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ACKNOWLEDGEMENTS

The Government of Malawi (GoM) in January 2013, through the Ministry of Economic Planning and Development (MEPD), with the support of the United Nations Development Programme (UNDP), initiated the process of producing the 2014 Malawi Human Development Report (NHDR) on Inclusive Growth. The primary aim of the NHDR was to be a policy advocacy document with the principal objective of stimulating public debate and triggering policy action for human development. It is a unique, nationally owned product that, through a process of consultation and research, would build consensus on pressing development issues at the national level and present alternative people-centred policy responses on these issues. Its main audience are policy-makers at all levels and those who hold policy-makers accountable for development progress.

The NHDR analysis was intended to provide statistical and analytical evidence of growth trends in general and how the benefits of increased growth and prosperity in Malawi have been shared across society and whether society has contributed to and benefited from the growth and prosperity so far. To this end the methodology for generating the evidence include detailed research and discussions with key individuals and institutions (public and private).

We would like to acknowledge the contributions from the Steering Committee comprising of Principal Secretaries, Development Partners’ heads of Mission, Representatives of the private sector and civil Society Organisations (COS), and the Academia, for their leadership in the preparation of this Report.

In a special way we would like to thank DEVCAS Consulting for undertaking the research and consultations and drafting the Report.

We would also like to extend our appreciation to the UNDP and the EU for their financial assistance through the Development Effectiveness and Accountability Programme (DEAP).

We also acknowledge the contributions of many respondents at national and district levels and the four Peer Reviewers, Prof. Cletus K. Dordunoo, Mrs. Sharmila B. Kurukulasuriya, Prof. Chinyamata Chipeta and Prof. Wiseman Chirwa who unreservedly provided the Draft Team with their critical independent review and invaluable comments. Thanks also go to Prof. Dordunoo who fully edited this Report.

Last but not least, our thanks go to the Task Team which was made up of officers from the Ministry of Finance, Economic Planning and Development and UNDP for their tireless work in producing this Report.
Malawi’s post-independence growth trajectory although upward trending has been characterized by erratic periods of unsustainable growth and has excluded vast sections of the population as evidenced by the glaring inequality. The theme for the 2015 National Human Development Report (NHDR) is inclusive growth. Defining inclusive growth is itself problematic as there are several definitions in the literature and more so for a developing country like Malawi. However, in this NHDR we are guided by the OECD definition of Inclusive Growth as “economic growth that creates opportunity for all segments of population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society” (OECD, 2013). This then implies that focusing on economic elements of growth will bear fruit if effectively supported by a thorough consideration of human rights and equality, which forms part of the discourse in this report. In this NHDR we give an analysis of the growth trends in general and how the benefits of increased growth and prosperity in Malawi have been shared across society and whether society has contributed to and benefited from the growth and prosperity so far. The report is aimed as an analytical discussion of policies in place to promote economic growth and the shortfalls that hinder those policies in providing the enabling environment for sustainable inclusive growth.

The agricultural sector remains the key source of growth and the dominant source of livelihood among rural households in Malawi. However, this faces its own challenges so that despite the reforms that have taken place in this sector over the past few decades, the sector has performed poorly in terms of boosting growth, food security, and even more importantly, nutrition security. Government policies that supported large scale agriculture for the production of mainly export crops, such as tobacco, tea, sugar and coffee have been largely ineffective due to poor governance during the implementation and monitoring phases that often led to deviations in social spending and government revenue. A large proportion of the population that depend on the agricultural sector remains in poverty. The mining sector in Malawi has great potential to contribute to growth and sustainable development in the country through creation of new economic opportunities, foreign exchange earnings, improved social sector infrastructure, and Government revenue. However, currently this potential is far from being realized due to the low base of mining activities, alongside other constraints such as legislation, regulation, lack of skilled personnel and support infrastructure, particularly roads, and electricity.

Economic participation is not fully inclusive on account of gender, age, geography and education disparities, with many disadvantaged groups being excluded. Lower numbers of women are participating in the labour force compared to men and the trend extends to urban versus rural populations and those without formal education. Policies to ensure equitable access have not been sustainable due to poor monitoring, a lack of social cohesion and continued social spending to assist vulnerable groups. The trends are also similar when looking at access to health care and financial services where poor governance has led to ineffective social spending designed to address these inequalities. The inability of ordinary people to make a link between service delivery and constitutionally-guaranteed rights inhibits their demand for socio-economic rights. It is crucial to educate people on their right to demand specific services such as education, housing, health, water, food and the state’s obligation to use available resources to fulfil their socio-economic rights. The state must also have in place policies to ensure the equitable allocation and sustainable management of these resources.

Some of the key messages coming out of this report include the following:
1. The benefits of growth experienced over the years were poorly distributed, especially for women, the youth, rural dwellers, the elderly and persons with disabilities. There is need to facilitate citizen’s participation in delivering inclusive growth and in accessing the benefits of growth.

2. Malawi needs to build capacity for skills development in the key sectors in order to take advantage of value addition in its natural resources. This not only includes investments in key infrastructure such as roads and electricity, but also education/skills (with due attention to quality) and healthcare facilities. This needs to be done through enhanced policy implementation at the district level that focuses on monitoring the delivery of services to vulnerable groups.

3. Social protections for traditionally excluded groups as well as management of scarce natural resources also need to be embedded in any development framework to ensure sustainable inclusive growth.

4. A regulatory environment conducive to innovation is also key in promoting expanded access to financial services which provides impetus for accelerating growth. Increasing public awareness and discourse around economic matters will also help bring increased participation and financial literacy levels empowering the public to make better political decisions and hold their elected office bearers accountable for delivering. There is need to focus energies on not only traditional sectors such as health, education, agriculture, etc., but also on emerging sources of growth such as extractive industries and tourism.

5. Malawi needs to fortify the profile of gender responsive budgeting. Through the leadership of the Ministry of Finance, the country needs to routinely develop key gender indicators for each sector in order to systematically consolidate the collection of appropriate gender disaggregated data that is useful in the designing, tracking, improving and/or replicating development responses that are relevant to different needs and priorities of subgroups of men and women, boys and girls, across all sections of Malawian society. Equipping all planners, technicians and senior officers (in both the public and private sectors) with appropriate skills to enable them to analyse, develop and monitor institutional cultures, programmes and budgets that respond to such diverse needs and priorities is the starting point for sustaining inclusive growth. So is building the capacity of Parliament and Civil Society Organizations to provide strong oversight over the relevance of national programmes and budgets to the priorities of subgroups of men and women, boys and girls.

6. Finally, strides in Malawi’s human development will not be made in the absence of strong political and social will. This calls for commitment to development from the highest office in the country to drive the process with the dedication of the entire population. The sentiments of all social levels of the population seem to agree, through the survey of this NHDR, that every Malawian is important in contributing to their country’s development. Already, this provides the best ground on which inclusive growth will be a possible reality. So, the success in obtaining progress of Malawi’s human development will not only rest in the identification of policy gaps and strategies to address them, but the passion, together as Malawians, to realize the vision of a Malawi that we all aspire for.

Signed:
Minister of Finance, Economic Planning and Development
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<td>Accra Agenda for Action</td>
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<td>IRLDP</td>
<td>Irrigation Rural Livelihood and Agriculture Development Project</td>
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<td>UNESCO</td>
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1. INTRODUCTION

1.1 Background

The theme for the 2015 Malawi National Human Development Report (NHDR) is inclusive growth. Defining inclusive growth is itself problematic and while there are several definitions, in this report we are guided by the OECD’s definition of Inclusive Growth as “economic growth that creates opportunity for all segments of population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society” (OECD, 2013). In this regard, a focus on economic elements of growth must be supported with focus on issues of human rights and equity. In this NHDR we give an analysis of the growth trends in general and how the benefits of increased growth and prosperity in Malawi have been shared across society and whether society has contributed to and benefited from the growth and prosperity so far.

Malawi is a landlocked, densely populated country in Southern Africa reporting a total population of 16.4 million in 2013. Gross National Income (GNI) per capita stood at $320 in (2012) and $270 in (2013). The economy remains largely agro-based. In 2012, the agriculture sector (including forestry and fisheries) accounted for about 28.7 percent of GDP, and 82.5 percent of foreign exchange earnings. According to the Malawi Labour Force Survey (2013), skilled agricultural, forestry and fisheries workers account for the highest share of the labour force—44.9 percent (39% for males and 50.9% for females). Agriculture is characterized by a dual structure consisting of largely mechanized commercial estates that grow cash crops, and a large smallholder sub-sector that is mainly engaged in mixed subsistence farming and relying heavily on a single rainfall season. Maize, the staple crop, accounts for 80 percent of cultivated land in the smallholder sub-sector. The main agricultural export crop is tobacco, followed by tea, sugar and coffee. The manufacturing sector is small at 11.0 percent of GDP and even declining. Manufacturing comprises mainly agro-processing activities involving all four export crops tobacco, tea, sugar and coffee. The services sector, including wholesale and retail, transport and storage, accommodation and food service activities, information and communication, and financial and insurance activities represent about 27.7 percent of real economic activities at 2009 constant prices.

Malawi’s population is predominantly a young population. With young people making up more than 60 percent of the population, youth policies need to be more relevant and a central part of the development process. The critical challenges that face this demographic structure of the population include mainly, but not limited to, education (challenges in sustaining education beyond primary and secondary school, ICT), health (HIV and AIDS, high fertility), economic opportunities (employment generation and participation in business, especially in rural settings) and participation in the political space. These challenges are seen as among the key proponents of poverty and ultra-poverty among the youth in Malawi. The rural-urban migration problem is one that affects the youth more.

Malawi experienced rapid economic development during the first one and half decades of independence (1964–79). This was largely due to a development strategy that focused on the promotion of agricultural production, with estates producing export crops, such as tobacco, tea, and coffee; and smallholders producing food, while also supplying cheap labour to the estates.

This National Human Development Report (NHDR) is intended to be a policy advocacy document with the principal objective of stimulating public debate and triggering policy action for human development with a focus on inclusive growth. It aims at building consensus on pressing development issues at the national level and presents alternative, people-centred policy responses on these issues. Its principal audiences are policymakers at all levels and those who hold policymakers accountable for development progress.

2.1. Methodology

In making up this report, three main techniques were adopted. The NHDR employed both quantitative and qualitative approaches to data collection and analysis. Key sources of secondary data include: population census, demographic and health surveys; household income and expenditure surveys; labour
In order to address the issue of inclusive growth, a comprehensive desk research was undertaken with the objective of reviewing all relevant information on development policies, strategies and programmes in Malawi and how they have impacted the livelihood of people in the country. The desk review included a Mapping Exercise, a thorough stocktaking process that collected and provided an assessment of how far growth activities have been inclusive (as a relatively new concept) in Malawi at various levels, i.e., private and public sectors, formal and informal settings.

Secondly, primary data was generated through individual and group interviews involving men, women, children, people with disabilities, people living with HIV/AIDS (PLWHA) and other disadvantaged groups, the private sector and civil society organizations (CSOs). The objective was to solicit opinions regarding their understanding and appreciation of inclusiveness of development interventions, as well as their own perceptions of their contributions to growth activities.

Based on the information from primary and secondary sources of data, as well as the desk research, a number of issues papers were written, highlighting the main development issues in Malawi, in as far as inclusive growth is concerned and suggesting policy solutions. These issues papers, which were validated at a stakeholder’s validation workshop, formed the basic building blocks for this 2015 NHDR.

2. KEY ISSUES

2.1 Inclusive Growth in Malawi’s Development Trajectory

In defining and measuring inclusive growth, we need to establish a link between economic growth and social inclusion by focusing on productive employment that ensures that workers reap the benefits of rising productivity. Another approach to defining and measuring inclusive growth emphasizes making growth pro-poor so that it delivers high income gains for the poor than for the rest of the population in order to reduce inequalities in living standards. A third approach focuses on the economic and non-economic opportunities generated by economic growth and on sharing the benefits of growth in terms of the quality of jobs, the health and education status of the population and/or skills of the labour force. However, from the human development concept approach, inclusive growth assumes that people, irrespective of their socio-economic status, gender, place of residence or ethnic origin, should have fair opportunities to contribute to growth and become part of the growth process, and that they should benefit from the outcomes of the growth process.

Thus inclusive growth, in the context the 2015 NHDR, presupposes growth and equity. The two should go hand in hand—otherwise we have a recipe for social/political upheaval as unequal growth is not sustainable in maintaining growth or the stability and unity of a country. As such, the promotion of equity should be part and parcel of Malawi’s policy goals.

Malawi’s growth performance has been mixed since independence. From independence through to 1979, the Malawi economy registered impressive growth. In more recent times, Malawi’s GDP grew by 9.5 percent in 2007, 8.3 percent in 2008 and 9.0 percent in 2009. GDP growth fell to -9.5 in 2010, and rose to 4.4 percent in 2011. Real GDP growth in 2012 slowed down to 1.9 percent following a contraction in the agricultural and manufacturing sectors, brought on by drought and a foreign exchange shortage. Growth in 2013 and 2014 was projected to rebound to 5.1 and 6.1 percent, respectively. At the same time, Malawi’s export performance has not been very encouraging.

However, the benefits of whatever growth experienced over the years was poorly distributed as majority of citizens still remain poor, especially women, rural dwellers, the elderly and people living with disabilities.

From the mid-1990s, Government allocated the largest share of the total national budget to Social and Community Services, with Education receiving the highest share within this category. However, despite this positive trend towards increased allocations to priority poverty reducing areas, prioritization within the sectors was not optimal. In particular, General Administration continued to account for a large chunk...
of the budget (averaging around 30% over the period). Thus, while allocations to priority areas did increase, resources did not fully reach the intended beneficiaries.

The extent to which a given rate of growth translates into poverty reduction will depend on how distribution of income changes with growth and on initial inequalities in incomes, assets and access to opportunities that allow poor people to participate in generating wealth. Despite the advances made in GDP growth over the years, Malawi’s poverty profile and trends indicate that poverty remains widespread and varied by the rural/urban dichotomy, gender, age and by region. Malawian households are also vulnerable to four major shocks that may increase their likelihood of being poor. These are: (a) the prominence of rain-fed agricultural production systems in Malawi, which makes household potentially vulnerable to climatic shocks; (b) animal and plant diseases, which may lead to major crop and livestock losses; (c) price volatility of maize, tobacco, and fertilizer which could accentuate poverty; and (d) health shocks mostly due to HIV/AIDS, malaria, tuberculosis, and anaemia which are pervasive.

Poverty and inequality are twin brothers. Using consumption per quintile, it was shown that the richest 10 percent of the population had an average per capita income that was 9 times higher than an average per capita income of the poorest 10 percent. The Gini coefficients across the country reveal that inequality was slightly higher in 2011 (0.452) than in 2005 (0.390). Again the Gini coefficients depict differences in the degree of inequality amongst the country’s three administrative regions: highest in the South, followed by the Centre and the North. In all the regions, inequalities increased slightly between 2005 and 2011 and were higher in the urban areas than the rural areas.

In the area of governance, it is also generally recognized that if local people are consulted about development of their area and lives, it is more likely that such development will meet the perceived needs of the people. Good governance in all its ramifications, including the full integration of traditional leaders in the governance structure has been shown to complement growth and more specifically inclusive growth. Some governance issues peculiar to Malawi include: a lack of corporate social responsibility by the private sector; limited space for public policy debate; little respect for rules and procedures; and failure to harness the potential role of the youth in politics. The issues of an efficient and effective civil service and the promotion of the development and implementation of home grown policies were also touched in this report.

2.2 Drivers of Inclusive Growth

Agriculture is the dominant driver of growth in terms of its contribution to GDP and employment. Its contribution to GDP has ranged between 39.6 percent during the 1970–79 period and 29.1 percent during the 2010–2013 period. Agriculture’s nationwide contribution to total employment in 2013 was 64.1 percent. It was as high as 70.4 percent in the rural areas. The government supports a dual agriculture strategy where estates grow high value cash crops (tobacco, tea, sugar and coffee) for export and the smallholder agricultural sector is aimed at increasing output and productivity to meet the food security needs and the cash requirements of the rural population.

The initial impact of the reforms implemented in the agricultural sector led to a substantial increase in the production of tobacco as well as private sector participation in marketing of agricultural produce. The liberalization of burley tobacco production alone generated around US$185 million of revenues for the rural sector, which stimulated the growth of trading, transport and other income. However, over time, these benefits were offset by input prices increasing faster than producer prices; and during years of bumper crops, smallholder farmers lost out because producer prices often collapsed without any remedial government interventions.

There is huge potential for the mining and minerals sector to grow because of: the existing political stability; increasing presence of international mining companies; the investment government and mining companies are making in the exploration of minerals; and the diverse mineral deposits that have already been identified. The mines and minerals sector could, therefore, contribute to GDP growth; creation of job opportunities; industrial development and increased business opportunities for provision of goods and services to the sector; foreign exchange earnings; technology transfer; enhanced human capital development; and the generation of increased Government revenue from royalties and other taxes which
could be invested in health, education, and the mitigation of environmental damage caused by extraction and processing of minerals.

In spite of the global evidence that large-scale mining is unlikely to directly contribute to inclusive growth through employment, Malawi has no policy for promoting artisanal small-scale mining which has the largest potential for generating employment. Many small-scale miners lack training, capital and appropriate technology—which results in low mine productivity, environmental degradation, and poor occupational health and safety outcomes. Although mining could contribute to enhanced human capital and skills development, there is no government policy requiring investors in the mining and minerals sector to provide human and skills development plans aimed at enhancing employment of Malawians in the industry.

Malawi has a number of precious and semi-precious stones mined by a large number of small-scale miners. However, since the artisanal miners are not organized and there is no organized market for gemstones, most of the gemstones and semi-precious stones are smuggled out of the country with very little benefits accruing to the small-scale miners and the State.

In spite of the Mines and Minerals Act (now out-dated and under review), Malawi has not yet taken advantage of the many possibilities for provision of goods and services to the mining sector because the country lacks capacity to identify and promote business opportunities related to new investments. Hence such goods and services continue to be imported thereby limiting the induced and indirect impact of mining on development and inclusive growth.

The travel and tourism (T&T) sector in Malawi is still in its infancy, but it offers great potential for the development of the country as a source of GDP growth, foreign exchange earnings, and employment. Malawi possesses a number of T&T related resources and these remain largely undeveloped due to resource constraints. Human resources for law enforcement against illegal activities in protected areas, the provision of support infrastructure to tourism attractions and destination marketing, are the main constraints to T&T development.

2.3 Enabling Factors for Promoting Inclusive Growth

An analysis of the education sector shows that the National Education Sector Plan (NESP) continues to act as a policy document for the period 2008-17. To make education more inclusive, the NESP for the first time integrated Early Childhood Development, Complementary Basic Education for out of school youth and Adult Literacy within basic education, sub-sectors that had been the preserve of Ministry of Gender, Children and Social Welfare. An additional notable change was the integration of Technical, Entrepreneurial and Vocational Education (TEVET), which has traditionally been implemented by the Ministry of Labour, into education. These changes strengthen the policy base for inclusive growth since it encompasses lifelong learning and skills development even for those people that would have missed their chance for education at the right age and time through drop out. However, the integration has been bedevilled with technical challenges of monitoring.

The inclusive strategies of the NESP are further supported by other existing policies including the free primary education policy which was implemented in 1994/95 to allow disadvantaged children to access primary education; uniform policy that allows children from poor households to attend school without school uniform; girls re-admission policy that allow girls who drop out of school due to pregnancy to go back to school after delivery. The policies create an enabling environment for all children, irrespective of their socio-economic status, geographical location and gender, to attend school and acquire the necessary knowledge and skills for active participation in productive economic activities. These led to a dramatic growth in primary school enrolment even as many children are still excluded from access.

Access to secondary education has equally increased over the past two decades partly as a consequence of increasing primary school enrolment following the free primary education policy. This has led to increased private participation in secondary education and in 1999 it led to the secondary school
unification policy that saw recognition of Distance Education Centres as normal secondary schools known
by the name Community Day Secondary Schools (CDSSs).

Despite this, the transition rates from primary to secondary level is 57.8 percent which means over 40
percent of the children that complete primary education do not make it to secondary school.

University education contributes to inclusive growth in a number of ways. University education leads to
knowledge and skills development that enables one to access decent employment or indeed self-
employment for individual and national returns. It supports the rest of the education system through
development of appropriate and relevant curriculum and training of teachers. However, it suffers from
the problem of access due to the limited number of places available in the country’s four universities.

Technical and Vocational Education and Training (TEVET) is necessary not just because it leads to self-
employment for inclusive development but also because its enrolment comes from the vast majority of
the school leavers that do not find places in the university who would otherwise have been wasted in the
community. With regards to equity, enrolment is biased towards boys as they constitute 65 percent of the
students enrolled in TEVET colleges in 2012. This, which is largely a result of merit selection policy, has
undesirable effects on girls’ enrolment who often do not achieve as well as the boys. The use of MSCE as
an entry qualification for TEVET has contributed in part to the low numbers of girls enrolled.

Quality of education on offer at all levels is a major enabling factor for inclusive growth. While tremendous
 gains have been made in upgrading the curriculum, insufficient teaching and learning resources in form
of teachers, textbooks and classrooms have been a major setback in achieving quality. The rural urban
inequities in resource allocation are also rife in both primary and secondary schools.

With regards to quality in university education, the basic problem is that some of the science and
technology programmes do not impact skills that are matched to the job market. The students in science
and technology programmes often end up as teachers in a country where industries are limited. The
inclusion of mining at the newly established Malawi University of Science and Technology is a move in the
right direction as the country is looking into mining as one of the ways of diversifying sources of growth.

Quality in the TEVET system is largely affected by resource constraints. While inadequate equipment and
facilities top the list as the factors that affect quality, inadequate practical competencies of the teachers
is another factor. It is not known whether TEVET teachers are trained as indeed there is no TEVET teacher
training institution in the country. However, tracer studies (World Bank, 2010) have shown that there is
high employability and at the same time high satisfaction with the TEVET graduates. This paints a picture
of high relevance of the curriculum to the needs of industry and other employers.

Three of the eight Millennium Development Goals (MDGs), relate directly to health as follows: Reduce child
mortality (MDG 4), Improve maternal health (MDG 5) and Combat AIDS, malaria and other diseases (MDG
6). Since the establishment of the National Health Strategic Plan, considerable improvements in the
delivery of an Essential Health Package (EHP) have been registered resulting in reduction in infant and
child mortality rates, pneumonia case fatality and maternal mortality, among others.

The NHDR 2015 shows that Malawi’s rural areas have fewer health centres. Maternal mortality over the
years shows a declining trend although still very high at 675 deaths per 100,000 live births in 2010. The
implication is that the MDG target would be missed. There is still a yawning gap between rural and urban
maternal mortality rates.

HIV continues to be one of the major communicable diseases in Malawi despite the initiatives that have
been implemented to combat it. Within the NHSP, the HIV/AIDS component is allocated the greatest
resources. Thus the continued high prevalence of the disease (8.1 and 12.9% respectively for men and
women) in 2010 could only be due to poor implementation.

Non-Communicable Diseases (NCDs) such as cardiovascular diseases (heart diseases and stroke), cancer,
respiratory diseases and diabetes mellitus are also a major cause for mortality and morbidity in Malawi. A
study conducted in Malawi between July and September 2009 revealed that NCDs are indeed a problem
in the country.
The major challenges affecting the health delivery system include lack of essential drugs and qualified health personnel, inadequate health facilities which are also few and far between, and recourse to traditional medicine as first line of treatment.

**Food scarcity in Malawi has developed into a chronic economic challenge since the early 1990s, and has limited the capacity of the people of Malawi to participate in productive activities that influence economic growth. By October 2012, about 2 million Malawians were in need of food aid.** The local demand for food is on the rise in a country that is heavily dependent on rain-fed agriculture, making it more vulnerable to seasonal shocks and eventually susceptible to food aid as a viable social protection mechanism. The net effect of food scarcity is that Malawi has a stunting rate of 42.4 percent which is a drop from 47 in 2010; an underweight rate of 16.7 percent which is an increase from 13 in 2010; and a wasting rate of 3.8 percent which is only a slight improvement from 4 in 2010.

**Employment generation is an important catalyst for inclusive growth for several reasons. Providing gainful employment and securing livelihoods is a poverty alleviation strategy. Growth is, therefore, inclusive if it supports high levels of employment and rising wages.**

The evidence shows that employment participation in Malawi is not inclusive. A highly significant proportion of women (31.6%) with secondary education are not employed compared to their male counterparts (16%). Again, though young people aged 15–19 years have a lower employment rate of 70.5 percent when compared to other age groups, the figure can be a worrying indicator of young people’s limited access to education, which makes them to drop out and resort to work in order to earn a living.

The YEDF, established to take unemployed youth out of poverty through entrepreneurship, has been fraught with corruption and political interference at all levels. There are wide allegations that politicians (both Cabinet Ministers and MPs) mostly prescribe the beneficiaries list and the geographical distribution of the beneficiaries. Apart from defeating the spirit of inclusiveness, this approach means that most youth beneficiaries likely regard the “loans” as rewards for serving the interests of politicians, a factor that has contributed to low loan recovery.

Some of the barriers to equal employment opportunities for and treatment of women in the workplace are discrimination on the grounds of maternity and sexual harassment. These include: short periods of maternity leave than the legal minimum period of 8 weeks; resistance by employers to employ women in reproductive age groups; and sexual harassment — found to be rampant due to lack of institutional written policies prohibiting the malpractice.

**Malawi has one of the least developed transportation infrastructures in Sub-Saharan Africa. Of all the unpaved roads in the country, 48 percent were judged to be in poor condition in 2005 and one study of road conditions in Malawi found that 38 percent of villages were not accessible by motorized vehicles for the five-month rainy season.** The country needs feeder roads to open up rural areas for development activities such as agriculture, social services and businesses to ensure accessibility throughout the year.

**The energy sector in Malawi is in a precarious state. With intermittent electric power supply, high connection costs and low renewable technologies, firewood has remained the main source of fuel for cooking to 87 percent of the population. Only 1 percent of the rural population has access to electricity.** The Millennium Challenge Account-Malawi (MCA-Malawi) is focused on improving the energy sector under a five-year US$350.7 Million Compact that was signed in 2011.

**Resources constraints concern mainly access to finance and land. Malawi’s banking sector is predominantly privately owned comprising 11 banks.** The sector is worth MK472bn in deposits and MK275bn in customer loans and advances as of December 2013, with four banks controlling more than two thirds of this market. The two largest (Standard Bank Malawi and National Bank of Malawi) account for more than 40 percent of market share.

More than half of the eligible population are completely excluded from the financial system in Malawi. Of those who are excluded, the majority tend to be rural-based, female and with little or no education. Less than a quarter of adults surveyed had access to a bank account showing the low penetration rates of formal financial institutions. Access to financial services is much lower in rural than in urban areas and a bit lower for women than men.
In Malawi, property rights are guaranteed by Section 28 of the Constitution—every person has the right to acquire property alone or in association with others. Women are also expressly assured of this right regardless of their marital status, but this right is hardly enforced. Land ownership and distribution is also highly unequal. While about 2 million smallholder farmers cultivate on average less than 1 hectare, 30,000 estates cultivate 100–500 hectares. If agriculture is to facilitate inclusive growth by being a dependable source of livelihoods issues of land distribution must be tackled.

Property dispossession continues to be a problem that haunts most widows and orphans, mainly due to omission by the State to enforce existing laws and punish perpetrators. After the new inheritance law was passed in 2011, property dispossession continues to be largely regarded as a private matter that should be resolved outside the criminal justice system. Within the context of inclusive growth, improving women’s control over assets such as land can, therefore, have powerful consequences for women’s autonomy and the well-being of their families.

2.4 Conditions for Promoting Inclusive Growth

Since 1994 Malawi has pursued a number of governance interventions with a view to promoting inclusive growth. The adoption of the new Constitution in 1995 which included provisions on human rights, rule of law and popular participation in decision-making was the first step in empowering ordinary people to fully participate in determination of their future.

Political leadership has not been transformative in galvanising the people around nationally developed long-term development agenda, the Vision 2020. The leadership has continued to institute new development strategies with little reference to the Vision 2020 and lessons learned in the past 50 years since independence.

In support of the human rights provisions of the Constitution and with a view to nurturing and consolidating multiparty democracy and good governance, Government set up new national institutions. These include Parliament, Malawi Electoral Commission (MEC), Malawi Human Rights Commission (MHRC), Law Commission, Anti-Corruption Bureau, and the Office of the Ombudsman to prevent human rights abuses, and facilitate the participation of people in the development process as well as in accessing the benefits of development.

One key factor that erodes the demand for socio-economic rights is the inability of ordinary people to make a link between service delivery and constitutionally guaranteed rights. The low capacity of both males and females to demand their rights has been attributed to (a) the lack of knowledge about the content of human rights; (b) the inaccessibility of institutions to which demands can be made; and (c) the low public’s confidence in public institutions where demands can be made. These factors, in addition to inadequate reporting of human rights violations, tend to exacerbate social exclusion of the already disadvantaged in Malawian society.

Poverty is so widespread in Malawi that it has not been easy to meet the social support needs of vulnerable Malawians so as to enable them enjoy their rights and participate in the development process and in the sharing of the benefits. Social support programmes are being implemented at various stages in the areas of cash transfer, public works, school feeding, irrigation and food security, microfinance. The challenge is that all of them have very low coverage, and are not guided by poverty vulnerability profiles of beneficiaries, thus weakening the targeting of deserving beneficiaries in districts worst affected by poverty (most of which are in the Southern region).

Experiences from the community, however, reveal that the concept of social protection is not well understood, as almost everyone expects to benefit from interventions. Moreover, such programmes have mainly been donor funded, which is a threat to its sustainability and capacity to consistently support the ultra-poor until poverty is eradicated.

Gender responsive budgeting (GRB) is a powerful strategy for increasing incomes and improving access to resources and services by marginalized groups. GRB targets planning and budgeting at the needs and priorities of men and women, boys and girls that face any gender specific barriers that are preventing them
from accessing certain opportunities and services. Malawi does not have a strong gender responsive budgeting approach that is engrained in the public financing system. The capacity to implement GRB amongst planners and management is inadequate, and ministries, departments and agencies have no strong obligation to collect gender disaggregated data in order to facilitate their programming.

3. **KEY RECOMMENDATIONS**

3.1 **Inclusive Growth in Malawi’s Development Trajectory**

Malawi should enhance policy formulation and implementation by strengthening policy analysis, through the establishment of an independent Policy Research Unit, and inculcating a culture of “management for results” within the public service.

Malawi should start generating its own set of inclusive growth outcome indicators based on her inclusive growth strategies in order to track progress of achievements in the implementation of national development plans. With regard to existing data, Malawi needs to consider tracking measures that promote inclusive growth such as: (a) per capita income growth rates among the poor; (b) self-employment and wage-employment for defined marginalized groups, such as women and youth in order to track their participation in the growth process.

3.2 **Drivers of Inclusive Growth**

As the Agricultural sector is the main driver of economic growth as well as food security in the country, agricultural production policies should not only promote increased agricultural productivity for both the estates and the small-holder sub-sectors, but should also embrace crop and input pricing policies that support enhanced agricultural production and food security. Promote farmers clubs and cooperatives which will empower farmers to negotiate for better agricultural inputs and produce prices, including access to agriculture research and extension.

Malawi should intensify efforts in increasing small-holder agriculture productivity through: innovations in use of high yielding seed varieties; formation of small-holder production and marketing associations; expansion of irrigation small-holder farm schemes; and soil conservation so as to conserve soil fertility.

Agro-processing should be intensified in order to minimise the vagaries of price fluctuations associated with unprocessed agricultural products and in order to add more value to agriculture produce in general, thereby creating jobs which will benefit more people and create demand for more agriculture products.

Malawi needs to add value to its mineral resources through processing. The country, therefore, needs to attract investment and provide appropriate incentives for mineral processing to add value to exports. Efforts should be made to link artisanal small scale mining (which has a high potential to generate more jobs than large-scale mining operations) to medium- and large-scale mining operations.

Malawi needs to build local capacity in the negotiation of mining contracts and agreements as well as in enforcement of mining agreements including capacity and skills for overseeing and monitoring the operations of mining and mineral exploration companies. There is need to involve local communities and traditional leaders in the negotiations for mining agreements with mining companies in order to build confidence and trust between the mining companies, government and local communities to avoid the mistrust. This will also allow community input in the selection of corporate social responsibility projects.

It is recommended that Government should encourage and plan for local production of some of the imported items for mining which will further increase GDP, employment beyond the initial operations of mining raw minerals.

Malawi should build capacity for collection and analysis of tourism statistics which can be used to assess the economic impact of the sector and guide policy makers on needed policy interventions to ensure that the sector yields the desired long-term objectives of economic growth.

There is need to safeguard the ecosystem of the areas surrounding Lake Malawi. The Ministry of Tourism, Wildlife and Culture, together with the ministries responsible for natural resources and environment,
should take the lead in ensuring that environmental impact studies are carried out for all major investments likely to affect Lake Malawi and its catchment areas.

In order to increase GDP growth in the T&T sector there is need to: develop support infrastructure (electricity, water and transport); restock wildlife reserves and national parks and protect animals; intensify marketing of the country as a preferred tourist destination, and aggressively put measures to increase flights to Malawi, including direct flights from Europe; train more staff, supervisors, and managers in the tourism sector; and simplify the system of Visa issuance for tourists among others.

### 3.3 Enabling Factors for Promoting Inclusive Growth

There is need to upgrade infrastructure in all subsectors of education so as to increase enrolment for primary, secondary and tertiary education, to ensure equity between girls and boys at all levels. To this end the Ministry of Education, Science and Technology needs to create robust relationship with the private sector engaged in education to help in increasing access and developing relevant curricula.

Ensure that girl’s enrolment and progression at primary school level is promoted through the roles of existing community-level structures such as *Mother Groups* that advocate for avoiding pregnancies and child marriages, and enhance school demand for the poor and vulnerable through sensitization, advocacy, school meals, cash transfers, etc.

Create incentive mechanisms for teachers in all schools so that qualified teachers should be enabled to go and teach in rural schools where positions would be available. This should be true for both primary and secondary schools.

Ensure more equitable teacher allocation in secondary schools especially among CDSS and conventional secondary schools; in addition, ensure equitable distribution of teaching and learning materials such as laboratories, textbooks throughout the country and especially in the different types of secondary schools.

There is need to consider greater student access to practical and skills-based subjects such as metalwork, woodwork, etc., at secondary school level to ensure that the majority of the students, whose education ends at this point, acquire some skills that they can use to advance their lives.

The vocational and skills training sub-sector should be expanded to accommodate more people so that they acquire the skills necessary for benefitting from the productive economic activities available in the country. Further, strengthen the regulatory power of TEVETA in order to allow for better coordination and regulation of the sub-sector and systematically apply the CBET approach to all different groups of students attending TEVET trainings.

Given the importance of TEVET for skills development to enhance productivity, it is imperative not only to increase the number of places in TEVET system but also to develop and implement graded skills programmes for the less qualified students to improve their knowledge and skills for enhanced participation in the economy. Thereafter such youth would be qualified to take the higher level courses and programmes.

The University curricula should be made more relevant to the needs of the local industry and expand Open Distance Learning (ODL) programmes in the university in order to increase student access.

Complementary Basic Education should be rolled out to other districts in order to help ensure that all children that dropped out of school acquire functional literacy and other skills they need to live productive lives. At the same time, EMIS should include statistics on student enrolment in CBE and adult education programmes.

It might be useful to consider making the curricula of adult literacy programme relevant by addressing issues that directly affect them such as health and agriculture which are themselves sources of growth.

Implement nutrition interventions that target rural areas, especially of the Central and Southern regions of the country, and enhance education of mothers as a long term strategy to reduce child nutrition problems and therefore reduce infant and under-5 mortality.
Improve and expand health facilities in rural areas and ensuring that these have adequate drugs. Since education contributes to wealth of households using the human capital theory, this should be taken as the long-term solution to improving child mortality and morbidity in an inclusive manner. In the short-term, however, child health campaigns in the country should pay special attention to rural areas especially of the central and southern regions.

Improve utilization of post-natal care for women who have recently delivered and, institute follow-up mechanisms for beneficiaries during antenatal care visits. To this end, all health facility deliveries should be accompanied by requisite postnatal check-ups to improve the situation.

Train additional health personnel by increasing the in-take of existing health personnel training institutions especially for nurses and improve conditions for health workers through appropriate packages, to enhance health worker retention.

Increase availability of health technologies for prevention, screening, diagnosis, and treatment of communicable and non-communicable diseases. Improve availability of essential drugs and medical supplies by identifying more viable financing sources to reduce dependence on donor funding.

It is important that any interventions to reduce incidence of HIV should target educating urban women and men especially those belonging to the highest wealth quintile to change their attitudes. Popularization of condom use especially to women in urban areas should also be strengthened.

Employment and labour related policies and planning must remove constraints to growth for the poor, women, people with disabilities, the youth and others that face various forms of marginalization or discrimination in the labour market. Achieving this requires the equitable distribution of employment opportunities within the country by not leaving others in the country’s labour force behind.

Employment generation efforts must also address factors that contribute to the precariousness of informal employment in order to make the sector advantageous and more inclusive. Stakeholder consultations noted that apart from lack of education and skills, inadequate capital, lack of markets, shortage of value addition and labour saving technologies, inaccessible roads and transport challenges affect the growth of those in informal employment.

Attaining inclusive growth through employment generation will mean enforcing anti-discrimination measures that can provide women with more rewarding career opportunities, and promote essential workforce training for meeting macro-economic objectives.

There is need for improved governance within the roads sub-sector, and more vigilance in project implementation so as to make construction companies more accountable to the citizenry in the provision of timely services. Improved project financing and removal of inefficiencies in development and maintenance of roads and establishment of rules and regulations that are enforceable to ensure that contractors were held accountable must be pursued.

The government should make the energy sector robust and efficient, through a more liberalized, private sector-driven energy supply industry. Transform the country’s energy economy from one that is overly dependent on biomass to one with a high modern energy mix.

Regarding access to finance, the banking sector need to install and use technologies such as mobile-banking and introduce innovations and regulations in the financial sector that lead to lower transaction costs which improve accessibility of financial services to the vulnerable segments of society.

Expand scope of available financial services to include those that are specially targeted and suitable for vulnerable segments of the society, such as poor rural women, those with low salaries, and those operating marginal businesses.

The Banking sector in Malawi should mount customer education and awareness campaign to educate consumers of financial services, the benefits (low cost) of new financial services such as mobile banking and other new payment products with a view to helping low-income consumers to test and trust these new products.
There is a deep need to protect women and orphans from property dispossessions and generally to strengthen women’s property rights because property can help ease the impact of HIV and AIDS on those living with the disease. This calls for a political will to enforce the new inheritance law and CBOs must do the advocacy which gives teeth to the law to bite.

3.4 Conditions for Promoting Inclusive Growth

Malawi needs to enhance overall participation by the public at large, through representatives (elected MPs at national level, elected representatives at District, Ward, Area and Village levels) in the development and implementation of inclusive growth strategies to ensure that the various inclusive growth programmes are addressing the perceived needs of the concerned beneficiaries.

There is, therefore, an urgent need to build capacity for nurturing and electing transformative leaders capable of generating alternative scenarios of inclusive growth in view of the evolving regional and global socio-economic environment and competition for foreign direct investment needed to boost local investment.

There is the need to clarify roles and responsibilities of councillors and members of parliament (who have been performing roles of councillors for most of the post single party rule period, 1994–2014) in the development process at the local level. Government should also start enhancing the capacity of district councils to plan, implement, and monitor local development initiatives by relocating some of the national capacities to the districts in order to enhance district development programme implementation and absorption capacities.

Malawi needs enhanced policy focus on empowering and developing the youths and young children. This can be done through establishment of national youth programmes that the country’s youth can identify with, one similar to the Malawi Young Pioneers (MYP) Movement where opinions of the youths can be sought and where youths can be trained in various technical and entrepreneurial skills besides ensuring that issues affecting the youth get adequate attention.

Build the capacity of the Ministries of Finance and Economic Planning and Development to lead gender responsive budgeting efforts across all sectors in close collaboration with the Ministry responsible for gender. This includes ensuring that the Ministry of Finance has adequate capacity to: develop budget call circulars that provide clear guidance on gender mainstreaming, and is able to diligently monitor their implementation; and to fully integrate gender into Medium Term Expenditure Frameworks and economic policies.

Allocate adequate resources for the implementation of gender related laws such as the Prevention of Domestic Violence Act, the Deceased Estates (Wills, Inheritance and Protection) Act of 2011, the Gender Equality Act of 2013 in order to address challenges that women face in relation to their economic empowerment and health rights and other gender related challenges in the areas of trade and business, marriage, politics, citizenship, HIV, abortion, etc.

Support a persistent campaign to delay child birth and keep girls in school up to college level. This includes implementing strategies aimed at ensuring that girls have supportive infrastructure, and that teen mothers are encouraged and supported to go back to school after child delivery, and speed up efforts to expand the availability of safe abortion services by reviewing relevant laws and devise customized strategies for the prevention of unwanted pregnancies and uptake of contraceptives by different age groups.

Malawi has to develop policies that have a direct inclination towards addressing the problems experienced by People with Disabilities, People Living with HIV and AIDS, and the Elderly to allow them adequately benefit from development as well as enable them participate fully in development activities.

Develop laws, policies and programmes that respect and strengthen all dimensions of property rights. This includes land rights of smallholder farmers in the context of large scale land acquisitions (for agriculture
and mining); property and land rights of men and women in matrilineal and patrilineal areas; and women’s property rights in marital unions and after the death of spouses.

Strengthen the financial, human resource and logistical capacity of the Malawi Congress of Trade Unions in order for it to play a more robust and effective role in safeguarding labour rights, and support the full implementation of the Democratic Governance Sector Strategy (2013–2014) as a way of strengthening institutions that are key to the promotion of human rights.

Review budget allocations for MHRC, Office of the Ombudsman and formal courts with a view to addressing their operational and accessibility challenges, and review and improve the quality and reach of programmes aimed at strengthening the capacity of citizens to demand their rights and to report human rights violations.

Routinely monitor and evaluate social protection programmes by using all the variables that are targeted in Social Support Policy, namely the elderly, the chronically sick, orphans and other vulnerable children, persons with disabilities, and destitute families. Ensure that the data for the various groups is consistently sex disaggregated to allow for improved targeting.

Work towards funding the bulk of social support through government financing so that there is less donor dependency in social support programmes, as this threatens sustainability.

Scale up district level social support programmes so that the Local Government are able to reach the ultra-poor in all Traditional Authority Areas of Malawi. This would also apply to other interventions that are being implemented by donors. Focus should be on districts and regions that are lagging behind, and a consideration of social support needs of the urban poor is pertinent.

It is extremely important that Malawi do whatever it takes to de-politicise social support interventions, particularly cash transfer and public work cash support.
CHAPTER ONE
STATE OF HUMAN DEVELOPMENT: TRACING TRENDS IN INCLUSIVE GROWTH

1.1 Overview and Background

Malawi is a landlocked, densely populated country in Southern Africa reporting a total population of 16.4 million in 2013. Gross National Income (GNI) per capita stood at $320 in (2012) and $270 in (2013).\(^1\) The Malawi economy remains largely agro-based. In 2012, the agriculture sector (including forestry and fisheries) accounted for about 28.7 percent of GDP, and 82.5 percent of foreign exchange earnings. According to the Malawi Labour Force Survey (2013), skilled agricultural, forestry and fisheries workers account for the highest share of the labour force—44.9 percent (39% for males and 50.9% for females). Agriculture is characterised by a dual structure consisting of largely mechanized commercial estates that grow cash crops, and a large smallholder sub-sector that is mainly engaged in mixed subsistence farming and relying heavily on a single rainfall season. Maize, the staple crop, accounts for 80 percent of cultivated land in the smallholder sub-sector. The main agricultural export crop is tobacco, followed by tea, sugar and coffee. The manufacturing sector is small at 11.0 percent of GDP and declining. Manufacturing comprises mainly agro-processing activities, including tobacco, tea and sugar. The services sector, including wholesale and retail, transport and storage, accommodation and food service activities, information and communication, and financial and insurance activities represent about 27.7 percent of real economic activities at 2009 constant prices.\(^2\)

Malawi experienced rapid economic development during the first one and half decades of independence (1964–79). This was largely due to a development strategy that focused on the promotion of agricultural production, with estates producing export crops, such as tobacco, tea, and coffee; and smallholders producing food crops, while also supplying cheap labour to the estates. The onset of the 1970s oil crisis, coupled with the Mozambican civil war, led to a combination of external shocks and macro-instability which resulted in volatility and stagnation in the economy and a steep decline in living standards. Between 1981 and 1994, Malawi implemented several structural adjustment programmes (SAPs), supported by the IMF and the World Bank, to address structural weaknesses and adjust the economy to attain sustainable growth and poverty reduction. The SAPs, due to their limited success, were replaced by other strategies which focused on growth and poverty reduction, albeit in varying degrees. These key phases are discussed later in this chapter.

Despite several episodes of rapid growth experienced by Malawi over the past five decades, most commentators indicate that such growth has not translated into poverty reduction, nor has it led to inclusive growth. The National Human Development Report (NHDR) reviews the strategies pursued in Malawi since independence to-date, and their outcomes in terms of inclusion, divided into three key phases which are relevant to major economic reforms, as follows: i) Pre-Reform (1964–1979); ii) Reform (1981–2002); iii) Post Reform (2003–11).

From a human development perspective, Malawi’s HDI value for 2013 of 0.414 places the country in the low human development category at 174 out of 187 countries and territories, indicating challenges the nation faces in improving living conditions of its people and advancing the economy to better cater for all of its citizens. Between 1980 and 2013, Malawi’s HDI value increased from 0.270 to 0.414, an increase of

\(^1\) See World Development Indicators,
53.3 percent or an average annual increase of about 1.30 percent. Between 1980 and 2013, Malawi’s life expectancy at birth increased by 10.9 years, mean years of schooling increased by 2.4 years and expected years of schooling increased by 6.0 years. Malawi’s per capita gross national income (GNI) increased by about 16.1 percent between 1980 and 2013 (see Table 1.1).

Table 1.1: Malawi’s HDI trends based on consistent time series data and new goalposts

<table>
<thead>
<tr>
<th>Year</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2011 PPP$)</th>
<th>HDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>44.4</td>
<td>4.8</td>
<td>1.8</td>
<td>0.616</td>
<td>0.27</td>
</tr>
<tr>
<td>1985</td>
<td>46.1</td>
<td>4.6</td>
<td>2.1</td>
<td>0.570</td>
<td>0.275</td>
</tr>
<tr>
<td>1990</td>
<td>47.2</td>
<td>5.3</td>
<td>2.5</td>
<td>0.481</td>
<td>0.283</td>
</tr>
<tr>
<td>1995</td>
<td>46.7</td>
<td>11.1</td>
<td>2.7</td>
<td>0.466</td>
<td>0.336</td>
</tr>
<tr>
<td>2000</td>
<td>46.0</td>
<td>10.3</td>
<td>3.0</td>
<td>0.543</td>
<td>0.341</td>
</tr>
<tr>
<td>2005</td>
<td>49.0</td>
<td>9.6</td>
<td>3.4</td>
<td>0.707</td>
<td>0.368</td>
</tr>
<tr>
<td>2010</td>
<td>53.5</td>
<td>10.6</td>
<td>4.2</td>
<td>0.719</td>
<td>0.406</td>
</tr>
<tr>
<td>2011</td>
<td>54.2</td>
<td>10.8</td>
<td>4.2</td>
<td>0.729</td>
<td>0.411</td>
</tr>
<tr>
<td>2012</td>
<td>54.8</td>
<td>10.8</td>
<td>4.2</td>
<td>0.701</td>
<td>0.411</td>
</tr>
<tr>
<td>2013</td>
<td>55.3</td>
<td>10.8</td>
<td>4.2</td>
<td>0.715</td>
<td>0.414</td>
</tr>
</tbody>
</table>

Source: UNDP (2014a)

Figure 1.1 shows the contribution of each component index (life expectancy, education and income—GNI per capita) to Malawi’s HDI since 1980 which clearly shows that the increase in the HDI value has mostly been due to the increase (by 10.9 years) in life expectancy and education (mean years of schooling increased by 2.4 years and expected years of schooling increased by 6.0 years).

Currently Malawi is implementing its second Malawi Growth and Development Strategy (MGDS II, 2011–2016). The NHDR provides in-depth analysis on the sources and potential sources of growth in Malawi; evidence-based analysis of participation of various groups in Malawi’s society in the development process; evidence (i.e., quantitative and subjective information sourced from carefully-selected informants) using statistical analysis on the extent to which the wealth distribution mechanism in Malawi’s economy is efficient, in economic welfare respects, to ensure that it reaches the poor and often marginalized groups; and finally, it suggests medium- to longer-term policy solutions in making ‘inclusive growth’ a fruitful
engagement in Malawi’s poverty-reduction strategy and acceleration to meeting the Millennium Development Goals as well as Malawi’s Post-MDGs aspirations.

1.1.1 Definition of inclusive growth

Although there has recently been wide discussion of inclusive growth in the economic literature and among policy makers, the concept still lacks a widely accepted definition. We will, therefore, begin by finding a common understanding of the main elements of inclusive growth and conditions under which growth can be inclusive. In the African Development Bank’s (AfDB) Strategy 2020 for poverty reduction, inclusive growth is considered to be one of the three strategic objectives, along with environmentally sustainable growth and regional cooperation and integration. The Strategy 2020 describes inclusive growth based on 3 pillars, namely:

i. High, sustainable growth to create and expand economic opportunities;

ii. Broader access to these opportunities to ensure that members of society can participate and benefit from growth; and

iii. Social safety nets to prevent extreme deprivation (AfDB, 2008).

One suggested approach of defining and measuring inclusive growth is to establish a link between economic growth and social inclusion by focusing on productive employment, so that economic growth can generate the jobs needed to absorb a growing population, meet the demands of the private sector for skills and competencies, and ensure that workers reap the benefits of rising productivity. Alternative approaches emphasize making growth pro-poor so that it delivers higher income gains for the poor than for the rest of the population in order to reduce growth inequalities in living standards. The other approach is to focus on the economic and non-economic opportunities generated by economic growth and on sharing the benefits of growth in terms of the quality of jobs, the health and education status of the population and/or skills of the labour force. From the human development concept approach, inclusive growth could mean that people, independent of their socio-economic status, gender, place of residence or ethnic origin, should have fair opportunities to contribute to growth and become part of the growth process, and that they should benefit from the outcomes of the growth process. This approach can be extended to include non-monetary drivers of human development such as education, health, gender and the environment.

Inclusive growth can also be looked at as both a process and an outcome. As a process, inclusive growth is somewhat related to broad-based or labour-intensive growth. The term “inclusive” carries with it the notion of non-discrimination. Thus, from the process approach, inclusive growth can be characterized as broad-based growth that includes non-discriminatory participation (Klasen, 2010, p.2). On the other hand, inclusive growth focuses on outcomes of the growth process (i.e., inclusive growth benefits many people). Inclusive growth could be defined as mainly benefiting groups that are otherwise disadvantaged; such growth is more appropriately defined as “disadvantage-reducing” growth. In this regard, one could think particularly about growth that reduces regional, ethnic, or gender disadvantages, and this might be one useful way to differentiate an outcome-focus of inclusive growth from pro-poor growth. Thus, in terms of outcome, inclusive growth could be termed “disadvantage-reducing” growth (Klasen, 2010).

Therefore, women’s participation in processes of growth will contribute to the inclusiveness of growth, not merely because women constitute the majority of the population, but also because women’s access to economic resources improves distributional dynamics within the household. Inclusive growth, by
encompassing the hitherto excluded population, can bring in several other benefits as well to the economy.

Figure 1.2 highlights the major flows that describe inclusive growth both as a process and as an outcome. As a process, we consider the notion to encompass the expansion of opportunities for all people to ensure that they are affected by the development process and other interventions. This includes exercising the right to participate in productive economic activities in various development sectors while having a say on the orientation of the growth process. It also includes the assurances that the economic system provides out of growth, for vulnerable populations by making available safety nets and social protection services. Secondly, its definition as an outcome of growth encompasses income outcomes in the general considerations of pro-poor growth. This means that people in various circumstances need to be considered as principal beneficiaries of economic growth, in terms of the alleviation from income poverty as well as poverty under its multi-dimensional manifestations that ensure a higher level of wellbeing that is attained beyond income-based interventions. In line with these two main pillars of inclusive growth definition, it is important to note that the tenets of process and outcome, properly realized, have the potential to reinforce each other over the long-term.
Thus inclusive growth in this context presupposes growth and equity. The two should go hand in hand—otherwise we have a recipe for social/political upheaval as unequal growth is not sustainable in maintaining growth or the stability and unity of a country. As such, the promotion of equity should be part and parcel of Malawi's policy goals, and inclusive growth requires both state-led interventions as well as market-based instruments (especially those that promote competition). However, markets by their nature are not gender-, caste-, region- and religion-sensitive. At the same time markets are not income- or wealth neutral—hence the need for regulation to ensure that markets are transparent, competitive and accessible for all. It is therefore government’s role, as an umpire, to ensure desired outcomes while deploying market instruments. Such market instruments include financial markets, labour markets, land markets, commodity markets, etc. For example, we need to make financial markets more wealth or income neutral by instituting lending policies for financial organizations that define broader collateral measures than the usual physical assets such as housing and land—usually not within the scope of reach of poor people. This will enormously empower the poor.

However, inclusive growth goes beyond poverty and income distribution. It embraces other aspects such as general wellbeing, people’s voices in the political process and participation in social life for development to tackle all aspects of the sustainable development concept, i.e., economic, social and environmental aspects. It also has to do with regional development/disparities, as well as balance in growth across sectors, including between private and public sectors, tradable and non-tradable activities, among others.

Inclusive growth implies realizing coordinated, balanced, and sustainable economic and social development, the fruits of which are shared by the people, including the marginalized groups such as women, poor, youth, disabled, among others. This implies undertaking continuous efforts at transforming economic development patterns and improving economic development quality, and adhering to social justice and equality, and ensuring that people have equal access to development opportunities and enhanced livelihoods.

The NHDR views growth as the necessary engine and human development as the ultimate objective. However, income growth should enable improvements in the key components of human development (or inclusive growth) and these in turn promote further growth in income. This calls for a well-oiled system for the Malawi economy to propel itself out of the poverty trap.

Access or lack of access to finance, for example, is one of the factors the can promote or constrain inclusive growth. Finance performs the important function of mobilizing savings, allocating capital and transforming risk by pooling and repackaging it. Therefore, a well-functioning financial system allows the poor to save money outside the house safely, prevents concentration of economic power in the hands of a few individuals and helps in mitigating the risks that the poor face as a result of economic shocks. In analysing financial inclusiveness, one should be cognisant that there are both supply side and demand side factors that need to be taken into consideration. Supply side factors are those that prevent poor and disadvantaged social groups from gaining access to the financial system. Usually, banks are expected to mitigate such factors. However, credit policies of banks have often not been targeted towards these disadvantaged groups. In this regard, financial inclusiveness through the banking system becomes problematic. At the same time, apart from the supply side factors, there are demand side factors, such as lower income and/or asset holdings which have a significant bearing on financial inclusion.
According to a number of recent studies in the SADC region, inadequate access to formal finance was ranked as one of the top 10 barriers to doing business in the region. In Malawi, access to and high cost of finance was ranked as second to foreign currency regulations (SAIIA, 2012). Financial markets can play a role in the advancement of growth and equity. In many developing countries, including Malawi, the delivery of financial services is limited, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluded. For example, it is documented in the cited publication that “women in the country especially lack access to credit from banks and microfinance institutions because of collateral and security guarantees.” Access to savings, loans, insurance, payments and remittance facilities offered by the financial system is limited. Risk management and risk mitigation services, vis-à-vis economic shocks, are vital in providing economic security to individuals and families.

The NHDR therefore includes a discussion of financial exclusion as one of the limiting factors of inclusive growth in Malawi and provides suggestions as to what can be done to promote financial inclusion in terms of removing structural bottlenecks and implementing the necessary financial sector policy reforms.

Several readings on the subject of Human Development provide some distinctions between economic growth and economic growth through a human development lens:

- Economic growth is an important “means” for people, particularly the most vulnerable, to have access to many opportunities that they value, that they previously were unable to realize.
- The link between human development and economic growth is not always strong, as observed in many countries. Some countries have experienced high economic growth and low human development, and vice versa.
- The Global Human Development Report (1995) opens with a critical statement: “Human development is the end—economic growth a means.” The Report argues that economic growth, if not properly managed, can be jobless, voiceless, ruthless, rootless and futureless, and thus detrimental to human development. The quality of growth is therefore as important as its quantity; for poverty reduction, human development and sustainability.
- Economic growth should aim at eliminating multidimensional poverty, protect the environment and ensure sustainability.

