**ReSAKSS-SA**

Annual Trends And Outlook Report **2012**


The Regional Strategic Analysis and Knowledge Support System for Southern Africa (ReSAKSS—SA)

Malawi: 2012 Annual Trends and Outlook Report

# Agricultural Growth Trends and Outlook Report: Trends in Agricultural Sector Performance, Growth and Poverty in Malawi

Prepared by

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Established in 2006 under the Comprehensive Africa Agriculture Development Programme (CAADP), the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) supports efforts to promote evidence and outcome-based policy planning and implementation. In particular, ReSAKSS provides data and related analytical and knowledge products to facilitate benchmarking, review, and mutual learning processes. The International Food Policy Research Institute (IFPRI) facilitates the overall work of ReSAKSS in partnership with the African Union Commission, the NEPAD Planning and Coordinating Agency (NPCA), leading regional economic communities (RECs), and Africa-based CGIAR centers. The Africa-based CGIAR centers and the RECs include: the International Institute of Tropical Agriculture (IITA) and the Economic Community of West African States (ECOWAS) for ReSAKSS–WA; the International Livestock Research Institute (ILRI) and the Common Market for Eastern and Southern Africa (COMESA) for ReSAKSS–ECA; and the International Water Management Institute (IWMI) and the Southern African Development Community (SADC) for ReSAKSS–SA.

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# Abbreviations and Acronyms

| | |
|---|---|
| ADMARC | Agricultural Development and Marketing Corporation |
| ADP-SP | Agriculture Development Program Support Project |
| AfDB | African Development Bank |
| APRM | African Peer Review Mechanism |
| ARD | Agriculture Research and Development |
| ASWAp | Agriculture Sector Wide Approach |
| CAADP | Comprehensive African Agriculture Development Program |
| CISANET | Civil Society Agriculture Network |
| COMESA | Common Market for Eastern and Southern Africa |
| CPI | Consumer Price Index |
| CRT | Country Review Team |
| CSSP | Country Strategy Support Programs |
| DAPS | Department of Agriculture Planning Services |
| DAES | Department of Agricultural Extension Services |
| DCAFS | Donor Coordination on Agriculture and Food Security |
| DFID | Department for International Development |
| DNHIV | Department of Nutrition and HIV |
| EPZ | Export Processing Zone |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FMB | Farmers' Marketing Board |
| FIDP | Farm Income Diversification Program |
| FISP | Farm Input Subsidy Program |
| FPI | Food Price Index |
| FUM | Farmers' Union of Malawi |
| GBI | Green Belt Initiative |
| GDP | Gross Domestic Product |
| GoM | Government of Malawi |
| ICRAF | International Centre for Research in Agro-forestry |
| IFAD | International Fund for Agricultural Development |
| IFPRI | International Food Policy Research Institute |
| IMF | International Monetary Fund |
| IWMI | International Water Management Institute |
| JICA | Japanese International Cooperation Agency |
| LUANAR | Lilongwe University of Agriculture and Natural Resources |
| MDG | Millennium Development Goal |
| MDHS | Malawi Demographic and Health Survey |
| MGDS | Malawi Growth and Development Strategy |
| M&E | Monitoring and Evaluation |
| MEJN | Malawi Economic Justice Network |
| MoAFS | Ministry of Agriculture and Food Security |
| MoF | Ministry of Finance |
| MoTI | Ministry of Trade and Industry |
| MT | Metric Tonne |

| | |
|---|---|
| NASFASM | National Smallholder Farmers Association of Malawi |
| NEPAD | New Partnership for Africa's Development |
| NGO | Nongovernmental Organization |
| NSO | National Statistical Office |
| ODA | Official Development Assistance |
| OPC | Office of the President and Cabinet |
| ORT | Other Recurrent Transactions |
| PRS | Poverty Reduction Strategy |
| RDP | Rural Development Project |
| ReSAKSS-SA | Regional Strategic Analysis and Knowledge Support System for Southern Africa |
| RISDP | Regional Indicative Strategic Development Plan |
| SADC | Southern African Development Community |
| SAP | Structural Adjustment Program |
| TWG | Technical Working Group |
| UNDP | United Nations Development Program |
| USAID | United States Agency for International Development |
| VAT | Value Added Tax |
| WFP | World Food Program |
| WTO | World Trade Organization |

# Executive Summary

This report presents results of the 2012 Annual Trends and Outlook for Malawi (ATOR). This is the first ATOR for Malawi. The study was carried out as part of the Southern African Development Community (SADC) Monitoring and Evaluation for the Comprehensive Africa Agriculture Development Program (CAADP) Survey. The study mainly adopted a quantitative approach. A standard structured questionnaire [1] was used to collect data on several indicators around the six broad areas. They are: i) the CAADP implementation process; ii) public spending and investment indicators; iii) output indicators (agricultural technology, diffusion and human capital indicators; iv) agricultural sector performance indicators (agricultural production and trade indicators; v) macro and socioeconomic indicators (welfare indicators); and vi) agricultural development strategies, policies and/or plans. The time series data covered the period from 2000 to 2011, but in some cases information for 2012 was also collected. The analysis of the data involved calculation of percentages, means, drawing of graphs and synthesis of the information to determine the trends in the main indicators from the dataset. A standard template for the structure of the report was provided by ReSAKSS-SA coordination office.

## Summary results

The summary results have been presented following the key indicators on which the report was to be drafted. These are presented below and only highlight the key findings from the study.

## A. CAADP implementation process

Malawi has made major progress in the implementation of the CAADP process. Major milestones in the CAADP process in Malawi after the formulation and endorsement of the Agricultural Sector Wide Approach (ASWAp) include: i) The CAADP Compact Signing in April 2010; ii) Finalization of the ASWAp Investment Plan iii) Formulation of the agricultural sector working group/committee; iv) Independent technical review of the ASWAp Investment Plan; and v) Holding of a national workshop to disseminate and discuss with stakeholders the findings of the review. The high level 'business meeting' took place from September 28 – 29, 2011. Among others, it was during this 'business meeting' that various donors in the country made their commitments to the implementation of ASWAp/CAADP. The tracking of these commitments has also been presented in this report.

## B. Expenditure and investment indicators

The purpose of monitoring public spending and investment indicators is to assess the country's progress towards the 2003 Maputo Declaration target of at least 10% of the government budgetary resources being allocated to agriculture. Analysis of the data collected through this study showed that Malawi has made tremendous progress towards the Maputo Declaration. There has been a very sharp increase in the percentage of the national budget resources allocated to agriculture since 2005. By 2007, the 10% target set in the Maputo Declaration was already surpassed and has remained above this target since then. In the period 2012/2013 the allocation to agriculture represents 16% of the total national budget. However, it is noted that such a tremendous achievement in the Maputo Declaration target has been realized through the implementation of the Farm Input Subsidy Program (FISP) since the 2005/06 cropping season. On average, the FISP has constituted more than 60% of the budget allocation to agriculture but with a general upward trend, thereby squeezing the allocation to other equally important components of the sector such as research and extension. The actual annual expenditure on the sector has been far much higher than the budget allocation.

[1] The same questionnaire provided by ReSAKSS-SA for all the other SADC countries, was used to facilitate easy comparisons across countries.

## C. ODA support to the agriculture sector

Malawi, as one of the developing countries, benefits from development assistance from a myriad of development partners. The predominant development partners who provide grants and loans to the agricultural sector include: the African Development Bank, DFID, EU, FAO, IFAD, Ireland, JICA, Norway, UNDP, USAID and the World Bank.

Since Malawi gained independence and as late 2012, development assistance has constituted more than 30% of the national government budget. Apart from the government, the operations of NGOs and Civil Society Organizations (CSOs) are mostly development-assistance inclined. Some of the notable NGOs and CSOs include the ICRAF, Concern Universal, Total Land Care, CISANET, MEJN, Water Aid, Catholic Relief Services and the NASFAM. The development assistance is distributed across more than 20 sectors among which are: agriculture; economic governance; energy and mining; health; education; democratic governance; and road infrastructure to mention a few. Over the years of analysis, the health sector has received the largest proportion of the development assistance (26%), followed by economic governance (19%) and agriculture with 15% of the support.

## D. Agricultural sector performance indicators

The agricultural sector remains a major contributor to the national GDP of Malawi. This sector contributes more than 30% to the national production. Agriculture is expected to continue to be a major contributor to the national production, as a large proportion of the population continues to depend on agriculture in one way or the other. Over the years the contribution of this sector has always been above 30%, meaning that there is still a slow substitution of the sector by other sectors, e.g., tourism and the manufacturing industry, whose contributions are usually expected to be taking off those of the agriculture's. Apart from employing more than 80% of the population, the agriculture sector contributes more than 90% to the country's exports.

However, the performance of the sector has been varied because of the changes in weather patterns, which underscore the impact of climate change on agricultural production. In some cases, slow growth has been due to low prices for cash crops like tobacco at the auction floors, particularly in 2007 and 2011. Overall, the results show that, on average, the country is marginally achieving the 6% growth target for agriculture set by the Maputo Declaration in order to achieve the MDG 1 of halving the population of the poor by 2015. It is noted, however, through this study that Malawi is on track in achieving MDG 1.

## E. Poverty, hunger, food and nutrition

Malawi is one of the countries with extreme cases of poverty. According to the Human Development Report of 2011, the country is ranked 171 on the human development index out of 185 countries with an index of 0.4, which ranks the country among countries having the lowest human development. This coincides with results from the Third Integrated Household Survey (IHS 3) released in 2012.

The IHS 3, which was conducted over the period from March 2010 to March 2011, puts the country's annual poverty line at Malawi Kwacha (MK) 37, 002 and the ultra poverty rate at MK 22, 956. In 2011, 50.7% of all Malawians were ranked poor according to the report as compared to 52.4% and 65.5% in 2005 and 1998, respectively. However, according to the Malawi Growth and Development Strategy, the poverty situation reduced between 2005 and 2010 to as low as only 39% of the population in 2009. Most of these poor are inhabitants of rural areas with extreme cases observed in the Southern Region.

Malawi has a very high dependency ratio, which could be due to very high fertility rates among Malawian women and the very high crude birth rate in the country. On average, a Malawian woman bears 5.2 children in her lifetime, which is on the high side considering the rising cost of raising a child in this millennium. In addition, the birth rate for Malawi has been one of the highest in the world, which stood at 39.5% by 2008. This implies that 40 children are born every year for every 1,000 people in the country.

In general, the performance of the Malawi economy and poverty appears to be associated with the investments in agriculture through the Free Input Subsidy Program (FISP) and how it is implemented, on top of other economic reforms being undertaken at present. Arguably, the future of the economy depends on: a) how successful economic reforms turn out to be; b) how much the agricultural sector can be improved through well-targeted investments; and c) how much private investment this sector can attract.

# 1. Introduction

Southern African Development Community (SADC) countries need to regularly assess or monitor the progress made towards the implementation and subsequent impacts of regionally shared targets or goals, particularly, those of the Comprehensive African Agriculture Development Program (CAADP), SADC Regional Indicative Strategic Development Plan (RISDP) and the Millennium Development Goals (MDGs). Under the CAADP, put together by the Africa Union's New Partnership for Africa's Development (AU/NEPAD) and signed by African states in 2003, the African governments are committed to achieving agricultural growth of at least 6%. In order to ensure that sufficient resources were made available for the CAADP implementation, countries signed the AU Maputo Declaration in 2003, in which they agreed to increase national budgetary resources to the agriculture sector to at least 10% of their respective national budget. The principle behind CAADP is to use agriculture-led growth to achieve the first MDG of halving poverty and hunger by 2015, a goal that is also set by SADC- RISDP.

The specific SADC-RISDP targets for sustainable food security and poverty reduction include the following:

- Achieving a GDP growth of at least 7% a year.
- Halving the proportion of the population living on less than US$1 per day and who suffer from hunger, between the period 1990 and 2015.
- Doubling cropland under irrigation from 3.5% to 7% as a percentage of the total by 2015.
- Increasing fertilizer consumption from 44.6 kilograms per hectare ((kg/ha) of arable land to 65 kg/ha of arable land by 2015.
- Increasing cereal yield in kg/ha hectare from an average of 1,392 to 2,000 by 2015.
- Doubling the adoption rate of proven technologies such as improved seed varieties, and management of water and land by 2015.
- Increasing livestock production by at least 4% annually

The Regional Strategic Analysis and Knowledge Support System for Southern Africa (ReSAKSS-SA) has developed a monitoring and evaluation (M&E) framework to successfully track the implementation and subsequent impacts of all key CAADP, SADC-RISDP and national targets. The M&E framework provides guidelines on the type of data that needs to be collected under key performance indicators such as public expenditures in agriculture, the extent of adoption and use of modern agricultural technologies, agricultural productivity and trade, and other relevant macro-and socioeconomic policy indicators. It also tracks the progress individual countries have made towards implementing the CAADP framework.

This 'Outlook Report' has been prepared using the data that was collected in 2012 as guided by a common M&E framework, which was provided by Re-SAKSS-SA. It is expected that the annual M&E trends and the outlook report will be shared with the African Heads of State and government and other key stakeholders. The Annual Trends and Outlook for Malawi (ATOR) contributes to information generated through other studies by specifically assessing progress that Malawi is making on specific targets set under the CAADP, SADC-RISDP and MDGs.

## 1.1 Overall objective

The overall purpose of the survey was to collect information to assist the SADC countries in monitoring/tracking and evaluating progress towards the achievement of the national and regional targets for agricultural growth, poverty reduction and investment into agriculture. The focus is on targets set under the CAADP, SADC-RISDP and MDGs. This agricultural trends and outlook report has been prepared using the data collected in 2012. Since this process has been going-on annually since 2010, in some cases, the data as well as the contents of the report have been an update of the preceding products. It is expected that these annual reports will be both informative and useful during regional and national policy debates.

The survey was divided into six broad sections:

i) CAADP Implementation Process

ii) Expenditure and Investment Indicators

iii) Output Indicators (Agricultural Technology, Diffusion, and Human Capital Indicators)

iv) Agricultural Sector Performance Indicators (Agricultural Production and Trade Indicators)

v) Macro and Socioeconomic Indicators (Welfare Indicators)

vi) Agricultural Development Strategies, Policies and/or Plans

### *1.1.1 Specific terms of reference*

In order to track the goals and targets of the CAADP, SADC-RISDP and MDGs in a sustainable way, a set of variables that are tracked annually for each of the six broad indicators as specified above (CAADP implementation process; expenditure and investment indicators; output indicators [agricultural technology, diffusion, and human capital indicators]; agricultural sector performance indicators [agricultural production and trade indicators]; macro and socioeconomic Indicators [welfare indicators]; and agricultural development strategies, policies and/or plans) has been identified. The aim is to assemble data of the highest quality, which will be used to examine the relationship between agricultural investment, growth and poverty reduction. The specific terms of reference under each indicator are outlined below:

## A. CAADP implementation process

The purpose of this indicator is to provide an overview of the progress, if any, the country has made in adapting and implementing the CAADP framework. This is done through variables on whether the national CAADP process has been launched and when, or if not, the expected date of launch; whether a CAADP Steering Committee or Technical Working Group has been established; completion of key reports such as the stocktaking report and the growth and investment options report as well as the policy briefs and brochures from these reports; roundtable process and extent of implementation, i.e., the stakeholder workshop; signing of compacts (agreements), action plans and budgets; resources committed; mechanism for implementation of programs; and mechanism for monitoring and evaluation and any baseline data collected. It also includes lessons or constraints to the CAADP process in the country.

## B. Expenditure and investment indicators

The purpose of this indicator is to collect information on government revenues, budget allocation and expenditures. This information is specifically used to monitor the country's progress towards the 2003 Maputo Declaration target of allocating at least 10% of total government budgetary resources to agriculture. Particular attention is paid to government budget allocation and expenditure by the agriculture subsector, which is defined to include crops, livestock, fisheries and forestry. Additional variables under this indicator include private sector spending on agriculture as well as inward foreign direct investment (FDI) flowing in to the agriculture sector.

## C. Output indicators (agricultural technology, diffusion, and human capital indicators)

This indicator covers information on the rate of modern input use, which specifically includes adoption of improved technologies, sustainable land management practices and stock as well as quality (in terms of qualifications) of agricultural human capital.

## D. Agricultural sector performance indicators (agricultural production and trade indicators)

The purpose of this indicator is to monitor agricultural output and production performance in the country. This information is used to assess whether and how the country is progressing towards achieving its agricultural growth and performance targets. Agricultural performance is tracked using data on agriculture GDP, crop, livestock and fisheries production, volume and value of agricultural trade by type of crop.

## E. Macro and socioeconomic indicators (welfare indicators)

The purpose of keeping track of these indicators is to monitor the overall growth and development progress that the country is making, and the impact it is having on the livelihoods of the population. In particular, the information is used to assess the extent to which the country is progressing towards achieving the MDGs, specifically MDG1 (on halving poverty and hunger by 2015) and MDG6 (particularly as it relates to combating HIV/AIDS). The variables to be collected under these indicators include: macroeconomic indicators (GDP, consumer price index, food price index, Gini coefficient, exchange rates, purchasing power parity and minimum wage); demographic indicators (population structure); and socioeconomic indicators (number of people living with HIV/AIDS, poverty rates, number of people with dietary energy consumption below 2100 kcal per day and child malnutrition rates).

## F. Agricultural development strategies, policies and/or plans

The purpose of these indicators is to collect information that will be used to review the country's most recent agricultural development strategies, policies and/or plans, (e.g., National Development Plans, Poverty Reduction Strategies (PRSs), Agriculture and/or Food Security Strategies, etc.).

## 1.2 Outline of the report

The report has eleven chapters. The report starts by providing the background information so as to highlight the context and objectives of the study in Chapter One. Chapter Two presents the data collection process, focusing on public and private sector investments as well as Overseas Development Assistance (ODA) support. Chapter Three discusses the enabling environment within which agricultural industry operates in the country. Chapter Four analyzes the ODA support to the agricultural sector. Chapter Five presents public budget allocation as well as expenditure. Chapter Six discusses the progress made so far in the implementation of the CAADP in Malawi. Chapter Seven summarizes tracking of the donor commitments to the ASWAp/CAADP. This is followed by an analysis of the agricultural growth performance during the study period in Chapter Eight. Chapter Nine presents findings of the Agricultural Trade Performance followed by Chapter Ten, which focuses more broadly on poverty, hunger, food and nutrition security. Chapter Eleven being the final one highlights the key conclusions and recommendations.

# 2. Measures of Public Investment and Data Sources

## 2.1 Public investment process

The study mainly adopted a quantitative approach with regards to the data gathering process. A standard structured questionnaire, provided by the ReSAKSS-SA was used to collect data on several indicators around the six broad areas highlighted in Section 1.1.1 above. The time series data covered the period from 2000 to 2011, although in some cases information for 2012 was also collected. The main assumption that guided the data gathering process, analysis and drafting of this report was that, the Government of Malawi is rational in its decision making with respect to relative investments across competing sectors of the economy. Public investments are reflected in the national budget for each fiscal year.

Government budgeting is the process of allocating limited resources to competing needs in order to achieve the nation's objectives. The budget is a management tool that coordinates anticipated expenditures in an effort to maximize the use of resources available. Since the early 1990s, with the global focus on poverty reduction (Millennium Development Goals), Malawi's development agendas have been aligned along the same lines starting with the Poverty Alleviation Program (in 1995); the Malawi Poverty Reduction Strategy (in 2002); the Malawi Growth and Development Strategy (MGDS) (in 2006); and the Malawi Growth and Development Strategy II (MGDS II 2011–2016), which is currently in progress. In addition to these overarching policy frameworks, in 2012, Malawi developed an Economic Recovery Plan that combines short-term as well as medium-term measures aimed at regaining the economic performance, which the country experienced from 2005 and 2010. These policies and strategies have been translated into relevant outputs and outcomes using the budget, which has overtime been an able linkage between the policies and the resources available.

The budget process is the central tool for management of public funds (public investments), hence, a policy implementation instrument. The budget as a process has a number of stages: the setting of national and sectoral priorities; the preparation of macroeconomic/budget framework and the actual budget; the implementation of the budget; monitoring expenditure; evaluation and audit; and policy review. These stages are interdependent and, as such, improvements in public expenditure management depend on improvements at all stages.

The budget is made up of two parts, 'revenues, and expenditures'. The expenditures are in two categories; recurrent (staff costs and operation and maintenance) and development (capital) expenditures. The development expenditures are categorized in to two: i) foreign (donor) financed or Part 1 expenditures and; ii) locally (domestically) financed or Part 2 expenditures. This division of expenditures into these categories is supposedly to assist in the planning, managing, monitoring and evaluation of the scarce public financial resources. The recurrent budget accounts for a greater share of the budget, while development, which is mainly donor funded (about 80%), is always overlooked. The domestically financed development estimate is the worst hit with budget cuts in lean periods of cash inflows.

## 2.2 Private sector investments in the agriculture sector

The Government of Malawi recognizes the important role that the private sector plays in contributing to its aspirations of economic growth and poverty reduction in the country. This is reflected in all its key policy strategies including the Agriculture Sector Wide Approach (ASWAp). Due to dwindling public financial resources and the increasing hardships and challenges that the economy is facing, the Government of Malawi is currently putting more emphasis on the establishment of Public and Private Partnerships (PPP) in the implementation of its programs.

The private sector defined more broadly is usually composed of organizations that are privately owned and not part of the government. These usually include corporations (both profit and nonprofit), partnerships, and charities. Thus, an easier way to think of the private sector is by thinking of organizations that are not owned or operated by the government. For example, retail stores, credit unions, and local businesses are some of the enterprises that operate in the private sector.

