for classrooms.

During the 2018/19 financial year, the Ministry spent nearly MK 2 billion on desks and chairs for learners to ensure that classrooms are properly furnished and facilitate high quality learning. In this case, a total of 35,250 one-seater desks and chairs, 710 classroom desks and 710 classroom chairs for secondary schools (totalling USD 3,011,057) were delivered to schools. In addition, the Ministry hired RAIPLY Malawi LTD to supply 26,650 two-seater desks to NED, CEED, SHED at a cost of MK1,365,783,090. Hals Private company Limited was also hired to supply 28,050 desks to CWED, SEED and SWED at a total cost of MK1,417,779,120.

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 slightly increased across both genders countrywide from last year. For girls, the figure is 23.9 percent up from 23.3 percent last year; for boys, 25.1 percent up from 24.5 percent, and overall at 24.5 percent, which is up from 23.9 percent last year. 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 Primary School Leaving Certificate (PLSC) is approximately 52 percent (54 percent for boys, 51 percent for girls) down from 53 percent in 2017 according EMIS data. The trend still indicates that completion rates have not overly changed in the past four years. This continues to represent a large leakage in our primary school system. Dropout rates have, however, declined though only by a small margin. The dropout rate in the 2018/19 school year is estimated at 3.2 percent down from 3.97 percent in the 2017/18 school year. Dropout rates continue to be lower for female learners at 3.2 percent in 2018 down from 3.9 percent last year compared with 3.1 percent for male learners in 2018 down from 4.06 percent last school year for male learners. Dropouts, though not a direct drain on government resources, represent an unnecessary drain on labour productivity. These very young people have effectively no training, and barely the ability to read and write, and cannot be effective members of the workforce. Furthermore, many adolescent girls drop out due to pregnancy, which puts a further burden on young families.

The Ministry and development partners have committed major resources and plans to curb dropouts in schools. Policies in the education sector recommend establishment of parent committees and mothers' groups in schools in order to keep a much closer eye on young people in the community, and their wellbeing. The Ministry's Readmission Policy explicitly advocates for the rights of young mothers by encouraging them to return to school, or where a full-time education is not a viable solution, enrolment in Complementary Basic Education. The Directorate of Basic Education has strengthened capacity building for School Management Committees, Mothers' Groups, and Parent Teacher Associations nationwide. Furthermore, many of our DP-funded projects focus on education of adolescent youths, especially girls, as well as effective school management in order to help correct these inefficiencies that put undue strain on the education system.

Decentralisation within the primary education sub-sector has fully been adopted in the current financial year. It is predicted that devolution of key activities from the Central Ministry into the hands of local councils, school councils, and District Education Managers will help to improve efficiency and efficacy of the primary education system, as well as enhance capabilities of districts and schools to correct inefficiencies as they see fit and in a timelier manner. Activities that 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, utilisation of ORT resources, and, perhaps most importantly, management of teachers and teaching resources, including recruitment, deployment, placement, and promotion of teachers, appointment of head teachers, and handling all teacher discipline. It is expected that devolving these activities will make the system more effective and agile.

9.2.1.1 Teachers for Basic Education

Government started construction of three new public Teacher Training Colleges (TTCs) in Rumphi, Chikwawa, and Mchinji in January 2019. 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 sub-sectors.

During the period under review, new recruits into the Initial Primary Teacher Education (IPTE) programmes totalled 4,831, two-thirds of which are males. The programmes retained only about 88 percent of initial recruits past registration.

A recruitment drive of last year (2017/18 school year) of nearly 5,000 new teachers brought the total number of teachers in public and religious schools to 77,635. The pupil-teacher-ratio in the primary subsector came down from 77:1 last year to 74:1 this year – solid progress, but still far above the target national average of 60:1. The gender ratio among primary school teachers continues its trend towards equality. This year male teachers accounted for 56 percent of the workforce, while last year this figure was 57 percent.

9.2.2 Secondary Education Sub-Sector

The Secondary sub-sector has continued to show year-on-year improvements in spite of its handicap with respect to funding in the recent past. The number of public schools has grown from 1,103 last year to 1,133 this year 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. Construction of two more schools in Thumbwe and Machinga has begun. Total enrolment (EMIS data 2018) in the sub-sector has grown by 3.9 percent, from 372,885 pupils last year to 387,569 pupils this year. The gender gap in the sub-sector has also narrowed. The ratio of male to female learners has come down to 1.08 this year from 1.09 in the previous school year. While the expansion of enrolment is obviously a sign of good health in the sector, it has put additional strain on teachers and classroom sizes. Sector-wide efforts are being made to ensure that the quality of education is maintained.

Government is working hard to expand access to secondary education for needy learners. In the 2018/19 school year, Government has provided bursaries to 14,499 learners, and cash transfers to a further 4,343 beneficiaries. These are the same figures as in the previous school year. Development partners in the sector are continuing to give financial aid to students and youths thereby promoting and expanding outreach. Privately funded bursaries and financial aid were made to 27,296 students, 69.5 percent of whom were females.

Furthermore, efforts in the sub-sector are aimed at improving overall quality of public secondary education. Government is currently in the process of constructing science laboratories and libraries in 28 CDSSs, and has recruited and deployed 1,200 teachers to these schools. Traditionally, CDSSs have been incapacitated by lack of resources, and overcrowding, but Government is committed to ensuring that all secondary school learners receive quality education, regardless of the type of school. In this school year, Government is recruiting 500 Secondary School Teachers for Community Day Secondary Schools across the country and also promoting teachers to different grades. There has also been a procurement drive in this financial year to supply 28,500 additional desks for students, and over 224,225 secondary textbooks to be distributed to CDSS learners. Government is also committed to improving the quality of teachers and this year, about 80 unqualified secondary school teachers have been sponsored to undergo a one-year professional development scheme called the University Certificate of Education.

In other public schools, MoEST is also committed to improving quality. In four National Secondary Schools, rehabilitation efforts are ongoing in order to keep the schools modernised. MoEST is also finishing the upgrading of 21 CDSSs and 12 other public secondary schools offering technical education subject with support from European Union.

9.2.2.1 Teachers for Secondary Education

In the 2018/19 school year, 14,398 teachers have been deployed in both public and religious schools (11,106 males and 3,292 females). This represents a 0.5 percent increase on last year's 14,333 teachers. The pupil-teacher-ratio has, however, increased from 26:1 last year to 27:1 this year. The outlook is even worse when we consider '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 adequately been trained on secondary school curricula, nor have they undergone relevant teachers' training 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 is 41:1 down from 42:1 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 Teacher Training Colleges and expanding enrolment across all Teacher Training Institutions. Efforts have been focused on 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 Sub-sector

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 a global society. The Higher Education sub-sector comprises four public universities: University of Malawi (UNIMA), Mzuzu University (MZUNI), Lilongwe University of Agriculture and Natural Resources (LUANAR), and Malawi University of Science and Technology (MUST).

Student enrolment in higher education has increased to 41,583 in both private and public universities. Growth of student population is attributed to increased enrolment in generic programmes in most universities. In addition, some universities (e.g. LUANAR, MZUNI, and UNIMA) have embarked on enrolling students in Open and Distance Learning (ODL) programmes. LUANAR, for instance, now has about 929 students enrolled in its various programmes under ODL. In addition, there are more than 21 private universities under the higher education sub-sector, out of which 10 have been registered and accredited with the National Council for Higher Education (NCHE), 9 others have been registered, but failed their accreditations, and two others are awaiting inspections.

According to data from the Loans Board, 12,725 total tuition, upkeep, and book-loan beneficiaries were approved in the 2018/19 school year up from 9,346 beneficiaries last year. This translated into disbursement of MK6.830 billion this year up from MK3.19 billion last year, representing 114 percent increase in disbursements over last year. The Board screens applications to identify eligible students based on need and merit through a systematic process in collaboration with administrators in both public and private institutions of higher learning.

Furthermore, the higher education sub-sector under the Higher Education Science and Technology (HEST) Project has expanded the infrastructure in various public universities. This relates to the construction of lecture theatres, classrooms, laboratories, ICT and business centres, libraries as well as workshops at the seven beneficiary institutions. Buildings at Mzuzu University, Chancellor College, Soche, Nasawa, Lilongwe and Salima Technical Colleges and Malawi Polytechnic (Laboratories) have been handed over to beneficiaries. However, the ICT and business centre building at Malawi Polytechnic was initially expected to be completed by 30th September, 2018 but was extended to 31st January, 2019. The technical handover of the structure was done in May, 2019. All equipment financed by the African Development Bank has been delivered to institutions. However, the use of ICT equipment at the Technical Colleges, except Soche Technical College, is not adequately being used due to lack of electricity connection.

The HEST project has also a component of Student Merit Based Scholarship. A total of 861 (43 percent females) student merit based scholarship for science and technical programmes of study were awarded to students at seven beneficiary institutions. These include 485 students at the technical college level where the female enrolment rate was at 51 percent and 376 students at university level, where the share of female students was 27 percent. The first cohort of students completed their studies in 2017, and the second cohort at TVET is expected to graduate in December, 2019. For universities, courses have been completed at different times mainly due to differences in the duration of study programmes. For example, the first cohort at Mzuzu University and Malawi Polytechnic completed in 2017 while Chancellor College completed in 2018 and the cohorts for Mzuzu university and Chancellor college are expected to complete in December, 2019 while the last cohort will complete in June, 2020.

In addition, the HEST project had a Staff Capacity Building component where a total of 59 staff members (15 percent females) from the seven beneficiary University Colleges and Technical Colleges were awarded with various scholarship trainings at PhD, Masters and in specialised certificate programmes. Fifteen of the approved scholarships were at PhD level, 29 for MSc. and 15 for specialised short courses. All the staff pursuing MSc programmes and PhDs completed their studies in December 2018.

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 at expanding the production of highly skilled, fit-for-purpose agricultural scientists, as well as at fostering their innovativeness and entrepreneurship. These scientists, supported by the centre, will help improve aquaculture and fisheries management in order to enhance food production, nutrition, and economic security in Eastern and Southern Africa. 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 six males and three females to study at LUANAR for the AQUAFISH programme from 2016-2021. Additionally, LUANAR managed to attract ten male and three female international students for its PHD programme, surpassing a target of seven men and three women. For Faculty and PhD student 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 programmes.

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 target set for attracting some international students to pursue Master and PhD degrees was put at 12 over the five-year period from 2016 to 2021. So far, four PhD students have been recruited, three of whom are international.

9.3 Education Sector Development Projects

The Ministry was funded about MK12 billion of the approved provision of MK12.9 billion, which is a big improvement from last year's low funding. This has translated into significant progress in construction works towards individual projects.

There are also several development partners who are financing the education sector. Such partners include 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 African Development Bank (AfDB).

Japanese Government in collaboration with Malawi Government are financing the expansion of Domasi College of Education in Zomba. The scope of work involves construction of additional three hostels, an administration block, lecture theatres, labs and a library.

The Ministry, with funding from Malawi Government, BADEA, OFID and Saudi Fund is constructing three Teacher Training colleges in Rumphi, Mchinji and Chikhwawa. The scope of the work involves construction of the TTCs with teaching areas, theaters, teachers houses, water works, sewer systems, external works including landscaping, fencing and construction of sports grounds. Construction on all sites began in January, 2018 and is expected to be finished by January, 2020. On average, construction is 30 percent finished on all three sites.

The Ministry is also constructing labs and libraries in CDSSs with funding from the Malawi Government. The project is focused in 19 districts: Mzimba, Rumphi, Chitipa, Ntcheu, Dedza, Karonga, Kasungu, Nkhotakota, Salima, Lilongwe, Mchinji, Ntchisi, Dowa, Mangochi, Machinga, Balaka, Zomba, Chiradzulu and Blantyre. On average, the project is at 30 percent completion in all sites.

The Ministry has been implementing the Higher Education, Science and Technology (HEST) Project with funding from Malawi Government, Nigeria Trust Fund, an ADF loan and an ADF grant (from the African Development Bank). The project involved the construction of lecture theaters, laboratories, workshops, administration blocks, Open Distance Learning Centers (ODL), Information Communication Technology (ICT), and libraries in the seven beneficiary institutions, namely Mzuzu University, Chancellor College, Polytechnic, Nasawa Technical College, Soche Technical College, Lilongwe Technical College and Salima Technical College. All construction work is complete, and the last building was handed over in May, 2019 at Polytechnic in Blantyre.

In addition, the higher education sub-sector is carrying out another project called Skills Development Project (SDP). In 2014, Government of Malawi (GoM) signed a loan agreement with World Bank to support the Skills Development Project (SDP). The project aims at increasing access, market relevance and results-orientation of supported skills development institutions in agreed priority areas. The project is being implemented by five participating tertiary institutions, namely: Chancellor College (CHANCOL), the Lilongwe University of Agriculture and Natural Resources (LUANAR), Mzuzu University (MZUNI), Polytechnic (POLY), and Technical, Entrepreneurial, Vocational Education and Training Authority (TEVETA). The National Council for Higher Education (NCHE) was assigned the responsibility of managing and coordinating the project.

With support from the 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. Works commenced in January, 2017 and is progressing well.

The Ministry with assistance from KfW is also rehabilitating three Teacher Training Colleges of Bembeke, Lilongwe and Blantyre as well as 60 respective Teaching Practice Primary Schools. The project covers schools in the nine education districts of Blantyre rural, Dedza, Ntcheu, Dowa, Lilongwe Urban, Rural West and East, Mchinji and Salima. The project includes the rehabilitation of water and sewer systems at the colleges, the construction of 173 classrooms and 46 administration blocks and teaching practice hostels at the teaching practice schools.

9.4 Key Implementation Challenges

Some of the key challenges faced by the Ministry in this year under review include 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 schools have come down from last year, but remain well above the Ministry's target of 60:1.

The transition rate from primary to secondary school remains low, and capacity for new students, while growing, remains well below required levels. As of now, conventional secondary schools can only absorb about 35 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. 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. OSSs also contribute to worsening teaching and learning quality in the secondary sub-sector as they add workload of teachers in these schools. Despite these disadvantages, OSSs still attain Ministry approvals out of necessity, and possibly without meeting minimum standards.

Delays and general underfunding in ORT activities continue to cripple initiatives and hinder the Ministry's effectiveness. For example, cash flow towards procurement of teaching-and-learning materials in secondary schools is 56% of the budgeted amounts to date. 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.

This problem is not unique to ORT funded activities; communication break-downs and delays happen with donor-funded projects as well. This leads, on occasion, to amended project activities which have not received the consent of Ministry officials, and which may not adhere to Ministry regulations or guidelines.

General understaffing in key directorates leads to inadequate capacity to undertake more ambitious activities, and low 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. There were a number of achievements that were made including the following:

9.5.1 Climate Technology Centre and Network (CTCN) Incubator Programme

Malawi has been participating in the Climate Technology Network and Centre (CTCN) activities that aim to help developing countries and emerging economies transform their markets to energy efficient lighting, appliances and equipment as an alternative way of making energy supply available to a larger population in the absence of increased generation capacities at national level.

In the reporting period, NCST together with ESCOM and the Department of Energy developed a request for support aimed at leapfroging Malawi's Market to Energy Efficient Refrigerators and Distribution Transformers. This project will identify and replace different equipment that utilize much power with more efficient equipment that use less power thereby enabling the country to save some power which can be supplied to other customers.

9.5.2 Programme for Biosafety Systems (PBS) - ATCC Approval of application to register Bt cotton hybrid varieties

During the year under review, the National Commission for Science and Technology successfully facilitated the approval of the Genetically Modified (GM) Bt cotton. This Biotechnology Research Project was being implemented in collaboration with Quton and Department of Agricultural Research Services (DARS) which facilitated National Performance trials for new variety. The approval of Bt Cotton followed reviews which were made by the Agriculture Technology Clearing Committee (ATCC) which approved registration of four hybrid varieties thereby commercializing Bt Cotton on 27 December 2018.

9.5.3 Migration to Online Systems for Research Ethics Clearance and Biodiversity Data publishing through the use of Integrated Publishing Tool (IPT) system

The National Commission for Science and Technology (NCST) has migrated to an On-line System for clearance of research involving human subjects. This tool was developed to aid the researchers to submit their protocols online and to aid reviewers to have easy access to submitted protocols. This system will speed up the review process and allow timely implementation of research activities by applicants following ethical approvals.

9.5.6 Partnerships and Collaborations

During the period under review, the NCST has developed a number of partnerships that will enhance science and technology research in Malawi. Among others, 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.

NCST also build partnership with Southern Africa Research and Innovation Management Association (SARIMA) and the New Partnership for Africa Development (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 Innovation Ecosystem.

At the invitation of Peking University School of Public Health (PKU) in China, NCST visited PKU 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.

Another partnership has been with Zambian National Science and Technology Council (NSTC) 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's first innovation hub and incubator for emerging entrepreneurs is mHub. This is a social enterprise that trains, mentors and incubates youth and women entrepreneurs with business development expertise. MHub has directly impacted over 20,000 youths and women in entrepreneurship trainings, business clinics and coaching over 4 years. The hub has intimately incubated more than 40 youth and women entrepreneurs in fields ranging from, but not limited to Agribusiness, ICT, Architecture, Marketing, Waste Management, Photography and Auditing among others. The hub facilitates structured mentorship between entrepreneurs at 3 different stages of ideation, start-up and post revenue to develop viable business models, attract investment, access financing and access varied technical expertise from established experts, researchers and icons in business and relevant technical fields.

MHub also aims to enhance knowledge sharing between industry, academia and researchers. The hub has a co-working space where emerging entrepreneurs work from. Hub activities include start-up camps, entrepreneurship challenges, business development clinics, pitching den, proposal writing workshops and customised boot camps.

Some of the achievements by mHub include the following:

i. In partnership with National Institute of Civic Education (NICE), developed Maso Athu Elections Monitoring System, an ICT based Elections monitoring System; which will be used by NICE Public Trust observer team and citizens, to report in real time, activities and electoral related incidences happening prior and during voting in the upcoming 2019 Tripartite Elections.

ii. Developed a citizen engagement technology platform called Mzinda (www.mzinda.com) where over 600 reports on service delivery were collected from Blantyre, Lilongwe and Mzuzu and shared with providers, action was taken on 72% of the reports. Also trained 62 councilors and 80 community block leaders from the 3 cities on the use of ICT for Citizen engagement.

iii. Partnered with DAI, a USAID funded organisation to incorporate the use of technology in their Local Government Accountability Program (LGAP). Currently the developed system allows market vendors from 64 markets in 8 districts to receive up to date reports on market revenue collection and usage. They are also able to report on the issues they face in their markets via SMS and get feedback from the targeted officials at the local councils of their area.

iv. Developed and deployed an election monitoring system for elections in Southern Africa called Election Situation Room (www.esrsahub.org). The platform has resources and a toolkit for development of ESR platforms by stakeholders involved in the elections process in Southern African countries. mHub also trained stakeholders involved in monitoring elections from 7 Southern African countries on how to deploy and use the ESR Platform during election periods.

v. Developed and maintaining a portal that allows people to connect with organisations working in the human rights space where their rights are violated of face abuse of any kind. The victims connect with the stakeholder via SMS through the developed platform in real time. The portal also provides important information to the general public on their rights. It can be accessed on www.ufuluwanga.com

vi. Developed commercial IT platforms for companies and organisations like Girl Effect, UNDP. National Youth Council, DRC based Taxi Sharing App, and a youth engagement app for the Ministry of Youth supported by UNFPA.

vii. mHub Founder, Rachel Sibande won $25,000 USD at the Next Einstein Forum to kickstart the implementation of a climate smart energy generation project. The aim of the project is to generate power from maize husks and distribute via pay as you go in Malawi.

9.5.8 Digital Skills

Partnered with Facebook in 2019 to host a Facebook Open House Event where members of Facebook's Content Policy shared with NGOs, Corporations, Students and other users the different approaches that the Content Policy team adopts in developing community standards. The event aimed to seek input from partners on what Facebook can do better and identify concrete gaps in their content policies or overall approach.

Developed the SDG Visualization Data tracking platform to track the SDGs for Malawi. This is an online tool that uses different visualization techniques to enable interactive engagement, allowing users to track, monitor and compare progress on the SDGs at the click of a button.

Partnered with Google Local Guides team from London and the World Bank to train over 200 mapping enthusiasts to contribute to the state of maps in Malawi. The trainings targeted youths from Blantyre, Zomba, Lilongwe and Thyolo.

Equipped over 150 children of ages 7 to 17 with digital skills, over 200 girls with digital and entrepreneurship skills through the various programs we run including the Girls4Code and Africa Science Week.

mHub in partnership with DMI and Cape Town Science Centre also trained 120 primary school teachers form Mangochi, Machinga, Salima, Balaka and Dedza with programming skills to enable them train learners coding through the Africa Science Week.

9.59 Entrepreneurship

During the period under review, NCST facilitated a number of entrepreneurship engagement including the Growth Accelerator Entrepreneurship Challenge, an initiative aimed at supporting 11 post revenue entrepreneurs with financial and rigorous technical assistance to scale and grow their ventures. This initiative is being implemented by mHub in partnership with a pan African company focused on the acceleration of local and international businesses, GrowthAfrica. The Accelerator has leveraged partnerships with 2 investment partners called Kweza Equity Partners and and a Netherlands-based investment firm Accesserator. The program is supported by UNDP and the Royal Norwegian Embassy. Under this programme, ventures can access up to $40,000 matching funds or with equity.

NCST also supported over 188 entrepreneurs who have pitched their business ideas over 3 years to potential investors and the general public to optimize investment deals, network, and shape the entrepreneurial industry growth through the Pitching Den.

In the reporting period, the Commission also supported the UN Women's rural youth and women economic empowerment program that provides financing, training, coaching and business branding support specifically to youth and rural entrepreneurs particularly cooperatives. In this regard, NCST trained over 245 rural youth and women entrepreneurs. The project provided financing to 6 rural youth and women entrepreneurs and supported 7 youth and women led cooperatives with branding and marketing materials for upscaling processed products to the market.

In partnership and World University Services of Canada and Uniterra, mHub manages the UNITERRA Grow Fund, a revolving fund to finance and train young rural entrepreneurs in Malawi. Six young entrepreneurs are currently accessing financing and rigorous technical assistance to grow their enterprise through the fund. The Grow fund is an initiative of a consortium of partners such as World

University Service of Canada, National Youth Council of Malawi, ACADES and Small and Medium Enterprise Development Institute (SMEDI).

Provided $30,000+ investment to an emerging entrepreneur seeking to setup a fruit and vegetable processing factory to deal with the challenge of food waste. The money was sourced form Standard Bank, National Bank and European Investment Bank. The winning entrepreneur was identified through a national entrepreneurship challenge called, What Will You Do With 20 Million Kwacha. In addition, the Commission provided startup capital to 3 student teams with practical business ideas through a pitching competition for universities and colleges called, Graduate Pitch Challenge.

Chapter 10

TOURISM

10.1 Tourism Performance in Malawi

The influence of the Tourism sector globally continues to grow. The World Travel and Tourism Council (WTTC) reports that at 10.4 percent of global GDP, the sector grew by 3.9 percent compared to 3.2 percent growth of the global economy. The same applies to the SADC region where the tourism sector is contributing 8.4 percent of total GDP and 6.8 million jobs. The regional and global success of the sector presents a great opportunity for Malawi to benefit from this growth.

WTTC further reports that the total contribution of Tourism to GDP in Malawi has increased from MK345 billion to MK403 billion. However, this still represents 7.7 percent of GDP. The forecast is that this will rise by 3.0 percent by the end of 2019. The total contribution of the sector to employment remains at 6.7 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 MK25 billion in 2017 to MK26.8 billion in 2018, representing 1.8 percent of total exports. This can be, in part, attributed to the increase in the number of international visitors from 804,000 to 837,000 according to the National Statistical Office (NSO). In terms of expenditure characteristics, 25 percent is leisure spending while the rest is business spending. In terms of inbound tourist arrivals, Mozambique leads with 32 percent, followed by Zimbabwe with 13 percent, the United Kingdom with 12 percent and Zambia with 9 percent, while the rest of the world contributes 33 percent.

10.2 Current Interventions in the Sector

10.2.1 Approval of the National Tourism Policy

Government continues to recognise Tourism as a key priority area to achieve social economic development of the country. As such, it is highlighted as one of the priority areas in the Malawi Growth and Development Strategy (MGDS) III. In this regard, on 14th February 2019 Cabinet approved the National Tourism Policy, which is aimed at creating an enabling environment for the development, regulation and promotion of a sustainable tourism sector, which enhances tourist experiences and satisfaction whilst improving the socio-economic wellbeing and maintaining the cultural identity of local communities. The Policy presents direction of Government towards transforming tourism sector into a major source of economic growth, job creation and tool for poverty reduction. The Policy proposes several reforms, which will help transform the sector such as:

i. 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;

ii. Review of the tourism law to strengthen enforcement and compliance with minimum standards;

iii. Strengthening the Tourism Sector Working Group (TSWG) as a platform for stakeholder dialogue aimed at improved coordination and implementation of tourism interventions;

iv. 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.

Going forward, Ministry of Industry, Trade and Tourism will focus its efforts on implementing these reforms.

10.2.2 Marketing Initiatives

In order to attract foreign tourists, Government is intensifying tourism marketing and promoting Malawi as a tourist destination as a way of creating awareness in both domestic and international markets. Currently, Government is implementing the Tourism Marketing Strategy, a five-year strategy for marketing Malawi locally, regionally and internationally. The strategy aims at increasing international tourism arrivals from the current 837,000 to 1,200,000. This will increase utilisation of tourism products and services by increasing average occupancy rate from 54.9 percent to 70 percent thereby raising contribution of the sector to total employment from 6.2 percent to 8 percent and visitor exports from 2.5 percent to 5 percent by 2021.

As part of efforts to achieve this, Government hosted the third Takulandirani Malawi International Tourism Expo (MITE) from 25th to 27th April, 2019 where 80 local and international businesses exhibited and 42 international buyers participated. As a result, Malawi received recognition from several international print and electronic media. This is expected to substantially increase number of visitors to Malawi.

10.2.3 Improvement of Access to Tourist Attraction Sites

The Government finalised upgrading of a 4.7km access road to Salima lakeshore resort areas. It is expected that the road will ease mobility of tourists to the resort areas and result into increased tourist numbers and tourism investment in the area. This will, in turn, increase contribution of the sector to national GDP. Following completion of this phase, Government will focus on upgrading the Cape Maclear access road in Mangochi in the next financial year.

10.2.4 Promoting Investment and Competitiveness in Tourism Sector (PICTS) Project

The Ministry through support from the African Development Bank (AfDB) is implementing a four-year project aimed at promoting investment and competitiveness in the tourism sector. The Project's broad development objective is to create an enabling environment for investment in the tourism sector through enhanced capacity in planning and business management, and improved governance in the management of natural resources. The project focuses on five areas:

i. Development of a Tourism Investment Master Plan to ensure that the sector is well planned and monitored;

ii. Capacity building for tourism statistics so that data on tourism is readily available and contribution of the sector to GDP is clearly known or quantified;

iii. Development of touristic products with focus on ecotourism;

iv. Strengthening capacity in management of touristic products, enterprises, and related businesses with a view to increasing economic performance of the sector; and

v. Strengthening collaboration between Government, private sector and communities in conservation and product development with an aim of creating employment opportunities and generate revenue.

Competitiveness of the sector shall be enhanced through the country's ability to invest in touristic infrastructure and services, and in attracting as well as satisfying the needs of tourists through well-developed products and improved service delivery. The project will help to attract investment and tourists into the country.

10.2.5 Development of Public Beaches

The beauty of Lake Malawi has propelled property developments comprising hotels, lodges and private cottages that occupy prime land and beaches along the stretch of the shorelines. Fishing villages and communities have also sprung up along Lake Malawi, relying on the lake for their livelihood. Government has designated 30 meters from the waterline as public land. This means beach frontages are public areas. They cannot be privately owned or controlled because of their inherent importance to each individual and society as a whole.

Multiple land uses for the water and the public land status for the beaches, often times, cause conflicts between property developers and local communities. Recently, Malawi has also experienced an increase in incidences of unnecessary death due to drowning. In addition, there is lack of sanitation on the beaches. As a result, developers are motivated to restrict public access to the beach frontages. Private properties and developers often invoke the illegal activities of others as reasons to prevent access to beaches they border. Fences are built around their properties, blocking access and views to the beach. In contrast, local communities have complained of unfair treatment by private owners, racism, eliticism and segregation. They take the beaches as their ancestral land, treated as sacred spaces with full of emotive life experiences and the main source of livelihoods.