**Box 1.1: Expansion of the Dimensions of Non-Inclusive Economic Growth**

- **Jobless growth**, where the overall economy grows but does not expand the opportunities for employment;
- **Ruthless growth**, where the fruits of economic growth mostly benefit the rich, leaving millions of people struggling in ever-deepening poverty;
- **Voiceless growth**, where growth in the economy has not been accompanied by an extension of democracy or empowerment;
- **Rootless growth**, which causes people’s cultural identity to wither, and,
- **Futureless growth**, where the present generation squanders resources needed by future generations.

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The International Poverty Centre has a series on “inclusive growth”, and highlights the following distinctions:

- Inclusive growth includes both outcomes and processes, involving participation and benefit sharing.
- Equity can and should be a part of the growth process, as reducing inequality can contribute to both reducing and making growth more sustainable.
- Redistributive growth is more likely to be effective than distribution-neutral growth.
- Inclusive growth allows opportunities for everyone to participate in the growth process while making sure that benefits are shared.
- A distinction between pro-poor growth and inclusive growth needs to be made related to poverty and inequality—where pro-poor growth tends to focus only on those below the poverty line, while inclusive growth focuses on the most vulnerable groups but also benefits all segments of society.

“Inclusive growth for MDG Achievements in Africa: Trends and Policy Options” is an additional set of literature that focuses on defining inclusive growth. This paper sets out key dimensions of inclusive growth—a set of policy recommendations are linked to each dimension:

1. Generation of high, stable, and sustainable per capita economic growth and substantial reduction of poverty:
   - Fiscal policy needs to focus on substantially scaling up public investment programmes in economic and social infrastructure
   - Financial sector policies are needed to mobilize domestic savings for the public and the private sectors
   - Openness to trade that does not harm local productive capacity is a major determinant of growth
   - Supporting agriculture through farm input provision is needed
2. A more equal distribution of income, assets and opportunities accompanying growth:
   - A broad political coalition is required to effectively implement a redistributive strategy
   - Redistribution is needed through: 1) tax and expenditure policies; 2) employment schemes; 3) social protection; 4) productive asset distribution; and 5) subsidies
3. Creation of productive employment
   - Focus on improvements in the quality of human capital on the supply-side, while focusing on job creation through public and private investments on the demand-side
   - Policies could target the categories of the unemployed and the working poor, and
4. Adequate provision of essential-capacity-enhancing social services and infrastructure:
   - Further investments in social service expansion

In this NHDR, we adopt the OECD definition of inclusive growth, which states that inclusive growth is economic growth that creates opportunity for all segments of population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society (OECD, 2013). Thus for Malawi, inclusive growth should result in lower incidences of poverty, broad-based and significant improvement in health outcomes, universal access to education, including higher education, as well as

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6 Taken directly from [http://www.ipc-undp.org/?q=what-inclusive-growth](http://www.ipc-undp.org/?q=what-inclusive-growth)

improved standards of education, including skill development. Inclusive growth should also be gender
sensitive, human rights based, and result in better opportunities for both wage employment and
livelihoods. It should lead to improvements in the provision of basic amenities like water, electricity, roads,
sanitation and housing. Inclusive growth should also be sustainable.

1.1.2 Purpose and objectives of the NHDR

a. Why Inclusive Growth is Important for Malawi

As in many developing countries, poverty reduction is a primary development goal in Malawi. The country
is committed to the Millennium Development Goals (MDGs), which seek, among other things, to eradicate
extreme poverty and hunger. Over the years, the Malawian government has pursued poverty reduction
efforts through various strategies emphasizing economic growth, infrastructural development, and the
provision of basic social services. These strategies are discussed later in this Chapter. Despite these various
policies and measures, poverty remains widespread in Malawi. The NHDR provides a brief review of the
poverty literature and data in Malawi with the aim of developing a poverty profile, describing recent
poverty trends, and identifying the determinants of poverty. Based on the analysis, existing knowledge
and research gaps are identified and briefly discussed.

This National Human Development Report (NHDR) is intended to be a policy advocacy document with the
principal objective of stimulating public debate and triggering policy action for human development with
a focus on inclusive growth. It aims at building consensus on pressing development issues at the national
level and presents alternative, people-centred policy responses on these issues. Its principal audiences
are policymakers at all levels and those who hold policymakers accountable for development progress.

b. How Can Future Growth be More Inclusive (Creating an Enabling Environment for Inclusive
Growth)

While a lot of efforts have been made to improve on the wellbeing of Malawi, through the development
of policies and programmes aimed at reducing poverty and enhancing growth, poverty is still pervasive
especially in the rural areas, among women and other disadvantaged groups. This means that there are
many gaps that need to be addressed.

There are gaps in statistical information that can help in analysing poverty in terms of its manifestations,
its prevalence, and its dynamics. Vulnerability assessment is very poor in Malawi due to lack of data. While
Integrated Household Surveys and Demographic and Health Studies provide useful information for tracing
inclusive growth, key information for measuring inclusive growth, by way of constructing a composite
index, is lacking.

1.1.3 Measurement of inclusive growth

Growth in GDP, especially GDP per capita, is often used as a measure of improvements in the standard of
living of a society, assuming that all citizens do benefit from their country’s increased economic
production. It is generally accepted that GDP per capita is not a true measure of the standards of living in
an economy, nor is it a true measure of personal income. It is, however, considered to be a good proxy
for standards of living since living standards tend to move with per capita GDP. As such changes in
standards of living can be readily detected through changes in GDP per capita.

Inclusive growth is quite an elusive concept to measure due to its multi-dimensional nature. This is why
attempts at measuring it have focused on composite indices comprising of indicators in the areas of (i)
growth, productive employment, and economic infrastructure; (ii) income poverty and equity, including
gender equity; (iii) human capabilities; and (iv) social protection. Thus measurement of inclusive growth often uses these indicators to suggest a diagnostic approach, based on weights and scores, which can help countries assess their progress in achieving inclusive growth (McKinley, 2010).

While generally development practitioners in developing countries tend to be more pre-occupied with issues of extreme poverty, as per the dictates of MDG1, the rising attention to issues of inclusive growth means that more and more attention is shifting towards the development of strategies that respond to the needs of a broader segment of the population (ibid). This has not only been in response to the ongoing global reduction in extreme poverty as a result of rising growth which many countries have been witnessing (Ali I., 2007), but also due to the recognition that income and wealth inequalities have been rising in many developing countries and have been adversely affecting large proportions of the non-poor. Under such circumstances, it is argued that measures are needed that can track adverse distributional changes that not only affect the extreme and moderately poor, but also the disadvantaged and non-poor (McKinley, 2010).

Due to the limitations in the Gini coefficient, other indicators are needed to get a better handle on what is happening to the wider population. Suggested indicators include the ratio of the mean expenditure per person of the poorest 60 percent of the population, to the mean expenditure per person of the richest 10 percent. In addition, more attention needs to be paid to monitoring the disparities between rural and urban populations in general and among regions in particular (ibid).

While most of the attention on inclusiveness has been addressed in terms of income poverty, income inequality, and productive employment, that is the demand side of the achievement of equitable access to opportunities, very little attention has been placed on addressing the supply side, which is supposed to look at whether the working population possesses the human capabilities necessary to be productively employed to take advantage of available economic opportunities.

To this end, most of the indicators have been designed to monitor the demand for labour and the associated generation of income and its distribution—whether equitable or not—among the population. The human capabilities dimension, on the other hand, argues for the consideration of the population’s access to public goods and services, including access to health and education services, and to other vital socio-economic infrastructure such as safe water and adequate sanitation (ibid).

Access to health and education can also provide an indication of equality of opportunity that a country’s population enjoys. This implies that all members of a society should be provided with the means to form the basic human capabilities that are essential foundations for social inclusion. This calls for the need to develop appropriate indicators to monitor human capability outcomes. For health outcomes, the under-5 mortality rate and the mortality rate for those less than 40 years of age provide a broad sense of a country’s success in achieving health inclusiveness. Other aspects of ill-health, such as being underweight or malnourished, also need to be taken into consideration. For education outcomes, an indicator of school enrolment is often used, coupled with the primary school and secondary school enrolment ratios. Where data are available on net enrolment ratios, these should be used. Disaggregating such data by rural and urban areas, or by region, yields better results. Indicators on access to safe water and adequate sanitation should be reported as a complement to the health and education indicators mentioned above. Lack of access to such facilities can be severe, especially in rural areas, and especially for sanitation (ibid).

McKinley (2010), goes on to argue that social protection is considered as an additional dimension of inclusive growth as it focuses on the extremely or chronically poor, who have great difficulty in taking
advantage of any opportunities provided by inclusive growth. The need to eradicate extreme poverty necessitates an emphasis on some basic forms of social protection, or social safety nets. Ali and Zhuang (2007, p.14) state that “...promoting social inclusion also requires the government to provide social safety nets to mitigate the effects of external and transitory shocks as well as to meet the minimum needs of the chronically poor”. They describe several potential dimensions of such social protection, including labour market policies, social insurance programmes, social assistance and welfare schemes, and child protection services. This composite index has four components: (i) the total expenditures on all social protection programmes as a ratio to GDP (ii) the number of beneficiaries of social protection programmes as a ratio to the reference populations for key target groups (iii) the number of social protection beneficiaries who are poor as a ratio to the total poor population and (iv) the average social protection expenditure for each poor person as a ratio to the poverty line.

1.1.4 Methodological Approach

a. Data and Literature Review

The NHDR has employed both quantitative and qualitative approaches to data collection and analysis. Key sources of secondary data include: population census, demographic and health surveys; household income and expenditure surveys; labour statistics; national accounts; periodic Economic Reviews and Statistics of the Reserve Bank of Malawi; the International Monetary Fund’s World Economic Outlooks; the World Bank’s World Development Indicators and reports, UNDP’s Human Development Reports; other ad-hoc surveys, etc. Literature on inclusive growth research in other countries especially in Africa, Latin America and East Asia; and recommendations on best practices emanating from inclusive growth reports from other countries and regions have also been reviewed.

Primary data was collected through individual and group interviews involving men, women, children, people with disabilities, people living with HIV/AIDS (PLWHA) and other disadvantaged groups, the private sector and civil society organizations (CSOs), comprised qualitative sources, from whom opinions were solicited regarding their understanding and appreciation of inclusiveness of development interventions, including their own perceptions of their contributions to growth activities. A comprehensive desk research was undertaken in the process of preparing the NHDR, with the objective of reviewing all relevant information on development policies, strategies and programmes in Malawi and how they have impacted the livelihood of people in the country. The main sources of documents obtained included the various Government Ministries, Departments and Agencies (MDAs), UNDP and sister UN Agencies, Development Partners (DPs), both bilateral and multilateral, (international) NGOs and Civil Society, as well as Local Government Authorities (LGAs). The desk review included a Mapping Exercise, a thorough stocktaking process that collected and provided an assessment of how far growth activities have been inclusive (as a relatively new concept) in Malawi at various levels, i.e., private and public sectors, formal and informal settings. This exercise linked micro and macro factors in seeing how individual inclusion in the development process affects the national (macro) level through short term instruments as economic growth. An assessment of the potential for the financial inclusion programme in enhancing Malawi’s GDP/GNP over the short/medium term is also included.

b. Issues Papers Formulation

Based on the information from primary and secondary sources of data, as well as the desk research, a number of issues papers were written, highlighting the main development issues in Malawi, in as far as inclusive growth is concerned and suggesting policy solutions. These issues papers, which were validated at a stakeholder’s workshop, formed the basic building blocks for this NHDR.
The Report takes a Human Rights Based Approach (HRBA). To this end Public Sector Delivery and Enablers, including International Instruments that Government of Malawi (GoM) has ratified, fully discussed the current situation of the Millennium Development Goals (MDGs), particularly those that are unlikely to be met by 2015.

c. Quality Control

To assist the NHDR Consultancy Team with quality control, a number of committees composed of key stakeholders were in operation. These included the Technical Team (TT), the Technical Advisory Committee (TAC), and the Steering Committee (SC). Terms of Reference (TORs) for each of these committees are provided in the annex.

1.2 Tracing Inclusive Growth in Malawi’s Development Trajectory

In this part of the report, we explore the growth context in Malawi. We analyse major trends in growth of the economy under different economic and political regimes, among various sectors, and churn out aspects that have been important in ensuring that growth has been inclusive of all Malawians. Although seemingly ambitious to anticipate totality of inclusiveness through Malawi’s growth path, it is the efficacy of growth policies in reaching this objective that should be examined for the extraction of relevant lessons and recommendations. It is required that a focus on the key sectors that drive growth in Malawi be a port of call in such investigation. Beyond the identification of how broad the policies have been, the section that follow also looks at which factors have led to exclusion of some groups from contributing to and benefiting from growth. These factors are examined in the presence of a persisting high population growth rate, fuelled by a high fertility rate, which has systematically eroded the potential per capita growth in human development in its various dimensions. In 2013, the growth rate of the population averaged 2.8 percent. The analysis then tackles more specific issues that have led to unequal participation by different socio-economic groups based on their geography, gender, age, and physical ability. The chapter ends with a summary of the key enablers that have been identified from the Malawi context.

1.2.1 Development Policy in Malawi

a. Post-Independence Development Plans

Malawi launched its first post-Independence development plan in 1965, the 1965–1969 Development Plan. This was followed by two “Statements of Development Policies” (The Statement of Development Policies (DEVPOL I), 1971–1980; and The Statement of Development Policies (DEVPOL II), 1987–1996) setting out in some detail, objectives, policies, and Government budget forecasts, based on quantified economic analysis as an illustration of possible trends rather than as a framework for control and direction. The World Bank (1990) observes that the 1965–69 Development Plan proved to be a mere shopping list than an integrated plan. As such it did not have much influence on subsequent development policies in the country.

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8 The World Bank’s World Development Indicators show that, from 1960, fertility has only reduced from about 7, having overshot the 7.5 mark between 1974 and 1986, to just below 5.5 in 2012.
Table 1.2: Key Features/Objectives of DEVPOL I and II

<table>
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<tr>
<td>• An increase of the rate of economic growth to 8 per cent per annum;</td>
<td>• Reduction of poverty, ignorance and disease by the achievement of rapid and sustained economic growth; and</td>
<td>• DEVPOL I was not subjected to regular reviews;</td>
</tr>
<tr>
<td>• A rapid increase in agricultural productivity as a means of both raising rural incomes and national foreign exchange earnings;</td>
<td>• An improvement in income distribution; and</td>
<td>• Targets and Benchmarks were not usually specified;</td>
</tr>
<tr>
<td>• An improvement in the geographical balance of economic activity, stimulated by public sector investment in the Central and Northern Regions, in particular the construction of a new Capital in Lilongwe;</td>
<td>• A reduction in the instability of welfare for both the individual and the nation.</td>
<td>• Placed too much emphasis on the role of Government in the provision of goods and services, especially through parastatals;</td>
</tr>
<tr>
<td>• An increase in local participation in the economy with Malawians taking a greater share in both management and ownership of enterprises; and</td>
<td></td>
<td>• Weak environment for private sector development; and</td>
</tr>
<tr>
<td>• The elimination of dependence on foreign assistance to cover Government recurrent deficits.</td>
<td></td>
<td>• Policies and strategies not based on strong socio-economic analysis</td>
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Source: DEVPOL I and DEVPOL II

Table 1.2 outlines the key features of DEVPOL I and II and comments thereon. Both DEVPOL I and II stressed the development of the agricultural sector, with the specific emphasis on raising agricultural productivity, through a two pronged approach, namely: (i) large scale, high productivity projects, including irrigation and settlement schemes; and (ii) smallholder agricultural development. Agricultural development was to be complemented by the development of transportation, mostly roads, to promote agricultural marketing and tourism; and development of manufacturing, both for export and domestic markets. DEVPOL I also stressed the need for equitable regional distribution, by emphasizing a more equitable distribution of investments among the various regions; and the development of the education sector, especially secondary, technical and tertiary education, to fill skills gaps. However, DEVPOL I did not have an implementation programme that was easy to monitor, as such it was difficult to gauge its success against intended objectives. DEVPOL II was never implemented as it was overtaken by the SAPs.

b. Vision 2020

There was increasing concern that in spite of past economic growth rates which compared favourably with other sub-Saharan countries, progress on basic long-term development goals had been slow and somewhat disjointed. There had not been significant social and human development. This, together with the unpredictable nature of the global economy, necessitated the use of long-term strategic thinking and management of the development agenda.

To this end Vision 2020 was launched in 1998. The Vision 2020 was to serve as a basis for the preparation of short and medium-term plans that will lead to the vision that Malawians see for the year 2020. The Vision 2020, which defined national goals, policies and strategies, is expected to improve development management. Although the strategy was not explicit on inclusion of all dimensions of marginalized groups in development, its aim to increase national wealth and the wealth of individuals was mute on discriminating against groups based on their unique circumstances. In this sense, the Vision 2020 was centred on creating opportunities for all Malawians to be a part of the envisioned growth.

Despite having Vision 2020 in place, experience in Malawi has indicated that the Vision has been largely ignored in developing subsequent medium and long-term development strategies. As a result, the...
aspirations which were in the Vision have hardly been realized a decade and half after they were pronounced.

c. Growth Trends and Strategies

The history of growth in Malawi since 1960 can be characterized in four distinct phases, namely: (a) 1964–1979; (b) 1979–1989; (c) 1989–2002; and (d) 2003–2008 (World Bank, 2009b). For purposes of this study, the 1960–79 period is referred to as the Pre-reform period, the 1979–89 period as the Reform period, while the periods 1989–2003, and 2003–2008 (extended to 2011) have been combined into one, during which time Malawi launched MGDS I and MGDS II. This is termed the Post-reform period, as indicated below. These three growth phases correspond to the main policy thrusts or development strategies the country has followed, as will be seen later in this report.

a. Pre-reform period (1964–1979)

In terms of development strategy, the period 1964–1979, which the World Bank study associates with estate-based growth, could be described as a period when Malawi followed an Agricultural-led Development Strategy (ALDS). The ALDS comprised of a growth strategy whereby Malawi followed a dual agricultural strategy, with the estates sub-sector producing mostly tea, tobacco, sugar and coffee for export, while the smallholder sub-sector produced food crops and supplied cheap labour to the estates. The Government’s policies supported large-scale agriculture, affording them preferential access to land, investment and credit (Harrigan, 2003). The industrial strategy pursued in the first fifteen years of independence in Malawi focused on the promotion of import substitution industrialization, and promotion of agricultural exports (Chirwa E. W., 2002). During this period, estates grew at an average annual rate of 17 percent while smallholder production grew at 3 percent (World Bank, 2009a).

b. Reform period (1979–1989)

Starting from 1979, Malawi suffered from a series of exogenous shocks, including high import costs due to oil price shocks, disruptions in trade routes due to civil war in Mozambique, the influx of refugees from Mozambique and droughts that disrupted the pattern of growth. In addition, policy weaknesses and slippages exacerbated the effect of these external shocks. DEVPOL I period coincided with the 1970s energy crisis, whereby a number of the major industrial nations, particularly the United States of America, faced substantial shortages, both perceived and real, of oil. For Malawi, the 1970s oil crisis led to a sharp decline in terms-of-trade as commodity prices fell. At the same time migrant remittances from South Africa also fell following the Malawi Government decision to stop exporting labour to South Africa towards the end of the 1970s.

The Civil war in Mozambique (1977–1992), which damaged transport infrastructure and blocked the ports of Nacala and Beira, thereby raising transport costs, exacerbated the situation. In order to contend with these problems, Malawi implemented several structural adjustment programmes (SAPs) between 1981 and 1994, supported by the International Monetary Fund (IMF) and the World Bank (WB), to address structural weaknesses and adjust the economy to attain sustainable growth and poverty reduction. The major areas of focus of the SAPs included the liberalization of the agricultural sector, parastatal sector reform, privatization, trade liberalization, financial sector reform, exchange rate liberalization, interest rate liberalization; and the rationalization of the national budget.

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As Figure 1.3 indicates, real GDP growth declined from 4.4 per cent in 1979 to -5.3 percent in 1981. GDP growth averaged 4.1 percent per annum between 1982 and 1985, before declining to -0.2 percent in 1986. Between 1987 and 1989, annual GDP growth averaged 2.0 percent. On the other hand, per capita GDP declined from US$180 to US$160 in 1989. Overall, it can be said that the combination of external shocks and macro-instability led to volatility and stagnation in the economy and a steep decline in living standards between 1979 and 1989 (Harrigan, 2003) due to the tripling of the Malawi population (from 4 million to about 11 million in the first 30 years of independence (1964–1994).

Failure of the SAPs to address issues of sustainable economic growth and poverty reduction throughout the developing world led to a new strategy for development, the Poverty Reduction Strategy (PRS).

For Malawi, the PRS period covered three development strategies, namely:

1) The Poverty Alleviation Programme (PAP, 1989–2002);
2) The Malawi Poverty Reduction Strategy (MPRS, 2002–2004); and

All three strategies were pro-poor and focused on decreasing income poverty. They also formed the first layer of development strategies that started responding to the Millennium Development Goals. Soon after these strategic frameworks, a new and recast focus on pro-poor growth emerged, with almost full alignment to the MDGs. These were termed Growth and Development Strategies and they were the means by which attainment of the MDGs was going to be achieved. The Post-reform period includes, the period during which the Malawi Growth and Development Strategy (MGDS I, 2006–2011) was implemented. This period can be seen as a period of consolidating the reforms which were undertaken during the SAPs. The Government of Malawi has built on the first MGDS, i.e., MGDS I, by developing the second MGDS termed MGDS II 2012–2016.

d. Population Dynamics and Growth Trends
The level of population growth in Malawi remains high, having hovered over 3 percent for decades since independence and currently registering 2.8 percent of growth annually, for a population of already 16 million. The current fertility rate of 5.5 children per child-bearing woman is too high and is one of the factors contributing to the corrosion of the gains made in development for each Malawian, affecting the natural environment and quality of life in due course. Sustainable and inclusive growth are thus inherently affected by these trends in population, and more population-oriented policies need to be made if maintaining acceptable and/or improving levels of human development are to be achieved. There is,
therefore, a need for a revived policy discussion on the impacts of population growth on sustainable development, affecting sectoral inclusion in areas of human capital development (education and health), economic opportunities (income generation) and people’s involvement in environmental protection.

Malawi’s population is predominantly a youthful one. With young people making up more than 60 percent of the population, youth policies need to be more relevant and a central part of the development process. The critical challenges that face this demographic structure of the population include mainly, but not limited to, education (challenges in sustaining education beyond primary and secondary school, training in ICT), health (HIV and AIDS, high fertility), economic opportunities (employment generation and participation in business, especially in rural settings) and participation in the political space. These challenges have been identified and echoed through the national survey of this NHDR, and are seen as among the key proponents of poverty and ultra-poverty among the youth in Malawi. The rural-urban migration problem is one that affects the young population, and we discuss this in detail further below.

While addressing the problems of the youth as active undertakers of development, the challenge of social protection, especially for the elderly, remains enormous. In general, only 33 percent of the respondents to the NHDR survey indicated that they have heard of Old Age Pensions, an important sign that older people are generally absent in the social support planning of development programmes through the development path of the country. This adds to the well-documented challenges with the Farm Input Subsidy Programme (FISP) that have identified targeting and effectiveness of the programme itself in securing food access for the elderly.\(^{10}\)

In spite of the realization of the importance of population dynamics in Malawi’s development trajectory, planning authorities require to continue looking into specific policies that will address these issues while preparing effective development programmes. Population issues need to continue being considered, as per the National Population Policy (2013), a crosscutting issue in the sectoral implementation plans. It is thus important that population is firmly integrated in national planning, in full view of the contextual specificities that relate to the different geographical areas. The current 2.8 percent population growth rate poses a significant challenge on land and endowments of natural resources in the country. The population growth needs to be supported by a much higher GDP growth rate if the 2020 vision for a middle-income economic status is to be achieved.

1.2.2 The Malawi Growth Context

From independence through to 1979, the Malawi economy registered impressive growth. Real output growth, mainly spurred by the agricultural sector, averaged 6.7 percent during this period, while public and private consumption rose by an average of 4.3 percent per year (World Bank, 1990). This growth was stimulated by a combination of increased inflows of external assistance, private domestic savings and public investments. During the period 1964 to 1979, gross investments/GDP averaged 24.5 percent (World Bank, 1990; Table 3.1). In more recent times, Malawi’s growth performance has been mixed. GDP grew by 9.5 percent in 2007, 8.3 percent in 2008 and 9.0 percent in 2009. GDP growth fell to -9.5 in 2010\(^{11}\), and rose to 4.4 percent in 2011. Real GDP growth in 2012 slowed down to 1.9 percent following a contraction in the agricultural and manufacturing sectors, brought on by drought and a foreign exchange shortage.

\(^{10}\) See the report on national consultations for the Post-2015 Development Agenda for Malawi, titled “The Future Malawi Wants”.

\(^{11}\) World Bank Global Economic Prospects.
Growth in 2013 and 2014 was projected to rebound to 5.1 percent and 6.1 percent, respectively (GoM, 2013). At the same time, Malawi’s export performance has not been very encouraging.

However, the benefits of this growth were poorly distributed, especially during the pre-reform period, when growth was narrowly-based due to the country’s reliance on estate agriculture. During this period, internal terms of trade were held roughly constant for production by smallholders, but followed world price markets for estate production (World Bank, 1990). Per capita Gross National Product (GNP) rose from $50 to $170 between 1964 and 1979, half of which was accounted for by subsistence agriculture, with the rest coming from wage employment on the 100,000 or so estates and from Government, resulting in a very narrow tax base. A big proportion of the annual recurrent budget was met from grants from Britain. Access to social services such as health and education were limited. There were less than 5,000 hospital beds and the seven year primary school system catered for less than half the relevant age group, while total secondary school enrolment was only 4,000 students, about one percent of the relevant population, and less than 1,000 students had post-secondary vocational training. University graduates numbered only 33 (GoM, 1987). The private sector was very small, consisting mostly of a few estates, managed mostly by the British, growing and/or manufacturing tea and tobacco, while trade and commerce were dominated by an Indian community.

1.2.3 Measuring the Impact of the Various Growth Strategies on Inclusive Growth

This section examines recent trends in GDP growth, and corresponding trends in various measures of inclusive growth. The aim is to better examine the distribution of benefits of growth and identify the main winners and losers. First we look at broad indicators of the effects of economic growth on the population. These include the following: the wage share of GDP growth and aggregate disposable household income, as well as trends in standard indicators of inequality, such as the Gini coefficient, etc. We also look at results of Integrated Household Surveys, not only to examine the wealth situation of households across various socio-economic groups in the country as well as regional disparities, but also to get an idea of inequalities in the distribution of wealth over time.

The initial impact of the reforms implemented in the agricultural sector led to a substantial increase in the production of tobacco as well as private sector participation in marketing of agricultural produce. The liberalization of burley tobacco production alone generated around US$185 million of revenues for the rural sector (World Bank, 2000), which stimulated the growth of trading, transport and other income. However, over time, these benefits were offset by input prices increasing faster than production prices. The lifting of price controls and elimination of fertilizer subsidies contributed to increased input costs. Again, during years of bumper crops, farmers lost out because production prices often collapsed without any remedial government interventions (ibid). The failure to foster competition in both the input and output markets in response to the liberalization compromised the sector’s ability to consolidate and sustain the benefits accruing to the poor.

From the mid-1990s, Government allocated the largest share of the total national budget to Social and Community Services, with Education receiving the highest share within this category. However, despite this positive trend towards increased allocations to priority poverty reducing areas, prioritization within the sectors was not optimal. In particular, General Administration continued to account for a large chunk of the budget (averaging around 30 percent over the period). This implies that, while allocations to priority areas, such as social services, did increase, the quality of expenditure was compromised due to the absorption of resources in the bureaucracy, and so resources did not fully reach the intended beneficiaries. The Public Expenditure Review (PER) which was undertaken in 2000, clearly demonstrated
that resources within the priority sectors of education, health and agriculture were not used efficiently and effectively. For example, in the education sector, while the share of the recurrent budget for primary education rose from 50 percent in 1993/94 to around 60 percent in 1999/2000, expenditures per pupil were 8 times higher in secondary education than in primary education, and 202 times higher in tertiary education. In the health sector, only 18 percent of the health budget was said to have been spent on primary health services, which most directly benefit the poor, with tertiary health services receiving the highest share of the budget. Similarly in Agriculture, the highest share of the agriculture budget was spent on administration, with headquarters receiving a significant proportion of this, partly because all donor funds were channelled through headquarters and because of the centralized structure of the Ministry. Expenditures on agricultural research and extension as a percentage of GDP declined, with extension spending declining from 0.6 percent in 1995/96 to 0.3 percent in 2000/01 (World Bank, 2000).

Thus, the detailed analysis in the PER highlighted the fact that although Government reallocated funds to those Ministries that have direct impact on poverty reduction, these funds were not always directed within the Ministries to those particular sub-sectors and activities that directly benefit the poor. This would explain why the overall reallocations in expenditures had a limited impact on poverty reduction in the 1990s and beyond.

The MGDS has generally been effective as an instrument of achieving the country’s development goals. Having experienced stagnant (and at times negative) growth that spanned a period of 15 years, poverty and ultra-poverty had increased significantly; incomes dwindled; and the livelihoods of the majority of Malawians adversely impacted upon. The introduction of MGDS reversed some of these challenges. Malawi begun to record positive economic growth as well as impressive results on many of the MDG indicators, despite below-average performance in areas such as poverty reduction; food security and elimination of extreme hunger; child mortality; HIV and AIDS; and environmental sustainability. In addition, serious challenges still remained in terms of gender parity; universal access to primary education; and maternal health.

More recently, a review of the MGDS which was conducted in 2010, made a number of observations regarding the MGDS I implementation, its operational aspects and its impact, including the following:

- Several developmental challenges were not adequately addressed by the MGDS. These included the weak poverty reduction focus and the absence of clear focus on employment generation (Saasa & Atema, 2010). In addition, the MGDS suffers from a number of structural challenges that include the weak harmonization between strategies and ministries; absence of mid-term review; and weak monitoring and evaluation system.

- While the MGDS I did manage to reflect the MDGs in its key priority areas and themes, there were areas that were scantily addressed. These included the need for an improved maternal health; promotion of gender equality; and environmental sustainability. At the same time, the issue of employment generation was not adequately addressed, despite the fact that it is one of the key aspects for promoting poverty reduction.

- MGDS I also failed to provide strategies for reducing the country’s high dependency on foreign assistance. It was pointed out that as a proportion of GDP, aid to the country had risen significantly. It averaged 4.6 percent of GDP over the 1970–86 period; 9.0 percent during 1987–2002; and 12.4 percent since 2003. Aid to Malawi was highly concentrated among few Cooperating Partners (CPs).

- The formulation of the Development Assistance Strategy (DAS) by GoM, which was meant to facilitate a more effective way to receive and apply for external resources for the MGDS, coupled
with the domestication of the five mutually reinforcing principles of the Paris Declaration on Aid Effectiveness, were aimed at strengthening aid management. Malawi registered significant progress in relation to many of the 12 indicators of aid effectiveness as stipulated in the Paris Declaration on Aid Effectiveness. However, major challenges still remained at the level of aid predictability, aid fragmentation, inadequate use of country systems, and continued use by some CPs of parallel implementation structures. Malawi’s Public Financial Management (PFM) system is still considered weak and, as of 2008, was below the average for similar developing countries. Malawi has, however, taken steps to strengthen its public procurement system.

- The needed inter-ministerial cooperation and collaboration around the MGDS I remained weak. The sharing of sectoral experiences during the implementation of the MGDS I was generally weak.

- The Review also noted limited signs of effective structures of collaboration among CPs as a whole group, despite the prominence given to the Common Approach to Budget Support (CABS) Group. A similar situation seemed to obtain at the level of Government-CPs dialogue at the macro level. While there is provision for a High-Level Meeting on Aid Co-ordination that should bring together senior Government officials and senior CPs representatives, these meetings are reported to be very rare and their agenda is yet to be streamlined.

- The MDGS M&E system remains fragmented. The links between the inputs, outputs, outcomes and impacts are unclear and in some cases not harmonized. Generally, the M&E Matrix in the MDGS document is unhelpful in systematically tracking performance. In many cases, the stated indicators are remotely related to the progress that should be measured. The dearth in baseline data further complicates the measurability of outcomes. Moreover, there is a clear disconnect between the MDGS Indicator Matrix and the Annual Reporting of MDGS performance and yet the latter should flow from the former.

The review also indicated that there were no clearly defined sectoral strategies to achieve stated objectives, and that there were weak inter sectoral linkages, resulting in sectors operating like silos. In addition, the Financial Strategy/Budget allocation has not been clearly linked to sectoral objectives. The Capacity Development Strategy was said to be weak.

According to the review, improved performance of the MDGS was significantly contingent upon Government’s better alignment of sector plans with the MDGS and national budgets. Government could improve upon this by ensuring that the recommendations from the MDGS Annual Reviews result into the needed reforms. The review indicated that there is an urgent need to improve the country’s Public Financial Management (PFM) system as well as its Procurement System. The improvement in the timeliness and follow-up of audits; improvement in the submission of financial reporting; and enhancement of the quality of Government procurement systems are recommended.

The Review also noted that the Agricultural sector was the backbone of the Malawi economy, as such there was need to support in-depth analysis in the area of agriculture and food security, focusing on establishing the extent to which yields could be up-scaled through improved farming methods, including better application of farm inputs. There was also need to review the effectiveness and efficiency of the agricultural input subsidy policy, focusing on improved targeting and the determination of a realistic and sustainable level of government support, as well as the need for supporting commercial agriculture that promises the greatest potential for employment generation.

Whether the review findings will be heeded during the implementation of MDGS II remains to be seen.
Poverty reduction and Inequality

In the preceding section, it was indicated that growth did indeed take place during the 1964–2012 period. The main driver of this growth was the agricultural sector, especially the Estate sub-sector, which produced the bulk of the exports. However, this growth was erratic. While there were episodes of high growth associated with particular growth strategies, and policies, such growth was not sustained. In this section, we attempt to see the impact of such growth on poverty reduction and equity, which are very important attributes of inclusive growth.

i. Poverty reduction

The relationship between economic growth and the change in the incidence of poverty is both complex and multi-dimensional (Thorbecke, 2009). Generally, it is said that while growth may be necessary for poverty reduction, it is not a sufficient condition. Growth does have an impact on poverty. However, the extent to which a given rate of growth translates into poverty reduction will depend on how distribution of income changes with growth and on initial inequalities in incomes, assets and access to opportunities that allow poor people to participate in generating wealth (World Bank, 2001). It is also generally argued that for growth to have some meaningful impact on poverty, that growth must occur in sectors in which a large proportion of the poor derive their income (Hoekman et al., 2001). If it can be demonstrated that fast economic growth is always accompanied by rapid poverty reduction, as a result of the “trickle-down” effect, then such strategies can focus, more or less, exclusively on achieving faster growth. However, if this is not necessarily the case, then the pursuit of growth will have to be combined with an effort at achieving more pro-poor growth through a degree of redistribution of assets and incomes in the economy. This would have significant implications on the nature of anti-poverty strategies.

For Malawi, the period 1964–79 was associated with very high rates of growth, whereby real GDP grew by an annual average of 6.7 percent. Similarly, the period 2004–2010 experienced rapid growth, with real GDP growing at an average annual rate of 6.8 percent. Despite these advances, Malawi’s poverty profile and trends indicate that poverty remains widespread and varied by the rural/urban dichotomy, gender, age and by region.

Data from the Integrated Household Surveys (IHS) provide the profile and trends of the incidence of poverty in Malawi between 1998 and 2011 (Table 1.3). The IHS uses two poverty lines distinguishing poor and ultra-poor individuals, based on poverty headcount rates. According to the latest IHS (NSO, 2012) “the national poverty rate is 50.7 percent, indicating that more than half of the population is poor”. IHS2 (NSO, 2005), which was undertaken in 2004/2005, on the other hand, depicts a slight decrease in poverty rate from 54 to 52 percent reported in IHS1 (1998/99). In terms of “ultra-poverty”, 25 percent of the population is ultra-poor in 2011, compared to 24 percent reported in IHS1 undertaken in 1998/99.

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<th>Table 1.3: Poverty Rates in Malawi 1998–2011</th>
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<td>National</td>
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<td>South</td>
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Proportion of the Ultra-Poor

| National | 24 | 22 | 25 |
| Urban    | 5  | 8  | 4  |
| Rural    | 26 | 24 | 28 |
| North    | 25 | 26 | 29 |
| Central  | 16 | 16 | 22 |
| South    | 35 | 32 | 34 |

Source: NSO, IHS 1, IHS 2, IHS 3.

The IHS data also show that the incidence of poverty varies across regions. The Southern region has the largest poverty rates across all three reports. The Northern region has the second highest proportion of
poor people across all three reports, while the Central region has the lowest proportion of poor people. The relative disadvantage of the South relates in part to land constraints in the face of high population density. According to 2008 Population Census, the South had a population density of 184 persons per square kilometre, compared to only 63 in the North. This results in smaller farm holdings in the South, leading to lower agricultural output per capita (IFPRI, 2011). Table 1.3 also shows that the incidence of the poor has not changed much within the regions. Between 1998 and 2011, it increased by 4 percent in the North, 1 percent in the Central and declined by 5 percent in the South. For ultra-poverty, it increased by 1 percent at the national level. At the regional level, the corresponding changes were +4 percent, +6 percent and -1 percent in the North, Central, and South respectively.

The regional rates mask a striking difference in poverty rates between urban and rural areas, according to Figure 1.4. The HIS3 (2011) report shows that about 17 percent of the population in urban areas is living in poverty compared to 57 percent of the rural poor population. That is, approximately three out of every five people in rural areas live in poverty compared to only one out of every five people in urban areas (NSO, 2012).

Approximately 47 percent of the poor population in the country lives in the rural areas of the Southern region (IHS3). About one in every three poor people comes from the rural areas of the Central region while one in every ten poor people comes from the Northern region rural areas. The Southern rural areas have a disproportionate share of the poor, reflecting the higher poverty rate in this region. Only 6 percent of the poor population in Malawi lives in urban areas.

The ultra-poverty rate is higher in rural areas (28%) than in urban areas (4%) as per IHS3 (2011). In terms of urban centres, Lilongwe city has the highest ultra-poverty rate (4%) and Blantyre city has the lowest ultra-poverty rate (2%). It can be noted that the number of ultra-poverty has significantly reduced in all the four urban centres. For instance, ultra-poverty rate has reduced 9 percent in Zomba city from 12 percent in 2004/2005 to 3 percent in 2010/2011. Likewise, data available further depicts that ultra-poverty rate has reduced in Mzuzu city by 8 percent from 10 per cent in 2004/2005 to 2 percent in 2010/2011. Within the regions, as in Table 1.3, the South rural has the highest ultra-poverty rate (34%). The North rural has the second highest ultra-poverty rate (29%) and the Central rural has the lowest (22%). In terms of districts, Balaka and Nsanje have the highest ultra-poverty rates while Dowa has the least number of poor people.
ii. Inequality

Poverty in Malawi has a particularly rural feature since about 90 percent of the poor live in rural areas. In similar vein, IHS3 data reveals that there is considerable inequality in Malawi. For example, using consumption per quintile, it was shown that the richest 10 percent of the population had an average per capita income that was 9 times higher than an average per capita income of the poorest 10 percent. Inequality is exacerbated by such factors as gender of the household head (about 57% for female-headed households versus 49% for male-headed households using national averages), place of residence (proportions differ by more than 30% for males and at least 40% for females), age of household head (about 35% of urban people aged at least 65 years are poor as compared to 52% of the rural poor), household size (rural households are poorer than urban ones across all household sizes) and level of education of household head (education levels are consistent with poverty levels for both rural and urban settings). For example, it was revealed that 55 percent of people in male-headed households in the rural areas are poor compared to 63 percent of people who reside in female-headed households in similar location (IHS3). Similarly, poverty is more severe among people who live in households whose heads have no formal education qualification.

The IHS data also show Gini coefficients across the country (Table 1.4). These reveal that inequality was slightly higher in 2011 (0.452) than in 2005 (0.390). Again the Gini coefficients depict differences in the degree of inequality amongst the country’s three administrative regions. Inequalities were highest in the South, followed by the Central and the North. In all the regions, inequalities increased slightly between 2005 and 2011. The data also indicate that inequalities were higher in the urban areas than the rural areas.

Of the 12 Districts covered in our survey, the IHS3 reveals that only Nkhata Bay, Rumphi and Thyolo experienced declines in the levels of inequalities, while Mchinji, Nsanje and Chiradzulu, exhibited the highest degrees of inequalities (IHS3, Table 13.9). Unfortunately, the IHS does not provide enough information to indicate why this is the case. Even the vulnerability analysis is silent on this. This is an area where more data and analysis are required for tailor made solutions to be provided.

1.3 Factors that Contributed to Social Exclusion

1.3.1 Population trends, distribution and internal migration

1.3.1.1 Context: Global and Local

Until recent times, the world’s population lived a rural lifestyle, dependent on agriculture and hunting for survival. Growth in knowledge and opportunities has been important in shifting lifestyles from a predominantly rural to an urban culture. In contemporary times, the world’s people favour a more urban lifestyle (Figure 1.5).

The African Development Bank (AfDB) acknowledges that Africa, at 3.5 percent growth rate in urbanization, will not only adhere to this trend until 2050, but that some African cities will also account for at least 85 percent of their populations living in cities as early as 2025 (AfDB, 2012). As a result,

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12 See Figure 13.8 on page 222 of IHS3 for detailed data.
migration from rural to urban will continue to be rampant, especially in the developing countries, because of people’s aspirations for perceived better livelihoods. In the developing nations, where extreme poverty exists even in the cities and access to basic social services continues to be a challenge for the (rural) poor, there exists a wider gap between the rural and urban areas where inequalities exist in standards of living and access to economic and social services.

Figure 1.5: Global Urbanization Projection  
Source: United Nations Statistics

Malawi, with an urban growth rate of 6.3 percent (UN-HABITAT, 2011), more than supports these global and regional trends. This rapid urban growth rate is not commensurate with the rate of economic growth, which has recently been under 5 percent annually, indicating potential redistributive challenges for the economy’s growing income.

Urbanization in Malawi, coupled with positive economic growth, has not demonstrated ability of the economy to foster inclusive growth, through generation of employment, over time. Malawi continues to grow its urban settlements and, consequently, its urban poverty profile reports deterioration of wellbeing among the most densely populated pockets of urban areas. Slum settlements within the four cities are growing fast, at an alarming annual rate of 3.9 percent (UN-HABITAT, 2011).

The state of development for rural areas, home to over 80 percent of Malawi’s population\(^\text{13}\), is yet to improve. While rural services are poor and in urgent need of attention by the government, all public amenities are tied to the prevailing rural infrastructure condition. Good infrastructure is key to ensuring that education, health and public utilities (such as water and electricity) services, transportation, markets and information are provided at affordable price to rural communities. Additionally, improved

\(^{13}\) Also, according to 2012 UN Data, the urban population in Malawi was 15.4 percent of total population. See https://data.un.org/CountryProfile.aspx?crName=MALAWI
infrastructure facilitates increase in efficiency of development interventions, the absence of which leaves growth benefits to be non-inclusive.

The reasons for rural/urban migration are mainly socio-economic (Figure 1.6) and include: the search for better economic opportunities by entire families; marriage to a partner who has migrated; search for work; or living with relatives who are an integral part of the urban population. The largest representative group for migrants from rural areas into urban settings is accounted for by those who had to relocate with their parents at the time when the parents were in search for urban economic opportunities themselves. While these reasons are diverse and affect different profiles of people, migration from the rural to urban settings affected an average of about 3 percent of the population over the four-year period from 2010 to 2013.

Indeed Figure 1.6 shows that only some 16 percent of rural/urban migration is accounted for by those who actually moved to urban areas in search for work. In effect, the largest proportion of rural/urban migrants do so for reasons not directly economic. This report associates these migration trends with the many disadvantages of rural-urban migration outweighing the advantages discussed. However, it is inconclusive on the rising urban population as attributable to such migration patterns alone, as within-city fertility (particularly among the poor who tend to have larger families than the rich) may also be considered important in determining the high urban growth rates in general.

1.3.1.2 City-to-City Migration

Migration is not confined to only that from the rural to urban. City-to-city migration also exists among the middle and high class and poses its own challenges. In Malawi for example, with most government functions and offices having been recently relocated to Lilongwe from Blantyre, urbanization in the Capital City has greatly increased over the years. One obvious challenge resulting from such migration pattern is high inflation, driven by increased land pressure and accommodation costs. The prices of renting and purchasing houses in Lilongwe have soared up significantly as demand for housing rose.

The high population growth of Lilongwe has also put pressure on services such as electricity and roads. According to JICA (2014), Malawi faces the challenge in providing efficient transport networks in its cities like most developing countries. Despite efforts to increase the length of paved roads, the motor vehicle population has increased in urban areas, putting a lot of stress on the roads. There is, therefore, need to improve the traffic volume capacity for urban roads. In addition, general improvements in service delivery on water and sanitation, and electricity are required to safeguard the livelihoods of the urban poor, especially those confined to slum settlements where congestion is rampant.
1.3.2 Gender, Poverty and Vulnerability

Malawian households are vulnerable to a number of shocks that may increase their likelihood of being poor. According to a World Bank (2006) study, this may result from four major shocks, namely:

1) Given the prominence of rain-fed agricultural production systems in Malawi, climatic shocks have potentially severe implications for household welfare.

2) Animal and plant diseases, which may lead to major crop and livestock losses.

3) Price volatility of maize, tobacco, and fertilizer is a major source of vulnerability to households.

4) Health shocks mostly due to HIV/AIDS, malaria, tuberculosis, and anaemia are pervasive in Malawi.

At the same time, a number of studies have looked at the determinants of poverty in Malawi. In summary, the studies find that human capital, physical infrastructure, ownership of productive assets, access to wage employment, and participation in agriculture, all tend to lower the likelihood of being poor (IFPRI, 2011).

In Malawi, like many developing countries, poverty is highly concentrated in rural areas. The poor are mostly women and largely rely on the agricultural sector for subsistence and wage labour. At the same time, Malawi agriculture, because of its reliance on rain-fed agriculture, low levels of farm technology, and little use of productivity raising innovation, is vulnerable. As such, an overall decline in agriculture output is of particular concern to the rural poor, especially those in female-headed households (see Section 5.2.2). Women also face specific gendered risks and vulnerabilities. A World Bank study conducted in a number of African and Asian countries found that women received up to 30 percent lower wages than men in casual labour and 20 percent lower for the same task (World Bank, 2009a). A study conducted on tobacco and tea estates in Malawi found out that in their access to employment women are handicapped by restrictions imposed by sexual division of labour. When women were given access to employment they were generally assigned the least secure and least well-remunerated tasks. More often than not, women were engaged on a seasonal basis, and often paid by “task”, with no guaranteed daily rate (Vaughan & Chipande, 1986). Thus women faced discrimination on the estates, both in terms of limited access to employment and the low wages they were paid relative to their male counterparts, even on similar tasks.

Other areas of poor wellbeing to which Malawians are vulnerable are food insecurity and malnutrition, chronic illnesses including AIDS, and poor access to education. Again women tend to bear the brunt of these problems. Unless Malawi introduces inclusive growth policies in these areas, the general wellbeing of the womenfolk and other disadvantaged groups will continue to deteriorate. Specific policy recommendations to deal with these vulnerabilities are provided in appropriate chapters and sections of this NHDR.

1.3.3 Governance and Administrative Considerations

There is a growing conviction that many persistent development issues result from weak governance. The relative failure of many developing country states are explained by the attempts of their states to do too much, resulting in the unleashing of unproductive rent-seeking activities and the crowding out of productive market ones. Weak governance, for example, is associated with widespread corruption, inefficient public services, lack of transparency and accountability, lack of rule of law, lack of respect for human rights and fundamental freedoms, lack of representation by particularly poor and disadvantaged groups in decision making, discrimination based on class, ethnicity, gender or other socio-economic
attributes. This is supported by governance studies in a range of countries and regions which show that in general, countries with good governance systems performed better and that weak governance is responsible for persistent poverty and lagging development (UNDP, 2002).

It is also generally recognized that participation in formulation and revision of rules and institutions that affect one’s community is a basic human right and part of development. If local people are consulted about development of their area and lives, it is more likely that such development will meet the perceived needs of the people.

While economists agree that governance is one of the critical factors explaining the divergence in performance across developing countries, there are differences of view regarding, first, the types of state capacities that constitute the critical governance capacities necessary for the acceleration of growth; and second, the importance of governance relative to other factors at early stages of development. The disagreement concerns the relative importance of governance reforms in accelerating growth in countries with low levels of development. The main challenge of the good governance approach to reform in Africa has come from Sachs and others (2004) who have argued that a focus on governance reforms is misguided. Using empirical analysis they show that differences in performance between African countries is not explained by differences in their quality of governance. They conclude that in Africa the emphasis has to be on a big push based on aid-supported investment in infrastructure and disease control.

Findings from the Post 2015 Consultations (GoM & UNDP, 2013), indicated that a number of challenges were said to continue to affect Malawi’s democratic governance systems. One such challenge was the proliferation of political parties, as politicians, out of self-interest, sought political power as a means of gaining economic power and control over national resources. As a result, political parties are said to have continued to be registered en masse, thus, providing no real options for reasonableness in the electoral process for the electorate, where about forty (40) political parties want to actively participate. This has led to opportunistic politicians seeking to gain economic benefits through corrupt practices by flouting rules, regulations and procedures with impunity, especially among the executive, which was perceived to lack proper checks and balances. Generally, Malawi was said to lack a level playing field in the development process, including the provision of basic social services. Another reason for the weak transparency and accountability was said to be the fact that the majority of Malawians were not able to demand accountability and transparency from their leaders, largely because local governance structures were very weak. The absence of elected ward Councillors was cited as a deliberate attempt by central government to weaken local governance and lessen coordination of local development efforts.

Furthermore, Malawi was said to have a high patronage culture which had led to the victimization by political power holders, of individuals demanding transparency and accountability. A number of District Executive Committee members lamented the weak state of governance at the local government level, which was manifested through the absence of elected representatives, such as ward councillors. It is hoped that the recently elected councillors will spearhead development at community level. A businessman in Chikhwawa called for: “Change in the District Administration system to introduce a town council”. This, he said, would improve the decision making process, making it more efficient and relevant to the unique needs of the district, and thus trigger the construction of infrastructure to support the town, such as markets, leisure centres, among others. A parliamentarian pointed out that weak local governance led to over-centralization, in which key decisions and development initiatives were associated with central government, thereby alienating the periphery from such decisions and initiatives.
During the same Post 2015 Consultations, some district officials emphasized the need for strengthening fiscal decentralization in the district through strengthening the capacity of the Council to generate and manage its own resources rather than over-relying on government grants, which comprised about 85 percent of the Council’s resources. This would lead to increased Council’s revenue to cushion the impact of insufficient funding from central government. The removal of legal and administrative impediments for District Council to raise rateable revenue from properties is a sure way to achieve this end. In order to promote optimal resource use and utilization, improved fiscal decentralization should be accompanied by improved efficiency of the government in releasing funds to suit the cash flow plan of the Council, thereby enhancing the implementation of district development plans.

It was also pointed out by a number of District Executive Committees that development efforts at the district level were often not well coordinated. There was, therefore, the need to improve the coordination system to ensure that all stakeholders were well coordinated and that adequate capacity to manage development was improved at all levels. Development projects should be well coordinated at district level to avoid bothering communities with contributions to projects that never materialized. Examples of such sentiments were provided in the following: “Communities have made bricks before for a clinic that was never built”; “Communities have dug pipe channels for water supply project which was later diverted to other users”; “Bricks have been made for school blocks but support from government was never received as promised.”

Many respondents expressed dissatisfaction with the quality of representation by their respective MPs, who were said to be visible only during political campaign periods. Common sentiments expressed among respondents included: “politicians should be dedicated to representing the communities faithfully and play their development role”; “the government should reinstate the recall provision to enable communities remove MPs that are not performing their duties”; and “there is need to improve the management of Constituency Development Fund (CDF) and ensure transparency”. Politicians were urged not to present the CDF as personal donations to the communities, while at the same time, traditional leaders like Traditional Authorities (TAs), and Village Heads should be educated about the fund to enable them monitor the programme and require the much needed accountability from MPs.

The role of traditional leaders in the development agenda was not well appreciated. Many chiefs bemoaned the weak role played by traditional leaders in development. While they were supposed to be apolitical, more often they were used to push political agendas. The development machinery, in using chiefs as an entry point into participatory initiatives at the local level, needs to take advantage of the social mobilization capabilities of traditional leaders so as to ensure the involvement of all. There was need to sensitize chiefs on their role in the management of the Local Development Fund (LDF) and the CDF and empower them to request accountability. Local leaders should take ownership of development projects and monitor progress. A good example was provided in Mulanje where one of the traditional leaders’ active participation in development programmes led to very tangible development results and helped to galvanize local support for the same.

A number of other governance issues which were touched upon included: a lack of corporate social responsibility by the private sector; limited space for public policy debate; little respect for rules and procedures; and harnessing the potential role of the youth in politics. The issues of an efficient and effective civil service and the promotion of the development and implementation of home grown policies were also touched upon.
1.4 Chapter Summary

The Malawi growth context reveals that, from time to time, the economy has registered impressive growth. In spite of this, the vulnerability of the economy remains today, as reliance on rain-fed agriculture continues to characterize most of the country’s farming, which excludes people from development as the harvests from the farm are inadequate to support a decent standard of living. A post-reform period (years after 1989) has emphasized poverty reduction and economic growth, within a long term growth perspective.

However, while improvements in the agricultural sector are important, increased attention to non-agricultural productive sectors such as mining, tourism and manufacturing for increased share in GDP is desperately needed for the country to transform effectively into an economy that is more resilient to external and internal shocks.

The agricultural sector needs to enhance its productivity to halt and/or reverse the negative effects of high population growth rates and policy inconsistencies. Also, structural transformation needs to address the persistence of a primary agricultural industry that limits most of the production to primary products and hindering the expansion of the manufacturing sector that drives further improved farming, and the commercialization of industrial agricultural output. While this would enhance potential for better contribution of the manufacturing sector to GDP, the economy needs to increase the training of skilled and specialized labour required by the sector.

Although active debates, since independence, have focused on expert-led and people-driven development, and the limited focus on production of more evidence through rigorous data collection on various development indicators, the policy dialogues have been void of more focused policy targeting. There needs to be more support by public authorities and stakeholders in ensuring that public debates are supported by evidence research and more data. In the same vein, such consultative processes could benefit from the traditional governance structures, which could bring key policy messages such as gender equality and youth participation into social mobilization processes that are critical for inclusive growth and development of the communities.

In appreciating the corrosive nature of high population growth on development, as well as on environmental protection, sectors such as health and education are indispensable in ensuring that the growing population is included in productive activities. As fundamental elements of human capital development, the two sectors perform as important enablers for inclusive economic growth.

Finally, although evidence has been limited in shaping certain key policies, the country has benefitted from well-thought policies. However, there has been a general lack of implementation capacity that translates theoretical underpinnings of very good policies into development action. It is in these actions where the practical engagements of the population could be realized, and hence strategies for improved inclusiveness of the development agenda could be advanced.

1.4.1 Structure of the Report

The report is divided into five chapters. This chapter sets out the basis for the report, discusses the definitions of inclusive growth, including key pillars and patterns of inclusive growth and analyzes growth trends through the examination of stabilization policies and sustainable economic growth efforts in the post-independence period. The chapter also discusses the relationship between inclusive growth and sustainable human development, and explores the key factors that require extraordinary effort by the
promoters to ensure that growth is inclusive. We take a particular look at the efficacy of specific policies in certain key sectors aimed at promoting growth. Thereafter, the chapter looks at whether the sources of growth have been broad-based and which factors have led to exclusion of some groups from contributing to and benefiting from growth. The analysis then tackles more specific issues that have led to unequal participation by different social-economic groups based on their geography, gender, age, and physical ability. The chapter ends with a summary of the key enablers that have been identified from the Malawi context. It also outlines the methodology and structure of the report, as well as highlighting why a report on inclusive growth in Malawi is important given the current economic landscape and past growth trends including sources of growth.