In Malawi, besides corporations, since the advent of multi-party democracy in 1993, the country has experienced a proliferation of civil society organizations. These are involved in various socioeconomic activities, mainly at the grass-roots level and also in policy advocacy. Civil society advocacy and contribution to economic management in Malawi is spearheaded by the Malawi Economic Justice Network (MEJN). The MEJN is a coalition of more than 100 civil society organizations, which have activities in the field of economic governance. Its membership includes NGOs, community-based organizations, trade unions, representatives of the media, the academia, among others. In the citizen manifesto of 2004 and the people's manifesto of 2009, the civil society reiterates the need to raise agricultural productivity. Within this broad grouping of organizations, the Civil Society Agriculture Network (CISANET) focuses on the agriculture sector. The CISANET is a grouping of individuals, nongovernmental organizations (both local and international), community-based organizations, associations operating in the agriculture sector, whose mission statement states that *"CISANET promotes agricultural development and sustainable livelihoods for the poor by influencing desirable change in policies, practices and attitudes of government, donors, civil society and other stakeholders through effective advocacy, networking, monitoring, research and capacity building."* The policy advocacy includes budget allocation to various sectors in the economy.

This definition of the private sector thus entails tracking the resources spent by these organizations in the agriculture sector as a direct or indirect contribution to public investments.

## 2.3 Data sources and analysis

The structured questionnaire provided by the ReSAKSS-SA was used as a common template for gathering data on specific variables and/or indicators as highlighted in the introduction. A wide range of data sources was used. The main sources, however, were government departments and ministries, [2] the internet, the Lilongwe University of Agriculture and Natural Resources (LUANAR), from Bunda Campus and other existing secondary sources and publications, [3] in particular. Most of the data necessitated reorganization and compilation in order to fit the standard format of the questionnaire.

The analysis of the data involved calculation of percentages, means, drawing of graphs and synthesis of the information to determine the trends in the main indicators from the data set. Some literature was also used to fill in the gap where data were missing and also to support the interpretation of the results from the analyses. The analysis is conducted at various levels, namely national, and in some cases at the sector level. At the sector level, the analysis covers agricultural subsectors and disaggregated expenditures, namely recurrent and capital expenditures.

### *2.3.1 Study limitations*

This report was prepared with the objective of providing detailed information and data under each one of the six main indicators highlighted above. However, it has been very difficult to gather data that would be used to adequately cover all the issues under each one of these indicators. Several factors have contributed to this difficulty such as scanty data available – including total scarcity in some areas, poor cooperation of the people who were meant to provide the data, disorganized data that needed structuring before it could be used in the study, and the amount of data required against the time-frame within which to collect it. The success of this study relied totally on sources of data. A lot of time was spent in following up on the promised data, which in a way affected the final output.

[2] The Ministry of Finance being the main source

[3] Where published reports have been used, this has been acknowledged and a section of references has also been included at the back of the report. The data source has also been provided under each Table or Figure that has been used in the report in addition to the summary list of data sources in the Annexes.

# 3. Enabling Environment for Agricultural Development

The section on enabling environment analyses first of all the socioeconomic environment of the farming communities in Malawi. This mainly focuses on some key macroeconomic indicators to demonstrate some of the hardships farmers may be facing in their day-to-day decision making process as they carry out their production and selling activities. The section also analyses the extent of poverty, its distribution by geographical regions and by gender. This is followed by a summary of some key national policies that guide the agricultural development process in the country. This is discussed while making reference to overarching national policy frameworks. Finally, this chapter provides an analysis of the international and regional policies and frameworks to which Malawi is aligned, which are also in a way reflected in national policies and development strategies.

## 3.1 Agro-ecological and social economic environment

### *3.1.1 Malawi's agro-ecologies and main crops grown*

Malawi enjoys a variety of ecological zones broadly grouped into: Lower Shire Valley; lakeshore and low lying rain shadow areas; medium altitude areas; and high altitude plateau and hilly areas. Each of these zones is characterized by unique features in terms of rainfall, temperature, altitude and agricultural operations.

The Lower Shire Valley lies between 30 to 500 meters above sea level embracing two southern most districts of Chikhwawa and Nsanje. The area receives less than 600 mm of rain annually and is generally not suitable for rain-fed farming and for most crops grown in Malawi. The narrow range of crops grown includes sorghum and millet with some exception in one small portion of a hilly area that is highly fertile and suitable for irrigated farming, especially for vegetables and maize. It has an estimated population of about 676,894 people from an estimated 0.2 million households. [4]

The lakeshore and low altitude rain shadow areas lie between 400 to 1,000 meters above sea level. Rainfall ranges from 600 to 800 mm annually. The areas are characterized by very fertile alluvial soils and high average temperatures. The districts in this zone include: Balaka, Karonga, Mangochi, Mwanza, Nkhata-Bay, Nkhota-Kota, Phalombe and Salima. Part of Rumphi (Nkhamanga Plain) also falls within this zone. The Nkhata-Bay is an exception in this case, as it receives much more rainfall than the rest in spite of its geographical locality in the zone. The population in the zone is about 0.8 million households.

The medium altitude zone covers Blantyre, Chiradzulu, Dowa, Kasungu, Lilongwe, Machinga, Mchinji, Mzimba and Zomba. It also covers parts of Chitipa and Dedza districts. The zone enjoys high average rainfall ranging from 800 – 1,200 mm annually and an altitude of 1,000 to 1,500 meters above sea level. A part of this agro-ecological zone (referred to as Kasungu – Lilongwe Plain) is Malawi's bread basket. The farming population is estimated to be around 1.5 million households.

The high plateau and hilly areas lie in an altitude over 1,500 meters above sea level and receive over 1,200 mm of rainfall annually with low average temperatures. The population covered in the zone is approximately 0.8 million households. The zone covers such districts as Mulanje, Neno, Ntcheu, Thyolo and parts of Chitipa (Misuku Hills), Mwanza and Rumphi (Nyika Plateau). Neno, Ntcheu and parts of Mwanza that fall within the Kirk Range Highlands. Some types of crops for these areas are different from most of the other ecological zones, which includes Irish potatoes, wheat, coffee and tea.

In all these zones, farmers still grow maize as the main staple food crop, although in some of these areas it may not be suitable. However, much of the maize in the country is grown in the Kasungu-Lilongwe Plain.

### *3.1.2 Structure of the agriculture and land tenure systems*

The agricultural sector in Malawi is dualistic, consisting of small-scale farmers and the estate subsector or key farm types. The subsectors have been historically distinguished on the basis of legal and constitutional rules regulating land tenure, type of crops grown and marketing arrangements (Phiri 2010).The smallholder

[4] Phiri, M. A. R. (2010) Exploring Strategic Priorities for Regional Agricultural R&D Investments in Southern Africa.

subsector (smallholder farm type) is based on customary land tenure system and is primarily subsistence. Land tenure is the basis for land allocation and ownership. Land in Malawi can be divided into three main basic categories: (i) public land; (ii) private land; and (iv) customary land. The customary land law is quite variable in the country, but with the most important difference being expressed between matrilineal and patrilineal systems of inheritance. Under the matrilineal marriage system, access to land is through the female members of the clan while the opposite is the case in patrilineal system, an arrangement that is most dominant in the northern part of the country. However, in both systems, some common basic principles apply: land which is in use can be held and inherited indefinitely; whereas land that is not used is considered to belong to the community under the jurisdiction of the chief rather than by individuals. (Saka et al. 2004). The customary land which dominates the smallholder farm type is cultivated under the usufructus right and, as such, cannot be sold. On the other hand, the estate subsector comprises 14,700 estates occupying about 850,000 hectares of leased land.

Over 70% of the cultivated area in Malawi is under the customary land tenure system, and is utilized by 3.5 million smallholder farming families with landholding ranging from 0.5 to 2.5 hectares. Based on the data from the Ministry of Agriculture and Food Security (MoAFS), the smallholder farm type occupies about 76.4% of the total land by zone (Agricultural Development Division - ADD) while the commercial farm type (estate) occupies about 23.6%. But overall, 90% of cultivated land is under customary tenure system with only 10% being in the estate-commercial farm type.

As already alluded to, land tenure is dominated by the customary tenure system, which in turn affects agricultural intensification and the adoption of technologies that have had long-term productivity impacts on the land (Phiri 2012).

### *3.1.3 Human demographics, poverty and inequality*

This section mainly discusses poverty and inequality trends in the country during the past decade. Based on the analysis of the Integrated Household Survey (IHS) of 2005 and 2011, it is observed that Malawi has in the recent past experienced a decline in urban poverty while its rural poverty has remained stagnant. On the other hand, ultra poverty has increased nationally and in rural areas, but has significantly declined in urban areas. See Figures 3.1 and 3.2 below.

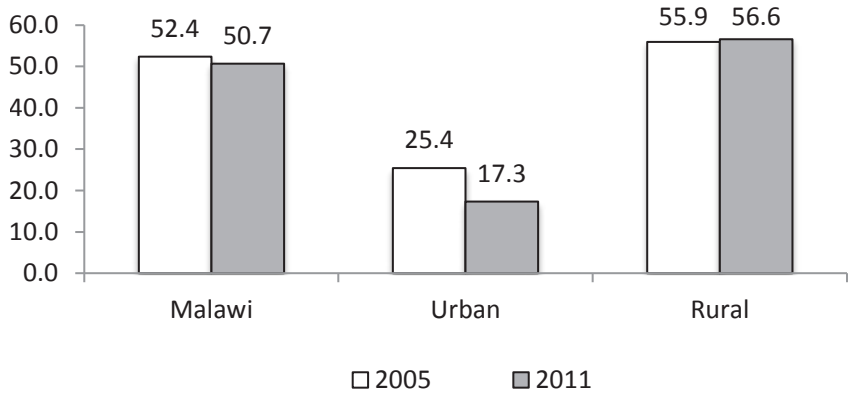


FIGURE 3.1 POVERTY HEADCOUNT (%).
*Source:* Malawi IHS2[5] and IHS3[6]

[5] GoM/NSO (2005) Integrated Household Survey (2004-2005). Household Socioeconomic Characteristics Report.

[6] GoM/NSO (2012) Integrated Household Survey (2010-2011). Household Socioeconomic Characteristics Report.

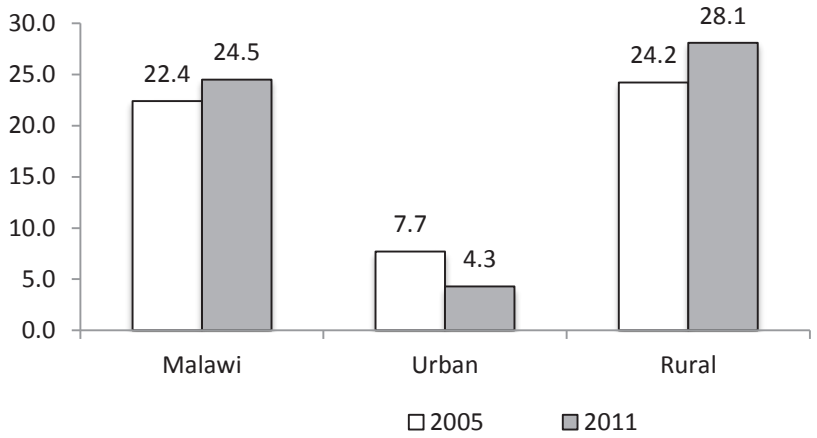


FIGURE 3.2 ULTRA POVERTY HEADCOUNT (%).
*Source:* Malawi IHS2 [7] and IHS3 [8]

The results of these studies further show that poverty in Malawi remains highest in the Southern Region despite the fact that it is the only region, which has experienced a drop in poverty levels between 2005 and 2011. However, during the same period the Northern and Central regions experienced an increase in poverty levels of 6.4% and 4.3%, respectively. Furthermore, the results show that poverty in Malawi is significantly higher among women than their male counterparts. This difference is more acute at the national level and in the rural areas. See Table 3.1 below.

TABLE 3.1 POVERTY MEASURES, BY LOCATION AND GENDER: 2005-2011.

| Household Characteristics | Poverty Headcount (%) | | | Poverty Gap (%) | | | Poverty Gap Squared | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2011 | Change | 2005 | 2011 | Change | 2005 | 2011 | Cgange |
| **Malawi** | 52.4 | 50.7 | -3.2 | 17.8 | 18.9 | 6.2 | 8.0 | 9.3 | 16.3 |
| **Area of Residence** | | | | | | | | | |
| Urban | 25.2 | 17.3 | -31.3 | 6.9 | 4.8 | -30.4 | 2.8 | 2.0 | -28.6 |
| Rural | 56.2 | 56.7 | 0.9 | 19.3 | 21.4 | 10.9 | 8.7 | 10.6 | 21.8 |
| **Sex of Head** | | | | | | | | | |
| **Malawi** | | | | | | | | | |
| Male | 50.9 | 49.0 | -3.7 | 17.1 | 18.1 | 5.8 | 7.6 | 8.9 | 17.1 |
| Female | 58.6 | 57.1 | -2.6 | 20.9 | 22.1 | 5.7 | 9.7 | 11.0 | 13.4 |
| **Urban** | | | | | | | | | |
| Male | 24.4 | 17.1 | -29.9 | 6.5 | 4.5 | -30.8 | 2.5 | 1.8 | -28.0 |
| Female | 30.9 | 18.3 | -40.8 | 10.1 | 6.5 | -35.6 | 4.4 | 3.0 | -31.8 |
| **Rural** | | | | | | | | | |
| Male | 54.9 | 55.2 | 0.5 | 18.7 | 20.7 | 10.7 | 8.3 | 10.2 | 22.9 |
| Female | 61.2 | 62.3 | 1.8 | 21.9 | 24.2 | 10.5 | 10.2 | 12.0 | 17.6 |
| **Rural by Region** | | | | | | | | | |
| North | 56.3 | 59.9 | 6.4 | 19.6 | 22.2 | 13.3 | 8.8 | 10.7 | 21.6 |
| Center | 46.7 | 48.7 | 4.3 | 14.1 | 17.3 | 22.7 | 5.9 | 8.3 | 40.7 |
| South | 65.0 | 63.3 | -2.6 | 24.1 | 25.1 | 4.1 | 11.4 | 12.8 | 12.3 |

*Source:* Malawi IHS2 and IHS3

[7] GoM/NSO (2005) Integrated Household Survey (2004-2005). Household Socioeconomic Characteristics Report.

[8] GoM/NSO (2012) Integrated Household Survey (2010-2011). Household Socioeconomic Characteristics Report.

Pervasive risks and high vulnerability to shocks are among the main causes of persistent poverty in Malawi. Drought, price volatility (mainly food), illness and deaths are the main sources of shocks. The frequent and widespread existence of shocks manifests itself into large movements into and out of poverty in Malawi (GoM/ World Bank 2006).

The results of the 2012 dataset coupled with statistics from the IHS2 and IHS3 show that, despite the fact that the government-set a minimum rural wage rate for farm workers it has improved in nominal terms during the last decade (Figure 3.3.). However, income distribution as measured by the GINI coefficient has tended to worsen (Figure 3.4. and Table 3.2). Nevertheless, the worsening of the GINI coefficient is not only experienced in the rural areas, but in the urban areas as well albeit far much lower. Additionally, it is noted that the GINI coefficient in the rural areas in the Northern Region has remained the same despite a worsening of the regional poverty level. Finally, it is noted that despite a slight drop in the national poverty levels, income distribution inequality has worsened during the same period rising from a GINI coefficient of 0.39 in 2005 to 0.45 in 2011. It should be pointed out that the higher the value of the coefficient, the higher the inequality of income distribution; the lower it is, the more equitable the distribution of income.

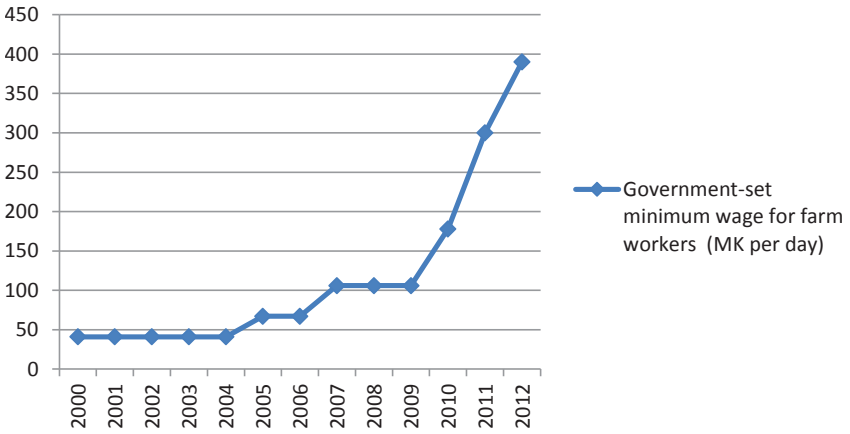


FIGURE 3.3 TRENDS IN GOVERNMENT-SET MINIMUM WAGE FOR FARM WORKERS (MK/DAY).

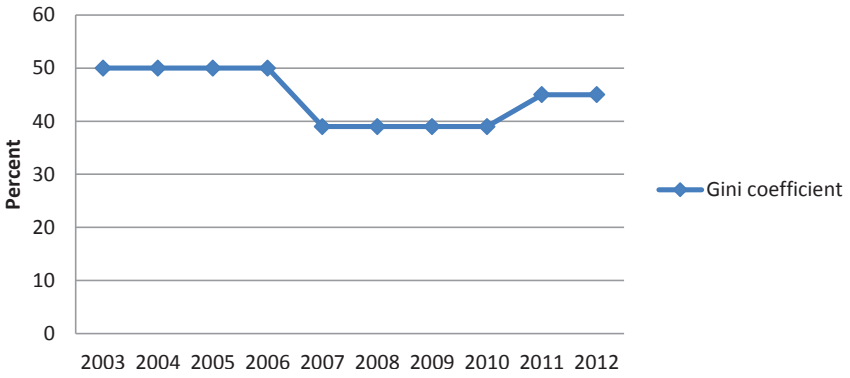


FIGURE 3.4 TRENDS IN GINI COEFFICIENT.
*Source:* Author's own graph using data from the Ministry of Finance

TABLE 3.2 SUMMARY OF GINI COEFFICIENTS.

| | Gini Coefficients | |
|---|---|---|
| | 2005 | 2011 |
| Malawi | 0.39 | 0.45 |
| Urban | 0.48 | 0.49 |
| Rural | 0.34 | 0.38 |
| Rural-North | 0.34 | 0.34 |
| Rural-Center | 0.32 | 0.37 |
| Rural-South | 0.35 | 0.38 |

*Source:* Malawi IHS2 [9] and IHS3 [10]

### *3.1.4 Macroeconomic environment*

The assessment of the macroeconomic environment examined the trends in three key indicators as determined by the availability of data, which are: GDP deflator; Consumer Price Index (CPI); and the Food Price Index (FPI). The results revealed improvements in all three indicators. As can be noted in the Figure 3.5 below, all three indicators have experienced a downward movement since 2000, however, with some upward swings during the 2001/2002 food crisis in the country. They have all shifted from bigger double digits to single digits since 2007.

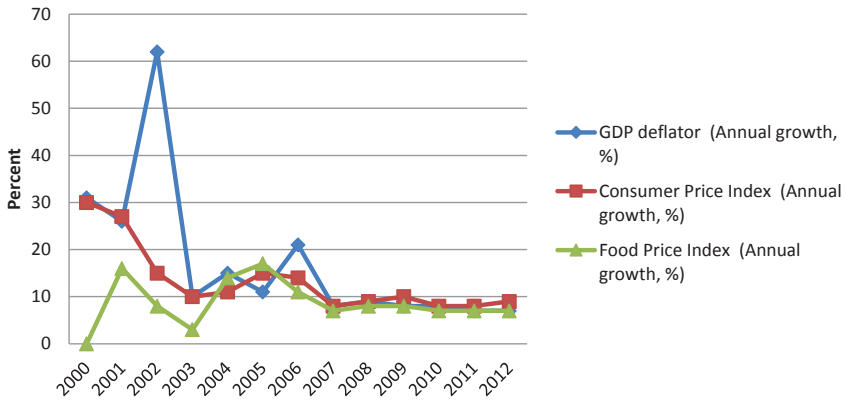


FIGURE 3.5 TRENDS IN SELECTED MACROECONOMIC INDICATORS.

As opposed to the indicators discussed above, the exchange rate and the Purchasing Power Parity (PPP) have significantly worsened during the last decade. As it can be seen in Figure 3.6 below, the consumers or investors would need to spend more and more Malawi Kwacha (MK) (quoted in United States Dollars (US$) to procure goods and services from outside the country. All other things being equal, this would mean discouraging imports of goods and services. The sharp rise in the exchange rate since 2011 and 2012 is explained by 10% and 49% devaluations, during the respective years. The impact of the 49% devaluation in May 2012 can be clearly seen in Figure 3.7. It should also be noted that since then, Malawi has adopted a floating exchange rate, which rose from about MK 165 to a United States Dollar in January 2012 to above MK 300 to a United States Dollar by December (Figure 3.8). Currently, it is about MK 420 to a United States Dollar.

[9] GoM/NSO (2005) Integrated Household Survey (2004-2005). Household Socioeconomic Characteristics Report.

[10] GoM/NSO (2012) Integrated Household Survey (2010-2011). Household Socioeconomic Characteristics Report.

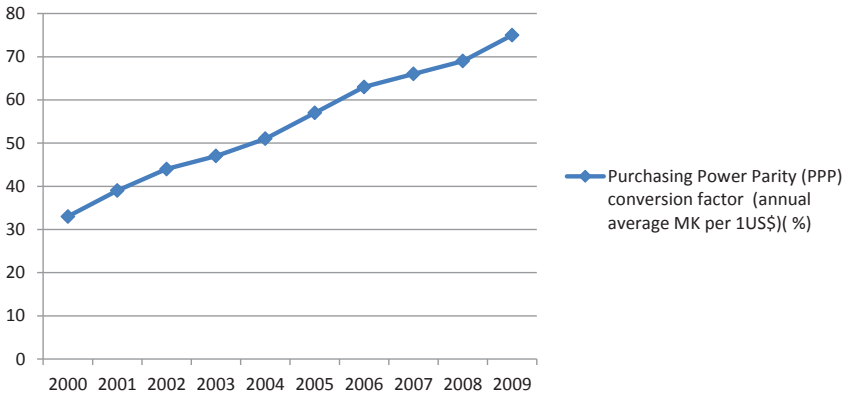


FIGURE 3.6 TRENDS IN PURCHASING POWER PARITY (PPP) CONVERSION FACTOR.

