



Republic of Malawi

Brussels Programme Of Action (BPoA) for LDCs:

Comprehensive **M**id-term
Review
for **M**alawi
(Decade 2001-2010)

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Introduction

The seven commitments of the Brussels Programme of Action (BPoA) were all built into the Malawi Poverty Reduction Strategy (MPRS), which has been implemented from 2002 to 2005. The MPRS has undergone a comprehensive review that is finishing this December 2005. The achievements under BPoA have therefore been documented and discussed at national level within the context of the MPRS comprehensive review.

The MPRS Comprehensive Review has been a multi-sectoral process involving all the major stakeholders in national development-government ministries and departments, the civil society, donor partners, and the private sector. The process began in July 2005, and involved the formation of the thematic groups based on the pillars and themes in the MPRS, recruited six independent consultants for the collection of data, and finally culminated in the drafting of the final report in accordance with the pillars of the MPRS by a cross-section of representatives from various institutions.

This report shows achievements under the following commitments in BPoA:

- i. Fostering a people-centered policy framework
- ii. Good governance at national and international levels
- iii. Building human and institutional capacities
- iv. Building productive capacities to make globalization work for LDCs
- v. Enhancing the role of trade in development
- vi. Reducing vulnerability and protecting the environment
- vii. Mobilization financial resources for development

Commitment (i) of BPOA is to a large extent covered by Pillar 1 (Sustainable pro-poor growth) in the MPRS, commitments (ii) and (vii) appear under Pillar 3 (Good Governance), commitment (iii) appear under Pillar 2 (Human Capital Development), commitments (iv) and (v) appear under Pillar 1, commitment (vi) is partly in Pillar 4 (Safety Nets) and partly a cross-cutting issue. The BPOA did not set mid-term targets and it is not possible to assess the achievements quantitatively in the absence of such targets.

1

Fostering A People Centered Policy Framework

Malawi has placed a lot of emphasis on the involvement of people in the design and implementation of the national development policies. Beginning with Vision 2020 in the late 1990s, Malawi's long-term development strategy, people are usually consulted in the design of national development policies. The Vision 2020 is translated into medium term development strategies, which began with the Malawi Poverty Reduction Strategy (MPRS) in 2002 covering a period of three years (2002-05). The MPRS has come to an end this year (2005) and is being replaced by a new medium term development strategy, the Malawi Growth and Development Strategy (MGDS) to cover a period of five years.

The ultimate test for a people-centred policy framework is not necessarily in the level of consultation in its design, but whether the policies are able to improve the lives of people socially and economically. Some notable achievements under this commitment include:

- The establishment of the One Village One Product (OVOP) Scheme to engage the poor in value adding businesses
- The establishment of the MK5 billion Malawi Rural Development Fund to provide credit to the poor in rural and urban areas for small businesses
- Increased the amounts of 'Starter Packs' (packages of agricultural inputs issued to smallholder farmers) from 17kgs to 31kgs per household
- Identified other sectors for economic growth such as manufacturing and agro-processing, tourism, and small-scale mining.

The overall impact of these measures on economic growth (as measured by GDP data) and the prevalence of poverty has not been much within the last five years. This is shown in the Table below.

	2001	2002	2003	2004	2005	Target
Real GDP growth (%)	-4.1	2.1	3.9	5.1	1.8	7
Pop below poverty line	53.9				52.4	25
Ultra-poor					22.0	

Malawi has neither achieved the desired real GDP growth rate of 7 percent (in BPoA) nor reduced significantly the population living below the poverty line during this period. The failure to make substantial progress is not attributed to the policy framework per se, but rather to weak implementation due to lack of financial resources and human resource capacity constraints especially across public sector delivery institutions.

Challenges

- Finding adequate resources (time, money and human) to implement development programmes

- Targeting the policies and development programmes into the right areas to achieve maximum impact
- Lack of affordable agricultural inputs such as seeds, fertilizer, insecticides
- Building a comprehensive information database to monitor development progress in all sectors up to the community level

Opportunities

- There is a lot of interest and goodwill at the international level to eradicate poverty.