Chapter Two focuses on analyzing the sectors considered to be the key sources of growth in the country in terms of the policies that have been pursued in these sectors and the policy gaps that have limited the contribution of these sources of growth towards inclusive growth.

Chapter Three builds on the analysis of the sources of growth, focusing on the key enablers to the promotion of inclusive growth. It addresses policy gaps identified in the key enablers and expands the analysis on opening up and diversification of employment opportunities in agriculture, manufacturing, mining and tourism. The chapter also addresses desired improvements in knowledge and skills development; health; food security; energy and infrastructure; access to resources and social protection for vulnerable groups. The chapter ends with a summary of key issues that negatively impact on inclusive growth that need to be improved in order to enhance the contribution of the enablers in terms of addressing the policy gaps, say in the areas of education, skills development, health, food security and accompanying infrastructural requirements.

The fourth Chapter analyses how effectively the conditions and environment in Malawi can facilitate inclusive growth. More specifically, it looks at governance, broad based participation, access to finances, environmental and natural resources management, as well as human rights and social protection. Specifically, the chapter focuses on the key features of the governance structures in the country and how these impact on promotion or inhibition of inclusive growth. The analysis also examines aspects of planning, budgeting, implementation and monitoring and evaluation and how they impact on the responsiveness to targeted groups to development interventions and the achievement of intended outcomes leading to inclusive growth. Finally, Chapter Five provides a summary of key conclusions and strategy recommendations arising from the discussions in the preceding chapters.
CHAPTER TWO

DRIVERS OF INCLUSIVE GROWTH

2.1 Introduction

This chapter explores the key policies that have been pursued in sectors considered to be the key drivers of inclusive growth and have the greatest potential for transforming the Malawi economy from being predominantly agricultural towards an industrial and middle income nation as stated in the Malawi Vision 2020. Between 2009 and 2013, the agriculture, forestry and fishing sector contributed an average of 30.1 percent per annum to GDP, while the sectors of: mining and quarrying; manufacturing; wholesale and retail trade; and others, contributed an average of 1.7 percent, 9.8 percent, 15.7 percent and 42.8 percent per annum respectively (Table 2.1).

We have Agriculture as the sectors with the highest contribution to GDP, and Mining and Quarrying, and Travel and Tourism to represent the sectors with the greatest future potential to contribute to GDP based on the priority accorded to the two sectors by the Malawi Government development strategies since the reintroduction of multiparty democracy in 1994.

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<td>44.0</td>
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Table 2.1: Sector Contribution to GDP (%)

Source: GoM, Annual Economic Reports (2013 & 2014)

2.2 The Role of Agriculture in Inclusive, Broad-based and Sustainable Human Development
Agricultural productivity in sub-Saharan Africa is low and farmers face a low-productivity trap. Dorward et al. (2008) note that unstable food prices lead to low producer investment and consumers’ lock into low-productivity food crops, leading consequently to low agricultural productivity. Low productivity leads to low and vulnerable real incomes which in turn lead to low demand for non-agricultural goods and services. The World Bank (2008) notes that agriculture has failed to get Africa out of poverty, and most countries are experiencing low agricultural growth, rapid population growth, weak foreign exchange earnings and high transaction costs. However, FAO (2009) observes that after decades of decline in per capita food production, a new optimism has emerged about the prospect for Africa and African agriculture, whereby growth in agriculture and in the economy as a whole has outpaced population growth in many countries. There is a wide agreement that African agriculture has enormous potential for growth thanks to Africa’s abundant natural resources, namely land and water *(ibid)*.

FAO (2006) argues that to achieve the most direct reduction of poverty and hunger, “priority must be given to economic growth in sectors where the poor work; that use factors of production the poor and undernourished possess; that generate outputs they consume; and whose development occurs in areas where they live”. The agriculture sector meets these criteria, and has proved its ability—in Africa as well as elsewhere—to act as a lead sector for initiating rapid growth and broad based economic development in the medium term, particularly in less-advanced countries *(ibid)*. It is a well-known fact that agriculture constitutes the primary source of export earnings in all but the mineral-rich and developed countries (which are few), and is also the most important source of employment. It has proved to be more effective in reducing poverty than either the manufacturing or service sectors. Agriculture can stimulate the development of rural non-farm activities, which generate income for the poor if care is given that benefits are not reaped by the better-offs. Agriculture can also generate capital surplus, release labour for other sectors and provide a stable food supply at affordable prices, thus contributing to the competitiveness of the economy as a whole and acting as a major source of stimulus for the demand for goods and services of other sectors. In this respect, agriculture, by promoting food security, leads to growth, and holds potential for sustainable development and broad based/inclusive growth.

In Malawi, agriculture has been the dominant sector in terms of its contribution to GDP and employment. As indicated in Table 2.2 the contribution of the sector to GDP has ranged between 39.6 percent during the 1970–79 period and 29.1 percent during the 2010–2013 period. In terms of contribution to employment, Table 2.2 indicates a rising trend from 39.8 percent during the pre-reform period to 69.2 percent during the 1995–99 period. The 2013 Labour Force Survey (LFS) indicates that agriculture’s nationwide contribution to total employment in 2013 was 64.1 percent. It was as high as 70.4 percent in the rural areas (LFS, 2013).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Period</th>
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<tr>
<td>Share of GDP</td>
<td>1970–79</td>
<td>39.6</td>
<td>37.2</td>
<td>35.9</td>
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<tr>
<td>Share of total employment</td>
<td>1980–84</td>
<td>39.8</td>
<td>48.8</td>
<td>45.9</td>
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<td>Share of Total Earnings</td>
<td>1985–90</td>
<td>14.6</td>
<td>19.4</td>
<td>17.3</td>
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<td>2010–13</td>
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The state of the sector is due to a number of factors. These include: low agricultural productivity, resulting in stagnant yields; over-dependence on rain-fed farming arising from low levels of irrigation development, which increases vulnerability to weather related shocks; and low uptake of improved farm inputs. In
addition, there is low profitability of smallholder agriculture which has been influenced by weak links to markets, high transport costs, few farmer organizations, poor quality control and lack of market information. The interplay of these various factors has negatively affected agricultural development and growth, with implications on the contribution of agriculture towards poverty reduction and consequently inclusive growth.

2.3 Evolution of Agriculture in Malawi

Malawi has followed a dual agricultural development strategy since independence in 1964, consisting of the promotion of estate and smallholder sub-sectors. The promotion of estate agriculture led to the rapid expansion of estates on leasehold land from unused customary land, particularly for the production of tobacco, and other cash crops (Lele, 1989). This resulted in a more unequal distribution of land in rural Malawi from the majority smallholder agriculture farmers to relatively rich agriculture estate owners, thereby diminishing available land for the growing population of smallholder farmers and inhibiting inclusive growth. It was estimated that by 1997/98 one third of smallholder households were cultivating between 0.5 and 1 hectare of land (GoM, 2001).

Most estates grow high value cash crops (tobacco, tea, sugar and coffee) for export. The government’s strategy in the smallholder agricultural sector is aimed at increasing output and productivity to meet the food security needs and the cash requirements of the rural population. As such the smallholder agricultural development strategy focused mainly on increasing the productivity of maize. Emphasis was placed on the utilization of unskilled labour resources and arable land, coupled with use of productivity-raising innovations, including subsidized agricultural inputs (fertilizers, agricultural chemicals and seeds).

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Most estates grow high value cash crops (tobacco, tea, sugar and coffee) for export. The government’s strategy in the smallholder agricultural sector is aimed at increasing output and productivity to meet the food security needs and the cash requirements of the rural population. As such the smallholder agricultural development strategy focused mainly on increasing the productivity of maize. Emphasis was placed on the utilization of unskilled labour resources and arable land, coupled with use of productivity-raising innovations, including subsidized agricultural inputs (fertilizers, agricultural chemicals and seeds),
credit, research and extension services; and a system of guaranteed pan-territorial and pan-seasonal prices for agricultural produce and inputs through the Agricultural Development and Marketing Corporation (ADMARC).

Direct government involvement in economic activities also manifested through investments in state enterprises and state-holding corporations that in turn invested in various sectors of the economy including agriculture, manufacturing and financial sectors. ADMARC, the state marketing agency, played a major role in the agricultural development strategy as a monopsony buyer of smallholder crops and a supplier of agricultural inputs, besides investments in estate agriculture and other commercial investments.

Several policies and policy changes have been introduced to support the dual agricultural strategy. Agricultural policies in Malawi can be divided into three main policy regimes: pre-reform (1964–1979), reform (1980–1994) and the post-reform (1995–2013) periods. The policies pursued during these periods have largely shaped the performance of the agricultural sector (Chirwa et al., 2008).

During the pre-reform period (1964–1979), Agricultural policy was characterized by active government involvement in the economy and the agricultural sector. The sector was assigned the highest priority in the government development policy (DEVPOL) in order to develop both the estate and smallholder agriculture sub-sectors. Estate tobacco production was emphasized following interest by Universal Leaf, a U.S. trading company to buy tobacco from Malawi instead of Southern Rhodesia following the opportunity provided by the imposition of sanctions against Southern Rhodesia in 1965. Commercial banks were directed to help finance estate farmers which resulted in a big increase in commercial banks’ advances to the estate sub-sector from 15 percent of their total portfolio in 1965–67 to 49 percent in 1978–80 (Gulhati 1989).

The government’s strategy in the smallholder agricultural sector aimed at increasing output and productivity to meet the food security and income needs of the population through integrated rural development projects (Lilongwe, Shire Valley, Lakeshore and Karonga) largely financed by foreign aid. The strategy focused mainly on increasing the productivity of maize utilizing unskilled labour and arable land, coupled with use of productivity-raising innovations, including subsidized agricultural inputs (fertilizers, seeds, and agro-chemicals), inputs credit, research and extension services; and a system of guaranteed pan-territorial and pan-seasonal prices for agricultural produce through ADMARC. Table 2.3 shows the success of the integrated rural development projects on the smallholder sector relative to other sectors. The average family income of smallholders grew by more than five times between 1967/68 and 1984/85, compared to that of estates and dwellers of big towns which increased by 3.0 and 3.5 times, respectively, during the same period.

Despite the success of the rural integrated projects in increasing average family incomes, the Government’s smallholder crop prices policy resulted in large profits, particularly on smallholder tobacco where ADMARC paid smallholder farmers 20 to 30 percent of export prices throughout the 1970s (R. Gulhati, 1989). As a result smallholder tobacco farmers left tobacco farming and became wage earners on

<table>
<thead>
<tr>
<th>Sector</th>
<th>1968/69</th>
<th>1984/85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smallholders</td>
<td>86.42</td>
<td>432.2</td>
</tr>
<tr>
<td>Estates</td>
<td>140.31</td>
<td>425.1</td>
</tr>
<tr>
<td>Small towns</td>
<td>606.93</td>
<td>2157.1</td>
</tr>
<tr>
<td>Big towns</td>
<td>907.65</td>
<td>3235.4</td>
</tr>
<tr>
<td>Total</td>
<td>130.03</td>
<td>596.2</td>
</tr>
</tbody>
</table>

Source: Pryor (1988)
tobacco estates (labour on agriculture estates rose from 51,000 in 1968 to 181,000 in 1980\textsuperscript{14}) where wages were kept low. The government’s smallholder pricing policy, therefore, negatively limited the potential income earnings of smallholder tobacco farmers who opted to go and work as labourers on tobacco estates.

The consequences of the rapid growth in production of estate crops using land acquired from the smallholder sector and utilizing cheap smallholder labour resulted in acute land pressure in the integrated rural development areas where available land to smallholders declined by 26 percent during 1964–85, while estates expanded their areas of operation by more than ten-fold (R. Gulhati, \textit{ibid}). As a result annual growth rates in ADMARC purchases of three smallholder crops (groundnuts, cotton and maize) slowed down considerably between 1965–72 and 1972–79 (Table 2.4).

<table>
<thead>
<tr>
<th>Crop</th>
<th>1965–72</th>
<th>1972–79</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESTATES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td>20.4</td>
<td>16.1</td>
</tr>
<tr>
<td>Tea</td>
<td>6.9</td>
<td>6.6</td>
</tr>
<tr>
<td>Sugar</td>
<td>n. a.</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>ADMC PURCHASES FROM SMALLHOLDERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td>-1.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>8.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Cotton</td>
<td>2.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Maize</td>
<td>15.5</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Note: n. a. = not available

Source: Christiansen and Kydd (1985)

The reform period (1980–1994) was mostly triggered by the 1970s oil crisis and led to a sharp decline in terms of trade as commodity prices fell. At the same time remittances from Malawians working in South African mines fell following the Malawi Government ban recruitment of mine workers from Malawi. The civil war in Mozambique (1985–1992) damaged transport infrastructure and blocked the ports of Nacala and Beira, thereby forcing Malawi to use alternative long and more expensive transport routes through Dar es Salaam in Tanzania and Durban in South Africa. In order to contend with these problems, Malawi implemented several Structural Adjustment Programmes (SAPs) between 1981 and 1994, supported by the International Monetary Fund (IMF) and the World Bank (WB), to address structural weaknesses and adjust the economy to attain sustainable growth and poverty reduction.

The major reforms affecting the agriculture sector included: removal of preferential lending to the agricultural estate sector, liberalization of agricultural marketing services (for both output and inputs), liberalization of the prices of some agricultural produce, and removal of fertilizer subsidies (Chirwa and Zakeyo, 2003).

The initial impact of the reforms implemented in the agricultural sector led to a substantial increase in the production of tobacco as well as private sector participation in marketing of agricultural produce. The liberalization of burley tobacco production alone generated around US$185 million of revenues for the rural sector (World Bank, 2000), which stimulated the growth of trading, transport and other income. However, over time, these benefits were offset by input prices increasing faster than producer prices. The lifting of price controls and elimination of fertilizer subsidies contributed to increased input costs. The liberalisation of the agricultural marketing services for agricultural crops deprived smallholder farmers, particularly those in rural and remote areas of an assured and guaranteed market and prices for inputs as well as crops, thereby causing uncertainty and large fluctuations in smallholder agricultural incomes. During years of bumper crops, smallholder farmers lost out because producer prices often collapsed without any remedial government interventions (\textit{ibid}). The failure to foster competition in both the input

\textsuperscript{14} Kydd, J. and R. Christiansen (1982). \textit{Structural Changes in Malawi since Independence: Consequences of a Development Strategy Based on Large Scale Agriculture.}
and output markets in response to the liberalization compromised the agriculture sector’s ability to consolidate and sustain the benefits accruing to smallholders and the poor.

During the post-reform period (1995–2013), there were three key policy strategies that addressed the agricultural sector; namely Vision 2020, the Malawi Poverty Reduction Strategy (MPRS), and the Malawi Growth and Development Strategy (MGDS). With respect to the Vision 2020, the main objectives were to increase food crop production, particularly maize; promote livestock development; reduce post-harvest losses in food crops; and improve marketing of agricultural crops (NEC, 2000). In the case of the MPRS, the main thrust in the agricultural sector was to increase agricultural incomes by increasing agricultural output through access to inputs; technology and extension services; increased access to domestic and international markets; promotion of irrigation; crop diversification including the liberalization of some of controlled estate crops, such as tobacco, tea, coffee and sugar-cane; and livestock development. The MGDS, on the other hand, put emphasis on increasing the contribution of the agricultural sector to economic growth through increased productivity, value addition, market facilitation, and development of irrigation (GoM, 2006) (Chirwa et al., 2008). The underlying thrust of the strategies has been a shift from poverty alleviation to growth with poverty reduction, and there have been several safety net activities designed to protect the poor from the perils of market reforms, particularly smallholder agriculture input support programmes (Starter Pack Programme, the Agricultural Productivity Improvement Programme, and the Targeted Input Programme) (Chirwa et al., 2008) and the liberalization of burley and flue-cured tobacco which opened the opportunity for smallholder farmers to grow crops which had until then been reserved for estates. One study conducted in rural Malawi to explore the factors and constraints to innovation adoption amongst smallholder households concluded that “access to agricultural markets and related improvements in rural infrastructure and marketing institutions are essential for adoption of new technologies and transformations of subsistence-oriented smallholder agriculture” (Zeller, Diagne, & Mataya, 1997, p.19).

The impact of the large scale smallholder agriculture input support programme (mainly fertilizers and maize seed) over the period 2005/6 to 2008/9 is assessed to have “led to significant increases in national maize production and productivity, and this has contributed to increased food availability, higher real wages and wider economic growth and poverty reduction. However, the latter years of the programme have also been accompanied by very high international fertilizer prices and costs and by high maize prices, the latter undermining the programme’s food security, poverty reduction and growth benefits for the majority of Malawian farmers, who are very poor and rely on purchased maize for significant amounts of their staple food requirements.” The policies have opened opportunities to otherwise disadvantaged farmers, through the granting of burley and flue-cured tobacco production quotas, improved access to credit, extension, input and output markets to smallholder farmers, and have tended to enhance agriculture innovation adoption by smallholder agriculture farmers and thereby enhancing inclusiveness of smallholders in the production of some of Malawi’s high value crops.

2.4 Expanding Non-Farm Sources of Income

2.4.1 Sustainable and inclusive opportunities for growth in mining and minerals sector

a. The mining and minerals sector development context

Currently Malawi produces a few mineral products, but the country has potential high value mineral reserves (see Table 2.5) for exploration and production which can constitute an important source of income, employment, government revenue and foreign exchange earnings for the country. The first

systematic geological work was carried out between 1906 and 1910 when most of the minerals we know today were discovered. The second exploration was undertaken between 1920 and 1963 with emphasis on coal which was in high demand for running locomotives, factories and thermal power generation. The third exploration programme was undertaken after 1963. None of the mineral exploration resulted in meaningful mining operations other than limestone mining for cement production on Zomba Mountain, quarry stone crushing for the construction sector and slacked lime production for the building industry by artisanal and small-scale miners. (For details refer to Table 2.5).

Until recently the mining sector contributed very little to the economy (less than 1% of GDP in 2008) and Malawi was not recognized as a significant mining country, because of lack of basic geological information which could have speeded up mineral exploration. Starting from 2004, however, the Malawi Government identified mining as a potential sector for economic growth and diversification.

Overall there is potential for the mining and minerals sector to grow because of: the existing political stability; increasing presence of international mining companies; the investment government and mining companies are making in the exploration of minerals; and the diverse mineral deposits that have already been identified. The mines and minerals sector could, therefore, contribute to: GDP growth; creation of job opportunities; industrial development and increased business opportunities for provision of goods and services to the sector; foreign exchange earnings; technology transfer; enhanced human capital development; development and adaptation of environmentally friendly mining technologies; and the generation of increased Government revenue from royalties and other taxes which could be invested in health, education, and the mitigation of environmental damage caused by extraction and processing of minerals. Mining could also promote economic development away from agriculture and urban centres to mining areas which tend to be located in rural areas (e.g. uranium in Karonga, coal in Rumphi, cement in Kasungu and Mangochi, glass making in Mchinji, heavy sands industry in Salima, bauxite mining in Mulanje, etc.). However, the sector is confronted with major constraints which may hinder the realization of the mining potential.

### b. Constraints hindering the mining and minerals sector

Mining in Malawi has been hindered by insufficient knowledge of the country’s mineral potential due to limited mineral exploration. Other constraints requiring urgent attention for the sector to make meaningful, sustainable and inclusive contribution to human development include:

- Inadequate promotion of the minerals sector,
- Low participation of Malawians in mining ventures,

---

• Inadequate infrastructure to support the growth of the minerals sector,
• Inadequate facilities for training, research and development,
• The informal and unsustainable nature of artisanal and small-scale mining,
• Limited value adding capacity and facilities in the minerals sector,
• Need to achieve and maintain high economic growth rates and low interest and inflation rates in order to attract more investments into the growing minerals sector,
• Inadequate institutional structures and capacity for managing and coordinating the minerals sector,
• Inadequate and outdated legal framework which also requires harmonization with other legal provisions,
• Environmental degradation caused by mining,
• Social challenges associated with mining such as: inadequate empowerment of local people, inadequate compensation and resettlement of land owners and communities affected by mining, child labour, gender inequality at the work place, disruption of families and communities, and lack of articulated social corporate responsibility by mining entities, and
• Lack of sharing of geological information and mining technologies and skills among member states.

In order to enhance the contribution of the mines and minerals sector to the economy so as to move from being agro-based to mineral based economy the Government has formulated, through a consultative process with stakeholders, a mines and minerals policy to address the above major constraints. Some progress has been made in addressing the constraints but there are still many areas requiring action in order for the mines and minerals sector to enhance the contribution of mineral resources to the economy and transform the country from being agro-based to a mineral-based economy. The achievements and outstanding shortfalls of the mines and minerals sector so far include the following:

• Government commenced a high resolution airborne geophysical survey in September 2013. Up to 98 percent of the line kilometres for magnetic and radiometric survey have been covered while almost 100 percent of the gravity survey has been done. In the petroleum sub sector, an airborne gravity survey was undertaken across the lower Shire, Vwaza Marsh and Lake Malawi. Several Malawian and foreign companies, mainly from the UK, Canada, Australia, India and China are now actively exploring amidst growing global demand for natural resources to feed developed and emerging economies.

• The mineral sector is still not being promoted and marketed adequately to attract investments into the sector mainly due to
  (a) Lack of a body to spearhead investment;
  (b) Insufficient technical and financial capacity to participate and market mining investment;
  (c) Lack of mining investment window in Malawi’s financial institutions;
  (d) Lack of a vibrant mining culture which exists in neighbouring countries; and
  (e) Lack of adequate and sufficient local expertise in geological and mining fields.

• While the policy encourages joint local and foreign ventures in the sector with a view to empowering local entrepreneurs, there is yet no policy on local participation nor is there

17 By July 2012 there were 156 companies operating in the mining sector, of which 49 were mining and 107 prospecting according to the Catholic Commission for Justice and Peace (CCJP).
appropriate financial and technical capacity for locals to participate in the sector. While the Malawi Government holds 15 percent of the shares of Kayelekera Uranium Mine there is still no clear policy on government participation in commercial mining projects.

- Malawi Government’s capacity to provide support infrastructure and services in energy, transport and communication is still inadequate because of the country’s limited capacity to build additional and new energy infrastructure and communication networks to connect remote mineral rich areas with the country’s international routes. The potential growth of the sector will, therefore, be constrained by infrastructure, particularly if Malawi wants to enter into mineral processing with the view to generating more, sustainable and inclusive growth from the minerals sector.

- In the area of facilities for training, research and development, specialized training has been initiated at the University of Malawi (Polytechnic) and the Malawi University of Science and Technology in the areas of mining and geology. However, there is need for Malawi to establish local research laboratories in order to address public concerns regarding: too many mineral samples being sent to external laboratories; such samples being sold by companies who make huge sums of money; and the minimal monitoring of samples being exported by authorities.

- While the artisanal and small-scale mining sub-sector has been identified by Government as one of the key sources of economic growth and poverty reduction there has been little progress in providing the policy support identified in the mines and minerals policy. The sub-sector has not witnessed major transformation in most of its operations.

- Mining in Malawi continues to be primarily concerned with production of raw materials for processing outside the country due to limited capacity and facilities for value addition. The government’s policy to promote investment in value-addition has not materialized yet and is unlikely to be realized in the short- to medium-term due to the weak macro-economic environment caused by the withholding of some of Malawi’s development assistance following the cash-gate scandal.

- With regard to the legal framework constraint, work to review and revise the Mines and Minerals Act (1981) and the Petroleum (Exploration and Production) Act is currently underway and a Model Petroleum Sharing Agreement (PSA) to be used when negotiating investments in the petroleum subsector is waiting for stakeholder analysis and review before it is finalized.

c. Contribution of the mining and minerals sector to income, sustainable and inclusive growth in Malawi

The mines and minerals sector has attracted the largest foreign capital investment so far into Malawi. Capital expenditure to launch the Kayelekera Uranium Mine in 2009 was projected at US$200 million. At planned output levels, the mine was expected to generate US$200 million in sales per year. Since the entire output of uranium oxide will be exported, the mineral sector will, for the first time, contribute significantly to generation of foreign exchange earnings (the US$200 million is approximately 15% of 2009 exports).

The contribution of the mining sector to the country’s GDP is estimated to have risen from less than 1 percent in 2008, to 4.7 percent in 2010 (GoM, 2013). Table 2.6 provides the monetary value of selected mineral products mined in 2012 and 2013 and the projected 2014 values and clearly shows the dominance of uranium (over 99% of the total value of mined minerals). In

<table>
<thead>
<tr>
<th>Mineral Product</th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>870.19</td>
<td>826.68</td>
<td>785.35</td>
</tr>
<tr>
<td>Cement</td>
<td>45.25</td>
<td>42.99</td>
<td>40.84</td>
</tr>
<tr>
<td>Agricultural Lime</td>
<td>218.61</td>
<td>207.68</td>
<td>197.30</td>
</tr>
<tr>
<td>Uranium Concentrates</td>
<td>33,190.15</td>
<td>49,090.00</td>
<td>13,800.00</td>
</tr>
<tr>
<td>Phosphate</td>
<td>18.25</td>
<td>17.34</td>
<td>16.47</td>
</tr>
<tr>
<td>Rock aggregate</td>
<td>1,840.50</td>
<td>1,748.48</td>
<td>1,661.05</td>
</tr>
<tr>
<td>Gemstones</td>
<td>21.47</td>
<td>20.40</td>
<td>19.38</td>
</tr>
</tbody>
</table>

Source: GoM (2014)
Table 2.6 the projected values for 2014 show a decline for all the selected minerals. The decline is pronounced for uranium where it is over 300 percent. The dramatic decline is due to suspension of operations at Kayelekera Mine in early 2014 due to drop in uranium prices in the World market.

While the recent developments have demonstrated that mining and the minerals sector could lead to increased foreign domestic investment (FDI), GDP growth and exports earnings, it is also important to examine the link between the economic growth and social inclusion to ensure that the growth has been inclusive. In this respect we will focus on creation of productive employment in order to see if the economic growth resulting from mining and the minerals sector has generated jobs needed to absorb the growing population, and whether the workers are reaping the benefits of rising productivity of the sector.

The formal mining sector contributed to 13,650, 12,968 and 11,951 jobs in 2012, 2013 and 2014 respectively, compared to an estimated 20,000 Malawians (Malawi Government, *Annual Economic Report 2014*) who are involved in artisanal and small-scale mining annually (Table 2.7). In 2013 most (66%) of the formal mining sector employment was generated by quarry aggregate production compared to only 5 percent by uranium mining which accounted for more than 99 percent of the value of mining income. These results support the general view that large scale mining is unlikely to directly contribute to inclusive growth if the only pathway is labour employment (Arcenas, 2013).

In spite of the global evidence that large-scale mining is unlikely to directly contribute to inclusive growth through employment, Malawi has no policy for promoting artisanal small-scale mining which has the largest potential for generating employment, alongside large scale mining. Yet Malawi’s Mines and Minerals Policy (2013) recognizes that artisanal small mining operations are informal and unsustainable in nature with little collaboration with larger private mining companies. Women are mostly found in this sub-sector, and many small-scale miners lack training, capital and appropriate technology which results in low mine productivity, environmental degradation, and poor occupational health and safety outcomes.

Malawi has a number of precious and semi-precious stones and a large number of small-scale miners are involved in gemstone mining but Malawi is losing because the artisanal miners are not organized nor is there an organized market for gemstones. Most of the gemstones and semi-precious stones are smuggled out of the country with very little benefits accruing to the small-scale miners.

In terms of employment of skilled labourers, there were very few skilled Malawian labourers employed at Kayelekera Uranium Mine. However, the Paladin Human Rights Impact study for Kayelekera Mine reported that skilled labourers at the mine earned salaries well above median national wage levels. Unskilled workers earned up to K10,000.00 per month, nearly triple compared to the Malawi minimum wage (Nomogaia, 2010). Overall, Kayelekera is paying better than average Malawian wages for unskilled labour. However, there is no clear evidence on what Paladin is doing in enhancing mining skills among Malawians. Among the 9 senior managers of Kayelekera Uranium Mine in 2011/2012 and 2012/2013, there was no single Malawian compared to the situation in Namibia where out of the 10 senior managers

Table 2.7: Mining Industry Employment 2012–2014

<table>
<thead>
<tr>
<th>Mineral Product</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>671</td>
<td>637</td>
<td>606</td>
</tr>
<tr>
<td>Uranium Mine</td>
<td>740</td>
<td>703</td>
<td>300</td>
</tr>
<tr>
<td>Agricultural, Calcitic and Hydrated Lime</td>
<td>1,765</td>
<td>1,677</td>
<td>1,593</td>
</tr>
<tr>
<td>Quarry Aggregate production</td>
<td>9,024</td>
<td>8,573</td>
<td>8,144</td>
</tr>
<tr>
<td>Cement manufacturing</td>
<td>112</td>
<td>106</td>
<td>101</td>
</tr>
<tr>
<td>Gemstones/Mineral Specimens</td>
<td>130</td>
<td>124</td>
<td>117</td>
</tr>
<tr>
<td>Ornamental Stones</td>
<td>32</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Terrazzo</td>
<td>60</td>
<td>57</td>
<td>54</td>
</tr>
<tr>
<td>Other Industrial Minerals</td>
<td>930</td>
<td>884</td>
<td>839</td>
</tr>
<tr>
<td>Exploration activities</td>
<td>186</td>
<td>177</td>
<td>168</td>
</tr>
<tr>
<td>Total</td>
<td>13,650</td>
<td>12,968</td>
<td>11,951</td>
</tr>
</tbody>
</table>

Source: Department of Mines, Malawi
8 were nationals in 2012/2013, and in 2011/2012 there were 8 national senior managers out of a total of 12 (Paladin Energy Limited, 2013). Although mining could contribute to enhanced human capital and skills development, there is no government policy requiring investors in the mining and minerals sector to provide human and skills development plans aimed at enhancing employment of Malawians in the industry.

The recently released Malawi Labour Force Survey results show that there are slightly more women than men employed in mining and quarrying activities. This is probably a result of the high concentration of women in artisanal quarrying activities, which is a poverty driven activity. In the large-scale mining operations, the opposite is true. Men are primarily the majority employed in the industrial mining operations. At Kayelekera Uranium Mine, for example, only between 9 percent and 10 percent of the total labour force is female (ibid). This is probably a reflection of issues of skills, gender stereotypes and historical mining culture. It is therefore unlikely that large-scale mining in Malawi will create jobs with diversity and opportunities for both men and women, because the country does not have an affirmative employment policy for the mines and minerals sector. In contrast, the Paladin Uranium Mine’s share of female employees is between 17 percent and 19 percent of the total labour force in Namibia owing to an affirmative action strategy backed by the Namibian Affirmative Action Act (ibid).

One of the conditions of the current Mines and Minerals Act is that mining companies should endeavour to procure goods from the country and that mining applications be accompanied by a report on the goods and services required for the mining operations which can be obtained within Malawi and the applicant’s proposals with respect to the procurement of such goods and services. So far, Malawi has not yet taken advantage of the many possibilities for provision of goods and services to the mining sector because the country lacks capacity to identify and promote business opportunities related to new investments. Furthermore, Kayelekera Uranium Mine has been given VAT exemption on imports which discourages local consumption of goods and services thereby hurting economic growth in Malawi. As a result, most of the goods, materials and services (over 60%) for the Kayelekera Uranium Mine, for example, are imported (Table 2.8) thereby limiting the induced and indirect impact of mining on development and inclusive growth.

Malawi has not taken any deliberate steps to stimulate the local production of some of the imported goods and services for the mining sector despite the availability of some minerals, such as pyrite (Dowa and Lilongwe) which can be used to manufacture sulphur which is imported from South Africa for the manufacturing of sulphuric acid for uranium mining in Karonga. Other possibilities of increasing the local content in the mining sector include lime which is imported from outside the country. In the agriculture sector almost all the fertilizers are imported when some of the requirements can be produced locally from deposits of phosphate in Phalombe.

 Globally, there has been a rise in distribution of the benefits of extractive industries to the wider communities through corporate social responsibility (CSR). While CSR is considered to be voluntary on the side of business, creation of an environment encouraging and stimulating such behaviour by the private

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<table>
<thead>
<tr>
<th>Type</th>
<th>Year</th>
<th>2012/2013</th>
<th>Share</th>
<th>2013/2014</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Value (US $)</td>
<td></td>
<td>Value (US $)</td>
<td></td>
</tr>
<tr>
<td>Local and Regional</td>
<td>2012/2013</td>
<td>1,330,440</td>
<td>1.00%</td>
<td>1,278,611</td>
<td>1.00%</td>
</tr>
<tr>
<td>National</td>
<td>2012/2013</td>
<td>35,912,230</td>
<td>29.50%</td>
<td>28,091,877</td>
<td>32.00%</td>
</tr>
<tr>
<td>International</td>
<td>2012/2013</td>
<td>84,682,529</td>
<td>69.50%</td>
<td>59,220,879</td>
<td>67.00%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>121,925,199</td>
<td>100.00%</td>
<td>88,591,367</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Note: Local & Regional is defined as Kayelekera Village, Karonga Town and the surrounding villages in the Northern region
Source: Paladin Energy Limited (2014)
sector can be argued to be obligatory on the side of Government in view of its human rights obligations and in line with the UN Universal Declaration of Human Rights (which underlines that “every individual and every organ of society, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction”). It is therefore important for Malawi to ensure that agreements with investors in extractive industries include gender responsive clauses of CSR for the benefit of local communities which are often displaced by mining operations without being compensated for the loss in the long-term use of the land, since they are mostly compensated for standing crops and infrastructure only.

The most notable CSR project funded (US$11.0 million) by the Kayelekera Uranium Mine is the Northern Region Water Board Project for Karonga Town, which is located some 52 kilometres from the mine site. The water plant was subsequently transferred to the Northern Region Water Board where water is not offered for free. The other notable CSR projects were improvements to Karonga Hospital and Airport. Community members are of the view that, the airport only serves the interest of the mine as most of the community members cannot afford air transport (AFRODAD, 2013).

On top of the various CSR projects, the Kayelekera Uranium Mine has contributed to the Malawi economy at large through a variety of Government taxes, totalling $10,438,333 in the Fiscal Year ending 30th June 2013 for example (Figure 2.1) which Government uses for the provision of goods and services to the economy at large. However, the Government has lost tax revenue because of the tax concessions it signed with Paladin Africa Limited (corporate tax was reduced from 30 percent to an effective 27 percent (2.5% less)) and the resource rent was reduced from 10 percent to zero (AFRODAD, 2013) as an incentive for Paladin to invest in Malawi). As depicted in Figure 2.1, Paladin Africa Limited pays only payroll, withholding and non-residence taxes and royalties. Because of the losses the company has so far made, Paladin has not paid any corporate income tax.

The government taxes from the mine have not been ploughed back into the affected community in terms of uplifting their lives or mitigating the environmental impact of the mining operations. There is now growing pressure from local government (Karonga District Council) and communities around Kayelekera Mine to have a share of the mining tax revenues for investment in social services and economic growth of the district and local communities. A number of traditional leaders who attended the recent symposium on the revision of the Mines and Minerals Act would like the Act to include clauses on sharing of mining taxes between central and local government and affected communities who bear the brunt of the effects of mining operations, particularly in terms of losing their long-term rights to the use of land from which they are relocated.

![Figure 2.1: Payments (USD) to Government of Malawi for the Year end 30 June 2013](Source: Paladin Africa Ltd (2013))
In order to increase the involvement and benefits from mining, some traditional leaders\textsuperscript{18} have criticized the Government of Malawi for awarding licences to mining companies without consulting communities, “the owners of the land”. And a recent report by the Catholic Commission for Justice and Peace (CCJP) (2013) of the Episcopal Conference of Malawi has made recommendations to the government and for CCJP’s lobbying activities (these include improving legal restrictions and provisions, security of tenure, Environmental and Social Impact Assessment Requirements, guarantees for participation, benefit sharing and dispute resolution, and compensation practices) for the mining and minerals sector which could in the medium to long term enhance inclusive growth, particularly among the communities around mining areas.

2.4.2 The link between travel, tourism and human development

\textit{a. Travel and tourism development context in Malawi}

The travel and tourism (T&T) sector in Malawi is still in its infancy, but it offers great potential for the development of the country as a source of GDP growth, foreign exchange earnings, and employment. It could also assist in the development of the rural areas by distributing wealth from the major urban centres to rural areas.

Malawi possesses a number of T&T related resources and these remain largely undeveloped. They include lakes, mountains, forests, wildlife, access to major tourist destinations, culture, and quality and standards of hospitality units. The outstanding tourist feature is Lake Malawi which offers considerable scenic appeal and the possibility of water-based activities. Other outstanding tourist attractions include the national parks (Nyika, Kasungu, Lake Malawi, Liwonde and Lengwe) and Wildlife Reserves (Nkhotakota, Majete, Mwabvi and Vwaza Marsh); mountains, plateaus and to a lesser extent the conference facilities that have recently been developed at lake resorts and urban centres. Other attractions such as historical and heritage sites remain to be developed.

Malawi intends to develop the industry as a national priority in a sustainable and acceptable manner so that it could significantly contribute to the quality of life of every Malawian. Community tourism and involvement of local communities will be promoted to ensure direct benefits to rural communities.

In order to improve the contribution of the sector to growth, Government has already undertaken a number of development interventions with a view to transform the T&T sector landscape. These include: expansion of hotel and catering training institutions; construction of access roads to tourism sites in Mangochi; improvements of airports and airstrips; construction of Mpale Cultural Village in Mangochi and the 1500-seater Bingu International Conference Centre and 5-star Presidential Hotel in Lilongwe. In addition Malawi has experienced increased investments in the travel and tourism sector and the private sector has invested in new and more modern hotels, lodges, motels and rest houses throughout the country.

Despite the recent upsurge in T&T investment, the sector faces a lot of constraints and challenges. The overall resources available for various sector programmes are inadequate to allow for meaningful exploitation of the sector’s growth potential. Human resources for law enforcement against illegal activities in protected areas and for proper management of protected areas as well as product development, provision of support infrastructure and destination marketing are inadequate. The situation

\textsuperscript{18} Malawi’s “Owners of The Land” Need to be Engaged in and Benefit From Mining—Paramount Chief Kyungu (9 August 2013) quoted in \textit{Mining in Malawi}. 
is made worse by coordination challenges inherent in the sector’s cross-cutting relations to other sectors which calls for sector-wide approaches to planning, programming and implementation of the sector with complementary and support sectors such as environment, infrastructure development, and private sector providers of travel and accommodation services.

Other specific challenges include (GoM, 2013):

- Lack of direct long-haul flights to Malawi,
- Late capture and production of tourism statistics,
- Perceptions by some local Malawians that the services offered by tourism facilities are expensive, thereby negatively affecting domestic tourism,
- Poor road infrastructure to some tourist attraction areas in the rainy season,
- Inadequate data-base for planning and monitoring tourism development,
- Low standards in some of the accommodation units and poor service delivery especially in rest houses and lodges,
- Low levels of wildlife in the protected areas due to poaching,
- Leakage of foreign exchange earnings in tourist off-shore pre-paid packages,
- Lack of zoned prime land and consistent sector-specific incentives for private sector investment and development,
- Health risks associated with the existence of bilharzia, tsetse fly and mosquitoes in some of Malawi’s tourist areas and lack of adequate and quality health services to cater for tourists visiting such areas, and
- Inadequate destination marketing.

Until 2008 (when Malawi revised its tourism strategic plan) collection of tourism statistics focused mostly on international tourists, leaving out domestic travel for business, conferences and tourism, resulting in the under estimation of the contribution of T&T to growth.

b. The contribution of travel, tourism to inclusive growth in Malawi

In the analysis and review which follows we have adopted the definition of T&T as “the activities of persons travelling to and staying outside their usual environment for not more than one consecutive year for leisure, business and other purposes not remunerated from within the place visited”. T&T is widely regarded as a means of achieving development for an economy in general and T&T destination areas in particular. It is a valuable source of foreign currency earnings; it creates earnings which influence the development of an economy; it creates earnings through the exploitation of “free” natural and cultural attractions of the host area and generates employment opportunities, new investment, and new sources of income and government revenue. For many destinations, T&T is a major source of income and employment for the local communities. T&T also plays a key role in conserving and improving natural and cultural assets of a country, many of which are degraded or face the constant threat of degradation.

In general, T&T and socio-economic changes and progress are inter-dependent. Economic growth leads to better T&T facilities while T&T itself leads to growth. When tourists visit, they need accommodation, transport, food and other facilities (night clubs, casinos, recreation clubs such as golf, diving, etc.) for which they pay and spend money. If the accommodation, transport infrastructure and food are attractive

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19 World Travel and Tourism Council (WTTC) definition for T&T.
and the social atmosphere is peaceful, more and more tourists will be attracted to visit the country and pay for T&T services, thereby creating demand for T&T facilities and infrastructure.

At the global level the importance and value of the sector as a tool for economic development and job creation is demonstrated by the total contribution to the gross domestic product (GDP) of US $7 trillion (9.5% of global GDP) and nearly 266 million jobs (1 in 11 of all jobs) supported by T&T in 2013 (WTTC, 2014). With predicted global growth rates of over 4 percent annually for the next 10 years (WTTC) the T&T sector will continue to offer opportunities for income and employment generation as well as exports and investment in new infrastructure and human resource support to facilitate sustainable tourism development. At the national level, the Malawi Government can take advantage of the forecast growth in T&T by creating conducive climate for attracting T&T investors as well as investing in support infrastructure, such as hotels, airports, roads, lake ports, museums, heritage and cultural sites.

In 2012, the country received 770,341 international visitors (estimated to have increased to 800,000 in 2013) who contributed MK59.6 billion in visitor exports (16% of total exports) (GoM, 2013). Tourism is therefore one of the country’s export growth potential sector that is likely to make a substantial contribution to the socio-economic development of the country.

c. Contribution to GDP, employment, exports and investment

One method of assessing the contribution of T&T to growth is to trace the flow of money from T&T spending, first to businesses and government agencies where tourists spend their money and then to: other businesses supplying goods and services to tourist businesses; households earning income by working in T&T or supporting industries; and government through various taxes and charges on tourists, businesses and households (Stynes, Undated). The most direct effects (changes in economic activity during the first round of spending on the T&T industries) occur within the primary T&T sub-sectors—lodging, restaurants, transportation, amusements, and retail trade. Through secondary channels, T&T has secondary effects on most sectors of the economy (See Figure 2.2).

20 There is no official data on domestic tourism.
The secondary effects are of two types. The first secondary effects are what are termed as indirect effects, defined as changes in sales, income and employment within the country in backward-linked industries supplying goods and services to T&T businesses, e.g. increased sales of firms supplying food arising from increases in accommodation sales. The second indirect effects are termed as induced effects, defined as increased sales within the country from household (employees) spending of the income earned in T&T and supporting industries on housing, utilities, groceries, and other consumer goods and services. This generates sales, income and employment throughout the national economy. The main source of data for assessing the impact of T&T on economic growth are tourist/visitor spending surveys, analysis of secondary data from national economic statistics, economic base models, input-output models and multipliers (Horváth & Frechtling, 1994). The total effects of T&T are therefore the sum of direct, indirect and induced effects (Figure 2.2).

d. Contribution of travel and tourism to inclusive growth in Malawi

The official statistical data representing the T&T industry in Malawi refer only to international tourists and does not include domestic travel, employment in the hotel industry nor in tourist agencies, tour-operators and other tourism mediators. The analysis which follows is, therefore, based on analysis of T&T in Malawi by the World Travel and Tourism Council 2014 Report.

In 2013 the T&T sector in Malawi directly contributed MWK64,774.4 million (equivalent to 4.5% of total GDP), and is forecast to rise by 4.4 percent per annum, from 2014, to MWK103,028.0 million (equivalent to 3.4% of total GDP) in 2024 (WTTC, 2014). The total contribution of T&T to GDP was MWK127, 833.0 million (8.9% of GDP) in 2013, and is forecast to rise by 4.5 percent per annum to MWK205, 952.0 million (6.8% of GDP) in 2024, representing a drop of 2.1 percent in the share of T&T in total GDP. Domestic T&T spending generated 75.4 percent of direct T&T GDP in 2013 compared with 24.6 percent for visitor exports.
(i.e. international T&T receipts). The breakdown of T&T to total contribution to GDP in 2013 is as follows: direct 50.7 percent; indirect 33.6%; and induced 15.7 percent (ibid).

In 2013 T&T directly supported 135,500 jobs (3.8% of total employment). This is expected to rise by 0.5 percent per annum to 143,000 jobs (2.9% of total employment) in 2024. The total contribution of T&T to employment (including indirect and induced jobs by T&T) is estimated at 275,500 (7.6% of total employment) jobs in 2013 and is forecast to grow by 0.6 percent per annum to 294,000 jobs in 2024 (5.9% of total), representing a drop of 1.7 percent in the share of total employment.

Visitor exports by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education, generated MWK27,806.3 million (equivalent to 4.0% of total exports) in 2013. This is forecast to grow by 3.6 percent per annum, from 2014, to MWK39,716.3 million in 2024 (2.0% of total), representing a drop of 1.6 percent in overall contribution of visitor exports.

T&T investment in 2013 was MWK6,840.1 million, (or equivalent of 2.6% of total investment). It is forecast to rise by 7.3 percent per annum over the next ten years to MWK14,633.3 million (2.6% of total) in 2024. Beyond the economic impacts of T&T discussed above, T&T has had other impacts on lives and welfare of communities in tourist areas in Malawi. The notable positive inclusive growth impacts of T&T is the improved facility maintenance. Tourism in Malawi has promoted the development and better maintenance of public facilities, particularly roads (e.g. access roads to Salima and Mangochi lake districts), and wildlife parks and reserves (e.g. Liwonde, Nyika, Lengwe, Nkhotakota, Majete, Mwabvi and Vwaza Marsh). The improvements in access roads to tourist areas have in general, led to improved opportunities for local businesses as well as increased level of urban development along the shores of lake districts.

The World Bank (2010a) Malawi T&T sector study reported on a range of pro-poor impacts. All lakeshore tourism and national park operators reported on recruiting most of the unskilled workers from the communities in which they were located. Operators also highlighted opportunities for local businesses, including fishing and farming households which supply produce. Some of the operators reported supporting infrastructure for communal benefit (water, roads, clinics, and schools).

e. Potential for increasing T&T’s contribution to inclusive growth

i. Sources of T&T growth

While Malawi’s T&T attractions are not as enormous as those of neighbouring countries, there is potential for Malawi to offer joint destination packages with some of the neighbouring countries with outstanding tourist attractions such as Zambia (South Luangwa National Park), Mozambique (eco-tourism along the Shire-Zambezi Water Way, Indian Ocean beaches, islands and diving) and Tanzania (wildlife parks and beaches). Other potential sources of T&T identified by the 2010 World Bank study include: Rock Climbing (especially at Mulanje); angling (throughout the country); hiking/trekking (particularly on the Zomba Plateau, the Nyika Plateau, Viphya Forest Reserve, and Mount Mulanje; bird watching; horse riding safaris; mountain biking; cultural/sports events (e.g. Lake of Stars music festival, the 500 km Lake Malawi Yachting Marathon - longest fresh water yachting marathon, canoe races); culture villages; museums and heritage sites; river rafting/White-Water Canoeing (Bua and the Shire rivers); paragliding; Hot Springs (Chiweta, Ngara Beach, Majete Wildlife Reserve, Mwira and Nkungwi in Karonga); dinosaur and hominid sites near Karonga; tea plantations in Nkhatabay, Mulanje and Thyolo and development of wildlife ranches.
ii. Potential direct, indirect and induced T&T contribution to growth

In the most recent government development plan, the Economic Recovery Plan 2012, the Government has identified the following strategies for promoting tourism, culture and wildlife:

- Develop support infrastructure (electricity, water and transport),
- Restock wildlife reserves and national parks and protect animals,
- Intensify marketing of the country as a preferred tourist destination and aggressively put measures to increase flights to Malawi, including direct flights from Europe,
- Train more staff, supervisors, and managers in the tourism sector,
- Enhance marketing of Malawi’s tourism products,
- Restore and improve tourism assets, including supporting the restocking of wildlife in national park,
- Simplify the system of Visa issuance for tourists, and
- Improve tourism investment climate.

These strategies, if implemented, will have direct impact on T&T GDP originating from Government spending on investment on electricity, water and transport, particularly on access roads, water and air transport facilities to tourist destinations, and restocking of wildlife reserves and national parks, and protection of wild animals as has already happened at Lilongwe Wildlife Sanctuary, Majete Wildlife Reserve and Liwonde National Park. These will lead to increases in number of visitors to tourist destinations, which will directly result in increased tourism income, employment, foreign exchange earnings and government revenue. In turn, the direct impact of government expenditure on T&T GDP will result in increased number of visitors which will in turn increase indirect contribution to T&T GDP, jobs, foreign exchange earnings and government revenue.

The direct and indirect T&T GDP will result in increased incomes of people employed in industries contributing to direct and indirect T&T GDP. The resulting increases in expenditure of such employees on food, beverages, recreation, clothing, housing, and household goods will induce broader contribution to GDP. Government should consider providing incentives to stimulate the involvement of small and medium scale producers close to the tourist attractions to supply some of the T&T services and goods resulting from the increase in the number of visitors. In addition, communities close to tourist destinations can develop other industries, such as production of curios and cultural entertainment demanded by increased number of visitors. Local communities can also participate directly in the T&T sector by becoming tour guides within their vicinity. At the same time such tour guides will help identify locally available sources of some of the T&T supplies, such as food, curios, cultural dances and art of interest to tourists.

Since some of the attractions of tourism to Malawi are the rich forests, wildlife, lakes, rivers, mountains, and culture, there is the need to preserve these resources if the country is to continue attracting tourists. A lot of these resources are surrounded by communities which depend on the same resources for survival. There is, therefore, the need to involve communities around tourist destinations in the co-management of the natural resources. Specific recommendations on increasing eco-tourism in Malawi are contained in the 2012 Eco-Tourism in Malawi—Market Assessment Report (Armstrong, 2012).

While Lake Malawi is a main tourist attraction, there has been no major water transport investment to facilitate travel of tourists around the lake. There is need to attract more operators of lake and river luxury
transport on the lakes and rivers of Malawi, including the Shire Zambezi Waterway once it becomes operational.

2.5 Chapter Summary/Key Messages

2.5.1 Agricultural development

Agriculture remains the dominant sector in terms of its contribution to GDP and employment, but the structure of the economy has remained largely unchanged since the early 1970s in a number of ways, including its contribution towards total output, total employment, and total earnings, and this is despite a number of reforms that have taken place in the sector. The dual nature of the sector has persisted and productivity in the smallholder sub-sector has remained low, while on-farm technology has been virtually stagnant.

Most of the policies pursued in the smallholder sub-sector did not promote inclusive growth, although some of the policies that opened opportunities to otherwise disadvantaged farmers (e.g., land and/or labour deficient farmers), such as granting of tobacco production quotas, improved access to credit, extension, input and output markets to smallholder farmers, tended to enhance innovation adoption and thereby inclusiveness. Recent developments indicate an increase in Government expenditure on smallholder agriculture but most of this spending is associated with the Farm Input Subsidy Programme (FISP), which is deemed to be inefficient and ineffective towards promoting food security, especially among the vulnerable people in the country due to poor targeting of the recipients and lack of mechanisms for weeding out beneficiaries of the programme.

Since agriculture will continue to be the major source of growth for the medium term, it is recommended that:

- Malawi should intensify efforts in increasing smallholder agriculture productivity through: innovations in use of high-yielding seed varieties; formation of smallholder production and marketing associations; expansion of irrigation smallholder farm schemes; and soil conservation so as to sustain soil fertility
- Agro-processing should be intensified in order to minimize the vagaries of price fluctuations associated with unprocessed agricultural products and in order to add more value to agriculture produce in general, thereby creating jobs which will benefit more people and create demand for more agriculture products.

2.5.2 Mining and mineral sector

Recent developments in the mines and minerals sector have demonstrated the sector’s potential contribution to GDP growth, exports earnings, employment generation, social investment, and government revenue over a relatively short period. The review has also demonstrated that large-scale mining does not generate large numbers of employment compared to artisanal mining, and it is unlikely that large-scale mining can directly contribute to inclusive growth if the only pathway is through employment. No Malawian nationals are employed at the managerial level and the Kayelekera Uranium Mine has so far not contributed to human capacity and skills development of Malawians, partly because of: (a) the low base of Malawian nationals with mining skills; and (b) lack of policies enforcing employment of skilled nationals and localization of skilled expatriate employees. It is therefore recommended that Government and mining companies should draw up capacity and skills building programmes and invest in the training of both male and female Malawian nationals in mining skills so as to directly increase employment of nationals in mining and minerals sector. At the same time, it is recommended that
Government should review and enforce conditions contained in mining agreements with the private sector on procurement of intermediary goods from local sources, while giving appropriate opportunities to both male owned and female owned businesses.

The mining sector’s contribution to GDP has risen from less than 1 percent in 2008 to at least 14.9 percent in 2012 and 7.8 percent in 2013. The rise in the contribution to GDP came from the Kayelekera Uranium Mine in Karonga, whose operations were suspended early in 2014 due to a drop in uranium prices on the world market triggered by the Fukushima earthquake and tsunami in Japan in March 2011. Just like agricultural commodity prices, the mineral prices, especially for semi-processed minerals like the uranium oxide produced by Kayelekera Mine are unstable and fluctuate depending on demand and supply situation. So the expected mining boom could be short-lived as has happened due to low prices of raw minerals. It is therefore recommended that Malawi should start planning for processing of the minerals which are currently being exported in raw form so as to stimulate incomes beyond the initial mining of the raw minerals and cushion the sector from unstable and fluctuating prices of semi-processed minerals.

Mining can become more inclusive in its impact through: (a) the stimulation of production of the imported mining requirements locally, (b) the increased employment of skilled and semi-skilled Malawians in managerial positions in large-scale mining sub-sector including the employment of more women; and (c) development of small-scale mining. It is, therefore, recommended that Government should encourage and plan for local production of some of the imported items for mining which will further increase GDP, employment beyond the initial operations of mining raw minerals and develop a national strategy for promotion and expansion of artisanal and small scale mining.

There is need to involve men and women in local communities and traditional leaders in the negotiations for mining agreements with mining companies instead of limiting negotiations to mining firms and government in order to build confidence and trust between the mining companies, government and local communities to avoid the mistrust that has arisen between traditional leaders and local communities on the one hand and Paladin Energy Limited and Government on the other hand due to the secrecy surrounding the mining agreement signed between Government and Paladin. This will allow community input in the selection of corporate social responsibility projects. It is therefore recommended that Malawi should build local capacity in the negotiation of mining contracts and agreements as well as in enforcement of mining agreements.