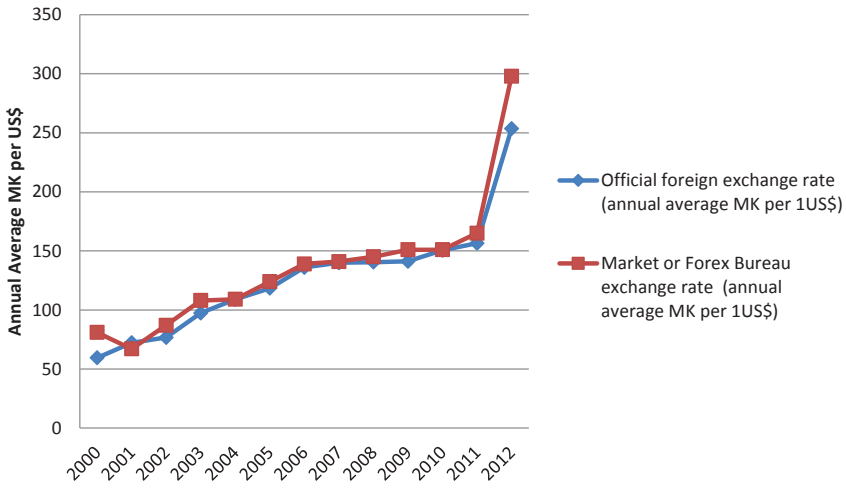


FIGURE 3.7 TRENDS IN OFFICIAL AND MARKET EXCHANGE RATES.

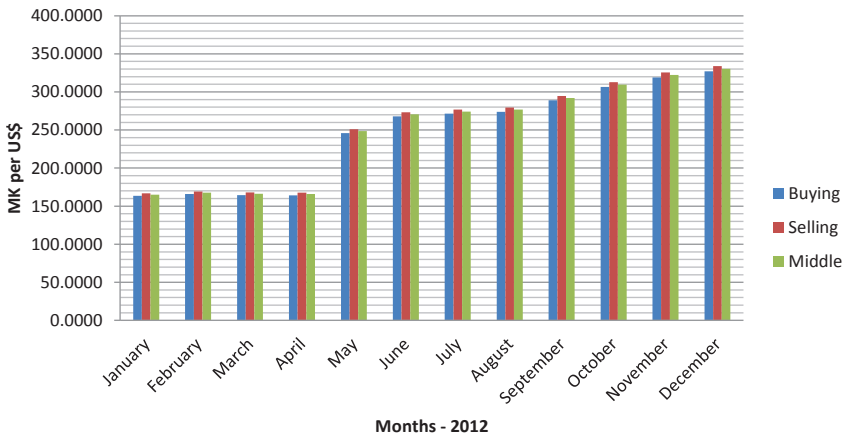


FIGURE 3.8 TRENDS IN MONTHLY EXCHANGE RATE IN 2012 (MK PER US$).
*Source of data:* Reserve Bank of Malawi.

The generally depreciating and relatively less volatile exchange rate coupled with the low inflation levels that prevailed from 2000-2012, may have had several implications on agricultural development as a weak exchange rate can benefit farmers who are net-exporters, while a low and stable inflationary regime could translate to high real incomes among the farmers. In view of this, one challenge for the Malawi economy is to keep a market-based exchange rate while keeping inflation at bay.

## 3.2 Policy and institutional environment

Malawi's overall development strategy is detailed in the Malawi Growth and Development Strategy (MGDS), which is the overarching medium-term strategy for Malawi. The first MGDS I was implemented and carried out from 2006/07, and again from 2010/2011 (fiscal years). MGDS II was carried out from 2011/2012, and again from 2015/2016 (fiscal years). The purpose of the MGDS is to serve as a single reference document for policymakers in the government, the private sector, nongovernmental organizations and cooperating partners on government's socioeconomic growth and development priorities.

Theme one of the MGDS is sustainable economic growth. The fact that the strategy for sustained economic growth requires action on multiple fronts is highlighted in this document. Since Malawi's economy is largely dependent on agriculture, it is indicated that sustainable economic growth could not be achieved without significant investments in the agriculture sector. Thus, increasing agricultural productivity is one of the key policy objectives at the national level. It is expected that value adding and smallholder productivity will be increased, while orienting smallholders to greater commercialization and international competitiveness. Furthermore, it is also expected that livestock production will be increased to meet the domestic demand. Key strategies include: strengthen linkages of farmers to markets by connecting rural communities, including a balance between a focus on domestic markets and export oriented markets; and also provide effective extension services. Malawi is also committed to the Millennium Development Goals (MDGs), which include the goals of halving poverty and hunger by 2015. To accomplish these goals, the Government of Malawi has implemented several sector-wide development strategies. Key among these is the Agricultural Sector-Wide Approach (ASWAp), a strategic development and investment plan for the agricultural sector.

The Ministry of Agriculture and Food Security (MoAFS) in Malawi, in collaboration with development partners and other relevant stakeholders, formulated the Agriculture Sector Wide Approach (ASWAp) as a vehicle for achieving agricultural growth and as a means of reaching the targets set in the Malawi Growth and Development Strategy (MGDS) of reducing poverty. The ASWAp is a strategy, which is spearheaded by the Government of Malawi, prioritizes activities in the agricultural sector; aims to increase agricultural productivity; enables access to nutritious food for the people; and increases the contribution of agro-processing towards economic growth. The ASWAp is a single comprehensive program and a budget framework that has a formalized process for better donor coordination and harmonization of investment and alignment of funding arrangements between the Government of Malawi and donors in the agricultural sector. It promotes increased use of local procedures for program design, implementation, financial management, planning and monitoring, and evaluation.

In an effort to increase agricultural productivity and achieve food self-sufficiency, the Government of Malawi has been subsidizing farm inputs, especially fertilizer and improved maize seed, since the 2004/05 cropping season to ensure increased access to the expensive inputs among smallholder farmers. Following the reintroduction of the Input Subsidy Program (ISP), the percentage of the budgetary resources to agriculture has significantly increased from about 12% in 2005 to about 14% by 2011. For the 2010/2011 financial year, the Input Subsidy Program took almost 61% of the agricultural budget. [11] The program, however, has seen an achievement of surplus in maize production over the past 5 years. As a result, Malawi has now shifted from being a net maize importer to a net maize exporter.

The ASWAp (implemented and carried out from 2010 – 2014) sets a growth target of 6% per annum for the agricultural sector, which is in line with the New Partnership for Africa's Development (NEPAD) and Comprehensive Africa Agriculture Development Program (CAADP). Hence, in 2010, Malawi signed the New Partner for Africa's Development-Comprehensive African Agriculture Development Program (NEPAD-CAADP) agreement. The NEPAD vision for Africa holds that, by 2015, Africa should meet the following:

- Attain food security
- Improve agricultural productivity to attain a 6% annual growth rate
- Develop dynamic regional and subregional agricultural markets
- Integrate farmers into a market economy
- Achieve more equitable distribution of wealth

The goal of the CAADP process, therefore, is to improve agriculture development through a coherent long-term framework that guides the planning and implementation of priority development and investments in the current and future revisions of the national agricultural development and food security strategy. The

[11] The Input Subsidy Program will cost MK 19.5 billion, while the total agricultural budget is MK 32.0 billion.

Malawi Government will contribute at least 10% or more in the national budget to agriculture: to ensure an average agricultural growth rate of 6% in agriculture; to increase agricultural productivity; create diversity for improved food and nutrition security; and increase agricultural incomes of rural households.

### *3.2.1 Government market intervention and subsidies*

Government intervention in the markets were in the past defended on the grounds of promoting national food security and ensuring that all smallholder farmers, including those in remote areas, had access to markets for their products, and were afforded protection from being exploited by the intermediaries (Smith 1995). The government announced the prices of inputs and outputs at the beginning of the season. Farmers were able to plan for the season and as to which crops to grow. The Agricultural Development and Marketing Corporation (ADMARC) was the main buyer and seller of inputs and output. These policies may have induced a maize supply response, as evidenced by the national maize surplus enjoyed by Malawi until the 1980s. However, these policies proved to be unsustainable, as the cost of the subsidies contributed to the large budget deficits (Blackie et al. 1998).

The adoption of Structural Adjustment Programs (SAP) resulted, among others, in privatization and scaling down of activities of ADMARC, thereby creating large gaps in the services provided by the institution, particularly to the smallholder farmers. Many studies conducted within the smallholder production systems have identified many constraints that affected agricultural development as a result of adopting the SAPs, the main one being: inaccessibility to farm inputs. Lack of improved seeds and lack of credit facilities to purchase farm inputs such as seed, fertilizer and pesticides were also considered as major constraints for increased production at the farm level.

The removal of subsidies effectively increased the price of inputs, which had a significant effect on the use of purchased input. Fertilizer is the input that is affected significantly by this price change. Before market liberalization in Malawi, over 60% of rural households in Malawi had adequate access to input and product markets as there were permanent and seasonal markets evenly distributed throughout the country. After liberalization, 20% of the markets shut down and large gaps in marketing network developed as private traders failed to take over the roles of parastatals (Anandajayasekeram et al. 2000).

Market liberalization also adversely affected smallholder farmers' access to credit. The reformation of credit institutions has made farmers to find it increasingly difficult to get access to credit. This situation is difficult to overcome, especially for women as they often lack access to collateral. The absence of credit and/or input has led to low productivity in the smallholder sector.

In response to the effects of the SAPs, climatic shocks and long-term poverty, the Government of Malawi, donors and NGOs besides distributing food aid have also distributed and initiated several agricultural input programs aimed at rebuilding agricultural productivity, since the late 1990s. First, to improve national household food security, the Universal Starter Pack Program – USP (which later became the Targeted Input Program - TIP) was initiated in 1998/99 cropping season, funded by the governments of Malawi and the United Kingdom, the European Union, the World Bank and other donors. The original USP had a clear focus on improving the productivity of smallholder maize-based cropping systems through increasing access to the improved maize seed and fertilizer technology, and diversifying the cropping system through the adoption of grain legume rotations.

Extending the reach of the improved maize seed and fertilizer technology was seen as absolutely essential to establish suitable conditions for productive economic growth. This was not a program for recovering from drought, but one aimed at laying a solid foundation for long-term growth. While Starter Pack's contribution is not known, [12] production in each of those 2 years was approximately 2.5 million tonnes, 500,000 tonnes higher than ever before or since; 67% higher than the 20-year average.

Second, the Targeted Input Program (TIP) was developed from the USP as a target-based 'exit strategy', initially to provide safety nets and help households kick-start agricultural production after a drought, generate marketable surpluses, and improve household food security. The program evolved into a cargo net system to provide safety ropes to poor, but with productive capacity households to produce and thus reduce their poverty. Between US$7 million and US$35 million was spent per year, distributing seed and fertilizer to some 1 to 2.8 million households.

[12] The DFID Starter Pack evaluation team attempted some estimates, but eventually concluded that there was too much uncertainty to affix a number to Starter Pack's contribution.

Third, in 2004/2005, the Government of Malawi reintroduced a fully-fledged Input Subsidy Program and, since then has formed the main investment program, which is currently widely implemented under the title 'Farm Input Subsidy Program (FISP)' from the agricultural budget.

### *3.2.2 The Paris declaration*

Official Development Assistance (ODA) to Malawi by the various donor organizations is guided by the Paris Declaration (PD). The global Paris Declaration is a joint international statement on aid effectiveness. Over 120 countries and over 30 international organizations are currently signatories to the Paris Declaration. It provided a practical road-map for improving aid effectiveness, with special targets to be met by 2010. It is an international agreement to which several countries including Malawi, committed themselves to harmonization, alignment and management of aid for results, based on an agreed set of monitorable actions and indicators.

The Paris Declaration is intended to increase the impact of aid in reducing poverty and inequality, increasing growth, building capacity and accelerating the achievement of the MDGs. The PD aims ultimately to strengthen aid delivery and stresses the importance of the five principles (Ownership, Alignment, Harmonization, Management for Development Results and Mutual Accountability) as key to improving the use of aid. In addition to these principles, 12 indicators for monitoring progress development partners and governments also agreed to in the implementation of the PD.

### *3.2.3 The comprehensive African agriculture development program*

The Comprehensive Africa Agriculture Development Program (CAADP) was established as part of NEPAD in July 2003, in Maputo, Mozambique. This program focuses on improving and promoting agriculture across Africa. The CAADP aims to eliminate hunger and reduce poverty through agriculture. The CAADP brings together key players - at the continental, regional and national levels - to improve co-ordination, share knowledge, successes and failures, to encourage one another, and to promote joint and separate efforts to achieve the CAADP goals. At the Second Ordinary Assembly of the African Union in July 2003 in Maputo, African Heads of State and Government of Malawi endorsed the Maputo Declaration on Agriculture and Food Security in Africa' (Assembly/AU/Decl. 7(II)). The Declaration contained several important decisions regarding agriculture, but prominent among them was the 'commitment to the allocation of at least 10% of national budgetary resources to agriculture and rural development policy implementation within 5 years'. The CAADP, which translates the Maputo Declaration, also has an agricultural growth target of 6%.

Within this framework, by 2015, African leaders hope to see:

- Dynamic agricultural markets within and between countries and regions in Africa;
- Farmers being active in the market economy and the continent becoming a net exporter of agricultural products;
- A more equitable distribution of wealth for rural populations;
- Africa as a strategic player in agricultural science and technology; and
- Environmentally sound agricultural production and a culture of sustainable management of natural resources in Africa.

Countries are encouraged to incorporate the CAADP objectives into their agricultural and rural development strategies. As part of the implementation process, countries are subjected to an independent review process to ensure the goals of the CAADP and the needs of the country are both met. Malawi's progress in implementation of the CAADP is discussed later in this report.

To date, Burkina Faso, Ethiopia, Ghana, Guinea, Malawi, Mali, Niger and Senegal have exceeded the 10% national budget allocation to agriculture target, and most other countries too have made significant progress towards this goal. On the other hand, only 10 countries have exceeded the target of 6% growth in agriculture (Angola, Eritrea, Ethiopia, Burkina Faso, Republic of the Congo, Gambia, Guinea-Bissau, Nigeria, Senegal, and Tanzania) and another four countries have achieved growth of between 5 and 6%.

# 4. Official Development Assistance

## 4.1 ODA to Malawi as a whole and to the agriculture sector

The Official Development Assistance (ODA) includes loans and grants from overseas that come to Malawi in the form of technical cooperation, free standing technical cooperation, investment technical cooperation, and investment projects/programs. The technical cooperation and free standing technical cooperation are loans and grants that involve payments to consultants and payments for nationals doing trainings at home or abroad (only that free standing technical cooperation has no reference to implementation of any investment project). Investment technical cooperation and investment project/program as the names portray, involve financing for separate identifiable activities, directly aimed at strengthening the capacity to execute specific projects and financing in cash or kind for executing specific capital investment projects (Govt. of Malawai 2011).

Malawi benefits from development assistance from a myriad of development partners. The predominant development partners who provide grants and loans to the agricultural sector include: the African Development Bank, DFID, EU, FAO, IFAD, Ireland, JICA, Norway, UNDP, USAID and the World Bank.

Since independence to as late as the year 2012, development assistance has constituted not less than 30% of the national government budget. Apart from the government, the operations of the NGOs' and CSOs' are directed mostly towards development assistance. Some of the notable NGOs and CSOs include ICRAF, Concern Universal, Total Land Care, CISANET, MEJN, Water Aid, Catholic Relief Services and NASFAM. The development assistance is distributed across more than 20 sectors, among which are: agriculture; economic governance; energy and mining; health; education; democratic governance; and road infrastructure to mention a few. Over the years of analysis, the health sector has received the largest proportion of the development assistance (26%), followed by Economic Governance (19%) and Agriculture (15%) as shown in Figure 4.1 below.

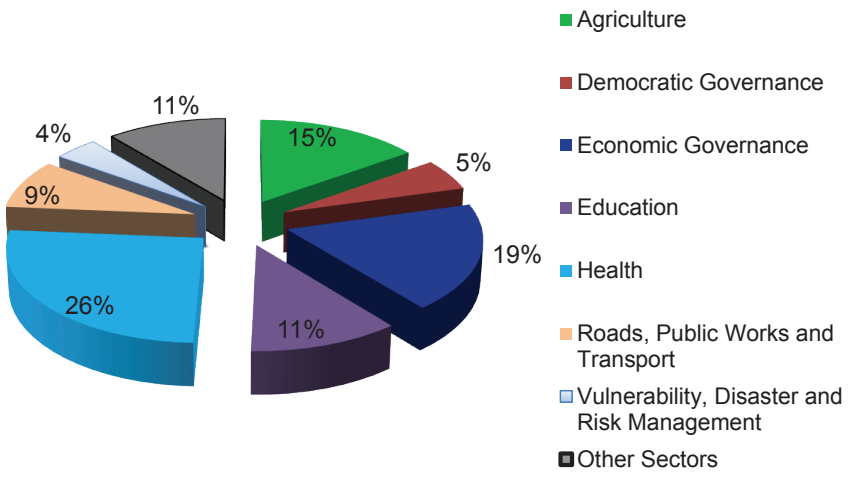


FIGURE 4.1 PROPORTION OF ACTUAL DEVELOPMENT ASSISTANCE TO SECTORS.
*Source:* Authors' calculations using data from Debt Aid Section, Ministry of Finance

Much of the development assistance to the agricultural sector has comprised of program grants, dedicated grants and project grants, which have averaged 75% of the total development assistance to agriculture since 2004. Some of the notable programs/projects in the agricultural sector that have wholly or partially been executed under development assistance include the Farm Input Subsidy Program (FISP), Farm Income Diversification Project (FIDP) and the Green Belt Initiative (GBI).

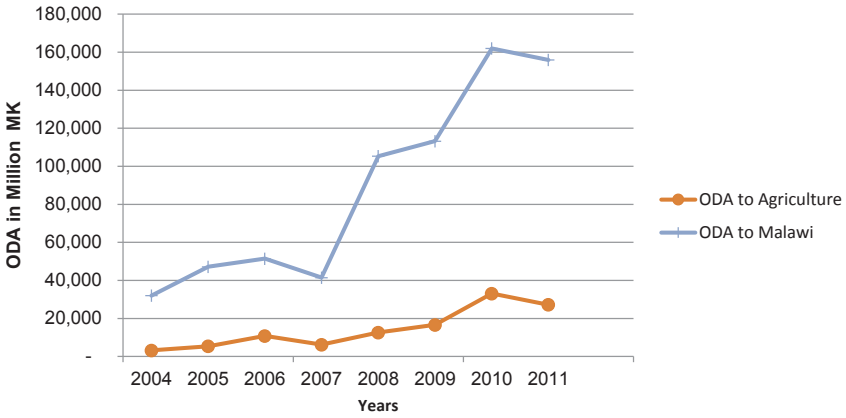


FIGURE 4.2 ODA TO THE AGRICULTURE SECTOR AND MALAWI AT LARGE.
*Source of data:* Ministry of Finance

Since 2004, the ODA to the whole country and the agricultural sector at large has been increasing at an average rate of 20% and 3%, respectively, as shown in Figure 4.2 above. However, the disbursement of the development assistance to agriculture and the country at large declined in 2011 by 18% and 4%, respectively. This may be due to the IMF Program of the country, which serves as a signal of good fiscal governance to many development partners, going off track. Even though the increase in the official development assistance to agriculture is conspicuous in nominal terms, with an average inflation of 10.4% over the same period, the ODA to the sector has been decreasing in real terms.

## 4.2 ODA to agriculture by function

The major functions of the funds in the agriculture sector that the study considered include research and development, irrigation, infrastructure development and agricultural extension. The changes in ODA to the agriculture sector by function may express shift of development partners' preference/interest changes among functions. The Table 4.1 below shows the actual disbursements of ODA to the agricultural sector from 2004 to 2011.

TABLE 4.1 ODA TO THE AGRICULTURAL SECTOR BY FUNCTION (MK).

| Year | Research and Development | Irrigation | Infrastructure | Extension |
|---|---|---|---|---|
| 2004 | 130,424,340 | 22,595,812 | | |
| 2005 | 291,873,496 | 291,547,530 | 75,883,197 | |
| 2006 | 474,058,643 | 903,101,075 | 63,276,932 | |
| 2007 | 216,851,197 | 728,485,296 | 126,678,660 | 37,576,252 |
| 2008 | 178,716,429 | 1,755,853,382 | 545,810,299 | 30,607,685 |
| 2009 | 300,012,801 | 2,407,416,737 | 4,497,904,979 | 357,804,575 |
| 2010 | 229,273,574 | 9,116,641,704 | 1,751,595,980 | 566,798,125 |
| 2011 | 133,019,160 | 7,469,233,230 | 1,094,670,488 | 204,088,116 |

*Source:* Ministry of Finance.

The Table 4.1 above shows that in most of the years under review, irrigation took a major share of the development assistance in the agriculture sector. However, even though there is a general upward trend, the development assistance cannot be predicted with certainty from one year to another. This may be because most of the projects that are funded are short-term projects. Irrigation takes a greater share mainly because of the country's initiative to promote irrigation agriculture with the 'Greenbelt Initiative' amassing the largest allocation under irrigation. However, in 2009, the largest portion of the agricultural development assistance went to infrastructure. This was because of Ministry of Agriculture and Food Security's implementation of the Smallholder Agricultural Infrastructure Project. The project was funded by the AfDB and attracted resources amounting to MK 3.4 billion.

## 4.3 ODA to agriculture by subprograms

The study divided agriculture into subprograms of crops, livestock, fisheries and forestry. Table 4.2 below shows the disintegration of the agricultural development assistance allocation by the subsectors. The hegemony of the development assistance to crops may explain the food security priorities the country has. The Table 4.2 shows that almost every year, the development assistance to agriculture trickles down to the crops. This could be because a large proportion of the development assistance is invested in irrigation, which is basically an allocation entirely to crops.