Development of sustainable tourism must consider domestic tourism and the recreational need of local people. As such, Ministry of Industry, Trade and Tourism is implementing a project aimed at developing public beaches and their associated infrastructure along the stretch of Lake Malawi. The overall goal of the project is to promote responsible and sustainable tourism of lake shore resort areas. The purpose of this project is to provide an enriching experience, recreation and entertainment to local communities, urban dwellers and foreign visitors. The project outcomes are:

i. Reduced conflict arising from access to beaches;

ii. Improved sanitation, orderliness and cleanliness;

iii. Increased job and business opportunities for locals; and

iv. Improved revenue generation for Local Councils.

So far, 16.1 hectares of land for the project has been identified and acquired in Salima, T/A Maganga. The land has been cleared in readiness for zoning, construction of public beach amenities and provision of health and safety facilities. Another piece of land was identified in Nkhata Bay. Acquisition processes are still under way. There are also plans to identify and acquire land in Mangochi for the same purpose.

10.3. Major Challenges and Constraints to Development and Promotion of Tourism

The major challenges that are frustrating Government's efforts to turn Malawi into one of the leading tourism and investment destinations in the region and the world at large include lack of land for tourism investment and limited investment incentives; inadequate tourism information base; and low service quality and underdeveloped products.

Despite increased 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, with support from the AfDB, is implementing will address this challenge through mapping and zoning of all areas with potential for tourism development.

Inadequate Tourism Information Base is another challenge inhibiting growth of the tourism sector. 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 order to address this, 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 and quantified.

The tourism sector in Malawi is also characterized by low service quality as a result of limited supply of skilled labour, lack of high quality training institutions and outdated curricula, low literacy levels, a limited number of specialist investors and unattractive conditions of service leading to an unmotivated labour force. Low quality of services adversely affects competitiveness of Malawi as a tourist destination. Further to this, 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, the 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 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. Focus of the project at MZUNI is to establish a Skills Development Centre, supply equipment and upgrade staff skills. On the other hand, GIZ, through the More Income and Employment in the Rural Areas (MIERA) programme, is also supporting Government to strengthen vocational education and training at Malawi Institute of Tourism (MIT). In addition, Government intends to increase capacity of MIT by building a modern tourism training school at Lingadzi Inn in Lilongwe

Chapter 11

LOCAL GOVERNMENT AND RURAL DEVELOPMENT

11.1 Overview of Integrated Rural Development and Decentralization Sector

The national development agenda, 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 and ethnicity. Government put in place a decentralization policy to devolve functions from the central government to local 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. MGDS III implementation will emphasize devolution of the functions that are currently handled by central government. It is expected that local councils will take an active role in development programmes that help the country attain sustainable national development.

Nevertheless, by Involving all stakeholders in rural development will promote synergies 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. Development of rural growth centres will be at the centre of the integrated rural development

The Government of Malawi, therefore, has adopted the implementation of Rural Growth Centres (RGCs) development approach which involves construction of RGCs, urban and rural market centers and other rural infrastructures in both rural and semi-urban centres as critical development components within the realm of Integrated Rural Development Strategy (IRDS). In order to achieve this important milestone and aspiration, Ministry of Local Government and Rural Development and Local Authorities, continued implementing various development programmes during the 2018/2019 FY and plans to further roll out implementation of these development endeavors in the 2018/19 fiscal year and beyond. This chapter highlights activities that have been implemented during the 2018/2019 fiscal year in tandem with strategic focus areas of the Ministry as stipulated in the Integrated Rural Development Strategy (IRDS, 2016) and Program Support Document (PSD, 2017) for IRDS and also Sustainable Development Goals (SDGs).

The main objective of the IRDS is to enhance coordination in planning, implementation, Monitoring and Evaluation (M&E) of rural development programmes by stakeholders across the country. The Strategy is anchored on the following six pillars:

i. Local governance and decentralization;

ii. Local economic development and investments;

iii. Rural financial services;

iv. Local development planning and budgeting;

v. Human capital development; and

vi. Cross-cutting issues (such as gender, disability, elderly, HIV and AIDS, information communication and technology (ICT), climate change, disaster and risk management and environmental management).

11.2. Major Achievements during the 2018/19 FY

The major achievements for the period under review include continued construction of RGC, urban and Rural Market Centres and other infrastructures including mini stadia, District Commissioners office, 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 population in impact areas. 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. Key interventions include construction of RGCs, urban and rural markets centers, community grounds, bus depots and other rural infrastructure including rural roads, just to mention a few. 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

Integrated Rural Development is at the centre of poverty reduction in rural areas. According to recent studies, RGCs have proven to have potential to generate economic gains which can lead to improvements in rural livelihoods in both medium and long term.

In the period under review, a total of three (3) medium to large scale project investments have been implemented in Dowa (Nambuma), Chikhwawa (Chapananga) and Mchinji (Mkanda) districts. Key infrastructure developed include: construction of community hall, Bus depot, library, community ground, Drainage works and pavement Police Unit, markets; health centers; tele-centers; primary schools; sub-district offices among others. Table 11.1, indicates progress achieved during implementation of RGCs in the FY under review.

TABLE 11.1: PROGRESS ON RURAL GROWTH CENTERS

Name of RGC	Structures	Outstanding Works	Progress to Date	Remarks
Nambuma	1. Community hall 2. Bus depot 3. Library 4. Community ground	None	Completed	NA
	5. Police Unit 6. Health Centre	None Painting and Ceiling	Completed and in use 80percent completion rate	Completed and in use The contractor has been warned to accelerate the works
Chitekesa	1.Market kiosks 2.Market sheds 3.Bus depot	None	Original works Completed	Awaiting painting although the contractor is also waiting for an addendum due to additional facilities
Chapananga	1.Market kiosks 2. Market sheds 3. Bus depot 4. Drainage works	Drainage works	The Market is rated at 100 percent completion while Bus depot is rated at 98percent completion with drainage system and paving works yet to be done.	To be handed over before, June 2019 Drainage works have not commenced because the contractor is waiting for an official hand over of a new contract by Department of Buildings
Mkanda	1.Market kiosks 2. Market sheds 3. Bus depot	Painting	Finishing stage and works are 95percent completion rate thus Market and Bus Depot	Retarded progress due to delaying in payments- no notable progress from previous reporting period
	4. Drainage works and Pavements	Drainage works and pavement	25percent Completion rate	

Source: MoLG&RD, 2019

In the 2018/19 FY, Government has managed to facilitated construction works of three (3) Rural Growth Centres (RGC) (Phase II) at: Nambuma (Health Centre and Police Unit) in Dowa District, whose completion rate is at 50 percent; Chapananga in Chikhwawa District, whose completion rate is over 95 percent; and Mkanda in Mchinji District whose completion rate is at 95 percent. For some projects like Chitekesa RGC, Phase I has been completed and Phase II of the implementation process has commenced. However, construction works stalled when the site was occupied by floods victims who used the site 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 re-mobilised on the construction of the Market and the Bus Depot after the revision of rates. Despite these challenges, Government is committed to achieve successful completion of 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 salvation of the rural populace, consequently reducing rural poverty.

11.2.3 Markets Development Programme (Urban and Rural Markets)

Overall, during the 2018/19 fiscal year, a total of five markets were constructed namely: Mulanje district (Mulanje Mission Market, Chinakanaka Market, Nsika wa Njala Market and Limbuli Market) and Nsanje (Nsanje Boma and Tengani). Currently, constructions of works are in progress at Nsanje, Tengani, Chinakanaka and Mulanje Mission markets respectively. The major challenge so far that has been delays in compensating vendors at Nsanje Boma. This has brought in conflicts as the old valuations that were done have been disputed. As a result, the contractor's access to the site has been greatly affected thereby delaying constructions of the market. Table 11.2 presents progress on the urban and rural markets.

TABLE 11.2: PROGRESS ON URBAN AND RURAL MARKET CONSTRUCTION

Name	Structures	Outstanding Works	Progress to Date	Remarks
Limbuli	1. Market sheds 2.Slaughter house 3. Market kiosks 4. Bus terminal Additional Structures .	None Access Road Shops	Original works already completed but the community demanded more structures i.e Access road and additional shops. The works are in progress.	There is need to pump more funds to have a better open access to the market.
Chinakanaka Market	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery 5. Perimeter Fence	Painting and roofing	The works are at 80percent completion rate	The works are progressing well since the contractor returned to the site. Painting and roofing to be completed by mid-May 2019
Mulanje Mission	1 Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery 5. Perimeter Fence	Pavement works	Finishing stage but working on pavement and the original works are at 95percent completion rate	The contractor is on site and there is commendable progress. The contractor is working on variation orders and other additional works. The works stalled due to delaying in payments
Nsanje Boma market	1.Market Kiosks 2. Market sheds 3. Bus depot 4.Slaughter house 5. Water pump 6. Butchery	Roofing and Painting	The works were rated at 85percent at the time of the reporting	Working on finishing construction works by June 2019
Tengani Market.	1.Market Kiosks 2. Market sheds 3. Bus depot 4. Water pump	None None Pavements, painting Water pump	Completed in Phase 1 and handed over to the council Completed in Phase 1 and handed over to the council At 85 percent Completion rate Finishing stage Not yet procured	Working on finishing works. The first lot has been completed and ready for handover. The second lot is at 85percent completion rate. However the contractor down seized due to delays in payments.

Source: MoLGRD, 2019

As presented in Table 11.2 above the analysis has revealed there has been commendable progress in the year under review (over 80 percent completion rate) despite downward revision during the mid-year. Nevertheless, 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. This revelation proves the importance of integrating views of all key stakeholders during the planning stages of such huge investments.

11.2.4 Construction of Mini-Stadia/Community Grounds

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 seven community grounds were being constructed. The beneficiary districts included Rumphi, Zomba, Thyolo, Ntcheu and Nkhotakota with some of the stadia being completed and now operational. As shown in Table 11.3 below, construction of different stadia was at various stages.

TABLE 11.3 PROGRESS ON THE CONSTRUCTION OF COMMUNITY GROUNDS

Name Council	Structures	Outstanding Works	Progress to Date	Remarks
Rumphi	1. Construction of perimeter fence 2. Construction dressing rooms 3. Pitch Improvement 4. Elevation of stands	None	Contracted works completed KFW	Completed and in use
Nkhotakota	1.Construction of perimeter fence	None	Fence completed	Completed
	2. Construction dressing rooms 3. Pitch Improvement 4. Elevation of stands	Construction dressing rooms Pitch Improvement Elevation of stands	Works stalled	Looking for additional funds to work on these facilities
Zomba	1. Construction of perimeter fence 2. Construction dressing rooms 3. Pitch Improvement 4. 5. Elevation of stands	None None None Elevation of stands	Completed under phase1 Completed under phase1 Works stalled	Phase 1 Works in progress. The works include reconstruction of the Hall, Construction of VIP Stand, Wash Rooms, Dressing Rooms, Ticket Offices and Perimeter fence. Progress is at 70percent completion rate
Thyolo	1. Construction of perimeter fence 2. Construction dressing rooms 3. Pitch Improvement 4. Elevation of stands	Construction of perimeter fence Construction dressing rooms Pitch Improvement Elevation of stands	Not yet commenced but will start under 2019-20 Fiscal Year	To be constructed in 2019/20 FY Still under excavation finishes
Ntcheu	1. Construction of the stadium	Construction works of the stadium	Excavations almost completed and construction works commenced and are at 25percent completion rate.	Contactor is awaiting to receive the stadium design from the Council.

Source: MoLGRD, 2019

11.2.5 Construction of Council Offices

In the year under review, the Ministry also embarked on construction of council office buildings. This project has been developed after noticing various challenges including dilapidated offices and serious shortage of office space leading to Government offices being dispersed across the district or the city instead of being under one roof. These challenges have affected quality of service delivery by local councils to the communities. The office complex project has, therefore, been identified as a facility capable of delivering multiple benefits to the district council and the council staff by providing a conducive environment for better service delivery. In general, Table 11.4 shows that construction of council offices experienced significant challenges including inadequate fudning and outstanding payments which negatively affected the implementation of the projects.

TABLE 11.4: PROGRESS ON THE CONSTRUCTION OF COUNCIL OFFICES

Name	Structures	Outstanding Works	Progress to Date	Remarks
Thyolo DC's Office	Office Block	Office block	The progress on the project is estimated at 5percent with only foundation for one wing of the structure completed.	Works stalled while resolving the dispute that has risen with the contractor. The progress of the project has been delayed due to offices of Departments of Labour, Water and ADMARC which are on the construction site which need relocating.
Ntcheu DC's office	Office Block	Construction works not yet started	Not yet contracted out due to budget constraints Foundations stage and works are at 15percent completion rate Designs completed	The budget Item for construction of the DC office was revised drastically downward and this affected the commencement of the works
Mzimba DC's office	Office Block	None of the structures not yet started (All column works)		The contractor has mobilised and excavations have commenced. There a need to settle the advance payment requested
Mzuzu Civic office	Office Block	None of the structures not yet started		The budget was drastically revised downwards during the mid –year hence the works have not been contracted out due to budget constraints Insufficient

Source: MoLGRD, 2019

11.2.6 Construction of Bus Depots

Good public transport facilities such as bus deports, road network among others, particularly in productive rural areas, is pre-requite for rural development and growth. During the 2018/19 fiscal year four bus deport were being constructed in Ntcheu, Nkhotakota, Nkhata Bay and Nsanje districts.

TABLE 11.5: PROGRESS ON THE CONSTRUCTION OF BUS DEPORTS

Name of the Council	Structures	Outstanding Works	Progress to Date	Remarks
Ntcheu	Bus Depot	None	Completed and in use	Handed over the facility to the District Council and the Structure is in use
Nkhotakota	Bus Depot	None	Completed and in use	Completed but the council still processing allocation of spaces for Kioks.
Nkhata Bay	Bus Depot	None	Completed and in use	Handed over the facility to the District Council and the Structure is in use
Nsanje	Bus Depot	Painting	At 85percent completion rate, for all works	To be completed by end of May, 2019

Source: MoLGRD, 2019

From Table 11.5 above, three out of four bus depots were completed and the facilities 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

Transportation and access to services is generally considered to be a fundamental determinant of economic growth and status of rural communities. Isolation is thought to limit opportunities in rural areas due to restricted access to goods, high costs of transport for crops and agricultural inputs, and restricted demand for non-agricultural services. In view of this, Government and development partners have been pushing for increases 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 but others stalled due to funding challenges. It is expected that Treasury will allocate additional resources towards completion of these projects

TABLE 11.6: SHOWING THE PROGRESS OF THE RURAL ROADS

Name	Structures	Outstanding Works	Progress to Date	Remarks
Balaka- Bilila via Khwisa (Phase 1)	The upgrading of the road to asphalt standard (13.5 km).	None	Original work substantially completed	Under defects liability period
Khwisa– Bilila) Phase 2	The upgrading of the road to asphalt standard (10 km). The upgrading of the road to asphalt standard (16.5 km).	None but additional Bridge	Original work substantially completed	Linengwe bridge to be contracted out in 2019-20 Fiscal Year and it was missed out in the initial contactor.
Thyolo-Goliati-Mangunda Turn-Off Road(16.5)km	1.Chinakanaka Turn Off to Nasomba CDSS (6.22 Km) 2.Thunguzi to Sikoya Road (2.5 Km)	None but additional Bridge	Original work substantially completed	Namadzi bridge to be contracted out in 2019-20 Fiscal Year and was missed out in the initial phase.
Mulanje-Selected roads (13.3km)	3.Nkhonya-Thabwa Road (5.48 Km)	None	Original work substantially completed	Additional works to be contracted out in differently
Chiweta-Mlowe(11 km)	Upgrading of the road to asphalt standard.	All works	Awaiting on design review	Down ward revision of the resource allocated has affected the progress and the works to commence in 2019/20 Fiscal year. Consultant identified to work on the design review-L Gravani

Source: MoLGRD, 2019

11.2.8 Strengthening Safety Net Systems

The Safety Nets Systems objectives are intended to be achieved through three components and these are: (a) Productive Safety Nets, comprising of three subcomponents: Productive Public Works Programme (PPWP); Livelihoods and Skills Development; and Social Cash Transfer; (b) Systems and Capacity Building. Productive Safety nets component are Public Works Programme. During the period under review, a total of 985,635 households have been reached with PPWP cash transfers, with an additional 225,000 reached under emergency response. Regarding the Livelihoods and skills development, 799 new groups formed and supported under the COMSIP, thereby increasing the number of COMSIP supported groups from 5,254 to 6,053 groups, with 164,138 members of which 69 percent are women. Of these members, 123,003 have been trained in financial literacy and business management while 28,263 have undergone various value addition skills training such as poultry, and bakery among others and training in nutrition and health promotion. A gender disaggregated skills development is presented in table 11.7 below.

TABLE 11.7: GENDER DISAGGREGATED SKILLS DEVELOPMENT

	Group Dynamics *Stages 1&2*	Financial Literacy: *Stages 3*	Business Management: *Stages 4*	Valuee Chain Production	Legume	Social Enterprise (Nutrition)	Cooperative Management *Stages 5*
Male	55,193	38,528	38,528	1,113	3,508	3,252	1,430
Female	98,977	84,475	84,475	2,365	9,281	8,744	5,083
Total	**144,176**	**123,003**	**123,003**	**3,478**	**12,789**	**11,996**	**6,509**

Source: Local Development Fund, 2019

Savings mobilization: COMSIP groups have cumulatively mobilised a total of MK4.236 billion (USD[3]5. 803 million) translating into an average member savings of MK25,808 (USD35.35).

Investments: A total of 137 cooperatives and clusters have been supported with investment grants, cumulatively increasing the number supported under COMSIP to 393 cooperatives and clusters. These investments generate revenues for the groups and their members, which is reinvested and also supports member's livelihoods.

For Social Cash Transfer programme, 21,612 households have been enrolled and receiving cash transfers in Dedza and Nkhata Bay district councils, with resources amounting to USD 9.8million (MK7.3billion) transferred to the councils for the transfers to beneficiary households; case management and administration). Beneficiary enrolment process for 125,840 beneficiaries was underway.

In the year under review, the MASAF IV Project supported coordination, Unified Beneficiary Registry (UBR) system development and data collection for the UBR in 9 district councils, namely: Karonga, Rumphi, Nkhotakota, Kasungu, Dowa, Ntchisi, Lilongwe, Chiradzulu, and Blantyre. In addition, it has provided technical support to Ntcheu district (under Irish Aid financial support). The UBR has so far registered about 571,513 households from ten councils, representing 82 percent of targeted population in the respective districts.

11.3 National Decentralization Program II (NDP II)

Government is committed to decentralise functions to Local Authorities as a means of promoting Local Governance and accelerating participatory democracy. Under this programme, 19 sectors have been devolved to Local Authorities and these include: Agriculture, Health, Education, Environment, Forestry, Fisheries, Housing, Water, Lands, Transport and Infrastructure Development, Gender and Community Services, National Registration Bureau, Labour, Trade, Youth and Sports, Irrigation, Immigration and Information. Funds for these devolved sectors are disbursed direct to Local Authorities.

In conformity with the Public Service Reforms Programme (PSRP) The Ministry registered significant progress in devolution of the development budget and human resources to the Local Authorities. The Ministry, in collaboration with Accountant General and Department of Human Resources Management and Development is working on modalities of devolving Integrated Financial

[3] Foreign Exchange rate of 1USD:MK730

Management Information Systems (IFMIS) and Human Resources Management Information Systems (HRMIS). The Ministry is also working towards devolving plans for the remaining sectors of energy, water and the ministry (MoLGRD) itself.

11.4 Challenges

The construction of RGCs, Urban and Rural Markets and other infrastructures (DC offices, Rural Roads) in the year under review experienced a number of challenges including payment arrears, poor contractors, delayed electricity connections, changes in project designs, cost escalation of already approved projects, delays in compensation, conflicts between councillors, MPs and Council Secretariats, slow pace of decentralisation and inadequate qulified personnel at Council level.

11.5 Lessons Learnt

The following lessons have been learnt from the implementation of the RGCs, markets and other infrustrutures in the councils:

i Splitting of project lots to different contractors and delegating the responsibility of water supply to the councils has assisted in detecting low performing contractors;

ii. The need of timely funding for construction, supervision and review meetings should be encouraged to facilitate monitoring and evaluation exercise so as to assess progress;

iii. Decentralization of the payrolls to the council has reduced ghost workers and other irregularities;

iv. There is need to fast-track devolution of some central Ministries that are resisting full devolution of their functions to the councils;

v. The arbitrary determination of the budget affects the timely completion of the programme as some activities are forced to flow into the following fiscal years. The budget is so limited that it is difficult to accommodate the sealing of access roads at the Rural Growth Centres (RGCs);

vi. The approved budget is too small to meet the corresponding values of the current scope of works (Roads, office Building Complex and stadia); and

vii. Coordination needs to be enhanced among all relevant stakeholders and there is need to concentrate on the current projects and complete them by July, 2019.

11.6 Major Plans for the 2019/2020 Fiscal Year

During the 2019/20 FY, the Ministry has planned to undertake the following activities:

i. Under the RGC Development Programme, continue construction works at Chitekesa, Mkanda and Chapananga in Phalombe, Mchinji and

Chikwawa districts, including profiling of RGC new sites. The need to enter Phase 2 of the works at the three growth centres i.e. Mkanda, Chapananga and Chitekesa. The phase 2 works depending on the funding may include: Construction of Community Grounds, Community Halls, Community Libraries, Police Units, Health Centres, Road Centre-line and Material Surveys, Opening up of Access Roads.

ii. Under construction of rural and urban markets, the Ministry will embark on the construction of uncompleted markets. Funds permitting the plans include: The completion of Nsanje Market, Nsika wanjala, construction of Ntcheu market, Chitipa, Mwanza and Mzimba Markets.

iii. Under the Rural and Boma Roads, the Ministry has planned to commence the construction of the Linengwe bridge along Kwisa- Bilira road and Namadzi bridge along Thyolo-Goliati- Mangunda road and also plan to embark the construction of Chiweta-Mlowe road.

iv. Strengthen M&E in the Councils

v. Build capacity of Councils on IFIMIS and HR systems and procedures

vi. Continue implementing unfinished interventions in the PSRM. Furthermore, the Ministry will continue to facilitate devolution of functions to Local Authorities. Consistent with the MGDS III, and in tandem with the SDG's, the Ministry intends to update and align the Social Economic Profiles (SEP's) and the District Development Plans (DDP's) to the MGDS III and SDGs.

11.7 Conclusion and Recommendation

In a nutshelll, the demand for rural infrastructures such as the RGCs, markets stadia and rural roads, that can spur local economic growth and development is increasing and is being aggravated by increased population growth in the country. Consequently, there is need for increased rural investments in this area and the provision of these services has a potential to reduce the rural – urban migration. It is also worth noting that most of the challenges the Ministry is experiencing in implementing these projects can be alleviated by increasing funding allocation to the projects. In addition to this, there is need of timely and adequate funding for effective execution of the projects including supervision and monitoring and for conducting timely and regular review meetings with stakeholders for success of the projects. The Ministry is keen to complete the unfinished projects and resolve outstanding issues surrounding the projects and will also continue to coordinate, provide technical backstopping and surveillance monitoring of all the 35 councils during the next financial year.

Regarding compensation of displaced and other affects citizens, it is recommended that it is fast-tracked. In this case, it is important to increase compensation budget in the project design and budget. In the spirit of decentralisation, the administrative component of the projects should be moved to Ministry of Local Government and Rural Development from the Office of the President and Cabinet (OPC) which is currently in charge.

Finally, there is need for increased and timely funding for the Ministry to achieve effective implementation of planned activities on time.

Chapter 12

PUBLIC HEALTH, NUTRITION AND HIV/AIDS MANAGEMENT

12.1 Overview

This chapter highlights progress made in the provision of public health services in the country. The vision of the health sector is to achieve a state of health for all the people of Malawi that would enable them to lead a quality and productive life. In the Health Sector Strategic Plan (HSSP) II, the sector goal is to move towards Universal Health Coverage (UHC) of quality, equitable, and affordable health care with the aim of improving health status, financial risk protection, and client satisfaction. UHC is defined as a situation where everyone – irrespective of their ability to pay – gets the health services they need in a timely fashion without suffering any undue financial hardship because of receiving the care. Malawi is moving towards UHC through implementation of the essential health package which Government and its Development Partners will endeavour to make accessible to every Malawian free at the point of care.

12.2 Overall Sector Performance and Progress

12.2.1 Health Output Indicators Performance

Table 12.1 below summarizes the performance of the health sector for 2017 and 2018 based on selected key indicators compared to the HSSP II targets.

TABLE 12.1: PERFORMANCE OF KEY HEALTH SECTOR INDICATORS (PERCENT)

Indicator	2017	2018	HSSP II Target 2018
Percentage of under-1 children fully immunized (percent)	81	82	88
ART[1] Coverage among known HIV-infected pregnant women at ANC[2] (percent)	92	90	83
Malaria Incidence Rate (per 1000)	262	333	300
IPTp[3] for Malaria during pregnancy (percent)	53	57	40
Percentage of low birth weight infants (percent)	9	6	11
Antenatal Care Coverage (percent)	33	31	55
TB[4] Treatment Success Rate (percent)	85	86	88

[1]Anti-Retroviral Treatment, [2]Antenatal Care, [3]intermittent Preventive Treatment in Pregnancy, [4]Tuberculosis.
Source: Department of Health

12.3 HIV/AIDS Services

Malawi is close to meeting the UNAIDS 90-90-90 targets, which requires that 90 percent of all HIV positive people know their status, 90 percent of the those who know their status are initiated on anti-retroviral treatment (ART), and that 90 percent of those initiated on ART are virally suppressed. Currently, of the 1.1 million people living with HIV, 91 percent are aware of their status, of whom 83 percent are on treatment, of whom 90 percent are virally suppressed. This means that Malawi is almost two years ahead of schedule to achieving the UNAIDS treatment targets. Building on this success, the MoHP is striving to achieve even more ambitious results.

12.3.1 HIV Testing

A total of 744 static sites were providing integrated HIV services including HIV testing, treatment, and follow up of HIV exposed children. The 744 sites represent about 74 percent of the 1000 health facilities in Malawi (SPA, 2014). A total of 4,483,440 HIV tests were done in 2018. In terms of HIV testing location, 4,293,106 (95 percent) of the total HIV tests were performed at health facilities, one percent were done in standalone HTS sites and four percent were done outside health facilities in the communities. It should be noted that the increase in the total testing output is partly attributed to the deployment of new HIV testing dedicated staff, HIV Diagnostic Assistants (HDAs). These HDAs are currently recruited by PEPFAR and seconded to public sector facilities, primarily to ensure routine provider-initiated HIV testing for patients.

12.3.2 Anti-Retroviral Therapy (ART)

Malawi's National HIV Program has undergone several important policy changes since its inception in 2004. One of the key policies is universal eligibility for ART ('Test & Treat'). This means that all children and adults with confirmed HIV positive status should start ART without delay, regardless of clinical or immunological stage or any other criteria. Pre-ART services will be discontinued once the universal 'Test & Treat' policy is fully implemented. Table 12.2 below shows that HIV testing and treatment services are reaching more HIV positive people. In addition, a higher proportion of HIV positive people are virally suppressed, which will potentially lead to lower transmission rates.

TABLE 12.2: ART PERFORMANCE PROGRESS AND PROJECTIONS

	2018 Q2	2018 Q2 %	2018 Q2 Target	2018 Q2 Target	2018 Q2 % Projections	020 Q4 % Projections
PLHIV1	1,058,159		1,058,159		1,088,849	
Diagnosed	980,107	93	855,476	81	979,964	90
On ART	782,050	80	769,928	90	881,968	90
Viral Load Suppression	688,204	88	692,935	90	793,771	90

[1]People Living with HIV

Source: Department of Health

12.3.3 Prevention of Mother to Child Transmission (PMTCT)

One of the core indicators in the PMTCT program is the HIV-free survival rate at 24 months of age. Table 12.3 below shows the proportion of pregnant women who had their HIV status ascertained in antenatal care (ANC) and maternity; those who were put on ART; Exposed Children and those that received the related care. During the antenatal period all pregnant women must have access to HIV testing and counselling services. During the period under review, the average proportion of pregnant women with access has remained 98 percent; however, the target remains 100 percent. In the same way, the World Health Organization recommends that infants born to mothers living with HIV be tested between four and six weeks old. If an HIV-exposed infant is given ART within the first 12 weeks of life, they are 75 percent less likely to die from an AIDS related illness[4]. However, a prophylaxis (Nevirapine) is also given to infants to prevent mother-to-child transmission. Further to this, postpartum follow-ups of mother-baby pairs remain a key way of ensuring that HIV-exposed children are initiated on ARV prophylaxis, early infant diagnosis and early life-saving ART. While coverage is high for these services, the target is 100 percent for each intervention.