2.5.3 Travel and tourism

T&T is another sector that offers great potential for sustainable and inclusive growth in Malawi through the offer of joint destination packages with some of the neighbouring countries with outstanding tourist attractions such as Zambia (South Luangwa National Park), Mozambique (eco-tourism along the Shire-Zambezi Water Way, Indian Ocean beaches, islands and diving) and Tanzania (wildlife parks and beaches). However, the sector’s potential will only be realized when GoM addresses challenges confronting the sector. There is urgent need to increase the knowledge base of the sector by building capacity for collection and analysis of tourism statistics which can be used to assess the economic impact of the sector and guide policy makers on needed policy interventions to ensure that the sector yields the desired long-term objectives of economic inclusive growth. Meantime in the short and medium term, Malawi should consider hiring the services of WTTC to produce a special report for the country that will provide an assessment of the Economic Impact of Travel & Tourism, a market analysis for Malawi and review of current government policies as they relate to Travel & Tourism, making a series of recommendations for the sector’s future development.
CHAPTER THREE

ENABLING FACTORS FOR PROMOTING INCLUSIVE GROWTH

3.1 Introduction

Human development has been described in the literature as the expansion of people’s freedoms and capabilities to lead lives they value and have reason to value. Inclusive human development thus involves making sure that all people, irrespective of their socio-economic status, geographical location and gender achieve their aspirations for a better livelihood. Inclusive growth as has been defined in Chapter 1 involves equal participation of different groups of people in the creation and utilization of productive economic activities that would result in wealth creation both for the individual and the country. For this to happen, however, there is a need for the freedoms and capabilities of all people to be unleashed so that they are able to participate effectively in the various sources of growth such as agriculture, manufacturing industry and mining and travel and tourism as discussed in Chapter 2. Unleashing of capabilities and freedoms and inclusive participation is dependent on other factors that could collectively be described as enablers for inclusive growth. These enablers include education and skills development, creation of and access to productive employment and provision of essential capacity enhancing social services and infrastructure. These so called enablers act as catalysts for unleashing people’s capabilities and freedoms and enhances their active participation in the creation and utilization of economic activities in the various sources of growth as discussed in Chapter 2. In this chapter, an analysis is made of the extent to which different groups of people in Malawi have had access to the enabling factors for inclusive growth highlighted, identifying the gaps and making recommendations on how the gaps could be addressed to make growth more inclusive.
3.1 Introduction

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3.2 Education and Skills Development

3.2.1 Significance of education to inclusive growth

There has been worldwide acceptance that education and skills development is a necessary ingredient for development. Indeed education has been linked to economic poverty reduction and achievement of basic needs and, therefore, a higher Human Development Index (HDI). With more recent discussions on inclusive growth, the contribution of education need not be questioned. Education is a source of knowledge and skills that enable one to participate actively in the creation and utilization of economic activities available in a country both for personal and national development. The relationship between education and inclusive growth can best be explained by the human capital theory. Developed in the 1960s by economists including Schultz (1971), the human capital theory has two assertions. One is that education is a human investment that results in profits that can be recouped later in life. These profits are in the form of income which results in income poverty reduction of individuals and nations. Such individuals and nations would be deemed to have access to economic opportunities that lead to income poverty reduction and such economic empowerment would in turn enable them participate better in different activities. The second assertion rests on the assumption that formal education is highly instrumental and necessary to improve the production capacity of a population. The argument is that the knowledge and skills of the workers are important for increased productivity of those individuals. Increased productivity in turn leads to increased creation of productive economic opportunities that lead to better wages and increased economic growth. Education is therefore not only a catalyst for economic empowerment of individuals and economic growth of nations, but has emancipatory powers for the marginalized people and communities.
The contribution of education to increased participation in productive economic activities makes sense when one considers the various sources of growth discussed in Chapter 2 and also opportunities for both decent and self-employment as will be discussed in Section 3.3. In order for one to access decent employment either in the manufacturing industry, travel and tourism and any other sources of growth, they require knowledge and skills. The same is true if an individual is to be self-employed because one needs to use his/her knowledge and skills for enhanced creativity. With regards to agricultural productivity, research has shown that uptake of agricultural innovations is high if one has relevant education (knowledge and skills).

Education can however contribute to inclusive growth as discussed if it is equitable; that is if all different groups of people have equal access to good quality education and, therefore, acquire sufficient knowledge and skills they need in order to be productive citizens. Good quality education in this case would not only be measured in terms of achievement where attainment of good grades is the emphasis. Rather, quality education would offer an education that is relevant to the society in general and the labour market needs and demands in particular. How the educational system in Malawi addresses issues of equitable access and quality for inclusive growth is the subject for the next sections.

3.2.2 Education policies, strategies and inclusive growth

The starting point for looking at issues of the contribution of education to enable all people to access and participate actively in the various development activities are the policies and strategies that govern its implementation. The question is whether Malawi has policies that allow all to access an education of good quality that would help in developing knowledge and skills necessary for one to participate effectively in development activities and in sources of growth both to contribute to and benefit from them.

An analysis of the education sector shows that the first ever national education policy was still awaiting cabinet approval at the time of writing this report. In its absence, however, the aspirations of the education sector to unleash people’s freedoms are contained in the National Education Sector Plan (NESP) (MoEST, 2007) which has acted and continues to act as a policy document for the period 2008–17. The NESP builds on the Policy and Investment Framework (2000–2012) and sets out the Government of Malawi’s long-term strategy for achieving national education goals and objectives while the Education Sector Implementation Plan I (2009–2013) and II (2014–2019) sets the strategic priorities by sub-sector for the various levels of education.

The contribution of these policies and strategies to inclusive education lies in the treatment of education as a sectoral issue and that the Ministry of Education plays a coordination role. For example, the NESP for the first time integrated Early Childhood Development, Complementary Basic Education for out of school youth and Adult Literacy within basic education, sub-sectors that had been the preserve of Ministry of Women, Gender and Child Development. An additional notable change was the integration of Technical, Entrepreneurial and Vocational Education (TEVET), which has traditionally been implemented by the Ministry of Labour, into education. These changes strengthen the policy base for inclusive growth since it encompasses lifelong learning and skills development even for those people that would have missed their chance for education at the right age and time through drop out. However, in practice the sectoral approach poses its own challenges in terms of monitoring so that it would be more desirable to fully integrate the subsectors within education.

The NESP draws from international goals and policies of which the worldwide Millennium Development Goals (MDGs) and the 1990 Jomtien declaration on Education for All and its associated 2000 Dakar
framework for action, are the major ones. In addition, however, Malawi is a signatory to the United Nations Convention on the Rights of the Child. While the Millennium Development Goal 2 of Universal Primary Education (UPE) whose target is ‘to ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling’ is one of the focus areas, six EFA goals have also been of interest in the education strategies that inadvertently led to the inclusion of the otherwise excluded subsectors within the NESP (see Box 3.1).

**Box 3.1: EFA Goals**

| EFA Goal 1: | Expanding and improving comprehensive early childhood care and education especially for the most vulnerable and disadvantaged children. |
| EFA Goal 2: | Ensuring that all children, particularly girls and children in difficult circumstances, have access to and complete free and compulsory basic education of good quality. |
| EFA Goal 3: | Ensuring that the learning needs of all young people are met through equitable access to appropriate learning and life skills programme. |
| EFA Goal 4: | Achieving 50 percent improvement in levels of adult literacy by 2015 especially for women and equitable access to basic and continuing education for all adults. |
| EFA Goal 5: | Elimination of gender disparities in primary and secondary education by 2005 and achieving gender equality in education by 2015, with a focus on ensuring that girls have full and equal access to and achievement in basic education of good quality. |
| EFA Goal 6: | Improving all aspects of the quality of education and ensuring excellence of all so that all recognized and measurable learning outcomes are achieved by all, especially in literacy, numeracy and life skills. |

While the inclusion of Early Childhood Development in the NESP addresses EFA goal 1, Complementary Basic Education for out of school children and youth and adult literacy help address EFA goal 3 and 4. Furthermore, the NESP focuses on three strategic objectives that relate closely to UPE and EFA goals and, therefore, accommodating inclusive growth, namely: access and equity; quality and relevance; and governance and management. Whilst access and equity relates more directly to inclusiveness, this can only be achieved if the education system offers an education of good quality that enhances student retention and progression and which is itself well governed. Quality and relevant education would enable all students who attend school acquire the necessary knowledge and skills to undertake development activities for personal, social and economic advancement and that of the nation and, therefore, inclusive growth. The three NESP strategic objectives are therefore interlinked and play a crucial role in ensuring that all people access education and acquire the necessary skills for inclusive development.

The inclusive strategies of the NESP are further supported by policies that have been implemented over the years to promote inclusiveness. These include the free primary education policy which was implemented in 1994/95 to allow disadvantaged children to access primary education; uniform policy that allows children from poor households to attend school without school uniform; girls re-admission policy that allows girls who drop out of school due to pregnancy to go back to school after delivery and the girls’ education strategy launched in 2014 (NGES, 2014) which admittedly is yet to be implemented. All these policies create an enabling environment for all children, irrespective of their socio-economic status, geographical location and gender, to attend school and acquire the necessary knowledge and skills for active participation in productive economic activities.

A question worth asking is that with a policy base that is inclusive as discussed, are there any children that are excluded in accessing education as an enabling condition for inclusive growth in Malawi? An analysis of literacy rates could give an indication of whether or not some people are excluded.


3.2.3 Equitable access to education

a. Literacy rates

Literacy rates are a good starting point for discussing issues of access to education for skills development useful for inclusive participation in development activities because it is one of the indicators for quality education. According to the third Integrated Household Survey (IHS3) (IHS, 2011), the adult literacy rate for the Malawian population aged 15 years and above is 69 percent showing that access to education is still an issue for public concern. Gender disparities in favour of men are evident in the literacy rates. Male adults are more literate than female adults at 74 percent and 57 percent respectively which is an indication that females still lag behind in education posing a threat to achievement of EFA goal 5. With an almost 50:50 enrolment rate in Standard 1 for boys and girls and sometimes girls enrolment superseding that for boys at this level, poor girls’ retention in the system is the major cause for this gap.

The IHS3 further reported socio-economically influenced discrepancies in literacy rates which are contrary to the aspirations of EFA goal 2 that calls for access to education for all children including those in difficult circumstances and the poor. For example, the survey reported marked disparities across wealth quintiles, as 58 percent of men in the poorest households were literate compared to 88 percent in the highest wealth quintile. The same was true for women with 37 and 77 percent respectively pointing to the fact that education provision favours the rich. The literacy picture for the youth, though reflecting an improvement from that of the adults, is similar and re-enforces the observation that education favours the rich. For instance, the literacy rate for the poorest wealth quintile was 63 percent as opposed to 88 per cent for highest wealth quintile. Based on the assertion by the World Bank (2010b) that illiteracy of parents impedes the achievement of education because such parents are less likely to enrol their children in school than literate parents, this observation is not surprising. The highest wealth quintile parents are likely to be educated and, therefore, more likely to send their children to school than the lowest wealth quintile.

Rural and urban discrepancies were also evident from the IHS surveys with a literacy rate of 89 percent for the urban and 61 percent for the rural population in 2010. While the Southern region of the country has the lowest literacy rate at 62 percent, the Northern region has the highest at 77 percent. Furthermore, the 2010 IHS shows regional disparities in the number of people with specified educational qualifications that have a direct bearing on inclusive growth. Overall, 74 percent of the population aged 15 years and above did not have any qualification meaning that they did not have knowledge and skills necessary for active participation in economic development activities. The majority of such a population (80%) was in the rural areas while only slightly less than half (45%) were in the urban areas. While the Southern and Central regions register the highest proportion of people with no qualification at 75 percent, the Northern region registered slightly less at 67 percent. The findings in the IHS3 also showed that the higher the per capita consumption quintile, the lower the proportion of people without any qualification.

The foregoing discussion raises issues of inequality in education access for different groups of people, contrary to UPE and EFA goals and targets including the aspirations of the NESP, which has an impact on their participation in productive economic activities and, therefore, inclusive growth. Women and the rural poor appear to be the most excluded and so is the population of the Southern region of Malawi. While girls retention could help explain the gender gap, availability of schools within close walking distance of the students and availability of other resources such as sufficient classrooms and teachers, which are more scarce in the Southern region (MoEST, 2013) might have contributed to the regional gaps.
Cultural practices also contribute to the regional gaps as the initiation\textsuperscript{21} ceremonies practised in the Southern region influences dropout rates. The implications on inclusive growth is that unless something is done to address the needs of these groups of the Malawi population, they will remain excluded as they can neither create nor take part in socio-economic development activities of the country let alone social and political participation all of which characterize inclusive growth.

\textbf{b. Equitable access to basic education}

In the NESP, access to basic education begins with Early Childhood Development (ECD). While research has shown that ECD is a good foundation for primary and other levels of schooling and contributes to increased access, retention and survival rates, and its implementation in Malawi is problematic resulting in unplanned exclusion of many children both in urban and rural areas.

With a Net Enrolment Ratio (NER) of 32 percent in 2013, access to ECD is limited. This is due to inadequate number of ECD centres especially those owned by government as most are privately owned. The private ECD centres charge high fees ranging from MK5,000 to MK20,000 a term which are not affordable to the rural and urban poor causing access disparities by wealth quintile. What this means is that the poor and often marginalized children miss the important foundation they need in order to survive in primary school and beyond thereby negating achievement of EFA goal 1. No wonder survival is one of the major challenges facing the education system in Malawi especially at primary school level as will be discussed later.

Contrary to access to ECD, education statistics show increasing trends in primary school enrolment in the past two decades with NER increasing from 79 percent in 2006 to 88 percent in 2013 (NSO-Social Welfare Monitoring Survey, 2012) as a result of several factors including increased number of public primary schools; increased private participation in primary school provision; and the introduction of free primary education policy in 1994/95.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{enrolment_graph.png}
\caption{Enrolment by standard and gender & \% Girls, 2012}
\end{figure}

\textsuperscript{21} Initiation ceremony is a cultural practice that is conducted on children who reach puberty in an attempt to leash them into adulthood. Different parts of Malawi practice these ceremonies but the approaches differ with some being more susceptible to lead to drop out.
The gains in enrolment, however, are often offset by high dropout rates so that enrolment decreases with standard for both boys and girls as shown in Figure 3.1. The Figure also shows that the total enrolment for girls is higher in Standards 1–5 and thereafter it becomes lower than that for boys. This means that more girls than boys dropout of school thereby posing challenges for achieving the gender parity EFA goal. Whilst on average dropout rate is about 12 percent, this tends to increase to as high as 20 percent in the lower primary school years (MoEST, 2013). With tuition fees phased out due to the free primary education policy, child marriage, pregnancy and distance to school seem to take their toll on the students’ drop out.

While the foregoing discussion has shown increasing trends in learner enrolment in primary education in the past two decades, learner retention has surfaced as an issue worth serious consideration especially with regards to girls if inclusive growth is to be achieved. Indeed Figure 3.2 shows declining learner survival rates for Standard 8 with under half the girls surviving to this level over the years. As such strategies need to be put in place to increase survival rates especially for girls. The establishment of mother support groups whose work has proved successful in some cases in curbing dropout for girls need strengthening, but of equal importance is exploring the possibility of institutionalising automatic promotion so that girls complete the primary cycle while still young without being delayed by repetition.

Much as Complementary Basic Education supports the needs of those children and youth who never enrolled in school or dropped out before attaining basic functional literacy by offering flexible learning opportunities so that they are not excluded, the reach for the programme is minimal as it is offered in only 4 of the 34 education districts and in many cases does not cover the whole district. Adult literacy, on the other hand, which addresses EFA goal 4, has similar characteristics to Complementary Basic Education in terms of flexibility to learning but this time targeting adults who never attended school or dropped out before attaining functional literacy. Although there has been an increase in learner enrolment from 63,035 in 1998 to 163,635 in 2007 (World Bank, 2010) and the programme is offered in all districts, the curriculum for the programme does not include pre-vocational skills, which is a setback in skills acquisition. Worse still, the classes are predominantly attended by women, not only because there are fewer men who are illiterate but that men are shyer to attend such lessons. This programme, though limited in curriculum, accords a chance for the illiterate adults to read and write and, therefore, increasing their access to economic opportunities and innovations though to a limited extent. It might be useful to consider making the curricula of such programme relevant by addressing issues that directly affect them such as health and agriculture which are themselves sources of growth. Issues of population and sexuality could also be incorporated in these programmes so as to raise awareness of population issues that are contributing to the limited infrastructure in schools.

c. Access to secondary education

Access to secondary education has equally increased over the past two decades partly as a consequence of increasing primary school enrolment following the free primary education policy. This has, in turn, led
to increased private participation in secondary education and in 1999 it led to the secondary school unification policy that saw recognition of Distance Education Centres as normal secondary schools known by the name Community Day Secondary Schools (CDSSS). Despite this, the transition rates from primary to secondary level is 57.8 percent (NSO, 2014) which means over 40 percent of the children that complete primary education do not make it to secondary school (see Figure 3.3).

In summary, access to secondary education has increased although not in tandem with the number of learners leaving primary school so that for over 40 percent of the children who persist to complete the primary education cycle, primary education is terminal. Since most of the children leaving primary school may not be expected to have attained full functional literacy and numeracy, this trend makes inclusive growth problematic. It is imperative, therefore, that as government puts up strategies to increase access to primary education, strategies should also be put in place to (1) curb dropout, especially for the girls and (b) increase places for secondary education. Improving quality for primary education so that all children who complete the primary cycle attain sufficient knowledge and skills to live productively in their community are also worth serious consideration if inclusive growth is to be achieved.

d. Access for Special Needs Education (SNE) children

Access for children with special needs such as those with physical, hearing and mental impairment is low at all levels of the education system and equally low is the transition rate. However, there is no extensive data on the participation of this group of people in education which limits appropriate analysis of the situation.

Figure 3.4 shows the low enrolment and transition rates from primary to secondary level and the attrition rates as the children progress from one grade to another. What this shows is that access to education for special needs children is limited, which is detrimental to inclusive growth. Poor infrastructure in the
schools and the lack of awareness for educating such children are but some of the major reasons for the poor participation. However, attitudes of both the special needs learners and their peers in school also accentuate to the problem. The starting point for improving the situation is the collection of comprehensive data on special needs students as is the case for other learners in the Education Management Information Systems.

e. **Access to university education**

University education contributes to inclusive growth in a number of ways. The first is that just like for primary and secondary education, university education leads to knowledge and skills development that enables one to access decent employment or indeed self-employment for individual and national returns. The second role, however, is the support university education offers to the rest of the education system through development of appropriate and relevant curriculum and training of teachers. This second role sustains the education system to continue to act as a catalyst for inclusive growth. The third role is the generation of what Oyewole (2010) described as “enabling knowledge”. Enabling knowledge is culturally relevant knowledge that is generated in the process of applying knowledge that has been developed elsewhere. It is this knowledge that is applied in undertaking decent and self-employment endeavours to meet the needs and aspirations of all people. With these roles, therefore, access to university education is important in promoting inclusive growth.

Education trends show that access to university education has increased in recent years (although it declined in 2011) as illustrated in Figure 3.5 due to the establishment of three additional public universities to the traditional University of Malawi, namely: Mzuzu University established in the 1990s; the Lilongwe University of Agriculture and Natural Resources established in 2012; and the more recent Malawi University of Science and Technology which opened its doors in 2014. Increased private participation in university education has also led to increase in enrolment with the establishment of private universities such as the Catholic University, St John’s DMI, Exploits University, Blantyre International University and a few other small ones. Figure 3.5, however, shows the increasing enrolment only for public universities as there is no consolidated data yet for the private institutions.

The enrolment in university education is however still very low considering the number of students that complete secondary education as discussed in the previous section, depicting low transition rates. Interesting, however, is the fact that the percentage of females is gradually increasing due to deliberate affirmative selection policies for public universities (see Figure 3.5). This percentage may, however, have to be increased further to 50 percent so that girls and women equally attend this level of education which is very crucial for inclusive development. An analysis of the university enrolment further shows that very few students are selected from the community day secondary schools. For example, of the 2945 students
selected for University of Malawi and Lilongwe University of Agriculture and Natural Resources in 2013/14 academic year, only 268 (9%) came from community day secondary schools and of these only 55 (21%) were females. Since the students are selected on merit, the university enrolment statistics depict low quality of education on offer in community day secondary schools. It is important that university places are further increased so as to increase access. In addition, however, alternative avenues and programmes should be provided for less qualified students so as to improve their knowledge and skills to participate in the economy.

f. Access to Technical, Entrepreneurial and Vocational Education and Training (TEVET)
The Malawi Growth and Development Strategy paper (MGDS II) together with Malawi’s Vision 2020 aims at transforming Malawi from an import based economy to an export-oriented country. This not only calls for increased equitable access to education but more so for emphasis on skills development. While university education leads to skills development, these are often related to high profile professions necessary for decent employment in engineering, agriculture, manufacturing and many others. Technical and Vocational Education and Training (TEVET), however, is a source of skills for middle range trades necessary for technocrats in industry and for self-employment such as brick laying, carpentry, plumbing and many others. TEVET training is therefore necessary not just because it leads to self-employment for inclusive development but also because its enrolment comes from the vast majority of the school leavers that do not find places in the university who would otherwise have been wasted in the community. The Technical, Entrepreneurial and Vocational Education and Training Act (TEVET Act, No. 6 of 1999) establishes the Technical, Entrepreneurial, Vocational Education and Training Authority (TEVETA) which is a body mandated to promote and regulate sustainable provision of quality technical, entrepreneurial and vocational education and training for the Malawian workforce in a socially responsible manner. The major purpose of the Authority is to contribute to human resources development, including through creating an enabling environment for sustainable acquisition of internationally competitive skilled workforce capable of spearheading the country’s production and export-led socio-economic growth. TEVETA developed the TEVET Authority Strategic Plan (2013–2018) as a response to the MDGS II and the National Export Strategy (NES). In order to broaden the inclusiveness of TEVET, the strategic plan has interventions and targets aimed at the youth in general, those in the informal sector, rural areas, girls and people with disabilities. Realization of the importance of TEVET in human capacity development for inclusive growth led to the integration of TEVET in the 2008 National Education Sector Plan, shifting it from its original Ministry of Labour. But how is TEVET offered and to what extent is it reaching equally the various groups of people?

![Figure 3.6: Technical Vocational and Entrepreneurial Training enrolment by sector and gender](image-url)
TEVET in Malawi is offered by both government and private technical education institutions. The 2013 education statistics show that there are 16 technical education institutions, 9 (56%) of which are private. Figure 3.6 shows increasing enrolment in TEVET programmes from 2008 onwards. The big enrolment in public institutions especially in 2011 and 2012 came as a result of introduction of fee paying “parallel” programmes in addition to free government programmes. The contribution of the private sector is also noteworthy and is increasing steadily (MoEST, 2013).

The public sector registered the highest increase in enrolment between 2011 and 2012 which, if maintained, could help reach a bigger target population for inclusive development. However, considering the large number of students attending secondary school which is in excess of 250,000 annually, the enrolment in TEVET system is still far too low. In fact the World Bank (2010b) estimated that TEVET enrolment represents only 2 percent of the secondary education enrolment which is one third of the average TEVET enrolment in Africa. This, however, is not because there is no demand for it. TEVETA (2008) study revealed significant unmet needs in various trades. It would appear that TEVET is not given as much emphasis or publicity in the country as desired, yet it is important for the development of skills to enable participation in the creation and utilization of economic activities. This could be seen as a missed opportunity in terms of enabling the poor and vulnerable people to gain skills to access productive economic opportunities as often the poor are the ones that perform poorly during public examinations and often do not make it to university. There is, therefore, a need to expand this sub-sector so that it takes in more students for skills development.

With regards to equity, enrolment is biased towards boys as they constitute 65 percent of the students enrolled in TEVET colleges in 2012. This, which is largely a result of merit selection policy, has undesirable effects on girls who often do not achieve as well as the boys. While government TEVET institutions take in close to 30 percent of girls as a result of affirmative action, girls’ enrolment in private TEVET institutions is very low. The Northern region dominates in the supply of students in regular TEVET training compared to the other two regions of the country. The use of MSCE as an entry qualification for TEVET has contributed in part to the low numbers of girls enrolled. Given the importance of TEVET for skills development to enhance productivity, it is imperative not only to increase the number of places in TEVET system but also to develop and implement graded skills programmes for the less qualified students to improve their knowledge and skills for enhanced participation in the economy. Thereafter such youth would be qualified to take the higher level courses and programmes.

Although TEVETA’s new strategic plan (2013–2018) has exhibited awareness to integrate people with disabilities through targets related to provision of special needs materials in TEVET institutions and capacity building of trainers in special needs education, this has not yielded sufficient positive results. Part of the problem has been the limited number of special needs learners that attain the entry qualification of Malawi School Certificate of Education (MSCE) due to the already low enrolment of such learners in secondary school as discussed earlier. Affirmative action to enrol more special needs learners should thus start from secondary school so that tertiary institutions like TEVETA have a pool to select from. This would allow a purposeful recruitment of sponsored females and males with disabilities into TEVET institutions which could go a long way towards promoting their participation.

### 3.2.4 Constraints to access to education and skills development

The discussion in section 3.2.3 shows that equitable access to education as an enabler for inclusive growth is not achieved in Malawi despite the enabling policy environment created by the National Education Sector Plan and other associated policies. Consistently girls’ enrolment is lower than that for boys at all levels of education. Although enrolling in large numbers in Standard 1, girls often drop out progressively
to the extent that they are very few by the end of the primary school cycle in Standard 8. Unfortunately this translates into low transition to secondary school as often there are few girls to select from for Form 1 enrolment making the 50:50 secondary school selection policies impractical in some cases. This trend continues to university and TEVET programmes. The issue of girls’ education has of course recently received a lot of emphasis through the launch of the National Girls Education Strategy in January 2014. The strategies for enhancing girls’ retention and transition correspond closely with the constraints to access as in the foregoing discussion and the constraints to quality that will be discussed in section 3.2.5.

What is not in question is that with effective implementation some gains will have been achieved by the end of the five years in 2018. The only question is: can the interventions achieve maximum impact for a case to be made that girls’ access to education and skills development for inclusive growth has improved?

Other groups not participating adequately in knowledge and skills development especially from secondary to tertiary level are the rural and urban poor who often take the community day secondary school route in secondary education. While one problem is the relatively high dropout rate in such secondary schools, the other is that such learners receive an education of poor quality resulting in low pass rates and poor transition to university and TEVET education institutions. Children with Special Needs also have limited participation as their enrolment starts from a low base in primary school and dwindles significantly progressing from primary to secondary and to tertiary education. These groups that do not participate adequately are unfortunately the bulk of the population in Malawi since girls and women constitute over half the population and the majority of the population in Malawi is rural based and poor. The low participation of these groups in skills development implies a narrow growth base for the country since very few people would meaningfully access and participate in the creation and utilization of productive economic activities thereby negating inclusive growth.

One interest in the consultations conducted in the process of developing this report was, therefore, on finding out stakeholder perceptions on the constraints to access to education. Figure 3.7 summarizes the findings from the consultations.
High school fees, which were another frequently mentioned constraint, may, however, largely apply to private primary schools, secondary schools and private tertiary education institutions since public primary schools have ‘free’ tuition although parental contributions for school development in these public schools have been taken by some parents as fees. The school development contributions demanded by most primary schools have at times constrained access to schooling as sometimes children whose parents do not pay are sent back from school. However, introduction of direct support to schools through the primary school improvement programme has eased this pressure in recent years. While inadequate infrastructure is a constraint in both urban and rural areas and sometimes even more acute in urban schools (MoEST, 2013), the other constraints are more rampant in rural areas. To this effect, therefore, the children in rural areas, and more especially girls, have more limited access to education thereby creating disparities that have a bearing on their participation in productive economic activities. It is not surprising, therefore, that these have lower literacy rates compared to people in urban areas thereby negating equal participation and hence inclusive growth in development activities for the rural people.

One constraining factor for access, which was nevertheless not mentioned during the consultations, is population growth. With an annual population growth rate of 2.8 percent, the inadequacy of school infrastructure to cater for the whole population is likely to be an insurmountable challenge as expansion has to be considered on an annual basis. This being one of the reasons for ‘push out’ of learners in the name of dropout, there is need for redress in order to ensure that all attain some education for inclusive growth. One approach for redress is inclusion of population and sexuality issues in the curriculum at all levels of the education system in order to increase awareness of the challenges posed by population growth. Another approach, however, is to strengthen efforts to ensure enrolment and retention of girls in school so as to prevent child marriage and teenage pregnancies.

While the Ministry of Education has introduced a programme targeting out of school children and youth in the form of Complementary Basic Education, this is offered in only 4 out of the 34 education districts. Worse still, the curriculum on offer appears academic in that there is little emphasis on vocational skills. It might be useful to expand the out of school programmes for out of school youths in all districts and include vocational skills. This is one of the campaign policies for the new government where Community Day Secondary Schools were envisaged to act as vocational training centres in the afternoons so as to contain infrastructure challenges that limit the youth that have access to Technical and Vocational Education. The Ministry of Education, in conjunction with TEVET that will supply trainers, will have to capitalize on this political will.

### 3.2.5 Constraints to education quality

Access to education as discussed in the foregoing sections is not complete as an enabler to inclusive growth without considerations on quality and relevance. This is because the mere presence of children in school does not mean that they would acquire the necessary knowledge and skills for accessing decent employment and equal participation in productive economic activities let alone improving their productivity. Where the necessary knowledge and skills are not acquired, the productivity of the individuals is not optimal in which case education would no longer act as a catalyst for inclusive growth. An analysis of education literature shows quality to be an issue for concern at all levels of the education system. While the nature of the curriculum has played a role in some cases, resource provision has been a major setback at all levels.
a. Quality in primary education

While tremendous gains have been made to have a relevant curriculum for primary education which involves inter alia inclusion of relevant subjects such as Social and Development Studies, Life Skills and Agriculture, insufficient teaching and learning resources in form of teachers, textbooks and classrooms have been a major setback in achieving quality. For example, although one of the strategies for EFA goal 6 and the National Education Sector Plan is to reduce qualified teacher pupil ratio to 1:60 by 2015, in practice the ratios are as high as 1:96 with an increasing trend (see Figure 3.8). There are differences by geographical location and rural and urban schools in the pupil qualified teacher ratios with the Northern Education Division having the lowest at 86 and Southern Education Division has the largest at 123; Urban schools have lower pupil qualified teacher ratios than rural schools. These show discrepancies in teacher deployment which often results in variations in quality of education on offer and, therefore, transition rates to secondary education.

The insufficient number of qualified teachers results in recruitment of untrained teachers, a practice which unfortunately contributes to poor and didactic teaching practices that promote rote learning at the expense of much needed knowledge acquisition and skills development.

Figure 3.9 on the other hand shows that the provision of classrooms had improved tremendously from 2008 to 2010 with classroom pupil ratio declining from 117 in 2008 to 101 in 2010 though still far from reaching the NESP target of 1:60. While construction of additional classrooms with support from donor partners could have contributed to the situation, government funded construction through Local Development Fund (LDF) is also worth noting. Another possible explanation could be increased private participation in primary school provision that has seen a notable percentage of primary school students attending private primary schools. However, this ratio started increasing gradually from 2011 so that in 2012 it was at 107. This could be a sign of further increased demand for education which, though good in achieving inclusive growth, has undesirable effects on quality education and requires immediate redress.

Supply of adequate teaching and learning materials has remained a challenge to quality and, therefore, contributing to low attainment of knowledge and skills. For example, although the National Education Sector Plan recommends a 1:1 textbook-learner ratio, in practice very few schools reach that ratio. For example, in a survey of all schools in ten districts, 24 percent of all schools had English and Mathematics textbook learner ratio of 1:1 and 25 percent had life skills textbooks ratio of 1:1 (Nampota, Jere, Chiwaula, Meke, & Kadamira, 2011). This is indicative of the fact that most schools do not achieve the 1:1 textbook ratio for most subjects and will not achieve it by 2015. Part of the problem in resource allocation has been the gradual increase of the allocation so that although World Bank (2010) reported a share of 32 percent
of the recurrent education expenditure allocated to primary education, the 2013 Education Management Information Systems (MoEST, 2013) shows that the share stood at 53 percent. This obviously is a move in the right direction but needs to be supported by prudent expenditure management. The allocation of some funds straight to schools through the Primary School Improvement Plan (PSIP) process is another innovation that has helped ease some of the small scale resources constraints in the schools.

b. **Quality in secondary education**

Education quality at secondary school is affected by the type of school, and that has implications on resources allocation and the curriculum. The conversion of Distance centres to community day secondary schools through the secondary school unification policy in 1999 has meant that secondary education is offered through four different kinds of secondary schools; three of which are owned by government. The three kinds of government schools are grant-aided, conventional and community day secondary schools. While grant-aided schools are co-owned with churches and often have more resources for teaching and learning, conventional secondary schools are wholly owned by government and could be categorized as having moderate resources for teaching and learning. Community day secondary schools are, on the other hand, co-owned with the communities which they serve. These schools have very limited resources for teaching and learning including laboratories and chemicals for science teaching. An equity issue concerning the three kinds of government schools is that they tend to unintentionally create social stratification in the society. The grant-aided schools, which often offer education of good quality, enrol the most capable students. The less capable are selected for community day secondary schools yet the opposite is true in terms of resource allocation. The less capable students selected for community day secondary schools end up being subjected to an education of low quality—thereby limiting their chances for progression to university education. Private schools, which are the fourth kind of secondary schools, are owned by private proprietors and are of varied quality depending on the proprietor. Overall, 53 percent of the secondary schools are community day secondary schools and register the largest number of students. This means that majority of the secondary students start off from a poor quality education standing which poses challenges on possibilities of acquiring appropriate knowledge and skills for selection into higher education institutions and, therefore, cannot participate to the full in productive economic activities. This explains why fewer students from these secondary schools are selected for university education.

A major cause for concern for secondary education, however, is the curriculum. Although relevant subjects such as Agriculture, and Social and Development Studies are in the curriculum just as is the case for primary education, access to these subjects is limited by the policy of core and elective subjects. Among the core subjects are academic subjects of Biology, Physical Science, Mathematics and English leaving the more practical and perhaps more relevant subjects of Agriculture, Geography, Home Economics and other skill-based subjects like Wood Work and Metal Work as elective subjects. With a heavily loaded core curriculum, very few students opt for the elective subjects that are additional and often schools pay little attention to such subjects thereby limiting student access. Yet Agriculture is the mainstay of the economy and the skills are required by the majority of the students because this level of education is terminal for most of them. Equally important would be the Woodwork and Metalwork for skills development for self-employment but these are not a priority. Worse still the academic science subjects and technology programmes which though useful for technological advancement especially for the few students that make it to the university, programmes are taught with limited equipment and consumables in the majority of the schools more especially private and community day secondary schools. This not only results in poor teaching, as often didactic pedagogy dominates, but the associated poor achievement leads to poor
participation in university programmes as often university selection policies require a credit pass in both science subjects as discussed earlier. Information and Communication Technology (ICT), despite its potential in supporting access to knowledge and skills development, is an elective subject in the school curriculum and offered by few schools due to resource constraints. There might be a need for schools to be supplied with computers for appropriate learning. In addition, the university and other teacher training institutions must train teachers to deliver ICT education in the schools.

c. **Quality in tertiary education**

With regards to quality in university education, education statistics show low teacher pupil ratios which is conducive for learning. However, there has been anecdotal evidence that some of the science and technology programmes do not impact skills that are matched to the job market. The students studying science and technology programmes often end up as teachers in a country where industries are not the order of the day. Worse still, such students do not appear to be prepared to create their own small industries for self-employment. There might be a need for a scientific study to explore the relationship between the skills taught in the university and the labour market requirements. Similarly, Research and Development (R&D) which is the backbone for enabling knowledge creation, does not appear to be well coordinated and there is limited data for any conclusive statements to be made. However, it would appear that most of such research has taken place in agriculture through the Centre for Agricultural Research and Development. The inclusion of mining at the newly established Malawi University of Science and Technology is a move in the right direction as the country is looking into mining as one of the ways of diversifying sources of growth.

d. **Quality in TEVET system**

Quality in the TEVET system is largely affected by resource constraints. While inadequate equipment and facilities top the list as the factors that affect quality, inadequate practical competencies of the teachers is another factor. The average student teacher ratio is 51:1 which is high for adequate skills development in the students. However, more worrisome is that it is not known whether these are trained or not as there is no data to this effect. As such, there may be a need to train more TEVET teachers which is itself a problematic suggestion as there is no TEVET teacher training institution in the country.

UNESCO, however, also observed that part of the problem is that the methodology of the competency based CBET curriculum has not been clearly understood by stakeholders including the teachers (UNESCO, 2010). Relevance of TEVET programmes can be judged by employability rates and acceptance of the graduates by the employers. In general tracer studies have shown that there is high employability and at the same time high satisfaction with the TEVET graduates (World Bank, 2010). This paints a picture of high relevance of the curriculum to the needs of industry and other employers.

These constrains to quality are in line with those identified by different stakeholders obtained during the consultations as shown in Figure 3.10.

![Figure 3.10: Constraints to quality education](image-url)
3.3 Health and Inclusive Growth

3.3.1 The role of health in inclusive growth

The relationship between good health and development has long been established. Disease and mortality have been on record as agents that negate development both directly and indirectly. For direct impacts, disease and mortality exert economic burdens on individuals, households and governments in terms of cost for treatment and demand for health personnel. For indirect impacts, however, disease is costly in that morbidity and mortality results in work days lost in agriculture and industry which contribute to loss in productivity and, therefore, negating development.

Inclusive growth as defined in Chapter 1, however, goes beyond the aforementioned relationships in that it entails involvement of all kinds of people in the creation and utilisation of economic activities in a country. In line with the human capital theory (Schultz, 1971) the success of such growth depends on education. Indeed education as discussed earlier is important in ensuring that all people acquire the necessary skills not only for creation of economic activities but also for ensuring optimal utilization of such opportunities for personal and national development. Ill-health is however detrimental to education and therefore skills development for inclusive growth in that it contributes to loss in time for schooling that often results in low educational attainment and progression to higher levels of education and therefore low productivity. Low education of the larger majority of the population not only negates creation of productive activities as few would actively participate, but also optimal utilization and uptake of such opportunities. This in turn results in reduced productivity and income for the country and consequently reduced social services including health, thereby creating a vicious cycle. Thus, for inclusive growth to be achieved, there is the need for all people, including girls and women, and the rural and urban poor, to enjoy good health, in which case adequate and equitable access to health care is of paramount importance in the achievement of inclusive growth.
3.3.2 Health policies and inclusive growth

The Malawi Government through the Ministry of Health has made great strides in improving the health status of her people to ensure increased productivity and inclusive growth. Through the Ministry of Health’s mission which is to raise the level of health of all Malawians by reducing the incidence of illness and occurrence of death in the population, a National Health Sector Strategic Plan (2011–2016) which builds on the sustained gains made under the Programme of Work (2004–2010) before it, was developed. The National Health Strategic Plan (NHSP) provides a framework for guiding the efforts of the Ministry of Health and all health sector stakeholders in contributing to the attainment of the Malawi Growth and Development Strategy (MGDS-II) and the Millennium Development Goals (MDGs). MGDS II, for example, has identified Public Health, Sanitation, Malaria and HIV and AIDS Management as key priority areas following an analysis that showed these to be of public concern in all areas of the country, as one way to achieve inclusive growth.

In addition to addressing issues that are of public health concern, the National Health Strategic Plan also draws from international policies and conventions that take an inclusive approach to which Malawi is a signatory. The Millennium Declaration, with its associated Millennium Development Goals (MDGs), is but the most important one. Three of the eight MDGs relate directly to health as follows: Reduce child mortality (MDG 4), Improve maternal health (MDG 5) and Combat AIDS, malaria and other diseases (MDG 6). The question is to what extent is Malawi achieving these goals in an inclusive manner so as to achieve inclusive growth? As a member state of the World Health Organisation (WHO), Malawi is also a signatory to the Ouagadougou Declaration on Primary Health Care (PHC) where countries reaffirmed their commitment to PHC as a strategy for delivering health services, and as an approach to accelerating the achievement of the MDGs as advocated by the World Health Report of 2008. PHC is covered as part of Essential Health Package (EHP) service in the National Health Strategic Plan. Other strategies in the plan include strengthening performance of the health system to support delivery of EHP services; reducing risk factors to health and improving equity and efficiency in the delivery of free, quality EHP services thereby contributing to poverty reduction and the socio-economic development of the nation (GoM, 2011).

Since the establishment of the National Health Strategic Plan, considerable improvements in the delivery of an Essential Health Package (EHP) have been registered resulting in reduction in infant and child mortality rates, pneumonia case fatality and maternal mortality, among other areas. What would be of interest in this case is the extent to which these efforts have been inclusive.

Recognizing the adverse effects of the “big three” communicable diseases of Malaria, HIV and AIDS and Tuberculosis on the health and well-being of the people, national and regional policies have been developed specifically targeting them. The SADC Protocol on Health, for example, was signed by SADC member states in Maputo, Mozambique on 18th of August 1999 on regional collaboration and mutual support to overcome the diseases. As a consequence of this agreement, regional minimum standards for each of the three diseases have been developed including SADC Malaria minimum standards, SADC minimum standards for TB, SADC minimum standards for HIV and AIDS, SADC Malaria Elimination Framework, SADC Minimum standards for Paediatric HIV, TB, and Malaria, SADC Gender mainstreaming guidelines for Communicable Diseases and the SADC Advocacy Strategic Plan. In order to ensure domestication of the minimum standards, SADC organized a capacity building initiative to help member states domesticate the harmonized minimum standards in 2014 where Malawi was an active participant and also as a trainer through the Malaria Alert Centre of the University of Malawi’s College of Medicine. The question remains as to what extent have these policies and strategies been inclusive.
While most diseases that are of public health concern as described are part of the EHP, non-communicable diseases such as high blood pressure, cancer and others have only recently been incorporated in the new EHP. This is because in recent years these have significantly contributed to the morbidity and mortality of people in the country.

The strategies discussed in the National Health Strategic Plan and the subsequent EHPs have concentrated on formal health care delivery. However, in Africa traditional healers are a major health manpower resource to which Malawi is not an exception. In a country where access to essential medicines is limited and health facilities are located far away from the people infested with beliefs of bewitchment, traditional medicines come as the first choice and health care facility is sought when such traditional medicines have failed (Munthali, 2005). Although literature has suggested incorporation of traditional medicine in existing health care delivery system, this requires a proper mechanism for guiding, monitoring and evaluating traditional medicine practices and epistemologies that may not be easy to achieve. As such, use of traditional medicines from the inclusive growth perspective could be seen to have contributed both negatively and positively. The positive contribution arises when people seeking such medicines have recovered after use because it frees peoples’ time to walk the long distance to health facilities. However, where the medicines have not worked and health facility help has to be sought, the contribution is negative as often it delays the process of getting appropriate treatment on time resulting in complications that often result in death. This is especially true for Malaria symptoms of convulsions and splenomegaly, where research has found that traditional medicines are often the first choice but often just delay the process of getting appropriate Malaria medication resulting in death (Munthali, 2005). Other common illnesses where traditional medicine comes as first choice from the literature are HIV and TB especially when the symptoms relate to chest problems and wasting.

### 3.3.3 Child health

Child mortality has well known developmental implications both in terms of exerting pressure on the country’s health resources and productivity time for the majority of the Malawi population. This helps explain inclusion of child mortality in the internationally agreed Millennium Development Goals (MDGs). MDG 4 specifically aims at reducing child mortality and the target is to reduce by two thirds, between 1990 and 2015, the under-5 mortality rate. Demographic Health Surveys (DHS) and the associated projections made by the Ministry of Health in Malawi show that the country is on course in achieving the targets for under-5 and infant mortality by 2015. Figure 3.11, for example, using data from several Demographic Health Surveys, shows the declining trends in under-5 and infant mortality rates between 1992 and 2010. Using these trends, the Ministry of Health projected a rosy picture for 2015 with an infant mortality rate of 34 deaths per 1,000 live births which is less than the MDG target of 45 (GoM, 2011) and an under-5 mortality rate of 57 deaths per 1,000 live births which is lower than the MDG target of 78. Indeed if results of the recent MDG end-line survey are to go by, the picture looks promising although not definite to reach the targets. For example, infant mortality in 2014 was 53
which though a decline from 73 in 2010, is still high to reach the targeted 45 by 2015. The same is true for under-5 mortality which in 2014 was 85, a decline from 127 in 2010 (NSO, 2014), but still high to reach the target 78 by 2014.

However, threats to the achievement of the set targets and beyond are also evident since DHS surveys have shown that location, education of mothers and wealth quintile have a bearing on child mortality rates. In general, rural areas especially of the Central and Southern regions have high mortality rates compared to urban areas and the Northern region which is a sign of differential access to health care (see Table 3.1).

The rural areas often have fewer health centres and the urban population have an added advantage of private health facilities for those that can afford. In addition, higher levels of educational attainment of mothers and high wealth quintile are associated with lower under-5 and child mortality rates. These findings are a reflection of the educational disparities discussed in section 3.2. The exclusion of girls and women in education has the consequent impact on increasing under-5 and child mortality rates and the same is true for the rural poor especially of the Southern region who are also excluded in educational access and quality. Since education has a bearing on people’s capabilities to obtain decent employment for higher income, the women and rural poor experience high child mortality rates that further limit their participation in the creation and utilization of productive economic activities. The implication is that in terms of programming on EHP to reduce child mortality, rural areas, especially of the Central and Southern regions of the country should be given special emphasis. One intervention could be establishment of more government health facilities in such areas and ensuring that these have adequate drugs. An additional long term intervention, however, is increasing educational access for girls and women and the rural poor. Since education contributes to wealth of households using the human capital theory, this should be taken as the long-term solution to improving child mortality and morbidity in an inclusive manner. In the short-term, however, child health campaigns in the country should pay special attention to rural areas especially of the central and southern regions.

### 3.3.4 Maternal health

Maternal health is one of the key areas that need to be considered in discussions on inclusive growth in that the birth of a child is the foundation for the human capacity that is used in the creation and utilization of productive economic activities in a country. International human rights law includes fundamental commitments of States to enable women to survive pregnancy and childbirth as part of their enjoyment of sexual and reproductive health rights and living a life of dignity.\(^{22}\) No wonder the 2000 Millennium Development Goals set improvement of maternal mortality as one of the goals. MGD 5 has two targets; one is to reduce by three quarters the maternal mortality rate while the second is to achieve universal access to reproductive health. The strategies that have been implemented to reduce maternal mortality rate include antenatal care to monitor pregnancy, use of a health centre for delivery and associated support during delivery (using skilled attendant) and expanding postnatal care. The extent to which these

<table>
<thead>
<tr>
<th>Background characteristic</th>
<th>Infant mortality</th>
<th>Under-5 mortality</th>
<th>Child mortality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>73</td>
<td>113</td>
<td>44</td>
</tr>
<tr>
<td>Rural</td>
<td>73</td>
<td>130</td>
<td>61</td>
</tr>
<tr>
<td>Region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>70</td>
<td>108</td>
<td>40</td>
</tr>
<tr>
<td>Central</td>
<td>68</td>
<td>129</td>
<td>66</td>
</tr>
<tr>
<td>Southern</td>
<td>79</td>
<td>130</td>
<td>56</td>
</tr>
<tr>
<td>Mothers’ education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No education</td>
<td>71</td>
<td>138</td>
<td>73</td>
</tr>
<tr>
<td>Primary education</td>
<td>76</td>
<td>129</td>
<td>58</td>
</tr>
<tr>
<td>Secondary education</td>
<td>67</td>
<td>96</td>
<td>32</td>
</tr>
<tr>
<td>More than secondary</td>
<td>42</td>
<td>55</td>
<td>13</td>
</tr>
<tr>
<td>Wealth quintile</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest</td>
<td>69</td>
<td>133</td>
<td>68</td>
</tr>
<tr>
<td>Second</td>
<td>79</td>
<td>140</td>
<td>67</td>
</tr>
<tr>
<td>Middle</td>
<td>73</td>
<td>129</td>
<td>60</td>
</tr>
<tr>
<td>Fourth</td>
<td>74</td>
<td>126</td>
<td>56</td>
</tr>
<tr>
<td>Highest</td>
<td>71</td>
<td>105</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>73</td>
<td>127</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: DHS 2011

Table 3.1: Child Mortality by socio-economic status
have been implemented and more importantly the achievements made by their implementation for all women is of interest in discussions of inclusive growth.

An analysis of the trends in maternal mortality over the years shows a declining trend. The MDG Endline Survey (2014) demonstrates that maternal mortality has declined to 574 deaths/100,000 live births from the 2010 DHS figure of to 675 deaths per 100,000 live births; again down from 984 deaths per 100,000 live births in 2004. With current trends in maternal mortality, the Ministry of Health has projected a rate of 435 deaths per 100,000 live births in 2015 which, though representing an improvement from the current rate, is much higher than the MDG target of reducing, by three quarters in 2015, the maternal mortality ratio of 1990 (in 1992, MMR in Malawi was at 620 deaths per 100,000 live births). This means that a lot still needs to be done in order to improve maternal health in Malawi. Just like for child mortality, socio-economic factors influence maternal mortality rates so that if inclusive growth is to be achieved, deliberate efforts should be made to overcome them. This is largely associated with access to health facilities. MDHS 2010, for example, showed that more women in the urban areas access health facilities than those in rural areas since according to the survey only 4 percent of the children in urban areas were born at home compared to 14 percent in rural areas. This could have been caused by the long distance between health facilities in the rural areas coupled with limited forms of transportation compared to the urban areas so that establishment of clinics within closer reach in the rural areas could help increase the number of women delivering in health facilities and consequently reduce maternal mortality rates. It is also possible that the rural areas experience higher maternal mortality because of beliefs in traditional medicines. Use of traditional birth attendants which is practised in rural areas partly as a result of absence of health facilities close by and partly due to beliefs, leads to mortality especially when delivery is associated with complications for which referral to a hospital may be made too late. It might be useful to integrate the traditional birth attendants into the formal health system and train them so that their role should be complementary to that of the national health system which would in turn promote inclusiveness of the rural women in maternal health care.

The high maternal mortality rate has implications for inclusive growth. While one implication is that it reduces time spent on productive work by the people involved in growth activities, the other is that it destroys the very foundation for human capacity development. Since education and urban location of the mothers is associated with reduced maternal mortality rates, it is important that access to quality education be expanded for girls and women especially those in rural areas.

3.3.5 HIV and AIDS and inclusive growth

HIV continues to be one of the major communicable diseases in Malawi despite the initiatives that have been implemented to combat it. Indeed its effects are felt at all levels of development thereby limiting peoples’ participation in economic activities that would be instrumental in improving people’s lives and, therefore, inclusive growth. This is despite the fact that in terms of development of policies and strategies, Malawi has performed very well in this area. For example, Malawi is a signatory to the 2001 declaration of commitment on HIV and AIDS. Before then, in 1988, the National Aids Control Programme (NACP) was established with the aim of coordinating the country’s AIDs education. Another additional initiative was the establishment of the National Aids Commission in 2001 to oversee AIDS prevention and care initiatives. Such initiatives include programmes for provision of treatment, increased testing and diagnosis and prevention of mother to child transmission (PMTCT). While all these initiatives were established before a policy on HIV and AIDS was established, this came into being in 2003 and guided all further

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22 The Technical guidance on the application of a human rights-based approach to the implementation of policies and programmes to reduce preventable maternal morbidity and mortality.
programming on the disease. In the National Health Strategic Plan, the HIV and AIDS component is allocated the greatest resources. With these policies and strategies, the continued high prevalence of the disease could be a factor of poor implementation.

DHS surveys have, however, shown improving trends in HIV prevalence from 11.8 percent in 2004 (NSO, 2006) to 10.6% in 2010 (NSO, 2011), but this trend is not in tandem with the many efforts planned for dealing with the disease. MDHS 2004 reported a prevalence rate of 10.2 and 13.3 percent for men and women respectively, both of which declined to 8.1 and 12.9 percent in 2010 (MDHS, 2010). Both surveys however show that HIV prevalence is higher for women than men and even the decline for women is smaller than that for men. DHS surveys further show that women in urban areas are twice likely to have HIV infection than those in rural areas (22.7% compared to 10.5%) which is a cause for concern. Employment patterns including prostitution could contribute to the high prevalence among urban women so that these may need to be empowered if prevalence of the disease is to be curbed. Women in the Southern region are at greater risk, showing a highest prevalence rate of 17.6 percent compared to 9.0 for Central region and 8.2 for Northern region. Increasing rate of urbanization for the southern region compared to the other regions contributes to the relatively higher prevalence. Interestingly a paradox occurs when education is taken as an enabler for HIV prevention. While on the one hand HIV prevalence is higher for people with no education than those with secondary and more than secondary education, its prevalence is higher for people in the highest wealth quintile. With education as one contributing factor for individual income, comprehension of this paradox becomes difficult. It is possible that those with low education, who are largely girls and women and the rural poor, indulge in risky behaviours leading to contracting HIV while the attitudes of the educated rich and jobs with high mobility could contribute to the high HIV prevalence for the highest wealth quintile group. As such, it is important that any interventions to reduce incidence of HIV should target educating urban women and men especially those belonging to the highest wealth quintile to change their attitudes. Popularization of condom use especially to women in urban areas should also be strengthened.

One target for MDG 6 is to achieve, by 2015, universal access to treatment for HIV and AIDS for all those who need it. This would, however, be achievable if there is adequate testing and diagnosis of the illness. MDHS 2010 showed that 73.1 percent of women had ever been tested for HIV. While this suggests that close to a third of the women have not been tested, the situation is more worrisome for men where only slightly over half (52.2%) had been tested. As such, there is need to expand HIV testing especially among the men if universal access to treatment is to be reached. In addition, not all people who have been tested and are HIV positive have had access to treatment. Ministry of Health, for example, reported that only an equivalent 76 percent of eligible cases for adults, and 32 percent of eligible cases for children were on ARVs (GoM, 2011). This may have happened because there are insufficient drugs to go round so that among the strategies to increase adult coverage of treatment to the MDG target of 80 percent by 2015 should also include procurement of adequate ARVs.

In summary, the foregoing discussion has shown that a lot still needs to be done to reduce HIV incidence especially among women dwelling in urban areas and the educated elite who often are well off. Sensitization to change attitudes and condom use could be some of the strategies that need to be intensified and the same applies to increasing access to education for girls and women. Although adequate testing and diagnosis of the disease is still a problem in the country, the worst enemy is inadequate provision of ARVs to those diagnosed HIV positive. Procurement of adequate ARVs should be one of the immediate solutions to the problem, including ensuring that men, who are currently lagging behind, are accessing treatment (66% of women and 34% of men are currently accessing Anti-Retroviral treatment ART.
International human rights standards impose a mandate on States to address HIV to the benefit of all societal groups. For instance, the 2011 Political Declaration on HIV and AIDS challenges national governments and their partners to commit to take comprehensive measures, including eliminating gender inequalities and gender-based abuse and violence. The SADC Protocol on Gender and Development (2008), which seeks to ensure equality between men and women, urges states to ensure that policies and legislation should take account of harmful practices and biological factors that result in women constituting the majority of those infected and affected by HIV and AIDS.

The review/enactment of laws that are relevant to the epidemic is also an important area. The Government currently has formulated the HIV and AIDS Management Bill of 2013. One of its positive aspects is that it has addressed disability by requiring that HIV materials that are integrated into school curricula are available in key languages taking into account matters of disability and location. However, a 2014 Gender Assessment of the HIV Response in Malawi has critiqued the Bill because it has limited itself to the issue of HIV management, and removed all provisions on protection that were in an initial Bill called the “HIV (Management and Protection) Bill of 2013.” This former Bill had special protections on women, but it has now been watered down due to the lack of consensus on whether or not some provisions related to mandatory testing should be in the proposed law. The Bill as it currently stands is, therefore, only offering a partial response to the HIV challenge, and excluding groups that would have adequately benefited from a comprehensive law. In addition, discrimination within marital relationships may prevent women from realizing their right to self-protection and to be protected. The criminalization of gay and lesbian relationships and parts of sex work in the Penal Code has similarly been identified as an area that excludes some citizens from fully benefiting from services and other interventions in the HIV response.

Positively, the passing of a bill on human trafficking in February 2015 is an opportunity to offer concrete protection to women and girls, who commonly are victims of sexual driven trafficking. Similarly, the passing of a bill unifying all marriage systems in Malawi in February 2015 has the potential to protect the right to property of spouses and strengthen the recognition of women’s interests in marital property and mitigate the impacts of HIV on their well-being. NGOs are currently lobbying the State President to assent to the two bills with speed.

### 3.3.6 Non-communicable diseases and inclusive growth

Although most of the foregoing discussion on health has centred on communicable diseases because this has been the emphasis in health policies in Malawi, in recent times there is a realization that Non-Communicable Diseases (NCDs) such as cardiovascular diseases (heart diseases and stroke), cancer, respiratory diseases and diabetes mellitus are also a major cause of mortality and morbidity. These diseases were previously considered to be for the affluent but recent research has shown that these are increasingly becoming significant causes of morbidity and mortality even in low- and middle-income (LMI) countries including Malawi and the rural poor (Msyamboza et al., 2011). Research estimates suggest that NCDs are responsible for 60–64 percent of all deaths in the LMI countries with 61 percent of deaths occurring in people younger than 70 years of age (WHO, 2005). WHO projected that by 2015 NCDs will account for over 70 percent of all deaths globally with 80 percent of these deaths occurring in LMI countries. With this development, developing countries have to cope with a double burden of communicable and non-communicable diseases, which, if unchecked will result in many LMI countries failing to keep track in reaching the Millennium Development Goal targets. A study conducted in Malawi between July and September 2009 revealed that NCDs are indeed a problem in the country as shown in

<table>
<thead>
<tr>
<th>Disease</th>
<th>Total</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>High BP</td>
<td>32.9%</td>
<td>37.2%</td>
<td>32.9%</td>
</tr>
<tr>
<td>Raised cholesterol</td>
<td>11.0%</td>
<td>11.0%</td>
<td></td>
</tr>
<tr>
<td>Raised FBS or currently on medication</td>
<td>4.7%</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Raised BP or currently on medication</td>
<td>3.3%</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>Obesity</td>
<td>21.9%</td>
<td>21.9%</td>
<td></td>
</tr>
<tr>
<td>Overweight</td>
<td>16.5%</td>
<td>16.5%</td>
<td></td>
</tr>
<tr>
<td>Excessive alcohol drinkers</td>
<td>16.1%</td>
<td>16.1%</td>
<td></td>
</tr>
<tr>
<td>Tobacco smokers</td>
<td>8.7%</td>
<td>8.7%</td>
<td></td>
</tr>
<tr>
<td>Three or more NCD risk factors</td>
<td>6.2%</td>
<td>6.2%</td>
<td></td>
</tr>
</tbody>
</table>
women from realizing their right to self-protection and to be protected. The criminalization of gay and lesbian relationships and parts of sex work in the Penal Code has similarly been identified as an area that excludes some citizens from fully benefiting from services and other interventions in the HIV response.