TABLE 4.2 ODA TO AGRICULTURE BY SUBPROGRAMS (MK).

| Year | Crops | Livestock | Fisheries | Forestry |
|---|---|---|---|---|
| 2004 | 260,284,394 | 347,246,455 | 487,306,051 | 303,572,612 |
| 2005 | 2,652,558,676 | 196,140,730 | 417,782,978 | 163,139,790 |
| 2006 | 7,301,142,929 | 425,513,594 | 301,797,027 | 106,946,492 |
| 2007 | 2,203,163,335 | 237,758,050 | 238,464,192 | 150,583,322 |
| 2008 | 6,364,739,437 | 219,342,390 | 375,146,679 | 343,075,511 |
| 2009 | 9,386,966,746 | 246,178,829 | 664,686,912 | 623,025,618 |
| 2010 | 14,259,683,010 | 296,253,296 | 194,720,070 | 179,918,342 |
| 2011 | 16,852,496,504 | 239,005,650 | 140,046,197 | 60,929,032 |

*Source:* Ministry of Finance.

The scenario in the Table 4.2 above underscores the fact that food security in Malawi is looked at mainly in terms of crops, specifically maize and cassava, even though food security embraces food that build the body into a healthy and active being. Thus to successfully achieve food security and reduce under nutrition and malnutrition (as will be seen in the last section), development assistance should also be substantially channeled to livestock and fisheries.

# 5. Public Budget Allocation and Expenditure on Agriculture

Malawi's budget allocation to sectors is guided by the prevailing national development policy; currently it is the Malawi Growth and Development Strategy II (MGDS II). Mandated by the constitution, the Ministry of Finance is responsible for making all the budgetary allocations. The intent and responsibilities over financial management are part of the hierarchy that flow initially, from the provisions of the constitution, and subsequently from the Public Finance Management Act. To assist in the interpretation of these provisions, treasury instructions compliment the roles of the Ministry of Finance and the significance of the national budget. Once annual estimates of revenues and expenditures are formulated, the whole budget is debated upon in the nation's parliament, usually in June. Thereafter, the national assembly validates the allocations (GoM 2007).

Over the years, priority sectors have been grabbing a major of the national budget, which varies among education, health and agriculture. Since 2000, the agricultural sector has been taking a greater share of the national budget. On average, the agricultural budget has been amassing 9.8% of the total national budget. Out of which, an average of 95% of the total allocation has been actually used. However, large allocations to the agricultural sector have been experienced from 2007 to date.

## 5.1 Trends in budget allocation and expenditure

The Ministry of Finance produces approved estimates of expenditure on recurrent and capital budget for each financial year. In the month of January to February, the government reviews the fiscal commitments such that in most of the years, the Ministry of Finance produces revised estimates of expenditure on recurrent and capital budget for each financial year. Actual expenditure figures that constitute the 'Consolidated Annual Appropriation Accounts' are compiled by the Department of the Accountant General within the Ministry of Finance. The financial year runs from July to the month of June for the succeeding year. The study used revised estimates of expenditure on recurrent and capital budget as much as possible, because they are intended to be as close to reality as possible. While figures of approved/revised estimates could easily be accessed, final accounts figures (actual expenditures) were hardly available, either because the appropriation accounts had not yet been consolidated or because copies of the 'Consolidated Annual Appropriation Accounts' could not be found in the Accountant General's Division. The Table 5.1 below shows the estimates of expenditure as well as the actual expenditure for the national budget and the agricultural budget.

The above Table 5.1 shows that both the budget estimates and the actual expenditure have been growing with time, reflecting growing budget demands as well as inflationary budget pressure. The Table 5.2 below shows in detail by how much the national and agricultural budget allocation have been growing.

TABLE 5.1 ESTIMATES AND ACTUAL EXPENDITURE FOR NATIONAL AND AGRICULTURAL BUDGET (MK).

| Year | National Estimates | National Actual | Agricultural Estimates | Agricultural Actual |
|---|---|---|---|---|
| 2000 | 28,843,065,746 | 29,112,000,000 | 1,495,620,662 | 1,120,080,941 |
| 2001 | 45,805,171,801 | 34,050,000,000 | 1,675,311,136 | 978,901,553 |
| 2002 | 47,930,187,629 | 34,276,762,557 | 1,963,574,368 | 1,154,143,710 |
| 2003 | 65,611,763,665 | 60,439,287,201 | 2,526,203,800 | 2,468,583,691 |
| 2004 | 79,638,000,000 | 150,288,416,803 | 3,141,981,123 | 2,070,562,840 |
| 2005 | 91,887,000,000 | 100,857,799,388 | 6,000,167,843 | 3,510,443,406 |
| 2006 | 138,780,857,069 | 207,631,810,205 | 12,559,309,041 | 1,434,765,085 |
| 2007 | 150,514,000,000 | - | 21,403,163,632 | 17,372,152,472 |
| 2008 | 183,776,000,000 | - | 26,018,256,255 | 24,191,882,154 |
| 2009 | 251,356,000,000 | - | 32,234,111,526 | 49,884,702,551 |
| 2010 | 268,352,000,000 | - | 33,537,070,189 | 28,636,369,811[13] |
| 2011 | 310,000,000,000 | - | 35,476,500,000 | - |
| 2012 | 328,110,000,000 | - | 51,780,000,000 | - |

*Source of data:* Ministry of Finance, approved budget estimates and actual expenditure documents.

TABLE 5.2 GROWTH RATES OF BUDGET ESTIMATES AND EXPENDITURES (%).

| Year | National Estimates | National Actual | Agricultural Estimates | Agricultural Actual |
|---|---|---|---|---|
| 2000 | - | - | - | - |
| 2001 | 58.8 | 17.0 | 12.0 | -12.6 |
| 2002 | 4.6 | 0.7 | 17.2 | 17.9 |
| 2003 | 36.9 | 76.3 | 28.7 | 113.9 |
| 2004 | 21.4 | 148.7 | 24.4 | -16.1 |
| 2005 | 15.4 | -32.9 | 91.0 | 69.5 |
| 2006 | 51.0 | 105.9 | 109.3 | -59.1 |
| 2007 | 8.5 | | 70.4 | 1,110.8 |
| 2008 | 22.1 | | 21.6 | 39.3 |
| 2009 | 36.8 | | 23.9 | 106.2 |
| 2010 | 6.8 | | 4.0 | -42.6 |
| 2011 | 15.5 | | 5.8 | - |
| 2012 | 5.8 | | 46.0 | - |

*Source:* Ministry of Finance, approved budget estimates and actual expenditure documents.

Both the estimates and the actual expenditure have been growing with time. However, according to the study, the expenditure has been registering smaller figures than the figures of the preceding year despite the adequate allocation. This may be due to the competing needs that the country is having in addition to the resource limitations being a major constraint. There was a considerable jump in budget allocation for both the national and the agricultural budget from 2004/05 fiscal year to 2005/06 fiscal year, because of the initiation of the Farm Input Subsidy Program (FISP) implementation.

[13] The actual expenditure figures for the agricultural budget for years 2009 and 2010 are for only revenue expenditures, i.e., the recurrent budget only. They are the only figures reported because corresponding figures of capital expenditure were not available.

## 5.2 Progress towards meeting the Maputo declaration of 10% target

In order to eliminate hunger and reduce poverty through agriculture, in 2003, the African governments agreed to increase public investment in agriculture by a minimum of 10% of their national budgets and to raise agricultural productivity by at least 6%. Strategically, the 10% budget allocation and the 6% agricultural growth was to be achieved through CAADP's strategic functions, regional and economic communities, national roundtables and the four key pillars – i) extending the area under sustainable land management; ii) improving rural infrastructure and trade-related capacities for market access; iii) increasing food supply and reducing hunger and improving agricultural research; and iv) technology dissemination and adoption. The Figure 5.1 shows the progress Malawi has made, since 2003, in achieving 10% budget allocation to the agricultural sector.


FIGURE 5.1 AGRICULTURAL SHARE OF THE NATIONAL BUDGET.
*Source:* Constructed by authors' own calculations using data from the MoF.

During the early years of CAADP's implementation, allocation to the sector was perpetually below the target for the first 4 years. Worse still was the fact, that the actual expenditure of the agriculture budget as compared to the national actual budgetary expenditure was much lower as shown in Table 5.2 above. Nevertheless, the allocation picked up gradually to rates higher than the 10% target. It is worth noting, that the years in which the agricultural share of the national budget exceeded the 10% target coincide with the period of FISP implementation. Considering that FISP takes a substantial amount of the agricultural budget, the achievement of the 10% agricultural share can be attributed to the implementation of the FISP program.

## 5.3 Budget execution rates

Once the parliament in Malawi approves the budget statements, the Ministry of Finance in conjunction with Accountant General's Department is responsible for the disbursements of the funds to line ministries and departments. Execution of the budget is done by the line ministries, who according to the approved estimates are supposed to receive funds as proposed in the approved estimated figures. However, execution rates in the implementation of the agricultural budget tend to be low, while the execution rates for the national budget tends to go beyond 100% (see Figure 5.2).

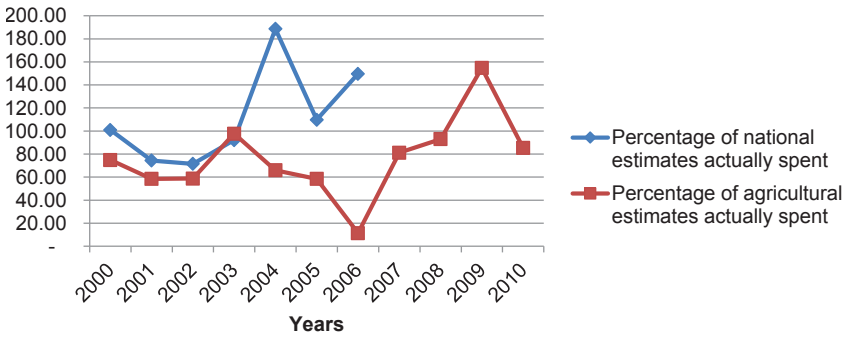


FIGURE 5.2 EXECUTION OF THE NATIONAL AND THE AGRICULTURAL BUDGET.
*Source:* Authors' own calculations using data from the MoF.

The budget execution rates for the national figures means that in some years, the Government of Malawi spends above the approved/revised estimates. This is made possible mainly by borrowing domestically through sale of treasury bills and also through international borrowing. Ideally, 100% execution rate is the favorable rate for the agricultural budget just as in any other ministry. Limitations imposed by the resource shortfalls and competing needs cause the government to actually disburse below the planned allocation for the agricultural budget. Nevertheless, years of over expenditure cannot be completely ruled out as shown in Figure 5.2 above. For instance, in 2009, the government agricultural sector overspent by 60%.

## 5.4 Agriculture budget allocation by subsector

The main subsectors that the study focused on included crops, livestock, forestry and fisheries. The allocations to all the subsectors have been growing in nominal terms as shown in Table 5.3 below. On average, the allocation to the crops subsector has been far above the allocation to all the other agricultural sectors. This shows that food security is considered as a top priority of the country, mainly to ensure the production of adequate quantities of staple food, i.e., maize and cassava. The allocations to the crops subsector have recently been the largest of all the allocations to agriculture, which is mainly because of the implementation of the FISP and the Greenbelt Irrigation Initiative (GBI).

TABLE 5.3 ALLOCATION OF THE AGRICULTURAL BUDGET TO SUBSECTORS (MK).

| Year | Crops | Livestock | Forestry | Fisheries |
|---|---|---|---|---|
| 2000 | 27,082,392 | 38,504,821 | 194,368,125 | 53,609,266 |
| 2001 | 268,941,038 | 156,753,283 | 353,206,573 | 54,251,758 |
| 2002 | 127,681,273 | 133,706,772 | 384,628,484 | 50,732,334 |
| 2003 | 173,936,604 | 138,547,076 | 572,827,522 | 123,053,589 |
| 2004 | 1,270,865,900 | 49,253,858 | 543,177,655 | 499,871,862 |
| 2005 | 5,747,693,632 | 11,116,338 | 907,099,630 | 373,062,521 |
| 2006 | 7,028,988,140 | 131,905,377 | 555,087,814 | 284,487,023 |
| 2007 | 8,730,218,920 | 123,234,872 | 644,864,601 | 466,016,533 |
| 2008 | 11,301,104,500 | 109,174,716 | 1,522,988,082 | 512,406,568 |
| 2009 | 28,501,097,384 | 307,810,243 | 1,298,798,818 | 699,358,516 |
| 2010 | 24,501,097,384 | 508,029,998 | 1,198,848,453 | 194,506,021 |
| 2011 | - | 614,996,508 | - | - |
| 2012 | - | 1,588,637,042 | - | - |

*Source of data:* Ministry of Finance, approved budget estimates documents.

## 5.5 Composition of agricultural expenditure

Personal emolument, goods and services, capital allocation, subsidies and grants are the major composition of the agricultural budget. Over a period of time there has been a growing interest to fund agricultural research and development as shown in Table 5.4 below. These include baseline surveys, evaluations and impact assessments of government projects and programs. In the agricultural budget, the major allocations have been to subsidies, grants and social benefits.

TABLE 5.4 BUDGET ALLOCATION BY COMPOSITION (MK).

| Year | Research and Development | Extension | Irrigation | Subsidies, Grants and Social Benefits |
|---|---|---|---|---|
| 2000 | 59,250,986 | 490,338,115 | 813,806,798 | - |
| 2001 | 41,031,393 | 165,361,919 | 95,329,479 | - |
| 2002 | 54,213,436 | 246,016,947 | 94,250,310 | - |
| 2003 | 242,049,792 | 462,043,050 | 650,663,828 | - |
| 2004 | 145,210,843 | 1,023,977,450 | 126,426,702 | - |
| 2005 | 296,073,238 | 753,817,121 | 902,794,848 | 7,200,000,000 |
| 2006 | 323,450,139 | 5,775,481,442 | 584,767,752 | 9,400,000,000 |
| 2007 | 531,708,138 | 2,370,179,919 | 389,854,500 | 15,700,000,000 |
| 2008 | 590,808,928 | 2,401,364,746 | 526,094,473 | 21,900,000,000 |
| 2009 | 246,745,000 | - | - | 22,600,000,000 |
| 2010 | 352,450,895 | 369,288,666 | - | 20,600,000,000 |
| 2011 | 724,500,000 | 770,970,809 | 260,000,000 | 23,313,245,713 |
| 2012 | - | 724,051,712 | 327,863,990 | 42,073,500,000 |

*Source of data:* Ministry of Finance, approved budget estimates documents.

## 5.6 Decentralization of the budget allocation

Decentralization involves transfer of some functions from the central government to the local authorities with the aim of meeting local development needs, as reflected in district and urban development plans. In a country, the local authorities include city, district and town councils. Malawi adopted the decentralization policy in 1998 with a mandate from the Local Government Act of 1998, which provided the legal framework for the implementation of the decentralization policy.

Hence, since 2005/06 fiscal year, the Government of Malawi started to implement fiscal decentralization by devolving sector ORT budget to the local authorities, initially targeting the three sectors of health, education and agriculture with a total budget of MK 3 billion. According to 2012/13 Approved Estimates of Recurrent and Expenditure Budget, there are 14 sectors to which funds are allocated under the decentralization policy, and in total these sectors received MK 18.4 billion in 2012/13 fiscal year, which is 12% of the total national budget. In line with the decentralization objectives, the budget integrates the devolved government agencies at the district and local level into one administrative unit for better service delivery and socioeconomic development at the local level. The councils implement the various activities across the different devolved sectors of health, education, agriculture, trade and constituency development fund to mention a few.

The allocation that has devolved to agriculture since the implementation of the decentralization policy began has been increasing from MK 419 billion in 2006/07 fiscal year to MK 517 billion in 2012. However, it should be noted that this allocation has remained constant for 3 fiscal years, i.e., 2010/11 to 2012 as shown in Table 5.5 below.

The single administrative unit is normally at the district council under the District Commissioner. The Rural Development Programs (RDPs) get their provisions from the pooled resources at the district council.

## 5.7 Share of internal and external sources in investment funds to agriculture

The agriculture sector remains a major sector to which investment funds are allocated. The major financiers of external resources remain the ones mentioned in Section 4.1, e.g., the World Bank, EU, DFID, Norway, FAO, USAID, UNDP, JICA and the AfDB to mention a few.

TABLE 5.5 DECENTRALIZATION BUDGET TO THE AGRICULTURE SECTOR (MK).

| Year | Devolved Funds to Agriculture |
|---|---|
| 2006 | 419,650,724 |
| 2007 | 461,615,907 |
| 2008 | 493,929,022 |
| 2009 | 538,876,564 |
| 2010 | 517,102,666 |
| 2011 | 517,102,666 |
| 2012 | 517,102,666 |

*Source of data:* Ministry of Finance, approved budget estimates documents.

TABLE 5.6 PERCENT SHARE OF INTERNAL AND EXTERNAL INVESTMENT TO AGRICULTURE (MK).

| Year | External Investment Funds | Percent Share | Domestic Investment Funds | Percent Share |
|---|---|---|---|---|
| 2000 | 952,658,218 | 91 | 90,000,000 | 9 |
| 2001 | 1,192,000,000 | 90 | 132,000,000 | 10 |
| 2002 | 909,401,020 | 89 | 109,714,180 | 11 |
| 2003 | 900,000,000 | 93 | 66,657,772 | 7 |
| 2004 | 1,377,000,000 | 79 | 368,000,000 | 21 |
| 2005 | 2,088,690,000 | 89 | 266,000,000 | 11 |
| 2006 | 5,225,637,000 | 84 | 981,711,000 | 16 |
| 2007 | 4,064,594,924 | 74 | 1,404,778,000 | 26 |
| 2008 | 6,191,755,189 | 87 | 921,315,000 | 13 |
| 2009 | 4,244,182,818 | 84 | 835,000,000 | 16 |
| 2010 | 4,053,635,000 | 85 | 735,000,000 | 15 |
| 2011 | 8,914,647,907 | 82 | 1,938,693,000 | 18 |
| 2012 | 13,244,400,000 | 93 | 1,068,420,000 | 7 |

*Source of data:* Ministry of Finance, approved budget estimates documents.

The Table 5.6 above shows that much of the investment funds to the agriculture sector come from external sources. Since the year 2000, external investment funds/development funds to the agriculture sector have been far up and above the domestic investment funds by at least 74%. As can be seen from Table 5.6 above, since 2011, Malawi has been making considerable efforts to raise the investment contribution to the agriculture sector. Domestic investment to agriculture has been lower over the years as compared to external investment, not only in the agriculture sector but also in all other sectors, because much of the budget allocation from domestic resources is used to cater for recurrent transactions for day to day running of the country. In 2012, while the external contribution to the national budget was 31%, development expenditure contributed the highest amount of investment expenditure to the agricultural sector over the 13-year period of analysis. This trend implies that investment expenditure to the agriculture sector is mainly met from external resources.

# 6. The CAADP Implementation Process

## 6.1 Introduction of CAADP in Malawi

Malawi places strong emphasis on agriculture as the key driver for economic growth, and targets food security as a pre-requisite for economic growth and wealth creation. This is in line with the Maputo Declaration. Thus in pursuance of its commitments to the Maputo Declaration, and guided by the country's 2020 vision (which spells out the long-term development perspective for the country) and the subsequent Malawi Growth and Development Strategy (MGDS), the Ministry of Agriculture and Food Security (MoAFS) in Malawi in collaboration with development partners and other relevant stakeholders formulated the Agriculture Sector Wide Approach (ASWAp). The ASWAp has been developed to serve as a vehicle for achieving agricultural growth and as a means of reaching the targets set in the Malawi Growth and Development Strategy (MGDS) of reducing poverty, while also contributing to the Millennium Development Goals (MDGs). The ASWAp is a strategy that is spearheaded by the government, which prioritizes activities in the sector that aim to increase agricultural productivity and enable access to nutritious food for the people. It also contributes to the increase of agro-processing and to achieve economic growth. The ASWAp is a single comprehensive program and budget framework that has a formalized process for better donor coordination and harmonization of investment and alignment of funding arrangements between the Government of Malawi and donors in the agricultural sector. It promotes increased use of local procedures for program design, implementation, financial management, planning and monitoring and evaluation.

Since the ASWAp is the overarching framework for guiding investments into the agriculture sector as well as ensuring enhanced donor coordination in their support to the government of Malawi, this framework also serves as a vehicle through which the CAADP activities are implemented. The ASWAp fully covers the four pillars of the CAADP framework, as well as its principles and values. The ASWAp is consistent with the CAADP principle of a country-led and owned process, involving wide key stakeholder participation and consensus in the formulation of policy, decision making and implementation of the national agriculture and food security investment programs.

## 6.2 Progress in the implementation of the CAADP

Malawi has made major progress in the implementation of the CAADP process. Major milestones in the CAADP process in Malawi after the formulation and endorsement of the Agricultural Sector Wide Approach (ASWAp) include: i) The CAADP Compact Signing in April 2010; ii) Finalization of the ASWAp Investment Plan iii) Formulation of agricultural sector working groups/committees; iv) Independent technical review of the ASWAp Investment Plan; v) Holding of a national workshop to disseminate and discuss with stakeholders the review findings; and vi) Holding of the High Level Business Meeting that took place from the September 28 – 29, 2011. Among others, it is during this 'Business Meeting' that various donors in the country made commitments and pledges in support of the implementation of the ASWAp, which have been summarized in this report. The operationalization of the ASWAp took place in 2012, following the successfully ended 'Business Meeting' towards the end of 2011. In fact, the subsequent course of events has been guided by the post business meeting road-map developed and adopted by all key stakeholders.

However, some challenges had to be faced in the course of the CAADP implementation process. The main ones reported are as follows:

- There is a need for a strategic focus in terms of developing a long-term strategy as outlined in the ASWAp. This is not yet there at the moment.
- To change the mindset and approach from an era where the agriculture sector was solely driven by the public sector. The environment has changed and, at the moment there is a need to be more inclusive, which is not yet happening. The private sector and civil society need to play a more active role in driving the sector, which seems not to be happening quickly enough.
- How to design a road map for the CAADP as articulated in the ASWAp. This was one of the focus areas of the first business meeting held from September 28 – 29, 2011.

The country's technical review report pointed out that there is scope to review the ASWAp program balance. At the time of this review, it was noted that the ASWAp program was heavily focused on two programs:

(i) The Farm Input Subsidy Program (FISP); and (ii) the Green Belt Initiative (GBI) that comprised 70% of the total ASWAp budget. Less attention and budget is devoted to the private sector, capacity building, agriculture diversification efforts, value chain development and financing to accelerate commercialization of agriculture.