TABLE 12.1: PERFORMANCE ON SELECTED PMTCT INDICATORS

	Jul – Sep 17	Oct – Dec 17	Jan – Mar 18	Apr – Jun 18
Total ANC Women	163,712	150,893	164,759	160,954
HIV Status ascertainment at ANC	159,751 (98%)	146,974 (97%)	161,623 (98%)	157,822 (98%)
ANC HIV Positives	11,839	10,998	12,012	11,435
Total Maternity Admissions	140,348	142,041	145,847	145,489
HIV Status ascertainment in Maternity (%)	138,851 (85%)	140,583 (93%)	144,710 (88%)	144,426 (90%)
Maternity HIV Positives	10,096	9,993	10,583	10,253
Infants discharged alive & Exposed to HIV	9,417	9,388	9,801	9,550
Infants on Prophylaxis (Nevirapine)	8,844	8,870	9,348	9,039
HIV exposed children newly enrolled for follow-up	14,320	12,730	15,206	14,508

Source: Department of Health

There remain gaps that need to be addressed: prevention of new HIV infections; diagnosing those who do not yet know that they are living with HIV; providing treatment to all who are living with HIV; and ensuring that people on ARVs achieve viral suppression.

12.4 Malaria

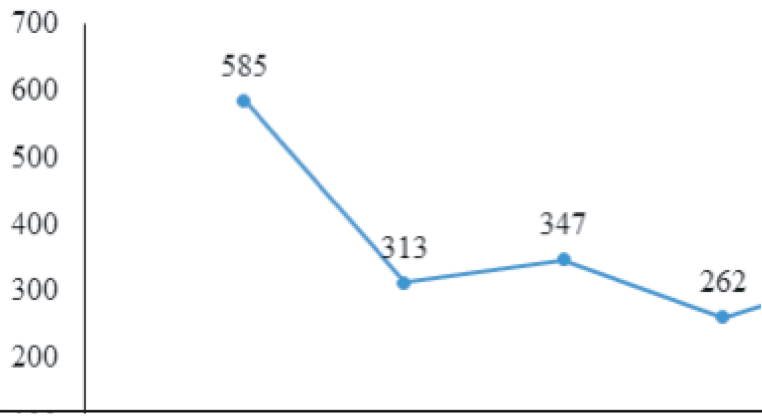
Malaria is endemic throughout Malawi and continues to be a major public health problem.The entire population lives in high malaria transmission areas. Approximately 34 percent of all outpatient visits and 45 percent of all hospitalisations are due to malaria. Malaria is also the leading cause of morbidity and mortality in children under age 5 and among pregnant women. Malawi experienced 5,767,066 episodes of malaria in 2017/18 (DHIS II, 2017). The major Malaria interventions implemented during the reporting period are prompt diagnosis, effective treatment, Integrated Vector Management (IVM) and Malaria in Pregnancy (MiP).

4 UNAIDS (2014): The Gap Report.

12.4.1 Progress on Key Malaria Indicators

The 2017-2022 Malaria Strategic Plan goal is to reduce malaria incidence from 386/1,000 in 2015 to 193/1,000 by 2022 and malaria deaths by at least 50% of 2015 levels by 2022. Generally, Malawi has seen changes in malaria trend because of high investment in malaria control and improvements in data management. Nationally, malaria incidence has consistently decreased in recent years, albeit with district-level variations. Records from the DHIS II from 2010 to 2017, show a decrease in malaria cases from as high as 484 malaria cases per 1000 population in 2010 to 323 cases per 1000 in 2017. While the decrease in cases could be attributed to scale up of interventions, the introduction of malaria Rapid Diagnostic Tests (mRDTs) in 2011 at the facility level also contributed to the declining trend as it excluded the non-malaria cases previously clinically diagnosed as malaria. Despite these reductions in incidence, even areas with the least burden in Malawi continue to record between 100-200 cases per 1,000 population (DHIS II, 2017).

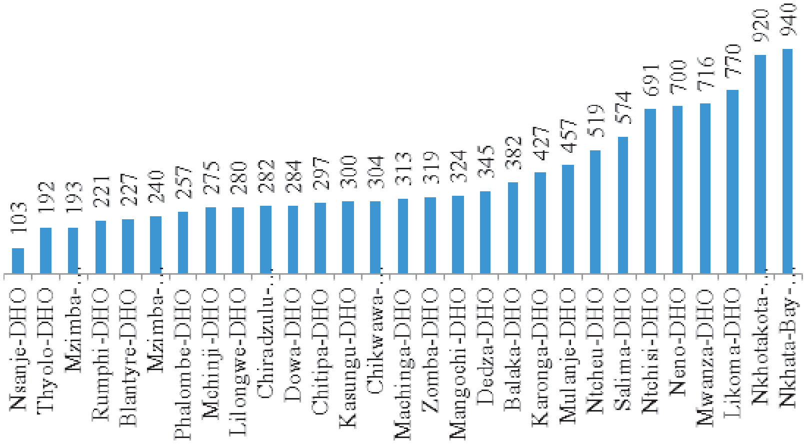
FIGURE 12.1: MALARIA INCIDENCE RATE (2010-2017)



Source: Department of Health

At the district level, the highest MIR was reported in Nkhata Bay at 940 per 1,000 population and then Nkhotakota district at 920, followed by Likoma and Mwanza districts at 770 and 716 cases per 1,000 population respectively. The least affected district was Nsanje district, with 103 cases per 1,000 population. The distribution of incidence rates across Malawi in the period under review can be seen in Figure 12.2 below.

FIGURE 12.2: MALARIA INCIDENCE RATE BY DISTRICT IN 2017



Source: Department of Health

Malawi has conducted four Malaria Indicator Surveys (MIS) in 2010, 2012, 2014 and 2017 that have recorded overall declining trends for anaemia and parasite prevalence among children less than five years of age. A substantial decrease in the prevalence of severe anaemia in this age group was noted between 2010 and 2017, from 12 percent (2010 MIS) in 2010 to 5 percent (2017 MIS) in 2017. In terms of malaria parasite prevalence, there has been an overall decrease from 43 percent in 2010 to 24 percent in 2017. Also, consistent with the decrease in the malaria incidence rate, the number of malaria-related deaths in Malawi has declined by 66 percent in recent years, from a peak of 59 deaths per 100,000 population in 2010 to 19.6 deaths per 100,000 population in 2017 (DHIS 2 2017).

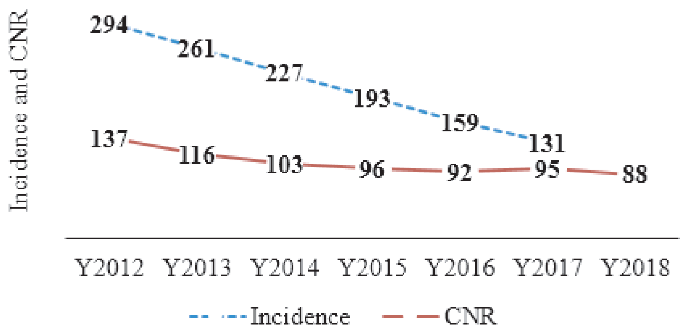
12.5 Tuberculosis (TB)

Malawi is a high TB/HIV burden country with annual TB incidence estimate of 133/100,000 population. However, Malawi is a low multi-drug-resistant tuberculosis MDR-TB burden country. The prevalence of MDR-TB is estimated to be 0.75 percent among new and 6.4 percent among retreatment cases. TB services are provided free of direct cost to clients at point of care. While microscopy (both light and florescent) remains the mainstay for TB diagnosis in Malawi, GeneXpert is steadily being scaled up with radiology as an adjunctive technology where it is available. The national TB Reference Laboratory (NTRL) provides high level diagnostic services including solid and liquid culture to confirm TB before performing drug sensitivity testing on selected specimens from across the country. The MoHP is the only source of all anti-tuberculosis medications and commodities to ensure quality assured treatment and rational drug use in all public and private health facilities. There were 344 TB registration sites by the end of the year. Thus one TB registration site serves nearly 50,000 people, which is consistent with WHO standards.

15.1 TB Notification and Case Detection Effort

The recently published TB incidence is 133/100,000. This has declined from the previous estimate by 15 percent. The decline is attributed to effective TB/HIV interventions like the provision of Cotrimoxazole Preventive Therapy (CPT), Isoniazid Preventive Therapy (IPT), and high ART enrolment rates among HIV positive TB patients. TB notification rates[5] have been on the decline for the past eight consecutive years, which is consistent with a decline in incidence rates. A total of 15,851 TB cases were notified in 2018. Case detection rate (CDR) is estimated at 67 percent.

FIGURE 12.1: TRENDS IN TB NOTIFICATION RATE AND INCIDENCE (2012-2017)

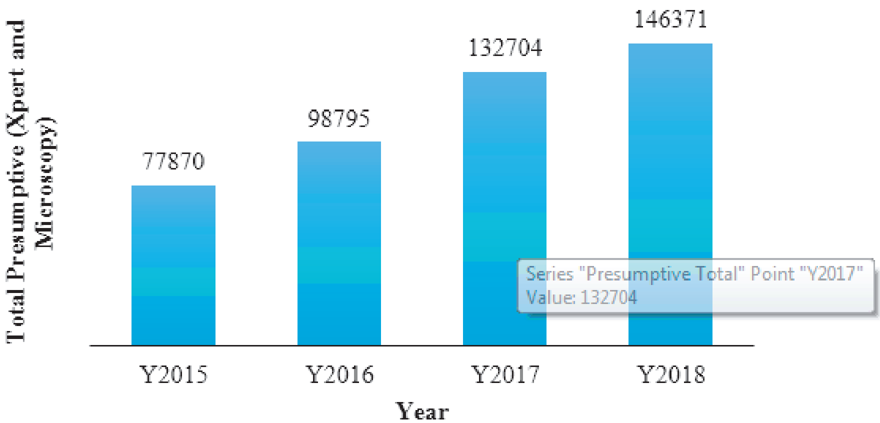


Source: Department of Health

The trend in case detection effort has improved as shown in Figure 12.4 below. The number of presumptive cases examined through microscopy has increased by 25 percent during the year. The pattern was also similar across districts. GeneXpert use is also showing an increase, the rate of which was 63 percent during 2017. The National TB Control Programme rolled out a mobile TB screening intervention in March 2018 in an effort to complement case detection effort and find and treat missing TB cases. The intervention was targeted at the five major cities of Blantyre, Lilongwe, Mangochi, Zomba and Mzuzu. Overall, a total of 74,138 clients have been screened through the mobile van TB screening intervention since March, 2018. They comprise 40,906 men and 33,232 women, representing 55 percent and 45 percent respectively. Of these, 18,596 (25 percent) presumptive TB cases were identified, 10,184 (61 percent) were tested using GeneXpert. A total of 600 TB cases have been diagnosed through the mobile TB screening intervention representing a yield of 809 per 100 000 population, which is considered very high. The use of mobile vans will be scaled up to other districts on a regular outreach basis.

[5]Number of all Tuberculosis cases detected in a given year per 100,000 population.

FIGURE 12.2: TRENDS IN CASE DETECTION EFFORT THROUGH MICROSCOPY

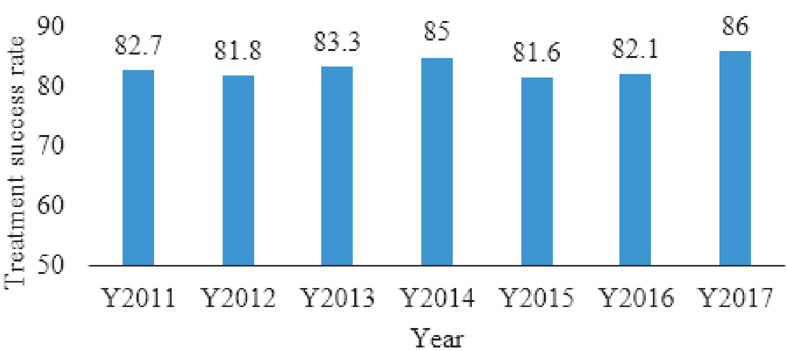


Source: Department of Health

12.5.2 Treatment outcome

The overall treatment success rate for new and relapse cases was 86 percent. The treatment success rate was higher for bacteriologically confirmed TB cases than for clinically diagnosed patients. Variation was observed among districts in treatment success rate. Kasungu, Mwanza, Dedza, Balaka, Phalombe and Lilongwe had TSR of 90 percent and above. The national average loss-to-follow-up rate was 1.7 percent and the treatment failure rate among new smear positive TB cases was stable at 1.8 percent. Figure 12.5 below shows the treatment success rate from 2011, which has been increasing annually since 2015.

FIGURE 12.3: TREATMENT SUCCESS RATE BY DISTRICT 2011-17 COHORTS

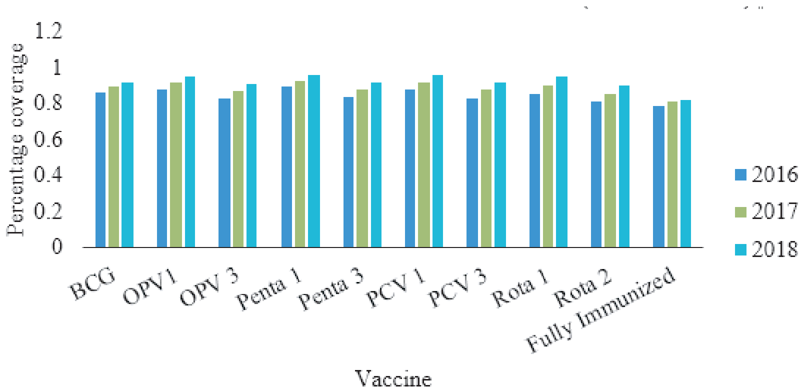


Source: Department of Health

12.6 Vaccine Preventable Diseases

Prevention of diseases through immunisation remains a priority for the Ministry of Health and Population. Thus, tracking coverage rates is one way of identifying potential outbreaks of these diseases. The target coverage for all antigens administered to the under-2 population is 90 percent, except for Measles Rubella, for which targets for the first and second dose are 85 percent and 81 percent, respectively. As illustrated in Figure 12.6, coverage for most antigens was above the set target by the end of 2018. However, some antigens were just exactly at the cut-off point, namely MR 1 and ROTA 2, while MR2 is below the target of 81 percent.

FIGURE 12.4: ROUTINE IMMUNIZATION COVERAGE (2017 AND 2018)



Source: Department of Health

12.7 Clinical and Public Health

12.7.1 Community Health

The MoHP launched Malawi's first ever National Community Health Strategy in 2017 jointly with the Health Sector Strategic Plan (HSSP) II 2017-2022 with the vision of improving the livelihoods of all people in Malawi. Since this launch, Government has made significant progress in implementing the strategy, which contributes to the Malawi Growth and Development Strategy (MGDS) III as well as global commitments such as the Sustainable Development Goals (SDGs).

The MoHP in coordination with the Ministry of Local Government disseminated the National Community Health Strategy and developed district implementation plans in all 29 districts. Government also appointed and oriented District Community Health Coordinators across all districts to monitor, coordinate, and ensure implementation of key interventions at the community level. Building on these institutional improvements, Government has taken significant steps to strengthen community engagement and accountability through the development of guidelines and training curricula for community structures of Village Health Committees, Community Health Action Groups, and Health Centre Management

Committees. Currently, all District Councils have been oriented on Health Centre Management Committees and Community Health Action Groups. As a result, there are now more than 150 functional Health Centre Management Committees and more than 1,000 functional Community Health Action Groups.

Government also strengthened monitoring services and health outcomes at community level with the development of a National Community Health Indicator Handbook and an Integrated Community Health Register. In addition, Government began community health system reporting covering all of the country's catchment areas and community structures. This new information system supported procurement of supplies for more than 5,000 Health Surveillance Assistants, so that they are sufficiently equipped to provide services all year round across the country.

Following achievements and strong plans for the future, Malawi was recognized internationally and was featured in a Global Community Health Acceleration Roadmap. In this roadmap, Malawi identified key priorities for community health over the coming years (i) Closing the Human Resource Gap by hiring more than 7,000 additional Health Surveillance Assistants, as well as increase the number of AEHOs, Community Health Nurses, and Community Midwife Assistants; (ii) Ensuring community health system financing through improved integration, mobilisation, efficiency and effectiveness of resources; (iii) Increasing Community Health Infrastructure by constructing 900 Health Posts and support Community Health Worker accommodations in hard-to-reach areas; and (iv) Developing an Integrated Community Health Information System by harmonising data reporting for HSAs, and integrate all data into the Government's DHIS 2 reporting system.

Implementing the National Community Health Strategy provides an opportunity for a 5:1 return on investment driven by gains in productivity, employment, and reduced risk of health emergencies through a strong community health system.

12.7.2 Neglected Tropical Diseases (NTDs)

The Ministry is making good progress towards control and elimination of a number of Neglected Tropical Diseases (NTDs). Malawi has attained elimination status for trachoma. In the current financial year, a total of 1,955,721 persons were treated with ivermectin for the control and elimination of river blindness out of the target population of 2,361,936 people, representing 82 percent coverage. Continued efforts in the control of bilharzia through mass drug administration of Praziquantel have led to a coverage rate of 89 percent for the target population.

12.7.3 Epidemiology

Through comprehensive disease surveillance, the Ministry continues to identify risk factors for diseases and make evidence-based decisions to ensure population health through preventive and curative healthcare. Cholera has been an important public health threat with cholera outbreaks happening almost every year. In the previous year, 13 districts were affected by cholera, and a total of 939 cases involving 32 deaths were reported. In the 2018/19 financial year, six districts have been affected and they have reported a total of 21 cholera cases including one death. The reduction has been attributed to intensified interventions such as access to safe water supply by the majority of the population, increased coverage of hygiene and sanitary facilities through implementation of Open Defecation Free (ODF) campaign. Provision of Oral Cholera Vaccine (OCV) to the population has also contributed to fewer cases of cholera this year. OCV was administered to a total of 932,333 people in Karonga, Nkhata Bay, Salima, Lilongwe and Mangochi. Intensification of behavioural change and awareness messages to the general public have also played an important role.

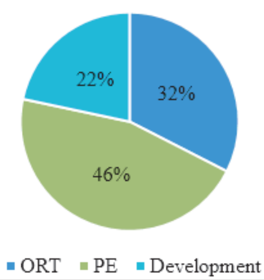
As Ebola remains a risk for the country, MoHP with support from World Bank constructed Isolation Centers for the management of highly infectious diseases such as Ebola and other haemorrhagic fever diseases. Isolation Centers have been constructed in Karonga, Mzuzu, Dedza, Mchinji, Mwanza and Blantyre. All have been completed and handed over to the respective district councils and central hospitals.

12.8 Investments in Health Systems Strengthening

12.8.1 Health Financing

MoHP vote in the national budget is made up of two components: recurrent and development expenditures. The former includes planned expenditure on personal emoluments and Other Recurrent Transactions (ORT). In the case of the development component, it is made up of two parts, one financed by development partners and the other financed by the Government of Malawi. During the 2017/18 financial year, the Ministry was allocated a total of MK60,450 million with about 78 percent being recurrent and the rest (22 percent) for development.

FIGURE 12.7: RECURRENT EXPENDITURE VS INVESTMENT

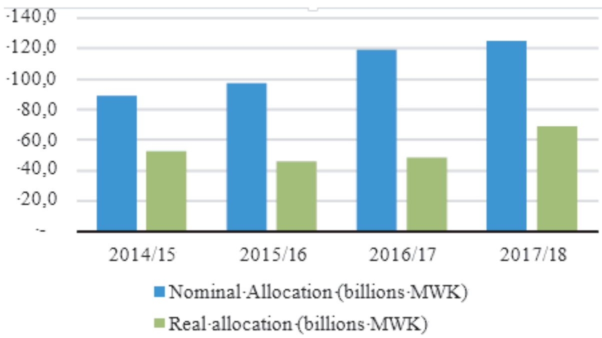


Source: Department of Health

For budgetary purposes, the health sector includes expenditures for the Ministry of Health and Population; the zonal quality management offices; Central Hospitals; subvented organisations; and district health expenditures. In essence, therefore, the health sector is operational at both the national and subnational levels under the decentralised structure. The central level is responsible for providing policy guidance, monitoring and evaluation, whereas the subnational level is responsible for health planning, management, and service delivery.

Nominally, the health sector budget has been expanding every year in the last four financial years as indicated in Figure 12.8 below. The average rate of growth of the budget was 12 percent growth in nominal terms. While the real allocation to health has been declining in the first two years, the last two years have seen an increase in real allocation mainly due to a decrease in inflation rates, specifically in the year under review. In the same period average rate of the health sector allocation relative to the budget rate has been declining starting from 11.1 percent in the 2014/15 FY to 9.6 percent 2017/18 FY (average rate of 10.3 percent).

FIGURE 12.5: HEALTH SECTOR ALLOCATION TRENDS



Source: Department of Health

The budget execution rate for the Ministry of Health and Population during the period under review was 87 percent. The budget execution rate varies by HSSP II objective as shown in Table 12.4 below. The highest execution rate was noted for Human Resources for Health whereas the lowest was Infrastructure and Medical Equipment.

TABLE 12.2: MOHP 2017/18 BUDGET AND EXPENDITURE IN MWK' MILLION

HSSP II Objective	Revised Estimates	Funds Allocated to date	Total Expenditure and Commitment	Budget Balance	Funding as a % of Budget	Expenditure as a % of budget
EHP Service Delivery	25,538	22,832	22,640	2,898	89.4%	88.7%
Socio-economic Determinants of Health	193	133	127	66	69.2%	65.7%
Infrastructure & Medical Equipment	7,311	3,882	3,886	3,425	53.1%	53.1%
Human Resources for Health	19,053	19,015	18,989	64	99.8%	99.7%
Medicines and medical supplies (Supply Chain)	30	27	27	3	89.0%	89.0%
Health Information Systems, M&E and Research	63	61	59	3	96.9%	94.6%
Leadership & Governance	8,236	6,878	6,851	1,385	83.5%	83.2%
Health Financing	27	25	24	3	93.3%	89.8%
Grand Total	60,450	52,853	52,603	7,848	87.4%	87.0%

12.8.2 Human Resources for Health

12.8.2.1 Current Vacancy Rates

Government provided 39,494 Human Resource for Health (HRH) posts (clinical, nursing/midwifery, allied services, allied technical services staff, and education and environmental health) on Authorised Establishment. Out of this provision, 34,628 posts are for public health facilities whilst 4,866 posts are for facilities of Christian Health Association of Malawi (CHAM). Currently only 52 percent of the 39,494 specific HRH established posts are filled whilst 48 percent are still vacant.

The two tables below show the number of some specific authorised established (medical, clinical, nursing/midwifery, pharmacy, and laboratory) posts versus filled posts by cadre for the public-sector and CHAM facilities, respectively.

TABLE 12.3: PUBLIC SECTOR HEALTH FACILITIES VACANCY RATES (%) OF SOME SUB-CADRES

Sub- Cadre	Authorised Posts	Filled Posts	Vacancies	Vacancy Rate (%)
Medical Officer/Specialist	654	507	147	25
Clinical officer/Technician	2935	1306	629	21
Medical Assistant	1477	1213	264	18
Nursing/Midwifery Officer	1324	990	334	25
Nurse/Midwife Technician	10099	4451	5648	56
Laboratory Technician	599	351	248	41
Pharmacist	79	66	13	17
Pharmacy Technician	619	159	460	74
Pharmacy Assistant	430	81	349	81
Laboratory Assistant	429	116	313	73

TABLE 12.6: CHAM HEALTH FACILITIES VACANCY RATES

Sub-Cadre	Authorised Posts	Filled Posts	Vacancies	Vacancy Rate (%)
Medical Officer/Specialist	130	51	79	61
Clinical officer/Technician	1021	226	795	78
Medical Assistant	262	207	55	21
Nursing/Midwifery Officer	174	163	11	6
Nurse/Midwife Technician	2602	1489	1113	43
Laboratory Technician	222	95	127	57
Pharmacist	19	1	18	95
Pharmacy Technician	213	34	179	84
Pharmacy Assistant	42	32	10	29
Laboratory Assistant	181	53	128	71

12.8.2.2 Recruitment and Promotions

Pre-service training institutions are the primary source of recruitment for MoHP. During the period under review, MoHP recruited 253 health workers using GoM funds and 913 using Global Fund resources. Table 12.7 below shows recruitment figures from Government and the Global Fund, respectively. During the 2017/18 FY, the MoHP promoted 1,985 Health Workers.

TABLE 12.7: RECRUITMENT FIGURES FROM GOVERNMENT FUNDS AND GLOBAL FUND

From Government Funds		From Global Fund	
POST	NO. OF POSTS	POST	NO. OF POSTS
Physiotherapist (I)	19	Senior Medical Officer (Grade H)	110
Optometrists (Grade I)	6	Environmental Health Officer (Grade I)	16
Assistant Environmental Health Officer (Grade K)	27	Laboratory Technologist (Grade I)	59
Pharmacy Technician (Grade K)	14	Pharmacist (Grade I)	15
Assistant Rehabilitation Officer (Grade K)	10	Radiographer (Grade I)	10
Prosthetics and Orthotics Assistant (Grade M)	3	Nursing Officer (Grade I)	170
Community Midwife Assistants (L)	90	Clinical Officer (Grade I)	20
Senior Pharmacy Assistants (L)	28	Nurse Technician (Grade K)	431
Senior Medical Assistants (L)	56	Laboratory Technician (Grade K)	62
		Pharmacy Technician (Grade K)	20
Total	**253**	**Total**	**913**

12.8.3 Medical Equipment

With financial support from the African Development Bank, MoHP procured essential medical equipment worth USD5.6 million. The equipment has since been delivered and installation is underway in a total of 49 health facilities across the country. An additional equipment tender worth USD9 million is being processed under a grant from the Health Services Joint Fund (HSJF). Delivery of this equipment is expected to start in the 2019/20 financial year. In addition to procurement of medical equipment, the HSJF is going to provide financial support to service contracts for radiology and other pieces of major equipment. Maintenance of medical equipment will be done in a timely manner in order to ensure that there is less down-time for the equipment, leading to continuous health service delivery.

Procurement of general medical equipment for the Cancer Centre at Kamuzu Central Hospital is also currently underway. The equipment is expected to arrive in the country by the first quarter of the 2019/2020 financial year. On utilities such as back up electricity, which is essential to the smooth functioning of medical equipment, Global Fund procured solar systems for 85 health facilities across the country. This will go a long way towards ensuring continuity in health service delivery even in power blackout situations.

12.8.4 Health Infrastructure Developments

MoHP aims to ensure that all Malawians live within an 8km radius of a public health facility. To ensure this, the Ministry is currently constructing seven additional health facilities across the country. Specifically, Government with support from World Bank under the Malawi Floods Emergency Recovery (MFERP) Project is constructing Osiyana and Thuchira Health centres in Nsanje and Mulanje. The completion rate of the two projects is 80 and 85 percent, respectively. Under the same MFERP project, the Government has rehabilitated Chimaliro health centre in Thyolo, Chambe in Mulanje, Migowi in Phalombe, Mchacha James in Nsanje, and Chikande in Ntcheu. In addition, MoHP with support from HSJF resumed construction of Chikapa, Khwisa, Nancholi, Area 23, and Chilanga Health centres as well as the Umoyo staff houses that previously stalled due to financing challenges. Furthermore, MoHP with support from KfW has commenced rehabilitation, extension, and construction of twelve health centres in Northern Region.

MoHP is also in the process of constructing the first ever Cancer Centre, which will be located at Kamuzu Central Hospital. Construction progress is at 87 percent. Another key project is construction of the New Phalombe District Hospital, which is at 55 percent progress. This will be the first public secondary level hospital in Phalombe and will strengthen referral linkages in the district. MoHP is also constructing Domasi community hospital in Zomba district, which is currently at 50 percent completion rate.

In an effort to improve infrastructure for management of medicines, Government has completed construction of a new National Quality Control Laboratory for Pharmacy Medicines and Poisons Board at a cost of MK1.2 billion. This laboratory has been equipped with state-of-the-art equipment worth USD593,805.15 (MK445,353,862.50) through a Global Fund Grant. This will be the first time that Malawi will have an internationally recognised National Drug Quality Control Laboratory with ISO 17025 accreditation. The laboratory will be an important regulatory tool in ensuring reliability and expanding scope of quality control testing of medicines, and also as a reference laboratory for local pharmaceutical manufacturing in support of Government's Buy Malawi Strategy.

Furthermore, in an effort to improve storage conditions for medicines, Government has installed 239 prefabricated pharmacy storage units at a cost of USD18 million in 239 health centres across the country with support from American and British Governments.