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High BP is a problem affecting over a third of the population (32.9%) especially males (37.2%). Interestingly, the burden is higher in rural areas compared to urban areas (32.0% versus 27.9%) demystifying the myth that these diseases are for the affluent. Although diabetes is a lesser problem affecting on average 5.6 percent of the population, its prevalence in rural areas is the highest at 9.2 percent. Raised cholesterol on the other hand is highest among females at 11.0 percent against the national average of 8.7 percent.

<table>
<thead>
<tr>
<th>Disease</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raised BP or currently on medication</td>
<td>32.9</td>
<td>37.2</td>
<td>29.2</td>
<td>27.9</td>
<td>32.0</td>
</tr>
<tr>
<td>Raised FBS or currently on medication</td>
<td>5.6</td>
<td>6.5</td>
<td>4.7</td>
<td>7.4</td>
<td>9.2</td>
</tr>
<tr>
<td>Raised cholesterol</td>
<td>8.7</td>
<td>6.3</td>
<td>11.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Overweight - BM$25 kg/m2</td>
<td>21.9</td>
<td>16.1</td>
<td>28.1</td>
<td>38.6</td>
<td>21.9</td>
</tr>
<tr>
<td>Obesity - BM$30 kg/m2</td>
<td>4.6</td>
<td>2.0</td>
<td>7.3</td>
<td>13.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Tobacco smokers</td>
<td>14.1</td>
<td>25.9</td>
<td>2.9</td>
<td>6.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Alcohol drinkers</td>
<td>16.9</td>
<td>30.1</td>
<td>4.2</td>
<td>13.4</td>
<td>12.5</td>
</tr>
<tr>
<td>Excessive alcohol drinkers</td>
<td>7.7</td>
<td>19.0</td>
<td>2.4</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Physical inactivity</td>
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<td>6.2</td>
<td>12.6</td>
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<td>8.6</td>
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<td>16.5</td>
<td>17.6</td>
<td>15.4</td>
<td>22.6</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Source: WHO/MoH Malawi National STEPs survey for chronic non-communicable diseases and their risk factors (2010)
In summary, non-communicable disease prevalence contributes to morbidity and mortality thereby negating inclusive growth. Since the people in rural areas are more at risk than the urban dwellers with 22.6 percent of the population having three or more NCD risk factors compared to only 15.5 percent respectively, efforts to mitigate these diseases should focus on rural areas. Awareness campaigns on the risk factors would be a good starting point for the rural people. In addition, however, females especially of urban areas, should be encouraged to have more physical activity in order to reduce their risk of contracting NCDs while for men reduction in smoking and limiting the time for alcohol drinking need to be enforced.

3.3.7 Constraints to accessing quality health care

A number of challenges to quality health care, which are not mutually exclusive, were mentioned by various stakeholders that were consulted countrywide during the process of developing the NHDR as summarized in Figure 3.12.

Constraints to access to health care are represented by inadequate health facilities and distance to health facilities in Figure 3.12. Indeed the country has limited hospitals and the health centres are not always within reach of all people in some districts. In Thyolo district, for example, the consultations discovered that terrain challenges are such that not many health centres are easily accessible to people especially during the rainy season which coincidentally is the peak period for some diseases such as Malaria. This situation is problematic and contributes to child and maternal mortality. Pregnant women are more likely to face a greater challenge to travel long distances and some end up delivering along the way and sometimes give up going to the health facility in the first place. Those who give up going to the health facility end up delivering with traditional birth attendants, which although catering for the existing gaps in as far as medical care is concerned, is risky. Distance to health facilities could also be a cause for high mortality among people suffering from non-communicable diseases as hypertension and high cholesterol, which often occur through sudden attacks and require immediate health care attention. The inadequate health facilities negate inclusive participation largely of the rural people and urban poor since these rely on the scarce government health facilities unlike the urban rich whose needs are also catered for by private health centres and hospitals that charge money for services.

Another challenge to access to health care, in addition to non-availability of health care centres in close proximity, is health care seeking behaviour among the people. For example, the 2014 MDG Endline survey shows that 67 percent of children with diarrhoea were taken to health care facilities and the same was true for 68.2 percent of those with acute respiratory problems (ARI). Both these statistics show that about a third of the children are not taken to a health centre when symptoms of disease are observed. There is a possibility that people are deterred by the distance to the health centres and the long queues that they experience (that is, time taken to access health care) on the one hand while on the other, reliance on traditional medicines could be another deterrent. Both cases have the potential of increasing mortality for both children and maternal mothers.

![Figure 3.12: Perceived constraints to health provision](source: 2013 NHDR survey)
While recognizing the inadequacy of the health facilities for the current population, one challenge that needs attention is the almost exponential population growth rate. If this remains unchecked, the scarcity of health facilities will grow every year. It is imperative, therefore, that maternal mothers are not only encouraged to go to health centres for the well-being of the unborn baby, but also for child spacing campaigns and messages which they can help spread to their communities.

On quality of health care service, the stakeholders identified two factors captured in Figure 3.12: inadequate and poorly trained personnel and lack of medicines and drugs. Inadequate and poorly trained staff in form of nurses, clinicians and doctors, was the top ranked constraint. This is despite the fact that the National Health Strategic Plan reported an improvement in availability of health personnel in 2011. For example, the total number of professional Health Care Workers (HCWs) was reported to have increased by 53 percent from 5,453 in 2004 to 8,369 in 2010 due to increased capacity of health training institutions and improvements in staff retention. However, only four of the 11 priority cadres (namely clinical officer, environmental health officers, and radiology and laboratory technicians) met or exceeded their targets as set in the original EHP design. Nurses’ production did not reach the target and annual output but only increased by 22 percent. As a coping strategy, Health Surveillance Assistants (HSAs) were recruited to arrest the situation. However these being untrained health workers, the gap for skilled medical personnel is still felt by the people, especially of the rural health centres which rely much on HSAs.

One example that demonstrates poor quality health care on offer is in maternal health. The 2014 MDG Endline survey showed that although 96.1 percent of women aged 15–49 years with a live birth in the last 2 years were attended at least once by a skilled health worker, only 29 percent had their blood pressure measured and gave urine and blood samples during the last pregnancy. This raises questions on the quality of health care available.

Lack of medicines and drugs was cited as one of the challenges to health access by the different stakeholders. This was also documented in the National Health Strategic Plan which stated that the shortage of drugs and other medical supplies continues to be a major challenge in health facilities. Some evidence of lack of essential drugs is seen from the statistics on medication received by patients. The 2014 MDG Endline survey, for example, showed that of the children taken to health care facilities for diarrhoea, 48.5 percent received the full package of Oral Rehydration Therapy (ORT) while only 45.7 percent of the children that sought care for ARI symptoms received antibiotic treatment. What this means is that the other children did not receive the right medication for the symptoms due to their unavailability. In sharp contrast to this situation, however, the percentage of children treated with Artemisinin-based Combination Therapy (ACT) for Malaria is high at 88.3 percent showing that Malaria could be given priority in drug procurement.

Factors that contribute to lack of sufficient drugs include lengthy procurement processes, poor specifications, weak logistical information systems, inadequate and unpredictable funding for medicines and inadequate infrastructure as contributing to shortages of drugs. Indeed in the past year there have been demonstrations by health personnel from the major hospitals of Kamuzu Central Hospital and Queen Elizabeth Central Hospital protesting lack of drugs in hospitals. Corruption in drug procurement and administration and pilferage are other factors that are contributing to the deteriorating state of health sector inventories of drugs. This has to be addressed if the development goals and targets related to health are to be achieved.
3.4 Food Security and Nutrition for Inclusive Growth

3.4.1 Food security and inclusive growth

Food security and good nutrition are undoubtedly important for inclusive growth. Food scarcity not only leads to hunger and, therefore, lack of energy for people to participate in economically productive activities. Rather it also results in loss of time for doing productive work as those without food spend their time looking for food through piece works or begging along the streets. Although not the only cause, food insecurity contributes to poor nutrition resulting in underweight, stunting and wasting more especially for children under the age of 5. This affects the health of the children resulting in increases in mortality which as discussed earlier is detrimental to inclusive growth due to loss of time to participate in productive activities. When there is food scarcity, therefore, there is a higher likelihood for the children in the affected households to be undernourished resulting in the three conditions of underweight, stunting and wasting leading to high mortality.

Food scarcity in Malawi has developed into a chronic economic challenge since the early 1990s, and has limited the capacity of the people of Malawi to participate in productive activities that influence economic growth. By October 2012, about 2 million Malawians were in need of food aid\(^\text{23}\). While the country enjoyed improved growth rates in the 2000s, the per capita food access continued to fluctuate through the latter years of the decade when effects of economic stagnation, mainly due to the global economic crisis, and a continuously growing population started to be felt. The local demand for food is on the rise in a country that is heavily dependent on rain-fed agriculture, making it more vulnerable to seasonal shocks and eventually susceptible to food aid as a viable social protection mechanism. Food scarcities are mostly experienced during the food growing rainy season, when local market prices for food soar as household and community food inventories become empty in readiness for the next harvest. This food security situation, affecting largely the poor, in particular, women and other vulnerable groups, has the resultant effect of challenging inclusive growth.

Map 3.1 is a depiction of the hunger situation in Malawi during the April 2013 to March 2014 period across the country. The map illustrates that a smaller proportion of the country was free of food insecurity, whereas the larger geographical space was prone to hunger, ranging from moderate to severe situations. The map also shows that, while food security is seen to be a problem across the country, 21 districts are the most affected. While the highest affected populations are in the tobacco growing districts of Mzimba and Kasungu, districts along the lake (Mangochi, Salima) and those along the rift valley are equally affected. The Malawi Vulnerability Assessment Committee (MVAC)\(^\text{23}\)

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however, highlights the Northern Region as facing the most food security challenges in Malawi followed by the Central and then the Southern region. With the high dependence on cereals for food, the displacement of maize-growing by tobacco farming in the Northern and Central Regions and fishing along the lake is significant. Further challenges include efficiency of logistics for making maize available on markets in stressed and crisis areas at affordable prices.

The major causes of food insecurity are late on-set and early cessation of rains, prolonged dry spells and flooding as a result of climate change and the high input prices (for both maize seed and fertilizers) and natural disasters. As the numbers of vulnerable people have increased over time, the government, through the Farm Input Subsidy Programme, has attempted to help vulnerable populations with a start-up mechanism that is aimed at increasing their food production. However, this approach has been met with challenges that include corruption, tardiness in delivery of inputs, identification of beneficiaries, and a high bill on the government’s annual budget. One challenge that the picture highlights is the generalized approach to addressing food security in the different regions and districts.

Malawi produced its first Food Security Policy in 2006 as a means to consolidating the national effort towards sustained food security. The challenge of food insecurity, however, remains unmitigated eight years after. The nature of the challenges calls for a more integrated approach to addressing the problem, including the inclusion of women and other vulnerable groups, and a more sustained level of financial support for inclusive growth to be realized. The approach would be to refine the Farm Input Subsidy Programme so that it reaches the targeted group and integrate that with growing of specific food crops suited for the different regions. It is also important to recognize the need to marry approaches to food provision with nutrition, if food security is going to be meaningful.

3.4.2 Nutrition and inclusive growth

As already alluded to, nutrition is important for inclusive growth. This is because chronic malnutrition for children especially for the first 1000 days results in irreversible consequences. Under-nutrition leads to poor height growth and, therefore, stunted physical growth and increased susceptibility to illnesses. Stunting has long term negative effects on education attainment, work capacity and economic productivity. In addition, stunted children enter adulthood with more likelihood of becoming overweight and, therefore, more susceptible to non-communicable diseases. An undernourished mother leads to a vicious cycle of stunting and poverty as often such a mother gives birth to a stunted child.

Despite the negative consequences of under-nutrition on inclusive growth, Malawi is characterized by high levels of under-nutrition although this represents a drop over the years. For example, the 2014 MDG Endline survey (NSO, 2014) showed that Malawi has a stunting rate of 42.4 percent which is a drop from 47 in 2010; an underweight rate of 16.7 percent which is an increase from 13 in 2010; and a wasting rate of 3.8 percent which is only a slight improvement from 4 in 2010; thereby making nutrition as one of the public health concerns. It is estimated that 34 percent of under-five deaths and 38 percent of maternal deaths are as a result of under-nutrition. Although under-nutrition is a national problem, rural areas are the most hit. For example, with a national stunting average of 47 percent for 2010 where there is disaggregated data, stunting for rural areas was 48 percent compared to 41 percent for urban areas. There is, however, little regional variation with all regions registering high stunting levels although the Southern region still has the highest rate: Southern region (48%), Central region (47%) and Northern region (45%). With education and wealth having inverse relationships with stunting levels, the regional variations are not surprising. The Northern region has the highest literacy levels while the Southern region has the least.
A similar explanation could be given for the rural and urban variation since the literacy rate for rural areas is low.

This points to the fact that in order to promote inclusive growth for the rural people and those of the Southern region, serious nutrition interventions need to be implemented. Home craft and cookery programmes commonly known as “mkomya wa pa banja”, which used to be implemented before but nevertheless stopped being implemented might have to be revisited.

3.5 Employment and Income Generation and Inclusive Growth

Employment and income generation is one of the enablers of inclusive growth. This part examines: the significance of employment generation to inclusive growth; the extent of inclusiveness of labour participation; the level of inclusiveness of employment rates in priority areas of economic growth in Malawi; the inclusiveness of informal versus formal employment; and inclusive growth issues that affect the employment of youth and people with disabilities. It further analyses the inclusiveness of strategies and programmes towards employment and income generation by paying attention to five issues: access to vocational training for income generation; small and medium scale enterprise development; protection of labour rights in formal employment; protection of labour rights in the informal sector; and the promotion of agriculture-based employment.

3.5.1 Significance of employment generation to inclusive growth

Employment generation is an important catalyst for inclusive growth for several reasons. For the vast majority of people, labour activities are the main source of earnings. Providing gainful employment and securing livelihoods is a poverty alleviation strategy. Employment opportunities, including those in microenterprises and in the informal sector, offer households the means to escape poverty. On the other hand, the lack of employment reduces the ability of households to raise their living standards and get out of poverty (World Bank, 2013). Since employment generation is about creating job opportunities (including immediate short-term opportunities), it directly confronts unemployment—one of the macro-economic problems which every responsible government is expected to monitor and regulate. This is because the higher the unemployment rate in an economy, the higher the poverty level and associated welfare challenges (Anyadike, Emeh, & Ukah, 2012).

Growth is inclusive if it supports high levels of employment and rising wages, including through the acquisition of competitiveness in new sectors and technologies in developing countries (Mello L. and M.A. Dutz, 2012). In terms of the definition of inclusive growth that this NDHR has adopted, this entails that inclusive growth should be sustainable by being broad-based across sectors and by being inclusive of the large part of the country’s labour force. Therefore, employment and labour related policies and planning must remove constraints to growth for the poor, women, people with disabilities, the youth and others that face various forms of marginalization or discrimination in the labour market. The goal should be to create a decent standard of living by generating work that meets the needs of people in all segments of society and provide them with adequate income. Achieving this requires the equitable distribution of employment opportunities within the country by not leaving others in the country’s labour force behind.

Employment generation can also facilitate the promotion of gender equality and equity. Arguably, the fact that women have fewer opportunities in the labour market may contribute to their unequal treatment in the household. For example, parents may have lower aspirations for their daughters than for their sons. Further, if women do not work outside the home, there may be a perception that they do not need a
formal education. If part of the motivation for educating children is to enhance their employment opportunities, then improving the opportunities available to women in the labour market would provide a strong catalyst for the treatment of women to change for the better (Duflo, 2013). In addition, employment generation promotes sustainable economic growth, which is one of the underlying philosophies of MGDS II. When benefits from employment generation only accrue to a segment of a population, economic growth can become difficult to both achieve and sustain.

Employment generation that can lead to inclusive growth considers the effects of HIV and AIDS on employment and on the labour market. This is because the loss of workers and work days due to AIDS related illnesses or the demands of caring can result in significant declines in productivity, loss of earnings, and attrition in skills and experience. HIV and AIDS is particularly of concern because the epidemic strikes hard at the poor, who have difficulties to afford treatment and care—thereby increasing existing problems of poverty and inadequate social protection (Lisk, 2002).

### 3.5.2 Labour force participation in Malawi: who is included and excluded?

Labour force participation rate is an indicator of the country’s potential labour supply at a given time. A second stand-alone Malawi Labour Force Survey (MLFS) was conducted in 2013 by the joint collaboration of the National Statistical Office, Ministry of Labour, and Ministry of Industry and Trade. The 2013 MLFS defines labour force participation as the percentage of economically active persons to the total working population. Economically active persons are all persons that contribute or are available to contribute to the production of goods and services falling within the System of National Accounts (SNA) production boundary. They are either engaged in economic activities or are actively seeking employment opportunities within the SNA production boundary. In the context of the 2013 MLFS, a person was regarded as being currently employed if he or she did work (even for just one hour) for pay, profit or family gain in cash or in kind; or if he or she was attached to a job or had an enterprise from which he or she was temporarily absent on account of illness, maternity, parental leave, holiday, training or industrial dispute. Arguably, counting one hour as ‘employment’ may be misleading and cannot statistically reflect the true employment or underemployment situation as depicted in Table 3.3.

<table>
<thead>
<tr>
<th>Labour Force Participation Indicator</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force participation rate: 89%</td>
<td>90.9</td>
<td>88.1</td>
</tr>
<tr>
<td>Labour force participation rate in urban areas: 85%</td>
<td>87.3</td>
<td>83.5</td>
</tr>
<tr>
<td>Labour force participation rate in rural areas: 90%</td>
<td>91.6</td>
<td>88.7</td>
</tr>
<tr>
<td>Labour force participation rate, 15–19 years (national): 69.6%</td>
<td>68.9</td>
<td>70.2</td>
</tr>
<tr>
<td>Labour force participation rate, 35 to 39 years (national): 95.6%</td>
<td>99.4</td>
<td>91.9</td>
</tr>
<tr>
<td>Labour force participation rate, 35 to 39 years (rural): 95.6%</td>
<td>99.8</td>
<td>91.6</td>
</tr>
<tr>
<td>Labour force participation rate, 60–64 years (urban): 84.9%</td>
<td>96.6</td>
<td>76.6</td>
</tr>
<tr>
<td>Labour force participation rate for those with tertiary education: 94.5%</td>
<td>97.1</td>
<td>88.7</td>
</tr>
<tr>
<td>Labour force participation rate for those with secondary education: 89.1%</td>
<td>92.6</td>
<td>84.8</td>
</tr>
<tr>
<td>Labour force participation rate in Northern region: 91.5%</td>
<td>87.9</td>
<td>79.8</td>
</tr>
<tr>
<td>Labour force participation rate in Southern region: 89.1%</td>
<td>90.8</td>
<td>87.6</td>
</tr>
<tr>
<td>Labour force participation rate in Central region: 91.5%</td>
<td>92.0</td>
<td>91.1</td>
</tr>
</tbody>
</table>


The survey sought to generate reliable information of the employment and unemployment situation and other labour force characteristics of the population aged 15 to 64 years. The findings are meant to help

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24 The first one was performed in 1983 but its results were not published.
in: monitoring the country’s economic situation; formulating and implementing policies for decent work, employment creation, poverty reduction and income support; providing indicators for monitoring Malawi’s progress towards achieving both the MGDS II and MDGs.

Statistics from the 2013 MLFS (Table 3.3), shows that labour force participation in Malawi is not fully inclusive on account of gender, age and residence disparities because:

i. Starting at national level and extending to rural and urban areas, lower numbers of women are participating in the labour force compared to men. This is with the exception of the age group of 15–19 years, where females have a slightly higher participation rate than males. However, this is not a positive development as it just signals that female youth are leaving school earlier to participate in the labour force.

ii. Labour force participation is 5 percent higher in rural areas than in urban areas. This is because most of the labour force in Malawi is in the agriculture sector.

iii. In terms of significant age specific gender gaps whereby women are participating much less when compared to men, at national level, the widest gender gap in labour force participation is in the age group of 35 to 39 years. In the rural areas, the widest gender gap in labour force participation is in the same age group. In the urban area, the gender gap is significantly wide in the age group of 60 to 64 years.

iv. In terms of levels of education, there is a comparable wider gender gap in the labour force participation for those with tertiary and secondary education. This implies that regardless of tertiary and secondary qualifications, fewer females are participating in the labour force compared to males.

v. In relation to regional discrepancies, the Northern region has a lower labour force participation rate, followed by the Southern region. The Central region has the highest labour force participation.

vi. Gender gaps still exist within the regional labour force participation rates, with the Northern region having lowest numbers of women that participate compared to men, followed by the Southern region. While it exists, the gender gap in the Central region is very negligible.

vii. With the exception of agriculture, forestry and fishing (64.1%), labour force participation in the urban areas is higher than that of rural areas in all the other industries that were studied in the 2013 MLFS. In fact, it is more than twice in industries related to manufacturing; water supply, sewerage, waste management and remediation activities; construction; wholesale and retail trade and repair of motor vehicles; transport, storage and communication; accommodation and food services activities; professional, scientific and technical; administrative and support services; public administration and defence; education; and activities of households as employers. The message is: rural areas are not participating as much in non-agriculture industries. With appropriate strategies, the emergence of industries like extractives and the implementation of full decentralization can help to increase the participation of the rural labour force.

Though the 2013 MLFS did not establish the contributing factors to the various challenges relating to inclusiveness in labour force participation, development planning has been responsive to the discrepancies affecting different sections of society in order to bring equality to labour force participation. One of the concerns that emerged from community consultations towards the preparation of the NHDR was people with disabilities are typically excluded in most employment opportunities. The 2013 MLFS does not have data that is disability disaggregated, which is a bottleneck in efforts to make employment generation more inclusive.
3.5.3 Is employment participation in Malawi inclusive?

Generally, employment participation increases with age, except that it drops for those aged 60–64 years. The major indicator of the inadequate inclusiveness of employment is that there are lower employment rates of females when compared to those of males (Table 3.4).

Table 3.4: Gaps in employment rates as an indicator of non-inclusiveness of growth

<table>
<thead>
<tr>
<th>Labour force and Employment Rate Indicators</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total labour force that is employed in Malawi: 79.6%</td>
<td>85.7</td>
<td>74.3</td>
</tr>
<tr>
<td>in rural areas: 81%</td>
<td>86.2</td>
<td>76.1</td>
</tr>
<tr>
<td>Employment rate in urban areas: 71.8%</td>
<td>82.4</td>
<td>60.8</td>
</tr>
<tr>
<td>Employment rate of young people aged 15–19: 70.5%</td>
<td>71.9</td>
<td>69.3</td>
</tr>
<tr>
<td>Employment rate of people aged 45–49 years: 86.6%</td>
<td>89.1</td>
<td>84.1</td>
</tr>
<tr>
<td>Employment rate of people with tertiary education: 86.7%</td>
<td>88.0</td>
<td>83.8</td>
</tr>
<tr>
<td>Employment rate of people with secondary education: 78.5%</td>
<td>84.0</td>
<td>69.4</td>
</tr>
<tr>
<td>Employment rate of people with primary education: 78.7%</td>
<td>86.6</td>
<td>70.1</td>
</tr>
<tr>
<td>Employment rate of people with no education: 79.9%</td>
<td>85.4</td>
<td>75.8</td>
</tr>
<tr>
<td>Employment rate in the Southern region: 73%</td>
<td>80.1</td>
<td>66.7</td>
</tr>
<tr>
<td>Employment rate in the Central region: 84.3%</td>
<td>89.5</td>
<td>79.8</td>
</tr>
<tr>
<td>Employment rate in the Northern region: 87%</td>
<td>92.1</td>
<td>82.0</td>
</tr>
</tbody>
</table>


Table 3.4 portrays figures that have both (a) positive and (b) negative implications on inclusive growth:

a. Positive developments of employment rates on inclusive growth

The employment rate for those with tertiary education for both males and females is very high compared to those with secondary, primary and no education. Of course when compared to their male counterparts, the number of females with tertiary education is fewer (83.8%) than that of men (88%). This means these well-educated females are not getting the same employment opportunities as males.

b. Negative developments of employment rates on inclusive growth

There are many negative developments of employment on inclusive growth in Malawi. The major ones include the following developments:

i. A highly significant proportion of women (31.6%) with secondary education are not employed compared to their male counterparts (16%). Apart from reflecting on employment opportunities that exist for younger females, this evidence draws attention to the need to examine barriers that affect women with secondary education from being employed. Consultations with communities towards the preparation of the NHDR suggested that some reasons that exclude young women from the employment arena include lack of role models, inadequate knowledge on career choices, low opportunities for skills training and sexual harassment at work places.

ii. Though rural areas have a high employment rate compared to urban areas, the 10 percent gap between the high numbers of males that are employed and the lower numbers of females that are employed is significant. In a situation where the dominant form of employment in rural Malawi is agricultural employment, these statistics lead to the conclusion that more men than women are earning income from agriculture as a form of employment. Yet, it is commonly accepted that it is women that are mostly engaged in agriculture. It is therefore evident that more women are likely to engage in pure subsistence farming with no income earning prospects than male farmers. Inclusive growth demands the development of strategies to guarantee the productivity and increase the income generation potential of farmers that are locked into...
subsistence farming if poverty is to be eradicated across the board. At a general level, the differences between rural (81%) and urban (71.8%) employment draw attention to the need to generate more employment for women in the urban sector.

iii. In the urban areas, there is a 21 percent gap between numbers of males and females that are employed. The fact that a large number of women in urban areas are excluded from employment should be a concern to economic growth and poverty reduction efforts because unemployment is synonymous with high poverty levels, in this case amongst women.

iv. Though young people aged 15–19 years have a lower employment rate of 70.5 percent when compared to other age groups, the figure can be a worrying indicator of young people’s limited access to education, which makes them to resort to work in order to earn a living. This brings into question the quality of the work that they are engaged in, and whether it is decent enough to get them out of poverty. Community consultations revealed that young people are usually involved in low quality jobs such as domestic work, ganyu and minibus touting (boys). They are often economically exploited and though employed, are excluded from growth.

v. Similarly, though the 2013 MLFS demonstrates that there are negligible differences in employment rates for those with secondary education (78.5%) and those with primary (78.7%) or no education (79.9%), the issue is about the quality of employment, especially for the two latter categories. Evidence from community consultations suggest that ganyu and other forms of temporary unskilled work (which are unstable and pay little) are the major form of employment for those that have little or no education. If employment generation is to lead to inclusive growth, the building of skills and the creation/strengthening of industries for the application of such skills is essential.

vi. The Southern region has the lowest employment rate (73%), and there are significant differences with the Northern region (that has the highest employment rate (87%) and the Central region (that has the second highest employment rate of 84.3%). The employment rate for women in the Southern region is also significantly lower (66.7%). It is no coincidence that the Southern region has most of Malawi’s poor districts. Addressing employment related challenges as they uniquely affect men and women, including those with disabilities, in this region is a priority in wider efforts to reduce poverty.

3.5.4 How inclusive is employment in priority areas of economic growth?

The MGDS II has isolated manufacturing, and mining as well as travel and tourism as priority sectors that can drive Malawi’s economic growth. The 2013 MLFS did not specifically examine employment in travel and tourism. Therefore, this report refers to data relating to “accommodation and services” as being the closest area that falls within the ambit of travel and tourism. At the same time, it is recognized that the industry can create jobs in many ways beyond accommodation and services in order to achieve its aspiration of creating 300,000 additional direct and indirect jobs (GoM, 2013). Referring to Table 3.5, data from the 2013 MLFS suggests that employment in these areas displays the following implications for inclusive growth:

i. The priority industries are currently not making significant contribution to employment generation. Rural areas are not generating employment in the sectors by far, when compared to urban areas. This may imply that these industries are mostly urban centred, thus

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Industry</th>
<th>Mining and quarrying</th>
<th>Manufacturing</th>
<th>Accommodation and food services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0.3</td>
<td>4.1</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>0.2</td>
<td>4.5</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>0.3</td>
<td>3.6</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Residence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>1.1</td>
<td>7.6</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>0.2</td>
<td>3.6</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>0.2</td>
<td>3.8</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>0.2</td>
<td>3.6</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Southern</td>
<td>0.4</td>
<td>4.7</td>
<td>0.8</td>
<td></td>
</tr>
</tbody>
</table>

excluding rural populations from participation; and/or that they demand skills that rural people do not usually possess. With regards to manufacturing, the fact that the country does not have value addition rural based factories for most of its raw materials (agricultural crops) play a role in the low contribution that the sector is making to employment generation.

ii. When regional dynamics are applied, the Southern region is slightly ahead of the other regions in employment generation in all the three industries. While the creation of jobs in mining and quarrying activities may depend on the availability of natural resources that are being tapped in the various regions, the establishment of jobs in accommodation/food services as well as manufacturing can as well depend on strategies that are in place to ensure the equitable development of tourism and other travel related services in all regions of Malawi.

iii. There are slightly more women than men that are employed in mining and quarrying activities, which recasts focus on the roles that industrial scale mining and artisanal and small-scale mining (ASM) are playing in job generation. The 2013 MLFS does not explain employment generation in industrial mining versus small-scale mining, which limits the creation of the true picture of differences in participation between men and women in the two sectors. However, evidence from Kayelekera Uranium Mine in Northern Malawi clearly shows that men are primarily the ones that enjoy employment benefits in industrial scale mining. This is due to a combination of issues of skills, gender stereotypes and business culture. On the other hand, women are concentrated in ASM, which is usually a poverty driven activity that has many social and environmental problems (Draft ASM Policy, 2013). With the booming of the extractives industry in Malawi, the presence of more females in the mining and quarrying industry displays the need to understand how women’s roles compare to those of men, including artisanal and small-scale mining for purposes of inclusive policy formulation and programming.

Table 3.6: Investment trends and job generation prospects, 2010–2014

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment level (US$)</td>
<td>71,243,188</td>
<td>987,458,231</td>
<td>1,161,432,000</td>
<td>953,024,482</td>
<td>204,811,500</td>
</tr>
<tr>
<td>Employment level</td>
<td>3,489</td>
<td>12,847</td>
<td>4,366</td>
<td>35,554</td>
<td>3,149</td>
</tr>
<tr>
<td>Companies attracted</td>
<td>31</td>
<td>46</td>
<td>26</td>
<td>44</td>
<td>15</td>
</tr>
<tr>
<td>Sectors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7</td>
<td>14</td>
<td>8</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Services</td>
<td>8</td>
<td>9</td>
<td>6</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Tourism</td>
<td>4</td>
<td>14</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>7</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Agro-processing</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3</td>
<td></td>
<td></td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Energy</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Assembling</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: MITC, 2014

The capacity of the priority sectors to generate employment will depend on investments that are being made. Table 3.6 gives an indication of investment trends and employment generation prospects in the priority areas of growth, as well as in other key sectors. Over a five year period (2010–2014), there have been fluctuations, with 2011 and 2013 representing higher employment projections. However, the employment projections dropped by more than 10 times in 2014. This means that for the key sectors to contribute meaningfully to employment generation there have to be unrelenting investments. These investments have to be directly linked to strategies towards ensuring the inclusive participation of generally excluded groups. For example, in the mining sector, South Africa imposed an employment quota of 10 percent of female employees in order to address the acute employment gender gaps in industrial mining.
3.5.5 Informal employment and inclusiveness

Informal employment in Malawi is facing serious challenges in contributing to inclusive growth because of the following:

i. The majority of the labour force belongs to this sector due to lack of skills and education for wage or salaried jobs. Women dominate in informal employment at every level (see Table 3.7). Currently, the informal sector has the bulk of employed persons in the country (88.7%–88.8% males and 93.6% females). Because of lack of skills, there is evidence that the majority of those in informal employment earn below the minimum wage and are, therefore, likely to be poor. The average earnings per month for the self-employed are three times lower than those in wage or salaried employment.

ii. Informal employment in Malawi is mostly not productive and it is a vulnerable form of employment for those who are own account workers or contributing family members. The vulnerability of own account workers or contributing family members, rests in the fact that these workers are less likely to have formal work arrangements or access to benefits or social protection programmes, which puts them at risk when there is a downturn in the economic cycle. In fact, most contributing family workers often provide employment services in a family establishment or farm without pay. The 2012 ILO SWTS-Malawi found that 63.2 percent of the young contributing family workers were uneducated; many were youthful (65.3% were aged 15–19 years) and 88.3 percent resided in rural areas. This survey found that reasons for working in a family establishment for no pay include being required by their family to do so and inability to find a wage or salaried job.

iii. Certain age groups and localities have the highest rate of informal employment. These are 15–19 years (97.8%), and 60–64 years (97.9%). Though women across different age ranges are highly present in informal employment when compared to men, there are 16 percent more women than men for the age group of 40–44 years, followed by those between 60–64 years (11.3% more women). Informal employment is significantly lower in the urban areas (69.4%) when compared to the rural (91.1%). The Northern and Central regions have identical higher rates of informal employment, and the Southern Region has lower rates. The situation in Malawi is complex to allow for deliberation or concern regarding any of these figures. This is because the current status of informal employment is a risk to inclusive growth.

iv. Informal entrepreneurs have very fragile legal protection because of the absence of a legal framework for the informal sector in Malawi, which only increases the precariousness of entrepreneurs in the sector. Informal entrepreneurs are known for largely operating outside the realm of formal legal protection and without easy or full access to the advantages of formal

<table>
<thead>
<tr>
<th>Informal Employment Indicators</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal employment, 15–19 years: 97.8%</td>
<td>96.9</td>
<td>98.6</td>
</tr>
<tr>
<td>Informal employment, 20–24 years: 92.4%</td>
<td>90.3</td>
<td>94.2</td>
</tr>
<tr>
<td>Informal employment, 40–44 years: 83.6%</td>
<td>76.1</td>
<td>92.1</td>
</tr>
<tr>
<td>Informal employment, 55–59 years: 89.4%</td>
<td>82.5</td>
<td>96.5</td>
</tr>
<tr>
<td>Informal employment, 60–64 years: 92.7%</td>
<td>86.6</td>
<td>97.9</td>
</tr>
<tr>
<td>Informal employment, urban areas: 69.4%</td>
<td>62.8</td>
<td>78.8</td>
</tr>
<tr>
<td>Informal employment, rural areas: 91.1%</td>
<td>87.0</td>
<td>95.2</td>
</tr>
<tr>
<td>Informal employment, Southern Region: 88.37%</td>
<td>83.3</td>
<td>93.4</td>
</tr>
<tr>
<td>Informal employment, Central Region: 92.6%</td>
<td>89.5</td>
<td>95.4</td>
</tr>
<tr>
<td>Informal employment, Northern Region: 92.2</td>
<td>87.6</td>
<td>97.1</td>
</tr>
</tbody>
</table>


---

25 Under the 2013 MLFS, informal employment means a job where the relationship between the employer and employee is not subject to national labour economy, income taxation or any social protection or employment benefits.

26 Those people who, working on their own account or with one or more partners, hold a ‘self-employment job’ and have not engaged on a continuous basis any employees to work for them during the reference period. The partners may or may not be members of the same family or household.

27 Those persons who work without pay in a business or farm of another household/family member.
financial business support systems. They often have limited access to broader economic opportunities and are especially vulnerable to the uncertainties, the corruption and even violence prevalent outside the rule of law and have few means to settle disputes apart from bribery or violence. Without legal rights or protections, they are in a continual state of legal and political vulnerability. Informality that is not safeguarded by the law, therefore, limits the opportunity for economic and social development for individuals, families, businesses, communities, and entire nations (Hassanein and Chida, 2007).

v. Data collection for the sector is a huge challenge, in part due to the lack of regulatory framework and general marginalization of the sector in mainstream policy planning.

Employment generation efforts have to first address factors that contribute to the precariousness of informal employment in order to make the sector advantageous and more inclusive. Stakeholder consultations noted that apart from lack of education and skills, inadequate capital, lack of markets, shortage of value addition and labour saving technologies, inaccessible roads and transport challenges affect the growth of those in informal employment. Ensuring that the informal sector is strengthened with the participation of well-educated and skilled people that will be productive and be able to gradually formalize the sector in order to create decent jobs is a necessary intervention. In fact, the 2012 ILO SWTS-Malawi shows that despite generally lower earnings in informal employment, young self-employed workers with a university education were found to earn more than three times compared to young self-employed worker with no education. It is also clear that implementing effective skills building programmes in order to enable men and women to run profitable ventures in the informal sector can increase the value of businesses and economic stability.

3.5.6 How is formal employment in Malawi inclusive?

The 2013 MLFS examined participation of formal employment mainly by focusing on women’s share of employment in non-agriculture sector. This is because one of the targets under MDG 3 is gender equality and women empowerment. The indicator on share of women in wage employment in the non-agriculture sector is a measure of employment opportunities. Given equal opportunities it is expected that there would be better representation of women in comparison to men in formal employment. In most developing countries, better jobs are in wage employment and not self-employment. Within the wage employment, regular wage jobs are usually better than casual wage jobs. A low share of women in wage employment in the non-agriculture sector means that women are less favourably represented than men in wage employment in the sector. Therefore, the 2013 MLFS recognizes that the share of women in wage employment in non-agriculture provides information on the extent of gender equality and women’s empowerment in the labour market. Statistics that demonstrate shortcomings in the inclusiveness of formal employment are that:

i. The share of women in wage employment in non-agriculture is at 30 percent. Notably, this is a significant improvement from 2004 figures of 15 percent. However, the question is whether or not the share of women in non-agriculture wage employment has declined between 2011 and 2013. In 2011, women’s share was estimated to be at 33.3 percent. It is recognized that the estimates in 2013 MLFS are more comprehensive and reliable because previous estimates by the National Statistics Office were not from a stand-alone labour force survey. Deducing from the 2004 situation, it has been contended that factors that have led to a general improvement in women’s share of wage non-agriculture employment include improved women’s access to education, gender mainstreaming in the public sector and presence of private training institutions (NSO, 2014). However, the current 30 percent share still makes a statement that the labour market is unequal, and robust efforts towards the de facto empowerment of various sub groups of women, including those in rural areas and with disabilities, need to be taken.
ii. Figure 3.13 illustrates that while there is no wide difference between the share of women in wage employment in the non-agriculture sector between the Central and Southern Regions, the Northern Region has the worst share that is more than two times lower than that of the Central Region, and about two times lower than that of the Southern Region. What this data shows is that though the Central Region is closer to attaining gender equality in the non-agriculture waged employment, nationwide, this will not be possible without attending to social, economic and cultural factors that are derailing the sufficient participation of women, especially in the Northern Region. Indeed, it is imperative to dig the extent to which patrilineal arrangements in this region impact on women’s participation in non-agriculture wage employment, if at all, and devise custom-made strategies to address any bottlenecks.

iii. The Civil Service is the largest provider of formal employment in Malawi, but it is far from achieving gender equality. Latest data that is available only uncovers the share of women in policy and management positions (Grade A–F) in the Civil Service. This is still an indicator of the low share of women in the sector because according to Table 3.8, by end of 2013, the representation of women in policy and management levels was still very low (24%).

iv. As a measure of men’s and women’s power in decision making in the economy, the 2013 MLFS included data on female and male share of employment in senior and middle management. These were defined as legislators, senior officials and corporate managers (high status positions). The MLFS found that while the male and female share of employment in these positions is less than 1 percent, the share of males (0.32%) is more than three times that of women (0.07). Women with tertiary education that hold these positions are outnumbered by their male counterparts by a ratio of 1:3.7. On the other hand, the ratio for those with secondary qualifications is 1:4.7 in favour of men. Women in rural areas are outnumbered by men eleven fold. Such glaring absence of female role models in high status positions in the rural area potentially undermines efforts to break the gender stereotype that leadership in management positions is a male preserve.

v. Discrimination against women during recruitment and promotion, lower numbers of educated women, working conditions and workplace dynamics such as sexual harassment are some of the contributing factors that lead to the low participation of women in non-agriculture wage employment (GoM, 2006) & (SADC Barometer, 2010). Inclusive growth requires that these obstructions be addressed through the full implementation of appropriate employment generation strategies.

3.5.7 Issues affecting youth employment from an inclusive growth perspective

Malawi has a very youthful population because the 2008 population and housing census estimated that the youth aged 10 to 29 years constitute 40.5 percent of the total population. This means that a lot of
young people enter the labour force every year. Under the Youth Policy of 2013, young people range from 10–35 years old so in reference to 2013 MLFS data in this report, the age in focus will be up to 34.\textsuperscript{28} However, the age range of 10–14 is excluded because for purposes of decent employment, data is routinely collected from 15 years upwards.

\textbf{a. Youth labour force participation for 15–19 year olds is quite high, and raises concern about low education participation amongst youth}

Though the 2013 MLFS documents that young people aged 15–19 have the lowest labour force participation (69.6%), this is not surprising since at this age, many are supposed to be still within the education system. On the other hand, this figure is worrying if interpreted from the angle that at this age, such a high number is still in or actively looking for employment and, therefore, most likely out of school. This demonstrates that a high number of youth, especially in the rural areas, is not attaining higher education qualifications before joining the labour force. The rural area is singled out given the fact that 72.1 percent (71.5 male and 72.6 female) are already within the labour force at this age compared to 51.2 percent of their urban counterparts (50.1% male and 52.4% female). The small gender discrepancy is telling that higher numbers of females compared to males aged 15–19 years are not in the education system. Indeed, a 2012 study by ILO confirmed that 54.2 percent of young people aged 15–29 years in Malawi have not even attained primary education. About 56.6 percent of those with less than primary education are in rural areas while 35.4 percent are in urban. Only 15.7 percent of young people have a secondary or higher education. To be meaningful to the country’s development, inclusive growth that leads to employment generation should not only ensure that youth are participating in employment, but that they are educated enough to contribute to skilled employment and thus productivity.

\textbf{b. There are gender gaps in labour force participation of young people of productive age}

Table 3.9 displays that labour force participation for both male and female youth improves with age, except that from age 20–34, there are more male youth that are in the labour force compared to females. The highest gender discrepancy is observed at 25–29 years at national level, and both in urban and rural areas. This is followed by urban youth aged 30–34 years. These are highly productive ages, and the gender discrepancies mean that inclusive growth strategies have to give due consideration to and address factors that contribute to the lower participation of women in the labour force.

\begin{center}
\textbf{Table 3.9: Youth Labour Force Participation Rates by age, sex, residence and region}
\end{center}

\begin{center}
\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
\textbf{Background characteristics} & \textbf{Total} & & & \textbf{Residence} & & & \\
\textbf{age group} & \textbf{Total} & \textbf{Male} & \textbf{Female} & \textbf{Urban} & \textbf{Male} & \textbf{Female} & \textbf{Rural} & \textbf{Male} & \textbf{Female} \\
\hline
15–19 & 69.6 & 68.9 & 70.2 & 51.2 & 50.1 & 52.4 & 72.1 & 71.5 & 72.6 \\
20–24 & 90.8 & 92.3 & 89.6 & 84.4 & 84.2 & 84.6 & 91.9 & 93.8 & 90.5 \\
25–29 & 95.1 & 98.1 & 92.7 & 93.8 & 98.1 & 90.2 & 95.3 & 98.1 & 93.1 \\
30–34 & 91.5 & 99 & 95.5 & 96.4 & 98.8 & 93.8 & 97.3 & 99 & 95.8 \\
\hline
\end{tabular}
\end{center}

\textbf{Source: Malawi Labour Force Survey, 2013.}

\textbf{c. In terms of youth that are actually employed, there are differences related to gender, residence and region}

Inclusive growth will be difficult to achieve if employment opportunities are not covering some segments of those that are in the labour force. The 2013 MLFS data (Table 3.10) demonstrates that in all age groups, female youth have a low employment rate, with the widest gender gap present at 25–29 years, and narrowest at 15–19 years. Female youth in urban face particularly low employment rates when compared to their rural counterparts. Though the gender discrepancies (in favour of males) are wide in all three regions, they are wider in the urban areas of the Southern and Central Regions. In the rural areas, the

\textsuperscript{28} In line with the categorization of various age groups, which has put the data for those aged 35 in the age range of 35–39.
widest gender difference in employment rates of male and female youth is visible in the Northern and Southern Regions.

Table 3.10 Employed youth by sex, education, residence and region (%)

<table>
<thead>
<tr>
<th>Background characteristics</th>
<th>Total</th>
<th>Residence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Age group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>83.1</td>
</tr>
<tr>
<td>15–19</td>
<td>70.5</td>
<td>71.9</td>
</tr>
<tr>
<td>20–24</td>
<td>74.4</td>
<td>80.7</td>
</tr>
<tr>
<td>25–29</td>
<td>81.3</td>
<td>90.3</td>
</tr>
<tr>
<td>30–34</td>
<td>82.1</td>
<td>89.8</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>78.2</td>
<td>83.8</td>
</tr>
<tr>
<td>Primary</td>
<td>75.7</td>
<td>84.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>73.1</td>
<td>78.6</td>
</tr>
<tr>
<td>Tertiary</td>
<td>81.2</td>
<td>82.1</td>
</tr>
<tr>
<td>Region</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>84.8</td>
<td>90.0</td>
</tr>
<tr>
<td>Central</td>
<td>82.1</td>
<td>86.8</td>
</tr>
<tr>
<td>Southern</td>
<td>70.1</td>
<td>77.5</td>
</tr>
</tbody>
</table>


The scrutiny of obstacles to the employment (or indeed employability) of young women in these regions is imperative. As for the Northern Region as the area with the highest youth employment rate, the deep gender imbalances that prevail in the region call for innovative strategies that can extend employment opportunities to women in this highly patriarchal region.

d. Young people are not participating in some jobs, whereas there are gender divisions in other jobs

The 2013 MLFS does not point to the industries where young people commonly work in Malawi. In 2012, ILO collaborated with NSO to conduct a School-to-Work Transition Survey (SWTS), and this is a source of more specific information on industries where young people aged 15–29 years are located. It established that both young men and women aged 25–29 were absent in the occupation of legislators and senior officials. While whether or not young people have skills and experience to perform these jobs are factors to consider, history shows that for political positions (i.e. legislators and cabinet officials), Malawi has had youth representatives in their early twenties through the likes of Aleke Banda and Fernie Sadyalunda (Ministers in Dr Hastings Banda’s regime in the 1960s and 70s); and Ms. Angela Zachepa (UDF legislator in 2004–2009).

On the other hand, the capacity of policies to ably respond to the needs of young people will require that from a young age, they are able to participate in bodies like legislature, parastatal boards, etc. Young males and females should be the change that they want to see. Purposeful and affirmative action to create an enabling environment that achieves this end is not usually undertaken, making it challenging to meet the aspirations of inclusive growth. On the other hand, the SWTS found that there are still some jobs that are mostly male, such as plant and machine operators and assemblers, transportation, manufacturing and construction. These jobs have the potential of earning a higher income than jobs where most young women are concentrated (wholesale and retail trade and domestic work in a private household). Therefore, to the extent that more young males than females continue engaging in skilled, technical and higher paying employment, young females are not being fully enabled to be part of development through decent employment.
e. Some young people are in low quality and vulnerable work

The School-to-Work Transition Survey (NSO & ILO, 2012) found that though two-thirds of young people in Malawi are working, the quality of employment is low—which already puts them on the margins of growth and development. Only 8.1 percent were in a job that had a contract duration of one year or longer. More than three quarters were self-employed. Further, the survey uncovered that young people worked few hours per week, about 31.7 percent worked less than 10 hours per week, while 71.7 percent worked part time and less than 30 hours a week. This situation has several implications that are inconsistent with inclusive growth. First, it means young people generally lack job security that is guaranteed by contractual arrangements. Second, young people (self-employed) face relatively higher economic risks because of having earnings that are dependent on services rendered or products sold. Third, their situations make it likely that they take home a below average weekly wage. Fourth, they generally lack regular jobs and have vulnerable earning options.

The 2013 MLFS sought to understand the percentage of youth that are in vulnerable employment by virtue of being contributing family workers and own-account workers out of the total youth in employment. It found that young people in the age group of 15–24 years (12%–11.1% for males versus 13.2% for females) are far less likely to be in vulnerable employment than those in the age group of 15–34 years (26%–24.9% for males versus 26.6% for females). Though the youth with tertiary education are far less likely to be in vulnerable employment, compared to the age group of 15–34 years, it is those in the age bracket of 15–24 that have the widest gender gap (worst being the urban area). For both age categories, the Northern region have the highest rate of youth in vulnerable employment, closely followed by the Central Region, and then widely followed by the Southern Region. If not addressed, these gender and regional disparities can sustain the exclusion of productive youth from growth, and therefore adversely impact on development.

f. The number of youth that are not in employment and not in education is a rising problem

The 2013 MLFS indicates that the percentage of youth not in employment and not in education or training for the age group of 15–34 years is at 16.5 percent—13.8 percent for males and 18.8 percent for females. This gender difference immediately suggests that the lack of access to education and opportunities in the labour market often affects females. The percentage of the youth in age group 15–24 years who are not in employment and not in education or training is higher, at 21.7 percent—though the gender discrepancy is narrower (23% for females and 21% for males). The Southern Region has the highest percentage of the youth not in employment and not in education or training, followed by Northern region and Central region.

It is important that education strategies should focus on ensuring the decline of the percentage of the youth not in employment and not in education or training, since this reflects an improvement in the youth access to education. At the same time, employment strategies have a role of ensuring that the decline of the percentage of the youth not in employment is not reflecting a situation where young people have to accept whatever job comes their way in order to survive. In this regard, inclusive growth demands

29 All in all, the single most dominant way of transitioning into employment is the direct path. About 41.5 percent of youth had no intermediary spells before acquiring their current job. It also points to the fact that youth in Malawi are less inclined to “shop around” in the labour market. Overall, the duration of 69.1 percent of youth who transited into stable and/or satisfactory employment was classified as “short”, the duration of 20.8 percent was classified as mid-length, and only 10.1 percent experienced a lengthy transition period. The dominance of the “short” transits is simply a reflection of the fact that a majority of young Malawians are direct transits.
ensuring that young people are educated before embarking in employment, so that in turn, they engage in productive employment that can draw them out of poverty.

g. **Youth unemployment requires attention**

Under the strict definition, unemployment means that the unemployed is a person (a) without work during the reference period (i.e. were not in paid employment or self-employment); (b) currently available for work (i.e. were available for paid employment or self-employment during the reference period); and (c) seeking work. Youth unemployment rate under this definition is at 8 percent, which is almost four times lower than the youth unemployment rate under the broad definition of unemployment (23%). This broad definition of unemployment implies that a person: (a) did not work in the reference period, (b) was available to take up a job had one been offered in the week prior to the reference period, and (c) had actively sought work within the past 30 days (ILO, 2013). This definition dispenses with the ‘seeking work criterion’ under the strict definition, which is considered restrictive and is usually relaxed in developing countries where the labour markets are not highly developed. Under the broad definition, unemployed female youths (28.2%) outnumber males (16.9%) significantly.

Unlike the strict definition, under the broad definition, youth that have high education are likely to be unemployed. Furthermore, the pattern in the Northern Region shows that under both the strict and broad definitions, female youth are hugely disadvantaged despite the overall lower rates of youth unemployment in the region. The primary data that was collected in February 2014 towards the development of this NHDR revealed that the lack of employment for young people is a disincentive for younger learners, particularly in rural areas, to pursue education. They asked “how can young people be persuaded that education makes a difference when they see those with some education qualification (i.e. MSCE) struggling like the rest with poverty and in getting jobs? It was also clear that the unemployment of females deprives girls and communities of role models for inspiration.

h. **Interventions for youth employment have loopholes that make them unsustainable**

The challenge of youth unemployment brings into focus the role of the Youth Enterprise Development Fund (YEDF) in creating employment/self-employment amongst the youth. In 2009, the late State President Dr. Bingu wa Mutharika conceived YEDF as a vehicle to address challenges facing the youth in Malawi by providing them with knowledge, essential skills, competencies and opportunities to engage in micro, small and medium enterprises as a self-employment mechanism. The sum of K3 billion was made available by government, out of which K2 billion would be lent to the youth to meet their working capital needs; and K1 billion would be used for the procurement of toolkits and relevant technology equipment. Youth could get unsecured loans of between K50,000 and K100,000 as individuals operating in a group; or between K250,000 and K1,000,000 as a group. Amounts above these limits would be available with collateral. As of November 2014, about K1.8 billion had been disbursed to the youth (YEDF Secretariat).

The YEDF Secretariat does not have a monitoring and evaluation unit, which has led to a scenario where there is no data to track the impact of the loans on youth’s self-employment or general employment opportunities for other youth. There is a void in sex disaggregated data related to the beneficiaries, which makes it impossible to gauge the inclusiveness of the fund. However, anecdotal evidence suggests that despite clear operational guidelines of YEDF that require that the YEDF Secretariat should be free from any political influence at all levels, in practice, the fund may not have achieved true inclusiveness because such interference is rampant. This is because there are wide allegations that politicians (both Cabinet Ministers and MPs) mostly prescribe the beneficiaries list and the geographical distribution of the
beneficiaries. As a result, most beneficiaries are those persons that are personally aligned to certain politicians, and not so much those that are chosen due to the merit of their enterprises.

Apart from defeating the spirit of inclusiveness, this approach means that most youth beneficiaries are likely to regard the “loans” as rewards for serving the interests of politicians, a factor that has contributed to low loan recovery. For example, out of the K1.8 billion that had been disbursed by November 2014, K1.5 billion was yet to be repaid. Though this figure included both new loans that are within their repayment terms and those that are in default, it was clear that the figure in arrears was quite substantial. YEDF cannot sustain its business model without recovering sufficient loans and revolving them to benefit other viable youth business enterprises. At the time of compiling this NHDR, the YEDF Secretariat had loan recovery officers in all districts in order to follow up on defaulting clients.

On another note, YEDF has the youth labour export programme. Since 2014, the government is facilitating the employment of the youth in the Middle East. Current statistics that are not sex disaggregated show that about 430 youth have benefitted from this intervention. In October 2014, the government announced that it had agreed with the United Arab Emirates (UAE) to revisit their Memorandum of Understanding on labour to enhance collaboration amidst reports of ill-treatment of some Malawian workers in the UAE.³⁰ The development of new employment strategies is necessary, but they can only be inclusive if deliberate measures are taken not only to ensure that the exported youth have decent work, but also that opportunities are extended to male and female youth in all sectors of society using objective criteria.

i. Is employment data inclusive from a disability perspective?

The data in the 2013 MLFS does not reveal the extent to which people with disabilities participate in the labour force, including in employment. Such data is relevant in order to make efforts towards decent employment generation inclusive. In recent decades, the exclusion of many people with disabilities from society has been recognized as a human rights issue, resulting from social barriers rather than the individual’s inability to participate. It has become clear that people with disabilities can contribute and be a full part of development if they have improved access to education and skills training and find jobs which are suited to their skills, interests and abilities.

Similarly, there must be interventions to support job-seekers that have disabilities to find jobs which are matched to their skills, interests and abilities. In terms of training and skills building, people with disabilities must be able to choose courses which are in line with their own interests and aptitudes. If required, technical aids should be made available and adaptations made to the workplace. And finally, employers must be willing to give individuals with disabilities the opportunity to demonstrate their capacity to work, through recruitment, offering work experience, on-the-job training placements or other means (ILO, 2006).

j. Inclusiveness of strategies and programmes toward employment and income generation

a) Access to vocational training for income generation

Whilst issues pertaining to vocational training will be discussed in detail later in this chapter, it is worth mentioning here because of its link to income generation. TEVETA developed the TEVET Authority Strategic Plan (2013–2018) as a response to the MDGS II and the National Export Strategy (NES). In order to broaden the inclusiveness of TEVET, the strategic plan has interventions and targets aimed at the youth

in general, those in the informal sector, rural areas, girls and people with disabilities (see examples in Table 3.11).