## 6.3 Introduction to SAKSS in Africa

The Strategic Analysis and Knowledge Support System (SAKSS) is defined as a network of people and institutions that provides timely, credible, and evidence-based knowledge and analysis to inform agricultural and rural development (ARD) strategies in Africa (Johnson and Flaherty 2011). It was conceived in 2003 by the researchers at the International Food Policy Research Institute (IFPRI) based on its many years of providing key data analysis, policy research, and capacity strengthening to governments and donors in Africa as they formulated and implemented their development strategies. The network involves a number of key international and local actors from academic, research, government, and nongovernmental institutions located in a specific country or region, including researchers, policy analysts, statisticians, geographic information systems analysts, government technocrats, practitioners, and policymakers. The actors who make up the SAKSS network are relied on to contribute their expertise and knowledge to the analysis and peer-review of the evidence generated for ARD strategies and to the dialogue surrounding it.

The SAKSS concept has evolved overtime and has been adopted widely among most developing countries. At the multi-county level, the SAKSS concept was also adopted as a framework to help establish an Africa-wide network in support of the implementation of the Comprehensive Africa Agriculture Development Program (CAADP) of the African Union (AU) and the New Partnership for Africa's Development (NEPAD), referred to as the Regional Strategic Analysis and Knowledge Support System (ReSAKSS). Three nodes were setup in each of the African regional economic communities namely, the Common Market of East and Southern Africa, the Southern African Development Community, and the Economic Community of West African States under the guidance and cooperation of IFPRI and four other Africa-based international research centers (Consultative Group on International Agricultural Research [CGIAR]). Members from each country included individuals from analytical units of agricultural ministries, [14] statisticians, university professors, researchers from national agricultural research institutions, and think tanks, among others.

Today, both the country and regional SAKSS networks share the principles of: i) providing timely and credible analysis and data to policymakers to strengthen the evidence during deliberations about future ARD investments and policies; ii) promoting locally relevant research and analysis based on needs; and iii) working to strengthen local capacities for analysis and evidence-based dialogue.

### *6.3.1 The SAKSS node-Malawi*

As already pointed out above, the Ministry of Agriculture and Food Security (MoAFS) in Malawi in collaboration with development partners and other relevant stakeholders formulated the Agriculture Sector Wide Approach (ASWAp) as a vehicle for achieving agricultural growth and as a means of reaching the targets set in the Malawi Growth and Development Strategy (MGDS) of reducing poverty. In order to monitor and evaluate the performance of the agricultural sector in the country, the ASWAp document proposed the establishment of a Technical Working Group on Monitoring and Evaluation (TWG on M&E). The TWG on M&E is mandated to develop tools for monitoring the performance of the sector; and to support the collection and dissemination of information pertaining to agricultural sector performance in order to facilitate evidence-based decision making and accountability for the entire agricultural sector.

As already pointed out, the ASWAp sets a growth target of 6% per annum for the agricultural sector, which is in line with the New Partnership for Africa's Development (NEPAD) and Comprehensive Africa Agriculture Development Program (CAADP). Since, in Malawi, the responsibility to monitor and evaluate agricultural policies and investment falls under the Technical Working Group on Monitoring and Evaluation (TWG M&E), it has also been deemed logical to identify this technical working group as the SAKSS Node for the country. The grouping is made up of government departments, donor agencies, civil society organizations and academic and research institutions (see Table 6.1).

[14] In Malawi the Technical Working Group on Monitoring and Evaluation

TABLE 6.1 COMPOSITION OF M&E TECHNICAL WORKING GROUP.

| Government Departments | Civil Society Organizations | Donor Agencies | Academic and Research Institutions |
|---|---|---|---|
| Director of Agriculture Planning Services - (Chair) | FUM | DCAFS | IFPRI |
| MoTI - Director of Planning | CISANET | Two representatives from DCAFS | Bunda College now LUANAR |
| MoF - Department of Development Planning – Director of M&E | MEJN | | |
| Ministry of Finance and Development Planning | Famine Early Warning Systems Network (FEWSNET) | | |
| National Statistical Office (NSO) | | | |
| OPC – DNHIV – Director of Planning | | | |
| Reserve Bank of Malawi | | | |

### *6.3.2 Role of the TWG on M&E (SAKSS node)*

The TWG on M&E (SAKSS Node) is mandated to develop tools for monitoring the performance of the sector; and to support the collection and dissemination of information pertaining to the agricultural sector performance in order to facilitate evidence-based decision making and accountability for the entire agricultural sector. In addition, the ASWAp document stipulates that the TWG on M&E should be responsible for three key activities. First, to support all stakeholders on M&E methodologies for the successful implementation of ASWAp/ CAADP. Second, to advise decision-makers on ASWAp M&E issues and sector performance. Third, to compile information from different sources on ASWAp implementation.

This document sets out guidelines for the establishment of the proposed TWG on M&E of the ASWAp. The guidelines are a first step towards putting in a place a formalized mechanism for tracking the progress of the implementation of the ASWAp/CAADP [15] and for tracking sector performance through a sector wide multi-stakeholder inclusive forum.

In order to enhance M&E, the ASWAp document indicates that a number of surveys will be carried out, including the Beneficiary Impact Assessment Baseline Survey that has been implemented by the MoAFS under the ADP-SP to serve as the reference point. In addition, the MoAFS is implementing regular monitoring surveys. Under the ASWAp, it is planned that more regular agricultural surveys, including the annual Agricultural Production Estimates Sample Survey, will be funded to increase the availability of statistical data necessary for planning, policy formulation and early warning. These will be implemented in close collaboration with the National Statistical Office (NSO). Thus, the role of the TWG on M&E is to carry out these monitoring surveys to track a total of 18 indicators from the ASWAp plus 56 Technical Secretariat food security indicators. However, a review of the 56 Technical Secretariat food security indicators has been done condensing some of these indicators and dropping some of them. [16] It has also been learnt through this study that some of the MoAFS has also adopted some indicators from the CAADP, mainly those focusing on investments and research and development. It is expected, therefore, that all these are to be monitored through the TWG on M&E.

### *6.3.3 Country SAKSS node progress and peer-reviewed fora*

Malawi's SAKSS Node, as already indicated is also the Technical Working Group on Monitoring and Evaluation. This is coordinated by the International Food Policy Research Institute (IFPRI). The IFPRI is supporting the Ministry of Agriculture and Food Security in the implementation of Malawi's ASWAp. Country level

[15] ASWAp implementation in Malawi also entails the implementation of CAADP.
[16] The key informant did not elaborate the specific outcome of this exercise highlighting the final set of indicators.

implementation of the CAADP agenda through the ASWAp, requires an inclusive dialogue and review process to ensure that policies and programs, including budgetary policies and development assistance, are aligned with CAADP principles and are on track to meet CAADP objectives. Thus, the ASWAp/CAADP working group on M&E has been established and will make it its business to facilitate transparent, broad and inclusive dialogue that ensures the effective participation of the agribusiness sector and farmers' organizations. This will entail the periodic review of:

i. Strategic and operational challenges of implementing the CAADP and ASWAp agenda;

ii. Adequacy of the conception and execution of the programs and policy measures adopted to address these challenges; and

iii. Outcome of such programs as well as their impact in terms of realizing the growth, poverty, and food-security objectives of CAADP and ASWAp.

The ASWAp/CAADP Working Group on M&E draws its general mandate from the Task Force. It is expected to:

- Liaise and work with the Peer Review Unit and ReSAKSS on the preparation of independent progress reports for the Partnership Platform (PP), African Partnership Forum (APF), African Peer Review Mechanism (APRM) and other continental and global fora (from Communiqué of the 5th CAADP PP meeting held in Abuja from November 9-10, 2009);
- Act as a country SAKSS Node as described in the respective country round table documents and compacts and in line with the AUC Road-map on Policy and Knowledge Systems (from Communiqué of the 5th CAADP PP meeting in Abuja Nov 9-10, 2009);
- Act as a national platform for review, learning, dialogue and benchmarking of agricultural policy planning and implementation in Malawi;
- Promote the operationalization of the monitoring and evaluation system (M&E) in the agricultural sector; and
- Represent the Malawian agricultural sector stakeholders at regional and continental peer-review and learning exchange initiatives.

Specific to the CAADP:

- Monitoring of national agricultural sector trends and emerging strategic issues such as emerging trade and investment issues as well as land and climate change issues;
- Tracking of public spending on the agricultural sector and agricultural sector performance; and
- Representing the Malawian agricultural sector stakeholders at regional and continental peer-learning and knowledge exchange initiatives.

Specific to the African Peer Review Mechanism (APRM):

- Facilitate the ARPM process as it concerns Malawi's agricultural sector;
- Provide a point of contact for the APRM Country Review Team (CRT) that will conduct the actual review at the national level; and
- Assist the CRT in the development of a Plan of Action.

### *6.3.4 The IFPRI-SAKSS project*

In 2008, the Ministry of Agriculture and Food Security (MoAFS) adopted the Strategic Analysis and Knowledge Support System (SAKSS) in Malawi to promote capacity-building and policy research activities aligned to ASWAp. Specifically, the objective of the project was to help facilitate and promote evidenced-based dialogue and decision-making during the formulation and implementation of strategies and policies linked to the ASWAp food security and agricultural and rural development goals. This is achieved through strategic collaborative research, capacity strengthening and policy dialogue. The SAKSS-Malawi is attached to the Department of Agricultural Planning Services (DAPS) within the Ministry of Agriculture and Food Security (MoAFS).

The SAKSS-Malawi project brings together the MoAFS, USAID, and IFPRI as partners to move the development process in Malawi forward through implementing the ASWAp/CAADP agenda. The development objectives of SAKSS-Malawi, therefore, underpin the broader, long-term, development strategies of the three partner institutions. The ASWAp document is one of the guiding strategic documents of the GoM, with the MoAFS playing a leading role in its implementation. The Feed the Future (FtF) strategy of the United States

Government, which is being implemented by the USAID Malawi country office, in turn, guides the United States Government's development support worldwide. Finally, the International Food Policy Research Institute (IFPRI) increasingly implements Country Strategy Support Programs (CSSPs) in developing countries where they see the need to have a more visible presence and contribute to the development process. The ASWAp, FtF and CSSPs, therefore, provide the strategic context of the SAKSS-Malawi Project (see Figure 6.1.).

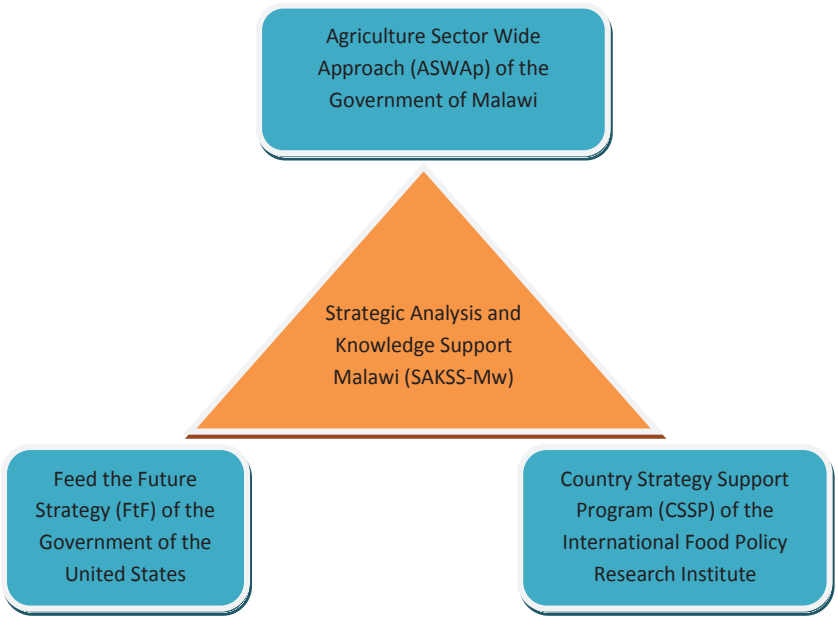


FIGURE 6.1 SAKSS-MALAWI'S STRATEGIC CONTEXT.
*Source:* SAKSS/IFPRI Malawi - SAKSS-Project Document (2011).

As it supports ASWAp implementation, the SAKSS-Project also aims to provide technical support to the TWG on M&E (the Malawi SAKSS Node) in the analysis of the information and data collected, so as to generate evidence-based information for strategic policy decision making in the agricultural sector in the country. Specifically, the role of IFPRI/SAKSS Malawi Project is to assess trends on various indicators related to the ASWAp as well as the CAADP by using the data that is being generated through the TWG on M&E. It is believed that such policy analysis support can be provided through regular participation in TWG meetings, so as to identify issues that require policy analysis. The issues identified through such a process could then be sold to the Donor Coordination Group on Agriculture and Food Security (DCAFS) for financial support, and then solicit technical support from the academia, particularly from Bunda and Chancellor College.

# 7. Tracking Commitments and Spending

Implementation of the Malawi CAADP agreement is mainly through the Agricultural Sector Wide Approach (ASWAp). The ASWAp seeks to provide a framework to which external partners can align, by reducing the number of individual projects, increasing co-financing of larger projects, ensuring that projects support specific components and subcomponents of the ASWAp, and that they contribute to key output and outcome indicators identified in the results framework. The ASWAp has five main pillars that include: food security and risk management; commercial agriculture and market development; sustainable land and water management; research, technology and dissemination; institutional strengthening, capacity building; and crosscutting issues (GoM 2010). To achieve the ASWAp goal, the following 5-year budget ( see Table 7.1 below) was developed to achieve each of the five pillars.

TABLE 7.1 SUMMARY OF DONOR COMMITMENTS UNDER THE ASWAp (US$ MILLIONS) BY PILLAR.

| ASWAp Pillar | FY10/11 | FY11/12 | FY12/13 | FY13/14 | FY14/15 | Total |
|---|---|---|---|---|---|---|
| Pillar 1 FSRM | 61.41 | 52.54 | 48.08 | 49.35 | 12.52 | 223.90 |
| Pillar 2 Commercialization | 15.69 | 26.07 | 20.78 | 15.30 | 11.42 | 89.26 |
| Pillar 3 Land and Water | 56.01 | 41.97 | 31.00 | 26.51 | 6.74 | 162.22 |
| Pillar 4 Technology Generation | 7.21 | 5.54 | 11.00 | 8.92 | 6.19 | 38.85 |
| Pillar Five Inst. Capacity | 16.79 | 14.32 | 8.45 | 6.66 | 1.61 | 47.84 |
| HIV Prevention/Mitigation | 3.21 | 1.81 | 1.28 | 1.28 | 0.81 | 8.39 |
| Gender Mainstreaming | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 | 3.25 |
| Grant Total | 160.97 | 142.90 | 121.24 | 108.67 | 39.94 | 573.71 |

Under a harmonized budget support framework, development partners pledged to support the implementation of the ASWAp by each pillar. The whole resource envelope for the 5-year ASWAp implementation is US$573.71 million. The Table 7.1 above shows the donor commitments for each pillar.

The development partners that pledged support to the ASWAp implementation in order to achieve the CAADP targets include: the World Bank; IFAD; the European Union; DFID; USAID; Irish Aid; Norway; AfDB; Flanders International Cooperation Agency (FICA);JICA,;FAO,;UNDP,;WFP; and Japan. The Table 7.2 shows the financial commitments for each of the development partners for the 5-year implementation of the ASWAp.

Despite all the commitments shown in the Tables 7.2, at the time of writing this report, there were no available statistics of the disbursement of the funds by the development partners as committed, and our efforts to get such data proved futile.

TABLE 7.2 SUMMARY OF COMMITMENTS UNDER THE ASWAp (US$ MILLIONS) BY DEVELOPMENT PARTNER.

| *Devpt Partner | FY2010/11 | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | Total |
|---|---|---|---|---|---|---|
| World Bank | 21.32 | 20.18 | 11.25 | 11.25 | - | 64.00 |
| IFAD | 1.53 | 1.53 | 3.22 | 4.92 | 6.90 | 18.10 |
| EU | 34.71 | 24.91 | 18.80 | 14.35 | - | 92.77 |
| DFID | 10.36 | 11.42 | 11.73 | 11.73 | - | 45.24 |
| USAID | 20.30 | 28.36 | 24.10 | 24.10 | 12.92 | 109.78 |
| Irish Aid | 10.07 | 11.00 | 10.14 | 10.14 | 10.14 | 51.49 |
| Norway | 11.83 | 10.57 | 10.80 | 7.28 | - | 40.48 |
| AfDB | 4.44 | 9.54 | 5.73 | 2.00 | 1.01 | 22.72 |
| FICA | 5.97 | 4.42 | 7.76 | 4.29 | - | 22.44 |
| JICA | 3.88 | 5.30 | 4.50 | 4.30 | 2.20 | 20.18 |
| FAO | 7.64 | 3.67 | 2.42 | 0.90 | - | 14.63 |
| UNDP | 3.15 | 2.65 | 1.25 | 1.85 | 1.45 | 10.35 |
| WFP | 0.80 | 3.46 | 4.56 | 6.50 | 5.32 | 20.64 |
| JAPAN | 24.88 | 4.98 | 4.98 | 4.98 | - | 39.82 |

*Notes:* *Development Partner; FY = For Year.

# 8. Agricultural Growth Performance

## 8.1 The agricultural GDP

The agricultural sector remains a major contributor to the national GDP of Malwai. The sector contributes more than 30% to the national production as shown in Figure 8.1 below. Agriculture is expected to continue to be a major contributor to the national production, as a large proportion of the population continues to depend on agriculture in one way or the other for their livelihood. Over the years the contribution of the sector has always been above 30%, meaning that there is still slow substitution of the sector by other sectors, e.g., tourism and manufacturing, whose contributions are usually expected to be taking off some of agriculture's contributions. Apart from employing more than 80% of the population, the agriculture sector contributes to more than 90% of the country's exports.

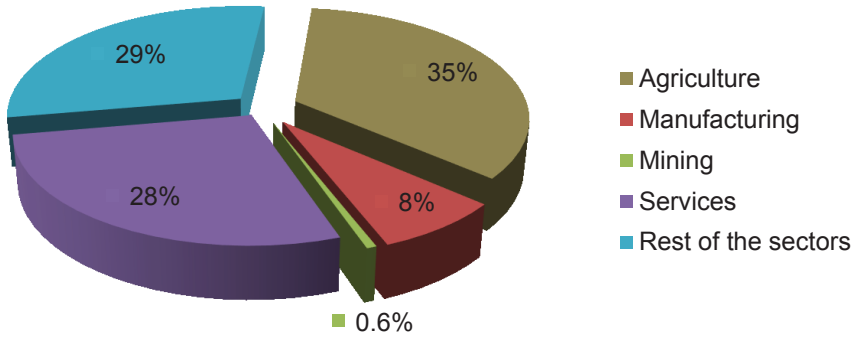


FIGURE 8.1 CONTRIBUTION OF SELECTED SECTORS TO GDP.
*Source:* Authors' own calculations: Approved estimates budget documents, MoF.

The agricultural sector has been growing in real terms since 2006 as the Table 8.1 below shows. This can be attributed to increasing allocation of budgetary support to the sector, mainly in the form of the fertilizer subsidy program.

TABLE 8.1 PERCENT GROWTH OF AGRICULTURAL GDP.

| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Growth rate | 2.8 | -8.5 | 11.6 | 5.9 | 4.2 | 13.1 | 2.0 | 6.4 |

*Source:* MEPD, Economic Review Reports.

However, the performance has had mixed results, because of changes in weather patterns that underscore the impact of climate change on agricultural production. In some cases, slow growth has been because of the low prices fetched by cash crops such as tobacco at the auction floors, for instance, in 2007 and 2011. The above growth rates show that on average, the country is marginally achieving the 6% growth target set by the Maputo Declaration in order to achieve the MDG 1 of halving the population of the poor by 2015. Even though the growth rates cannot be attributed to the performance in the smallholder subsector at this stage, it will be seen in Section 10 that Malawi is on track in achieving MDG 1.

## 8.2 Agricultural GDP by composition

While the agricultural GDP is composed of crops, livestock, fisheries and forestry; crops and livestock remain the major contributors to the performance of the sector. Crops and livestock constitute more than 89% of the agricultural GDP. According to Jere (2006), by 2006, livestock contributed 8% of the national GDP that translated to 26% of the agricultural GDP. However, studies show that there has been a steady increase in contribution of fisheries to the agricultural GDP over the years. This could be because of the high incidences of fish farming being adopted in the country.

## 8.3 Production

### *8.3.1 Crops*

Malawi has different types of climates, which make it possible for the country to grow a number of crops. Being in the southern hemisphere of the equator, the country receives rains from late autumn to late summer; i.e., late November to March. Some of the crops that are grown during this period include; maize, tobacco, millet, beans, cassava, rice and fruits. However, there has been increased efforts and interest among farmers, the government and NGOs to undertake irrigation farming as well during this period.

TABLE 8.2 LAND, PRODUCTION AND YIELD OF MAJOR FOOD CROPS.

| | Maize | | | Cassava | | | Sweet Potato | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Land (Million ha | Output (Million MT) | Yield kg/ha | Land (Million ha) | Output (Million MT) | Yield MT/ha | Total (Million ha | Output (Million MT) | Yield MT/ha |
| 2000 | 1.44 | 2.29 | 1,590 | 0.18 | 2.76 | 15.33 | 0.16 | 1.88 | 11.75 |
| 2001 | 1.45 | 1.59 | 1,097 | 0.02 | 3.31 | 16.55 | 0.19 | 2.53 | 13.32 |
| 2002 | 1.44 | 1.49 | 1,035 | 0.01 | 1.51 | 15.01 | 0.08 | 1.05 | 13.13 |
| 2003 | 1.05 | 1.85 | 1,233 | 0.11 | 1.07 | 15.45 | 0.11 | 1.49 | 13.33 |
| 2004 | 1.44 | 1.61 | 1,126 | 0.18 | 2.53 | 14.04 | 0.16 | 1.76 | 11 |
| 2005 | 1.45 | 1.23 | 848 | 0.15 | 2.02 | 14.67 | 0.13 | 1.08 | 8.31 |
| 2006 | 1.62 | 2.61 | 1,611 | 0.16 | 2.83 | 17.69 | 0.13 | 1.78 | 13.69 |
| 2007 | 1.67 | 3.44 | 2,036 | 0.17 | 3.24 | 19.06 | 0.15 | 2.26 | 15.07 |
| 2008 | 1.65 | 2.78 | 1,685 | 0.18 | 3.49 | 19.39 | 0.16 | 2.32 | 14.05 |
| 2009 | 1.66 | 3.77 | 2,271 | 0.19 | 3.82 | 20.11 | 0.16 | 2.69 | 16.81 |
| 2010 | 1.07 | 3.43 | 2,018 | 0.19 | 3.95 | 20.79 | 0.16 | 2.84 | 17.75 |
| 2011 | 1.68 | 3.95 | 2,351 | 0.20 | 4.32 | 21.60 | 0.18 | 3.22 | 17.88 |
| 2012 | 1.68 | 3.65 | 2,173 | 0.21 | 4.69 | 22.33 | 0.20 | 3.58 | 17.90 |

*Source:* Authors' own calculations based data from Agricultural Crop Estimates, MoAFS.