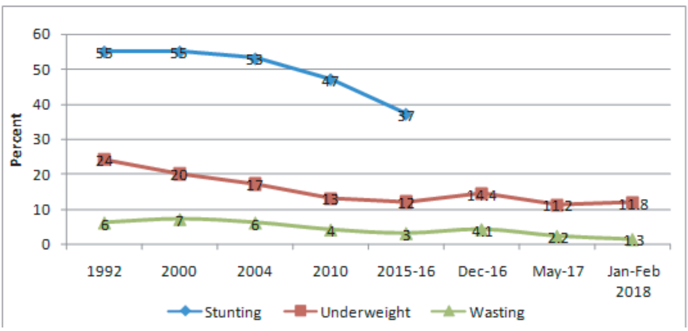
12.9 Performance in Nutrition

Nutrition determines physical and intellectual development in people, thereby contributing to productivity of the workforce. A well-nourished population is, therefore, crucial for the country's economic growth as laid out in the Third Malawi Growth and Development Strategy (MGDS III). Consequently, national nutrition response involving Government, non-state actors, donors and other stakeholders has for more than a decade focused on increasing investment in nutrition within a multi-sector programming framework and this has resulted in improvements in several nutrition outcomes.

12.9.1 Levels of Undernutrition

Stunting (low height for age) was reduced from 52.5 percent in 2004 to 47.1 percent in 2010 and to 37.1 percent in 2016 (MDHS, 2015-16). Underweight (low weight for age) was estimated at 17.3 percent in 2004, 12.8 percent in 2010 and 11.7 percent in 2016 (MDHS, 2015-16). Figure 12.9 illustrates the trends in stunted, underweight, and wasting among children under five years of age based on the Malawi Demographic Health Survey (MDHS) and the Malawi nutrition SMART survey. The SMART survey conducted in the lean month of December 2016 revealed that underweight prevalence was 14.4 percent, which was reduced to 11.2 percent in the post-harvest month of May 2017 and increased again to 11.8 percent in the lean months of January and February, 2018. Prevalence of wasting (low weight for height) was reduced from 6 percent in 2004 to 2.6 percent in 2016 (MDHS, 2015-16). Wasting declined from 4.1 percent in December 2016 to 2.2 percent in May 2017 and to 1.3 percent in January and February 2018 (Malawi SMART Survey, 2018).

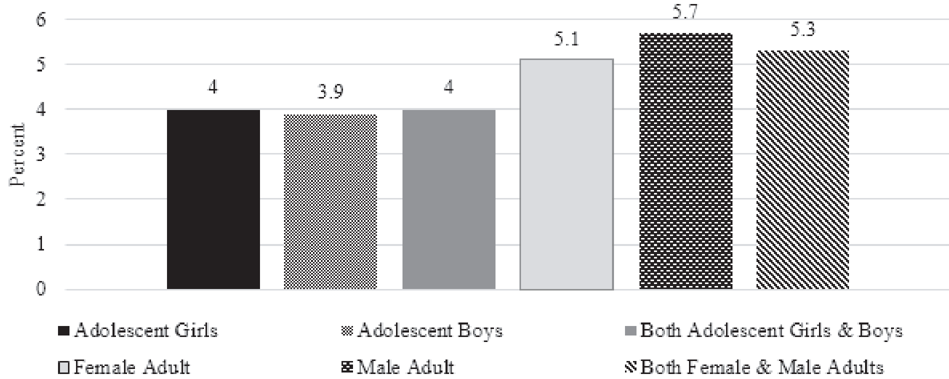
FIGURE 12.9: STUNTING, UNDERWEIGHT AND WASTING IN CHILDREN UNDER 5



Source: Malawi Demographic and Health Survey 2015-16 & Malawi SMART Survey 2018

The Malawi SMART Survey conducted in January/February 2018 showed that prevalence of underweight among adolescent (10 to 19 years) and adults (20 to 49 years) was lower than among children. As shown in Figure 12.10, the proportion of adolescent girls who are underweight is 3.9 percent during the reference period and there is not much difference between adolescent girls and boys (4.0 percent) with an overall prevalence of 4 percent. Slightly more male adults (5.7 percent) than female adults (5.1 percent) are underweight with an average prevalence rate of 5.3 percent. During the same period, prevalence rate of undernutrition among pregnant and lactating women was 1.8 percent and no incidence of severe wasting was reported in this group of people.

FIGURE 12.10: SHARES OF UNDERWEIGHT ADOLESCENTS AND ADULTS

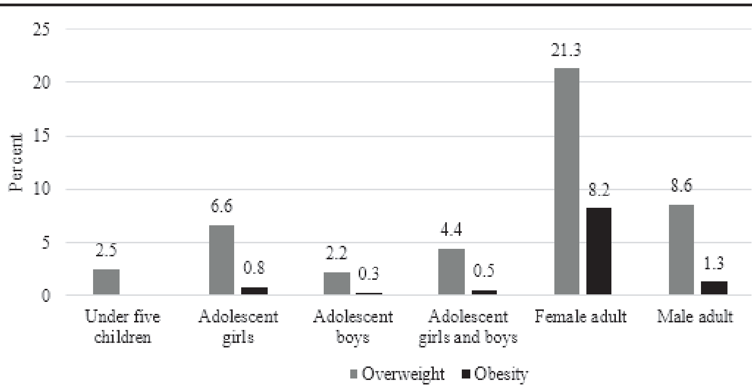


Source: Malawi Nutrition SMART Survey, 2018.

12.9.2. Levels of Over-Nutrition

Overweight and obesity are nascent nutritional challenges affecting Malawi's population. Among children under five years, prevalence of overweight was 9 percent in 2004 and has been reduced to 8 percent in 2010 and to 5 percent in 2015-16 (MDHS 2015-16). In the lean months of January and February in 2018, the SMART survey reported overweight prevalence of 2.5 percent among children of the same age group. The survey also showed that proportion of adolescent girls (6.6 percent) who are overweight is higher than that of adolescent boys (2.2 percent) with an overall prevalence of 4.4 percent. More female adults (21.3 percent) than male adults (8.6 percent) were overweight during the period and the overall prevalence for all adults was estimated at 16.3 percent. Prevalence of obesity among adolescents and adults given in Figure 12.11 shows a similar trend with more girls (0.8 percent) than boys (0.3 percent) and more women (8.2 percent) than men (1.3 percent) obese.

FIGURE 12.11: PREVALENCE OF OVERWEIGHT AND OBESITY

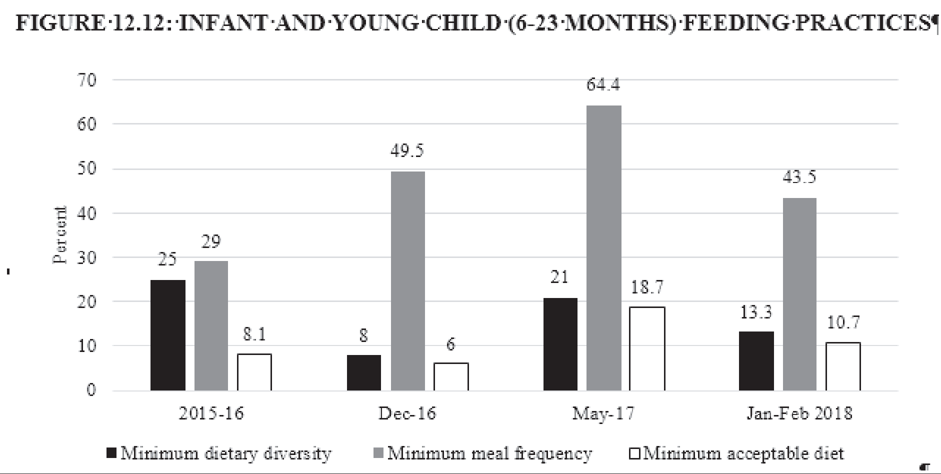


Source: Malawi SMART Survey, 2018.

12.9.3 Infant and Young Child Feeding Practices

According the MDHS (2015-16), only 25 percent of children met the minimum dietary diversity in 2015-16. During the lean month of December 2016, the proportion was estimated at 8 percent before it increased to 21 percent during post-harvests month of May 2017 and dropped again to 13.3 percent during the lean months of January and February 2018 (Malawi SMART Survey, 2018). Figure 12.12 gives the proportion of children aged 6-23 months who achieved the minimum dietary diversity, the minimum meal frequency, and the minimum acceptable diet. In the MDHS of 2015-16, 29 percent of children met the minimum meal frequency. The share of people who achieved minimum meal frequency according to the Malawi SMART survey was 49.5 percent in December 2016, 64.4 percent in May 2017 and 43.4 percent in January/February 2018. It was further shown in the 2015-16 MDHS that 8.1 percent of children were given foods from three or more food groups and fed the minimum number of times per day (minimum acceptable diet). This proportion was 10.7 percent in January/February 2018, which is lower than the one reported in May 2017 (18.7 percent) but higher than 6 percent reported in December 2016 (Malawi SMART Survey, 2018).

FIGURE 12.12: INFANT AND YOUNG CHILD (6-23 MONTHS) FEEDING PRACTICES



Source: Malawi Demographic and Health Survey 2015-16 & Malawi SMART Survey 2018.

12.9.4 Challenges and Lessons Learnt in Implementing the Nutrition Programme

12.9.4.1 Challenges in Implementing the Nutrition Programme

A number of challenges were faced in implementing the nutrition programmes in the 2017/18 fiscal year including (i) inadequate collaboration and coordination among stakeholders in nutrition programming at the community, district and national levels; (ii) inadequate human and financial resources for the national nutrition response; (iii) weak monitoring and reporting mechanisms; and (iv) inadequate data assessment mechanisms for nutrition at all levels.

12.9.4.2 Lessons Learnt in Implementing the Nutrition Programme

One of the key lessons in implementing nutrition programmes in the 2017/18 fiscal year is that strengthening collaboration among stakeholders, including development partners in nutrition, would enable achievement of results in the National Nutrition Response. Strengthening multi-sectoral approach in the nutrition programming and implementation can hasten progress in achieving a national response to nutrition issues. It was further learnt that simultaneously mainstreaming Nutrition, HIV and AIDS and Gender in development programmes can help ensure sustainability and effectiveness of these programmes.

12.9.5 Targeted Nutrition Performance for 2018/19 and 2020

The National Multi-Sector Nutrition Strategic Plan 2018-2022, which was adopted in April 2018, defines performance targets in nutrition. Table 12.8 gives a summary of targets for 2018/19 and 2019/20 financial years as outlined in the strategic plan.

TABLE 42.8: TARGETED NUTRITION PERFORMANCE FOR 2018/19 AND 2019/20

Performance Indicator	Target (%)	
	2018/19	2019/20
Percentage of children under five years of age who are stunted	34	33
Percentage of children 6-23 months of age who received a minimum acceptable diet	18	22
Percentage of children under five years of age who are underweight	10	9
Percentage of children age 6-23 months who received minimum meal frequency	39	44
Percentage of women of reproductive age 15-49 years who are thin	5	4
Percentage of children under five years of age who are wasted	2.2	2.0
Percentage of children under five years of age who are overweight	4.4	4.1
Percentage of women of reproductive age (15 – 49 years) who are obese or overweight	19	18
Percentage of children 0 – 5 months of age who are exclusively breastfed	65	67

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

Chapter 13

LABOUR, SPORTS AND SKILLS DEVELOPMENT

13.1 Overview

This chapter reflects developments in sectors of labour, youth, sports and manpower development for the period July 2018 to June 2019 and projections for 2019/20.

13.2 Skills Development

During the year under review, Government continued implementing its plan of developing skills for the youth by establishing community colleges in all the 28 districts. So far, twelve community colleges have been established and are operational, and three colleges (Nsanje, Chikwawa and Salima) are at completion level and expected to be opened soon and another one in Chitipa is to be completed by the end of the financial year. However, quality of community colleges is not consistent across the country and this may have to be improved upon. In the 2018/19 financial year, the number of students enrolled in these colleges stood at 1,400 representing an 14 percent increase on the 2018 enrolment. The students acquire various skills ranging from bricklaying, motor vehicle mechanics, carpentry and joinery, plumbing, welding and fabrication. The European Union has also constructed ten Skills Development Centres, for which the Ministry will later build additional structures to make them full community colleges.

The Government further recognises that increased access to skills is critical for improved productivity, trade performance and employability and has, therefore, engaged the People's Republic of China to support the construction of five Community Technical Colleges. In realisation that the seven existing National Technical Colleges were constructed over forty years ago, the Government is also rehabilitating and expanding the seven existing National Technical Colleges with funds from both the National Budget and Development Partners such as the African Development Bank (AfDB). The expansion will increase access to technical and vocational training.

A significant mismatch between skills demanded and supplied continued to be an issue during the period. As such, the Government sought support from the International Labour Organisation (ILO) to develop a National Skills and Competences Strategy for the country. The strategy will enable the Technical, Entrepreneurial and Vocational Education and Training (TEVET) sector to provide training that is demanded by the industry and, so far, a draft strategy has been produced.

13.3 Trade Testing Services

The Ministry, among others, is responsible for conducting skills testing and certification. In the 2018/19 fiscal year, 7626 candidates in different prescribed trades were trade tested in 46 Technical Training Institutions across the country. In order to ensure the credibility of results, the ministry has removed the three parallel examination assessment bodies (MANEB, TEVETA and Trade Test) and has created the Assessment and Certification Unit that will be responsible for testing students.

13.4 Labour Services

13.4.1 Overview

The Ministry during this financial year has finalised the development of the second generation Decent Work Country Programme, which will augment the National Employment and Labour Policy. Specifically, this programme focusses on employment creation, rights at work, social protection and social dialogue. The implementation of this programme will therefore ensure the creation of decent and productive employment within the framework of the ILO's Decent Work Agenda and the Sustainable Development Goals. The Ministry will continue sensitising all sectors about the creation of decent and productive employment within the framework of the Decent Work Country Programme.

Societies are built on the premise of institutions that range from regulations and employment contracts to collective bargaining to labour inspection systems in order to reduce working poverty and guarantee a future of work with dignity, economic security and equality. In connection to this, the Ministry has established a Universal Labour Guarantee through the labour laws, which will ensure that all workers enjoy fundamental rights and rights to collective bargaining, social protection including safety and health, and social dialogue.

There is also a window of opportunity to tackle employment and labour issues that remain unexploited. In order to do this, the Government needs to review strategies to be in line with the Sustainable Development Goals, particularly goal eight, which is to promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. The Ministry has therefore appointed the Focal Point as directed by the African Union Commission and the Focal Point attended the meeting on the Ouaga+10 Conference held at African Union Commission Headquarters in Addis Ababa and is currently working on instituting the National Committee that will be responsible for the reporting of the implementation of the Ouaga+10 resolutions of Malawi as a Member State to the Commission.

During the period under review, the Government has also taken a serious step towards ensuring that tenants are treated as employees. Government will put in measures that will ensure that tenants' livelihood is safeguarded to avoid abject poverty. In relation to this, the Employment Act has been amended to adequately regulate employment in tobacco estates and other agricultural undertakings. The amended act recognises and provides protection to tenants as employees deserving decent working conditions. The Ministry plans to undertake a survey which will provide numbers on how many tenants are currently in Malawi.

13.4.2 Occupational Safety, Health and Welfare

The 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, the Occupational Safety, Health and Welfare Act is under review. The main aim is to ensure that all workplaces currently excluded are covered. The Act will also provide for stiff penalties for all labour infringements. Furthermore, the Ministry is in the process of developing Occupation Safety, Health and Welfare Regulations to support the implementation of the revised Occupational Safety, Health and Welfare Act. The Ministry is further committed to develop the first ever National Occupational Safety, Health and Welfare Policy, which will become the fulcrum of occupational safety, health and welfare interventions. During the year under review the Ministry conducted 788 workplace inspections and examined 411 pressure vessels.

13.4.3 Employment Injury and Workers Compensation

During the period under review, the Government facilitated payment of MK710,575,400 as compensation for 645 out of a registered 1,163 cases. In order to speed up workers' compensation payments and to guarantee the availability of funds, the Ministry is in the process of developing a Workers Compensation Fund (WCF) to avail funds for compensation payments. This will reduce the financial burden to both the Government and the private sector. The Government has so far drafted regulations for guiding the delivery of workers compensation services.

13.4.4 Child Labour

The Ministry is aware of the high prevalence of child labour, which is at 38 percent now. This is certainly a worrisome situation as this has negative repercussions on the country's social-economic development. In the international community, child labour is perceived as forced labour and products produced using forced and child labour are not accepted on international markets. Therefore, the Ministry will scale up its efforts to eliminate child labour in the country. The ministry has just finalised the development of the National Action Plan for the elimination of child labour in Malawi. The Plan offers a real opportunity for the Government to take a more holistic and focused approach to addressing the challenge of child labour. The Ministry also presented the National Child Labour Policy to the Cabinet Committee for its consideration for approval and the draft policy has been deferred for amendment as the Committee decided that some areas needed refinement. The Ministry has committed on behalf of the Government to be the Pathfinder country following the attendance at the IV Global Child Labour Conference in Buenos Aires, Argentina, in 2017. The Ministry is also in the process of developing the National Child Labour Mainstreaming Guide with support from Winrock International. This document will be the reference and guiding document for government ministries, departments and all the stakeholders in the country to participate in the elimination of child labour. The stakeholders are expected to include child labour interventions in their plans and budgets so that child labour is eliminated at all costs. The Ministry will continue with the process of reviewing the National Action Plan on child labour (NAP) so that it can finally be approved, launched, and disseminated. The draft National Child Labour Policy will also be finalised, launched, and implemented.

13.4.5 Labour Market Information System

Government is in the process of finalizing a labour market information system, which will increase access to and availability of labour market information in the country. So far, the labour market information system has been developed and servers that will house the system are being installed.

13.5 Youth Development

Malawi is a youthful nation. Out of its 17.5 million strong population, 13 million are young people under the age of 35. Therefore, the youth represent a vast human resource potential that could positively contribute to national development if properly nurtured. Some of the problems which the youth face include high unemployment and under-employment, high illiteracy levels, HIV and AIDS, limited access to sexual and reproductive health services, limited access to technical and vocational training, and limited scientific and technological knowledge. In the financial year under review the Ministry achieved the following in addressing some issues highlighted above:

i. It coordinated the development of the National Strategy for Adolescent Girls and Young Women (AGYW). This is an inter-ministerial effort to enhance coordination and leadership of AGYW programing, thereby ensuring that Adolescent Girls and Young Women in Malawi are given the opportunities to realise 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.

ii. In an effort to provide work experience to graduates for them to be competitive on the job market, 3,500 youth have been attached in various government ministries, departments and agencies (MDAs) through the graduate internship programme.

iii. The Department has scaled up the functional literacy programme, which offers second chance education to out-of-school youth to six additional districts, namely Nsanje, Chikwawa, Thyolo, Machinga, Nkhotakota and Nkhata Bay in addition to the three Joint Program on Girls Education (JPGE) districts of Salima, Dedza and Mangochi. A national out-of-school youth functional literacy curriculum has also been developed.

iv. In an effort to create 17,000 jobs under the Jobs for Youth project, the Department has set up eight incubation centres to nurture and sharpen technical, vocational and entrepreneurial skills in the high job creation sectors of agriculture, ICT, small scale mining and manufacturing. 546 interns have also been placed in various private companies to gain exposure.

v. In collaboration with the United Nations Population Fund (UNFPA) country office, the Department has secured funding from the Norwegian Agency for Development Cooperation (NORAD) for the implementation of a three-year project called reaching those most left behind through Comprehensive Sexuality Education (CSE) for out-of-school youth. The aim is to empower 5000 adolescents and youth from specific vulnerable groups to develop their skills and capabilities to enable them to make informed choices about their sexual and reproductive health rights and wellbeing. The five countries that are part of this initiative are Ethiopia, Malawi, Ghana, Colombia and Iran.

vi. The development of the Malawi National Youth Service Programme to act as the overarching broad youth development program in Malawi has been initiated.

13.6 Sports Development

For the financial year under review, the Sports Department has continued rehabilitation works on the Kamuzu Institute for Sports as to be in a state of hosting Olympic Games in the year 2022. The Ministry also plans on continuing to upgrade our sports infrastructure by rehabilitating old ones and building new ones. The Ministry will construct a National Indoor Sports Complex, a National Hockey Stadium and the Mzuzu Youth Centre. The Ministry will also rehabilitate BAT Ground and other sports facilities in order to provide increased sports infrastructure.

13.7 Challenges

Achievements of labour, skills development, youth and sports sector aspirations in Malawi have been affected by a number of factors such as inadequate labour inspectors, a lack of operational resources including finances and motor vehicles, skilled labour shortages, inadequate numbers of professional technical staff, ineffective monitoring and evaluation systems and a lack of appropriate infrastructure and institutional frameworks.

Chapter 14

ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE

14.1 Overview

Malawi's economic development and the livelihoods of its population are largely dependent on natural resources. In order for the country to experience sustainable economic growth and alleviate poverty, the country must conserve and protect its valuable environment and natural resources. In this regard, Government has implemented various measures to safeguard the country's natural resource base and improve resilience to climate change impacts. Ministry of Natural Resources, Energy and Mining through the Environmental Affairs Department (EAD) 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 the performance of environment, natural resources and climate change programmes in the 2018/2019 fiscal year.

14.2 Environment and Natural Resources Policy and Regulatory Frameworks improved

Recognizing the critical role that policy and regulatory frameworks play in ensuring the sustainable management of natural resources in the country, the Government in consultation with various stakeholders developed the Environment Management (Climate Change Fund) Regulations, which were gazetted in December 2018. Objectives of the fund are to first, to provide financial and other resources for undertaking climate change interventions in Malawi; and second, to promote, with respect to climate change, the attainment of

i. climate change adaptation;
ii. climate change mitigation;
iii. capacity building, education, training and awareness activities;
iv. research, technology development and transfer and systematic observation;

and lastly, to stimulate co-operation and participation in the pursuit of the above objectives in climate change interventions.

Government has also developed and implemented guidelines on access and benefit sharing of biological and genetic materials in the country. The guidelines assist in controlling biotrade and promoting fair and equitable sharing of benefits arising from the utilisation of biological resources in the country.

Government has reviewed the Environment Management (both Chemicals and Toxic Substances as well as Waste Management and Sanitation) Regulations of 2008 to ensure that new scientific information that has emerged since 2008 is incorporated into the regulations for the effective protection of the environment and human health.

Government has also developed and printed a National Waste Management Strategy for 2019-2023, which sets out the priorities to be pursued to minimise the detrimental impact on human health and the environment associated with waste and to improve the management of waste in the country taking into consideration the 2030 Agenda for Sustainable Development. The strategy provides information on the regulatory and institutional infrastructure, status of waste management in Malawi, and different types of wastes as well as tools to enable regulatory bodies, generators of hazardous waste, including the public, and recyclers and operators of facilities to enable them to minimise, recycle, treat and dispose of waste in an environmentally sound manner for the sustainable development of Malawi.

Government with financial assistance from GEF and technical assistance from the United Nations Environment Programme (UN Environment) reviewed and updated the 2005 National Implementation Plan (NIP) for the Stockholm Convention on Persistent Organic Pollutants (POPs) in Malawi taking into consideration the new chemicals added to the Stockholm Convention on POPs. The revised NIP provides information on POPs management in Malawi since the 2005 NIP was developed. It has focused on key areas including; the legislative and institutional frameworks, capacity building, information exchange, public awareness and research and development. The updated NIP also provides the current status of management of specific POPs including pesticides as well as providing baseline information for the new chemicals added to annexes A, B and C of the Stockholm Convention. The NIP provides guidance on the implementation measures that Malawi should take in order to effectively manage POPs for the protection of human health and the environment in accordance with the Sustainable Development Goals.

In ensuring the safe use and handling of ionising radiation sources in the country, the Government developed Atomic Energy (both Safe and Secure Transport of Radioactive Materials and Naturally Occurring Radioactive Materials) Regulations. These regulations will be useful in ensuring radiation protection and 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 in minimising and combatting harmful effects of radiation to human beings and the environment.

Furthermore, Government has strengthened the capacity of the judiciary through trainings to enhance their understanding of environmental issues. A total of 18 lawyers have been trained and oriented on biosafety issues. Lawyers were sensitised on the Cartagena Protocol on Biosafety, which is a global legally binding protocol to the Convention on Biological Diversity (CBD) that seeks to contribute to ensuring the safe transfer, handling and use of living modified organisms (LMOs) created through modern biotechnology. They were further oriented on existing laws, regulations and guidelines for the implementation of the protocol so that they are well conversant with the issues when prosecuting offenders.

With financial and technical support from United Nations Environment (UN Environment) and United Nations Development Programme (UNDP), the Government strengthened the institutional capacity of the judiciary and law enforcement officials in environmental law through training, sharing expertise and legal guidance materials. Under the project, Government integrated environmental law in judicial education and prosecutor training programmes in Malawi; developed and printed a training curriculum on environmental law for the judiciary, which has since been distributed to magistrates across Malawi; developed and printed a training curriculum on environmental law for police prosecutors; and enhanced capacity on environmental law for judges, magistrates, investigators and prosecutors through training workshops. 14 female magistrates and 47 male magistrates were trained in environmental law and 7 were female investigators and 17 male investigators were trained in investigation and prosecution of environmental crimes.

14.3 Mainstreaming of ENRM Issues into Development Policies and Programmes

Government continues to promote the integration of environmental considerations into development projects through the implementation of Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plans (ESMPs) and Environmental Audit processes. Various development programmes and projects in the areas of infrastructure, mining, agriculture and water were reviewed for adherence to ESIA guidelines and environmental standards/legislations. During the fiscal year, 19 ESIAs and 80 ESMPs were reviewed and approved to ensure environmental sustainability. The proposed projects whose ESIAs were approved included: Water supply and irrigation projects (the Lake Malawi Water Supply Project from Salima-Lilongwe, the Karonga Water Supply Project, the proposed Lifuwu Irrigation Scheme in Salima, the proposed Bwanje Dam in Dedza, the Smallholder Irrigated Orchads Scheme in Salima, the Nyunyu Irrigated Banana and Mangoes Project in Salima, the Lwanjati Coffee and Macademia Irrigated Estate in Mzimba); mining projects (the Limestone Mining Project at Siliya in Ntcheu, Msambo Quarry in Lilongwe); power supply projects (the Nkhotakota Solar PV Project in

Nkhotakota, the 40 MW Solar PV Plant in Salima, the proposed 400 KV ESCOM Backbone Project); hotel projects (the 100 Bed 4 Star Hotel at Livingstonia Beach in Salima, the Riverbend Garden Villas in Lilongwe, the Sun View Hotel in Lilongwe); the proposed Rrehabilitation of the railway line from Msandama to Mchinji; the Malawi Defence Force Referral Hospital in Lilongwe; the Pharmaceutical Manufacturing Plant in Lilongwe; and the CPI Timber Processing Factory in Mzimba.

Furthermore, Government continued monitoring the implementation of development projects to ensure compliance with ENRM legislations. In this regard, 17 potentially polluted sites were inspected and best environmental practices were promoted. The sites and facilities inspected include: Mount Meru Cooking Oil Factory at Lumbadzi in Lilongwe, Castel Malawi Limited in Mzuzu, the Nsilo Waste Management Site in Mzuzu, Central Poultry 2000 Limited in Lilongwe, Likuni Meadows Housing Community in Lilongwe, Chibuku Breweries in Lilongwe, Sun Seed Oil in Lilongwe, Sun Share Limited in Lilongwe, Liwonde Tannery in Machinga, Phalombe Teacher Training College in Phalombe, Naming'omba Tea Estate, Nyasa Metals Industry in Blantyre, Agri-Value Chain in Blantyre, Capital Dairy Industries in Lilongwe, African Cattle Ranch in Blantyre, Lime Company in Blantyre and Dairy Board at Ginnery corner in Blantyre. All companies that were found non-compliant were ordered to stop operations undertake remedial measures, to conduct environmental audits and to adhere to the principles of good environmental management. Eight companies were fined for either polluting the environment or for violating environmental legislations/standards.

14.4 Strategic Management of Climate Change and Ozone Depleting Substances

Government, with guidance from the National Climate Change Management Policy and the National Adaptation Programmes of Action (NAPA), has developed and implemented various programmes and interventions in climate change vulnerable communities, which are aimed at improving food security, increasing climate resilience, reducing carbon emissions into the atmosphere, and increasing the adaptive capacity of the people and ecosystems.

Government through the Implementing Urgent Adaptation Priorities through strengthened decentralised and national development plans in Malawi (Adapt Plan) Project has implemented various climate change adaptation interventions in Nkhata Bay, Ntcheu and Zomba districts. Notable achievements include the construction of one solar powered integrated water supply system at Chipusire, Traditional Authority Mpando in Ntcheu District, the construction of three solar-powered irrigation schemes in Zomba District, namely, Tilitonse solar powered integrated water supply system in Sub-Traditional Authority Ngwelero, Chiswamafupa solar powered integrated water supply system in Traditional Authority Mwambo, and Sunuzi solar-powered integrated water supply system in Traditional Authority M'biza (each 10ha in size); the construction of one centre of excellence (CBA demonstration centre) in TA M'biza, Zomba District, and one centre of excellence (CBA demonstration centre) in TA Mbwana, Nkhata Bay District; and the construction of eight Fish ponds, two in Zomba and six in Nkhata Bay. The project has further provided safe drinking water to the beneficiary communities through construction and rehabilitation of boreholes where a total of 15 boreholes have been drilled (9 in Zomba and 6 in Nkhata Bay), promoted livestock production (goats, piggery and poultry), and facilitated beekeeping for honey production for household income in order to reduce their vulnerability to adverse impacts of climate change.