Table 3.11: TEVET baselines and targets relevant to rural youth, female youth and youth with disabilities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Indicator</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct and support career guidance in primary and secondary schools</td>
<td>Baseline: 90; Target: 4000 secondary &amp; 4000 primary</td>
<td>2018</td>
</tr>
<tr>
<td>Conduct meetings with National Library, NICE, Schools (to make sure that village libraries are operational)</td>
<td>Baseline: 0; Target: 10 meetings</td>
<td>2014</td>
</tr>
<tr>
<td>Facilitate establishment of satellite skills centres, community skills development centres and village Polytechnics</td>
<td>Baseline: 15; Target: 60 skills centres</td>
<td>2018</td>
</tr>
<tr>
<td>Provide equipment in satellite skills centres, community skills development centres and village Polytechnics</td>
<td>Baseline: 10; Target: 60 skills centres</td>
<td>2018</td>
</tr>
<tr>
<td>Facilitate implementation of training programmes in satellite skills centres, community skills development centres and village Polytechnics</td>
<td>Baseline: 346; Target: 12000 trainees</td>
<td></td>
</tr>
<tr>
<td>Facilitate Informal Sector Skills Development programmes through district assemblies</td>
<td>Baseline: 0; Target: 3200 courses</td>
<td>2018</td>
</tr>
<tr>
<td>Train TEVET District Coordinators in the district assemblies</td>
<td>Baseline: 0; Target: 96 coordinators</td>
<td>2015</td>
</tr>
<tr>
<td>Conduct lobbying meetings with financing institutions to link Informal sector graduates</td>
<td>Baseline: 0; Target: 50 meetings</td>
<td>2018</td>
</tr>
<tr>
<td>Conduct needs assessment for Informal sector</td>
<td>Baseline: 2; Target: 5 assessments</td>
<td>2018</td>
</tr>
<tr>
<td>Provide merit based scholarships for girls</td>
<td>Baseline: 0; Target: 300 scholarships</td>
<td>2018</td>
</tr>
<tr>
<td>Provide bursaries for needy girls</td>
<td>Baseline: 50; Target: 1000 female trainees</td>
<td>2018</td>
</tr>
<tr>
<td>Recruit 50% girls in TEVET</td>
<td>Baseline: 30%; Target: 50%</td>
<td>2018</td>
</tr>
<tr>
<td>Conduct targeted career guidance for secondary schools</td>
<td>Baseline: 0; Target: 32 school girls</td>
<td>2018</td>
</tr>
<tr>
<td>Facilitate provision of special needs materials in the institutions</td>
<td>Baseline: 0; Target: 25 trades</td>
<td>2018</td>
</tr>
<tr>
<td>Conduct capacity development of trainers in special needs education</td>
<td>Baseline: 0; Target: 120 trainers</td>
<td>2018</td>
</tr>
<tr>
<td>Orient training providers on appropriate environment for people with special needs</td>
<td>Baseline: 0; Target: 500 training providers</td>
<td>2018</td>
</tr>
<tr>
<td>Lobby for Increased appropriate infrastructure to equitably accommodate TEVET trainees</td>
<td>Baseline: 0; Target: 3 (1 hostel/region)</td>
<td>2018</td>
</tr>
</tbody>
</table>


The focus on these groups is consistent with the challenges facing the labour force today. In particular, during stakeholder consultations, the youth and people with disabilities in rural areas decried the absence of village based institutions that can build their entrepreneurial and vocational skills. Even TEVET’s response to low education levels of the work force and the generally low representation of women in all areas of the labour market through outreach interventions on career guidance to as many primary schools as possible, particularly in rural areas, is necessary. This is especially so given the poor record that many youth in Malawi do not even complete primary education.

The only question is: can the interventions achieve maximum impact for a case to be made that TEVETA is allowing for inclusive growth in skills and employment generation? What is not in question is that with effective implementation, some gains will have been achieved by 2018. However, what is debatable is that with the currently acute demand for skills in the labour force, many of the targets (i.e. relating to number of community centres, bursaries, scholarships, targeted career guidance, hostels) that have been set for a period of five years (2013–2018) can qualify to be dubbed as allowing for “inclusive growth” nationwide. However, the five year targets in Table 3.11 again give rise to the concern as to whether the scale of addressing the needs of people with disabilities can qualify as “inclusive growth”. The targets are surely a start and as has been done with quotas for females, the generation of indicators to ensure the actual participation of males and females with disabilities is essential. For now, the disability targets only focus on learning materials and tutor training.

The Youth Policy of 2013 renders more weight to supporting TEVET for youth by:
a) Establishing community-based skills training programmes for the youths including village polytechnics, business incubation and youth multi-purpose skills training centres;

b) Creating an enabling environment for Public Private Partnership for youth development including the provision of technical training to youth;

c) Scaling up national internship and mentorship programmes to facilitate youth to enter the labour market in rural and urban areas; and

d) Providing special self-employment training programmes for young people with disabilities. Though it does not specifically include a gender perspective in these strategies, one agenda for the Youth Policy is to ensure that macroeconomic policies focus on job creation for youth and for young women. To the extent that it is admitted that the foundations of job creation lie in training and skills development, the Youth Policy can ably facilitate the inclusion of young women in TVET related strategies. However, the challenge is to utilize the 2013 MLFS data in strategically targeting age groups and localities where young women are significantly marginalized from the labour market. Also, female youth with disabilities cannot be left out.

One fundamental fact to bear in mind is that inclusiveness of TVET will not only stop at expanding training opportunities to all sectors of society, but also ensuring that the trainees are getting quality training that will empower them to generate jobs and/or income. For now, factors that stand in the way of achieving this goal are: inadequate and out-dated infrastructure and training equipment for modern business demands in training institutions; out-dated training instructors that fail to handle modern training needs; the emphasis on formal sector training programmes rather than the informal sector programmes (despite that the latter is the largest employer); and the non-responsiveness of TVET institutions to the market demands and needs that private and public sectors are seeking.

Therefore, opportunities for decent employment and income generation for the poor and other disadvantaged groups will be difficult to realize if these bottlenecks are not urgently addressed. The National Youth Policy (2013) demonstrates an awareness to some of the TVET gaps, and will facilitate the creation of greater linkages between the labour market and the education and training system in order to ensure that curricula are aligned to the needs of the labour market, and that youth are being trained in fields where employment opportunities are available or are growing. In addition, under the priority area of “education for youth,” the National Youth Policy (2013) intends to establish compulsory teaching of technical, vocational and entrepreneurial skills from primary school. Compulsory teaching of these skills is a significant strategy that can ensure that all categories of in-school youth are acquiring the right TVET skills (MoYSC, 2013). What is necessary is to always keep the skills abreast with the requirements of the contemporary employment sector, currently a weak point.

b) Small- and medium-scale enterprise development

Entrepreneurship is one of the catalysts for employment and income generation. However, both men and women have to play their part, otherwise growth emanating from entrepreneurship will be tilted towards some sectors of society and not others. In 2012, it was established that there is a gender gap in entrepreneurship, as 46 percent of businesses were owned by women, compared to 52 percent for men (MSME report, 2012). One major issue affecting Micro, Small and Medium Enterprises (MSMEs) in Malawi has been the capacity of businesses to grow to medium and large scale. The 2012 study found that only 0.3 per cent of businesses owned by women and 4 percent of those owned by men belonged to the medium enterprises category (MSME report, 2012). Therefore, despite the general growth of businesses, the country situation means that men are 13 times more likely to own medium scale businesses compared to women. Issues affecting women’s full inclusion in MSMEs include weaker access to finance (because
men have better access to loans than women) and inadequate access to business development services. Gender blind policies and laws also play their part, because the MSME Policy (1998), the Micro-Financing Policy (2002) and the Micro Finance Act (2010) do not deliberately target women and any groups that need to be specially considered if development is to be equitably enjoyed. The Ministry of Industry and Trade has planned the review of the MSME Policy in order to formulate a modern framework for sustainable MSMEs, thus creating an opportunity for addressing gender and other social concerns affecting the sector.

Beyond women, the Malawi Decent Work Programme (2011–2016) seeks to ensure that “vulnerable groups”, particularly the youth, women and people with disabilities, have more and better access to business development services; as well as number of individuals belonging to vulnerable groups (youth, microfinance services). However, some quarters have raised the concern that the continued labelling of women as a vulnerable group and in need of protection is self-defeating, as it denies them their very human power to act to transform the world around them (IANRA, 2013). Rather, policies should focus on the reality that women’s situation has arisen because of limited or no control over resources, accruing from unjust social conditions that bestow inadequate opportunities to women. Despite the controversies surrounding the language, the Malawi Decent Work Programme has an inclusive strategy that recognizes the need to build entrepreneurship capacities of those that may be disadvantaged due to physical and social conditions.

The Draft National Employment and Labour Policy (NELP, 2011–2016) is focused on national micro, small and medium enterprise development. It will promote the development and transition into the formal economy of entrepreneurship and MSMEs, so that they are transformed into viable and high productivity ventures that generate decent employment. Focus will be on eliminating barriers and restrictions to the creation and expansion of enterprises, namely constraints in access to credit, markets and business development services. By itself, this generalized ambition does not illustrate the awareness to make responses towards the growth of MSMEs inclusive. Since it is yet to be approved by cabinet, there is still the opportunity to strengthen the language, so that the NELP reflects sensitivity to the need to emphatically address challenges affecting women, youth and people with disabilities in the MSMEs sector. In fact, the draft NELP has included this type of language in its priority area of ‘employment of women and persons with disabilities.’

As for TEVETA, it also seeks to enable TEVET beneficiaries to become employers through creation of viable small and medium enterprises (SMEs). This is in recognition of the fact that the Malawi economy can improve only when the productive section of the population is empowered into becoming productive entities. Strategies that will help to achieve this include: the provision of start-up tools and kits to informal sector graduates; conducting lobbying meetings with financing institutions to link informal sector graduates; and developing entrepreneurship linkage model. These interventions can support in increasing the performance of the informal sector, especially when the linkages between financial institutions and informal sector graduates actually result in meaningful financing.

Since 2012, the Ministry of Industry and Trade has been implementing a Competitiveness and Job Creation Support Project (CJCSP), which will expire in 2016. This project is inclusive to the extent that it has isolated women and the youth as critical beneficiaries. By focusing on two value chains (pulse value chain—soya and edible oil value chain—pigeon peas), the project intends to empower MSMEs so that they can create about 2000 formal jobs, 50 percent and 25 percent of which will be committed to women and the youth respectively. Focus will be on developing entrepreneurial skills, particularly for the youth. The project aims
to increase incomes of 20,000 soya farmers and 40,000 pigeon farmers, again focusing on 50 percent of the beneficiaries being women while 25 percent will be youth. The project will develop a gender equality and women economic empowerment action plan, which will be a milestone in terms of gender inclusive growth by the Ministry.

However, it is not clear as to how subgroups of the women and the youth and even poor men who face particular disadvantages will be reached if the CICSP is to be fully inclusive. In addition, the project is only focusing on 10 districts that grow the two value chains, meaning that the opportunity for job creation through MSMEs as is methodically being provided by the project is not available to 18 other districts. Positively, the project could provide a model for developing MSMEs in other district specific value chains.

3.5.8 Protection of labour rights in formal employment

The MGDS II acknowledges that the private sector is the engine of growth. Thus, the role of the formal sector in employment and income generation cannot be over emphasized. One key issue that affects inclusive growth in the formal employment sector includes labour rights, including non-discrimination. The diligent implementation of core labour standards and rights can guarantee fair social inclusion of the benefits of economic development, and provide better protection of social and economic rights. The implementation of basic labour standards has been shown to enable poor and marginalized workers better to work themselves out of poverty, support their families and participate more in the economy (EU, 2011).

Malawi has a relatively enabling legal framework for inclusive growth to the extent that it protects and promotes labour rights. The issue of concern is the extent to which such rights are respected in practice. Labour rights in Malawi derive from the Constitution, statutory law and ILO conventions. The Constitution upholds labour rights by guaranteeing the right to fair and safe labour practices; the right to form and join trade unions or not to form or join trade unions; and entitlement to fair wages and equal remuneration for work of equal value without distinction or discrimination of any kind, in particular on the basis of gender, disability or race (Section 31). The Employment Act (2000) provides for minimum standards in respect of the employment of young persons, requirements for contract, long hours, leave, remuneration, discipline and dismissal. The Labour Relations Act seeks to promote labour relations through the protection and promotion of freedom of association, the encouragement of effective collective bargaining, and the protection of orderly and expeditious dispute settlement, conducive to social justice and economic development (MHRC, 2007a). The level of fulfilment of these aspirations as an indicator of inclusive growth in Malawi is analyzed below from the perspective of anti-discrimination.

a. Anti-discrimination

Attaining inclusive growth through employment generation will mean enforcing anti-discrimination measures that can provide women with more rewarding career opportunities, and promote essential workforce training for meeting macro-economic objectives. Increasing women’s human capital and employment opportunities improves resource allocation and contributes to economic growth. Improving the pecuniary returns that women receive for their jobs in the form of higher wages, greater job security, and improved terms of employment will have a direct bearing on women’s employment decisions (ADB, 2012). Equality in access to opportunities and benefits is a more reliable mechanism for guaranteeing inclusive growth that does not leave anyone behind. The International Labour Organisation (ILO) Convention No. 111 posits that the notions of equality and non-discrimination imply eliminating

31 Mzimba, Kasungu, Ntchisi, Dowa, Lilongwe Rural, Zomba Rural Dedza, Chiradzulu, Mulanje and Thyolo.
discrimination in employment and occupation by promoting equality of opportunity and treatment in the labour markets. Equality of opportunity means having an equal chance to apply for a job, to attend education or training, to be eligible to attain certain qualifications and to be considered as a worker or for a promotion in all occupations or positions, including those dominated by one sex or the other. Equality of treatment means ensuring equal entitlements in pay, working conditions, security of employment, reconciliation between work and family life, and social protection. When all these elements are present in development, inclusive growth can be assured.

In Malawi there is evidence to demonstrate that some of these basic benchmarks are yet to be fully met. For instance, a 2010 report of the WTO General Council Review of the trade policies of Malawi raised the concern that though discrimination on the grounds of gender, race and disability is prohibited, women still receive less remuneration than their male colleagues for work of equal value (ITUC, 2010). Within the spirit of ILO Convention 100, “equal remuneration between men and women for work of equal value” requires not only that men and women are equally rewarded when they do the same jobs, but also that they are rewarded equally when they do different jobs but which may be of equal value (ADB, 2013). Lack of adherence to this principle therefore means that Malawi’s growth is not inclusive as it is failing to respect the value of gender equality. The preceding analysis also confirms ITUC findings that in Malawi, women are largely underrepresented in highly skilled and highly paid positions, as well as in senior and high level political positions. This reflects deficiencies in measures that can ensure that equality of opportunity and treatment in the workplace is attained.

Some of the barriers to equal employment opportunities for and treatment of women in the workplace are discrimination on the grounds of maternity and sexual harassment. For instance, a 2006 MHRC study on gender based violence at the workplace established that further acts of discrimination that women experience in the formal private sector include: short periods of maternity leave than the legal minimum period of 8 weeks;32 resistance by employers to employ women in reproductive age groups; and sexual harassment due to lack of institutional written policies prohibiting the malpractice. Unlike men, women may be asked questions relating to number of children or their family planning plans during interviews, thus already excluding them from job opportunities should their answers not suit the interviewer. These critical discriminatory acts need to be seriously addressed by government with support from civil society groups.

In respect of sexual harassment, a 2013 baseline study on sexual harassment at the workplace focusing on 12 institutions in Malawi found that this is a rampant problem. However, reporting is low due to lack of basic knowledge about this form of gender based violence; fear of losing a job; lack of policies and reporting procedures; and low capacity to handle complaints of sexual harassment amongst staff within institutions (GoM, EU & UNFPA, 2013). Sexual harassment also affects women workers in estates. For example, in tea estates, research has found that it is common for women tea pickers to engage in sex with “kapitao” (supervisors) in exchange for light chores like kitchen work (WLSA, 2009).

The Gender Equality Act of 2013 mandates the Government to actively ensure that employers have developed and are implementing appropriate policy and procedures aimed at eliminating sexual harassment in the workplace. This includes requiring employers to implement such policies, impose disciplinary action, and protect employees against victimization and retaliation for lodging grievances and from false accusations (Section 6). It also calls for public service recruiting agencies to ensure the

32 The State has not yet ratified the ILO Maternity Protection Convention, 2000 (No. 183), which mandates a minimum of 14 weeks maternity period. Yet, the Convention is the most up-to-date international labour standard on maternity protection.
recruitment of a minimum of 40 percent and a maximum of 60 percent for any sex. The MGDS II has clear gender related strategies to improve the share of women in wage employment in the non-agriculture sector. These include making sure that labour laws are gender sensitive, conducting a survey and developing periodic reports on the share of women in wage employment in the non-agriculture sector; conducting a gender audit in the labour market; and training officers within the Ministry of Labour in gender analysis and mainstreaming (Sub-theme 7).

The draft NELP concentrate on ensuring that measures are put in place to enhance the employment of women and people with disabilities in gainful and decent employment; and to enhance access to productive and decent jobs and income opportunities by people with disabilities. Most of these strategic responses are yet to be implemented, meaning that until there is full implementation, barriers that exclude women from the labour market will continue to affect their growth and development. This is because it is through strict implementation that enabling legislative and policy environments can facilitate the levelling of the economic playing field for women and men.

Apart from the discrimination that women encounter, the 2010 report for the WTO General Council Review of the trade policies of Malawi raises more labour rights violations that are inconsistent with some of the constitutional provisions and international standards. For example, the report reveals that people with disabilities and persons who live with HIV and AIDS are discriminated against in terms of access to employment. To address the prevalence of cases of discrimination and stigmatization against people living with HIV in workplaces across the country, the government has, in collaboration with the social partners and other stakeholders, finalized the National HIV and AIDS Workplace Policy which has taken into account the ILO recommendation concerning HIV and AIDS and the World of Work, 2010 (No. 200). The Government is also working on incorporating provisions in the Employment (Amendment) Bill.

Nevertheless, more needs to be done, particularly for workers in the informal economy, to regulate for and enhance prevention and support complementary prevention management measures (including care and support) being undertaken by various players (ITUC, 2010). Addressing HIV and AIDS in the workplace is important to the NELP, which aims at improving the health and productivity of infected and affected workforce. However, the challenge in Malawi has been a limited focus on employees, while ignoring the social environment that surrounds them, or gender based violence dynamics that promote an institutional culture that increases HIV vulnerability amongst employees and clients that are served by different sectors.

b. Social protection of workers

Social protection is one of the important aspects of equal entitlements for employees under ILOs fundamental Convention 111. The draft NELP seeks to strengthen labour and administration standards through the improvement of working conditions, including occupational safety and health and quality of work; elimination of child labour; and the accessibility of workers compensation to all workers through the establishment of workers compensation fund and pension schemes. The Malawi Decent Work Programme (2011–2016) captures some of the key issues that affect labour rights of employees in so far as their social protection is concerned. It notes that 95 percent of clients of the one major private health insurance provider (the Medical Aid Society of Malawi) are enrolled through formal schemes of employers. Therefore clearly, the employment sector is a prominent player in providing health related social protection. Worryingly, the Civil Service, as the biggest employer, does not have an insurance provider for its employees.
Worker’s compensation is another form of social protection for employees in Malawi. However, the deficiency with the current workers’ compensation system is that it only provides for lump-sum payments and no periodical payments thereafter. The fact that it places liability for compensation with individual employers means that there is no pooling of risks across the labour market, like is the case with social insurance. As a consequence, there are usually delays in the processing of beneficiary claims since employers have to first mobilize the necessary financial resources. Occupational safety and health as another aspect of social protection in the workplace in Malawi is protected by the Occupational Safety, Health and Welfare Act. However, the Occupational Safety and Health Directorate has inadequate capacity to undertake quality inspections due to lack of monitoring equipment, some gaps in the coverage of legislation, and inadequate personnel to conduct inspections (DWCP, 2011–2016). This situation largely renders the social protection mechanism merely rhetorical.

There is optimism that the enactment of the Pension Act in 2010, is a significant step in developing a comprehensive social security system in Malawi. The Act makes pension mandatory for all workers (save for those below a certain threshold). If comprehensively implemented, this system would guarantee the provision of income security to workers during retirement, and to their families in case of death of a worker (DWCP, 2011–2016).

c. General violations of labour rights in the private sector

In 2007, MHRC conducted an in-depth study to establish the nature and extent of labour rights violations in the private sector. The study, which covered 13 districts, revealed high levels of rights violations, particularly against junior employees. These violations were manifested through unfair dismissals, absence of overtime pay, lack of severance pay, denial of permanent employment benefits through recruiting personnel as casual labourers perpetually, being locked up at night, and being subjected to inadequate health and occupational standards. These violations were being nurtured by the lack of labour rights by both employers and employees, lack of institutional policies that promote fair labour practices, and lack of written conditions of service in most private sector institutions. These issues have to be monitored and remedied in order to generate employment that leads to inclusive growth. This part has already shown that some of these factors make employment precarious, particularly amongst the youth.

The Malawi Decent Work Programme (2011–2016) notes that some contributing factors to the violation of workers’ rights include: inadequate education on workers’ rights, mainly due to financial, human resource and logistical constraints on the part of the Malawi Congress of Trade Unions as an umbrella body of workers’ unions; and insufficient enforcement of labour statutes and long delays in legal proceedings. Eliminating institutional bottlenecks should, therefore, be an integral part of correcting factors that inhibit inclusive growth through employment.

d. Promoting the right to just and favourable working conditions

Matching minimum wage to living wage is one area where Malawi is doing poorly, and this especially affects casual labourers. The International Covenant on Economic Social and Cultural Rights enshrines the right to just and favourable conditions of work, which, according to General Comment No. 20 on Economic, Social and Cultural Rights (2009), is linked to the principle of non-discrimination and equality under the Covenant. Discrimination and unjust and unfavourable working conditions can be perpetuated by violating workers’ human dignity through wages that are below basic living standards. In a 2013 visit to Malawi, the United Nations Special Rapporteur on the right to food, Olivier De Schutter, protested that

33 Article 7.
the country’s minimum wage is at K371 per day (US$1.12), while an average household requires K1,900 per day for food. Considered globally, Malawi is among the top 10 countries with the worst minimum wages. The Special Rapporteur recommended that serious consideration should be given to intrinsic relationships between wages and the right to adequate food by the government, employers and development partners alike. As such, immediate measures should be taken to adapt the national minimum wage to a living wage—“a wage that provides an income allowing workers to support themselves and their families as required by articles 6 and 7 of International Covenant on Economic, Social and Cultural Rights”. Malawi is yet to fulfil this recommendation, judging by the fact that after a strike by shop workers in Lilongwe in 2013, pay was only hiked to the minimum wage of K18,600 per month.

e. Protection of labour rights in the informal sector

Focusing on the multitude of workers in poor countries who work informally or in sectors which have fewer legal protections is an important part of promoting the greater inclusion for existing labour standards, as well as bringing workers and sectors into the formal economy. Measures to regulate and provide a conducive business environment in the informal economy, where the majority of youth work, especially serve to prevent unfair labour practices (EU, 2011).

According to ILO, domestic workers are a category of workers that are often particularly marginalized in their work due to the nature of work and their isolation within the workplace. It is well documented that in Malawi’s cities and towns, most child labourers work long hours as domestic servants, where they can fall victim to abuse and neglect (ILO, undated-a). According to observations that were shared by Labour Officers from various parts of Malawi, women predominantly seek work as domestic workers because of lack of adequate education qualifications and technical skills. The ILO’s International Labour Conference adopted Convention No. 189 and Recommendation No. 201 concerning decent work for domestic workers on 16 June 2011. The convention lays down basic rights and principles, and requires States to take a series of measures with a view to making decent work a reality for domestic workers. However, Malawi is yet to ratify this convention, meaning that domestic workers do not have strong legal protection that can safeguard their full inclusion in the country’s labour market.

One of the local programmes that has been hailed as making an impact on domestic workers, especially child workers, is the ILO’s Support for the National Action Plan to combat child labour in Malawi (SNAP). The SNAP model combines a community-based child labour monitoring system, investment in infrastructure, and coordinated community action to identify child labourers and give them a chance to access education, training and eventually, employment. It is reported that since the introduction of the SNAP programme in Malawi in 2009 (with funding from the US Department of Labour), more than 5,500 children have been withdrawn or prevented from entering child labour and more than 300 of these children have completed vocational training. Over 800 parents have benefited from livelihood support and were equipped with skills and knowledge on income-generation—such as saving money and setting up their own business through the ILO’s Start your Own Business tools (ILO, undated-a).

Until the recent passing by Parliament of the Trafficking In Persons Bill in February 2015, one of the factors that used to contribute to the vulnerability of workers in the informal sector in Malawi was that notwithstanding the legal prohibition of forced labour, Malawi lacked strong anti-trafficking legislation. Hopefully, when implementation commences, the law should be able to support tenant-labourers, particularly in tobacco farms, who are exploited by systematic indebtedness and coerced into bonded labour by the landlords (ITUC, 2011). Tobacco estate tenants can have exclusive arrangements, often unwritten, with estate owners to sell their crop and to buy inputs such as fertilizer, seed, and often food.
These costs, in addition to rent charges, could be greater than the amount of money received from tobacco sales, leading to a situation of debt bondage to repay the inputs and other costs. This results in forced and bonded labour involving entire families under the tenancy system (U.S. Department of State, 2011). Thus children may be implicated as well. In fact, according to findings from stakeholder consultations, in tobacco growing areas, children may end up rendering free labour in estates when they have to support their “bonded” parents in various tasks relating to their tenancy, usually at the expense of the children’s right to education. This occurs despite Malawi’s ratification of the ILO Conventions on child labour, and that child labour is prohibited by law.

Admittedly, there are some existing efforts by the government to eliminate child labour, and this is done in collaboration with trade unions, employers’ organizations and international organizations (ITUC, 2011). However, inclusive growth requires that broad based and robust interventions should be taken to eradicate issues of child labour, bonded labour and promote the well-being of those in the informal sector so that they can earn decent wages. In respect of child labour, the MGDS II has made a critical recognition that Malawi needs to take strategic actions in the areas of integrating child labour issues into development initiatives and interventions; and reviewing, harmonizing and enforcing legislation on child labour. The gap is to concretely address other forms of forced or bonded labour that hinder inclusive growth, particularly in sectors that are notorious for this practice. Currently, it may be difficult to develop targeted actions in the absence of labour force participation data that reveals the extent of forced or bonded labour in the country.

3.5.9 Promoting agriculture based employment

The 2013 MLFS, MDGS II and draft NELP (2011–2016) confirm what is already known—that agriculture is the largest sector of employment. Unfortunately, most people are in subsistence agriculture, where earnings are low. The draft NELP therefore recognizes that this sector should be targeted in order to generate productive and decent jobs. Currently, the optimal performance of the sector is hindered by many factors such as low access to farm credit, land shortages, limited access to modern farming technologies, knowledge and training opportunities, and inadequate information about prices and markets. However, the draft NELP falls short of identifying groups that are commonly affected by these factors in order to improve the inclusiveness of strategies.

The National Youth Policy (2013) has highlighted the centrality of agriculture to efforts towards creating more and decent employment for the youth both in the formal and informal sectors and in urban and rural areas. Strategic actions related to supporting youth in agriculture include: establishing, promoting and supporting agricultural youth clubs and cooperatives that build partnerships with the private sector; providing them incentives to undergo agricultural training at all levels of the education system, including vocational training; providing relevant tax exemptions on agriculture machinery; using ICT and modern technologies in agriculture; and ensuring youth’s access to productive land, value addition opportunities and markets. For these strong strategies to be relevant to inclusive growth, they have to be supported by the implementation of action plans that take on board sub groups of the youth and the need to ensure that adequate benefits accrue to female young farmers, poorer and remote young farmers and youth with disabilities.

As already elaborated, the Competitiveness and Job Creation Support Project (CICSP) of the Ministry of Industry and Trade has a component of improving agriculture, and its solid targets for women and the youth, though the extent to which this is dependent on poverty and vulnerability profiles is blurred.
3.6 Infrastructure for Supporting Inclusive Growth

3.6.1 Infrastructure and inclusive growth

Efficient infrastructure services are essential drivers of economic growth, sustainable poverty reduction and inclusive growth. Infrastructure development promotes inclusive growth and reduces poverty by creating additional jobs and economic activities, reducing production and transport costs through improved transport and connectivity, expanding overall production capacity, connecting markets and other economic facilities that may extend beyond the country, and improving access to key facilities such as health, education, and other basic services. As the ADB observed, infrastructure plays a critical role in society and the economy by providing services to households and industries. The availability of transport, electricity, safe water and sanitation, and other key facilities such as schools and hospitals, has a tremendous impact on improving the quality of life of households, especially poor ones. Well-functioning and efficient infrastructure promotes inclusiveness by expanding access to vital services and improving economic opportunities for all. This, in turn, reduces poverty. For businesses, infrastructure services facilitate production, transport, and transactions that spur growth, which in turn help raise incomes and reduce poverty. Infrastructure development also helps countries to better address climate change and reduce vulnerability to shocks and disasters. Conversely, a lack of infrastructure development signals barriers to growth and overall development (ADB, 2012).

Infrastructure is said to consist of both hard and soft components. The hard components refer to visible infrastructure, such as roads, railways, electricity, and telecommunications; while soft components refer to policies and regulations, to enable the system to perform well and generate impacts. The right mix and synergy of the two is important to ensure that the infrastructure system supports inclusive growth and poverty reduction (ADB, 2012).

3.6.2 The State of infrastructural development in Malawi

Kumar (2012), pointed out that the future of economic growth of Malawi would predominantly be affected by its key infrastructure sectors including power, transport and information and communication technology, and that strong policy support would be required to bring in the necessary investments in these sectors.

During the Post 2015 consultations, the state of infrastructure development was recognized as a binding constraint on Malawi’s development. In fact, problems associated with infrastructure were ranked as the second constraining factor to the country’s development, after poor governance (GoM & UNDP, 2013). Key areas needing attention included transport infrastructure (particularly rural feeder roads); energy supply (electricity); information, communication and technology; and water and sanitation. Generally, respondents emphasized the following key problems: lack of proper checks for monitoring of funding and progress of infrastructure development, lack of infrastructure development in rural areas, and poor culture of infrastructural repair and maintenance.

In an effort to increase the quality and access to infrastructure services, GoM embarked on notable pursuance of a greater private participation in and liberalization of infrastructure services. Effort was therefore focused on improving the enabling conditions for public-private partnership (PPP) in order to increase government capacity to develop, implement and monitor PPP projects (PPIAF, 2012). This resulted in the birth and passing of the Public-Private Partnership (PPP) Policy Framework by cabinet in 2011 for the initiation, design, and implementation of PPPs, and promoting PPPs as a new form of procuring and financing infrastructure projects. Later the PPP Act No. 13 of 2011 was passed that provides
a legal framework for the participation of private entities in government projects. Despite achieving this progress the country still needs policy and legal frameworks in various infrastructure sectors, similar to what has been achieved in the energy sector (discussed in Section 3.7.1), in order to achieve infrastructure development for the attainment of inclusive growth.

3.6.3 Transport infrastructure (roads)

As already indicated Malawi is a landlocked country and heavily depends on the road infrastructure to support its economic activities. Poorly maintained international roads raise transportation costs, thereby making Malawian exports very uncompetitive, that is in addition to raising the costs of imported raw materials and pushing the cost of domestic industries. The country needs feeder roads to open up rural areas for development activities such as agriculture, social services and businesses to ensure accessibility throughout the year. Malawi has one of the least developed transportation infrastructures in Sub-Saharan Africa. Of all the unpaved roads in the country, 48 percent were judged to be in poor condition in 2005 and one study of road conditions in Malawi found that 38 percent of villages were not accessible by motorized vehicles for the five-month rainy season. This may particularly cause challenges for women, who have responsibilities for the sick, and who may find it harder to use bicycles as a means of ferrying their produce to the market.

During the Post MDGs survey, many respondents in the rural areas complained of lack of bridges. In T.A Mabuka’s area, (Mulanje), for example, crossing Lichenya River posed great problems during the rainy season, cutting off a large number of people from essential services like clinics, schools, maize mills and trading centres. Villagers had to resort to using a boat to cross the river and incidents of drowning were very common. Construction of a bridge across the river would definitely lead to agricultural and business development, in addition to enhancing access to social services (GoM & UNDP, 2013).

However, apart from funding constraints, the roads sub-sector was said to be bedevilled by poor governance. Hence, most people called for improved governance within the roads sub-sector, requesting for more vigilance in project implementation so as to make construction companies more accountable to the citizenry in the provision of timely services. They also urged Government for improved project financing and removal of inefficiencies in development and maintenance of roads and establishment of rules and regulations that are enforceable to ensure that contractors were held accountable. Stakeholders also raised concerns on what Malawi was losing through infrastructure projects that had been implemented but were of poor quality.

Through the Gender Equality and Women Empowerment Programme (2012–2015), the transport sector has appreciated the need for sectoral gender mainstreaming. It has noted several gender related barriers that relate to infrastructure development. For example, the limited employment of women in the public works means that this domain is commonly viewed as a male dominated field. The limited number of women entrepreneurs that are offered contracts to build infrastructure means that progress towards women’s economic empowerment remains slow. The lack of gender sensitive guidelines for contractors means that there may be no mechanisms for addressing issues of sexual harassment, equal opportunities and pay for males and females. Further, the absence of data on how roads will serve the different needs of women and men towards their poverty reduction means that gender related barriers in transport are hardly addressed. In relation to the later, examples of issues that have been observed include flyovers with open steps that make it impossible for women not wearing trousers to use them; ports that have no jetties, thereby making it difficult for the female traveller, the elderly or people with disabilities to access a ship that is docked away from the shore. In addition, inadequate feeder roads and/or pedestrian
crossings mainly put women and girls at risk because they mostly head load. Challenges with the amenities or structures that fail to adequately serve needs of certain population groups also stem from the fact that environmental impact assessments and/or feasibility studies relating to new infrastructure usually do not explore different situations/needs of users, including males versus females (Ministry of Transport, 2013).

3.7 Energy as an Enabler for Inclusive Growth

3.7.1 Role of energy in inclusive development

The energy sector in Malawi has not been able to meet all the energy requirements across the other sectors and this has been a major challenge for some time and has considerably contributed to the slow development of the various sectors in the country (Gamula et al., 2013). Only 1 per cent of the rural population has access to electricity. One of the major challenges facing the energy sector is the financial allocation (a negligible fraction of the national budget) that is not in line with the global energy trends. This has to change if any meaningful progress is to be made in achieving the government’s agenda in improving energy supply. Gamula et al. (2013), observe that in 2010, the Energy and Mining Services sector attracted a budgetary allocation of 0.53 percent of the total national budget, which was the highest during the 1996 to 2010 period. If this trend continues, development of the energy sector will remain a major challenge since the private sector is not playing a major role in the activities of this sector.

The Government of Malawi has embarked on a number of programmes and projects to improve the standard of living for the rural masses which should be able to eventually result in energy utilization switch. Even with such programs being carried out, in 2004, four energy laws were passed to help operations in the energy sector in Malawi. These are: (i) the Energy Regulation Act, which established Malawi Energy Regulatory Authority (MERA); (ii) the Rural Electrification Act, which laid the foundation for the formation of Rural Electrification Management Committee and Rural Electrification Fund; (iii) the Electricity Act, which deals with electricity issues in terms of licensing, tariffs, generation, transmission, distribution, sales contracts and related issues; and (iv) the Liquid Fuels and Gas (Production and Supply) Act, which handles issues related to liquid fuels and gas production in terms of licensing, safety, pricing, taxation, strategic reserves and any other related issues. Some elements for achieving national energy security are also included in other government’s key policy and strategy documents such as the Vision 2020, the Millennium Development Goals and the National Energy Policy, which is planned for revision.

3.7.2 The Energy Situation in Malawi

The energy sector comprises five key components, namely biomass (88.5%), liquid fuels and gas (6%), electricity (2.8%), coal (2.3%), and other renewable sources of energy (0.2%).\textsuperscript{34} The situation clearly shows an energy mix which is predominated by biomass. The key objectives of Malawi’s Energy Policy are:

- To improve efficiency and effectiveness of commercial energy supply industries,
- To improve the security and reliability of energy supply systems,
- To increase access to affordable and modern energy services,
- To stimulate economic development and rural transformation for poverty reduction,
- To improve energy sector governance, and
- To mitigate environmental, safety and health impacts of energy production and utilization.

\textsuperscript{34} 2008 actual figures cited in Gamula et al. (2013), op. cit.
In order to realize these objectives, the country developed an energy policy in 2003 whose main long-term goals were to:

- Make the energy sector robust and efficient, to support government’s agenda of poverty reduction, sustainable economic development consequently enhancing labour productivity,
- Catalyze the establishment of a more liberalized, private sector-driven energy supply industry, and
- Transform the country’s energy economy from one that is overly dependent on biomass to one with a high modern energy mix (GoM, 2003).

The Millennium Challenge Account-Malawi (MCA-Malawi) is focused on improving the energy sector under a five year US$350.7 Million Compact that was signed between the Malawi and United States of America Governments in 2011. MCA-Malawi has observed in its sectoral analysis, which the National Energy Policy does not differentiate between women and men’s roles and ensuing needs and constraints regarding access to various sources of energy and the dominant use of wood. Rather, it concentrates on technical issues related to the supply of energy, thus overlooking demand-side issues like the end-users’ needs, priorities and resources (MCA-Malawi, 2014). It is therefore timely that UNDP will be spearheading the process of reviewing the policy, and hopefully it can be made more gender sensitive.

Data from IHS3 (Table 3.12) indicates that the most common source of cooking fuel in the country is firewood at 87.7 percent, followed by charcoal (8.9%), electricity (2.5%) and other means of fuel for cooking at 0.7 percent (IHS3, op. cit.).

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Firewood</th>
<th>Electricity</th>
<th>Charcoal</th>
<th>Crop residues/saw dust/animal waste</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>87.7</td>
<td>2.5</td>
<td>8.9</td>
<td>0.8</td>
<td>0.2</td>
<td>100</td>
</tr>
<tr>
<td>Urban</td>
<td>41.9</td>
<td>12.6</td>
<td>44.6</td>
<td>0.5</td>
<td>0.4</td>
<td>100</td>
</tr>
<tr>
<td>Rural</td>
<td>96.2</td>
<td>0.6</td>
<td>2.3</td>
<td>0.9</td>
<td>0.1</td>
<td>100</td>
</tr>
<tr>
<td>Rural North</td>
<td>99.6</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>100</td>
</tr>
<tr>
<td>Rural Centre</td>
<td>97.3</td>
<td>0.7</td>
<td>1.6</td>
<td>0.3</td>
<td>0.1</td>
<td>100</td>
</tr>
<tr>
<td>Rural South</td>
<td>94.3</td>
<td>0.6</td>
<td>3.4</td>
<td>1.6</td>
<td>0.1</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: IHS3, Table 8.5.

There are marked differences in sources of cooking fuel used, in terms of urban versus rural location. For example, urban households use 41.9 percent, 12.6 percent, 44.6 percent and 0.9 percent, from firewood, electricity, charcoal and other sources, respectively. For rural households, the corresponding percentages are 96.2 percent for firewood, 0.6 percent for electricity, 2.3 percent for charcoal and 1 per cent for other sources. However, there are no marked differences in sources of fuel used by region, except that in the Southern region use of firewood is slightly lower, at 94.3 percent, compared with the North (99.6%) and the Central (97.3%), largely due to a higher use of charcoal (3.4%) in the South.

Lack of financial commitment, lack of favourable conditions for investment in the energy sector (including for off grid options), inadequate political will, poverty and insensitivity to gender dimensions of energy are among the major factors that have contributed to underdevelopment in the energy sector for Malawi. The energy sector will continue being what it is unless deliberate steps are taken that can result in the allocation of more funds from the national budget to the sector, mobilization of resources and putting in place some incentives for the private sector to actively participate—taking into account gender needs,
regional disparities and appropriateness of responses to climate change and natural resources management.

3.7.3  Electricity supply

Electricity in Malawi is mainly generated from hydropower from a number of hydro generation stations located along the Shire River, in the Southern region, and another small hydro generation station located on the Wovwe River in the Northern region, with a generation capacity of 4.5 megawatts (MW). The Electricity Supply Corporation of Malawi (ESCOM) is the only electrical power supplier and is a publicly owned company established with an Act of Parliament in 1957. This Act was revised in 1963 and again in 1998 (Gamula et al., 2013). The total installed capacity is 302 MW, 94 percent of which is from hydro and the remaining 6 percent is thermal. This is against an estimated demand of 350 KW. However, available capacity hardly exceeds 80 percent, largely due to losses from transmission and distribution networks, estimated at about 40 percent. The country has potential to expand supply both from hydro and other sources as indicated in Malawi Electricity Investment Plan. The Malawi Rural Electrification Project (MAREP) was also established to increase the number of rural trading centres that have access to the national electricity grid and is now in its fifth phase. Electricity from photovoltaic modules is still insignificant when looking at the overall picture, but it is increasing in utilization, finding applications in telecommunications, lighting, refrigeration and water pumping.

Recently there have been a number of initiatives to expand electricity supply in Malawi. These include the following:

i. Malawi/Mozambique interconnection agreement signed in April 2014 between the two countries, with Mozambique to finance the Tete to Balaka power connection line and Malawi to finance the Balaka to Nacala power connection line.

ii. Announcement of Intra Energy Corporation (IEC) in March 2013 to construct and operate a 120 MW coal fired power station in Malawi through a wholly owned subsidiary.

iii. The commissioning of the Kapichira Hydro Power Plant in 2014, with a generation capacity of 64 MW.

iv. Finalization of feasibility studies by GoM at Chasombo and Chizumia. In addition, feasibility studies are ongoing at Mpatamanga, Chimgonda and Kholombidzo. Together, these sites have the capacity to produce 600 MW.

3.7.4  Electricity supply and inclusive growth in Malawi

During the Post MDGs National Consultations, the importance of a stable and reliable electricity supply could not be overemphasized. A representative of the business community said:

“Without reliable electricity no long-term development in terms of investments, employment and poverty reduction will take place in Malawi”.

Malawi needs a sustainable source of energy throughout the country and adequate capacity for industrial processing, including within the expanding mining sector. The mining sector is said to have potential in developing Malawi if government provided it with adequate support, including an appropriate policy environment and infrastructural support. The issue of rural electrification, with adequate investments and

35 A number of commercial and industrial enterprises have installed their own diesel and petrol operated generators due to unreliable energy supply from the national energy supply utility company, but it is still a challenge to determine the capacity of such due to gaps in regulations.
an appropriate tariff system is catalytic to attracting investments and boosting rural businesses. Many rural residents complained of the scarcity of maize mills due to lack of electricity and the very prohibitive costs associated with electricity connections. Diesel powered maize mills are shunned due to the very high cost of diesel.

“If maize mills are near, women and children will not have to walk long distances and hand processing is very tedious”

Children noted the potential of having electricity in the rural communities as a way of achieving higher levels of productivity and learning. School children expressed the benefit of electricity for studying during the nights. Children at Ngana in Karonga felt the need for electricity to support rural health centres so that:

“More people can be taken care of during nights, and that some medical equipment that requires electricity can be usable in rural areas” (GoM & UNDP, 2013).

The reality is that even where electricity can be available, its accessibility by the poor can still be a problem. Thus high costs of electricity connections and inadequate income for tariffs are factors that excludes poor households from growth and development. As shown above, currently, only 1 percent of the rural population has access to electricity. Having a life line tariff (providing electricity to the poor at a subsidized price) and/or a fixed rate for poor households is one way that can ensure that electricity supply is sensitive to social and gender dimensions of both energy and poverty. Currently, Malawi subsidizes tariff for all domestic customers, without differentiating their socio-economic status. The full cost of consumption is transferred to industrial customers. However, the question is whether this general subsidy modality is truly affordable for the poor; or whether it would have been even more affordable if the subsidy was exclusively targeted at low income and poor households.

Of course this demands that The Malawi Energy Regulatory Authority (MERA) and Electricity Supply Commission of Malawi (ESCOM) should work out a practical strategy for identifying low income and poor households, and the technology of electricity connection that will avert abuse by those that do not fall below the poverty line. It also requires thinking through a subsidy formula that can best work in the Malawi context. Though ESCOM has ever tried the fixed rate method only to suspend it due to abuse by non-eligible consumers (who were tapping electricity from simple boards of eligible households), the problem was not necessarily about a policy of subsidies for low income consumers, but with the type of technology used. Including a lifeline tariff in energy policy can be one way of ensuring institutional commitment to support the poverty reduction and economic development of the poor through access to electricity (MCA-Malawi). At the same time, barriers that make other sources of renewable technologies unavailable for common use would have to be addressed.

3.8 Access to Resources

3.8.1 Financial inclusion in Malawi

a. Financial inclusion and inclusive growth
Access to finance has become a topical issue in many countries in recent years, and the subject of a great deal of commentary and research. In Africa, the agenda has been led by FinMark Trust, whose motto is “Making Financial Markets Work for the Poor”, and indeed FinMark has been a pioneer in the field globally. There is extensive interest in the topic from institutions such as the World Bank, DFID, USAID and the Alliance for Financial Inclusion, among others. Access to financial services can be seen as a component
of the broader concept of financial development, and it has been increasingly recognized that a higher degree of financial development in an economy is key to supporting growth. A higher level of financial development supports economic growth, by boosting savings and investment and improves overall economic efficiency, by making financial intermediation more efficient. Wider economic development also promotes more inclusive growth, with lower poverty and inequality, by enabling the poor to better manage their money, borrow to finance investment, and to insure against losses (Kelkar, 2009).

b. To what extent has access to finance in Malawi been inclusive or not?

Malawi’s banking sector is predominantly privately owned comprising 11 banks, namely: Standard Bank, National Bank of Malawi, Indebank, Nedbank, Malawi Savings Bank, First Merchant Bank, FDH Bank, NBS Bank, OIBM, Ecobank and CDH Bank. The sector is worth MK472bn in deposits and MK275bn in customer loans and advances as of December 2013 (see Table 3.13), with four banks controlling more than two thirds of this market and the sector accounts for 98 percent of (M2) Broad Money Supply (Reserve Bank of Malawi, 2014).

Table 3.13: List of Commercial Banks in Malawi and Market Share (December 2013)

<table>
<thead>
<tr>
<th>Banks</th>
<th>Level &amp; Shares</th>
<th>Deposits MK Billions</th>
<th>Market Share</th>
<th>Loans MK Billions</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Bank</td>
<td></td>
<td>130</td>
<td>28%</td>
<td>53</td>
<td>19%</td>
</tr>
<tr>
<td>National Bank</td>
<td></td>
<td>124</td>
<td>26%</td>
<td>63</td>
<td>23%</td>
</tr>
<tr>
<td>NBS Bank</td>
<td></td>
<td>54</td>
<td>11%</td>
<td>35</td>
<td>13%</td>
</tr>
<tr>
<td>First Merchant Bank</td>
<td></td>
<td>47</td>
<td>10%</td>
<td>30</td>
<td>11%</td>
</tr>
<tr>
<td>TOP 4 Banks</td>
<td></td>
<td>355</td>
<td>75%</td>
<td>181</td>
<td>66%</td>
</tr>
<tr>
<td>Total Market</td>
<td></td>
<td>472</td>
<td></td>
<td>274</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s compilation of RBM data.

All Banks operating in Malawi are overseen and regulated by the central bank, the Reserve Bank of Malawi. The two largest (Standard Bank Malawi and National Bank of Malawi) account for more than 40 percent market share. Of these only three banks, Opportunity International Bank of Malawi (OIBM), the Malawi Savings Bank (MSB) and NBS Bank can be said to be actively engaged in inclusive financial activities, while the rest are mainly focusing on corporate banking services for larger wholesale customers and retail banking services for the salaried and affluent markets. The larger commercial banks have a broad suite of product offerings from short term deposit and transactional accounts to asset based finance and even insurance services and investment banking.

Further to the commercial banks there are also a number of NBFIs that provide financial services to people who are not generally served by the banking sector including a number of privately funded Micro Finance Institutions and payroll lenders as well as several not for profit MFIs who provide financial services to the poor in line with various philanthropic objectives such as women empowerment or expanding agri-business. The target population group heavily influences the location of these entities and whether they have an urban or rural bias in their geographic dispersion. Most development focused MFIs chose to target areas that are not easily within reach of a bank and where communication networks can prove to be a challenge when accessing financial services. On the other hand Payroll lenders tend to be located in more urban areas, where there is a large catchment of salaried individuals.

Another group of financial service providers are the savings and credit cooperatives (SACCOs) with a variety of them operating in the country. Some are relatively small, having less than 70 members, while the largest has more than 20,000 members. In addition, financial services are also supplied by a range of informal operators such as individual moneylenders and village-based savings and loans associations or
rotating savings and credit associations where small groups of individuals periodically aggregate their savings and each member receives a lump sum payment at some point during the cycle.

According to the 2012 MSME Finscope Survey, about 74 percent of adults save in cash or in kind with the majority of people saving for family use and about 5 percent saving money for future investments such as small business, housing and collateral for loans. Almost 17 percent of adults in Malawi borrow from micro-finance institutions whereas 4 percent borrow from banks. The majority of adults borrow from their family members. The same survey also revealed that only 31 percent of the population was considered financially included with just 22 percent having formal bank accounts compared to 47 percent in South Africa.

Figure 3.14: Comparative access to financial services in South Africa, Malawi, Zimbabwe, Mozambique, Zambia
Source: Finscope MSME Survey 2012

Figure 3.14, using data from the Finscope survey, indicates that a disproportionate amount of people are totally unbanked and enjoy no financial services which is the case not only in Malawi, but may other countries. There is also a smaller population in Malawi with access to informal financial solutions so it will be important to examine the composition of the unbanked population in order to address some of the barriers to access and make appropriate recommendations.

Comparing the percentage of adults with an account at a formal financial institution shows that women are generally more disadvantaged when it comes to accessing financial services in sub-Saharan Africa and although the average level of access are lower than the region, the gender equality gap evidenced in many lower income countries is simply not there (see Figure 3.15). This goes against the strong belief that women are more financially excluded than men when it comes to access to formal financial services. The Survey actually reveals that in Malawi men are generally more excluded than women with women having more access to more non-banking financial services through either the formal or informal channels (Finscope, 2012).
However, when we look at access to the formal financial services along-side residency (rural versus urban) the gap is much to reveal some of the core issues (see Figure 3.16). Across all the countries, access to financial services is much harder in the rural areas than urban areas, where in Malawi only 15 percent of the rural populace have access to formal financial services compared to 22 percent in other low income countries and more than 30 percent of adults in urban areas. This is again telling of some of the challenges concerning proximity as well as the lack of formal economic activity and lower levels of literacy that have been tackled elsewhere in this report.

In order to achieve financial inclusion for inclusive growth all sectors of the population must have access to financial services to encourage economic participation. According to the African Development Bank, broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families. It is therefore important to explore some of the challenges that are faced by many in accessing and providing financial services with a view to providing recommendations based on existing policies for tackling some of these challenges.

More than half of the eligible population are completely excluded from the financial system in Malawi. In order to better understand the causal factors behind the demographics, it is necessary to examine the dimensions that constitute financial inclusion. Definitions and measurements of financial inclusion have evolved from classifying individuals and enterprises as either included or not, to viewing financial inclusion as multi-dimensional and progressive (Faye & Triki, 2013). With the aim of defining a more complete understanding of inclusion, the Financial Inclusion Data Working Group of the Alliance for Financial Inclusion (AFIFIDWG) agreed on three main dimensions of financial inclusion that provide the underpinning for data collection: access, usage and quality or suitability of the services available to the population.

The Malawi landscape was comprehensively examined through the 2008 Finscope Survey which highlighted some of the challenges to financial inclusion in Malawi. Firstly, the proportion of those financially excluded remains high at 55 percent and of those who are excluded, the majority tend to be rural-based, female and with little or no education. Less than a quarter of adults surveyed had access to a bank account showing the low penetration rates of formal financial institutions. Access to financial services is much lower in rural than in urban areas and a bit lower for women than men. Formal access also tends to favour the middle-aged and the well educated in the population (Finscope, 2008). The survey also found that in terms of physical representation branches and outlets of banking institutions were concentrated in more affluent areas with only a few locating their outlets in areas that may be poor, but are densely populated. Given the high cost of transacting through physical channels and the pressures to achieve competitive rates of investment, it is understandable why banks opts for more affluent areas where they can easily recover fees through high value transactions. But there is definitely scope to explore the expansion of banking services to those areas that may be poor but have a high concentration of people living in them.

The survey also draws a few very important conclusions such as targeting poorer populations in order to increase penetration as those who are better off are already relatively well served already. Furthermore there is an overlap in coverage between those who are reached by banks and other non-bank financial service institutions. Even though NBIFs have access points in districts where banks have none, these institutions still do not reach significant numbers of people that the banks do not, and nor do they greatly vary the mix of who is reached. While location is an important consideration in the choice of financial
services, the survey suggests that other factors, such as suitability to the wider rural demographics, should also be considered. Some banks are already beginning to tailor some aspects of their products and services to suit more rural populations such as vehicle based banking and products that encourage saving such as free savings accounts and agribusiness loans (Oxford Policy Management, Kadale Consultants, 2009).

c. Access to finance for farmers

Agriculture in Malawi contributes roughly more than 30 percent towards GDP with most of this stemming from smallholder farming activities. According to the FinScope survey, 44 percent of the respondents who identified agriculture as their principal sector of operation, 41 percent were active in the growing and selling of produce with a further 37 percent trading in produce, while only 6 percent were involved in value adding activities such as packaging, and a further 4 percent rearing livestock (FinScope, 2012). Despite the significance of the contribution from this sector, financial institutions in Malawi are unwilling to lend to smallholder farmers, primarily because of the default risks associated with production, such as drought or poor rainfall. As a result, prior to 2005, only 50,000 of the millions of smallholder farming households in the country were able to secure credit from formal financial institutions. Without access to loans, farmers could not purchase high quality seeds that would increase productivity and raise their living standards (Marc & Olivier, 2011).

Demand for loans in Malawi is highly seasonal, about 80 percent in rural areas mostly depend on agriculture. October to January is the peak lending season with loans becoming due between April and September. According to Burritt (2006), there are few institutions that can underwrite portfolios, manage price and production risks for agricultural markets, or provide micro insurance for clients. There are specific challenges in providing financial services in rural and agricultural markets, which are highly relevant for Malawi. These include the greater exposure to systemic risk (floods and droughts etc.), the lower density of population, and the greater seasonality of activities. This is exacerbated by the higher transaction costs and the weak physical infrastructure in Malawi (Kiendel, 2006). With access to credit largely determined by risk mitigating factors around the source of repayment and secondary security, insurance has begun to play an increasingly important role in the Malawian financial sector. Lenders are able to entertain an increased risk appetite when financing transactions by ceding themselves as beneficiaries of insurance policies for the goods and businesses financed. In 2005 the World Bank in partnership with OIBM ran a pilot programme for smallholder groundnut farmers in the Central region of Malawi for weather based index insurance. The Malawi index-based crop insurance measures the amount of rain recorded at local meteorological stations. In case of severe drought, it is assumed that all farmers within a 20–30 kilometre radius will be similarly affected. The insurance contract was bundled with loans to farmers that cover the cost of high-quality seeds and other inputs supplied by a large agro dealer who would contract the farmers to buy their crops at the end of the season. The sum insured is the loan amount and interest payable and claims under the insurance are used to pay off part or the entire loan in case of severe drought. Farmers cede their payment rights under the policy to the lender, and pay-outs are automatically made to the bank if the index hits the specified contract threshold at the end of the contract.

The programme grew from a pilot of 892 farmers with $36,000 in insurance policies sold, to more than 2,700 farmers and a portfolio of more than $2.5 million in 2008. Despite the increased uptake under this scheme, weather based micro insurance is largely prevalent amongst small holder contract growers who have it bundled as part of their loans. Underwriters also decry the lack of a commitment by meteorological services authority to ensure trustworthy ongoing daily collection and reporting procedures, and an independent source of data for verification. Also required is a long, clean, and internally consistent
historical record to allow for a proper actuarial analysis of the weather risks involved in providing a more transparent pricing structure that would encourage uptake (Marc and Olivier, 2011).