The Table 8.2 above shows the land allocation of major food crops with corresponding production and land productivity or yield. There has been an increase in the yield of all the crops listed above from the year 2000 to 2012. This could be because of the adoption of improved farming technologies. For example, there has been considerable improvement in the average maize yield from 1,126 kg/ha in 2004 to 2,173 kg/ha in 2012. This could be attributed to the fertilizer and seed input subsidy that the Government of Malawi has been implementing since 2005, among other factors. Over time, the input subsidy program does not only enhance food self-sufficiency through improved yields but also influences the adoption and use of fertilizer and improved seeds in farming. As it can be noted in Figure 8.2 below, fertilizer consumption in Malawi increased by about 30% between the introduction the FISP and 2010/2011 cropping season. It should be noted that although fertilizer consumption picked up in 2004/2005 season, maize productivity during this season dropped. This is due to the fact that it was a drought year. However, since then, as it has already been pointed out, crop maize productivity increased corresponding to the increases in fertilizer consumption.

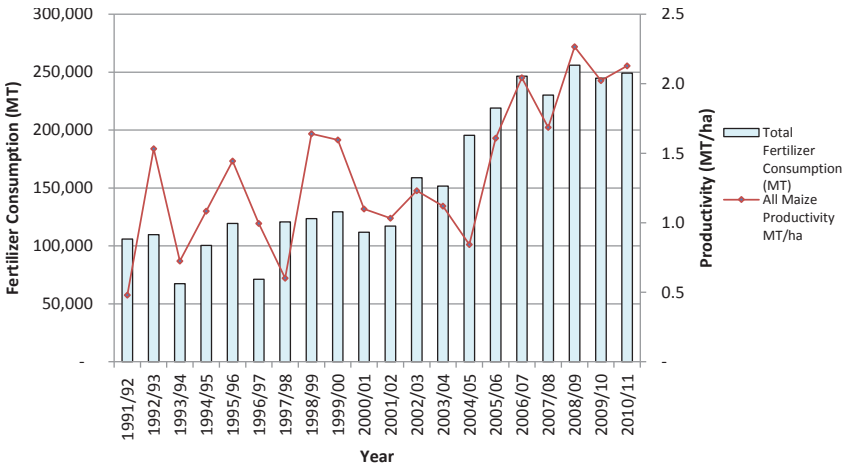


FIGURE 8.2 MAIZE PRODUCTIVITY VS FERTILIZER CONSUMPTION.
*Source:* Authors' own calculations based on crop estimates data from the MoAFS and fertilizer data from the Fertilizer Association of Malawi.

### *8.3.2 Livestock*

Livestock constitute part of the major assets that Malawians own. Livestock in Malawi serve not only the purpose of food provision, but also of income generation, cultural rituals and festivities. In Malawi, there are more than 1.2 million farm families that own livestock. Only 15% of the livestock farmers are large-scale farmers. The major and common types of livestock among farmers include cattle, goats, sheep, pigs and chickens.

TABLE 8.3 LIVESTOCK HEAD IN THOUSANDS.

| Year | Cattle | Goat | Pig | Sheep | Chicken |
|---|---|---|---|---|---|
| 2000 | 763,724 | 1,689,485 | 468,140 | 111,539 | 7,206,377 |
| 2001 | 749,029 | 1,669,669 | 456,291 | 115,249 | 7,348,450 |
| 2002 | 781,747 | 1,716,822 | 435,257 | 104,450 | 7,348,450 |
| 2003 | 764,061 | 1,922,264 | 477,863 | 227,363 | 8,871,625 |
| 2004 | 777,846 | 1,961,080 | 584,709 | 156,809 | 9,947,612 |
| 2005 | 791,017 | 2,223,668 | 608,814 | 166,231 | 13,011,561 |
| 2006 | 797,017 | 2,301,349 | 636,991 | 175,394 | 19,524,671 |
| 2007 | 880,597 | 2,720,126 | 928,952 | 188,609 | 44,049,155 |
| 2008 | 889,734 | 3,106,271 | 1,229,468 | 188,520 | 31,319,574 |
| 2009 | 982,921 | 3,480,473 | 1,444,258 | 199,890 | 40,105,377 |
| 2010 | 1,069,854 | 3,893,922 | 1,861,503 | 214,649 | 44,672,086 |
| 2011 | 1,110,560 | 4,442,907 | 2,166,670 | 228,649 | 43,836,919 |
| 2012 | 1,132,639 | 4,714,311 | 2,179,744 | 235,362 | 57,840,385 |

*Source:* Ministry of Agriculture and Food Security- Agricultural Statistical Bulletin (2012).

The Table 8.3 above shows that the livestock subsector has been registering increases in production since the year 2000, even though this is below potential. In as much as there has been improvements in animal husbandry and management by both smallholder and commercial farmers, performance has remained below potential because of cases of disease outbreaks and pests' infestation, (e.g., foot and mouth, especially in the lower shire, African swine fever and new castle disease, among other factors. However, livestock production is expected to grow towards its potential because of the launch of the 'Presidential Initiative on Livestock' in 2012.

### *8.3.3 Fisheries*

Recently, the fisheries subsector has shown its capacity to contribute substantially to the food security, income generation and employment of many people, provided a concerted effort is exerted. The sector provides employment opportunities directly to over 60,000 fisher-folk, and indirectly to around 500,000 people who are involved in fish processing, fish marketing, boat building and engine repair. Furthermore, it supports more than1.6 million people in communities residing along the lakeshores. Across the country, fish provides about 70% of animal protein and 40% of the total protein intake for the majority of the rural poor.

Farmers in Malawi are also involved in aquaculture in order to support fish production from the lakes and rivers of Malawi. The number of fish farmers has grown from 4,050 with 6,010 ponds in 1998 to 8,206 with over 9,500 ponds in 2011. During the same period, culture production has risen from 590 tonnes to 2,631 tonnes. This is one of the many reasons why fish production has been increasing. From 2000 to 2011, the total catch has risen from 68,489,000 tonnes to 81,070,000 tonnes against a rise in human population from 10,300,000 to 13,700,000 during the same period. There has been a steady decrease in the fish supply in Malawi even though there has been remarkable increase in fish production. The per capita annual fish supply has decreased from 12.9 kg in 1976 to 9.4 kg in 1990 and to 5.92 kg in 2011. However, this decrease is against the recommended per capita fish supply of 13–15 kg per year. by the World Health Organization (WHO).

About 70.7% of the total fish catch come from Lake Malawi, followed by 20.58% from Lake Chilwa, 4.99% from Lake Malombe and 3.19% from Lake Chiuta. The catch is mainly composed of fish species such as Usipa, Utaka, Makumba, Matemba and Kambuzi. Some other species include Chambo, Kawasali, Chisawasawa, Kampango, Mbaba, Mcheni, Mpasa, Mchila, Sanjika, Ndunduma and Nkolokolo. The total fish catches for 2011 were 82,414 tonnes as compared to 95,724 in 2010.

The fisheries subsector also contributes to forex generation in Malawi. Fish species like Mbuna are exported and, as such, contributes to bring the much needed forex in to the country. The total exports of aquarium fish and some dried fish products for 2011 amounted to 11,781 kg, generating a revenue of MK 21,474,834 (U$D113.02) as shown in the Table 8.4 below. According to Nyaya (Pers. Comm..,), there are several possible reasons that may explain fluctuations in volumes as well as values of fish exports and imports in the country. The main possible reasons are the following:

1. Fish catch fluctuations
2. Market dynamics in terms of prices within the micro and macro economy
3. Changes in fish (Mbuna) caught due to changes in the number of operators
4. Trade issues such as shipment as reported by the operators recently
5. Fish deaths due to sudden changes in the aquatic environment

TABLE 8.4 QUANTITY AND VALUE OF FISH IMPORTS AND EXPORTS.

| | Fish Imports | | Fish Exports | | Fish Aquarium Exports | |
|---|---|---|---|---|---|---|
| Year | Value (MK) | Quantity (Kg) | Value (MK) | Quantity (Kg) | Value (MK) | Quantity (Kg) |
| 2002 | 31,316,011 | 430,197 | 18,683,792 | 159,516 | 17,007,692 | 32,966 |
| 2003 | 96,847,528 | 1,126,183 | 277,000 | 12,874 | 110,006,110 | 72,168 |
| 2004 | 113,451,386 | 2,059,384 | 58,200 | 7,500 | 159,770,862 | 85,652 |
| 2005 | 117,190,390 | 1,950,296 | 4,520,700 | 46,200 | 83,864,482 | 254,542 |
| 2006 | 251,131,920 | 3,355,700 | 7,884,526 | 117,600 | 422,433,990 | 1,170,266 |
| 2007 | 276,173,161 | 3,450,945 | 941,842 | 27,700 | 72,131,888 | 62,554 |
| 2008 | 310,478,798 | 6,247,305 | 1,853,756 | 23,640 | 78,563,518 | 63,802 |
| 2009 | 144,793,305 | 1,576,002 | 12,718 | 22 | 27,979,356 | 14,961 |
| 2010 | 96,219,166 | 2,481,269 | 0 | 0 | 21,474,834 | 11,781 |

*Sources of data:* MEPD, Economic Review Reports and Department of Fisheries Reports.

## 8.4 Area and output of irrigated land

Malawi is endowed with numerous perennial water bodies where meaningful irrigation can be done. However, much of the potentially irrigable land is still not utilized for irrigation as the Table 8.5 below shows. As of 2011, only 30.2% of the land that can be used for irrigation was under irrigation. This is despite Malawi gathering every effort possible to address climate change impacts through irrigation. The Government of Malawi launched a Green Belt Irrigation Project, which has so far helped to increase the amount of land arable under irrigation.

TABLE 8.5 LAND FOR IRRIGATION.

| Year | Land Potentially for Irrigation | Land Under Irrigation | Percentage of Potential |
|---|---|---|---|
| 2002 | | 41,223 | |
| 2003 | | 59,568 | |
| 2004 | 340,433 | 64,370 | 18.9 |
| 2005 | 335,630 | 63,126 | 18.8 |
| 2006 | 336,875 | 71,828 | 21.3 |
| 2007 | 328,172 | 63,500 | 19.3 |
| 2008 | 336,500 | 73,365 | 21.8 |
| 2009 | 326,635 | 86,340 | 26.4 |
| 2010 | 313,660 | 90,562 | 28.9 |
| 2011 | 309,438 | 93,429 | 30.2 |
| 2012 | 320,119 | | 0 |

*Source:* Ministry of Agriculture and Food Security- Agricultural Statistical Bulletin (2012).

## 8.5 Agricultural productivity

### *8.5.1 Land productivity*

The productivity of land for most of the crops has been increasing even though with a fluctuating trend. For instance, the land productivity trend for the crops as shown in Table 8.6 below is bumpy; with smaller figures within large figures. This could be because of changing rainfall and temperature patterns in the country from one growing season to the other.

TABLE 8.6 PRODUCTIVITY OF FOOD CROPS.

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Maize (Kg/ha | 1,590 | 1,097 | 1,035 | 1,233 | 1,126 | 848 | 1,611 | 2,036 | 1,685 | 2,271 | 2,018 | 2,351 | 2,173 |
| Cassava (MT/ha) | 15.33 | 16.55 | 15.1 | 15.45 | 14.04 | 14.67 | 17.69 | 19.06 | 19.39 | 20.11 | 20.79 | 21.6 | 22.33 |
| S/potato (MT/ha) | 11.75 | 13.32 | 13.13 | 13.33 | 11 | 8.31 | 13.69 | 15.07 | 14.5 | 16.81 | 17.75 | 17.88 | 17.9 |

*Source:* Authors' own calculations from MoAFS annual crop estimates.

*Note:* However, the general upward trend in the productivity for most of the crops could be because of improved farming technologies adopted by most of the farmers.

### *8.5.2 Labor productivity*

Labor productivity in the agricultural sector can be defined as the agricultural value added per unit of worker in the sector. Value addition in the agriculture sector looks at the extent of transformation of agricultural inputs to output. Thus the value added is a difference of the output and intermediate inputs used. The agricultural labor productivity has been increasing marginally as shown in Figure 8.3.

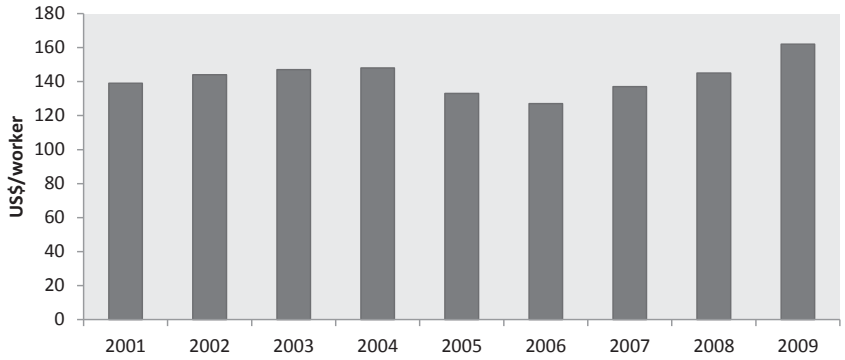


FIGURE 8.3 LABOR PRODUCTIVITY FOR THE AGRICULTURE SECTOR
*Source:* FAO STAT.

# 9. Agricultural Trade Performance

## 9.1 Trade policy

Since the 1980s, trade in Malawi has undergone a lot of transformation because of changes in the trade policies that Malawi has been following. Initially, Malawi's trade was characterized by the control of the government. Mandated by the Agriculture and Livestock Act of 1964 the Farmers Marketing Board (FMB) and its successor ADMARC had monopsony power over the purchase of cotton and tobacco from the smallholder farmers. Prices were determined by the government and implemented by the ADMARC, which charged pan territorial and pan seasonal prices. Under government strict controls, e.g., the need for license permits and issuance of a monthly trade report; the private traders were allowed to buy the rest of the agricultural commodities. The ADMARC making super normal profits was a major concern and was the basis for trade policy reforms (Chirwa 2001).

Under the auspices of the Brettonwoods Institute, Malawi trade went through a major transformation from being under state control to private participation. Malawi adopted and implemented many reforms within the agricultural sector such as (a) liberalizing the markets for inputs (fertilizer and seeds) and output commodities; (b) changing the pricing and marketing policies letting market forces of supply and demand play freely; (c) repealing of the Special Crops Act, thereby lifting restrictions for smallholder farmers to participate in growing high-value export commodities such as tobacco; (d) removal of subsidies on inputs and any concessions on credits; (e) restructuring of input, output and credit delivery system; and (f) commercialization of all state-owned parastatals in the agricultural sector. All these reforms were holistically adopted and implemented in the hope that they would improve efficiency and competitiveness in the agricultural sector (WTO 2002)

Malawi's trade is mainly guided by the Taxation Act, the VAT Act and the Customs and Exercise Act with its Tariff Book. Since embarking on trade liberalization in the late 1980s, Malawi rationalized its tariff structure by lowering and amalgamating duty rates. Maximum Most Favored Nations (MFN) tariffs of 70% were cut to 45% in 1988, and to 40% in April 1996, when the number of tariff bands was also reduced. From April 1997, the maximum tariff was lowered further to 35%, and tariffs were eliminated on raw materials used in manufacturing. Consequently, unweighted average tariffs declined substantially during the late 1990s, from 21% at the end of 1997 to 15.8% at the end of 1998. The maximum tariff rate is currently 25% (WTO 2002). Other policy measures included elimination of restrictions on payments for current transactions and transfers, and reduction of the scope of export licensing (WTO 2002).

Currently, Malawi has substantially reduced tax rates. The VAT rate is uniform at 16.5% while most of the income tax rates stand at 30%. Malawi is not only a member of the World Trade Organization (WTO), but also a member of two regional blocks and is a signatory and beneficiary to a number of bilateral and multilateral trade agreements. These include the SADC Trade Protocol, COMESA, the Malawi-Zimbabwe bilateral trade agreement and Malawi-South Africa bilateral trade agreement, the Cotonou Agreement between the EU and the African, Caribbean and Pacific (ACP) countries, and the African Growth and Opportunity Act (US-AGOA) initiative for concessional exports to the US market. Currently, the COMESA is moving towards a customs union that has necessitated Malawi to implement a COMESA and SADC tariff phase down (reduction) in which the country is lowering and removing international exercise taxes to harmonize with the blocks' tariffs.

In addition to the tariff reforms, Malawi has an Export Processing Zone (EPZ) mandated by the EPZ Act and the Industrial Rebate from which most agricultural firms benefit. Under these trade incentives, companies import their goods free of taxes. Worth noting is also that importation of agricultural equipment and machinery is free of taxes. Furthermore, exports in Malawi are free of taxes and attract an export allowance and transport allowance of 40% and 25%, respectively.

## 9.2 Trends in agricultural and nonagricultural trade

Malawi depends a great deal on agricultural exports for its foreign exchange earnings. Agricultural exports contribute more than 80% of all exports in Malawi as shown in Table 9.1. However, Malawians have a huge appetite for foreign goods and services and, as such total imports continue to rise above exports rendering the country's terms of trade perpetually deteriorating. The Table 9.1 shows, the trade balance continues to be negative for the country mainly emanating from nonagricultural exports.

TABLE 9.1 VALUE OF AGRICULTURAL AND NONAGRICULTURAL TRADE (MK, MILLIONS).

| | Malawi | | | Nonagricultural | | | Agricultural | | | Agricultural Share | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Exports | Imports | Trade balance | Exports | Imports | Trade balance | Exports | Imports | Trade balance | Exports | Imports |
| 2000 | 23,625 | 32,283 | (8,658) | 3,506 | 31,278 | (27,772) | 20,119 | 1,005 | 19,114 | 85.16 | 3.11 |
| 2001 | 31,817 | 39,480 | (7,663) | 5,329 | 39,180 | (33,851) | 26,488 | 300 | 26,188 | 83.25 | 0.76 |
| 2002 | 31,427 | 53,657 | (22,230) | 6,477 | 49,947 | (43,470) | 24,950 | 3,710 | 21,240 | 79.39 | 6.91 |
| 2003 | 51,672 | 76,650 | (24,978) | 10,456 | 72,094 | (61,638) | 41,216 | 4,556 | 36,660 | 79.76 | 5.94 |
| 2004 | 52,672 | 101,555 | (48,883) | 11,890 | 94,575 | (82,685) | 40,782 | 6,980 | 33,802 | 77.43 | 6.87 |
| 2005 | 59,640 | 140,179 | (80,539) | 11,828 | 127,020 | (115,192) | 47,812 | 13,159 | 34,653 | 80.17 | 9.39 |
| 2006 | 90,892 | 164,603 | (73,711) | 16,723 | 156,053 | (139,330) | 74,169 | 8,550 | 65,619 | 81.60 | 5.19 |
| 2007 | 110,546 | 135,988 | (25,442) | 32,548 | 109,343 | (76,795) | 77,998 | 26,645 | 51,353 | 70.56 | 19.59 |
| 2008 | 134,049 | 209,980 | (75,931) | 25,049 | 186,546 | (161,497) | 109,000 | 23,434 | 85,566 | 81.31 | 11.16 |
| 2009 | 167,913 | 221,841 | (53,928) | 21,630 | 191,008 | (169,378) | 146,283 | 30,833 | 115,450 | 87.12 | 13.90 |
| 2010 | 161,891 | 283,112 | (121,221) | 39,716 | | | 122,175 | | | 75.47 | |
| 2011 | 223,369 | 330,129 | (106,760) | | | | | | | | |

*Source:* MEPD Economic Review Reports.

By 2012, the trade balance for Malawi was MK -106.8 billion. This implies that every year the country needs to source forex from its international relations in a form of grants, loans and international transfers in order to balance its payments. The major nonagricultural imports that demand much of the hard earned forex are fuel imports, which currently require U$D30 million per month. In addition to fuel imports, imports of pharmaceutical products and vehicles also put pressure on forex as they are considerably huge.

## 9.3 Agricultural exports

Not only does the agricultural sector contribute the highest percentage (30 – 36%) to the GDP, it also contributes a large percentage of the country's exports (see Table 9.2), making Malawi very much dependent on agriculture for the foreseeable future. Worth noting is that tobacco contributes a large percentage of all exports in Malawi, followed by tea and sugar. South Africa is Malawi's biggest export trading partner, to which Malawi exports more than 14% of the total export volume. Other export trading partners for Malawi include Egypt, Zimbabwe, the US, the Netherlands, Germany, China and Russia.

The 2012 Malawi Economic Report shows that SADC (to which South Africa belongs), COMESA, EU and Asian countries are major trading partners of Malawi. Malawi exports more of its products to COMESA as compared to SADC and EU. In 2011, Malawi exports to COMESA were worth MK 79.3 billion, while those to the EU and SADC were worth MK 65.1 billion and MK 56.2 billion, respectively.

The fish exports also contribute considerably to the country's exports. Table 9.3 below shows that fish exports have been fluctuating, but most of the time showing a general dwindling trend. By 2010, the fish exports had decreased to as low as MK 21 million.