Furthermore, Government through the Climate Proofing Local Development Gains Project has implemented a number of programmes in urban and rural areas of Machinga and Mangochi Districts. Notable achievements in the project areas included: the rehabilitation of Issa Mponda solar-powered irrigation scheme (5ha) in T.A Mponda Mangochi and construction of two medium irrigation schemes (60ha) at Namosi, TA Mlomba and Ulongwe, TA Nyambi in Machinga; the development of a climate-smart fishing handbook; the construction of a climate-proofed multipurpose dam in Stambuli village, TA Mponda in Mangochi district to supply water for irrigation farming, fish farming and domestic purposes; the promotion of beekeeping and mushroom production in TA Mlomba, Nyambi and Chikweo in Machinga district, which has resulted in increased income in communities in the project area (about MK13,000,000 of income has been realised under this programme); the rehabilitation of a 12km road at TA Chikwewo in Machinga District to improve access to the area; and construction of Likonde oil refining factory, at Issa Mponda, TA Mponda in Mangochi.

Government, in accordance with the requirements of the Montreal Protocol on the protection of the ozone layer, continues to implement activities on the phase-out of Ozone Depleting Substances (ODS) in the country. A major source of ODS in Malawi is from the refrigeration and air-conditioning sector. So far, more than 40 percent of hydrochloroflourocarbons (HCFCs) have been phased-out in the country and HCFCs will be completely phased out by 2030 as per the Montreal Protocol schedule. This 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 320 refrigeration technicians on good refrigeration practices; trained 260 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. Since the ODS phase-out project implementation started, the country has managed to completely phase out the use of chlorofluorocarbons and methyl bromide in the refrigeration and agriculture sectors, respectively.

14.5 Biodiversity Conservation and Protection

Recognising the critical role of biodiversity and ecosystems in poverty reduction, Government continued implementing programmes aimed at promoting conservation and sustainable use of biodiversity in the country. Government developed and implemented a project on enhancing sustainability of Protected Areas in Malawi, and stabilising agro-production in adjoining areas through improved Invasive Alien Species management (IAS). The project is implemented in Mulanje Mountain Forest Reserve and Nyika National Park. It will assist the country in managing Invasive Alien Species in the two sites and surrounding areas.

Government further prepared the Sixth National report to the Convention on Biological Diversity for Malawi in accordance with Article 26 of the Convention and decision X/10 of the Conference of the Parties. The report is a key source of information for implementing biodiversity programmes in the country. It is also an important planning tool for biodiversity management at the national and local level.

14.6 Management of Nuclear Radiation Sources

To improve management of nuclear radiation sources in Malawi, the Government officially launched the Atomic Energy Regulatory Authority (AERA) on 6th March, 2019. The Authority is mandated to coordinate and promote the implementation of activities aimed at protecting human and the environment from the harmful effects of ionising radiation. Among others, Government has updated its inventory of radiation sources in the country, strengthened the capacity of institutions on handling and safe use of radiation sources and enforced regulations on management of radiation sources in the country. Furthermore, guidelines on handling, transportation and safe use of radiation sources have been developed and implemented to ensure nuclear safety and security.

14.7 Environmental Information, Education and Public Awareness

In an effort to increase popular participation and behavioural change in Climate Change and Environment and Natural Resources Management (ENRM), Government continued sensitising the general public on the importance of managing natural resources in the country. Environmental awareness materials on various thematic areas such as Waste Management, Biodiversity Conservation and Climate Change Management have been developed and disseminated through print and electronic media. Furthermore, the capacity of district councils in the development of District State of Environment and Outlook Reports (DSOER) has been strengthened. District State of Environment and Outlook reports for Salima, Mulanje and Mwanza have been prepared. These reports inform development plans at the district level.

14.8 Challenges

The Ministry encountered a number of challenges related to the implementation of environment and climate change programmes in the country:

i. Judicial review challenging the ban of thin plastics by the plastic manufacturers and sellers;

ii. Late disbursement of funds from donors affects timely implementation of project activities;

iii. Capacity constraints, especially in the district councils on integrating Climate Change Adaptation into development programs; and

iv. Available resources are not adequate to enable the Ministry to achieve its targets.

14.9 Possible Solutions

i. Timely disbursement of funds from donors, which will ensure the timely implementation of project activities by the Government;

ii. Provision of adequate resources to the Ministry to enable it achieves its targets;

iii. Strengthen the capacity of district officers, especially in the district councils, on integrating Climate Change Adaptation into development programs;

iv. Biodegradable plastics should be sold at affordable prices so that the general public can easily access them and abandon the use of thin plastics in the long run;

v. There is need for more sensitisation programmes to the general public on the threats posed by thin plastics to the environment at large.

14.10 Future Plans

Government intends to implement the following key activities in the 2019/2020 fiscal year on climate change and environmental management.

i. Upscale environmental enforcement activities to ensure compliance to environmental related legislations;

ii. Coordinate implementation of AERA activities aimed at protecting people and the environment from the harmful effects of ionizing radiation;

iii. Scale up climate change and environmental awareness campaigns in order to promote positive behavioural change on good environmental practices;

iv. Promote integration of environmental considerations into development projects through implementation of Environmental and Social Impact Assessments (ESIA), Environmental and Social Management Plans (ESMPs) and Environmental Audit processes;

v. Promote management and sustainable use of biodiversity in the country;

vi. Facilitate the establishment of Malawi Environmental Protection Authority (MEPA);

vii. Facilitate the phasing-out of Ozone Depleting Substances (ODS) in the country through capacity development and provision of tool kits and enforcement of ODS regulations; and

viii. Promote sanitation and waste management in the country.

Chapter 15

GENDER, DISABILITY AND SOCIAL WELFARE

15.1 Overview

The Gender and Social Welfare Sector continues to register commendable success in ensuring that vulnerable groups, including children, persons with disabilities and women, are protected and empowered to meaningfully participate in the national development. Over the past six years, Government has enacted gender-sensitive laws and developed gender-related policies including the Gender Equality Act, Marriage, Divorce and Relations Act, and the National Children's Policy. Government also revised the marriage age from 16 to 18 years in the Constitution. These efforts all together led the United Nations and the African Union to recognise Malawi as a shining example on the African Continent. Achievements such as this are made possible by officers at both the central and district levels and development partners, who work towards Gender Equality and Women Empowerment; Child Protection and Development; and Social Protection and Development.

15.2 Gender Equality and Women Empowerment

Government continues to strive towards realising its commitments on Gender Equality and Women's Empowerment. Over the past four years, the main focus has been to create a conducive legal and policy framework for gender equality. Furthermore, Government has been promoting gender mainstreaming in the national development process by building capacity in Ministries, Departments and Agencies (MDAs) including Health, Agriculture, Transport and Education. In 2018, the Government deployed 52 Gender and Development officers to district councils, who are key in gender mainstreaming at the district and community levels. In the same year, Government developed and launched the Strategy for Eending Child Marriages and carried out a campaign to end child marriages in collaboration with the media as well as CSOs to reduce cases of Gender Based Violence.

Government continues to promote women in politics to ensure that there is equal representation of women in decision making positions. In 2019, Government engendered the electoral laws and coordinated the Political Empowerment of Women (PEW) meetings targeting the agency that was coordinating the 50:50 Campaign in preparation for the Tripartite Elections scheduled for 21st May, 2019. Moreover, to ensure that the citizenry is sensitised on gender-related legal and policy frameworks, the National Gender Policy and Strategy on Ending Child Marriages was disseminated in easy-to-understand materials such as booklets and radio messages. This has led to greater awareness about child marriages and gender equality. On the other hand, the Government recognises that for gender equality to become a reality, there is a need to mainstream gender in the country's education system. In this regard, the development of curricular courses in Diploma, Degree and Masters at the University of Malawi and Lilongwe University of Agriculture and Natural Resources was initiated. This will ensure that there is adequate expertise in the country on Gender and Development.

In an attempt to reduce gender-based violence and increase the participation of men, women, boys and girls in development, the Government printed and disseminated the Gender Related Laws to key stakeholders in courts, the police, traditional authorities, as well as religious and opinion leaders in all districts. It further facilitated the nullification of 600,000 child marriages, and children withdrawn from child marriages were readmitted to schools.

On women's economic empowerment, the Government is implementing the Village Savings and Loans Initiative targeting the poor including rural women. Over 3,000 clusters of loans and Village Savings Groups are operational, 4.5 million individuals benefit, and over MK5 billion (USD 7 million) are in circulation. This will go a long way in ensuring that women and girls are economically emancipated.

15.3 Child Protection and Development

Government continues to invest in the early years of its citizens in order to spur sustainable development. In 2018, Government constructed 53 Early Childhood Development (ECD) Centres country-wide and distributed ECD care and stimulation materials to 2,500 ECD centres. This enabled 2,203,431 children to access ECD services. The National Early Childhood Development Policy was also launched, with the aim of improving ECD Services and strengthening coordination among key ECD stakeholders.

In the year under review, Government continued to strengthen the provision of ECD in the country through the construction and renovation of 140 ECD Centers. In addition, 883 centers were established, some of which were built by communities and development partners. To ensure that ECD services provided by Government are of high quality, 14,381 care-givers were trained during the period under review.

The editing of English and Chichewa versions of the Children Corner Facilitators Guide was completed. Furthermore, child protection has been mainstreamed in the education system through the introduction of Child Friendly Schools Initiative in all the 6 educational divisions.

15.4 Social Protection 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 2018, through the Social Cash Transfer Programme, Government delivered transfers to 176,407 beneficiary households in 18 districts and completed the targeting of 114,302 beneficiary households in nine World Bank supported districts.

In 2019, Government increased the Social Cash Transfer coverage from 176,000 to 280,000 households covering all 28 districts. Currently, monthly transfers are made to 280,000 households with funds disbursed to beneficiaries amounting to MK24 billion. Government also commenced the process of scaling up e-payment for the Social Cash Transfer Programme to three additional districts, in two of which (Balaka and Ntcheu) it has successfully been implemented on a pilot basis. Government also provided lean season top-ups to 24,000 SCTP households in Balaka and Ntcheu with the support of Irish Aid. Beneficiaries were given additional funds amounting to 225 percent of the basic value per household per month between November and March.

Government continued to register progress in the reintegration of homeless children and child care centres. In 2018, Government reintegrated 512 children from child care institutions to communities. In order to speed up the process of reintegration of homeless children to their respective communities, Government with support from UNICEF recruited social welfare interns, who were tasked to coordinate the reintegration activities at the district level. Reintegration requires a strategic approach, so that children do not return to living in the streets. In view of this, a feasibility study was conducted on the reintegration of homeless children and a reintegration model developed.

Under the Probation and Rehabilitation Programme, the Ministry provided reintegration assistance to 24 Malawian returnees from South Africa for proper resettlement; developed and launched the National Social Welfare Policy; facilitated the Child Case Review Board's reviews of children in juvenile centres, reintegrated 888 children without permanent homes and from reformatory centres back to their communities. In addition, the Government completed the construction of two hostels for girls in conflict with the law at Mpemba and Chilwa Reformatory Centres.

Government recognises the importance of inclusive development therefore ensures that there is a conducive environment for persons with disabilities and the elderly. It is for this reason that Government continued to review the Disability Act of 2012 and developed the National Disability Mainstreaming and the Disability Communication Strategies. Further, Government continued with the review of the Disability Act of 2012 to address gaps and emerging issues identified by key stakeholders and provided assistive devices to 753 persons with disabilities.

As the killings and abductions of people with albinism are on the rise, Government is implementing the National Action Plan on Albinism, which was launched in 2018. Government also launched and disseminated a report on the feasibility of the Universal Old Age Pension Scheme, which influenced the adoption of a bill of the same name in parliament. Government also commenced the review of the Witchcraft Act (1911) with the Malawi Law Commission, which aims at reducing the number of assaults against the elderly, especially in rural areas.

Government recognises the significant role and contribution that NGOs play in the social-economic and political development of the country. Hence, these are considered as important partners contributing to democracy, accountability and development. To ensure the coordination among NGOs, Government facilitated the registration of 680 NGOs and conducted monitoring of NGO programmes in nine districts.

In 2019, as a way of strengthening coordination among the NGOs, Government developed a Non-Governmental Organization Policy, which was approved by Cabinet on 14th February, 2019. This policy seeks to transform the board to become an NGO Regulatory Authority. Government further intends to comprehensively review the NGO Act to take on board emerging issues for the benefit of all Malawians.

Chapter 16

SOCIAL SUPPORT AND POVERTY REDUCTION PROGRAMMES

16.1 Strengthening of Social Support Systems

Government has taken the initiative to introduce a central registry for potential beneficiary households. This allows the various social protection programmes such as the Social Cash Transfer Programme for labour constrained households or the Public Works Programme for able bodied households to source their beneficiaries in a coordinated manner and to overcome fragmentation. Introduction of digitised data management has provided a crucial stepping stone to harmonisation, efficiency, transparency, accountability and follow up mechanisms of the Malawi National Social Support Programme II and other sector outcomes such as health, nutrition, education and economic inclusion.

In addition, capacity of Government is being strengthened to design and implement risk-informed and shock-responsive social protection systems to reduce the vulnerabilities of at-risk populations, strengthen their capacity to respond to and recover from shocks, and thus enhance households' resilience to mitigate the effects of shocks and improve preparedness for further crises.

16.2 Social Cash Transfer Programme

Social Cash Transfer Programme (SCTP), which supports ultra-poor and labour constrained households with monthly transfers averaging K7000 (USD9.70), benefits 293,000 households in all 28 districts. The SCTP is implemented by Ministry of Gender, Children, Disability and Social Welfare with support from Government, EU, KfW, Irish Aid, World Bank, through MASAF IV and UNICEF.

16.3 Public Works Programme

Public Works Programme significantly contributes in building resilient livelihoods in Malawi. This programme provides cash transfers or food assistance to poor households that are not labour-constrained in exchange for labour-intensive work to create community assets. Emphasis is on projects such as afforestation, the construction of different soil and water conservation (SWC) measures and flood control structures, and community pond construction. The assets created improve food security and reduce households' exposure to risks associated with climate change and other disasters. The wages directly increase the disposable income of poor households, thereby making them more resilient to shocks.

PWP is mainly implemented by the National Local Government Finance Committee (NLGFC) under MASAF 4 and has been implemented in 35 district councils reaching approximately 450,000 households. In the fourth quarter of the

2018/19 financial year the PWP implemented by NLGFC has been enhanced to focus on creating more sustainable community assets. As such, PWP has scaled down and the focus is on Enhanced PWP, which will be piloted in 10 districts councils covering 10,000 households for eight months. The lessons learnt from the pilot will feed into the design of the upcoming reformed PWP to be supported by the World Bank. Other partners implementing the PWP in the form of Food for Asset include the World Food Programme, Catholic Relief Services, Emmanuel International and Project Concern International.

16.4 School Meals Programme

School Meals Programme (SMP) is one of the five programmes that Malawi Government has prioritised in the Malawi National Social Support Programme (MNSSP) II. Public primary school learners are given food/meal at school during school calendar days. The overall objective of SMP is to promote school performance and improve education outcomes in Malawi. Specifically, the programme aims at reducing drop-out rates, absenteeism, promoting regular attendance, increasing enrolment rates, and improving pupils' capacity to concentrate and learn. Currently the SMP is in 2,036 public primary schools reach a total of 2,158,428 learners, of which 1,093,331 are girls.

16.5 Savings and Loan Groups

Savings and Loan Groups (SLGs) are currently the reliable institution that is providing financial services to majority of rural and peri-urban communities. SLGs have helped most of the communities to change their mindset and develop a saving culture, particularly in rural remote areas. Improved access to small loans has helped rural marginalised communities to start small businesses and improve peoples' livelihoods. SLG membership is at 1.3 million with accumulated savings of over MK10 billion.

16.6 Pro-Poor Microfinance

The microfinance sector plays a critical role in development by providing access to financial services for low-income groups. Reserve Bank of Malawi in collaboration with the Malawi Microfinance Network have developed a microfinance hub – a platform which will link all microfinance institutions transactions. Currently pro-poor microfinance institutions service 230,394 clients in all the 28 districts.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

This chapter highlights the performance of selected commercial statutory bodies during the 2017/18 financial year and it also provides a brief overview of the mid-year unaudited results up to December 2018 and an outlook to June 2019. Economic growth in 2018 stabilised at 4.0 percent while inflation eased to an annual average of 9.2 percent on account of stability in the exchange rate of the Malawi Kwacha against major trading currencies 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 and operating environments for various products and services.

On the monetary side, though the policy rate has been declining, financing still remained unaffordable as the high interest rates continued to impact the level of new investments and also the level of indebtedness of the statutory bodies. However, stability in the exchange rate of the Kwacha against major trading partners contributed positively to those statutory bodies doing international transactions while stability in fuel prices on the domestic market positively contributed to containing operational expenditures in various statutory bodies.

Generally, these developments led to downward revisions of the anticipated turnover for most statutory bodies, thereby reducing their profitability during the financial year ending 30th June 2019. As at mid-year, the statutory bodies managed to generate less than half of the overall approved revenues while expenditures also followed similar trends. In terms of investments, most of the capital expenditure budget was not used, mostly because of cash flow challenges due to an increase in trade debtors.

The liquidity position for most parastatals worsened due to buildup of trade debtors, thereby eroding the 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, leading to high gearing positions.

Looking forward to the close of the financial year in June 2019, the prospects among the commercial parastatals suggests improved profitability as they have postponed some development projects and capital expenditure to 2019/20 while completing the existing ones. Going forward, the Government will continue to strengthen monitoring of the statutory bodies in order to safeguard against any possible fiscal risks that may arise from continued indebtedness among statutory bodies.

17.2 Financial performance

17.2.1 Water Portfolio

17.2.1.1 Blantyre Water Board

Blantyre Water Board continued to report losses in 2018. The 2017/18 audited accounts recorded a loss of MK2.3 billion, an improvement compared to a loss of MK4.1 billion recorded in 2016/17. However, as at 31st December 2018, there had been an improvement as the Board made a profit after tax of MK66.5 million. Efforts have been made to reduce non-revenue water and debt collection. However, high electricity bills continue to pose a big challenge to the Board making up almost 46 percent of the Board's monthly operating expenses, thereby affecting both profitability and liquidity as funds are largely committed to settling electricity bill arrears. To reduce the backlog of electricity bill arrears, the Board agreed with ESCOM to pay MK500 million every week while remaining current on new bills.

Non-revenue water was still high although the Board has managed to contain it at 34.7 percent as in December, 2018 against the budgeted level of 33.3 percent. This was an improvement from 43 percent reported in 2017. During the second half of the planning year, the Board will continue to focus on reducing non-revenue water, enhancing revenue collection and sustaining the current production that satisfies the demand. Furthermore, the Board has since intensified efforts to reduce non-revenue water further by undertaking major pipe replacements, installing ball valves in reservoir, replacing faulty meters, validating meter, disconnecting illegal and activating lost connections.

The Board's profitability was still poor as indicated by the operating profit margin, which stood at -2.53 percent in June 2018 but improved to 13.5 percent in December, 2018, meaning that for every MK100 of the sales, the Board was making a profit of MK13.51 before tax and other charges. However, the continued negative working capital position of the Board puts it at a disadvantage including lower creditability in banks as well as creating a poor supplier relationship.

The liquidity position of BWB continued to be weak and below desirable levels of more than 2:1. A liquidity ratio of 0.37:1 as at 31st December, 2018 means that the Board is still unable to cover its current liabilities as they fall due. Furthermore, the debt ratio stood at 112 percent in 2018 meaning that the Board was still fully financed by debt rather than owner's equity. However, as at 31st December 2018, the position has slightly improved to 110 percent, indicating efforts taken by the Board to generate more sales through the reduction of non-revenue water as well as the collection of old arrears to avoid unnecessary provisions and write offs.

In terms of its efficiency in using its assets, the Board has a very weak financial leverage position which is too vulnerable to any downturns as revealed by a high debt/equity ratio of over 100 percent. The Board was still struggling with its receivables management as the debt receivables days were still as high as 291 days as at 31st December, 2018. This adverse performance was largely a result of non-payment of outstanding bills by both public and private customer; however, a large proportion of the receivables still emanates from public institutions. In order to address this issue, the Board has intensified debt collection by conducting periodic mass disconnection campaigns and a clean-up of the customer data-base through customer verification exercises. The installation of prepaid meters to all its customers is also a key strategy to reduce the receivables. As a result of these strategies, the Board intends to reduce debt receivable days to 59 days by close of the financial year. Table 17.1 shows the financial performance of the Board as at 31st December, 2018.

TABLE 17.1: SELECTED PERFORMANCE STATISTICS FOR BWB

Performance targets	Outlook to 30th June2019 (MK'000)	2018/2019 mid-year (MK'000)	2018 Audited (MK'000)	2017 Audited (MK'000)	2016 Audited (MK'000)	2015 Audited (MK'000)
Income	19,413,730	9,541,757	15,738,765	13,017,961	9,630,573	8,649,755
Change in Income	103%	-27%	21%	35%	11%	17%
Expense	(17,320,176)	(8,381,689)	(16,087,884)	(14,361,071)	(12,062,648)	(8,812,886)
Change in expense	107%	-42%	12%	19%	37%	46%
PAT	32,213.00	66,550.00	(2,337,366)	(4,111,849)	(3,490,048)	(893,780)
Change in PAT	(0.52)	(1.02)	-43%	18%	290%	110%
Profit Margin (%)	11.80	13.51	(2.53)	(11.07)	(27.44)	(2.12)
Return on Assets (%)	0.08	0.19	(5.68)	(11.20)	(12.13)	(0.59)
Net current assets (working capital)	(11,346,849)	(12,033,560)	(9,566,429)	(13,040,146)	(4,827,807)	(709,760)
Current Ratio	0.24	0.39	0.44	0.26	0.39	0.83
Liquid Ratio	0.21	0.37	0.42	0.21	0.32	0.73
Change in current liabilities	(0.24)	0.12	(0.03)	1.22	0.91	0.67
Debt Ratio	109%	110%	112%	106%	97%	81%
Debt-to-Equity	(12.59)	(11.08)	-906%	-1683%	2057%	433%
Trade Receivable Days	59.12	291.09	102.49	51.52	95.19	58.81
Change in Receivables	(0.58)	3.00	1.26	(0.26)	0.87	0.10
Stock Turnover (efficiency ratio)	34.87	18.65	33.98	15.15	16.46	19.10
Capital Employed	43,449,101	30,478,069	24,023,051	19,110,987	22,455,897	23,381,819
ROCE	0.00	0%	-10%	-22%	-16%	-1%
Capital Turnover	0.41	0.28	0.57	0.63	0.39	0.33
Capital Gearing	1.46	1.81	1.93	2.04	1.31	0.96
Working Capital turnover ratio	(1.56)	(0.71)	(1.44)	(0.93)	(1.84)	(10.82)

Source: BWB Audited Accounts

17.2.1.2 Southern Region Water Board

The Southern Region Water Board registered a profit after tax of MK430.8 million in the 2018 financial year, a slight decrease on the previous year's profit after tax of MK596.7 million. However, as at 31st December, 2018, the profitability had taken a downward trajectory with a loss of MK241.8 million. Looking forward to 30th June, 2019, the Board further projects a loss of MK27.6 million.

The liquidity position of the Board was good at 1.5:1 in December 2018, which means that the Board is able meet its debt obligations as they fall due and the Board anticipates to close at a very high liquidity level of 1.6:1. The Board also demonstrated efficiency in generating revenue through its assets with a working capital turnover ratio of 1.1:1. Further, the SRWB maintained its solvency with a positive working capital of MK3.3 billion as of December, 2018, indicating its effectiveness in using its working capital.

TABLE 17.2: SELECTED PERFORMANCE STATISTICS FOR SRWB

Performance targets	Outlook to 30th June2019	2018/2019 mid-year	2018 Audited	2017 Audited	2016 Audited	2015 Audited
Revenue	8,388,813	3,864,379	4,587,519	7,005,597	4,438,344	2,841,091
Change in revenue	20%	-54%	-35%	58%	56%	33%
Expenditure	(6,659,930)	(3,205,143)	(4,587,519)	(4,372,698)	(2,763,812)	(2,121,062)
Change in expenditure	52%	-52%	5%	58%	30%	22%
PAT	(27,646)	(241,882)	430,800	596,710	439,383	(775,006)
Change in PAT	-105%	775%	-28%	36%	-157%	244%
Operating Profit Margin (%)	21%	17%	#DIV/0!	38%	38%	27%
Return on Assets (%)	-9%	-77%	143%	218%	177%	(3)
Net current assets	3,429,116	3,369,131	3,429,116	2,099,459	1,189,439	1,011,889
Current Ratio	1.6	1.5	1.6	1.5	1.6	2.1
Liquid Ratio	1.5	1.5	1.6	1.4	1.5	1.6
Change in current liabilities	0	0	0	1	1	0
Debt Ratio	36%	22%	36%	32%	27%	27%
Debt-to-Equity	56%	29%	56%	48%	38%	36%
Trade Receivable Days	359	899	#DIV/0!	295	231	167
Change in Receivables	0	0	0	1	1	0
Stock Turnover (efficiency ratio)	19	8	-	20	25	6
Capital Employed	24,762,368	24,975,325	24,762,368	23,327,106	22,871,237	22,786,198
ROCE	0%	-1%	2%	3%	2%	-3%
Capital Turnover	34%	15%	0%	30%	19%	12%
Capital Gearing	44%	28%	44%	38%	30%	28%
Working capital turn over ratio	2.4	1.1	-	3.3	3.7	2.7

Source: SRWB Audited Accounts

However, the Board missed its target to contain non-revenue water at 25 percent as it registered 29.4 percent as at 31st December 2018 owing to lack of maintenance materials, which affected the Board's responsiveness to pipeline breakdowns. As at December, 2018, the Board had not paid VAT amounting to MK1.4 billion due to cash flow challenges. Table 17.2 shows the financial performance of the Board as at 31st December, 2018.

17.2.1.3 Central Region Water Board

Central Region Water Board registered a loss of MK160.5 million in 2017/18 financial year, showing a downfall from the previous year's profit of MK163.1 million in 2016/17. However, there was no improvement for the Board as they registered a loss of MK565.9 million as at 31st December 2018. The Board projects a lower return of MK69.4 million at 30th June, 2019, largely due to the reversal in the average tariff of 33 percent applied at the beginning of the financial year against a new average tariff of 17.5 percent applied from February, 2018.

Non-revenue water averaged 29 percent during this period an increase from 23 percent in 2016/17. However, looking forward to the close of the financial year, the Board plans to contain non-revenue water at 25 percent through timely repairs of bursts, replacement of old pipe networks, replacement of 11.3km of aged pipelines (Salima zone – 77.7km, Mponela zone – 1.6km and Dedza zone – 2km) and unserviceable water meters.

The liquidity position slightly improved the current ratio from 0.7 in 2018 to 0.73 at 31st December, 2018. Delayed payment by the Malawi Defence Force and slow recovery of water bills from health and education institutions was a major cause of cash flow challenges faced by the Board. These delays continue to put pressure on the cash flow position of the Board.

Similarly, the Board continues to have a weak financial leverage with a debt/equity ratio of 104 percent as at 31st December, 2018, showing that the Board's activities are to a higher degree financed by creditors' funds as compared to owners' equity. The Board has put in place revenue collection strategies to improve collection from trade debtors through the use of prepaid meters for institutional and commercial customers. Table 17.3 shows the financial performance of the Board as at 31st December, 2018.

17.2.1.4 Lilongwe Water Board

Lilongwe Water Board (LWB) continued to maintain its profitability in the 2017/18 financial year with an after-tax profit of MK4.2 billion up from MK3.5 billion in the 2016/17 financial year. However, at mid-year of 2017/18, the Board realised MK2.8 billion and by the close of the financial year, the Board projects to realise an after-tax net profit of MK4.9 billion. However, relative to the prior year, the growth in revenue slowed by 42 percent in the 2017/18 financial year as compared to growth of 46 percent growth recorded in the 2016/17 financial year. Water sales volume improved in the 2017/18 compared to the 2016/17 financial year owing to a good rainfall season.