Most small business owners did not borrow largely due to the concern that they would not be able to repay the debt, and of those that did, most likely borrow from family and friends. Only 2 percent of small business owners use a financial product covering risk, while the remaining 98 percent do not have any insurance despite noting major risks to operations and income. Of the insurance products available on the market, most were focused on natural disasters such as fire and or flood, with a lesser focus on illness or death of the owner, and theft of business stock, equipment or livestock. It is argued that the low levels of access and usage of financial services indicate that the current product set does not adequately address the needs of MSME owners. According to the dimensions of financial inclusion earlier discussed by the AFIFIDWG, the poor quality of the products in addressing these financial needs will result in greater financial exclusion. The survey further finds that businesses that are individually owned are most likely to be financially excluded (66%) followed by micro enterprises (50%). Medium sized businesses and to a limited extent small businesses have higher levels of financial inclusion and increasingly sophisticated methods to run their businesses as they operate at a level within the acceptable risk appetite of traditional financial services.

d. Key constraints and challenges related to financial services for marginalized groups

In order to better understand some of the barriers to financial inclusiveness, the various issues discussed in this report must be discussed in the narrower context of the three dimensions of financial inclusion, namely: (i) access, (ii) usage and (iii) quality.

i. Access to financial services

In terms of access the extent to which formal, regulated financial services are available as well as their physical proximity and affordability to the end users is crucial in assessing this. Service points, branches and outlets especially of banks tend to be more present in areas characterized by low poverty, regardless of population density. Moreover, the less densely populated areas that are also poor do tend to have less access points. Interestingly, the analysis of access to banking services at district level by population density and poverty suggests that the use of banking services is relatively invariant to the number of access points or how rural/sparsely populated a district is; although, as expected, the poorer a district is, the lower the level of bank penetration generally tends to be. It is relatively easy to explain why bank branches tend to concentrate in areas with low poverty, with only a few locating their outlets in areas that may be poor, but are densely populated: setting up operations in poor areas, and especially if these areas are also less densely populated, have implications on banks’ transaction costs. Areas that are poor are often characterized by deficient support infrastructure (such as electricity and telephone lines) crucial to branch operations (Oxford Policy Management, Kadale Consultants, 2009).

Many Malawian MFIs work in rural areas, where low population density and weak infrastructure result in high operating costs. Institutions continue to seek ways to increase efficiency through better communication, improved lending products, new technology, or some combination of these improvements. While unregulated MFIs are reaching poorer clients, they have higher costs and smaller operational volumes (MFTransparency, 2011). A lack of infrastructure for efficient cash distribution in the rural and semi-rural areas is inhibiting expansion of financial services in these areas. The low penetration of bank branches implies that it will be difficult to support cash-based distribution services, which is currently the predominant method of transacting.
While bank branches largely tend to be more present in urban areas and location of an access point is an important consideration in the choice of an individual to make use of a financial service, the research suggest that other variables still need to be considered such as, whether financial services being offered are configured to meet the needs of rural people or those with limited levels of education. Malawi’s two largest mobile operators, TNM and Airtel (a subsidiary of Bharti Airtel of India), serve an estimated 3.6 million mobile customers and both operators have experienced rapid customer growth. Both operators have launched mobile payment platforms allowing users to transact on their phones using them as mobile wallets. Given this trend, more banks are starting to launch their own mobile banking platforms to use as a tool for decreasing transactional costs and encouraging greater financial participation for those living further away from more urban centres where banks are more present.

Mobile money providers have sought out partnerships with banks to offer additive services to banked customers, but still face compliance challenges specifically when targeting customers without bank accounts in rural areas. Managing liquidity at the agent locations is also a key obstacle for growth of the service as those in rural areas who still transact in cash struggle to convert electronic money stored in a mobile wallet into real cash (MFTransparency, 2011). Greater efforts need to be made on interconnection of the various providers and channels to encourage greater participation which will piece together various parts of rural infrastructure to promote greater financial inclusion.

i. Usage of financial services
The information revealed in this report shows a low penetration of financial services with less than 30 percent of the population having access to formal financial services and low penetration rates for non-bank products such as insurance. The latest available data on usage is gathered in the Finscope 2012 MSME survey which reveals low levels of access especially amongst the urban and rural poor. Figure 3.17 captures findings on the degree to which business owners use financial services, depicting on its four axes the percentage of adults that use transactional, savings, credit and insurance products or services.

The key driver for access to bank accounts was savings and transactional products and 33 percent of respondents made use of an ATM/Debit card to access their funds. Despite the presence of various commercial banks and financial institutions throughout the country more than half of the population remains excluded from the formal financial sector which presents a number of various challenges to economic growth.
Also, with such a limited use of credit products (12%) amongst small businesses, this represents a key constraint to inclusive financial growth for the sector that presents the largest growth opportunity and employs the majority of the working population. Many small business owners access loans not from MFIs and co-operatives that provide 14 percent of loans, with commercial banks providing only 7 percent of credit. More established small businesses, with more sophisticated methods of running their businesses, experience higher levels of financial inclusion largely due to their understanding of products and increased risk appetite amongst lenders. Credit is viewed as the most important factor in selecting financial institutions for businesses that are looking for growth.

Given the low levels of risk experienced by business owners particularly for death and natural disasters, there are low levels of access and usage of insurance products. The levels of bureaucracy associated with making insurance claims also worked to discourage many small business owners especially those who sold goods of low value or without fixed abode. The business income is often the sole source of income for most households and for any disaster affecting the head of household the impact on the livelihood of the household would be tremendous in the event of an uninsured loss. With most banking driven by savings or transactional activity, most users of bank accounts used their bank accounts at irregular intervals. Lower income individuals typically accessed their account no more than twice a month to check when they had received money and then to withdraw it. The vast majority of payment services available in Malawi are limited to bank account holders who largely transact via nominated transaction accounts. Users can make person-to-person payments, as well as bill payments and high payments through these accounts but due to the limited level of interconnectivity amongst banks, cash is still the preferred method of payment meaning that more people prefer to withdraw cash and solemn use other bank services outside of cash withdrawals and deposits. People generally view the banks as overcrowded and offering poor service, but they are an institution to be trusted. Poorer, and more rural people are unfamiliar with banks and the services they offer, and some cannot read SMS (Bankable Frontier Associates, 2012).

In a recent book entitled Financial Inclusion in Africa (Faye & Triki, 2013), it is noted that for financial inclusion to become a driver of sustainable and inclusive growth in Africa, there is need that the transformative role that technology could play in achieving greater financial inclusion be seen as a key driver along with the need to reconcile financial inclusion and financial stability. Coupled with the lessons that could be learned from other developing countries and the role of Development Finance Institutions (DFIs) in helping design and implement the financial inclusion agenda in Africa, they argue that mobile financial services can help Africa achieve greater and more inclusive development. In fact, financial inclusion has the potential to boost domestic savings, increasing incoming money transfers from the Diaspora as well as lowering the cost of doing business by SMEs and the private sector by reducing the number of financially excluded households and enterprises in Africa.

**j. Efforts and opportunities for improving access to financial services**

According to the African Development Bank, economies in Africa have been growing at an average GDP rate of more than five percent annually since 2004, and many are expected to attain middle to high income levels by 2060. The principal constraint to achieving this goal is the lack of a sound, developed and competitive financial sector in many of these economies. A well-functioning financial system will be a critical prerequisite to achieving sustained and inclusive growth and giving citizens equal opportunities for growth and development.

The financial sector in Africa has made significant progress in terms of development and stability over the past decade with progress in reforming institutional framework and creating an enabling environment for
increased access to financial services. Non-traditional banking services such as mobile banking, micro insurance and other innovations have been hailed for increasing penetration ratios observed in several African countries, but nevertheless, many challenges remain. According to Ncube (2013), in order for financial services to become more available, accessible, affordable and henceforth inclusive, innovative financial instruments and well-functioning financial infrastructure is needed for the benefit of the poor and other vulnerable groups.

In November 2002, the GoM approved a Microfinance Policy and Action Plan to assist in the development of the microfinance sector. The policy seeks to promote the development of a sustainable microfinance industry in the country, by creating an enabling legal and regulatory environment as well as overall economic policies conducive to the development of microfinance.

The policy also recognizes the importance of improving the capacity of implementing institutions and key stakeholders such as advocacy and advisory groups, the RBM and the Ministries of Industry and Trade, and Finance and Economic Planning. This should involve promoting best practices in the industry among MFIs, government agencies and the donor community, and enhancing the co-ordination between them. It was understood that the existing legal environment is not deemed hostile to the development of microfinance in the country, but the review, amendment and even repeal of those laws and regulations that stand in the way of the sector’s development would benefit the development of the financial sector.

In 2011 The Malawi Government in conjunction with the World Bank launched the Financial Sector Technical Assistance Project (FSTAP) with the aim of increasing access to finance for the currently unbanked, but bankable, population of Malawi. There are five components to the project, the first component being financial sector regulation and supervision. This component is aimed at assisting the Reserve Bank of Malawi (RBM) to strengthen the national financial sector regulation and supervision framework for banking, capital markets, microfinance, and the insurance and pension industries by financing a combination of reporting, diagnostic, and capacity building technical assistance activities. The second component is the financial infrastructure. The third component is the financial consumer protection and financial literacy. This component will support the Government’s efforts to increase public trust in the financial sector by supporting the following activities: (i) strengthening the legal and regulatory framework for financial sector consumer protection; and (ii) enhancing institutional arrangements for consumer protection for all financial services. The fourth component is the Ministry of Finance’s financial sector policy and governance capacity and long-term finance. The final component is the implementation support. This component will facilitate the implementation arrangements for the project by supporting the operation of a Project Implementation Unit (PIU) at the RBM which is the responsible implementing agency of the project with support from an oversight committee chaired by the Ministry of Finance (MoF).

This project is designed to support Malawi’s national priorities as spelt out in the Malawi Growth and Development Strategy (MGDS). The MGDS recognizes the problem of poor access to micro-credit and high default as a key barrier to sustainable growth.

Important measures have been undertaken by the GoM, RBM and other key stakeholders to strengthen the financial sector and create an enabling environment for financial service provision. In particular, there have been renewed efforts to finalize a suite of amendments to the financial services law in the country. These amendments centre on updates to the Banking Act and the introduction of an overarching Financial Services Bill (FSB), a Microfinance Bill and a Financial Cooperatives Bill, the Credit Reference Bureau Bill, and the Payments System Bill, among others. With the passing and implementation of these new pieces of legislation, non-bank forms of financial institutions should be granted licenses to operate. The
institutions cover a wide range of institutional types and microfinance institutions, in particular, could be regulated as deposit taking, non-deposit taking or purely credit-granting institutions. Thus, many financial institutions expect that the passing of these bills will pave the way for greater legitimacy.

In support of the national strategy on inclusive finance, the role of RBM as a regulator has been to establish a conducive regulatory framework, while fostering the development of new products and improved financial services. Its relationship with government and private sector institutions enables stakeholder consultation and inter-agency coordination for promoting financial literacy and consumer protection. Through these mechanisms several initiatives have emerged including the National Payments Council, the E-banking Task force, and Financial Sector Development Unit within the Ministry of Finance.

**Box 3.2: Extract from Relevant Acts**

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<tr>
<th>Quality of Services</th>
<th>Consumer Protection Act (2003)</th>
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<td></td>
<td>To protect the rights of consumers, address the interests and needs of consumers, establish a Consumer Protection Council, provide an effective redress mechanism for consumer claims and provide for other matters was gazetted in 2003. The Act outlines a framework for customer redress mechanisms and specifies that contracts governing financial transactions must be: (a) in good faith; (b) consistent with the instrument embodying the contract between the parties; and (c) in a manner consistent with the laws governing or regulating financial transactions. The Act however does not specifically address the use of new payment technologies involved in financial service delivery.</td>
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<tr>
<th>Compliance</th>
<th>Microfinance Act (2010)</th>
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<td>Directive designed to ensure transparency and equity in the provision of Microfinance services. A key stipulation in the legislation dictates that all microfinance institutions, including approved financial institutions, shall display in a conspicuous place on the premises of every branch where they conduct business a notice containing terms under which microfinance products and services are offered among other information.</td>
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<td>The Money Laundering Act specifies that any financial institution must identify the customer before conducting electronic fund transfers. The Act denotes the Know Your Customer (KYC) requirements for individuals, which includes (i) the name, address and occupation of the person and (ii) applicable official identifying document (e.g. national identity card or passport). The requirements do not specify whether verification of identity is required through means such as utility bills. The Act does not specify a reduced KYC framework for low value transactions; nor does it specify transaction limits. The Act stipulates that records must be kept for up to seven years but does not indicate whether records can be held electronically or not.</td>
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<th>Compliance</th>
<th>Customer Due Diligence for Banks and Financial Institutions (2005)</th>
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<td></td>
<td>This Directive seeks to clarify anti-money laundering procedures, taking into account certain circumstances around the discussion of Know Your Customer rules and procedures. Although the directive leaves space for banks to use a risk based approach for customer acquisition, there remain some questions as to whether it limits the potential customer base to associates of existing customers or those with regular employment. The Guidelines are not referenced in the Money laundering so it is unclear whether the Act supersedes these guidelines, thus cementing its more conservative approach.</td>
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<tr>
<th>Payments</th>
<th>Mobile Payment System Guidelines (2010)</th>
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<td></td>
<td>The Mobile Payment System Guidelines are specific to nonbank based models in order to enable MNOs to offer payment services, defining the nature of the partnership between banks and non-banks. The Guidelines allow for the use of individuals and corporates as agents to extend the service networks and limits agent activities to customer registration, accepting cash, making payments and effecting fund transfers. The KYC requirements for account opening are the same as those indicated in the Money Laundering Act (2006). Again prejudicing those without formal employment or existing banking arrangements.</td>
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<tr>
<th>Credit</th>
<th>Credit Reference Bureau Act (2010)</th>
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<tr>
<td></td>
<td>Act designed to regulate the operation of credit reference bureau in Malawi. Companies have been licensed to commence operations but it is difficult to share accurate information on smaller borrowers due to KYC challenges such as the lack of a national identity system to uniquely identify legal entities.</td>
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Source: DEVCAS's compilation of research

Financial stability and financial inclusion should be complementary policy objectives that ensure an inclusive regulatory strategy (see Box 3.2 for recent relevant regulations). The financial regulators should adopt a conceptual framework that will help achieve financial inclusion while preserving stability and taking into account the regulatory requirements imposed by the different functions of the financial service industry such as capital adequacy and compliance. The innovative and cost-effective business models implemented by other developing countries such as agency banking, mobile payments and biometric
verification, could be used to expand access to financial services for rural and low-income households. It has been recognized that DFIs such as the World Bank are increasingly becoming a key player in fostering financial inclusion in Malawi. In order to strengthen development impact of DFIs’ interventions, greater collaboration between DFIs and local market players is needed.

Malawi through various initiatives has set off on the right track towards technological innovations required for greater financial inclusion with the prevalence of various low cost banking solutions such as mobile payments, card less ATM withdrawals and increasing numbers of electronic payment channels. The challenge now remains to build capacity in the provision, access and supervision of these new solutions to ensure that they deliver and truly foster inclusive financial growth.

3.8.2 Access to land and other productive assets

a. Why property rights matter in inclusive growth

Reinforced property rights, amongst other ingredients such as equal access to effective justice and citizen engagement in policy-making, are panacea for inclusivity. A system of strong property rights and resource governance can promote growth and protect individuals’ rights. The lack of clear property rights could undermine inclusive growth in various ways. For low-income households, lack of access to secure property rights compounds their lack of access to credit by depriving them of potential collateral. This heightens their poverty and insecurity. Lack of property rights could also contribute to conflict within families and communities due to competing land claims. Poorer families which do not have clear property rights are much more vulnerable to land-grabbing and corruption in property acquisition (AfDB, 2013). A further argument that has been made is that when existing property rights (weak or otherwise) are poorly enforced, it impacts on urban planning through urban decay, fire and health hazards and other threats to public safety (Mendoza, 2012). It is therefore important to understand the implications that Malawi’s approaches to property rights have on inclusive growth.

b. While property rights are constitutionally guaranteed, land rights are unequal in practice

In Malawi, property rights are guaranteed by Section 28 of the Constitution—every person has the right to acquire property alone or in association with others. Women are also expressly assured of this right regardless of their marital status (Section 24(1) (a) (iii)). Upon divorce, they are entitled to a fair portion of the property that they hold jointly with a husband (Section 24(1) (b) (i)). One of the key and sticky issues when it comes to property rights in Malawi is land rights. Land determines the productivity of countries, corporations and individuals. Malawi is a nation of farmers in which land ownership and distribution is highly unequal (Chasukwa, 2013). While about 2 million smallholder farmers cultivate on average less than 1 hectare, 30, 000 estates cultivate 100–500 hectares (Future Agricultures, 2012). If agriculture is to facilitate inclusive growth by being a dependable source of livelihood, the mere fact that smallholder farmers have inadequate land means their productivity is affected massively, and they are likely to remain in poverty. Following democratic elections in 1994, the government took the first steps toward addressing this situation by appointing a Presidential Commission of Inquiry on Land Reform.

The process later culminated in the development of a National Land Policy in 2002. The policy calls for the redistribution of land from large estates to smallholders and the formalization of customary tenure to address tenure insecurity, among other issues (USAID, 2010). However, the absence of legislation to operationalize the policy, particularly to support the administration of customary land, is in itself playing a significant role in marginalizing smallholder farmers. The process of enacting a customary land law was kick started in 2013, when a Bill was presented to Parliament. However, the process was soon stalled due
to self-serving interests of Chiefs, who fear that the law will deprive them of their existing powers over land. Women’s rights advocates have also argued that apart from ensuring the representation of women in Land Committees, the proposed law has not done much to address the fragile land rights of women, i.e. by recommending that where Land Committees are deciding applications for land, preference should be given to applicants with no or little land, usually women. The Bill also weakly reinforces issues of land control, which elude most women.

Taking this route can sufficiently address the needs of the most socially disadvantaged women, particularly in areas where women do not traditionally own land (patrilineal areas or such matrilineal areas that practice *chitengwa*). In these areas, married women encounter tenure insecurity because they have indirect access to land and no control of land. Indeed, during stakeholder consultations, it was evident from talking to women in parts of Kasungu, Lilongwe and the Northern Region that in their view, their land rights are hardly existent. A 2009 study by Action Aid Malawi has equally established the presence of this situation in districts like Dowa and Mzimba, where wives may even just be used as a source of labour, i.e. in tobacco estates. In matrilineal areas that are matrilocally practiced, it has been argued that the situation gets reversed, because it is men that had indirect access to land. While some men in this category can indeed be at the margins of growth, most of them still exert control over their households and have dominant decision making powers over their wives’ land. For example, Action Aid has reported that in Machinga district, as a reaction to their fragile land rights in matrilocally practiced areas, some men have chosen to assert their control through counterproductive mechanisms—i.e. using the land for moulding bricks for sale; or prohibiting any farming activity on the land.

This means that weak land rights sometimes play to the disadvantage of both women and men by entrapping their households in poverty, and call for appropriate legal mechanisms that can promote equality between men and women regardless of marriage arrangements or sex. What is noticeable is that in the various debates relating to how land rights should be clarified, voices representing people with disabilities and the youth have been largely silent, and it is difficult to appreciate how their needs are specifically addressed in the proposed customary land law. For the youth, even their representation in land committees has not been considered as it has been done for women. It is as if by default, land rights are viewed as being remote to the interests of these two groups, which is a completely erroneous approach to take if inclusive growth through equitable land ownership and control is to be facilitated.

### c. Property dispossession continues to perpetuate the insecurity of property and land rights

On the one hand Malawi has a good inheritance law that makes property dispossession upon death a criminal offence, and it prioritizes the nuclear family in inheritance. This gives the semblance that property rights in relation to inheritance matters are secure. On the other hand, enforcement of the law is very weak, and the relatively new law is not known by many. State inaction has played a great role in the weak enforcement. When property dispossession was first criminalized in 1998, government dragged its feet in appointing special prosecutors that were meant to enforce the law. After the new inheritance law was passed in 2011, property dispossession continues to be largely regarded as a private matter that should be resolved outside the criminal justice system. Yet, property dispossession is an occurrence that promotes insecure property and land rights, particularly among women and orphans. There is a deep need to protect women and orphans from property dispossession and generally to strengthen women’s property rights because property can help ease the impact of HIV and AIDS on those living with the

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36 *Whereby a wife resides in a husband’s village.*

37 *The Deceased Estates (Wills and Inheritance) Act of 2011.*
disease. The failure to safeguard women’s interests in marital property can have severe consequences for women affected by HIV, who may face stigma, discrimination and forced eviction as a result (WLSA-Malawi et al., 2011). Within the context of inclusive growth, improving women’s control over assets such as land can, therefore, have powerful consequences for women’s autonomy and the well-being of their families. Apart from being key to food security, the availability of collateral facilities enables additional borrowing, which in turn gives households the capital required to finance home-based self-employment work (ADB, 2012).

d. While it is known that women are marginalized in access to productive resources, data on other key groups is missing

The Malawi Gender and Development Index (2011) has data that can inform programming towards improving women’s access to productive resources. For example, it states that only 20 percent of women, compared to 80 percent of men, own land or houses in urban areas. Only 34.3 percent of people who operate plots in rural areas are women. These facts reveal areas of exclusion that permeate property rights as it relates to women that cannot be ignored if women are to be fully part of the country’s growth. However, stopping at gathering data for women will not achieve inclusive growth, and evidence needs to be collected to capture the extent to which the youth, people (including women) with disabilities, orphans and poorer men are holding productive resources in their own right. It is this data that can inform evidence based programming for sustainable and inclusive growth and development.

3.9 Chapter Summary

This chapter has discussed the enabling factors for inclusive growth, analyzing the gaps and paving way for recommendations for improvement that will be discussed in Chapter 5. The key messages for each of the enabling factors discussed are as follows:

3.9.1 Employment and income generation

There are lower numbers of women participating in the labour force compared to men. This is regardless of education qualifications. Labour force participation is higher in rural areas than in urban areas. Rural areas are not participating as much in non-agriculture industries. As for the priority sectors of growth (manufacturing, mining, tourism), they are currently not making significant contribution to employment generation, with rural areas being worse off by far. The labour force participation in the Southern region is slightly ahead of the other regions in all the three industries. The employment rate gender gap is significant, particularly in urban areas of the Southern and Central regions. In the rural areas, the widest gender differences are in the Northern and Southern regions. As for non-agriculture wage employment, women’s share is improving, but is still one third that of men. Women and the youth are under-represented in employment in policy and management positions in the civil service and in high status positions. Males dominate in relatively high paying technical and engineering jobs.

The majority of the labour force in Malawi, mainly women, is in informal employment, which is inundated by lack of skills, poor productivity, below the minimum wages, lack of markets, shortage of value addition and labour saving technologies, inaccessible roads and transport difficulties. Appropriate legal frameworks and standards are not available for the informal sector. There are fewer women than men in MSMEs, and the existence of gender blind policies related to MSMEs and micro financing has not been helpful. The draft NELP is not sensitive to the need to specifically address challenges affecting women, youth and people with disabilities in the MSMEs sector. As for youth employment, the fact that many youths aged 15–19 years are already in employment shows that young people in Malawi have limited access to education and enter the labour market very early while they have no skills. The number of youth
that are not in employment and not in education is a rising problem, slightly more for females. Interventions like YEDF are yet to benefit the youth in an inclusive manner that is free from politically influenced biases. Generally, while labour rights in formal employment under the Constitution, Employment Act and MGDS II are guaranteed, violations still occur through discrimination against women, persons with disabilities and people living with HIV in some employment spaces.

3.9.2 Education and skills development
The key messages from the analysis on education and skills development are as follows:

a. There is poor participation of girls at all levels of the education system with each level consistently having less than 50 percent of the enrolment comprising girls despite an approximate 50:50 enrolment rate with boys in Standard 1. The percentage of girls declines progressively from primary to tertiary levels. All this, which is a result of the relatively high drop out of girls than boys at all levels, is detrimental to inclusive growth as the Malawi population consists of more females than males.

b. There is low participation of Special Needs Children in the education system and the data on these learners in the Education Management Information System is not adequate to allow for a more detailed analysis of the situation. Some of the reasons for the low participation include low parental awareness, lack of specialised infrastructure and lack of specialist teachers.

c. The rural and urban poor often do not participate adequately because they start off from a poor quality of education as often they miss the Early Childhood Development which has been found to enhance student retention in primary and other levels of education and often attend community-based secondary schools, which, in a merit system of education, limits their participation in high levels of education and skills development.

3.9.3 Health and food security
With regards to health and food security, the following inferences were drawn:

a. Access to quality health care is not inclusive on account of location, education and wealth. People living in the rural areas have limited access to health care because of presence of few public health care centres that are located far away from the people creating access challenges. Worse still there are hardly any good private health care centres as found in urban areas. In such circumstances, traditional medical care becomes the first choice which despite its potential to support the modern health care system has debilitating effects that often lead to mortality and morbidity. In addition, the rural folks often have limited education and therefore of low wealth status both of which contribute to low access to quality health care.

b. The Southern region of the country has the lowest health indicators and may need to be targeted in the interventions on health.

c. The country has high levels of under-nutrition resulting in increased susceptibility to illnesses and low education attainment, work capacity and economic productivity. In addition, stunted children enter adulthood with more likelihood of becoming overweight and therefore more susceptible to non-communicable diseases. Again the rural areas especially of the Southern region of the country have high under-nutrition levels.

3.9.4 Energy and infrastructure for inclusive growth
Concerning energy and infrastructure for inclusive growth, the following points are for consideration:

a. With intermittent electric power supply, high connection costs and lack of robust renewable energy technologies, firewood has remained the main source of fuel for cooking to 87 percent of
the population. This not only has debilitating effects on the environment but also on the equal participation of different groups of people in socio-economic activities as it affects industrialization in the agriculture and mining sectors.

b. Malawi remains one of the countries with poor road infrastructure in the Sub-Saharan region. While this affects the whole Malawi population as poorly maintained international roads raise transportation costs, thereby making Malawian exports very uncompetitive, and in addition raises the costs of imported raw materials and pushing the cost of domestic industries, the rural poor are the most excluded. The country needs feeder roads to open up rural areas for development activities such as agriculture, social services and businesses to ensure accessibility throughout the year.

3.9.5 Access to resources

The following key messages from the study concerning access to resources are worth mentioning:

a. Data from the Finscope survey indicates that a disproportionate amount of people are totally unbanked and enjoy no financial services. Women are generally more excluded than men with women having more access to more non-banking financial services through either the formal or informal channels. The proportion of those financially excluded remains high at 55 percent and of those who are excluded, the majority tend to be rural-based, female and with little or no education.

b. The property rights that are guaranteed by the Constitution are not followed through when it comes to land rights. The absence of a customary land law that can promote equal land rights supports a culture where land rights of women, youth and people with disabilities are not fully respected. However, action on the ground has primarily focused on women’s land rights in matrilineal versus patrilineal settings, thus increasing the likelihood that the proposed customary land law may omit the specific interests of people/women with disabilities and male and female youth.

c. Property dispossession continues to be a problem that haunts most widows and orphans, mainly due to omission by the State to enforce existing laws and punish perpetrators. Inadequate knowledge of the new inheritance law, which gives priority to the nuclear family, is a major barrier to resolving property dispossession as an occurrence that impinges on property rights and, therefore, growth and development.
CHAPTER FOUR

CONDITIONS FOR PROMOTING INCLUSIVE GROWTH IN MALAWI

4.1 Governance and participation

Since the reintroduction of multiparty democracy in 1993, the country’s long-term vision and development policies and strategies: Vision 2020; the Malawi Poverty Reduction Strategy Paper (MPRSP); and the Malawi Growth and Development Strategy (MGDS) I & II recognize good governance as a prerequisite for the country’s development success. The Vision 2020 identified good governance as one of nine key strategic challenges that needed to be addressed to realize the Vision 2020 (GoM, 1998). The MGDS I underscored the importance of an efficient public service in promoting development and the MGDS II defined the main tenet of good governance as “good public sector management, absence of corruption and fraud, decentralization, justice and rule of law, security, good corporate governance and respect for human rights” (GoM, 2012a).

Although the concept of governance is widely discussed among policymakers and scholars, there is as yet no strong consensus around a single definition of governance. Various authors and organizations have produced a wide array of definitions. Some broad, such as the definition of “rules, enforcement mechanisms, and organizations” offered by the World Bank’s 2002 World Development Report "Building Institutions for Markets". Others narrow focusing on public sector management issues, such as “the manner in which power is exercised in the management of a country's economic and social resources for development”.

In this analysis we will use the governance definition of Kaufmann, et. al. (2010, p. 3 ) “the traditions and institutions by which authority in a country is exercised. This includes (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies; and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them.” The choice of this definition is dictated by the availability of long-term (1996–2012) data of world governance indicators (WGI) on six dimensions which we will use to assess and measure Malawi’s achievements in terms of governance. Three indicators are used to measure each of the three traditions and institutions by which authority is exercised as follows:

- The process by which governments are selected, monitored, and replaced:
  - voice and accountability; and
  - political stability and absence of violence/terrorism
- The capacity of the government to effectively formulate and implement sound policies:
  - government effectiveness; and
  - regulatory quality
- The respect of citizens and the state for the institutions that govern economic and social interactions among them:
  - rule of law; and
  - control of corruption

The other reason for using Kaufmann’s et al., definition of governance is that it captures most of Malawi’s governance sub-themes (economic governance, corporate governance, democratic governance,

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elections, peace and security and public sector management (GoM, 2012a)) which should facilitate assessment of progress in the achievement of governance outcomes during the multi-party democracy period (1996–2012) using the Worldwide Governance Indicators.

4.1.1 Governance and inclusive growth

It is generally recognized around the world that good governance plays a big role for economies to grow and human development to take place. It has been argued that good governance includes critical state capacities that maintain efficient markets and restrict the activities of states to the provision of necessary public goods to minimize rent seeking and government failure (Khan, 2007).40

There is a growing conviction that many persistent development issues result from weak governance. The relative failure of many developing country states are explained by the attempts of their states to do too much, resulting in the unleashing of unproductive rent-seeking activities and the crowding out of productive market ones. Weak governance, for example, is associated with widespread corruption, inefficient public services, lack of transparency and accountability, lack of rule of law, lack of respect for human rights and fundamental freedoms, lack of representation by particularly poor and disadvantaged groups in decision making, discrimination based on class, ethnicity, gender or other socio-economic attributes. This is supported by governance studies in a range of countries and regions which show that in general, countries with better governance performed better and that weak governance is responsible for persistent poverty and lagging development (UNDP, 2002).

As already noted in section 1.3.3, while economists agree that governance is one of the critical factors explaining the divergence in performance across developing countries, studies by Sachs and others (2004) show that differences in performance between African countries is not explained by differences in their quality of governance.

It is also generally recognized that participation in formulation and revision of rules and institutions that affect one’s community is a basic human right and part of development. If local people are consulted about development of their area and lives, it is more likely that such development will meet the perceived needs of the people.

4.1.2 Perceptions about the relevance of governance to inclusive growth in Malawi

a. Governance and inclusive growth under one party rule (1964–1994)

At independence in 1964, Malawi’s constitution provided for a multi-party parliamentary system. The Government inherited a well-devolved local government system with powers, responsibilities and resources for operation of programmes in sectors of education, roads and public health at District Council level. The system did not last long. The devolved powers, functions and responsibilities of the district councils were transferred to line ministries and by 1967 the Government administratively established District Development Committees (DDCs), with similar mandates as the local councils. With more Central Government resources being channelled through DDCs, and most of local councils revenue sources transferred to central government, local authorities were weakened. Furthermore, Central Government often side-lined the local councils in decision making on issues affecting local people. Thus the people became spectators in the development process.

With almost unlimited power vested in the President by the 1966 constitution and the status of life president conferred on the President by the 1971 constitution, Dr. Banda ruled Malawi with a free hand and little input from the people on the county’s development agenda. Elections for members of parliament and president were not competitive, nor was there any direct campaigning. Dr. Banda and the MCP handpicked candidates for both Parliament and local government elections. Malawi Congress Party decisions were implemented by Government without question by Parliament or local councils.

Overall, the three decades of Banda’s rule were marked by the abuse of human rights, absence of freedoms and lack of democratic governance in public sector management which could have brought about measures of popular participation in the affairs of the state, particularly in the promotion of inclusive growth. On the positive side, the extensive security system set up to prop up Dr. Banda’s rule also limited the incidence of crime, thus affording people a measure of personal security during most of this period.

In terms of social connections, civic engagement and citizens’ influence on development decisions had little influence in shaping the economic and inclusive growth agenda because the single-party rule did not allow the establishment of trade unions which would have advocated for better employment conditions and did not encourage discussion of alternative development agenda.

While Malawi’s economic growth rates compared favourably with many Sub-Saharan African countries during the one party rule in Malawi, the economy generated a paradox of growth of increasing income disparities and a growing poverty phenomenon (GoM, 1995). By 1998 poverty headcount ratio at rural poverty line (% of rural population) was estimated at 66.5 percent while the poverty headcount ratio at urban poverty line was estimated at 54.9 percent.\textsuperscript{41}

The poverty levels were also reflected in poor social indicators: high mortality rate (infant mortality of 135 per 1000 live births, under-five mortality rate at 234 per 1000 live births and maternal mortality rate at 620 per 100,000 births (NSO, 1994), including; high population growth (3.2% per annum); household food insecurity (60% of households being food insecure (NSO, 1994); high illiteracy rate (60% of adults could not read or write (NSO, 1987); declining incomes (real incomes of smallholder farmers, wage earners and informal sector workers estimated to have declined by 40% and 25% respectively between 1982 and 1992); high HIV/AIDS prevalence rate (12% of rural adults were HIV positive by 1993); and high gender imbalance (low levels of education, negative attitudes and practices, limited access and control to means of production, and limited rights and control on their reproductive health).

Compared to other countries, Malawi was ranked in the bottom ten countries in terms of per capita income in 1994 by the World Bank (World Bank, 1994). In terms of standard of living as measured by the UNDP Human Development Index, Malawi was ranked 157th out of 173 countries in 1994 (UNDP, 1994).

\textbf{b. Governance and inclusive growth under multiparty democracy (1994-2014)}

Since 1994 Malawi has pursued a number of governance interventions with a view to promote inclusive growth. The adoption of the new Constitution in 1995 which included provisions on human rights, rule of law and popular participation in decision-making was the first step in empowering ordinary people to fully participate in determination of their future. Until the dawn of multiparty democracy in 1994 the masses had very little say in determining their future. Many ordinary Malawians, particularly the poor, women and other vulnerable persons were deprived of their human rights and did not fully participate in the

\textsuperscript{41} World Bank (Various Issues), World Development Indicators.
development process and did not benefit from the development outcomes. The new Constitution therefore provided ordinary Malawians with rights to participate in development.

During the one party rule, development strategies and programmes were designed on the basis of the trickle down philosophy. There was very little community participation in the development process which crippled citizen participation in mobilizing and organizing community-managed development. Following the introduction of multiparty democracy in 1994, and the adoption of a new constitution based on participatory democracy, the new government re-introduced decentralized governance with a view to consolidate and institutionalise the newly gained political freedom and improve inclusive growth. In addition Malawi developed a national long-term vision (Vision 2020) based on a consultative process which identified Malawi’s governance and development challenges and proposed the long-term strategies for overcoming the challenges.

Due to the strategic importance of good governance in achieving Malawi’s social and economic development agenda the Government has been implementing a series of governance programmes since 1994 focused on issues of access to economic opportunity, private sector participation, efficient stewardship of public resources, promotion of democratic governance institutions, and justice and the rule of law. The focus of the programmes has been on four sub-themes of economic governance, corporate governance, democratic governance, and public sector management in order to consolidate foundation for poverty reduction and sustainable development (GoM, 2012a). The following are some of the major outcomes of the governance programme of direct relevance to inclusive growth:

- Devolution of political and administrative authority from central government ministries to the district level and introduction and promotion of a culture of active citizenship, especially in the country’s 34 districts;
- Capacity development of key governance institutions: Parliament, Malawi Electoral Commission (MEC), Malawi Human Rights Commission (MHRC), Law Commission, Ombudsman, Anti-Corruption Bureau, civil society organizations (CSOs);
- Reformed and strengthened formal and informal justice system which is responsible for the administration of the rule of law;
- Strengthened public sector administration capable of responding to people’s expectations in terms of service delivery; and
- Increased public awareness of the effects of public sector corruption on development.

<table>
<thead>
<tr>
<th>Most Important Attributes of Development for it to be Inclusive</th>
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<tbody>
<tr>
<td>Employment Generation (8)</td>
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<tr>
<td>People’s participation (17)</td>
</tr>
<tr>
<td>Gender Equity (10)</td>
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<tr>
<td>Youth involvement (12)</td>
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<tr>
<td>Education and skills development (7%)</td>
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<tr>
<td>Food Security (11)</td>
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<tr>
<td>Poverty reduction (4)</td>
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<tr>
<td>Access to basics services (14)</td>
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<tr>
<td>Improved human rights (2)</td>
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<td>Access to credit and other financial services (5)</td>
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<td>Other explain (10)</td>
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Figure 4.1: Perceptions of the most important Attributes of Development for it to be Inclusive
Evidence from the NHDR perception survey (see Figure 4.1) carried out early in 2014 has confirmed that peoples’ participation in the development process is the most important attribute (17%) for development to be considered inclusive. While processes and systems for increasing people’s participation in the development process were set up at national level (election of presidents and members of parliament every five years), local level (election of ward councillors at ward level, and local leaders at Area and Village levels), and selection of area and village level projects for funding by government and non-government organizations, people’s expectations of participation in the development process were frustrated by:

- Absence members of Parliament from their constituencies after being elected into office;
- Postponement of local government elections in 1995, 2005 and 2011 by of the central government;
- Lack of funding from central government and development partners for locally generated development projects and programmes; and
- When funds were allocated for locally generated projects and programmes, local people were not involved in the prioritization of the utilization of such funds.

In support of the human rights provisions of the Constitution and with a view to nurturing and consolidating multiparty democracy and good governance, Government set up new national institutions to prevent human rights abuses, and facilitate the participation of people in the development process as well as in accessing the benefits of development. The key governance institutions include: Parliament, Malawi Electoral Commission (MEC), Malawi Human Rights Commission (MHRC), Law Commission, Anti-Corruption Bureau, and the Office of the Ombudsman. In addition numerous Civil Society Organizations (CSOs) have emerged which have actively advocated inclusive growth, particularly for the poor and marginalised members of society.

![Figure 4.2: Perceptions of Governance in Malawi 1996–2012](source: World Bank, Worldwide Governance Indicators)

The overall assessment of the governance interventions based on the Worldwide Governance Indicators shows that Malawi registered improvements in all six governance indicators between 1996 and 1998. Thereafter, perceptions of all six governance indicators, except two (rule of law, and political stability and absence of violence), worsened reaching their lowest levels in 2002. After 2002, perceptions of
governance have improved to between 50 and 40 percentile in five of the six dimensions of governance (the exception being in regulatory quality of governance which fell to around 25 percentile by 2012) as shown in Figure 4.2. Malawi has not experienced a sustained period of increasing perceptions of the six governance indicators.

Political leadership has not been transformative in galvanizing the people around nationally developed long-term development agenda, the Vision 2020. Each of the last political leaders has failed to build on the foundations of previous administration. The country has continued to develop new development strategies with little reference to the Vision 2020 and lessons learned in the past 50 years since independence. Perhaps this is a reflection of the challenge Malawi has faced in nurturing and appointing foresighted leaders. It may also be a reflection of Malawi’s failure to develop capacities for political and strategic studies to generate alternative inclusive growth strategies. Both challenges were identified in Vision 2020, but they have not been addressed until now. There is therefore urgent need to build capacity for nurturing and electing transformative leaders and generating alternative scenarios of inclusive growth in view of the evolving regional and global socio-economic environment and competition for foreign direct investment needed to boost local investment.

4.1.3 Broad based participation

a. District and local levels
Decentralization reforms that were introduced with the Decentralization Policy and Local Government Act of 1998 have led to important institutional changes in governance structures and decision-making processes at the local level. District councils are now legitimate centres of implementation, responsible for delivery of services at the local level, with the aim of improving the efficiency and effectiveness of development interventions. Sub district structures have also been set up to facilitate bottom up development planning and enhance a coordinated approach to local level development. However, decentralized governance needs to enhance overall participation by the public at large, through representatives (elected MPs at national level, elected representatives at District, Ward, Area and Village levels) in the development and implementation of inclusive growth strategies to ensure that the various inclusive growth programmes are addressing the perceived needs of the concerned beneficiaries. This should now be possible following the holding of tripartite elections and the election of ward councillors. However, a recent review of the Malawi decentralization process identified some critical setbacks including: “the non-functional nature of key institutions meant to drive the decentralization process; resistance to change; staffing problems at the district and sub-district levels; limited discretionary and donor funding to finance the district development plans; limited capacity of sub-district structures; weak M&E systems and practices; dwindling knowledge and awareness of decentralization among sector and district staff and political leaders; limited dialogue on decentralization; limited downward accountability; and limited coordination of non-state actors’ support to the districts which curtailed the potential of the decentralization process to institute district councils as integrated units at the local level with substantial capacity to deliver services effectively and contribute towards improved rural livelihood (Chiweza, 2010). Most of the above shortfalls are being addressed but the urgency to resolve all the issues is now critical following the election of ward Councillors in order to enhance the full implementation of participatory democracy at the local level and enhance inclusive growth.

b. **Opportunities for enhancing participation**

Since the launch of the decentralization policy back in 1995 the number of opportunities for enhancing participation in the development process at the district and local levels have emerged. They include: “the increase in the number of development partners willing to support district capacity building efforts and other areas at the national level that have constrained the effectiveness of the decentralization process; the introduction of the Local Development Fund; and the District Charters programme. The number of sectors devolving their functions to the districts is growing and this is accompanied by an increase in central government transfers flowing to the districts” (Chiweza, 2010). And the holding of local government elections in May 2014 has enhanced the entrenchment of decentralization and district and local participation of the general public, particularly rural and vulnerable people, in the development process, thereby enabling them to benefit from the resulting growth.

c. **Enabling environment for participation at the decentralized levels (budgeting, planning, M&E and implementation capacity)**

In order to realize the full potential of decentralization and participation of ordinary people in the decentralisation process, there is now the need to enhance the capacity of districts to budget, plan, implement, monitor and evaluate district, area and village development plans. Systems have been set up to perform these functions; however, currently district councils lack the capacity to perform these functions, because the decentralization and devolution of personnel has not taken effect yet. There is therefore an urgent need for government to start relocating some of the national capacities to the districts.

4.1.4 **Governance summary and recommendations**

Since independence in 1964, each of the last political leaders has failed to build on the foundations of previous administration. The country has continued to develop and implement new development strategies with little reference to the Vision 2020 and lessons learned in the past 50 years since independence. It is therefore recommended that Malawi should build capacity for nurturing and electing foresighted and transformative leaders. In addition, Malawi needs to develop capacities for political and strategic studies to generate alternative scenarios of inclusive growth, building on previous gains, in view of the evolving regional and global socio-economic environment and competition for foreign direct investment needed to boost local investment around which political leaders can rally the support of the people. Both challenges were identified in Vision 2020, but they have not been addressed until now.

With the election of local government councillors, there is urgent need to clarify roles and responsibilities of councillors and members of parliament (who have been performing roles of councillors for most of the post single party rule period, 1994–2014) in the development process at the local level. Government should also start enhancing the capacity of district councils to plan, implement, and monitor local development initiatives by relocating some of the national capacities to the districts in order to enhance district development programme implementation and absorption capacities.

In particular, there is need to enhance the consultative processes between ward councillors who represent the people at the local level and members of parliament who articulate local needs at national level (parliament) in order to ensure that the aspirations of people at the local level are reflected in the national agenda. In addition, there is need to re-enforce decentralized planning, implementation and monitoring systems and institutions that had been initiated in the absence of ward councillors during the last 20 years of multiparty democracy, in order to ensure that beneficiaries of development programmes...
are involved in the identification, planning, and implementation of development activities thereby improving the inclusiveness of development programmes.

4.2 Human Rights and Social Support

This Part discusses human rights and social protection as two correlated issues in inclusive growth discourse.

4.2.1 Inclusive growth and human rights

The focus is on examining the role that the concept plays in promoting inclusive growth, the level of inclusiveness of policies and legal frameworks that promote human rights (particularly the right to development) and human rights related factors that affect the creation of an inclusive growth environment.

a. The role of human rights in promoting inclusive growth

The Malawi Growth and Development Strategy II (MGDS II, 2011–2016) has embraced human rights as one of its sub-themes. This is in recognition of the fact that good governance hinges on the respect of human rights; and that the observance of human rights allows all people to equitably participate in development processes as well as the fair distribution of development gains. The connection between the concepts of inclusive growth and human rights comes about through the understanding that inclusive growth as a development concept has to be amplified to include the protection of human, ecological and social rights (UNDP, 1996). Thus inclusive growth is growth that not only creates economic opportunities, but also one that encourages a greater integration of human rights and development, so that the worse off and the disadvantaged are not neglected while the rest of the population is making developmental progress in a country (ADB, 2013).

In this context, the relationship between inclusive growth and human rights becomes clearer when it is understood that poverty is one of the greatest obstacles to the realization and enjoyment of human rights, particularly social and economic rights. Poverty undermines access to basic rights and needs like food, water, shelter, health, education and information. When growth is inclusive, it contributes towards the enjoyment of human rights by mitigating the various aspects of social deprivation that are caused by poverty (ADB, 2013). According to UNDP, the fight against poverty in all its dimensions is not an act of charity but a matter of civil, cultural, economic, political and social rights for all people. Therefore, countries have an obligation to ensure that their national development and poverty reduction strategies are furthering the realization of rights of all people, particularly of the most marginalized and vulnerable groups.

Approaching inclusive growth from a human rights perspective requires the application of human rights principles to development and growth processes. The human rights principles of non-discrimination and equality, universality and inalienability and interdependency and indivisibility all provide a mandate for embracing human rights as a fundamental pillar of inclusive growth. The principle of non-discrimination prohibits discrimination on the basis of a list of non-exhaustive categories such as sex, race, colour and so on. The principle of equality confirms that “all human beings are born free and equal in dignity and rights.” Therefore, growth that raises the incomes of the poor by less than the incomes of other groups would not qualify as “inclusive growth” because such growth is only perpetuating inequalities (ADB, 2013). Growth that generates inequality could bring down growth potential as the poor would under-invest in their human capital, thus bringing down productivity and wages (IPCG, 2013).
The principle of universality of human rights places a duty on States to promote and protect all human rights and fundamental freedoms, regardless of the State’s political, economic and cultural systems (UN, 1993). Thus in the context of inclusive growth, the universality and inalienability of human rights entails that to the fullest extent that it is possible, all groups of citizens should be integrated in development measures that can facilitate the enjoyment of human rights that will lead to their development. States cannot elect which rights to respect, and which groups to include or exclude in the promotion of human rights.

The principle of interdependency and indivisibility of human rights simply means that all human rights are indivisible, interrelated and interdependent. The improvement of one of these rights facilitates advancement of the others (IPCIG, 2013). Similarly, the deprivation of one right adversely affects the others. It is only when these factors are consistently acknowledged and addressed for the full enjoyment of human rights by the wider population, including the vulnerable and marginalized, that growth can become inclusive.

b. The level of inclusiveness of policy and legal frameworks that govern human rights

i. How inclusive are human rights strategies under the Malawi Growth and Development Strategy II?

The MGDS II (2011–2016) has embraced human rights as one of its sub-themes. This is in recognition of the fact that good governance hinges on the respect of human rights; and that the observance of human rights allows all people to equitably participate in development processes as well as in the fair distribution of development gains (Sub-theme 5.3.2). The goal is to promote and protect human rights and freedoms as espoused in the Constitution of the Republic of Malawi (1994). The MGDS II expects that this would result in enhanced awareness and practice of human rights responsibilities; improved respect for human rights and choices; and enhanced access to economic, political and social opportunities (Sub-theme 5.3.2). It is important that the MGDS II has isolated awareness of human rights responsibilities because according to community stakeholders that were consulted in the process of producing this NHDR, the misunderstanding/neglect of responsibilities has contributed to reduced promotion of other rights (i.e. education, security of the person, development, etc.).

The MGDS II advocates different strategies to achieve its objectives of strengthening human rights. The strengths of these strategies from an inclusive growth discourse are that they aim at: (a) enhancing human rights awareness and education; (b) promoting equitable access to economic, political and social opportunities; (c) strengthening legal protection and equitable treatment for marginalized populations, women and children; (d) ensuring respect for prisoners’ rights; (e) eliminating all forms of discrimination; and strengthening capacity of human rights institutions (Sub-theme 5.3.2). These are important interventions that can ably protect those that are often excluded from growth opportunities. For instance, evidence from community consultations uncovered that equitable access to economic, political and social opportunities is an issue that mostly eludes the youth, women, the elderly and people with disabilities. Strengthening the legal protection of marginalized populations, women and children was seen as a viable mechanism for development, but only if such mechanism is accessible and enforced, which is a problematic area currently. Discrimination on the grounds of sex, age, disability and HIV status were mentioned as areas that continue to stifle growth. In addition, Section 4.2.1(c) demonstrates that for human rights to support inclusive growth, the strengthening of capacity of human rights institutions as well as awareness and capacity to demand human rights by all sectors of society remain key.

For the MGDS II strategies related to human rights to have an impact on inclusive growth, they have to permeate sectoral programming, so that each sector systematically deals with human rights issues that
affect it within the parameters of the MGDS focus areas. For now, a human rights based approach is not a routine part of sectoral planning, and this brings about disjointed human rights programmes that have minimal impact on improving inclusive growth across all sectors.

ii. How inclusive is the right to development under the Constitution?

The concentration on the right to development to the exclusion of other rights under this Part is purposeful, since other rights that matter to inclusive growth (such as the right to property, land and labour) are discussed in the context of relevant issues in other chapters. Besides, the right to development under the Constitution resonates with many aspects of inclusive growth that are covered in this NHDR. It can therefore be argued that if the right was fully implemented, the country would be on a solid path towards making growth more inclusive. This is because Section 30 of the Constitution, which enshrines the right to development, makes emphasis that women, children and people with disabilities, should be prioritized in the promotion of the right. The one area where this priority list can be faulted is its exclusion of the elderly, who face big developmental challenges that have been multiplied by the HIV and AIDS epidemic in the country.

Nevertheless, according to the Constitution, the inclusiveness of the right to development can manifest itself by (a) ensuring equality of opportunity for all in their access to basic resources, education, health services, food, shelter, employment and infrastructure; and (b) eradicating social injustices and inequalities. It cannot be disputed that recognizing and addressing the inclusion of all population groups in all aspects of growth is an important process in seeking to realize all human rights, social justice and equality in order to achieve the right to development.

However, the question becomes: despite the fact that the constitutional right to development is compatible with inclusive growth, is the right being enjoyed in reality? This is an important question because so long as some categories of society that are to be preferred in achieving the right to development are left out of development processes with the overall effect of making them poorer, it would be difficult to claim that inclusive growth is being attained. Already, findings from the community consultations that were conducted to inform this NHDR exhibit different challenges that some population groups in Malawi are facing to fully realize their right to development. Take the example of food insecurity and its relationship to the right to education. Findings show that even where the government establishes education facilities, it is unlikely that a child who is poor and hungry will be in school. Similarly, it is doubtful that a poor illiterate woman who is hungry and whose priority is to source food for her children will be motivated to attend adult literacy education.

Additionally, many rural people with disabilities claimed to be food insecure because they are marginalized on the ground of their disability in development programmes like the farm input subsidy and public works programmes. The findings also demonstrate that poverty is one of the barriers to rural children’s access to secondary education; just as many of those who have completed secondary education in rural areas are usually failing to have access to professional/vocational courses due to lack of resources. Women additionally find their opportunities to equal access to employment impeded by various factors, including low or no skills, and the dominance of male labourers in local development fund construction projects in many areas.

Access to health services is a challenge in most rural communities in Malawi due to distance, congestion and drug stock-outs. The problem of distance to health facilities particularly affects women, who face the dual task of having to take children to hospital and/or regularly attend antenatal clinics when pregnant. Even people with disabilities have distinct challenges for them to access distant health services. And though vocational trainings have targeted some people with disabilities, beneficiaries have been too few
and a lot more have not been reached. Further, it was found that despite the enactment of the disability act, many schools did not have conducive infrastructure to accommodate learners with disabilities, including appropriate sanitary facilities for girls in this condition.

Many elderly people, both men and women, are so poor that they lack decent shelter and food security. The latter problem prevails although they are beneficiaries of FISP. The explanation that has been provided is that most of the elderly are past productive age, cannot afford to hire farm labour because of poverty and, therefore the farm inputs are most likely mis-targeted. One area proposed is the provision of inputs or other incentives to community members that can support the farm activities of the elderly that are energy and labour constrained.

Additionally, the Democratic Governance Sector Strategy (2013–2017) observes that despite the fact that socio-economic rights are provided for in the Constitution, their protection is not as robust as evidenced by challenges relating to high school dropout rates (particularly for females), the lack of and poor school infrastructure, and low enjoyment of the right to strike and the right to development.43 To this extent, the various groups that continue to face hardships in accessing basic resources, education, health services, food, shelter, employment and infrastructure in rural Malawi are not enjoying their right to development and, therefore, are being side-lined in as far as inclusive growth is concerned in the country.

The government should take note that when people's well-being does not improve based on the full enjoyment of human rights that they have been guaranteed, the objective of development cannot be met. Under the Declaration on the Right to Development (1986), States are required to take steps to eliminate obstacles to development resulting from failure to observe civil, political, economic, social and cultural rights because 'the implementation, promotion, and protection of these rights will be essential for realizing the right to development as all human rights and fundamental freedoms are indivisible and interdependent.' In Malawi, courts have not given a right on the right to development, and its justifiability is debatable.

c. Factors that affect the facilitation of inclusive growth through human rights

The limitations to the enjoyment of the right to development that have been expressed in the preceding part are linked to the poor ability of citizens to demand their rights and report violations, inadequate capacity of human rights bodies that can enforce the promotion of rights, poor accessibility of formal courts, and inadequate capacity of the customary justice system to consistently deliver 'human rights based' justice. When these factors hinder the full respect and enjoyment of the right to development and other constitutional rights, the growth and development of segments of society becomes stifled.

i. Low ability of citizens to demand rights

Human rights and democratic accountability institutions, including courts, can be relevant in promoting inclusive growth if different groups of citizens are able to take action to demand their rights. One key factor that erodes the demand for socio-economic rights is the inability of ordinary people to make a link between service delivery and constitutionally guaranteed rights. This has implications on the extent to which people realize their right to demand specific services such as education, housing, health, water, food and the state's obligation to use available resources to fulfil their socio-economic rights (Democratic Accountability Baseline, 2012). For example, though both males and females know that they ought to demand rights, across Malawi, only a negligible number is able to make demands. The low capacity of both males and females to demand their rights has been attributed to (a) the lack of knowledge about the content of human rights; (b) the inaccessibility of institutions to which demands can be made; and (c) the public's confidence in public institutions where demands can be made (Democratic Governance Sector Strategy, 2013–2017).

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ii. Inadequate reporting of human rights violations

According to the Justice Sector Baseline Survey (2012), 15.9 percent of Malawians experienced some form of human rights violations in 2011. Generally, the reporting rates are significantly low. The differences between regions and sexes were not too statistically significant. The Urban, Central and Southern regions have slightly higher numbers of females that claimed to have reported human rights violations. This data suggests that in addition to the on-going work promoting legal and rights awareness, outreach activities and policy interventions must focus on supporting the public to vindicate violated rights by reporting and making claims. This is because violations that are not reported breed a culture of impunity and normalcy. Major barriers to reporting are lack of access to appropriate institutions, lack of confidence in institutions and lack of knowledge (Democratic Governance Sector Strategy, 2013–2017).

iii. Inadequate capacity of human rights bodies

Strengthened capacity of human rights institutions is essential in promoting human rights for purposes of assuring inclusive growth. The preceding section has noted that one of the strategies for strengthening human rights in Malawi under the MGDS II is to strengthen the capacity of human rights institutions (Sub-theme 5.3.2). One benefit of strong human rights institutions is that they help to improve access to justice and participation in society for vulnerable populations, including those that are often excluded or marginalized in their communities (Blue Law International, 2014). Therefore, legal remedy is one strategy for holding the State accountable to ensure that it is responsive to the basic rights of its people. But often, reliability of this strategy is affected by serious challenges related to the enforcement of human rights within respective human rights institutions.