TABLE 9.2 CROP AND SELECTED LIVESTOCK EXPORTS.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| Tobacco | 24,191.2 | 22,303.5 | 31,621.1 | 54,810.3 | 51,729.6 | 82,917.0 | 106,602.0 | 87,490. | 91,612 |
| Tea | 3,481.5 | 5,132.5 | 5,909.9 | 6,514.9 | 7,281.7 | 5,191.4 | 9,655.5 | 12,079. | |
| Sugar | 10,571.4 | 7,881.4 | 5,408.5 | 5,191.1 | 8,227.9 | 7,341.3 | 9,635.0 | 10,371 | 33,945 |
| Pulses | 494.1 | 608.3 | 327.9 | 617.8 | 1,814.9 | 846.7 | 2,332.2 | 4,181 | |
| Cotton | 483.9 | 2,224.3 | 1,847.1 | 1,832.7 | 3,062.2 | 3,070.3 | 2,612.0 | 2,478 | 7,704 |
| Apparel and Clothing | 3,858.1 | 4,795.5 | 5,241.6 | 5,525.2 | 3,515.4 | 1,692.7 | 2,113.7 | 2,838 | |
| Nuts | 1,132.0 | 1,581.0 | 1,473.0 | 3,172.5 | 3,346.8 | 1,502.8 | 3,446.2 | 2,424 | 5,419 |
| Coffee | 245.1 | 217.5 | 321.3 | 201.7 | 514.9 | 203.7 | 281.2 | 712 | |
| Spices | 141.2 | 170.7 | 174.0 | 569.0 | 190.4 | 442.6 | 675.3 | 334 | |
| Hides and Skin | 31.5 | 44.0 | 67.5 | 113.3 | 122.4 | 138.3 | 121.7 | 97 | |

*Source:* MEPD Economic Review Reports.

TABLE 9.3 FISH EXPORTS.

| Year | Fish Aquarium Exports | |
|---|---|---|
| | Value (MK) | Quantity (Kg) |
| 2002 | 17,007,692 | 32,966 |
| 2003 | 110,006,110 | 72,168 |
| 2004 | 159,770,862 | 85,652 |
| 2005 | 83,864,482 | 254,542 |
| 2006 | 422,433,990 | 1,170,266 |
| 2007 | 72,131,888 | 62,554 |
| 2008 | 78,563,518 | 63,802 |
| 2009 | 27,979,356 | 14,961 |
| 2010 | 21,474,834 | 11,781 |

*Source:* MEPD Economic Review Reports.

Forestry exports from Malawi include natural rubber, sawn and plied wood and wooden furniture. Other exports from forestry include timber. However, raw exported timber attracts 100% export duty, the only duty that Malawi levies on exports. On average, the forestry exports are increasing as shown in Table 9.4 below.

TABLE 9.4 FORESTRY EXPORTS (MK, MILLIONS).

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Natural rubber | 265.8 | 399.0 | 248.1 | 664.9 | 694.8 | 1,025.6 | 232.9 | 1,433.0 |
| Wood-sawn and plied | 178.6 | 219.3 | 413.7 | 481.2 | 963.0 | 1,291.3 | 986.7 | 576.0 |
| Wooden furniture | | | 277.5 | 435.9 | 154.9 | 341.6 | 675.3 | 58.0 |

*Source:* MEPD Economic Review Reports.

An analysis of all exports in Malawi shows that Malawi relies mainly on exports of tobacco to get forex. The Figure 9.1 shows that from 2000 to 2010, tobacco has contributed 65% of all exports from Malawi followed

by sugar, tea and apparel and clothing with average export shares of 11%, 9% and 6%, respectively. However, currently, the country's export volumes are threatened by the World Health Organization's anti smoking campaign. Studies show that a replacement for tobacco, in terms of its role in Malawi's economy may not be found in the short term.

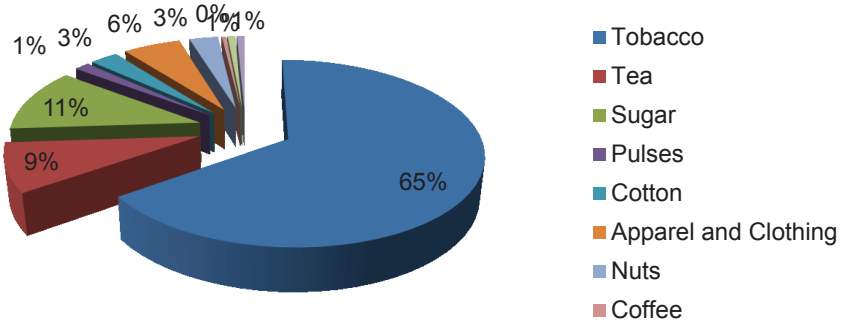


FIGURE 9.1 AVERAGE EXPORT SHARES FROM 2000 TO 2010.
*Source:* Authors' own calculations using data from MEPD Economic Review Reports.

## 9.4 Agricultural imports

The single largest import trading partner of Malawi is South Africa, which accounts for more than 40% of the total import volumes. Other important import trading partners are India, China, Tanzania and the United States of America. The import of goods from commonwealth nations is free of duties, according to a general license agreement governed by the World Trade Organization. Categorically, the country mainly exports to COMESA, SADC and the EU and Asian countries. The main imports are sourced from the SADC and the Asian countries. The total imports from the SADC in 2011 amounted to MK 146 billion, which was much higher as compared to imports from EU and COMESA that mounted to MK 47.8 billion and MK 35.6 billion, respectively.

Fertilizer imports are the only major imports in the agricultural sector and the crops subsector. The magnitude of the fertilizer imports has risen in the past 9 years as shown in Figure 9.2 below. This is mainly because of the fertilizer input subsidy program, which the country has been implementing since 2005. The highest fertilizer import was recorded in 2008 as shown in Figure 9.2 below.


FIGURE 9.2 GROWTH OF FERTILIZER IMPORTS (MK, MILLIONS).
*Source:* Authors' own calculations using data from MEPD Economic Review Reports.

The other major imports in the agricultural sector are fish imports (despite the country being endowed with many lakes and rivers). Only Lake Malawi covers 20% of the total land, and is the only lake in the world rich in fish species. In 2010, Malawi lost U$D641,461.00 (MK 96,219,166) owing to fish imports (see Table 9.5).

TABLE 9.5 FISHERIES IMPORTS.

| Year | Fish Imports | |
|---|---|---|
| | Quantity (Kg) | Value (MK) |
| 2002 | 430,197 | 31,316,011 |
| 2003 | 1,126,183 | 96,847,528 |
| 2004 | 2,059,384 | 113,451,386 |
| 2005 | 1,950,296 | 117,190,390 |
| 2006 | 3,355,700 | 251,131,920 |
| 2007 | 3,450,945 | 276,173,161 |
| 2008 | 6,247,305 | 310,478,798 |
| 2009 | 1,576,002 | 144,793,305 |
| 2010 | 2,481,269 | 96,219,166 |

*Source:* MEPD Economic Review Reports.

Overall, Malawi imports more than she does export. This is due to a number of reasons, including supply shortfalls and excessive demand. Currently, apart from the regional, bilateral and multilateral trade agreements, Malawi has entered into a number of double taxation avoidance agreements. However, some of them are to be reviewed while some are to be terminated with the objective of effectively and efficiently facilitating trade with other countries.

# 10. Poverty, Hunger, Food and Nutrition

## 10.1 Poverty trends

Malawi is one of the countries that have some of the world's most extreme cases of poverty. Poverty can better be assessed by comparing a country's status with other countries on the human development index (HDI), by computing the population headcount index and poverty gap. The HDI is a composite statistic of life expectancy, education, and standard of living. According to the Human Development Report of 2011, the country is ranked 171 on the human development index out of 185 countries with an index of 0.4, which ranks the country among countries with the lowest human development. This coincides with the results from the third Integrated Household Survey (IHS 3), which were released in 2012.

The IHS 3 that was conducted from March 2010 to March 2011 puts the country's annual poverty line at K 37,002 [17] and the ultra-poverty rate at K22, 956. [18] The poverty line is the monetary cost of living attributed to a particular person, at a given place and time, of a reference level of welfare. To compute the poverty line two principal components of food and nonfood poverty lines are added together. The IHS 3 indicates that poverty situation is reducing marginally in Malawi as shown in Table 10.1 below.

TABLE 10.1 THE POOR AND ULTRA POOR POPULATION AND POVERTY GAP.

| Area | Poverty Headcount (the poor) | | | Ultra Poor | | | Poverty Gap | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1998 | 2005 | 2011 | 1998* | 2005 | 2011 | 1998 | 2005 | 2011 |
| Malawi | 65.5 | 52.4 | 50.7 | 100.0 | 22.3 | 24.5 | 23.36 | 17.8 | 18.9 |
| Rural | 66.5 | 55.9 | 56.6 | 91.5 | 24.3 | 28.1 | 23.85 | 19.2 | 21.4 |
| Urban | 64.9 | 25.4 | 17.3 | 8.5 | 7.5 | 4.1 | 19.13 | 7.1 | 4.8 |
| North | 62.5 | 56.3 | 59.9 | 10.8 | 25.9 | 29 | 23.06 | 19.6 | 22.2 |
| Central | 62.8 | 46.7 | 48.7 | 36.7 | 16.2 | 21.5 | 21.18 | 14.1 | 17.3 |
| South | 68.1 | 64.4 | 63.3 | 52.5 | 31.5 | 34.2 | 25.35 | 23.8 | 25.1 |

*Sources:* NSO, IHS 3, IHS 2 and IHS1.
*Note:* *This shows the percent distribution across the country of the utra poor from IHS1 Report (1998).

In 2011, 50.7% of all Malawians were ranked poor according to the IHS 3 Report as compared to 52.4% and 65.5% in 2005 and 1998, respectively. However, according to the Malawi Growth and Development Strategy, the poverty situation reduced between 2005 and 2010 to as low as only 39% of the population in 2009. Most of these poor are inhabitants of rural areas, with extreme cases been observed in the Southern Region. The upward trend of the poverty situation could be because of worsening of macroeconomic variables, which has pushed a large proportion of the population below the poverty line. No wonder, the percentage of the ultra poor has worsened from 2005 to 2011 as shown in Table 10.1 above.

The poverty gap shows the average consumption shortfall of the population relative to the poverty line. The Table 10.1 above shows that the poverty gap worsened from 2005 to 2011. With a poverty line of MK 37,002, the 19% poverty gap shows that on average, the poor survived on consumption with a shortfall of MK 7,000 below the poverty line.

## 10.2 Social demographic indicators

The social demographic indicators of interest captured by the study included dependency ratio, net school enrollment, total fertility, crude birth rate and access to improved water.

[17] US$246.68 at MK 150 exchange rate.
[18] US$153.04.

The IHS 3 recognizes dependency as an indicator of the potential effects that changes in age structures of the population can have on social and economic development. The dependency ratio is a ratio of the total number of persons in the household outside of the economically active age (children under the age of 15 and adults 65 years or older) to the total number of the economically active. The 1.2 dependency ratio for Malawi implies that there are 0.2 more economically inactive persons in Malawi for every economically active person. Across the regions, the Central Region with 48% of households has more dependents than in the Northern and Southern regions where each region has 46% of dependents.

The high dependency ratio for Malawi could be due to the very high fertility rates among Malawian women, and also because of the very high crude birth rate found in the country. On average, a Malawian woman bears 5.2 children in her life time, which is on a high side considering the rising cost of raising a child in this millennium. In addition to that, the birth rate for Malawi has been one of the highest in the world as it stood at 39.5% by 2008. This implies that 40 children are born every year for every 1,000 people in the country.

The net primary school enrollment rate shows the extent of schooling among school going children in the age group of 6-13. According to MDG 2, the country will register a net primary school enrollment rate of 100% by 2015. The rate has been increasing from 78% in 2000 to as high as 82.5% by 2011. However, rural areas have low primary school enrollment rates as compared to urban areas. This is because of the comparatively high incidences of poverty and the long distances to nearest primary schools. It is expected that by 2015, the net primary school enrollment will fall short of the 2015 target by 8%.

## 10.3 Population structure

The population of Malawi has been growing steadily since 1966, which is mainly because of the high crude birth rate, total fertility rates and the lowering death rate. The population was at 4.04 million, 5.55 million, 7.99 million, 9.93 and 13.08 million in 1966, 1977, 1987, 1998 and 2008 respectively. During this period, the population growth rates were 3.3%, 2.9%, 3.7%, 2.0%, and 2.8% corresponding to the same years of population census, respectively. The death rate has been decreasing because of improvements made in the health service sector and the commitment of the government to reduce child mortality as one of the MDGs. The crude death rate has decreased from 25% in 1977 to 10.4% in 2008. While the population has been increasing with high rates, the life expectancy at birth has improved only marginally over the years; from 40 years to 47 years for males and from 44 years to 50.6 years for females between 1998 and 2008. This implies that the Malawi's population is basically young as the Figure 10.1 below shows.

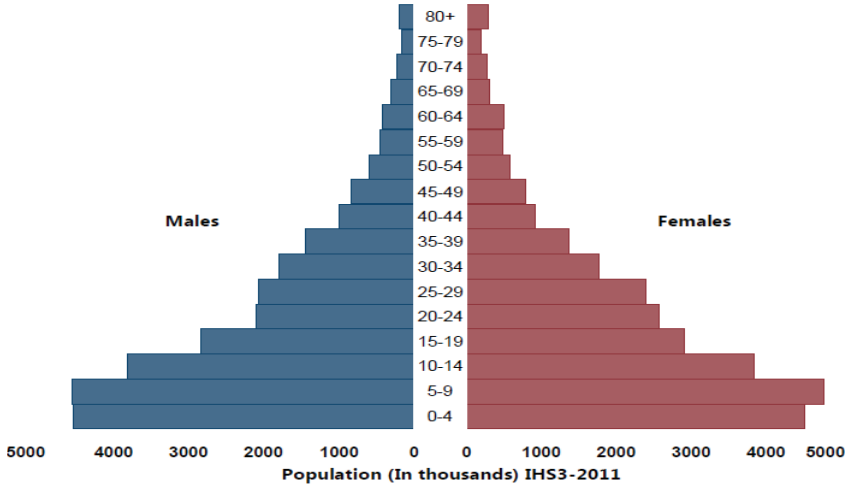


FIGURE 10.1 MALAWI'S POPULATION STRUCTURE.
*Sources:* NSO Integrated Household Survey (2010-2011); Household Socioeconomic Characteristics Report.

The Figure 10.1 above shows that as the age ladder grows, the number of males and females shrinks, which is typical of developing countries. This implies that the Malawian citizenry has largely a young population. According to the IHS 3 report (2012), the population below 15 years contributes 48% of the total populace. Females constitute 51% of the population while men make up the remaining 49%.

## 10.4 Labor market participation

The labor force participation rate is the proportion of the population (ages 15 and older) that is economically active. Malawi as an agro-economy has much of its labor force utilized in agricultural production, where more than 80% of the population is employed. The total labor force participation has been gradually increasing from 77% in 1994 to 83.1% in 2010. Similarly, the labor force participation for males and females has been increasing. This could be because of the gradual transformation of people's attitude towards personal development. The Figure 10.2 below also shows that the total labor participation among the females and males is different from one another. The graph for the ratio of males to female participation, which is above all the other three graphs imply that for every year, much more men participate in the labor market than women despite efforts to reduce gender inequality issues.

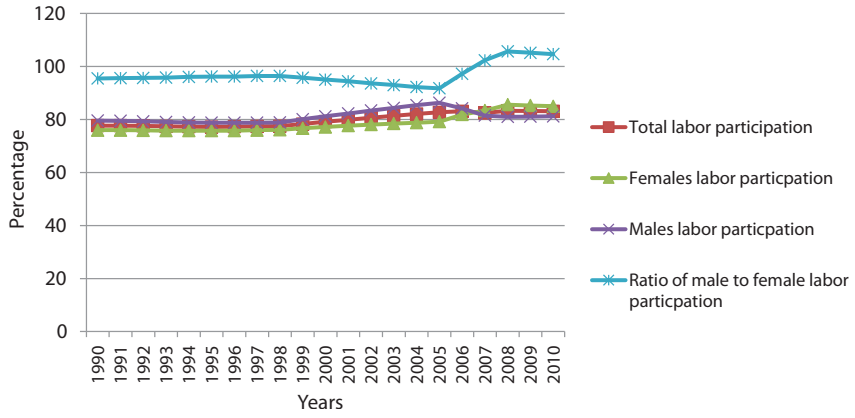


FIGURE 10.2 LABOR PARTICIPATION.

## 10.5 Illiteracy level

Illiteracy is the inability to read and write with understanding in any language. Most of the people in Malawi, especially the elderly are illiterate because of a myriad of factors. Currently, the proportion of the population above 15 years of age that is illiterate stands at 34.6%, meaning that there has only been a marginal decrease of 1.4% from the 2005 illiteracy rate figure of 36%. In Malawi, just as in any other sub-Saharan country, the illiteracy rate is higher among women as compared to those of men. According to IHS 3, 43% of all the women in Malawi above 15 years are illiterate as compared to only 26% of all the men for the same age group. This could be attributed, to differences in cultural responsibilities that are placed between the two sexes, among others. However, by 2015, the percentage of illiterate women is likely to be greatly reduced as the country is likely to meet MDG 3; to promote gender equality and empower women, which imply putting as many girls in school as possible.

Across the country and among the population above 15 years and over, the illiteracy rate is highest in the Southern Region as compared to Central and Northern regions, with illiteracy rates of 38%, 35% and 23% respectively. In Malawi and in the Southern Region, Mangochi District has the highest illiteracy rate with 66% of the population among the reference period to the illiterate. These high illiterate rates are mainly because many of the people have never attended school. By the year 2011, it was found that 21% of the reference age group had never attended school. Most of the people attributed lack of money as a reason why they never attended school. This is true among people of the age groups of 26 years and above who enrolled for primary school education before the introduction of free primary school education in the country, because they needed to pay some money for their education.

## 10.6 Food security and nutrition

World Bank defines food security as the access by all people to enough food at all times for an active healthy life. This implies that food security exists when a person has permanent physical and economic access to sufficient, safe and nutritious food to meet his/her dietary needs and food preferences for an active and healthy life. This is also enshrined in the Constitution of Malawi that recognizes food security as access to and utilization of nutritionally adequate and safe food in the right quantities, which is a right of each individual.

Food insecurity is synonymous to under nutrition, because food security has to do with not just filling the stomach but also taking right quantities of food for a healthy life. However, in Malawi, food security is concerned with having enough bags of maize or cassava being an alternative staple food in Malawi. This may explain why a considerable effort has been put on fertilizer and seed input subsidy, specifically targeting maize. According to the Ministry of Economic Planning and Development, the country has been registering maize surpluses from 2005/06 with the commencement of the input subsidy program as shown in Table 10.2 below.

TABLE 10.2 FOOD SURPLUSES/DEFICITS (2004/05 – 2011/12) IN METRIC TONNES.

| 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|
| -0.8 | 0.5 | 1.3 | 0.5 | 1.3 | 0.8 | 1.1 | 0.6 |

*Source:* MEPD Economic Review Reports.

However, statistics show that even though Malawi registers surpluses in the cereal food, food insecurity is still evident across the country. About 50% of the population runs out of food at some point in time during the year. This is very much prevalent in rural areas, where about 52% do not have food at some point during the year. The Southern Region of Malawi still remains the most affected with 53.7% of the population being food insecure as compared to 47.7% and 37.7% in the Central and Northern regions, respectively. On average, the food insecure households spend 3.1 months without enough food during the year.

This may explain high malnutrition cases and illnesses in the country as explained by the anthropometric indicators in Table 10.3 below. The indicators shown include the percentage of the underweight, the wasting and the stunted children between 6 and 59 months old. Underweight is a nutritional status when the weight of a child is below the minimum required weight for that particular age. A child is said to be wasting if his/her weight is too low for his/her age, and is said to be stunted if he/she is too short for his/her age.

According to results from the Integrated Household Survey 3, nationally, about 31% of children aged 6 to 59 are underweight with 1% being severely underweight and 30% moderately underweight. In rural areas, the prevalence is 33% as compared to 23% of the urban children. Children of this age group in the Central and Southern regions whose severity percentage is 1.3 are 13 times more likely to be severely underweight, than those in the Northern Region whose percentage is 0.1.

TABLE 10.3 SELECTED INDICATORS OF MALNUTRITION.

| Area | Underweight (weight vs age) | | Stunted (height vs age) | | Wasted (height vs weight) | |
|---|---|---|---|---|---|---|
| | Severe | Moderate | Severe | Moderate | Severe | Moderate |
| Malawi | 1.2 | 30.6 | 14 | 48.1 | 1 | 11.4 |
| Rural | 0.5 | 22.9 | 15.4 | 44.8 | 0.2 | 7.7 |
| Urban | 1.3 | 31.8 | 13.8 | 48.6 | 1.1 | 12 |
| North | 0.1 | 27 | 18 | 45.1 | 0.4 | 10.3 |
| Central | 1.3 | 31.1 | 18.9 | 45.7 | 1.1 | 11.8 |
| South | 1.3 | 31.2 | 2.9 | 51.3 | 1 | 11.5 |

*Source:* DHS Report 2010 and IHS 3 Report.

In addition to underweights, prevalence of stunting in the country is indisputably high. About 62% of the children aged 6-59 months are stunted according to IHS 3. Among these about 14% are severely stunted and 48% moderately stunted. However, it is worth noting that rural children are more prone to severe stunting by 15% as compared to the 14% among the urban children. The results also shows that wasting or acute malnutrition, affected 12% of children aged 6 to 59 months. Eleven percent were moderately wasted and 1% have severe acute malnutrition. Severe acute malnutrition is particularly high in rural areas, where children are about six times more vulnerable than in urban areas. Just as the prevalence of stunting, the Central Region with 1.1% of severely wasting children has the highest prevalence in comparison to .4% and 1% of the Northern and Southern regions, respectively.

## 10.7 Child malnutrition

Malnutrition occurs when a person's body, mostly in the case of children, persistently takes food that is lacking certain mineral elements. Child malnutrition is related to poverty. This fact is clearly demonstrated by empirical studies that reveal most of the children who suffer from malnutrition are from poor families. Some of the notable cases of malnutrition include the under-weighting, the stunting, wasting, anaemia, kwashiorkor and marasmus. As it has already been stated in the previous section, the prevalence of under-weighting, stunting and wasting is still high in Malawi.