TABLE 17.3: SELECTED PERFORMANCE STATISTICS FOR CRW

Performance targets	Outlook to 30th June 2019 (MK'000)	2018/2019 (mid-year Actual) (MK'000)	2018 (Audited) (MK'000)	2017 (Audited) (MK'000)	2016 (Audited) (MK'000)	2015 (Audited) (MK'000)
Income	1,980,688	4,850,579	3,742,860	3,103,876	2,535,307	2,016,109
Change in Income	-36.19%	1.45	0	0	25.75%	43.49%
Expense	(1,643,302)	(3,555,635)	(2,626,521)	(2,464,200)	(2,153,632)	(1,875,672)
Change in expense	-33.31%	1.16	0	0	14.82%	41.60%
AT	(565,929)	69,461	(160,530)	163,164	5,682	(166,291)
Change in PAT	-447%	(1.12)	(1.98)	27.72	(103.42)	(367.34)
Operating Profit Margin (%)	19.82	31.21	40.31	20.61	15.05	7.42
Return on Assets (%)	(3.43)	0.59	-35	54	0.50	0.64
Net current assets	(1,176,579)	(495,724)	-1174018	211943	(225,170)	42,832
Current Ratio	0.76	0.87	0.73	1.10	0.88	1.05
Liquid Ratio	0.73	0.84	0.70	1.04	0.82	0.81
Change in current liabilities	123.44%	(0.20)	101%	17%	114.99%	9.74%
Debt ratio	104%	1.00	1.03	0.65	0.65	0.67
Debt-to-Equity ratio	26.78	140.054	29.72	1.83	1.85	2.00
Trade Receivable Days	747	283	373	246	193	94
Change in Receivables	66.20%	(0.08)	0	1	174.01%	-8.70%
Stock Turnover (efficiency ratio)	11.99	29.58	21.04	25.92	21.38	9.15
Capital Employed	11,465,712	12,766,402	11,425,480	12,436,621	12,066,866	9,912,760
ROCE	-5%	1%	0%	1%	0.58%	0.69%
Capital Turnover	15%	33%	24%	25%	21%	19%
Capital Gearing	148%	131%	143%	76%	75%	73%

Source: CRWB Audited accounts

Non-revenue water averaged 35 percent against an annual average target of 33 percent. To attain this target by the close of the financial year, the Board has intensified the implementation of the District Metered Areas, the automation of tank monitoring mechanisms, the replacement of stuck meters and the introduction of anonymous tip-off on illegal connections.

The liquidity position of the LWB improved in the 2017/18 financial to 3.9:1 from 2.97:1 in the 2016/17 financial year. This position declined at midyear to 2.69:1 and it is projected to further reduce to 1.20:1 at the close of the 2018/19 financial year. Although liquidity has reduced, it still signifies the LWB's ability to cover its current liabilities when they fall due. As at mid-year, the Board still had a challenge with high-trade debtors at MK10.7 billion of which MK5.2 billion were public institutions. The debt ratio remained very low at 6 percent in 2018. The debt collection days remained high at 190 days as at 31st December, 2018 but with prospects of further improving to 65 days by the end of the financial year.

Going forward, the Board will 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, 2018.

TABLE 17.4: SELECTED PERFORMANCE STATISTICS FOR LWB

Performance targets	Outlook to 30th June 2019 (MK'000)	2018/2019 (mid-year Actual) (MK'000)	2018 (Audited) (MK'000)	2017 (Audited) (MK'000)	2016 (Audited) (MK'000)	2015 (Audited) (MK'000)
Income	28,420,875	12,771,928	18,382,338	16,294,332	12,215,791	9,163,490
Change in Income	74%	-22%	13%	33%	33%	80%
Expense	(21,683,683)	(8,735,302)	(11,406,785)	(8,723,910)	(8,851,452)	(6,005,811)
Change in expense	149%	0%	31%	-1%	47%	35%
PAT	4,936,587	2,873,346	4,248,549	3,553,253	2,517,478	1,914,680
Change in PAT	39%	(0.19)	20%	41%	31%	495%
Gross Profit Margin (%)	25%	32%	42%	46%	35%	37%
Return on Assets (%)	9.64	5.54	1143%	997%	780%	871%
Net current assets (working capital)	1,823,753	10,635,096	10,513,446	7,627,140	3,695,118	3,266,624
Current Ratio	1.37	3.02	4.30	3.39	2.06	2.69
Liquid Ratio	1.20	2.69	3.91	2.97	1.81	2.21
Change in current liabilities	(0.07)	0.65	-	(0.09)	0.81	(0.25)
Debt Ratio	7%	7%	6%	7%	52%	50%
Debt-to-Equity	10%	12%		7%	108%	100%
Trade Receivable Days	65	304	190	1,618	164	133
Change in Receivables	(0.53)	(0.85)	(0.87)	12.17	0.64	0.87
Stock Turnover (efficiency ratio)	34.16	7.33	14.76	11.99	14.37	9.82
Capital Employed	68,248,556	68,767,627	51,151,743	45,767,916	40,360,321	34,379,772
ROCE	0.10	0.06	0.12	0.11	0.08	0.09
Capital Turnover	0.42	0.19	0.36	0.36	0.30	0.27
Capital Gearing	0.07	0.08	0.06	0.07	0.56	0.53

Source: LWB Audited Accounts

17.2.1.5 Northern Region Water Board

Despite reduced sales volumes as a result of intermittent power supply, the financial performance of the Northern Region Water Board improved as at June, 2018 with MK7.4 billion generated in revenues compared to MK6.6 billion in 2016/17. The improvement in sales revenues was largely due to water tariff increases. Overall, the NRWB maintained its profitability with a profit after tax of MK185.5 million in 2017/18 compared to a profit after tax of MK66.5 million in 2016/17 and a loss after tax of MK264.8 million in 2015/16. At mid-year, the Board realised a profit after tax of MK101.5 million and, looking forward to 30th June 2019, the Board expects a profit after tax of MK329.9 Million.

The debt position for NRWB worsened with debtor days increasing to 250 days as at 30th June, 2018. This position further degenerated to 500 days at midyear mainly due to delays in payment by trade debtors amounting to MK5.1 billion by public institutions. The liquidity position of the Board further worsened as revealed by a reduction in the current ratio to 1:1 in 2018 from 1.2:1 in the previous year. Table 17.5 shows the financial performance of the Board as at 31st December, 2018.

TABLE 17.5: SELECTED PERFORMANCE STATISTICS FOR NRWB

Performance targets	Outlook to 30th June 2019 (MK'000)	2018/2019 (half year) (MK'000)	2017/18 (Audited) (MK'000)	2016/17 (Audited) (MK'000)	2015/16 (Audited) (MK'000)
Income	8,467,261	4,225,659	7,462,506	6,630,794	5,212,029
Change in Income	100%	-36%	13%	65%	30%
Expense	(6,569,639)	(3,452,725)	(5,863,571)	(4,996,639)	(4,446,205)
Change in expense	90%	-31%	17%	42%	26%
PAT	329,960	101,460	185,504	66,477	(264,786)
Change in PAT	225%	53%	179%	-85%	-138%
Operating Profit Margin (%)	23%	19%	23%	27%	16%
Return on Assets (%)	117%	36%	69%	118%	144%
Net current assets	(373,687)	192,133	132,917	1,101,255	(622,407)
Current Ratio	0.9	1.0	1.0	1.2	0.8
Liquid Ratio	0.8	0.8	0.8	1.0	0.6
Change in current liabilities	7%	40%	11%	339%	174%
Debt Ratio	71%	71%	70%	73%	66%
Debt-to-Equity	247%	235%	235%	266%	195%
Trade Receivable Days	264	559	250	277	131.72
Change in Receivables	(0)	35%	2%	440%	103%
Stock Turnover (efficiency ratio)	8	3	8	7	12.84
Capital Employed	33,458,062	34,424,465	33,621,318	22,244,124	18,552,879
ROCE	0	0%	1%	1%	2%
Capital Turnover	0	12%	20%	28%	26%
Capital Gearing	1	84%	81%	87%	76%

Source: NRWB Audited Accounts

17.2.2 Property Development and Management

17.2.2.1 Malawi Housing Corporation

The Malawi Housing Corporation's financial performance has slightly improved in the year 2017/18. Revenue grew from MK4.1 billion to MK5.1 billion in the 2017/18 financial year, representing a 25 percent growth. The Corporation further realised an after-tax profit of MK257 million in 2017/18, an improvement from the previous financial year by 40 percent. As at December, 2018, the Corporation further posted an after-tax profit of MK53 million. This decline in half-year performance was largely attributed to lower income from plot sales and the regularisation of encroached areas during the first half of the year.

However, the performance was not as expected due to the house rentals not being increased despite the rising of costs in the market, and also continued challenges arising from large unpaid rentals from public institutions that occupy 85 percent of the Corporation's houses.

The liquidity position of the Corporation remained below average at 0.62:1 as at December, 2018, which made it difficult for the Corporation to meet its short-term obligations. The working capital remained in the negative and continues to worsen significantly, showing the Corporation's inability to finance its day-to-day operation. Current liabilities were still high and increasing more than current assets but prospects indicate a significant increase in current assets causing an improvement in the working capital. However, the debt/equity ratio was still very low at 5 percent as at midyear 2018 with prospects of a slight increase to 7 percent. This signifies that the Corporation is to a large extent financed by owner's equity, not debt. Table 17.6 shows the financial performance of the Board as at 31st December 2018.

TABLE 17.6: SELECTED PERFORMANCE STATISTICS FOR MHC

Performance targets	Outlookto 30th June 2019 (MK'000)	2018/2019(half year) (MK'000)	2017/18 (Audited) (MK'000)	2016/17 (Audited) (MK'000)	2015/16 (Audited) (MK'000)
Total Revenue	6,027,366	2,433,119	5,125,909	4,097,794	3,298,131
Change in Revenue	148%	-41%	25%	24%	28%
Expenditure	(5,243,006)	(2,357,375)	(4,722,730)	(3,600,716)	(2,955,344)
Change in expenditure	122%	-35%	31%	22%	11%
PAT	549,052	53,021	257,390	183,655	55,198
Change in PAT	936%	-71%	40%	233%	-150%
Operating Profit Margin (%)	22%	4%	12%	13%	11%
Return on Assets (%)	1%	0%	0%	0%	0%
Working Capital	(953,771)	(1,498,633)	(1,413,978)	(557,727)	(596,725)
Current Ratio	0.80	0.62	0.70	0.88	0.86
Liquid Ratio	0.19	0.24	0.66	0.84	0.81
Change in current liabilities	20%	-15%	1%	6%	25%
Debt Ratio	7%	4%	5%	6%	6%
Debt-to-Equity	7%	5%	5%	6%	7%
Trade Receivable Days	148	327	193	136	173
Change in Receivables	-9%	8%	21%	-3%	61%
Stock Turnover (efficiency ratio)	36	61	447	398	294
Capital Employed	99,144,909	88,976,351	88,724,504	76,235,947	65,705,827
ROCE	1%	0%	0%	0%	0%
Capital Turnover	4%	2%	4%	5%	5%
Capital Gearing	7%	5%	5%	6%	7%

Source: MHC Audited Accounts

17.2.2.2 National Oil Company of Malawi (NOCMA)

NOCMA's performance in the 2018/19 financial year as at 31st December demonstrates a very big improvement compared to that of the previous year. During the first half, NOCMA imported 77.7 million and sold 63.2 million liters of fuel. It is expected that NOCMA will import 105 million litres and sell 114 million litres in the second half of the year leading to total sales of 177.2 million litres for the year. Income for the six months to 31st December, 2018 was MK2.2 billion and profit after tax was at MK349 million. This is an improvement from the loss of MK1.2 billion realised in the financial of 2017/2018.

The liquidity position for NOCMA deteriorated with a current ratio of 1:1 in 2017/18 down from 1.45:1 in the 2016/17 financial year. However, looking forward to the close of the financial year, the current ratio is projected to slightly improve to 1.05:1, which shows that NOCMA is barely able to meet its short term liabilities, hence the need to be cautious and work on improving the cash flow position. However, the working capital for NOCMA was good and growing.

Looking ahead, thanks to the 50-50 fuel import arrangements supported by the various fuel importation facilities, NOCMA has good prospects for future growth and profitability. Table 17.7 shows the financial performance of NOCMA as at 31st December, 2018.

TABLE 17.7: SELECTED PERFORMANCE STATISTICS FOR NOCMA

Performance targets	Outlook to 30th June 2019 (MK'000)	2018/2019 mid-year (MK'000)	2018 (Audited) (MK'000)	2017 (MK'000)	2016 (MK'000)
Revenue	5,246,382	2,244,259	102,574,187	620,018	1,498,522
Change in Revenue	746%	262%	16444%	-59%	54%
Expenditure	(3,840,020)	(1,745,669)	(104,141,515)	(1,513,449)	(1,248,909)
Change in expenditure	154%	15%	6781%	21%	115%
PAT	984,453	349,013	(1,206,029)	(893,431)	159,565
Change in PAT	-210%	119%	-856%	-432%	-2352%
Operating Profit Margin (%)	35%	35%	-2%	-586%	115%
Return on Assets (%)	155%	51%	-188%	-539%	184%
Net current assets	2,887,118	319,866	87,844	3,718,235	2,172,917
Current Ratio	1.05	1.00	1.00	1.45	1.23
Liquid Ratio	0.63	0.63	0.69	0.36	1.23
Change in current liabilities	-19%	731%	554%	-11%	-35%
Debt Ratio	86%	93%	92%	50%	69%
Debt-to-Equity	620%	1320%	1103%	100%	220%
Trade Receivable Days	4,764	9,523	121	2,785	8,099
Change in Receivables	45%	69%	51%	774%	-47%
Stock Turnover (efficiency ratio)	1,255,035	3,638,811	(5,169,324)	9,000,479	51,261
Capital Employed	34,862,208	29,126,388	29,150,689	8,293,954	4,235,284
ROCE	322%	40%	-1972%	2%	6%
Capital Turnover	0%	0%	0%	0%	5%
Capital Gearing	225%	313%	262%	100%	220%

Source: NOCMA Audited Accounts

17.2.2.3 Malawi Energy Regulatory Authority (MERA)

The performance of Malawi Energy Regulatory Authority (MERA) achieved a remarkable growth in both revenues and expenditures in 2018. Revenues for the Authority grew by 24 percent to MK6.8 billion in 2018 from MK5.5 in 2017. Expenses also reported a positive growth of 12 percent to MK3.6 billion in 2018 from MK3.2 billion in 2017. Thus, profit after tax for the Authority of MK3.1 billion was realized in 2017/18 financial year. The Authority used most of the surplus to invest in the construction of an office complex which was still under way during the 2017/18 financial year.

The liquidity position for the Authority was good with current ratio at 1.9:1 in the 2017/18 financial year, slightly improving from 1.7:1 owing to a significant increase in current assets to MK20.8 billion compared to MK20.2 billion in 2016. Consequently, the working capital also increased to MK20.9 billion in 2018 from MK5.2 billion in 2017. Table 17.8 shows the financial performance of MERA as at 31st December, 2018.

TABLE 17.8: SELECTED PERFORMANCE STATISTICS FOR MERA

Performance targets	Outlook to 30th June 2019 MK'000	2017/18 halfyear MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000	2016 (Audited) MK'000	2015 (Audited) MK'000
Total revenue, MK	6,121,261	3,317,795	5,464,484	3,927,739	2,547,020	1,704,968
Change in revenue, %	12%	-39%	39%	54%	49%	56%
Total expenditure, MK	(3,472,360)	(1,736,180)	(3,248,484)	(2,377,350)	(1,393,112)	(1,074,043)
Change in expenditures, %	7%	-47%	37%	71%	30%	48%
Gross Profit Margin,%	47%	52%	47%	40%	46%	37%
Profit after Tax, MK	2,648,901	1,581,615	2,216,000	1,930,993	1,373,348	743,145
Current Assets, MK	22,379,261	24,902,851	11,808,318	20,212,259	22,411,048	26,823,189
Current liabilities, MK	16,894,913	10,874,966	6,636,726	9,228,193	6,806,489	21,655,747
Working Capital, MK	5,484,348	14,027,885	5,171,592	10,984,066	15,604,559	5,167,442
Current ratio	1.32	2.29	1.78	2.19	3.29	1.24
Debt ratio %	63%	42%	40%	45%	30%	81%

Source: MERA Audited Accounts

17.2.2.4 Electricity Generation Company (EGENCO)

In the 2017/18 financial year, the company maintained profitability with an after-tax profit of MK11.0 billion in 2018, an increase from K2.8 billion realised in the 2016/17 financial year. As at mid-year, MK6.3 billion was realised with prospects to close the financial year with an after-tax profit of MK17.0 billion. The company has used these profits, in addition to the loan facility, to invest in solar power plants and diesel generators in order to increase energy generation.

However, debt collection days has deteriorated to 512 day at mid-year from 218 days in June, 2018, largely due to huge liabilities, with ESCOM alone owing MK34 billion as at 31st December, 2018 in untimely servicing of electricity bills. The liquidity position for EGENCO was healthy with a current ratio of 3.09:1 as at mid-year. Looking forward, the current ratio is projected to close at a reduced level of 1.7:1, which is a good indication of the ability of the company to meet its obligations as they fall due. Table 17.09 shows the financial performance of EGENCO as at 31st December, 2018.

TABLE 17.9: SELECTED PERFORMANCE STATISTICS FOR EGENCO

Performance targets	Outlook to 30th June 2019	2018/2019 mid-year	2018 (Audited)	2017 Audited
Revenue	61,276,672	21,860,038	44,716,805	14,875,904
Change in Revenue	312%	-51%	201%	
Expenditure	(36,079,617)	(12,480,646)	(29,154,604)	(9,859,157)
Change in expenditure	266%		196%	
PAT	17,055,415	6,300,081	11,034,677	2,824,643
Change in PAT	504%			
Operating Profit Margin (%)	41%	44%	36%	34%
Return on Assets (%)	25%	11%	21%	10%
Net current assets	11,644,442	27,218,853	12,444,657	9,223,385
Current Ratio	1.7	3.09	1.60	1.99
Liquid Ratio	1.5	2.83	1.48	1.78
Change in current liabilities	84%			
Debt Ratio	36%	39%	40%	21%
Debt-to-Equity	57%	63%	66%	27%
Trade Receivable Days	113.0	512	218	195
Change in Receivables	1.4			
Stock Turnover (efficiency ratio)	1781%	632%	1771%	762%
Capital Employed	78,294,446	69,168,144	52,305,927	35,684,078
ROCE	31%	13%	30%	12%
Capital Turnover	78%	31%		
Capital Gearing	44%	46%	56%	27%

Source: EGENCO Audited Accounts

17.2.3 Telecommunication Portfolio

17.2.3.1 Malawi Posts Corporation

The performance of the Malawi Posts Corporation (MPC) further worsened in the year 2017/18 compared to the position reported in 2016/17. Revenues dropped by 7 percent to MK4.2 billion in 2017/18 from MK4.5 billion in 2016/17. Likewise, expenses dropped by 2 percent, from MK4.8 billion to MK4.7 billion during the same period. Although expenditures were contained, the reduction in revenues resulted in a worsening of the after-tax loss to MK523.1 million compared to a loss of MK292.3 million in the 2016/17 financial year. As at December, 2018, the Corporation also posted an after-tax loss of MK294.2 million.

MPC's liquidity position remains very weak with a current ratio of 0.58:1, a decline from 2017 position of 0.66:1. This signifies that MPC still had inadequate resources to meet its current debt obligations as they fall due. Furthermore, the working capital was still in the negative, signifying that it had inadequate working capital to finance its day-to-day operations. The current liabilities for the Corporation slightly reduced by 2 percent to MK3.90 billion from MK3.97 billion reported in 2017. The Corporation reported trade receivable days position of 335 days in December,, 2018 with prospect of reducing this position to 85 days by close of the 2018/19 financial year. This requires the Corporation to employ more efforts to collect resources from their debtors. The debt-to-equity position, however, improved to 40 percent with prospects for it remaining the same by the close of the 2018/19 financial year. Table 17.10 shows the financial performance of MPC as at 31st December, 2018.

TABLE 17.10: SELECTED PERFORMANCE STATISTICS FOR MPC

Performance Targets	Outlook to 30th June 2019 MK'000	2018/19 (half year Actuals MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Income	4,197,920	2,116,378	4,153,513	4,463,236	3,424,041
Change in Income	-6%	-38%	-7%	30%	4%
Expense	(4,827,826)	(2,410,581)	(4,676,627)	(4,755,543)	(3,820,333)
Change in expense	2%	-37%	-2%	24%	7%
PAT	(629,906)	(294,203)	(523,114)	(292,307)	1,447,473
Change in PAT	1.2	-120%	79%	-120%	37%
Operating Profit Margin (%)	-15%	-14%	-13%	-7%	-12%
Return on Assets (%)	-5%	-2%	-4%	-2%	7%
Net current assets	(1,673,834)	(1,628,783)	(1,629,053)	(1,369,711)	(1,412,841)
Current Ratio	0.55	0.58	0.58	0.66	0.62
Liquid Ratio	0.53	0.56	0.58	0.62	0.57
Change in current liabilities	(0.05)	0.06	(0.02)	0.08	0.10
Debt Ratio	0.3	28%	28%	44%	38%
Debt-to-Equity	42%	40%	40%	80%	61%
Trade Receivable Days	85	335	171	126	151
Change in Receivables	(0.4)	46%	26%	16%	35%
Stock Turnover (efficiency ratio)	43.0	2061%	-	3311%	1891%
Capital Employed	8,974,812	10,068,821	10,068,820	10,078,126	10,188,912
ROCE	(0.07)	-3%	-5%	-3%	9%
Capital Turnover	0.47	21%	41%	44%	32%
Capital Gearing	0.42	39%	39%	62%	52%

Source: MPC Audited Accounts

17.2.4 Agriculture Portfolio

17.2.4.1 National Food Reserve Agency (NFRA)

The performance of the National Food Reserve Agency (NFRA) has been improving in 2018 with a net profit of MK6.34 million as compared to a net profit of MK688.75 million in 2017. However, as of December, 2018, the Agency registered a net surplus of MK859 million. This performance was largely due to the rentals collected by the Agency.

The liquidity position of the NFRA declined to 1.54:1 in the 2017/ 2018 financial year compared to 7.54:1 in the 2016/17 financial year. However, the situation improved at midyear when the current ratio was at 5.94:1 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 2017/18 from 43 percent in the 2016/2017 financial year and as at mid-year 2018/19, it registered a debt ratio of 17 percent. This indicates that the Agency was to a large extent being financed through owner's equity. Table 17.11 shows the financial performance of NFRA as at 31st December, 2018.

TABLE 17.11: SELECTED PERFORMANCE STATISTICS FOR NFRA

Performance Report	Outlook to 30th June 2019 MK'000	2018/19 mid-year MK'000	2018 (Audited) MK'000	2017 (Audited) MK'000	2016 (Audited) MK'000
Income	9,175,632	1,833,684	9,393,686	10,080,634	1,053,285
Change in Income	4.00	(0.82)	-7%	857%	-44%
Expense	(1,454,379)	(866,611.00)	(3,057,935)	(9,391,880)	(1,287,184)
Change in expense	0.68	(0.91)	-67%	630%	-63%
PAT	7,439,678	859,012	6,335,751	688,754	(233,899)
Change in PAT	7.66	0.25	8.20	(3.94)	(0.85)
Operating Profit Margin (%)	0.84	0.53	67%	7%	-22%
Return on Assets (%)	0.32	0.03	23%	4%	-1%
Net current assets	19,644,030	19,227,426	18,331,851	11,913,355	10,868,070
Current Ratio	371.45	6.09	4.15	10.67	1.85
Liquid Ratio	102.99	5.94	1.54	7.59	1.53
Change in current liabilities	(0.99)	2.07	373%	-90%	8803%
Debt Ratio	0.00	0.15	22%	30%	61%
Debt-to-Equity	0.00	17%	28%	43%	155%
Trade Receivable Days	9.31	73.31	12	7	95
Change in Receivables	(0.36)	0.85	50%	-27%	98%
Stock Turnover (efficiency ratio)	0.64	3.26	0.62	2.66	0.25
Capital Employed	23,012,964	21,995,055	21,159,116	14,957,637	14,403,355
ROCE	0.32	0.04	30%	5%	-2%
Capital Turnover	0.40	0.08	44%	67%	7%
Capital Gearing	0.00	0.17	28%	33%	115%

Source: NFRA Audited Accounts

17.2.5 Health Portfolio

17.2.5.1 Pharmacy, Medicines and Poisons Board (PMPB)

The Pharmacy, Medicines and Poisons Board's (PMPB) maintained good performance during the 2018/19 financial year with its revenues growing by 46 percent from MK1.3 billion to MK1.9 billion. On the other hand, expenditures also rose by 31 percent resulting in a profit after tax of MK162 million, a 47 percent increase over the 2016/17 financial year. As a direct result, the operating profit margin also declined by 8 percent in the year 2017/18 from 23 percent in the 2016/17 financial year.

However, PMPB's liquidity remained strong with a current ratio of 1.7:1, even though this was a decline compared to the 2016/17 financial year. This decline was largely due to the construction works of the laboratory that the Board undertook in the year. Nevertheless, at this level, PMPB is still capable of meeting its current liabilities as they fall due with existing current assets even though it is not as strong as it was in the previous year. The Board has maintained a low debt-to-equity position over the years at 11 percent in 2018 and plans to further lower it to 1 percent in the next financial year. The institution was able to collect outstanding customer invoices in an average of 37 days in 2018. Table 17.12 shows the financial performance of the Board as at 31st December, 2018.

TABLE 17.12: SELECTED PERFORMANCE STATISTICS FOR PMPB

Performance Report	Outlook to 30th June 2019 MK'000	2018/19 (half year Actuals MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Income	1,472,635	1,895,031	1,878,487	1,283,675	1,327,862
Change in Income	-22%	48%	46%	-3%	102%
Expense	(1,299,865)	(583,491)	(1,192,328)	(907,431)	(564,803)
Change in expense	123%	-36%	31%	61%	22%
PAT	489,461	125,289	161,775	306,171	787,025
Change in PAT	291%	-59%	-47%	-61%	295%
Operating Profit Margin (%)	27%	18%	8%	23%	123%
Return on Assets (%)	27%	6%	7%	15%	45%
Net current assets	335,334	258,547	149,970	624,293	601,112
Current Ratio	26.3	3.4	1.7	4.4	4.8
Liquid Ratio	25.9	3.4	1.6	3.8	4.8
Change in current liabilities	-88%	-41%	22%	15%	54%
Debt Ratio	1%	5%	10%	9%	9%
Debt-to-Equity	1%	5%	11%	10%	10%
Trade Receivable Days	27	65	37	49	34
Change in Receivables	5%	-15%	-11%	152%	31%
Stock Turnover	314.5	354.1	187.2	10.2	129.8
Capital Employed	1,807,969	2,153,578	2,028,457	1,907,968	1,601,797
ROCE	27%	6%	8%	16%	49%
Capital Turnover	99%	33%	64%	57%	39%
Capital Gearing	1%	5%	11%	10%	10%

Source: PMPB Audited Accounts

17.2.6 Labour and Man-Power Development

17.2.6.1 Technical Education and Vocational Training Authority (TEVETA)

TEVETA continued to improve in its performance in the 2017/18 financial year. Despite revenues remaining at the same level, TEVETA saved costs and reduced expenditures by 11 percent in 2016/17, resulting into an after-tax profit of MK343 million compared to a loss of MK392 million in 2017. As at midyear, the Authority posted a surplus of MK414 million, however, the prospects at the close of the financial year indicate a decline in the net profit after tax to MK195 million.

The Authority's current ratio was maintained at a very strong position at 3.3:1 in the 2017/18 financial year. As at mid-year, the current ratio had increased to 5.5:1 but it is projected to close the year at a moderate position of 2.4:1, which still indicates the ability of the authority to meet its short-term obligations. The Authority's working capital also continued to improve to MK3.3 billion at the end of the 2017/18 financial year from MK2.3 billion in 2016/17. The debt-to-equity ratio also continued to improve, indicating that mostly the Authority uses its own resources, not external resources. Table 17.13 shows the financial performance of TEVETA as at 31st December, 2018.