2

Good Governance

Good governance, at national level, has been taken to mean the creation and management of efficient and accountable institutions, especially in the public sector, so that these institutions can help in improving the living conditions of people and empowering them to make choices on how they are governed.

Some notable achievements include:

- The increase in the number of women Parliamentarians from 8.7 percent of MPs in 2001 to 14 percent in 2004;
- Improved the benefits for Traditional Chiefs;
- Improved the autonomy of a number of public sector bodies, including the Anti-corruption Bureau, the Director of Public Prosecutions, the Malawi Police, the Judiciary;
- Appointed women into high level positions, like head of the Electoral Commission, the Police; and
- Promulgated new laws to improve transparency and accountability, like the Public Finance Management Act, Public Audit Act, Procurement Act.

Malawi's progress in the area of governance, since 2001, can be summed up in the Table below.

Issues of Governance

	2001-02	2002/03	2003/04	2004/05
Political Will	Poor	Poor	Poor	better
Anti-Corruption	Poor	Poor	Poor	strong
Security	Poor	Poor	Poor	Better
Justice (Access)	Weak	Weak	Better	Better
Decentralization	Weak	Weak	Weak	Weak
Democratization	Weak	Weak	Better	Good

Note: The years conform to governance budget years i.e. July-June calendar year

On the international level, Malawi is one of the signatories to the African Peer Review Mechanism. This is an initiative under NEPAD that assesses a country's performance in primarily areas of governance. Improvements in fiscal and economic management ensured Malawi's access to the IMF's Poverty Reduction and Growth Facility (PRGF) which had been suspended earlier on due to poor governance. Malawi has also qualified for the Threshold Program under the Millennium Challenge Account that primarily focuses on the fight against corruption.

Challenges

- Accelerating the pace of decentralization;
- Mobilizing human and financial resources;
- Mobilizing grassroots participation in democratization and human rights.

Opportunities

- Prevalence of strong political will at national level to improve performance of public institutions

3

Building Human and Institutional Capacities

Human capacities have been understood in terms of an active and working population and for this to happen we need an educated and healthy work force. It is believed that such a workforce would lead to increased productivity, better income distribution and improved welfare.

Some notable achievements in this area include:

- Between 2001 and 2005, there has been nearly three times increase in early childhood development (ECD) centers (1,645 in 2001, to 4,471 in 2005). Early childhood is an important ground for the development of mental capacities.
- Reduced the teacher/pupil ratio from 1:123 (2000) to 1:92
- Introduced a policy on special needs education
- Functional adult literacy increased slightly, as well as female literacy rate as shown on Table below.
- On the health front, life expectancy is at 40 years (2005), from 39 years (2001)
- Reduced infant mortality by 36 percent (104/1000 live births in 2001 to 76/1000 in 2005)
- Successful immunization programmes (70 percent full immunization coverage, 84 percent measles vaccination)
- Increased the number receiving anti-retroviral (ARV) drugs (from 0 in 2000 to 19,000 in 2005)

The Table below summarizes some results

	2001	2005	Target
Net Enrolment ratio (primary – boys & girls, percent)	78	80	88
Adult Literacy rate (percent)	58	62	
Female Adult literacy rate (percent)	44	50.5	70
Life Expectancy (years)	39	40	43
Maternal Mortality rate (per 100,000 live births)	1120		800
Infant mortality (per 1,000 births)	104	76	90
HIV Prevalence rate (14-49 yrs, percent)	14.4	14	

Institutional capacities, especially in the public sector, have remained weak due to high vacancy rates. In the public sector, where some data are available, departments have vacancy rates ranging from 33 percent to 72 percent.

Challenges

- Improving service delivery in education and health institutions
- Establishing effective monitoring and evaluation system
- Mobilizing adequate financial and human resources

Opportunities

- Increased resource allocations to the social sectors

4

Building Productive Capacities to make Globalization work for LDCs

Under this commitment, Malawi does not appear to have made much headway. Its economic structure since 2001 has hardly changed-the country's major production remains entrenched in providing raw materials. It is even showing that private investment has been decreasing since 2001. Much of the public investment has been in the social sector.