Anaemia is a serious concern for young children, because it can result in impaired performance, behavior and motor development, language development, and scholastic achievement, as well as increased morbidity from infectious diseases (NSO 2010). The Table 10.4 below shows that 63% of children of ages 6-59 months were anemic in 2010. This shows that there is a reduction by 10% from 2004 prevalence rate of 73%.

TABLE 10.4 PREVALENCE OF ANAEMIA AMONG CHILDREN OF AGES 6-59 MONTHS IN 2010.

| Area | Any Anaemia | Severe |
|---|---|---|
| Malawi | 62.5 | 3.1 |
| Urban | 53.2 | 2.4 |
| Rural | 64.0 | 3.2 |
| Northern | 58.3 | 2.3 |
| Central | 63.6 | 3.7 |
| Southern | 62.3 | 2.7 |

*Source:* NSO, MDHS Report, 2010.

However, in accordance with this theory, the prevalence rate of anaemia was higher in rural areas at 64% as compared to urban areas, which was at 53%. Across the regions, Central Region had the highest anaemia cases as high as 64% relative to the Southern and Northern regions with 62% and 58% prevalence, respectively.

## 10.8 Gross mortality

Crude death rate, infant mortality rate, under five mortality rate and maternal mortality rate are some of the main and oldest ways of measuring mortality of human population. The crude death rate measures the total number of deaths per thousand people in a year. It is noted that the crude death rate has been decreasing over the years. From 1977 to 2008, the crude death rate has decreased from 25% to as low as 10.4%. By 2010, Malawi's crude death rate had significantly reduced. However, over the years, the crude death rate for males has been higher as compared to the crude death rates for women. The crude death rate for males was 11.2% in 2008 while that for women was 9.2%. Similarly, the death rate for men, though decreasing, was higher in 2010 with 8.8% than the crude death rate for women, which was at 8.4%. This could be because men tend to be more exposed to risky activities/works than women.

Infant mortality rate is the number of deaths per thousand live births while under-five mortality rate is the number of deaths per thousand children under the age of 5 years. Under five mortality rate and infant mortality rate are among the main indicators that Malawi is pursuing in order to achieve MDG IV targets of 78% and 44.7%, respectively, for 2015. The country is optimistic about achieving the targets based on the trends for the indicators as shown in Figure 10.3 below.

The reduction in the trends of infant mortality and under five mortality rates to as low as 66 and 112 per thousand live births, can directly be attributed to the government's interventions such as the extended program of immunization, de-worming, and distribution of insecticide treated mosquito nets etc.

However, despite the country registering commendable reduction in reducing child mortality, maternal mortality rates remain very high, which is threatening the country's prospects of achieving MDG 5 of improving maternal health. Maternal mortality rate is the number of deaths among women per hundred thousand live births. According to this MDG 5, the maternal mortality rate has to decrease to 155 by 2015.

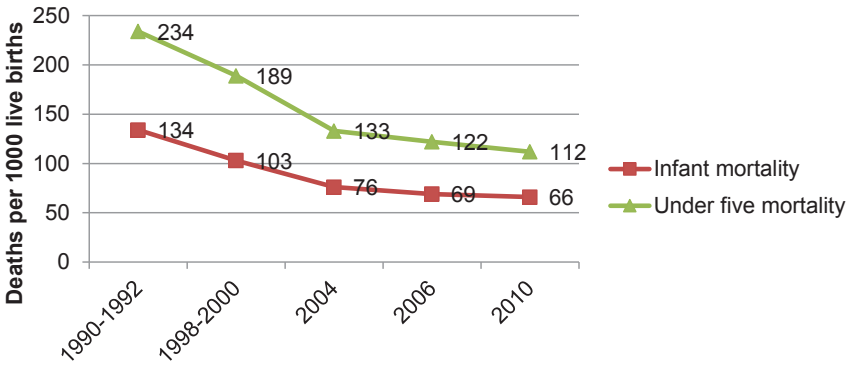


FIGURE 10.3 INFANT AND UNDER FIVE MORTALITY RATES.
*Source:* Authors' own calculations based on MDHS Reports.

## 10.9 Health and AIDS

According to the MDHS 2010, the HIV/AIDS situation in Malawi is decreasing even though marginally. However, the prevalence of HIV and AIDS continues to be high despite a coordinated national response to the pandemic. As a result, the incidence of malaria, tuberculosis (TB) and other opportunistic infections have become aggravated. Thus, impeding progress in the health sectors and in human capital and national development (GoM 2011). The MDHS of 2010 observed that the adult HIV prevalence decreased slightly between the MDHS of 2004 MDHS and the MDHS of 2010, from 11.8 to 10.6%, respectively. However, HIV prevalence among women remained at around 13% over the same period, while among men it decreased from 10.2 to 8.1% as shown in Table 10.5 below.

TABLE 10.5 TRENDS IN ADULT HIV/AIDS PREVALENCE FROM 2004 TO 2010.

| | Age Range | | MDHS 2004 | | MDHS 2010 | |
|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total |
| 15-19 | 3.7 | 4 | 2.1 | 4.2 | 1.3 | 2.7 |
| 20-24 | 13.2 | 3.9 | 9.5 | 6.4 | 2.8 | 4.7 |
| 25-29 | 15.5 | 9.8 | 12.6 | 13.5 | 6.9 | 10.7 |
| 30-34 | 18.1 | 20.4 | 19.2 | 20.7 | 10.8 | 15.9 |
| 35-39 | 17 | 18.4 | 17.7 | 23.8 | 18.1 | 21 |
| 40-44 | 17.9 | 16.5 | 17.2 | 20.4 | 20.9 | 10.7 |
| 45-49 | 13.3 | 9.5 | 11.6 | 16.1 | 14.9 | 15.5 |
| 50-54 | | 10.5 | | | 13.1 | |
| Total (15-49) | 13.3 | 10.2 | 11.8 | 12.9 | 8.1 | 10.6 |

*Source:* MDHS Report, 2010.

Numerically, the number of the people infected by the pandemic continues to rise. While the number of the infected people in both sexes continues to rise, the number of females infected in all years tends to be greater than the number of males infected as shown in Figure 10.4.

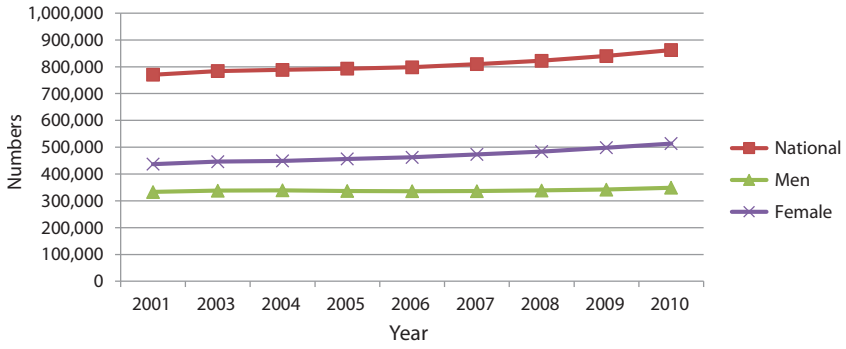


FIGURE 10.4 TRENDS IN NUMBER OF HIV POSITIVE BY GENDER.
*Source:* Authors' own calculations based on data from Ministry of Health, Epidemiology Unit.

Among the age groups, the lowest HIV prevalence is recorded amid youth aged below 15 - 19 years in almost all the years from 1995 to 2010 (see Table 10.6). Comparatively, the age group of 25 to 34 years of age has the highest concentration of HIV/AIDS infected population. This could be due to the fact that it is the most sexually active age group.

TABLE 10.6 HIV/AIDS PREVALENCE BY AGE GROUP.

| Age | 1995 | 1996 | 1998 | 1999 | 2001 | 2003 | 2005 | 2007 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| <15 | 10.0 | 0 | 21.4 | 25.0 | 28.6 | 20.0 | 10.3 | 8.0 | 1.52 |
| 15-19 | 13.2 | 13.3 | 14.3 | 18.7 | 11.7 | 15.2 | 16.4 | 9.5 | 5.77 |
| 20-24 | 21.3 | 20.7 | 21.8 | 25.6 | 20.2 | 19.8 | 21.6 | 13.8 | 9.74 |
| 25-29 | 21.9 | 24.8 | 28.2 | 28.3 | 24.6 | 22.3 | 20.6 | 19.0 | 14.9 |
| 30-34 | 14.5 | 20.5 | 22.5 | 24.9 | 22.1 | 24.6 | 17.6 | 19.0 | 18.6 |
| 35-39 | | 8.3 | 15.8 | 20.6 | 20.5 | 17.2 | 12.8 | 17.1 | 17.1 |
| 40+ | | 16.9 | 7.2 | 16.7 | 13.0 | 18.1 | 22.6 | 11.3 | 15.3 |

*Source:* Ministry of Health, Epidemiology Unit.

The age-specific HIV/AIDS prevalence rate is also an indicator for the achievement of MDG targets. According to Malawi 2011 MDG report, the country intends to halt HIV prevalence among 15 to 24 year old pregnant women by 2015. The prevalence rate among the pregnant women has been decreasing to as low as 11% in 2010 (see Figure 10.5). However, according to the report the country is unlikely to meet the MDG goal.

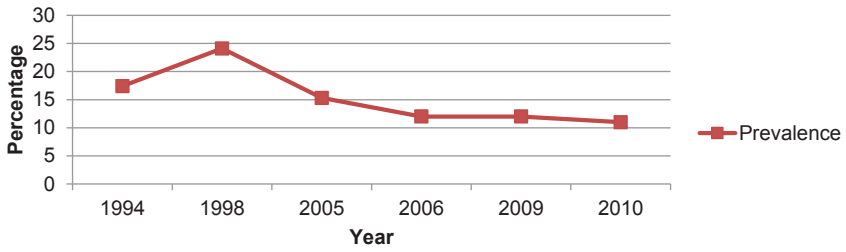


FIGURE 10.5 HIV/AIDS PREVALENCE AMONG PREGNANT WOMEN OF 15-24 YEARS.
*Source:* Authors' own calculations based on data from Ministry of Health, Epidemiology Unit.

## 10.10 Wealth accumulation

Wealth is mainly considered in terms of household ownership of durable assets. This indicator may also be used to express socioeconomic status of households. Some of the durable household consumer assets

include the bicycle, radio, refrigerator, livestock, television and ownership of land. According to MDHS (2010), approximately, 56% of households own a radio. Seventy three percent of urban dwellers own a radio as compared with half of the households (52%) in rural areas. A mobile telephone as one of the durable household assets, is owned by 41% of households, i.e., 76% in urban areas and 35% in rural areas. Nationally, 12% of the households have a television, which consists of 38% in urban areas and 7% in rural areas. Ownership of refrigerators is very low; only 4% have a refrigerator, i.e., only 19% among urban dwellers and 2% among rural areas dwellers as shown in Table 10.7 below.

TABLE 10.7 OWNERSHIP OF HOUSEHOLD ASSETS.

| Possession | Urban | Rural | Total |
|---|---|---|---|
| Radio | 73.3 | 52.4 | 55.7 |
| Television | 38.4 | 6.8 | 11.8 |
| Mobile telephone | 75.6 | 35 | 41.4 |
| Non mobile television | 8.6 | 1.2 | 2.3 |
| Refrigerator | 18.5 | 1.6 | 4.3 |
| Ownership of agricultural land | 40.5 | 88.4 | 80.3 |
| Ownership of farm animals | 30.8 | 70.6 | 64.3 |

*Source:* MDHS Report, 2010.

The wealth index as reported by the MDHS (2010) can be used as a proxy for measuring the long-term standard of living. To construct the index, each of the various assets (not only those mentioned above) is assigned a weight (factor score) generated through a principal component analysis, and the resulting asset scores are standardized in relation to a standard normal distribution with a mean of zero and standard deviation of one.

Generally, urban areas have a higher proportion of wealthy people as compared to rural areas. It is no wonder that according to MDHS (2010), 66% of urban population are in the highest quintile compared with the 11% in rural areas. Constrained by low economic activities, rural areas have a higher proportion of the population in the lowest, second, and third quintiles than urban areas. Across the regions, the Northern Region has the highest proportion of persons in the fourth and highest quintiles, while the Central Region has the lowest proportion of the population in these quintiles. The proportion of households in the lowest and second quintiles is highest in the Central Region followed by the Southern Region, while the Northern Region contributes the lowest proportion of households as shown in Table 10.8 below (MDHS 2010).

TABLE 10.8 WEALTH QUINTILES BY LOCATION.

| Residence | Lowest | Second | Middle | Fourth | Highest |
|---|---|---|---|---|---|
| Urban | 2.9 | 3.4 | 7.5 | 19.9 | 66.3 |
| Rural | 23.2 | 23.1 | 22.3 | 20 | 11.3 |
| | | | | | |
| Region | | | | | |
| Northern | 12.2 | 14.5 | 22.3 | 26.6 | 24.5 |
| Central | 23.8 | 21.3 | 20 | 176 | 17.2 |
| Southern | 18.3 | 20.1 | 194 | 20.6 | 21.5 |

*Source:* MDHS Report, 2010.

## 10.11 Progress towards attaining MDG 1, halving poverty and hunger

The Millennium Development Goals (MDGs) are targets set by all 191 member states of the United Nations, which are to be achieved by 2015. The MDGs were pioneered by the United Nations Millennium Declaration that was signed in 2000, whereby world leaders committed their countries to combat poverty, hunger, illiteracy, diseases, environmental and discrimination against women.

The MDG 1 seeks to eradicate extreme poverty and hunger. Under this goal, countries are committed to halve the proportion of people whose income is less than one dollar per day between 1990 and 2015, and to halve the proportion of people who suffer from hunger, between 1990 and 2015. The Figure 10.6 below shows the progress made so far towards achieving the goals. In this case, hunger defined as dietary intake, is lower than the required 2,100 kilo calories per day.

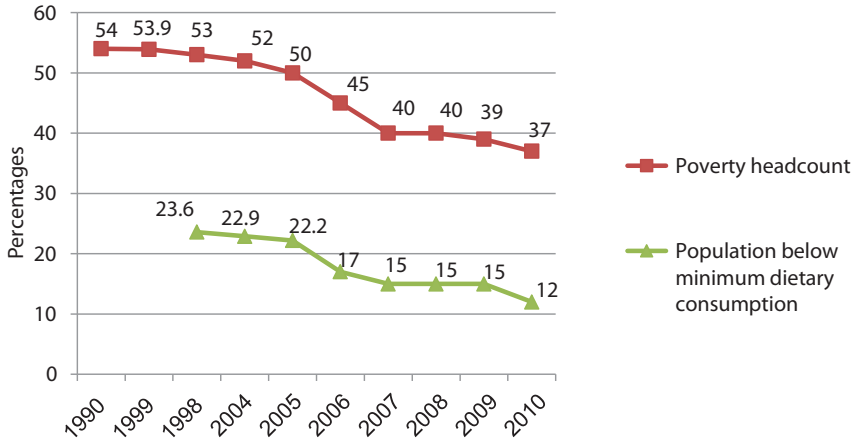


FIGURE 10.6 PERCENTAGE OF THE POOR IN MALAWI.
*Source:* Millennium Development Goals Report (2011).

By 2015, Malawi intends to reduce the percentage of the population below the poverty line to 27%. Although the MGDS reviews and other reports indicated that poverty had dropped to as low as 37% by 2010, the IHS 3 results (released in 2012) reveal that poverty in Malawi has actually remained high with an estimation of 50.7% of the population falling below the poverty line. In view of the fact that this statistic has been revealed only 3 years before 2015, it is unlikely that poverty levels in the country will drop to the expected target of 27%. However, the poverty gap ratio that shows the average percentage by which the poor spend below the poverty line increased from 16% in 1990 to 18.6% in 1998, and then dropped slightly to about 18% in 2006. This implies that the 8% target set by the country is also unlikely to be met by 2015.

The proportion of the population whose consumption is below minimum dietary consumption is basically the proportion of the population below the food poverty rate. The Figure 10.6 above shows that the proportion has decreased significantly over time, from 23.6% in 1998 to 12% in 2010. This implies that the country is likely to meet the 10.3% target by 2015. Overall, the country is unlikely to halve the proportion of the population falling below the income poverty line, but it is likely to halve the proportion of the population whose consumption is below the minimum dietary consumption. Hence, Malawi will partially achieve the Millennium Development Goal 1 of eradicating poverty and hunger by 2015.

# 11. Conclusion Remarks

The main objective of this study was to analyze trends in the key indicators that are used for tracking the goals and targets of CAADP, SADC, RISDP and MDGs in the SADC region in Malawi's context.

It is s clear from this report that Malawi is making good progress on all the key indicators, except on MGD 1. First, Malawi has largely achieved the target of allocating at least 10% of the national budget to agriculture, albeit through one main agricultural strategy – the Farm Input Subsidy Program. Second, although significant progress has been made on food security, income poverty as revealed through a recently released report from the Integrated Household Survey 3 is still very high. It is unlikely that Malawi will halve the proportion of the population falling below the poverty line by 2015. Despite the high ODA support to Malawi and increasing budgetary allocation to the agriculture sector, the overall performance of the sector as well as the economy as a whole is marginal. Malawi will, with difficulty, achieve the 6% national economic growth rate target set under the Maputo Declaration in 2003.

It has also not escaped our notice that while public expenditure in agriculture has gone up following the subsidy programs, it would appear that most of the resources go into fertilizer procurement at the expense of long-term inputs in the sector. Thus investments in R&D, extension and other forms of productive capital are limited. Furthermore, while the country has embarked on other programs aimed at distributing cows to households, the scale of the program is limited to a few individuals; and the crops sector enjoys a hugely disproportionate share of investments compared to forestry, fisheries and livestock, which could be at odds with long-term nutritional goals of the country.

It should also be noted that the study faced challenges, mainly emanating from dearth of data on production and investments in the subsectors, primarily because Malawi, at present, does not have a robust M&E system and capacity at the Ministry of Agriculture capable of monitoring and evaluating the agricultural sector. Hence, while it is possible that the data we sought though sparsely located could have been available. This situation, however, presented a challenge to us, which has also been echoed by development partners and a multiplicity of stakeholders in the sector.

In view of the fact that Malawi has established a SAKSS Node and has a CAADP Focal Point, it is recommended that the ReSAKSS-SA should help the MoAFS consolidate its efforts towards strengthening M&E in the sector, for the benefit of appropriate and evidence-based policy planning and implementation.

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# ANNEXES

## Annex A: CAADP Implementation Processes

LAUNCHING OF THE CAADP PROCESS, ROUNDTABLE AND IMPLEMENTATION PROCESS.

| | Activity | Achieved? | If yes, month/ year achieved | |
|---|---|---|---|---|
| | | Yes/No/Partly | Month | Year |
| A1.1 | Has the CAADP focal institution/person been appointed? | Yes | | 2008 |
| A1.2 | Has the Technical Committee (TC) been appointed? | Yes | | |
| A1.3 | Has the CAADP stakeholder validation workshop been held? | Yes | | |
| A1.4 | Has the CAADP Compact been signed? | Yes | April | 2010 |
| A1.5 | Has an Investment Plan been developed? | Yes | August | 2010 |
| A1.6 | Has a technical review been done? | Yes | September | 2010 |
| A1.7 | Has a business meeting been held? | Yes | October | 2011 |

## Annex B: Agricultural Growth Performance

TABLE B1. AGRICULTURAL GDP BY COMPOSITION.

| Year | Agriculture GDP | Crops and livestock GDP | Fisheries GDP | Forestry GDP |
|---|---|---|---|---|
| 2000 | 37,843,715,900 | 34,790,044,300 | 981,537,300 | 1,963,074,600 |
| 2001 | 46,284,935,060 | 42,550,127,620 | 1,200,473,820 | 2,400,947,640 |
| 2002 | 54,198,773,210 | 49,825,385,170 | 1,405,731,870 | 2,811,463,740 |
| 2003 | 64,203,139,000 | 59,119,606,000 | 1,882,790,000 | 3,200,743,000 |
| 2004 | 73,617,309,000 | 67,648,338,000 | 1,989,657,000 | 3,758,241,000 |
| 2005 | 80,487,000,000 | 73,170,000,000 | 3,523,000,000 | 3,794,000,000 |
| 2006 | 100,222,600,000 | 92,858,000,000 | 2,881,800,000 | 4,482,800,000 |
| 2007 | 171,871,200,000 | 160,833,600,000 | 3,679,200,000 | 7,358,400,000 |
| 2008 | 184,422,060,000 | 173,345,660,000 | 3,876,740,000 | 7,753,480,000 |
| 2009 | 245,463,735,000 | 231,786,870,000 | 5,038,845,000 | 9,357,855,000 |
| 2010 | 297,569,455,700 | 280,989,339,400 | 6,108,463,900 | 11,344,290,100 |
| 2011 | 328,883,929,000 | 310,559,018,000 | 6,751,283,000 | 12,538,097,000 |
| 2012 | 408,513,567,000 | 385,751,814,000 | 8,385,909,000 | 15,573,831,000 |

Established in 2006 under the Comprehensive Africa Agriculture Development Programme (CAADP), the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) supports efforts to promote evidence and outcome-based policy planning and implementation. In particular, ReSAKSS provides data and related analytical and knowledge products to facilitate benchmarking, review, and mutual learning processes. The International Food Policy Research Institute (IFPRI) facilitates the overall work of ReSAKSS in partnership with the African Union Commission, the NEPAD Planning and Coordinating Agency (NPCA), leading regional economic communities (RECs), and Africa-based CGIAR centers. The Africa-based CGIAR centers and the RECs include: the International Institute of Tropical Agriculture (IITA) and the Economic Community of West African States (ECOWAS) for ReSAKSS–WA; the International Livestock Research Institute (ILRI) and the Common Market for Eastern and Southern Africa (COMESA) for ReSAKSS–ECA; and the International Water Management Institute (IWMI) and the Southern African Development Community (SADC) for ReSAKSS–SA.

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