TABLE 17.13: SELECTED PERFORMANCE STATISTICS FOR TEVETA

Performance Targets	Outlook to 30th June 2019 MK'000	2018/19 half year MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Income	6,926,200	3,995,771	6,039,798	6,035,815	6,211,657
Change in Income	15%	-34%	0%	-3%	56%
Expense	(6,731,200)	(3,580,841)	(5,697,035)	(6,427,791)	(4,336,723)
Change in expense	5%	-44%	-11%	48%	15%
PAT	195,000	414,930	342,763	(391,976)	1,874,934
Change in PAT	-53%	-206%	-187%	-121%	836%
Operating Profit Margin (%)	3%	10%	6%	-7%	42%
Return on Assets (%)	2%	5%	5%	-8%	35%
Working Capital/ Net current assets	2,757,529	4,495,635	3,209,845	2,279,123	2,474,301
Current Ratio	2.42	5.53	3.27	2.70	2.70
Liquid Ratio	2.41	5.52	3.27	2.69	2.69
Change in current liabilities	96%	-26%	5%	-8%	51%
Debt Ratio	27%	16%	25%	33%	30%
Debt-to-Equity	36%	19%	38%	49%	42%
Trade Receivable Days	238	452	251	168	305
Change in Receivables	-8%	98%	64%	-33%	150%
Stock Turnover (efficiency ratio)	534.47	667.32	1,905	530	769
Capital Employed	6,909,320.00	6,726,383.00	5,443,388	3,813,676	3,938,163
ROCE	3%	6%	6%	-10%	48%
Capital Turnover	100%	59%	108%	141%	112%
Capital Gearing	34%	19%	32%	44%	41%

Source: TEVETA Audited Accounts

17.2.6.2 Malawi Institute of Management (MIM)

The Malawi Institute of Management (MIM) continued to post losses, with the 2017/18 financial year being the seventh year of losses even though they declined. In 2017/18, MIM reported a loss after tax of MK308.6 million against a loss of MK354.2 million reported in the 2016/17 financial year. As at mid-year, MIM posted a loss of MK101.7 million and the outlook to 30th June, 2019 indicates that MIM will post an after-tax loss of MK61.5 million. The losses are largely due to MIM incurring increased annual expenditures against dwindling revenue generation sources owing to low patronage of MIM short courses and academic programmes as well as a failure to attract high-value consultancies as clients currently prefers to hire individual consultants.

The Institute's liquidity remained 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 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 by operationalising the Malawi School of Government through the incorporation of the Malawi Institute of Management and the Staff Development Institute. In addition, MIM has also introduced its own degree programmes at both the undergraduate and postgraduate levels. Table 17.14 shows the financial performance of MIM as at 31st December, 2018.

TABLE 17.14: SELECTED PERFORMANCE STATISTICS FOR MIM

Performance Targets	Outlook to 30th June 2019 MK'000	2018/19 (half year) MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Revenue	1,546,402	667,555	989,294	1,032,418	1,070,667
Change in Revenue	132%	-35%	-4%	-4%	4%
Expenditure	(1,611,939)	(769,311)	(1,301,960)	(1,390,684)	(1,132,180)
Change in expenditure	110%	-45%	-6%	23%	4%
PAT	(61,544)	(101,756)	(308,673)	(354,273)	(58,208)
Change in PAT	-40%	-71%	-13%	509%	-95%
Operating Profit Margin (%)	-5%	-18%	-41%	-37%	-6%
Return on Assets (%)	-2%	-5%	-15%	-17%	-2%
Net current assets	1,661,868	(1,042,165)	(911,797)	(634,765)	(259,764)
Current Ratio	3.28	0.35	0.29	0.40	0.76
Liquid Ratio	3.28	0.33	0.28	0.38	0.74
Change in current liabilities	-54%	51%	22%	-1%	7%
Debt Ratio	48%	85%	78%	63%	56%
Debt-to-Equity	167%	572%	345%	174%	129%
Trade Receivable Days	-	321	136	107	212
Change in Receivables	-100%	74%	-1%	-49%	5%
Stock Turnover (efficiency ratio)		18.97	33.37	46.86	66.85
Capital Employed	3,384,001	643,276	795,501	1,107,015	1,447,041
ROCE	(0.02)	(0.16)	(0.39)	(0.32)	(0.04)
Capital Turnover	0.39	0.88	0.95	0.89	0.67
Capital Gearing	0.58	2.96	2.04	1.24	0.98

Source: MIM Audited Accounts

17.2.7 Industry and Trade

17.2.7.1 Malawi Bureau of Standards (MBS)

The Malawi Bureau of Standards (MBS) continued to perform well in the 2017/18 financial year with total revenues increasing to MK5.2 billion from MK3.7 billion in 2016/17, representing 39 percent growth. Similarly, expenditures also slightly increased by 8 percent to MK2.8 billion from MK2.7 billion in 2016/17, which enabled the Bureau to realise a surplus of MK2.3 billion, a 118 percent increase from the previous financial year 2016/17. The Bureau invested a significant portion of the surplus in the construction of new MBS offices and a modern laboratory currently under way, but was also able to remit surplus to the Government.

The Bureau's liquidity slightly declined to a current ratio of 2.7:1 in 2017/18 down from 5.5:1 in 2016/17. Though this still implies that MBS is capable of meeting its current liabilities as they fall due with existing current assets, its financial position is not as strong as it was in the 2016/17 financial year. The prospect of its liquidity at the end of 2018/19 shows a positive outlook with the current ratio increasing to 6.48:1. The Bureau was able to collect outstanding customer invoices in an average of 13 days in 2017/18; however, as at 31st December, 2018 it averaged 25 days – but the outlook of 2018/19 shows an improvement to an average of 18 days. Looking forward to June, 2019, the Bureau anticipates the positive performance to continue with a net surplus of MK1.7 billion. Table 17.15 shows the financial performance of the Bureau as at 31st December, 2018.

TABLE 17.15: SELECTED PERFORMANCE STATISTICS FOR MBS

Performance Targets	Outlook to 30th June 2019 MK'000	2018/19 (half year) MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Income	6,334,419	3,104,804	5,179,340	3,720,337	2,390,963
Change in Income	104%	-17%	39%	56%	7%
Expense	(4,621,145)	(2,200,597)	(2,880,787)	(2,664,757)	(2,085,305)
Change in expense	110%	-17%	8%	28%	7%
PAT	1,713,274	904,207	2,298,553	1,055,580	397,574
Change in PAT	89%	-14%	118%	166%	8%
Operating Profit Margin (%)	27%	29%	44%	28%	13%
Return on Assets (%)	12%	7%	24%	22%	15%
Net current assets	3,610,700	2,363,668	2,145,960	2,011,993	1,355,855
Current Ratio	6.48	2.26	2.70	5.59	11.24
Liquid Ratio	6.41	2.25	2.68	5.53	11.07
Change in current liabilities	-65%	327%	188%	231%	99%
Debt Ratio	5%	15%	13%	9%	5%
Debt-to-Equity	5%	17%	15%	10%	5%
Trade Receivable Days	18	25	13	13	44
Change in Receivables	48%	63%	35%	-54%	58%
Stock Turnover (efficiency ratio)	13736%	13448%	22435%	15493%	10653%
Capital Employed	13,469,117	10,741,410	8,457,344	4,352,006	2,465,313
ROCE	13%	8%	27%	24%	16%
Capital Turnover	47%	29%	61%	85%	97%
Capital Gearing	5%	17%	15%	10%	5%

Source: MBS Audited Accounts

17.2.8 Tourism

17.2.8.1 Malawi Gaming Board (MGB)

The Malawi Gaming Board (MGB) continued to perform well in the 2018/19 financial year albeit total revenues decreasing by 36 percent from MK434.9 million registered during first half of the 2018/19 financial year. However, expenditures also decreased by 29 percent to MK383.4 million from MK799.6 million. As a result, the Board realised a surplus of MK51.4 million and projects a surplus of MK114.8 at the end of the 2018/19 financial year. The main challenge faced by the Board is getting operators to roll out their gaming operations in time once licensed thereby affecting revenue generation. In addition, the penalties meted out are not as easily collectible as anticipated.

The Board's liquidity remained very strong with a current ratio of 2.5:1 in 2017/18 and prospects to the close of the financial year of 2018/19 show that the Board will attain a current ratio of 1.1:1 up from the mid-year position of 3.4:1, implying that MGB is 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 17.16 shows the financial performance of the MGB as at 31st December, 2017.

TABLE 17.16: SELECTED PERFORMANCE STATISTICS FOR MGB

Performance Targets	Outlook to 30th June 2019 MK'000	2018/19 (half year) MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Revenue	852,424	434,913	799,641	674,393	544,477
Change in Revenue	96%	-36%	19%	24%	81%
Expenditure	(737,553)	(383,496)	(668,451,904)	(540,536)	(435,590)
Change in expenditure	92%	-29%	123565%	24%	70%
PAT	114,872	51,417	(667,652,263)	78,711	72,177
Change in PAT	123%	-35%	-848329%	9%	-18%
Operating Profit Margin (%)	31%	13%	-89%	22%	23%
Return on Assets (%)	0%	6%	-76%	10%	10%
Net current assets	28,093,470	353,988	256,756,749	318,275	397,036
Current Ratio	1.09	3.42	2.59	4.10	16.57
Liquid Ratio	1.09	3.42	2.59	4.10	16.57
Change in current liabilities	204126%	42%	157760%	302%	261%
Debt Ratio	27%	16%	18%	13%	4%
Debt-to-Equity	36%	19%	23%	15%	4%
Trade Receivable Days	120,500	121	593	104	96
Change in Receivables	99737%	16%	471%	8%	-19%
Capital Employed	826,573,536	769,227	717,810,900	692,562	673,850
ROCE	0%	7%	-93.0%	11.4%	10.7%
Capital Turnover	0%	53%	105%	86%	72%
Capital Gearing	36%	19%	23%	15%	4%

Source: MGB Audited Accounts

17.2.9 Transport Portfolio

17.2.9.1 Airport Development Limited (ADL)

Airport Development Limited (ADL) continued to be profitable in the 2017/18 financial year with total revenues increasing to MK2.03 billion from MK1.95 billion reported in the 2016/17 financial year translating into an after-tax profit of MK6.1 million. This has been largely attributed to the additional car park fees. As at December, 2018, the profitability of ADL further increased with an after-tax profit of MK35.7 million and prospects to 30th June, 2018 indicating that the company will close with an after-tax loss of MK36.2 million. Though profitability has been declining in the period under review, the refurbishments of KIA terminal and the modernisation of the navigation aid equipment improve the image of the airport and hence attract a lot of flights in the country.

ADL remains barely liquid, with a current ratio of 1.03:1 in 2017/18, down from 1.47:1 in 2016/17. As at midyear, the current ratio further increased to 1.13, implying that the company is able to meet its current liabilities as they fall due with existing current assets. This was worsened by the long debt collection days signifying that resources were tied up with the debtors, thereby affecting the operations of the company. Table 17.17 shows the financial performance of the ADL as at 31st June, 2018.

TABLE 17.17: SELECTED PERFORMANCE STATISTICS FOR ADL

Performance Targets	Outlook to 30th June 2019 MK'000	2018/19 Mid-year Actuals MK'000	2017/18 (Audited) MK'000	2016/17 (Audited) MK'000	2015/16 (Audited) MK'000
Income	2,457,137	1,248,082	8,325,732	1,946,269	1,634,714
Change in Income	97%	-36%	328%	19%	60%
Expense	(2,317,366)	(1,124,359)	(2,201,146)	(1,446,301)	(1,493,928)
Change in expense	106%	-22%	52%	-3%	66%
PAT	(36,229)	35,722	6,100,553	474,415	127,972
Change in PAT	-201%	-92%	1186%	271%	3%
Operating Profit Margin (%)	6%	10%	-2029%	29%	11%
Return on Assets (%)	0%	0%	0.17	0.02	63%
Net current assets	98,321	130,565	26,785	348,906	206,412
Current Ratio	1.10	1.13	1.03	1.47	1.37
Liquid Ratio	0.94	0.97	0.92	1.28	1.23
Change in current liabilities	0%	34%	27%	33%	57%
Debt Ratio	4%	3%	3%	3%	3%
Debt-to-Equity	4%	3%	3%	3%	3%
Trade Receivable Days	139	282	(1,013)	178	196
Change in Receivables	-3%	14%	(0.00)	0.24	68%
Stock Turnover (efficiency ratio)	1520	772	(2.87)		12.09
Capital Employed	34,202,013	34,379,996	34,386,908	25,343,171	19,827,542
ROCE	0%	0%	18%	2%	1%
Capital Turnover	7%	4%	-1%	7%	
Capital Gearing	4%	3%	3%	3%	3%

Source: ADL Audited Accounts

17.2.9.2 Lilongwe Handling Company (LIHACO)

The Lilongwe Handling Company (LIHACO) maintained a positive performance in 2017/18 with total revenues decreased by 4 percent to MK2.92 billion from MK 3.04 billion in 2016/17. This was largely as a result of drop in other revenue generated during the year. However, expenditures only grew by 16 percent to MK3.04 billion thereby giving a decreased level of profit after tax of MK10.6 million from MK548.6 million in 2016/17. As at December, 2018, a profit after tax of MK213.8 million was reported and prospects to the end of the 2017/18 financial year indicates Profit after Tax of K51.3 million.

LIHACO's liquidity decreased in 2017/18 to a current ratio of 0.09:1 compared to 1.13:1 in 2016/17. However, the situation improved at midyear when a current ratio of 1.87:1 was reported with prospects of 1.65:1 by the close of the 2017/18 financial year. This implies that the company was not capable of meeting its current liabilities as they fall due with existing current assets in the 2017/18 financial year. This was worsened by the long debt collection days signifying that the resources are tied up with the debtors.

Looking forward, LIHACO plans to boost its revenue base by providing additional services within the transport and tourism sector as the current trends in the airline industry have not been favourable with most airlines preferring to operate smaller aircrafts into Malawi based on demand for air travel. This trend has negatively affected the revenues for LIHACO hence the need for new revenue streams. Table 17.18 shows the financial performance of the LIHACO as at 31st June, 2019.

TABLE 17.18: SELECTED PERFORMANCE STATISTICS FOR LIHACO

Financial Report	Outlook to 30th June 2019 MK'000	2018/19 Mid-year Actuals MK'000	2018 (Audited) MK'000	2017 (Audited) MK'000	2016 (Audited) MK'000
Income	3,068,107	1,605,777	2,915,971	3,035,632	2,408,635
Change in Income	91%	-47%	-4%	26%	31%
Expense	(2,928,598)	(1,293,822)	(2,765,785)	(2,393,773)	(2,078,890)
Change in expense	126%	-46%	16%	15%	15%
PAT	51,287	213,838	(10,675)	548,631	269,812
Change in PAT	-76%	-61%	-102%	103%	2378%
Operating Profit Margin (%)	-5%	-24%	-5%	-27%	-16%
Return on Assets (%)	5%	13%	3%	38%	29%
Net current assets	370,562	606,169	(105,423)	93,019	(32,798)
Current Ratio	1.65	1.87	0.90	1.13	0.96
Liquid Ratio	1.65	1.87	0.90	1.13	0.96
Change in current liabilities	-18%	-3%	49%	-18%	14%
Debt Ratio	47%	49%	63%	58%	86%
Debt-to-Equity	87%	95%	173%	138%	632%
Trade Receivable Days	156	314	164	71	82
Change in Receivables	1%	-1%	-1%	8%	233%
Stock Turnover (efficiency ratio)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Capital Employed	1,607,783	1,625,935	859,020	957,583	275,254
ROCE	7%	19%	6%	67%	120%
Capital Turnover	-182%	-80%	-322%	-250%	-755%
Capital Gearing	63%	70%	143%	102%	362%

Source: LIHACO Audited Accounts

17.2.10 Finance

17.2.10.1 Malawi Enterprise Development Fund (MEDF)

The Malawi Enterprise Development Fund (MEDF) has shown a great improvement in the 2017/18 financial year realising a profit after tax of MK2.4 billion after having made a loss of MK961.9 million in the previous year. As at 31st December, 2018, MEDF managed to realise a profit of MK181.8 million and projects a profit of MK799.8 million, which depicts a downard performance.

The liquidity of the Fund improved to a current ratio of 8.2:1 was reported at midyear implying that MEDF was capable of meeting its current liabilities as they fall due with existing current assets. The Fund's debt-to-equity was at 19 percent in June 2018 and improved as at 31st December, 2018 mid-year.

The Fund has not made any profit for the past four years. MEDF only made a profit of MK2.6 billion in the year 2018, largely due to an injection of MK3.8 billion gross refund on expenses from the Government. Table 17.19 shows the financial performance of the MEDF as at 31st December, 2018.

TABLE 17.19: SELECTED PERFORMANCE STATISTICS FOR MEDF

Financial Report	Outlook to 30th June 2019 MK'000	2018/19 Mid-year Actuals MK'000	2018 (Audited) MK'000	2017 (Audited) MK'000	2016 (Audited) MK'000
Revenue	2,555,064	879,781	3,835,161	197,609	1,488,816
Change in Revenue	190%	345%	1841%	-87%	-23%
Expenditure	(1,570,239)	(641,395)	(1,288,227)	(1,159,599)	(1,566,715)
Change in expenditure	145%	-45%	11%	-26%	-85%
PAT	799,862	181,816	2,424,167	(961,990)	(114,609)
Change in PAT	340%	-119%	-352%	739%	-99%
Operating Profit Margin (%)	66%	36%	727%	-544%	-16%
Return on Assets (%)	11%	4%	53%	-59%	-4%
Net current assets	6,213,270	3,782,633	3,996,264	655,936	2,012,063
Current Ratio	17.49	8.20	12.19	1.89	3.61
Liquid Ratio	17.49	8.20	12.19	1.89	2.75
Change in current liabilities	-28%	-29%	-52%	-4%	14%
Debt Ratio	13%	18%	16%	45%	24%
Debt-to-Equity	15%	22%	19%	61%	31%
Trade Receivable Days	60	140	75	2,379	888
Change in Receivables	53%	209%	212%	-50%	-28%
Stock Turnover (efficiency ratio)					74%
Capital Employed	6,932,457.00	4,253,966.00	4,198,512	903,784	2,458,117
ROCE	0.12	0.04	58%	-106%	-5%
Capital Turnover	0.22	0.16	8%	20%	20%
Capital Gearing	0.14	0.20	18%	82%	31%

Source: MEDF Audited Accounts

Chapter 18

BANKING AND FINANCE

18.1 Overview

The mandate of the Reserve Bank of Malawi (the Bank) is to ensure price and financial stability in the country. Having achieved a single digit inflation in August 2017, the RBM pursued a tight monetary policy stance in 2018 with the aim of maintaining inflation within the single digit. In the year under review, the policy rate was maintained at 16.0 percent. Consequent to the tight monetary policy stance, broad money supply (M2) grew by 11.4 percent (MK122.1 billion) in 2018, which was slower than the 19.7 percent recorded in 2017. The tight monetary policy stance pursued during the year also managed to keep both average inflation and year-on-year monthly inflation in a single digit during the year.

18.2 Banking System

Broad money supply (M2) grew by 11.4 percent (K122.1 billion) to MK1,196.5 billion in 2018, which was slower than 19.7 percent recorded in 2017. In the past 5 years, growth in money supply averaged 18.1 percent. At 11.4 percent, the annual growth of M2 was about equal to the estimated nominal GDP growth rate of 11.2 percent for 2018. This suggests that monetary expansion was in line with the expansion of economic activities in the country and therefore did not exert pressure on domestic prices. The growth in M2 in 2018 was driven by deposit liabilities of the banking system, which grew by 10.8 percent to MK1,007.0 billion at the end of 2018. In particular, the growth was supported by both term and demand deposits, which registered annual increases of MK90.8 billion and MK47.9 billion to MK442.1 billion and MK365.1 billion, respectively. Growth in these deposit categories fully counteracted a decline in foreign currency denominated deposits of MK40.7 billion to MK199.8 billion in the year. Meanwhile, currency in circulation recorded an annual uptick of MK24.1 billion (14.6 percent) and closed the year at MK189.5 billion. The growth in currency in circulation, demand deposits and term deposits reflected increasing need for money balances to support the growing economy. In contrast, the fall in foreign currency deposits arose from increased import needs of the economic agents in the year.

Following these developments, narrow money (M1) and Quasi Money (QM) increased by MK72.0 billion and MK50.1 billion to MK554.6 billion and MK641.9 billion in the year, respectively. Meanwhile, the contribution of both M1 and QM to the annual growth of broad money supply declined to 6.7 percentage points and 4.7 percentage points from 10.4 percentage points and 9.3 percentage points in 2017, respectively.

On the asset side, the growth in M2 resulted in the creation of Net Domestic Assets (NDA) of the banking system to the tune of MK205.0 billion, mainly on account of growth in domestic credit. In contrast, net foreign assets of the banking system declined by MK82.9 billion in 2018 following increased demand for foreign exchange for the importation of goods and services.

Net Domestic Assets (NDA) registered a yearly growth rate of 33.1 percent (MK205.0 billion) to MK823.9 billion in 2018 compared to an increase of 14.3 percent in 2017. The growth was largely on account of domestic credit, which surged by MK171.8 billion to MK1,098.1 billion. The increase reflected developments in net credit to government, the private sector and statutory bodies, which grew by MK98.5 billion, MK46.9 billion and MK26.4 billion to MK606.8 billion, MK456.7 billion and MK34.5 billion, respectively. Further, other items net (OIN) increased by MK33.2 billion to minus MK274.1 billion, largely reflecting net maturity of commercial banks' repurchase agreements with the RBM amounting to MK187.6 billion in the year.

Net domestic credit registered a yearly growth of 33.1 percent (MK205.0 billion) to MK823.9 billion in 2018 compared to an increase of 14.3 percent in 2017. The growth was largely on account of domestic credit, which surged by MK171.8 billion to MK1,098.1 billion in 2018. The increase in domestic credit in the year reflected developments in both net credit to government, credit to private sector and credit to statutory bodies, which grew by MK98.5 billion, MK46.9 billion and MK26.4 billion to MK606.8 billion, MK456.7 billion and MK34.5 billion, respectively.

Annual growth in credit to the public sector receded to 24.2 percent in 2018 from 61.9 percent recorded in 2017. A total of MK124.8 billion was extended to the public sector, of which MK98.5 billion (net) and MK26.4 billion went to the Central Government and state-owned enterprises, respectively. Net credit to the Government from commercial banks stood at MK286.6 billion in 2018 compared to MK111.4 billion in 2017. The growth in net credit to the Government from the commercial banks was supported by Treasury notes and Treasury bills holdings, which rose by MK100.8 billion and MK71.5 billion to MK170.5 billion and MK185.1 billion, respectively. Meanwhile, the Government drew down deposits amounting to MK3.0 billion in the year, thereby augmenting the increase in net credit to the Government.

In contrast, net credit to the Government from the monetary authorities decreased by MK76.7 billion to MK320.2 billion in 2018 compared to a growth of MK168.7 billion in 2017. In line with the International Monetary Fund's (IMF) recommendation under the Extended Credit Facility (ECF) programme that commenced in April 2018, the Central Bank offloaded Treasury notes to the market amounting to MK145.9 billion. Consequently, the outstanding stock of

RBM holding of Treasury notes declined to MK365.1 billion in 2018 from MK511.1 billion in 2017. Reinforcing the foregoing contractionary pressure on net credit to Government, government deposits with RBM increased by MK49.2 billion to MK216.2 billion. Meanwhile, RBM holdings of Treasury bills and Ways and Means advances to the Government increased by MK91.7 billion and MK26.7 billion to MK100.9 billion and MK70.4 billion, respectively.

Credit to the private sector registered significant growth of 11.5 percent in 2018 compared to 0.4 percent growth in 2017. In real terms, private sector credit grew by 1.6 percent in 2018 compared to a contraction of 6.7 percent in 2017. The growth reflected a favourable macroeconomic outlook based on easing inflation and lagged effects of a reduction in interest rates in the year. All loan types registered growth, with commercial and industrial loans recording the highest growth of MK20.2 billion to a stock of MK178.1 billion at end 2018. Mortgages, foreign currency denominated loans and individual and household loans increased by MK8.6 billion, MK6.4 billion and MK2.9 billion to MK41.0 billion, MK131.5 billion and MK127.9 billion, respectively. Further, commercial banks' provision for loan losses decreased by MK8.8 billion to MK21.7 billion, mainly on account of write-offs in the year.

In terms of economic sectors, the growth in credit emanated from the Manufacturing sector (MK11.7 billion); Wholesale and retail trade sector (MK7.7 billion); Transport, storage and communications sector (MK6.0 billion); Real estate sector (MK6.0 billion); Construction sector (MK4.9 billion); Restaurants and hotels sector (MK4.2 billion) and; Community, social and personal sector (MK2.1 billion). Meanwhile, credit to Agriculture; Financial services and Electricity, gas, water and energy sectors slumped by MK9.5 billion, MK3.9 billion and MK1.6 billion, respectively. In terms of proportions to the total credit stock, Wholesale and retail trade sector, at 25.3 percent, represented the largest share of the total private sector credit. Agriculture; Manufacturing; and Community, social and personal services sectors claimed 20.8 percent, 18.7 percent and 10.5 percent of the total outstanding credit stock, respectively.

TABLE 18.1: MONETARY SURVEY

	End Period Balances			Changes During Period		
	2016	2017	2018	2016	2017	2018
A. Net Domestic Credit						
1. Credit to government (i+ii)	309,683.3	508,340.2	606,804.1	100,717.7	198,656.9	98,463.8
i. Monetary Authorities	228,170.7	396,893.2	320,228.0	130,854.9	168,722.5	-76,665.1
ii. Commercial Banks	81,512.6	111,447.0	286,576.0	-30,137.2	29,934.4	175,129.0
2. Credit to statutory bodies	9,214.8	8,102.0	34,469.5	4,138.7	-1,112.8	26,367.5
3. Credit to private sector (gross)	408,305.0	409,812.3	456,737.4	17,979.9	1,507.3	46,925.1
B. Narrow Money (M1)	389,047.1	482,535.3	554,578.5	76,775.0	93,488.2	72,043.2
4. Currency outside banks	146,005.4	165,365.9	189,462.4	35,430.1	19,360.5	24,096.5
5. Private sector demand deposits	243,041.7	317,169.4	365,116.1	41,344.9	74,127.7	47,946.7
C. Quasi-money	508,218.5	591,824.8	641,897.1	41,682.8	83,606.3	50,072.3
D. Money Supply (M2) (B+C)	897,265.7	1,074,360.1	1,196,475.5	118,457.9	177,094.4	122,115.4
E. Net Foreign Assets	355,774.3	455,473.5	372,572.5	16,313.6	99,699.2	-82,900.9
6. Monetary Authorities	224,553.7	318,949.7	313,998.1	-51,815.0	94,396.0	-4,951.6
7. Commercial banks	131,220.6	136,523.8	58,574.4	68,128.6	5,303.2	-77,949.4

Source: Reserve Bank of Malawi

18.2.1 Activities of Commercial Banks

Commercial banks' resource envelope expanded by 6.5 percent (MK102.3 billion) to MK1,670.5 billion in 2018 compared to a growth of 26.5 percent (MK328.7 billion) in 2017. Banks mobilised deposits from the private sector totalling MK114.2 billion, thus increasing the closing stock to MK978.4 billion in 2018. Further, capital accounts grew by MK13.1 billion to MK267.1 billion, reflecting profitability of the banks in the year. Meanwhile, gross official sector deposits and unsectored liabilities declined by MK19.2 billion and MK6.1 billion to MK97.7 billion and MK274.1 billion, respectively.

The available funds were used to extend credit to the Central Government, private sector and statutory bodies amounting to MK172.1 billion, MK46.9 billion and MK26.4 billion, respectively. Further, MK794.4 million was reserved in form of deposits with RBM and vault cash. Meanwhile, investments with non-residents and unsectored assets dropped by MK77.6 billion and MK66.3 billion, respectively.

TABLE 18.2: COMMERCIAL BANKS: SOURCES AND USES OF FUNDS (MK' MN)

	End Period Balances			Changes During Period		
	2016	2017	2018	2016	2017	2018
A Sources of Funds						
Private sector	729,666.0	864,190.4	978,375.0	91,087.9	134,524.4	114,184.5
Official Sector Deposits[1]	71,064.9	116,892.5	97,679.5	17,810.6	45,827.7	(19,213.1)
Borrowing from the RBM	…	…	…	…	…	…
Foreign Borrowing	16,840.9	52,975.6	53,287.2	-23,948.4	36,134.7	311.6
Capital Accounts	210,387.6	254,001.4	267,058.6	34,986.4	43,613.7	13,057.2
All other liabilities	211,665.8	280,225.5	274,143.2	91,766.0	68,559.7	(6,082.3)
Total (1+2+3+4+5+6)	1,239,625.2	1,568,285.4	1,670,543.5	211,702.5	328,660.3	102,258.0
B. Uses of Funds						
I. Domestic credit to:						
Private sector (gross)	408,305.0	409,812.3	456,737.4	17,979.8	1,507.3	46,925.2
Statutory bodies (gross)	9,214.8	8,102.0	34,469.5	4,138.7	(1,112.8)	26,367.5
Central Government (gross)	130,983.3	183,535.8	355,617.3	(4,266.4)	52,552.6	172,081.5
Sub-total (8+9+10)	548,817.5	601,450.1	846,824.2	17,852.1	52,947.1	245,374.1
II. Deposits with Reserve Bank plus Currency in Banks	106,603.0	117,170.6	117,965.0	9,986.9	10,567.6	794.4
III. Foreign assets	148,061.5	189,499.4	111,861.7	44,180.2	41,437.9	(77,637.7)
IV. All other assets	436,457.7	660,165.4	593,892.6	139.368.7	223,707.6	(66,272.8)
V. Total (I+II+III+IV)	1,239,625.2	1,568,285.4	1,670,543.5	211,702.5	328,660.3	102,258.0

Source: Reserve Bank of Malawi

[1]Consists of Central Government and Statutory bodies

18.2.2 Reserve Bank of Malawi: Sources and Uses of Funds

RBM resources contracted by 4.3 percent (MK56.3 billion) to MK1,246.5 billion in 2018. The decline was explained by a drop of MK13.6 billion and MK119.3 billion in commercial banks' deposits and miscellaneous liability items to MK100.0 billion and MK506.6 billion, respectively. Meanwhile, gross official sector deposits, currency in circulation and liabilities to the foreign sector increased by MK49.2 billion, MK24.1 billion and MK3.3 billion, respectively.