The Table below shows the trends.

	2001	2002	2003	2004	Target
Gross Fixed Investment (%GDP)	12.7	9.5	10.3	9.2	25
Government (%GDP)	10.3	7.7	8.4	7.4	
Private (%GDP)	2.4	1.8	1.9	1.7	

It has been impossible for the country to achieve the planned investment rate of 25 percent GDP per annum. Progress may have been hampered by a hostile economic environment over much of the last decade and limited resources for investment.

Challenges

- Building a stable macro-environment;
- Developing adequate policies and incentives to improve private investment;
- Mobilizing adequate investment resources.

Opportunities

- Expanding markets due to regional integration

5 Enhancing the Role of Trade in Development

Trade, both internal and external, gives the opportunity to individuals to earn higher levels of income and improve their standards of living. The major focus for Malawi is on external trade and the achievements are rather dismal as can be seen from the ever-widening trade deficit in the Table below.

Malawi's Trade Balance

	2001 (K' 000,000)	2002 (K' 000,000)	2003 (K' 000,000)	2004 (K' 000,000)
Trade Exports	30,798	31,713	42,252	54,420
Trade Imports	34,023	45,608	66,652	88,308
Trade Balance	-3,222	-13,895	-24,400	-33,889

Challenges

- Diversifying the economy to encourage value-addition processing
- Removal of subsidies on agricultural production at the international level
- Improving productive capacity to satisfy wide markets.

Opportunities

- Many countries are reducing or removing tariff and non-tariff barriers to trade.

6

Reducing Vulnerability and Protecting the Environment

Most of the poor and vulnerable people in Malawi depend on the environment to sustain their livelihoods. Matters have been made difficult for the country because of recurrent droughts over the last ten years. Despite an increasing number of safety nets interventions in the country, like public works programmes, targeted input programmes, targeted nutrition programmes, the number of vulnerable people has been on the increase. The Table below shows the estimated numbers.

	2001/02	2002/03	2003/04	2004/05	2005/06
Population affected ('000)	2,933	3,104	1,108	1,682	4,224
Missing Food Entitlements (Metric Tonnes)	105,747	111,136	48,452	85,550	269,600

Challenges

- Proper targeting of the vulnerability
- Better-designed safety nets to encourage graduation from vulnerability
- Designing effective alternative livelihood strategies to ease pressure on environment

7

Mobilizing Financial Resources for Development

In order to ensure that both local and donor resources are channeled into development projects that would have an impact on economic development, government revamped the Public Sector Investment Programme (PSIP) and is planning an investor conference for early 2006. No funding is provided to projects that do not appear in the PSIP and for a project to qualify for entry into the PSIP it must satisfy rigorous selection and grading criteria.

The resources for implementing the PSIP are still inadequate. Out of a budget of K43.8 billion for development projects for 2005/06, only K35 billion (80%) has been provided for. Large portions of the available resources (50 percent) are loans. For a country that has a huge debt overhang, it is unfortunate that more resources are still coming in as loans.

Challenges

- Mobilizing adequate and cheaper resources for development projects
- Clearing the backlog of non-funded priority projects
- Improving project disbursements

Opportunities

- Donors willingness to harmonise aid management procedures

8

Future Plans on Implementing BPoA

The commitments under BPoA will continue to be implemented in the context of the overall development strategy, and the monitoring will take place within the same context. As Malawi replaces the 3-year MPRS with a 5-year MGDS this year, BPoA commitments will form part of the policy actions in the Malawi Growth and Development Strategy (MGDS). Annual reviews of the MGDS will be highlighting attainments related to BPoA commitments. In this way duplication will be avoided.

The MGDS is in the final phase of preparation and appropriate indicators are being compiled for purposes of monitoring achievement. Some of these indicators will cover outcomes related to MDGs and BPoA commitments. Attempts are underway to build a comprehensive database of information for purposes of monitoring development outcomes and impacts.