In line with the decline in sources of funds, the monetary authorities reduced their claims on the Government and non-residents by MK27.5 billion and MK1.7 billion to MK536.4 billion and MK548.2 billion, respectively. In addition, the RBM's unsectored assets decreased by MK27.1 billion to MK161.9 billion.

TABLE 18.3: RBM: SOURCES AND USES OF FUND (MK'MN)

	End Period Balances			Changes During Period		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
A. Sources of Funds						
i. Private sector:						
1. Currency outside banks	146,005.4	165,365.9	189,462.4	35,430.1	19,360.5	24,096.5
ii. Commercial banks						
2. Deposits plus till money	94,612.8	113,564.7	99,977.3	-795.6	18,952.0	(13,587.5)
iii. Official sector deposits	191,073.6	167,031.9	216,212.9	39,681.3	(24,041.7)	49,181.0
3. Sub-total (i+ii+iii)	431,691.8	445,962.6	505,652.6	74,315.7	14,270.8	59,690.0
iv. Foreign Sector	214,052.6	230,949.6	234,230.4	45,117.1	16,897.0	3,280.8
v. All other liabilities	421,299.1	625,911.1	506,636.9	150,215.1	204,612.1	(119,274.2)
vi. Total (i+ii+iii+iv+v)	1,067,043.5	1,302,823.4	1,246,519.9	269,647.9	235,779.8	(56,303.4)
B. Uses of Funds						
i. Domestic credit (gross)	419,244.3	563,925.1	536,441.0	170,536.1	144,680.8	(27,484.1)
1. Statutory bodies	-					
2. Central Government	419,244.3	563,925.1	536,441.0	170,536.1	144,680.8	(27,484.1)
3. Commercial Banks	…	…	…	…	…	…
ii. Foreign assets (gross)	438,606.4	549,899.3	548,228.5	(6,697.9)	111,292.9	(1,670.8)
iii. All other uses	209,192.8	188,999.0	161,850.5	105,809.7	(20,193.8)	(27,148.5)
iv. Total	1,067,043.5	1,302,823.4	1,246,519.9	269,647.9	235,779.8	(56,303.4)

Source: Reserve Bank of Malawi

Chapter 19

PUBLIC FINANCE

19.1 Introduction

This public finance chapter illustrates and compares performance of Budgetary Central Government operations for 2017/18 and 2018/19 fiscal years as well as estimates for 2019/20 fiscal year. It also presents functional classification of expenditure for the three fiscal years. The chapter is structured as follows: Section 19.2 presents performance Summary of Budgetary Central Government Operations; Sections 19.3 and 19.4 illustrates Performance of Revenue, Expenditure and Financing; and Section 19.5 presents Performance of Expenditure using Functional Classification.

19.2 Performance Summary of Budgetary Central Government Operations

The 2018/19 Budget was formulated to provide a framework for supporting medium term policies aimed at attaining macroeconomic stability and achievement of sustainable economic growth. Despite the economy facing shocks in the form of dry spells and fall army worms, the economy registered a growth rate of 4.1 percent.

In the fiscal year both grants and domestic revenues underperformed resulting in a lower performance of revenues than projected. Table 19.1 presents summary of performance of Budgetary Central Government Operations for 2017/18 to 2019/20 fiscal years. Comparing 2017/18 FY and 2018/19 FY, revenue collections totalled 19.96 percent of GDP in 2017-18 FY and preliminarily estimated at 19.95 percent of GDP for 2018-19 FY. Revenue in 2018/19 FY comprise taxes at 17.25 percent of GDP; grants at 2.05 percent of GDP and other revenue at 0.65 percent of GDP. Performance is projected to pick up in 2019/20 fiscal year to 25.08 percent of GDP due to measures that Government is implementing to improve domestic resource mobilisation and revenue collections.

TABLE 19.1: BUDGETARY CENTRAL GOVERNMENT OPERATIONS (MK'MILLION)

Category	2017/18 Actual Estimates	2018/19 Approved Estimates	2018/19 Revised Estimates	2018-19 Preliminary Outturn	2019-20 Proposed Estimates
Revenue	988,307	1,249,331	1,194,581	1,120,751	1,575,123
Domestic Revenue	918,152	1,052,250	1,057,500	1,005,615	1,425,065
Taxes	861,944	975,678	1,012,301	968,929	1,369,262
Other Revenue	56,207	76,572	45,200	36,686	55,803
Grants	70,155	197,081	137,081	115,136	150,058
Expense	1,061,267	1,119,582	1,154,651	1,165,419	1,292,798
o/w Interest	190,321	182,904	208,225	224,319	243,996
Net Operating Balance	(72,960)	129,749	39,930	(44,668)	282,325
NANA	227,315	335,242	307,977	281,313	437,949
Foreign financed projects (Part I)	149,070	195,831	195,831	177,449	306,486
Domestic financed projects (Part II)	78,245	139,411	112,145	103,864	131,463
Lending	4,000	8,000	8,000	8,000	9,000
Expenditure	1,288,581	1,454,824	1,462,628	1,446,732	1,730,987
Net Lending/Borrowing	(300,274)	(205,493)	(268,047)	(325,981)	(155,864)
Primary balance	(109,953)	(22,589)	(59,822)	(130,868)	88,372
Change in Net Financial Worth/Financing	300,274	205,493	268,047	325,981	155,864
Foreign Liabilities	122,264	41,276	41,276	61,359	109,748
Domestic Liabilities (Net)	178,010	164,217	226,771	264,622	46,116
Percent of GDP					
Revenue	19.96	22.24	21.26	19.95	25.08
Domestic Revenue	18.55	18.73	18.82	17.90	22.69
Taxes	17.41	17.37	18.02	17.25	21.81
Other Revenue	1.14	1.36	0.80	0.65	0.89
Grants	1.42	3.51	2.44	2.05	2.39
Expense	21.44	19.93	20.55	20.74	20.59
o/w Interest	3.84	3.26	3.71	3.99	3.89
Net Operating Balance	(1.47)	2.31	0.71	(0.80)	4.50
NANA	4.59	5.97	5.48	5.01	6.97
Foreign financed projects (Part I)	3.01	3.49	3.49	3.16	4.88
Domestic financed projects (Part II)	1.58	2.48	2.00	1.85	2.09
Lending	0.08	0.14	0.14	0.14	0.14
Expenditure	26.03	25.89	26.03	25.75	27.57
Net Lending/Borrowing	(6.07)	(3.66)	(4.77)	(5.80)	(2.48)
Primary balance	(2.22)	(0.40)	(1.32)	(2.33)	1.54
Change in Net Financial Worth/Financing	6.07	3.66	4.77	5.80	2.48
Foreign Liabilities	2.47	0.73	0.73	1.09	1.75
Domestic Liabilities (Net)	3.60	2.92	4.04	4.71	0.73

Regardless of the extra budgetary pressures on the budget, expenditure was contained in 2018-19 fiscal year. As presented in Table 19.1, expenditure slightly decreased from 26.03 percent of GDP recorded in 2017/18 fiscal year to 25.75 percent of GDP in 2018/19 fiscal year. Acquisition of Non-Financial Assets slightly increased from 4.59 percent in 2017/18 FY to 5.01 percent of GDP in 2018/19 FY. The trend is expected to continue to 6.97 percent of GDP in 2019/20 FY due to continued implementation of flagship projects stated in the MGDS III.

With the underperformance in revenues and slight increase in expenditure, fiscal balance resulted in a net borrowing of 5.80 percent of GDP. However, Government is committed to reduce the deficit to 2.48 percent of GDP as projected in the 2019/20 FY and bring debt on a downward trajectory.

19.3 Revenue Performance

Even though taxes on goods and services have maintained their momentum in 2018/19 fiscal year, taxes on income, profits and capital gains have not performed as projected owing to shocks experienced in the economy. This resulted in a slight decrease in overall performance of taxes from 17.41 percent of GDP reported in 2017/18 FY to 17.25 percent in 2018/19 FY. All the categories of tax revenue slightly increased as a percent of GDP, except other taxes and taxes on income, profits and capital gains.

Performance of grants has been less satisfactory in the recent years with disbursements stagnating at 1.42 percent of GDP in 2017/18 FY and 1.43 percent of GDP in 2018/19 FY. Nonetheless, with the reforms that Government is implementing to improve public finance management, it is anticipated that performance under grants will improve and is projected at 2.39 percent of GDP in 2019/20 FY.

Other revenues underperformed in the fiscal year owing to low remittance of dividends by parastatals. In 2018/19 FY, other revenue dropped from 1.14 percent of GDP recorded in 2017/18 FY to 0.65 percent of GDP. It is anticipated that performance will improve in 2019/20 FY since parastatals are expected to remit the expected dividends due to the enhanced financial oversight function of Government over its parastatals. Furthermore, Government will revise user fees and charges for goods and services offered by MDAs.

TABLE 19.2: BUDGETARY CENTRAL GOVERNMENT REVENUE (MK' MILLIONS)

Category	2017/18 Outturn	2018/19 Approved Estimates	2018/19 Revised Estimates	2018/19 Preliminary Outturn	2019/20 Proposed Estimates
Revenue	988,307	1,249,331	1,194,581	1,120,751	1,575,123
Taxes	861,944	975,678	1,012,301	968,929	1,369,262
Taxes on Income, profits and capital gains	423,259	483,044	483,044	460,724	637,445
Individual	256,576	287,544	287,544	302,061	413,088
Corporations and other enterprises	166,683	195,500	195,500	158,664	224,357
Taxes on goods and services	362,034	410,557	413,557	419,199	608,054
General taxes on goods and services	247,658	285,473	285,473	287,974	431,346
VAT	247,632	285,440	285,440	287,926	431,277
Turnover and other general taxes on goods and services	26	33	33	48	69
Excise	108,796	119,145	122,145	124,563	169,122
Taxes on use of goods and on permission to use goods or perform activities	5,580	5,940	5,940	6,662	7,586
Motor vehicle taxes	5,580	5,940	5,940	6,662	7,586
Taxes on international trade and transactions	76,239	78,079	78,079	88,292	122,763
Other taxes	413	3,998	3,998	714	1,002
Grants	70,155	197,081	137,081	115,136	150,058
From Foreign Governments	-	26,588	26,588	-	42,698
From International Organisations	70,155	170,492	110,492	115,136	107,360
Other revenue	56,207	76,572	45,200	36,686	55,803
PERCENT OF GDP					
Revenue	19.96	22.24	20.89	19.32	25.08
Taxes	17.41	17.37	17.42	17.25	21.81
Taxes on Income, profits and capital gains	8.55	8.60	8.60	8.20	10.15
Individual	5.18	5.12	5.12	5.38	6.58
Corporations and other enterprises	3.37	3.48	3.48	2.82	3.57
Taxes on goods and services	7.31	7.31	7.36	7.46	9.68
General taxes on goods and services	5.00	5.08	5.08	5.13	6.87
VAT	5.00	5.08	5.08	5.12	6.87
Turnover and other general taxes on goods and services	0.00	0.00	0.00	0.00	0.00
Excise	2.20	2.12	2.17	2.22	2.69
Taxes on use of goods and on permission to use goods or perform activities	0.11	0.11	0.11	0.12	0.12
Motor vehicle taxes	0.11	0.11	0.11	0.12	0.12
Taxes on international trade and transactions	1.54	1.39	1.39	1.57	1.95
Other taxes	0.01	0.07	0.07	0.01	0.02
Grants	1.42	3.51	2.44	1.43	2.39
From Foreign Governments	-	0.47	0.47	-	0.68
From International Organisations	1.42	3.03	1.97	1.43	1.71
Other revenue	1.14	1.36	1.03	0.65	0.89

19.4 Expenditure Performance by Economic Classification

As presented in table 19.3, expenditure slightly decreased from 26.03 percent of GDP recorded in 2017/18 FY to 25.65 percent of GDP in 2018/19 fiscal year. Though most expenditure lines were maintained at their planned levels during the 2018/19 FY, the composition differed. Expense performed beyond the planned level of 19.97 percent of GDP to 20.81 percent of GDP, owing to increased interest payments, for both residents and non-residents from 3.84 to 3.99 percent of GDP Compensation of employee increased marginary from 6.69 percent of GDP in the 2018/18 fiscal year to 7.10 percent of GDP during the 2018/19 fiscal year. Use of goods and services declined as a percent of GDP from 6.49 percent to 5.28 percent in 2018/19 fiscal year. With Government putting in place measures to contain expense, it is expected that the performance will improve in the medium term. Expense is expected to amount to 20.51 percent of GDP in 2019/20 FY.

Low absorption of resources, as well as slow utilisation of project grants affected performance of net acquisition of non-financial assets. Domestically financed acquisition of non-financial assets improved from 1.58 percent of GDP reported in 2017/18 FY to 1.85 percent of GDP in 2018/19 FY. Nonetheless, this is a slowdown from the anticipated performance of 1.99 percent of GDP that was intended for the fiscal year. Foreign financed capital expenditure slowed down from 3.01 percent of GDP reported in 2017/18 FY to 2.99 percent of GDP in 2018/19 FY. Both components are expected to improve in 2019/20 FY with net acquisition of non-financial assets expected to total to 6.91 percent of GDP. It is anticipated that this performance will be sustained in the medium term.

TABLE 19.3: EXPENDITURE PERFORMANCE BY ECONOMIC CLASSIFICATION

Category	2017/18 Outturn	2018/19 Approved Estimates	2018/19 Revised Estimates	2018/19 Preliminary Outturn	2019/20 Proposed Estimates
Expenditure	1,288,581	1,454,824	1,462,628	1,446,732	1,730,987
Expense	1,061,267	1,119,582	1,154,651	1,165,419	1,292,798
Compensation of employees	331,358	404,564	402,564	398,846	455,784
Wages and salaries	316,182	393,639	393,639	387,484	443,423
Employers social contributions	15,176	10,925	10,925	11,362	12,361
Use of goods and services	321,106	297,990	298,317	292,989	290,911
Interest	190,321	182,904	208,225	224,319	243,996
Foreign Interest	13,516	14,341	13,864	15,610	15,472
Domestic Interest	176,805	168,563	194,361	208,710	228,523
Subsidies	35,150	41,250	41,250	38,294	35,500
Grants	112,295	121,660	128,147	132,292	173,899
To other general government units	112,295	121,660	128,147	132,292	173,899
Social benefits	102,241	110,964	110,964	110,870	123,869
Pensions and gratuities	60,986	69,714	69,714	72,277	85,919
Other expenses	3,945	1,500	6,435	6,103	4,580
Other Statutory expenditures	3,945	1,500	6,435	6,103	4,580
Net/Gross Investment in Nonfinancial Assets	227,315	335,242	307,977	281,313	437,949
Fixed Assets	227,315	335,242	307,977	281,313	437,949
Domestically financed	78,245	139,411	112,145	103,864	131,463
Foreign financed	149,070	195,831	195,831	177,449	306,486
Net lending	(300,274)	(205,493)	(268,047)	(325,981)	(155,864)
PERCENT OF GDP					
Expenditure	26.03	25.89	25.45	25.65	27.43
Expense	21.44	19.93	19.97	20.81	20.51
Compensation of employees	6.69	7.20	7.20	7.10	7.26
Wages and salaries	6.39	7.01	7.01	6.90	7.06
Employers social contributions	0.31	0.19	0.19	0.20	0.20
Use of goods and services	6.49	5.30	5.17	5.28	4.61
Interest	3.84	3.26	3.23	3.99	3.89
Foreign Interest	0.27	0.26	0.26	0.28	0.25
Domestic Interest	3.57	3.00	2.98	3.71	3.64
Subsidies	0.71	0.73	0.73	0.68	0.51
Grants	2.27	2.17	2.28	2.35	2.76
To other general government units	2.27	2.17	2.28	2.35	2.76
Social benefits	2.07	1.98	1.98	1.97	1.92
Pensions and gratuities	1.23	1.24	1.24	1.29	1.37
Other expenses	0.08	0.03	0.11	0.11	0.07
Other Statutory expenditures	0.08	0.03	0.11	0.11	0.07
Net/Gross Investment in Nonfinancial Assets	4.59	5.97	5.48	4.84	6.91
Fixed Assets	4.59	5.97	5.48	4.84	6.91
Domestically financed	1.58	2.48	1.99	1.85	2.03
Foreign financed	3.01	3.49	3.49	2.99	4.88
Net lending	(6.07)	(3.66)	(4.56)	(6.32)	(2.34)

19.5 Functional Classification of Budgetary Central Government Expenditure

Allocations to key sectors as percentage of GDP have remained as planned for 2018/19 FY with the exception of the general public services and defense and public order which registered increases from 10.18 percent of GDP to 11.53 percent of GDP and from 2.21 percent of GDP to 2.54 percent of GDP, respectively. All the other sectors maintained their allocations for 2018/19 FY with declines in economic affairs, housing and community amenities, health and education. Table 19.4 presents this classification of Budgetary Central Government expenditure by functions.

Going forward, with the implementation of projects outlined in the MGDS III, it is anticipated that allocations to key sectors of the economy will be increased in the medium term, in line with the Government's objective of attaining inclusive and sustainable economic growth. This trend is anticipated in 2019/20 FY.

TABLE 19.4: FUNCTIONAL CLASSIFICATION OF EXPENDITURE (MK'MILLIONS)

Category	2017/18 Actual	2018/19 Approved Estimates	2018/19 Revised Estimates	2019-20 Proposed Estimates
Expenditure	1,288,581	1,454,824	1,446,226	1,722,156
General Public Services	503,827	621,827	647,729	512,655
Defense and Public Order	109,293	113,855	142,570	133,654
Economic Affairs Total	322,204	368,662	328,105	464,741
Manufacturing	1,349	1,523	1,523	1,792
Agriculture, Forestry, Fishing and Hunting	126,228	150,571	112,510	193,886
Labour Affairs	9,581	14,021	9,701	10,265
Transport	75,501	83,449	86,456	100,982
Communication	11,066	5,765	14,557	20,210
General economic and commercial affairs	77,243	91,615	87,035	97,610
Energy, Mining and Environmental Protection	21,235	21,718	16,323	39,995
Environmental protection	116	156	97	165
Housing and community amenities	24,132	28,978	20,306	38,273
Health	99,033	102,033	94,228	164,078
Recreation, Culture and Religion	8,503	8,524	6,889	15,801
Education	188,007	173,698	166,282	350,176
Social Protection	33,466	37,092	40,021	42,614
PERCENT OF GDP				
Expenditure	26.03	25.89	25.74	27.43
General Public Services	10.18	11.07	11.53	8.16
Defense and Public Order	2.21	2.03	2.54	2.13
Economic Affairs Total	6.51	6.56	5.84	7.40
Manufacturing	0.03	0.03	0.03	0.03
Agriculture, Forestry, Fishing and Hunting	2.55	2.68	2.00	3.09
Labour Affairs	0.19	0.25	0.17	0.16
Transport	1.52	1.49	1.54	1.61
Communication	0.22	0.10	0.26	0.32
General economic and commercial affairs	1.56	1.63	1.55	1.55
Energy, Mining and Environmental Protection	0.43	0.39	0.29	0.64
Environmental protection	0.00	0.00	0.00	0.00
Housing and community amenities	0.49	0.52	0.36	0.61
Health	2.00	1.82	1.68	2.61
Recreation, Culture and Religion	0.17	0.15	0.12	0.25
Education	3.80	3.09	2.96	5.58
Social Protection	0.68	0.66	0.71	0.68

19.6 Conclusion

Government will continue implementing measures to create fiscal space for inclusive and sustainable economic growth. In the medium term, Government, through automation of tax administration and widening of the tax base, anticipates that revenue performance will improve and thus create additional fiscal space. In addition, Government continues with its effort of reducing use of goods and services expense to create space for pro-development expenditure, as evidenced by the decline in use of goods and services as a percent of GDP in 2019/20 FY.

Chapter 20

INFORMATION AND COMMUNICATIONS TECHNOLOGY

20.1 Overview

The chapter provides information on the performance, challenges and lessons learnt by the Information and Communications Sector. The ICT sector forms the backbone of business activity, productivity, trade and social advancement. The sector continues to contribute significantly towards GDP and could be further nurtured to enhance its performance. The country has 22 licensed internet service providers (ISPs) with 10 active ISPs serving a limited customer base and mobile coverage registered at 85 percent (MGDS III, 2017-2022).

20.2 Performance in 2018

Table 20.1 below shows key performance indicators of the Ministry.

TABLE 20.1: KEY ICT INDICATORS

No	Target	2017	2018/19	2020*
1	Voice Telephony Penetration raised (%)	40	45	75
2	Internet Penetration increased (%)	6	27	25
3	Ratio of Postal and Courier Penetration	1:80,000	1:63,000	1:40,000
4	Electronic Commerce Penetration increased (%)	N/A	-	55
5	Level of regulatory compliance raised(%)	70	100	100
6	ICT contribution to GDP increased (%)	4	4.5	8

Source: MACRA Mid-Year Report

*Projection

TABLE 20.2: CORPORATE HISTORICAL NON-FINANCIAL PERFORMANCE

No	Non-Financial Performance Targets	2018/2019 Targets	2017/2018 Actual	2016/2017 Actual	2015/2016 Actual	2014/2015 Actual
1	Satellite Coverage (%)	100	100	100	100	100
2	Satellite availability (%)	99	95	95	95	95
3	Terrestrial coverage – radio (%)	80	80	80	80	75
4	Terrestrial Analogue Coverage – TV (%)	30	30	40	40	45
5	Number of Viewers (%)	87	87	87	85	85
6	Number of Listeners (%)	83	80.2	80.2	80	83
7	Programming Local Content Television	96	95	95	95	94
8	Programming Local content (%) Radio	99	99	97	97	95
9	News Local Content (%) TV	98	98	97	96	95
10	News Local Content (%) Radio	99	99	97	97	96
11	Compliance to the strategic plan	100	70	70	70	70

Source: MBC Performance Management Plans and Budget (PMPB) Half Year Report (2018/2019)

TABLE 20.3: NON-FINANCIAL PERFORMANCE (TREND ON VOLUME PROCESSED)

Non-Financial Performance Targets	2018/19	2017/18	2016/17
Level of service delivery (Mail Service)	97	94	92
Number of clients (Post Courier Corporate clients)	720	750	581
Volume of posts courier items	4,312	5,712	4,394
Volume of mail	15,150,323	15,937,642	16,262,900

Source: Malawi Posts Corporation Half Year Report, January 2019

20.2.1 Improving ICT Infrastructure

The sector is implementing the National Fibre Backbone Project with assistance from the Exim Bank of China with the objective of connecting all major sectors of the economy and Government Agencies in the country to a high speed optical Fiber based network. The project is expected to finalize by connecting the fibre to homes and other non-Governmental offices through the last mile connectivity project/fibre backbone project phase II.

TABLE 20.4: ACHIEVEMENTS UNDER NATIONAL FIBRE BACKBONE PROJECT

Target	Achievement
1386 km of Fibre delivered	1386 km
36 Power equipment delivered	36
36 transmission equipment	36
22 DC sites installed with AR router and connected to GWAN	22

Source: Project Report

20.2.2 Improvement of Public Service Delivery

Government through the sector is implementing the Digital Malawi Project whose objective is to increase access to affordable, high quality internet services for Government, businesses and citizens and to improve the Government's capacity to deliver digital public services.

TABLE 20.5: ACHIEVEMENTS FOR THE DIGITAL MALAWI PROJECT

Target	2018/19 Achievements	2019/20 Projections
Electronic Documents and Records Management System produced	Concept note produced.	Electronic Documents and Records Management System in place
Electronic Enterprise Architecture Framework developed	Consultant Procured.	Electronic Enterprise Architecture Framework in place.

Source: Project report

20.2.3 Successful Migration from Analogue to Digital

This is being achieved through the implementation of the Digital Migration Project. This initiative is very critical to the country as it has come at a time Malawi and the rest of the world are seeking to ensure that citizens receive the best of ICT technologies. The benefits are that improved ICT technologies bring efficiency and quality services as well as creating a conducive environment for other technologies to operate well. Since, Malawi joined the rest of the world in moving from analogue broadcasting of information to digital, about 98% coverage of digital services has been achieved, and the country is among the best achievers within the SADC region. Actually, in terms of digital technology, Malawi ranks second after Seychelles within the SADC sub-region.

It should be noted that apart from being in line with international protocols and commitments, digital information is easy to store and process. Because of this, Malawi is going to, among other benefits, experience increased network coverage for use in terms of Television and we hope that by the next three to four years, the whole Malawi shall be covered by these services.

TABLE 20.6: ACHIEVEMENTS UNDER THE DIGITAL MIGRATION PROJECT

Target	2018/19 Achievements	2019/20 Projections
4 Transmitter Shelters Constructed	2	4
1 signal distributor engaged	1	-
12 analogue transmitters replaced with digital television transmitters	8	12
9.6 hours per day to be covered by locally generated content	8 hrs	9.6 hrs

Source: Project Report

20.2.4 Increased Production and Airing of Local Generated Information

Government recognizes that Malawians can best be informed, educated and entertained when they know what is happening in Malawi first, before they know what is happening elsewhere. Through the sector, Government has already started build capacities for collection and processing of information in our localities with the intention of beaming them on the television and other media outlets. This is being achieved through the District Information Capacity Enhancement Project. The initiative aims at assisting local television stations to showcase to the nation as many local programs as possible.

TABLE 20.7: ACHIEVEMENTS UNDER THE DISTRICT INFORMATION CAPACITY ENHANCEMENT PROJECT

Target	2018 Achievements	2019 Projections
Establish 8 zonal district video production studios	3 studios under construction (Lilongwe, Mzuzu and Blantyre)	Establish 4 more studios in (Zomba, Karonga, Kasungu and Mangochi)

Source: Project report

20.2.5 Increased Access to ICT Services at Community/Grass Root Level Through Telecenters

Telecenters are very important in the sense that people from all walks of life, particularly young people will be able to access digitalized services for instance; Internet browsing; Scanning; Lamination; Binding; Photocopying fax. Internet services are a cheaper means of communication compared to phone services. This is part and parcel of Government initiatives in ensuring that the common person has access to cheap but fast means of communication. To date, the sector has managed to construct 30 Telecenters country wide and the drive is moving forward.

20.2.6 Increased Capacity to Deliver ICT Education to Malawians through The National College of Information Technology (NACIT)

The Sector is implementing the NACIT Enhancement project with the aim of providing Malawians an opportunity for ICT training to increase the number of skilled people in Information and Communications Technology. Through long and short term trainings, over 3000 Malawians, both young and old have received qualifications at various levels like certificates, diploma and degree levels.

20.2.7 Improved Connection of Citizens to the Formal Economy Through Physical Addresses

Government recognizes National Addressing as essential for socio-economic development as it helps people to be connected to the formal economy thereby having access to a host of commercial and social products and services. In this light the Sector is implementing the National Addressing Project. The Project involves identification of a location on the ground to 'assign and address' using a system of maps and signs that give the number or names of the streets and buildings. The projects main target is to number 3 million houses by the end of the project. To date, 8312 houses have been numbered in the city of Blantyre and a database has been developed.

20.3. Challenges

20.3.1 Inadequate funding

Inadequate and inconsistent flow of funds for projects fully funded by the Government has been a challenge. This has led to very minimal progress in such projects, most of which should have been completed by now. This has also led to rescheduling of other projects to future Financial Years. In addition, there hasn't been Counterpart funding (Development Budget part 2) for initiatives like the National Fibre backbone Project which the sector intends to utilize for supervision, monitoring and evaluation. As a result, Monitoring and Evaluation for the project has been difficult.

20.3.2 Delays in Approval Processes by the Department of Buildings in Construction Projects.

Delays in processing of various processes with other Government Departments have greatly affected projects' performance. This is particularly evident with Departments such as Buildings who have spent over a year processing bills of quantities and are still yet to complete the exercise for the NACIT Enhancement Project.

20.3.3 Lack of coordination among the key stakeholders in the Sector

Challenges in coordination of members of the ICT sector working group has led to challenges in developing the common goal for the sector. This also leads to insufficient data for reporting on the sector's indicators.