In Malawi, the national human rights institution is the Malawi Human Rights Commission (MHRC). Another government funded democratic accountability institution that helps to reinforce human rights by hearing disputes related to government institutions is the Office of the Ombudsman. A UNDP State of Democratic Accountability Study (2014) indicates that institutions like the MHRC and Ombudsman are weakened by very inadequate budgetary resources that grossly impact on their operations and relevance. This gives the impression that the institutions are at the bottom of the State’s priorities despite that they offer valuable improvements to good governance indicators. With regards to low levels of confidence in institutions, the Democratic Governance Sector Strategy has revealed that most Malawians are dissatisfied with the performance of the Malawi Human Rights Commission and the Office of the Ombudsman. For example, 52.5 percent of Malawians are not satisfied with the way cases are handled by Malawi Human Rights Commission (only 17.9% are very satisfied). Satisfaction levels are higher in urban than rural Malawi, reflecting the fact that these institutions do not have a rural network of offices that can reach the majority of the population.

iv. Inaccessibility of formal courts to the poor

Courts also remain a typical avenue for accessing justice, including in relation to human rights violations in Malawi. However, formal courts are hardly inclusive, since most of them are not physically accessible. Even the number of judicial officers per proportion of the population is very poor, as Malawi has a national ratio of 2 judicial officers for every 100,000 people. However, there are serious differentials between rural and urban areas, where there is an average of 1.6 judicial officers for every 100,000 in rural areas; and 9 judicial officers for every 100,000 in urban areas. As for physical access, 60 percent of the population lives more than 5 kilometres from a court. In rural areas, 40.6 percent live more than 10 kilometres from a court.

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45 Established under Section 120 of the Constitution.
court. This reveals that the rural areas are most excluded from formal justice, including because of language barriers.

The Northern region has the longest distances. Long distance has implications on transport costs and for women, the choice on whether to access justice at the expense of the multiple roles that they perform at household and community levels. They may not even usually have the monetary resources for transport. The complexity of court procedures has also been burdensome to many Malawians, most of whom do not know how to initiate court cases. This results in a high preference for settling cases outside court through informal mechanisms. The reality that there are delays in the formal justice also worsens this situation. The figures above show that in three regions, as well as in the rural areas, delays that exceed one year are the most common. Delays are usually in two areas—rendering judgment; and poor implementation of the 48-hour court appearance rule.

v. Customary justice shortfalls

As for access by citizens to the customary justice system, the 2010 NHDR points out that this is a neglected and yet important player in human development in Malawi. A customary justice system that could contribute to Malawi’s poverty reduction efforts should have full capacity to address human rights challenges that hinder women’s development, whether or not those harms are entrenched in tradition (GoM & UNDP, 2010). This is because the system is very important for women, who access it more than the judicial system—more so because the existence of the office amidst all communities makes it a very accessible structure for justice delivery (ibid). However, poor quality of justice is one of the weaknesses of the customary justice system. This is mainly because suppliers of customary justice may lack the capacity to interpret customary law within the broader human rights context in the resolution of gendered disputes. Community level stakeholders, particularly women, generally ranked their access to justice at customary level as average—signalling that while improvements may certainly be happening, more is needed to bring this system to a level where women can be fully contented with its quality of justice.

4.2.2 Inclusive growth and social support

This part examines the relevance of the concept to inclusive growth; the extent to which policy approaches to social support in Malawi are inclusive; community perceptions on social protection interventions and priorities, successes and challenges that affect the inclusiveness of different social support programmes in Malawi. Both sections end with proposals for policy consideration.

Usually termed “social protection”, social support is viewed as a mechanism for institutionalizing the human rights-based approach to development as promoted by international human rights declarations and treaties such as the Universal Declaration on Human Rights (UDHR), the Convention on the Rights of the Child (CRC), the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and the African Union’s Livingstone Call for Action on Social Protection of 2006 (ODI, 2009). Social support is also linked to the right to development under the Malawi Constitution, particularly “the obligation of the State to take measures to introduce reforms aimed at eradicating social injustices and inequalities” (Section 30).

Malawi has deliberately opted to rebrand relevant programmes as “social support” as opposed to “social protection” as reflected in the MDGS I (2006–2011) so as not to convey the impression that the beneficiaries are helpless victims of poverty and vulnerability who are likely to remain in that state for the rest of their lives. With social support, beneficiaries would be expected to graduate from various programmes, meaning that the programmes would simply serve as boot strings to pull people out of
chronic poverty and vulnerability over a defined period of time (ODI, 2009). Since many similar interventions around the world use the term social protection, and given that the fundamentals of the two concepts are the same, the terms social protection and social support will sometimes be used interchangeably.

**a. How does social protection contribute to inclusive growth?**

Social protection constitutes a key pillar of inclusive growth, as it can contribute to growth through reducing inequality. Conceptually, social protection has been referred to as the system of protective measures to assist individuals, households and communities to better manage risk and economic shocks and provide support to vulnerable groups. Short-term social protection can help to provide immediate relief to affected households and prevent them from falling into extreme poverty (Welch, 2013). Therefore, social protection remains a key weapon in the fight against poverty and social exclusion. In order to achieve this objective, social protection systems need to strengthen their links with mechanisms that prevent and combat poverty and social exclusion (ILO, 2006). Social support in Malawi has been defined as all public and private initiatives that provide income or consumption risks, and enhance the social status and the rights of the marginalized, with the overall objective of reducing ultra-poverty as well as economic and social vulnerability of the poor and marginalized (Chinsinga, July 2009).

The link between inclusive growth and social protection is driven from the observation that a concerted effort of implementing social protection has significant positive socio-economic impacts. There is increased recognition that even if access to opportunities was equalized, there will always be some chronically poor who, for a variety of reasons, will not be able to participate in and benefit from the opportunities provided by the growth process. Therefore, social protection through the provision of social safety nets will be required for the chronically poor to enable them to survive with a modicum of dignity. Further, social protection systems could enable disadvantaged individuals to invest in potentially high-return activities. In this way, social protection policies not only act as safety nets, but as springboards to enable vulnerable households to break out of the poverty trap, by allowing them to invest in building human capital and to make profit-maximizing decisions (Ali, 2012).

Social protection programmes should be seen as a catalyst for poverty reduction and or economic growth. It contributes to enhancing economic growth and economic performance through increasing poor people’s access to assets. This happens by enabling them to purchase livestock, seeds, agricultural inputs, building infrastructure, bridges, roads, irrigation schemes, promoting education and health, or reducing risks so that people can use assets more efficiently. Social protection can, therefore, help to promote empowerment and security by improving risk management and facilitating higher return investments by poor people (Welch, 2013). This echoes the approach to and the purpose of social support programmes in Malawi.

Social protection increases access to public services and investment in human capital, particularly health and education. In turn, this helps to raise productivity and support the participation of the poor in labour markets. Child benefits (particularly cash transfers) and school assistance packages improve school attendance, and education constitutes the single most effective HIV-prevention asset. Social health protection prevents impoverishment due to catastrophic health expenditures, consequently protecting productive assets. Small-scale producers with access to social protection benefits are less compelled to sell produce at a loss in order to survive, such as at harvest times when temporary excesses in food markets might severely lower prices (Welch, 2013). This in turn may lead to their economic growth.
Despite this evidence that social protection leads to the inclusion of ‘the poorest of the poor’ in growth processes and the fact that it begun to be recognized as a universal right as far back as the 1940s, its full implementation is still far from being a reality. Millions of people worldwide still do not have adequate access to social protection services, or are not covered by any scheme (ILO, 2006). The analysis below indicates the opportunities and challenges of social support programmes, and how this impact on inclusive growth.

b. How inclusive are policy approaches to social support in Malawi?

Over the years, Malawi has shifted from the approach of ‘safety nets’ to ‘social support.’ Initially, Malawi developed the National Safety Nets Strategy in 2000 and National Safety Nets Programme (NSNP) under the Malawi Poverty Reduction Strategy in 2002. The objective of the NSNP was to reduce poverty and vulnerability of the poor and most vulnerable. However, the programme did not succeed in effectively contributing to reducing poverty and vulnerability due to several shortfalls, including the lack of a policy to guide stakeholders in implementing programmes and projects aimed at achieving the set goal (GoM, 2012b). To address these weaknesses, the Government in collaboration with diverse stakeholders concretised the social support approach through the adoption of the Malawi National Social Support Policy in 2012 (ibid). The policy is built around four key priority areas, namely: provision of welfare support; protection of assets; promotion through productivity enhancement; and policy linkages and mainstreaming.

The very steps that have been taken to improve shortfalls in the NSNP through the development of the National Social Support Policy signal the commitment of the government to have a more relevant and inclusive response to the vulnerabilities of the poor and most vulnerable. The National Social Support Policy (2012) is a medium-term policy that has been formulated to contribute towards the reduction of poverty and vulnerability, in line with the MGDS II (2011–2016) theme three of Social Support and Disaster Risk Reduction. The focus on social support under the MGDS II is aimed at continuing the provision of social support to the vulnerable, in particular those sections of the population that are in extreme poverty and require this kind of support. Through the Malawi National Social Support Policy (2012), the Government of Malawi is acknowledging that the process of economic growth and development, due to its complex and competitive nature and insatiable demands for resource endowments to create wealth, invariably excludes a certain sector of the population from taking full advantage of benefits of economic growth. Such groups of people include the elderly, the chronically sick, orphans and other vulnerable children, persons with disabilities, and destitute families.

The operational framework for the policy is the Malawi National Social Support Programme (2012–2016). It will facilitate the implementation of public and private programmes that will provide income or consumption transfers, protect against vulnerability and enhance the social status and rights of the ultra-poor and moderately poor. It can be concluded that judging from what is written on paper (the MGDS II, the Malawi National Social Support Policy and the Malawi National Social Support Programme), Malawi’s social support machinery can serve to ensure the inclusion of groups that are at the margins of growth and development. However, it is the level of implementation of social support programmes that can reveal the exact scope of inclusiveness.

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46 i.e. ad hoc and uncoordinated implementation of programmes, inadequate funding and inherent programme design problems and capacity constraints.
c. Community perceptions on social protection interventions

The process of developing this NHDR consulted different stakeholders on the various forms of social support that they are aware of, and those that they have access to. Almost all respondents at community level were knowledgeable about the existence of input subsidies/coupons, food subsidies, free/subsidized education, food for work programmes, school feeding programmes, free/subsidized health services, old age pensions, micro-credit schemes—though in varied degrees. Health insurance was not very well known.

As to the actual availability of the respective social protection measures to the respondents, Figure 4.3 depicts that most of the youth (90%), reported the availability of input subsidies/coupons. However, fewer youth confirmed the availability of the other social protection measures. About 60 percent claimed that cash for work was available; and only 50 per cent asserted the availability of free/subsidized health services, subsidized/free education, school feeding, cash transfers, old age pensions and micro credit. As for the women respondents, while all of them claimed that input subsidies were available, only 50 percent reported the availability of school feeding programmes. The numbers slumped further when only 25 percent of the women mentioned the availability of free/subsidized health services, subsidized/free education, and cash for work, old age pensions and micro credit. None of the women said that food stamps and cash transfers were available.

In respect of the men that were interviewed, 67 percent claimed that input subsidies, free/subsidized health services, subsidized/free education, cash for work, old age pensions and micro credit were available. Only 33 percent stated that school feeding, cash transfers, old age pensions and micro credit were available. Like the women, no man was aware of the availability of food stamps. The fewer responses confirming the availability of free/subsidized health services and education are surprising, given that most rural communities are supposed to routinely utilize these services. However, it was observed that the responses were linked to the respondents’ capacity to easily access the services, and their level of
satisfaction towards the services. Rightly, these issues should matter in gauging the inclusiveness of social protection measures.

Though it may look easy to use the statistics and conclude as to who is included or excluded, the situation becomes a bit complex when the purpose of social support is applied. From the perspective that social support in Malawi is meant to cover ‘the elderly, the chronically sick, orphans and other vulnerable children, persons with disabilities, and destitute families,’ experiences from the community reveal that the concept of social protection is not well understood, as almost everyone expects to benefit from interventions. One explanation for this is that poverty is so widespread, that excluding others from social protection measures is viewed by many as being unjustified. This is why many community stakeholders could not appreciate the rationale behind giving support to only 2–3 families in a whole village where many are impoverished.

d. Priorities, successes and challenges that affect the inclusiveness of social support programmes in Malawi

The Malawi National Social Support Programme has prioritized five areas of social support, namely: social cash transfers; targeted support to school meals; public works; village savings and loans; and microfinance. These have been selected based on evidence that they are high impact measures for which the country has accumulated adequate experience to scale up, and that some of them are relatively low cost.

i. Inclusiveness of the social cash transfer programme

The Malawi National Social Support Programme views social cash transfers as very effective in facilitating improvements in health, nutrition and education outcomes, social status and self-esteem of beneficiary households. Cash transfers are one of the major social support programmes administered by the Ministry responsible for Gender. It involves the provision of assistance in the form of cash to the poor or to those who face a probable risk of falling into poverty in the absence of the transfer. The main objective is to increase poor and vulnerable households' real income (IHS 3).

A comprehensive evaluation of a Mchinji cash transfer programme (UNICEF et al., 2008) uncovered that transfers have led to inclusive growth of beneficiary households through:

- Improved health and nutrition, because over 80 percent of households reported intensified food diversity with meat and fish, and 45 percent use of dairy products,
- Improved household food security, reflected in higher food expenditures, fewer missed meals, fewer days without adequate food and greater food diversity,
- Increased asset ownership including livestock, improved housing, bicycles and radios, among others. for example ownership of livestock multiplied sevenfold,
- Increased primary school enrolment from 87 percent to 95 percent,
- Increased retention and improved performance, as well as helped to reduce stigma among school going children, and
- Improved housing and living conditions, and decreased child labour in beneficiary households.

In addition, a scientifically tested finding in Mchinji suggested that a poorest household which had ranked 80th at the time of being selected into the cash transfer scheme had improved its relative income by seventy (70) positions and ranked 10th in the income perking order within one year (Seaman, Petty, & Kambewa, 2008). The acquisition of assets, food security and the strengthening of education
opportunities are results that can make a difference in ensuring that the very poor are part of sustainable development.

The fact that government funds for the cash transfer programme increased by over 100 per cent in 2013/2014 (to MK 450 Million) from MK 206 Million in the 2012/2013 financial year signals commitment to strengthen the programme to the benefit of excluded groups on account of their poverty. In 2014, the programme has also increased coverage to 18 districts, though implementation is yet to start.

**ii. Challenges affecting the inclusiveness of cash transfer programmes**

Under the programme, beneficiaries receive the amounts indicated in Table 4.1. In addition, there is a bonus of USD 0.4 and USD 1 for each child that is enrolled in primary and secondary school respectively. There is a concern that these amounts are too small to facilitate a decent livelihood. In fact, an observation has been made that for most of the beneficiaries, these amounts can at best help them to move from the ultra-poor bracket to the moderately poor. These concerns need to be followed up in the light of optimism by programme implementers that “the effects of cash transfers on poverty and vulnerability are promising and the scheme appears to be an effective measure for tackling these problems with a long term perspective.”

The social cash transfer programme currently targets 10 percent of the households that are both ultra-poor47 and labour constrained48 in selected areas. This is very small, thus justifying the concerns that were raised during the community stakeholder consultations that many poor people are ‘unjustifiably’ excluded. In fact, the Integrated Household Survey (IHS, 2010–2011), concluded that only a small proportion of people in Malawi were benefitting from cash transfers—with 0.2 percent benefiting from government, and 0.3 percent from development partners. When analyzed by region, the IHS (2010–2011) found variations, depending on whether the source of the cash transfer was government or development partners. The highest proportion (0.2%) of people from Southern region was found to be benefiting more from government cash transfers than other regions (0.1%). On the other hand, at 0.4 percent, the Central region registered a higher benefit from development partners than other regions 0.3 percent. A higher proportion of beneficiaries was from rural areas than urban areas. For example, it was estimated that 0.4 percent of people from rural areas and 0.03 percent of people from urban areas were benefiting from development partners.

(1) In terms of beneficiaries by type of household, by May 2012, the highest number of transfers was going to female headed households, followed by households headed by the elderly, and then child headed households. If counted by characteristics of individual beneficiaries, children were the major recipients, followed by orphans and then primary school children. While the data for many of the groups categorized as vulnerable is available, data for chronically ill beneficiaries as one specific category that is mentioned in the National Social Support Policy is missing.

(2) While the social cash transfer has been expanding since it begun in September 2005, by 2013, it was only in nine districts. In 2014, nine more districts were added, but full implementation is yet to begin. This means that the ultra-poor in districts are totally 16 excluded from this programme, thus sustaining their social exclusion. Even for the targeted districts, 2013 data shows that only Chitipa, Mchinji and Phalombe districts had coverage extending to all Traditional Authorities (TAs) in the districts. Salima (3 of the 10 TAs) and Mangochi (4 of the 9 TAs) had the least TA coverage.

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47 Households that have few or no assets, little or no land, limited or no labour.

48 Households that have no able bodied household member in the age group 19–64 who is fit for work (are chronically ill and/or are child/female/elderly headed); or households where a member in the age group 19 to 64 years, who is fit for work, has to care for more than 3 dependants.
Mchinji had the highest number of individuals benefiting from the social cash transfer programme, followed by Machinga district. Retargeting exercises have just been completed, which may lead to more inclusion.

(3) Like with other social support measures, the Malawi National Social Support Programme has admitted that the challenge with social cash transfers is that poverty vulnerability profiles of beneficiaries are not known. This affects the precision of targeting, making it likely that eligible chronically poor people may not be benefiting, while less deserving beneficiaries may be benefiting.

(4) The cash transfer programme has mainly been donor funded, which is a threat to its sustainability and capacity to consistently support the ultra-poor until poverty is eradicated.

(5) There is a problem with late disbursements—sometimes leading to beneficiaries getting their money up to five months in arrears. This practically maintains the impoverished state of beneficiary households for prolonged periods. Indeed, the Malawi National Social Support Programme has acknowledged that social cash transfers experience intermittent breaks that affect their impact on poverty.

(6) Most beneficiaries use their cash transfers to hire labour. While this has the benefit of distributing the income, on the other hand, it can make it difficult for households to make investments that can help them to graduate out of poverty. This may defeat efforts to ensure that beneficiaries are sustainably part of growth.

(7) A robust M&E system that can facilitate the tracking not just of the financial aspects, but also elements that can be used to meaningfully assess impacts of the scheme is an extra challenge. An effective M&E system is particularly important for providing objective evidence of what works and how it works.

iii. Inclusiveness of targeted support for school meals
The Malawi National Social Support Programme prioritizes targeted school meals because these have the direct effect of supporting the government’s efforts to attain the education Millennium Development Goal 2. In Malawi, the World Food Programme (WFP) has been implementing a school feeding programme since 1999, thereby contributing to efforts to achieve universal primary education.

WFP has reported that some of the impacts of the school meals programme have been improved pass rates, particularly for girls, high attendance and increased enrolment. Even interviews with school-going children during the process of producing this NHDR revealed the value of the programme because it was established that in the many households that face food insecurity, the lack of school feeding programmes disturbs the attendance and/or concentration of learners. Conversely, those who were current or previous recipients of school feeding confirmed that these programmes reinforce the attendance and enthusiasm of learners towards education.

iv. Challenges affecting the inclusiveness of school meals programmes
As of 2012, WFP had coverage of 683 schools in the most vulnerable hard to reach rural areas. This only constitutes 21 percent of primary schools in Malawi, meaning that 79 percent of schools are excluded from enjoying the positive impacts of the school meals programme. Community consultations that were held in formulating this NHDR revealed that as a consequence, schools that provide school meals are usually overflowing with learners which can have an effect in reducing the quality of education as learners are taught in shifts, and/or under trees. In addition, many learners are willing to walk long distances in order to attend a facility that provides school meals, which also affects their capacity to concentrate in class and study effectively after school. These factors inadvertently lead to the exclusion of such learners
that do not benefit much from the education system due to problems arising from the low coverage of the school meals programme.

- Apart from daily meals, WFP provides take home meals to girls and orphaned boys in the upper grades of primary school (WFP, 2013). What is notable is that these beneficiaries do not distinctly include children with disabilities, who can benefit from such incentive as they are sometimes excluded from the education system, usually by parents or guardians.

- Generally, the IHS (2010–2011) paints the picture that school meals programmes have usually been temporary, and the longest time that people have benefited from them is on average 8 months.

- On its part, the Malawi National Social Support Programme intends to support the efficiency and effectiveness of school meals programmes by investing on the promotion of sustainable energy sources, promoting home grown production of foods for school meals, and linking school meals to relevant interventions like public works programmes, farm input subsidies etc. However, incentives for the important role that women play in discharging the programme at the expense of productive activities are not conspicuous. Such incentives can promote inclusive growth because they will attach value to the otherwise unpaid work that women offer.

v. Inclusiveness of public works programme

This is a priority social support mechanism under the Malawi National Social Support Programme because public works have the ability to address short-term needs of poor households (through short term employment generation) and their capacity to generate long-term productive assets that can enable the poor to engage in mainstream economic activity. When integrated with forestry and agro-forestry interventions, public works can also address climate change mitigation objectives. The inclusiveness of public works programmes is viewed from the examples of two programmes—Irrigation Rural Livelihood and Agriculture Development Project; and Malawi Social Action Fund.

1) Irrigation Rural Livelihood and Agriculture Development Project

The Irrigation Rural Livelihood and Agriculture Development Project (IRLADP) is a public works programme which is known as ‘Inputs for Assets Programme’. It requires farmers to work for a public good for a period of 20 days in exchange for payment in the form of vouchers—which they use to redeem inputs from agro-dealers. The project started around 2006 with initial implementation in 11 districts. After June 2012, it received additional financing from the World Bank, allowing it to expand to all the 34 districts in Malawi. Before project extension, besides roads, eligible works included the construction/rehabilitation of mini irrigation schemes, rehabilitation of dip tanks, reforestation on community lands, construction of water harvesting structures, and soil conservation works, benefiting several farm lands. With the expansion to 34 districts, eligible works were trimmed to construction/rehabilitation of feeder roads and mini scale irrigation schemes. Job creation, though short-term, is being achieved through the public works programme. To date, the project has covered about 532,650 beneficiaries, out of which 261,000 are women.

Apart from employment, IRLADP has created community assets, and supported the development of remote fertilizer markets by creating effective demand. This has had a direct impact on ensuring that the poor are participating in the growth and development of their own communities.

49 Chitipa, Rumphi, Nkhotakota, Salima, Lilongwe, Dedza, Zomba, Phalombe, Blantyre, Chikwawa and Nsanje.
50 The project has created a total of 3,673 assets that are being used by the communities to date. For example, a total of 768 mini schemes covering 5,525.75 ha; 2,050 feeder roads with 10,101 kms; 232 afforestation covering 925 ha and planted with 595,000
IRLADP has increased the overall productivity of smallholder farmers from the baseline of 1.5 t/ha to around 3 t/ha. This was mainly due to increased use of soil and water conservation techniques and improved use of hybrid crops and fertilizers. There has also been increased number of farmers adopting improved technologies following increased extension messages accompanying the inputs distributed. Additionally, there has been an increase in the number of smallholder farmers accessing irrigated land. As a result, the food security status of participating households has improved, and the number of households selling surpluses has also increased. Of course, one would want to know how the very poor and vulnerable have benefited from these successes. However, the available data is limited to draw deep conclusions beyond the broad fact that about 49 percent of beneficiaries have been women. Thus for projects like IRLADP to contribute to inclusive growth, consistent poverty and vulnerability profiling of all key subgroups targeted for social support is essential.

2) Malawi Social Action Fund

Since the 1990’s, the Malawi Social Action Fund (MASAF) has been adopted by the Malawi government as the vehicle for increasing community participation in development and empowering the poor by financing small community projects. Before transitioning to the Local Development Fund (LDF), MASAF has been implemented in three phases (MASAF 1, 2 and 3); and MASAF 4 has in 2014 been approved by Parliament. Drawing from some of the focus areas of MASAF 3 (2003–2015), the intention has been to empower the poorest through their participation in a conditional cash transfer programme and in a public works cash transfer programme. The conditional cash transfers, implemented in the first cycle of MASAF 3, provided a higher wage rate of MK200 per day in return for the beneficiaries’ labour for a period of 5–10 days. Most of the beneficiaries utilized the money to purchase fertilizer, maize for consumption and agricultural seeds (MASAF, 2008). In 2005/6, one of the notable contributions of the programme was that it addressed vulnerability and food security because most beneficiary households boasted of an increase in harvests by three to fourfold. About 76 percent of women participating in the programme asserted that it had elevated their position.

On the other hand, the public works cash transfer programme has been implemented from 2008 for purposes of increasing cash for poor households and reducing food insecurity through the expansion of opportunities in labour intensive activities. A 2012 tracking study of this intervention established that it has had some impacts on livelihoods indicators. For example, 52 beneficiary households indicated that their incomes increased (but Chikwawa had the highest number of households—37 percent—that said their income had deteriorated). About 10 percent of the beneficiaries used the income gained to meet educational needs for their families (GoM/LDF-TST, 2013).

vi. Challenges affecting the inclusiveness of public works programmes

There are many challenges facing the inclusiveness of public works programmes in Malawi. The main ones are as follows:

- In 2011, coverage of public works programme was only 29 percent, meaning that this source of rural employment eludes a significant proportion of needy people. The short duration of the workfare and corresponding earnings make decent employment difficult to achieve through this social support measure.
In terms of the extent of inclusiveness of the respective MASAF programmes, available data makes some attempt to disaggregate data by sex, but not so much by other key variables that are meant to guide the selection of deserving beneficiaries for social support (i.e. the elderly, orphans and other vulnerable children, persons with disabilities etc.). In terms of the socio-economic profiles of the beneficiaries, a review of the implementation of public works programme in 2012 found that most beneficiaries are drawn from male headed households, with only 15.3 percent of households being female. This has two implications on inclusive growth (GoM/LDF-TST, 2013). First, it shows that strategic interventions that ensure that females in male headed beneficiary households have control/decision making ability over benefits from public works programmes are essential. This is because the community consultations asserted that in some areas, most of the workers are women. Second, it illuminates that there is potential mismatch between targeting, and the reality that most of the poorest people in Malawi are found in female headed households.

An indicator that the life changing effect of public works cash transfer programme has not been as widespread is the fact that in 2012, 98.5 percent of beneficiaries were uncomfortable to graduate from the programme. Indeed this was consistent with the decline of most of the country’s economic indicators in 2011–12, which specially impacted on rural people during this public works programme cycle (GoM/LDF-TST, 2013).

People with disabilities commonly complained of being side-lined in these pieces of work despite their confidence that they can ably implement aspects of this work.

In most areas, the popular complaint was that government officials had taken to employing a small number of rural workers, and creating ghost workers for the remaining quota. As a consequence, the work demands on those recruited were very heavy. If indeed women are the majority of the workers in some areas as the community consultations claimed, it means this situation only adds to the existing work burdens that they face on a daily basis—which could endanger their productivity in sustaining their own livelihoods. The fact that district officials were reported to be solely in-charge of the cash for work projects to the exclusion of local chiefs was noted to nurture the existence of the ghost lists.

Political interference by Members of Parliament/ruling party officials has also been noted as a big challenge in MASAF/LDF interventions that need to be eliminated if the poorest are to be practically and sustainably lifted out of poverty.

vii. Challenges related to inclusiveness of micro finance

The Malawi National Social Support Programme has prioritized micro finance as an aspect of social support based on its role in promoting the poor to move out of poverty by increasing their access to finance. At the same time, the programme document has observed that microfinance loan schemes have so far not had high poverty impact because of small loan sizes, and the failure to integrate them with village savings and loans as an exit strategy. Therefore, ensuring that this intervention supports inclusive growth requires addressing these challenges, including devising workable strategies for those that currently claim exclusion from micro credit groups.

For instance, in Ntchisi and Lilongwe districts, people with disabilities shared that apart from their family members, they are mainly shunned in microcredit or economic empowerment related groups. As a result, they had opted to form their own group. On a broader level, very high interest payments were ranked high as one of the reasons why poor people, particularly women, do not source credit from microfinance institutions. In inclusive growth terms, it makes little sense to introduce credit products that will simply serve to trap disadvantaged groups in poverty. The ideal should be to provide products that support the poor to graduate from micro businesses to small-scale businesses, thereby permanently moving beyond...
the poverty line. Low coverage of microfinance interventions is also problematic, standing at 20 percent in 2011 (GoM, 2012b).

viii. Challenges related to inclusiveness of village savings and loans

Under the Malawi National Social Support Programme, this tool of social support seeks to target those in the moderate and extreme poverty categories. By 2011, the estimated coverage of village savings and loans (VS&L) was at less than 20 percent (ibid). While one school of thought is that VS&L schemes are not a plausible social support measure since they benefit those that are economically empowered, this NHDR has established that most schemes are a springboard for initially financially handicapped participants to gain some economic muscle and independence. To this end, the scheme is a relevant social support measure that fosters inclusiveness.

With thorough implementation, this intervention can promote asset accumulation and agricultural production (i.e. through enhancing value addition, agricultural diversification, farmer field schools and agricultural cooperatives) (ibid). All these are noble and strategic intentions, except that for now, women are the ones that predominantly participate. For example, since 2008, CARE Malawi has been the lead player in instituting VS&L schemes. By March 2013, there have been 146,987 (78%) registered women participants and 32,817 (22%) male counterparts.

While the participation of large numbers of women is certainly welcome for their economic empowerment, the inadequate participation by men carries the risk that they will not be part of the agriculture based strategies that can propel a critical mass of Malawians to graduate from poverty for life. The survey that was conducted to gather more data for this NHDR found that men have largely seen VS&Ls as a ‘women intervention’ because of the very low amounts that participants contribute, and because they mostly want to see immediate returns from their investments. The fact that most interventions initially focused on mobilizing women into groups also make some men reluctant to join these women dominated groups. Having particular strategies for poor males can, therefore, help to make the intervention more inclusive. Overall, the Malawi National Social Support Programme also embraces the need to facilitate VS&L graduation by linking clients to microfinance organizations. This analysis is mindful that the strategy can be successful if the challenge of low micro-finance loans is equally addressed.

Perhaps the most glaring inconsistency between the current implementation of VS&L schemes and intended social support beneficiaries is that many of the schemes do not purposefully seek out the poor or labour-constrained as defined in the National Social Support Policy. Therefore, not surprisingly, it is rural people that have some resources to contribute to the VS&Ls (and arguably not chronically poor) that typically participate and benefit. The absence of strategies to cover the participation of the elderly poor and the destitute is conspicuous. Clearly, programming has to balance the need to generally facilitate/strengthen economic empowerment, and the social support intent of helping the diverse portfolio of the very poor out of poverty.

e. Cross cutting challenges related to the inclusiveness of social support interventions

The Malawi National Social Support Programme recognizes that many social support programmes are already at various stages of implementation, but that they remain largely uncoordinated. At the same time, poverty in Malawi is predominantly rural and concentrated in the Southern region, which has eight of the country’s most vulnerable districts. The implementation of social support programmes is, therefore, crucial in these districts in order to enhance social status and rights and responsibilities through reducing social and economic vulnerability.
Currently, for all the programmes, there have not been enough deliberate efforts to target beneficiaries in such a manner that ensures that the needy are indeed included, and that those that are ineligible are left out. This is primarily because baselines have not been routinely conducted to reflect full poverty vulnerability profiles of targeted groups leading to inclusion and exclusion errors. Such baselines can guide the development of poverty related indicators for each tool of social support and, therefore, improve targeting, monitoring and the graduation of clients. Funding also remains unpredictable and insufficient, and this is evident in the very low coverage of the various social support interventions. The desire of the Malawi National Social Support Programme to accelerate the reduction of extreme poverty from 24 percent to 10 percent and moderate poverty from 26 percent to 17 percent hinges on the ability of interventions to surmount these challenges. The positive development is that for the first two years of its implementation, the Malawi National Social Support Programme has a road map that focuses on establishing baselines, harmonizing targeting and establishing a reliable funding stream.

4.3 Gender responsive budgeting

Many Governments recognize that budgets are a government’s most important policy instrument and that while budgets may appear to be gender-neutral policy instruments, expenditures and revenue collection can have very different impacts on men, women, boys and girls. For example, effects of cuts in spending on agriculture are likely to fall most heavily on poor women farmers who, to a significant extent, feed the nation. In this respect, a number of governments, such as the Government of the Republic of Zambia (GoRZ), through the UNDP supported Gender and Economic Policy Management Initiative (GEPMI) project, have taken significant steps towards gender responsive budgeting (GRB).

4.3.1 Why is gender responsive budgeting a condition for inclusive growth?

GRB implies having an inclusive budget that seeks to address the marginalization of target groups by focusing both on increasing incomes and improving access to resources and services (NDI, undated). GRB supports the mainstreaming of the gender dimension into all stages of the budget cycle, including reprioritizing and tracking resource allocation for the fulfilment of gender equality goals. Gender responsive budgets can improve the effectiveness, efficiency, accountability, and transparency of government budgets. Therefore, gender responsive budgeting is an important condition of inclusive growth because it targets planning and budgeting at needs and priorities of men and women, boys and girls that face any gender specific barriers that are preventing them from accessing certain opportunities/services (Bundler, 2008). Investments in addressing these barriers is an important measure of government’s commitment to achieving gender equality objectives just as it is a matter of smart economics. This understanding, therefore, defies arguments that are sometimes made that gender equality is a luxury expenditure that must take a back seat while ‘other more urgent’ problems are dealt with (Seguino, 2013).

Nothing can be more urgent than ensuring that squeezed public sector budgets are efficiently and strategically committed towards reducing poverty and inequality, thus ensuring inclusion in any given sector. Gender responsive budget allocations have the potential to redress inequalities and discrimination in the household, in asset ownership, and in labour and credit markets. This can be satisfied by adopting measures such as spending on education and training that close gender gaps, including in public employment; investments in access to health care; and expenditures that reduce women’s care burden. With regards to the latter, investments can be made in public infrastructure that reduce women’s unpaid labour burden, thus expanding their opportunities to participate in activities that raise their earning and development potential and be included in growth (Seguino, 2013). There is ample evidence that
improvements in women’s access to income result in more resources being invested in children’s health, education, and development (Folbre 2002; Xu 2007). All these are fundamental conditions for inclusive growth.

4.3.2 Efforts taken to adopt GRB in Malawi and their impact on inclusive growth

This far, the fact that GRB interventions in Malawi have been largely ad hoc makes it safe to conclude that they have had little impact. Malawi initiated GRB in 2003 with funding from CIDA, and this resulted into the formulation of ‘generic guidelines for mainstreaming gender in programme cycles and policies’ in 2004 by the Ministry responsible for Gender. The expectation was that the guidelines would inspire sectors to develop sector specific guidelines to support them to routinely respond to the needs of men and women in their programming and budgets. However, this has not been achieved satisfactorily. The few promising case studies are the Ministry responsible for Agriculture, which has a strong Gender and HIV Strategy (2012–2017); and the Ministry responsible for Transport and Public Works, which formulated draft gender mainstreaming guidelines for the sector in 2013. The latter would have to be made actionable through the formulation of a sectoral gender strategy if they are to be relevant in practice. The development of sectoral gender policies and strategies has proved to be a useful strategy for institutionalizing GRB in countries like Mauritius, where by 2012, twelve government ministries had sectoral gender policies in place, while four had draft policies (SADC, 2012).

For GRB to be solidly engrained in public sector programming, it usually takes the interest and commitment of the Ministry responsible for Finance. One important mechanism that this Ministry has utilized to ensure that resources are available for meeting gender equality objectives has been to issue gender sensitive budget call circulars directing ministries, local government and councils to apply a gender perspective to their budget development processes. Malawi first took this step in 2013/14, when the budget call circular instructed all sectors to address “the needs of females and males in the activities, outputs and budget of each programme and sub-programme as a priority and make sure that sufficient resources are allocated to the described gender inequality areas” (Section 2.7). However, interactions with planners in the Ministries of Transport and Education in 2013 revealed that none of them was aware of the presence of this gender sensitive budget call circular, meaning that there was no application. Challenges that were noted by planners indicate that their annual pre-budget briefings/trainings do not address issues of gender responsive budgeting, and that the Ministry responsible for Finance has not embraced this as a core tenet of its mandate. The Ministry has also not provided incentives to sectors that adopt GRB, thereby not giving anyone cause to seriously adopt gender responsive budgeting.

Additionally, for gender sensitive budget call circular guidelines to serve their intended purpose, they have to provide precise guidance on how to take into account gender equality interventions, so that even planners and senior officials that have little or no prior gender expertise are guided on what to do. Rwanda has adopted this approach by including specific questions that planners are required to address. The gender sensitive budget call circular guidelines also have to be supported by strong mechanisms for monitoring their implementation. The relevance of exact guidance, coupled with training and monitoring is seen in the GRB experiences in the region. For example, Zimbabwe’s GRB activities have gained force in recent years. GRB in the country has political support at the highest level of government (the Presidency, Ministry responsible for Finance, and Public Service Commission). However, institutionalization of GRB is slow. In 2012, out of the 38 vote appropriations in the national budget, only six ministries included a line

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51 As part of the key sectors targeted by the Gender Equality and Women’s Empowerment Programme, UNFPA/Ministry responsible for Gender.
item under programmes for gender mainstreaming. However, it was not clear on how these funds are used, confirming that budget tracking and monitoring are areas that still need to be integrated into Zimbabwe's gender-responsive budgeting programme (SADC, 2012).

Even Mozambique, which has strong support for GRB has noted that its limitations to GRB include the need to analyze the gender responsiveness of budgets, develop solid monitoring tools that can capture GRB related achievements and gaps in all sectors, and continue strengthening the technical capacity to apply gender at all levels. Tanzania has faced limitations despite its GRB successes, i.e. the incorporation of gender within the national budget guidelines in order to guide sectors in the preparation of Medium Term Expenditure Frameworks (MTEF); and the establishment of Tanzania Women Bank, which was allocated USD 1,250,000 earmarked for women’s businesses. However, the lack of a proper tracking mechanism of GRB activities in different sectors was isolated as a factor that made it difficult to measure the exact impact of GRB. Zambia has recognized that the practical and widespread mainstreaming of gender in sectoral budgets remains a struggle, especially due to capacity challenges and poor availability of sex disaggregated data at national level. But to its further advantage, in 2012, Zambia drafted a costed gender action plan (SADC, 2012).

The Zambian approach in developing a gender action plan is in fact one strong strategy for ensuring that sectors are committed to GRB. SADC expects its member States to develop costed gender action plans that can guide the allocation of finances for purposes of achieving gender equality within different sectors. Seychelles has actually developed a Plan of Action which fully follows the 28 target areas of the SADC Protocol on Gender and Development (SADC, 2012). Malawi has not yet done this, despite the fact that most of the targets under the Protocol are to be met by 2015. Without a methodical way of planning for how resources towards gender equality can be secured, not much can be achieved in GRB interventions. However, to be sustainable, financing has to avoid heavy donor dependency, which is usually the case in GRB interventions—including in Malawi. The fluidity of donor financing can exclude some groups from enjoying benefits when there are no or insufficient pledges for GRB.

Institutionalizing GRB also means ensuring that there are Gender Focal Points. These play an important role in the implementation of gender budgeting and gender mainstreaming, and act as liaison officers between the gender machinery and line Ministries. Malawi has done a good job of instituting these Gender Focal Points. However, the major setback is that staffed are by low level officers that have no influence on decision making (GoM, 2014). Even Tanzania has experienced this as a handicap to its GRB efforts. Perhaps one good practice is Zimbabwe, which reconstituted Gender Focal Points in all ministries from the level of Deputy Director and above, since these are policy makers within every ministry.

Ownership of GRB by the Ministry responsible for Finance is also key, since GRB is intended to promote gender mainstreaming in public finance. SADC countries that made relative progress in institutionalizing GRB have put the Ministry responsible for Finance at the centre of interventions. Zimbabwe even ensured that training in GRB of all Directors of Finance in Government, Gender Focal Persons in all ministries and Budget Review Officers of the Ministry responsible for Finance were trained. In Malawi, the Ministry responsible for Gender continues to lead GRB activities. Through the Gender Equality and Women Empowerment Programme (2012–2015), the Ministry responsible for Gender is taking steps to closely work with the Ministry responsible for Finance to promote GRB. Hopefully, these efforts can build into full ownership by the latter Ministry, which commands a lot of influence over all sectors, and has the power to strengthen inclusive growth through expenditure and revenue generation mechanisms that consider disadvantaged groups.
4.3.3 Unpaid care work

Unpaid work, or “unpaid care work” (UCW), as it is commonly referred to, includes all non-remunerated work activities. Generally this type of work lacks social recognition. A well-known feature of UCW is that “women, as compared to men” perform it disproportionately in developing and developed countries alike (Antonopoulos, 2009). Unfortunately, unpaid work tends to connote non-production work, or non-economic work. However, some unpaid work activities are deemed economic work and should be considered like economic work, and belong to the SNA production boundary. The UN National System of Accounts (NSA) convention of 1993 indicates that unpaid economic work activities can be measured and included in national estimates of GDP (Antonopoulos, 2009). For the rest of the unpaid work, the SNA recommendation is that since such work contributes to the society, though not to the economy, parallel (satellite accounts to the National Income and Product Accounts (GDP) be constructed. It is argued that in situations where market activities comprise a small fraction of the economy, it is important that unpaid work be taken cognisance of, by expanding the measurement of GDP, as such work is considered to be a subsidy to marketed part of the economy and a subsidy to state provisioning (Antonopoulos, 2009).

Recognizing the centrality of unpaid care work (UCW) to human welfare requires concerted efforts to make such work visible through use of time use surveys, improved measurement tools, capacity-building, and integration of unpaid care work into broader policy-making and budget frameworks. While a number of countries, such as Zambia, have showed interest to incorporate unpaid care work into the national accounts and the budget, progress has been hampered mainly by lack of capacity to measure such work, through the use of gender-responsive data collection and time use surveys, the integration of unpaid care work into economic policy analysis, and macroeconomic modelling. With the collaboration of the Department of Statistics of Zambia, some work in the context of HIV and AIDS, is currently being piloted in South Africa and Zambia. The recognition of UCW in Zambia should be seen as a thriving force for pushing the Gender and Economic Policy Management Initiative (GEPMI) agenda in the country. The module already addresses some of the challenges (measurement tools, country examples of integrating UCW into policy, etc.) faced by Zambia in integrating UCW in policy.

4.4 Chapter conclusions and recommendations

Chapter 4 has reviewed conditions for promoting inclusive growth in Malawi. We selected and reviewed policies in the areas of governance, human rights, social protection and support, and gender because of the expected opportunities for reforms in these areas to unleash new opportunities for investment so as to allow the economy to tap new sources of growth and address the issues of inclusiveness and social cohesion of the economy thereby ensuring that benefits of growth are shared equitably. We have done this by addressing the key question of how the selected policy issues have strengthened growth and made it inclusive and sustainable over time.

4.4.1 Conclusions

a. Governance and participation

Between 1964 and 1994, period of single party democracy era in Malawi, the country experienced rapid increase in per capita GDP during the first 15 years (up to 1979) of Independence. During the next 15 (1980–1995) there was a slow-down and decline in per capita GDP growth accompanied by increasing levels of poverty. Overall Malawi experienced some growth but the growth was not inclusive. Smallholder farmers did not participate in the production of high value agricultural crops which led to the rapid rise in
per capita incomes, and they did not benefit from the world market prices of their smallholder crops because the national marketing corporation, ADMARC invested the profits in other sectors.

During the 20 years of multiparty democracy (1994–2014), Malawians aspired “to be united, secure and democratically mature with socio-economic development spread to all parts of the country.” In addition the government was expected to operate in an environment of transparency, accountability and rule of law with a view to encouraging effective participation of all citizens in the governing of the country so as to ensure inclusive growth. The good governance aspirations of the people have been enshrined in a constitution which provides for the enjoyment of human rights and the right to development for all Malawians. Supporting governance institutions have been established and capacity building programmes have been implemented to ensure that the governance institutions fulfil their mandates of fostering growth for all Malawians.

The overall assessment is that governance has not yielded inclusive growth dividends for Malawi during the 20 years of multiparty democracy in terms of per capita income growth. Vision 2020 has not been used in guiding development agendas followed by the post single party rule leaders. Lessons from previous development strategies and programmes have not been used to reinforce new development strategies. For example, the growth enhancing estate agriculture strategies which led to rapid per capita income growth during the first 15 years of independence have not been reflected in the successor strategies.

b. Human rights

In the area of human rights, the 1994 Constitution of the Republic of Malawi has created an enabling legal environment that can potentially foster the realization of the right to development and other socio-economic rights. However, this Chapter has noted that some categories of society that are to be preferred in achieving this right are struggling with basics such as employment, education, health, food shelter and infrastructure. The most affected are people with disabilities, rural and poorer children, women and the elderly. One of the big challenges encountering the country’s democracy is that low emphasis on responsibilities that accompany human rights has led to perpetuating inequalities through different means. Recent data from the democratic governance sector has uncovered that there is low ability by citizens to demand rights, which has had implications on the improvement of services such as education, housing, health, water etc. Further, there is inadequate reporting of human rights violations, thereby breeding a culture of impunity in some instances. Progressively, Malawi has the Malawi Human Rights Commission and the Office of the Ombudsman as human rights bodies that have constitutional mandates. However, these bodies have inadequate capacity, which impedes access to justice and participation in society by socially disadvantaged and vulnerable populations. Many formal courts, especially in the Northern region, are inaccessible to the rural poor. Delays in issuing court judgments are prevalent. While most rural Malawians have access to the customary justice system, many customary justice delivery structures are known for poor quality of justice due to inadequate capacity to interpret customary law within the human rights context.

c. Social support

Due to high levels of poverty, it has not been easy to meet the social support needs of vulnerable Malawians so as to enable them enjoy their rights and participate in the development process and in the sharing of the benefits. Otherwise, social support programmes are being implemented at various stages in the areas of public works, school feeding, irrigation and food security, microfinance. Several of these have demonstrated positive impact on growth through facilitation and acquisition of skills and assets by

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the poor and vulnerable members of society. The challenge is that all of them have very low coverage, and are not guided by poverty vulnerability profiles of beneficiaries, thus weakening the targeting of deserving beneficiaries in districts worst affected by poverty (most of which are in the Southern region). Besides, the impact of the social support services could be greater if the different services were coordinated.

d. Gender responsive budgeting

Gender responsive budgeting is a powerful strategy for increasing incomes and improving access to resources and services by marginalized groups since it targets planning and budgeting at needs and priorities of men and women, boys and girls that face any gender specific barriers that are preventing them from accessing certain opportunities and services. Though happening at a small-scale, Malawi does not have a strong gender responsive budgeting approach that is engrained in the public financing system. Most sectors do not have sector specific gender mainstreaming guidelines or strategies, and where gender sensitive budget call circulars have been issued by the Ministry of Finance, they have not been applied by sectors in the formulation of their budgets.

The capacity to implement GRB amongst planners and management is inadequate, and sectors have no strong obligation to collect gender disaggregated data in order to facilitate their programming. It is also unhelpful that there is no costed gender action plan for ensuring that sectors are committed to gender responsive budgeting. Gender focal points are usually junior officers, and cannot influence decision making at sector level. Low funding of sectors at district level hugely disadvantages the practical adoption of gender responsive budgeting at decentralization level. The Ministry responsible for Finance has not taken leadership in gender responsive budgeting, and this has been a missed opportunity for it to institutionalize GRB across all sectors.

Inadequately addressing GRB has meant that there is no system for measuring the economic or monetary value of unpaid care work in order to determine the true opportunity costs of the lack of amenities to support this unpaid care work on the GDP. Unpaid care work is at the periphery of government and donor programming, and does not drive advocacy for strong investments in time saving facilities that will release women to pursue other developmental and economic opportunities.

4.4.2 Recommendations

1. Governance and participation

From the foregoing many policy recommendations come to light. The major recommendations worth consideration include the following:

i. Malawi should entrench its long-term vision and national development goals into a framework which will ensure implementation of the vision and development goals irrespective of the ruling political party in order to reduce the personalization of the national development agenda by political leaders. This will facilitate the attainment of sustainable inclusive growth, which will build on lessons learnt as well as reinforce the attainment of the long-term vision of the country.

ii. To realize the national long-term vision and development goals, the country needs to build capacity for nurturing and electing foresighted and transformative leaders on one hand, develop capacities for political and strategic studies to generate alternative scenarios of inclusive growth taking into account regional and global socio-economic environment and competition for foreign direct investment needed to boost local investment. Both challenges were identified in Vision 2020, but they have not been addressed until now.

iii. The paper identified critical setbacks of decentralization and participation of the public in the development process. The major challenges include the non-functional nature of key institutions and personnel meant to drive the decentralization process tend to negatively affect inclusion. For example ward councillors; staffing problems at the district and sub-district levels; limited discretionary and donor funding to finance the district development plans; limited capacity of sub-
district structures; weak M&E systems and practices; dwindling knowledge and awareness of
decentralization among sector and district staff and political leaders; limited dialogue on
decentralization; limited downward accountability; and limited coordination of non-state actors
support to the districts which curtailed the potential of the decentralization process; etc. There is
basically the need to demand accountability from political leadership in order to realize the full
potential of decentralization and participation of ordinary people in the development process.
Additionally, it is recommended that Government should urgently start relocating some of the
national capacities to the districts in order to enhance district programme planning,
implementation, M&E and absorption capacities, among others.

iv. Following the election of local government councillors, there is urgent need to clarify roles and
responsibilities of councillors and Members of Parliament (who have been performing roles of
councillors for most of the post single party rule period, 1994–2014 in the development process
at the local level). In particular, there is need to enhance the consultative processes between ward
councillors who represent the people at the local level and the members of parliament, who
articulate local needs at national level (parliament) and legislate national laws with the view to
ensuring that the aspirations of people at the local level are reflected in the national agenda and
legislation.

v. In view of the recent “cashgate”\textsuperscript{53} scandal, which has led to suspension of some donor financial
support, there is an urgent need to rebuild the country’s capacity to manage and account for all
development resources as well as build the capacity of all accountability institutions (the
Executive, Parliament, Judiciary, the ACB, the Police, the Auditor General, the media, etc. the
fourth estate), with a view to regaining the confidence of donors in the country’s capacity to
manage and account for all the public financial resources so as to enhance the country’s capacity
to attract foreign direct investment, which is key for the country’s diversification.

2. Human rights
For the systematic pursuit of human rights, the key recommendations include the need to:

i. Develop, cost and implement a national civic education policy: The Ministry of Information should
have a national civic education policy, which should also stress on human rights responsibilities;
and the Ministry should be equipped with enough resources and personnel for it to implement
the policy.

Finance and development partners should set aside adequate resources for the full
implementation of the strategy.

3. Social support
Focus social support interventions on poor districts and strengthen targeting with updated poverty
vulnerability profiles: The Department of Economic Planning and Development should ensure that the
implementation of social support programmes is particularly targeted at the Southern region, which has
the majority of Malawi’s poorest districts. Programmes should be vigilant in ensuring that only the needy
are included, and that those that are ineligible are left out. This requires implementing baseline, mid-lines
and end-lines of poverty vulnerability profiles of targeted groups.

4. Gender responsive budgeting
There is also an urgent need on the part of Government of Malawi to:

i. Strengthen the capacity of the Ministry of Finance to lead and monitor gender responsive
budgeting and institutionalize it across sectors: With the support of the Ministry responsible for

\textsuperscript{53} Plunder of government resources unearthed in 2013
Gender, the Ministry of Finance should exercise leadership and ensure that all sectors are routinely implementing programmes and budgets based on identified priorities and needs of subgroups of men and women in order to ensure that sectors are systematically contributing to addressing inequalities that exist in their sectors. This includes ensuring that the Ministry of Finance has adequate capacity to: develop budget call circulars that provide clear guidance on gender mainstreaming, and is able to diligently monitor their implementation; and to fully integrate gender into Medium Term Expenditure Frameworks and economic policies.

ii. Provide incentives to sectors that implement gender responsive budgeting and disincentives to those that do not: The Ministry of Finance should provide incentives to sectors that adopt GRB and disincentives for those with a track record for regularly ignoring GRB. The sectors should be capacitated to develop efficient policies, sectoral gender mainstreaming guidelines and programmes and budgets that are responsive to the different needs of women and men of all various subgroups. This includes supporting a programme for building the capacity of the Ministry responsible for Gender to the routinely training/mentor sectoral management and planners in gender responsive budgeting.

iii. Institutionalize Gender Focal Points at management level: Gender Focal Points should be reconstituted so that the positions are absorbed by officials at management level in all sectors who can ensure that sectoral gender responsive budgeting is being institutionalized in earnest.

5. Unpaid care work

Pertaining to unpaid work, it is important to undertake the following:

i. Ensure that unpaid care work is fully considered in the GDP and in budget formulation at central and local government levels:
   - Government’s statisticians and economists should device ways of measuring the “economic” or “monetary” value of unpaid care work in order to determine the true opportunity costs of the lack of amenities like day nurseries, bore holes, community woodlots etc. on the GDP; and ensure that budgeting always addresses unpaid care work.
   - Local Governments’ budgets should reflect strong investments in time saving facilities that will cut women’s work time and release them to pursue other developmental and economic opportunities (i.e. developing their skills and knowledge, participating in community fora, running for local political positions, developing their agricultural productivity, etc.). This also includes prioritizing the scaling up of early childhood education centres where proper incentives are given to caregivers.

ii. Strengthen support for unpaid care work across the board: Development partners, including those that are supporting women’s agriculture and economic empowerment, should put unpaid care work at the centre of their programming in order to ensure that appropriate technologies that reduce women’s work burden are introduced.

iii. Strengthen district allocations to facilitate their ability to support sectoral gender mainstreaming: Sectors should ensure that districts have enough money that can allow them to implement interventions towards addressing gender inequalities in their sectors at district level.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This report has examined the nature, pace and pattern of economic growth in Malawi over the past fifty years, in terms of whether or not growth has been inclusive. The report has defined “inclusive growth” as economic growth that creates opportunities for all segments of the population and distributes the dividends of the increased prosperity, both in monetary and non-monetary terms, fairly across society. Key elements of inclusive growth examined in this report include productive employment, pro-poor growth, creating economic and non-economic opportunities and provision of fair opportunities for everyone to contribute to growth and be part of the growth process. The provision of social support to vulnerable groups has also been included as part of inclusiveness.

5.2 Key Issues

From an analysis of the development policies and strategies pursued in the country, growth trends, growth outcomes and other dynamics, a number of key issues have been highlighted in this report with respect to the way growth has proceeded in Malawi over the past 50 years. In this section we deal with the key issues raised in accordance with the main thematic areas in the discussion.

5.2.1 Growth and sources of growth

Analysis of the performance of the economy pertaining to growth and the main sources of growth reveals the following major messages (1–6):

1) Malawi’s growth performance has been mixed over the period under review. There have been periods of rapid GDP growth interspaced with period of declining GDP growth, meaning that the growth process has exhibited great volatility.

2) Agriculture has been the main driver of growth in Malawi. However, the dualistic nature of the agricultural sector has meant that the two subsectors (estates and smallholdings) have fared differently in terms of growth, largely due to the policies that have been pursued in each of these subsectors. For example, during 1964–1979, the Government’s policies supported large-scale/estate agriculture, according them preferential access to land, investment and credit, for the promotion of agricultural exports. During this period estates grew at an average annual rate of 17 percent while smallholder production grew at 3 percent, resulting in generally lower productivity in the smallholder subsector, than the estate subsector. This led to a decline in per capita incomes of smallholder farmers.

3) Within the smallholding community, women, the landless and other disadvantaged groups, did not benefit from productivity raising innovations such as use of fertilizers and improved seed varieties. At the same time they did not enjoy equal access to credit, research and extension services, as their male and better endowed counterparts, mostly on account of their deficiency in labour and other resources.

4) Where specially targeted efforts were made to create opportunities for the poor and disadvantaged, it was seen that these efforts did succeed in improving the lot of the targeted people. For example, removal of restrictions from smallholder farmers to grow tobacco and other cash crops through policy reforms, and increased access to productivity raising innovations, such as use of fertilizers and improved seeds through subsidies were seen to increase the participation of the poor and disadvantaged, in such opportunities, which led to improved welfare and incomes of such groups.
5) The mining sector in Malawi has great potential to contribute to growth and sustainable development in the country through creation of job opportunities, increased business opportunities for provision of goods and services to the sector, foreign exchange earnings, improved social sector infrastructure, such as schools and clinics, through corporate social responsibility, and Government revenue through royalty and other taxes. However, currently this potential is far from being realized due to the low base of mining activities, coupled with the many constraints facing the sector including, out-dated legislation (not for too long—currently under review), insufficient budgetary allocations to institutions responsible for fulfilling regulatory functions resulting insufficient enforcement of the Mines and Minerals Act, lack of sufficiently trained and skilled personnel in all mining aspects to facilitate government oversight of the sector, poor and inadequate support infrastructure, particularly roads, electricity and social infrastructure around Malawi’s newly discovered mineral resources; Inadequate participation by local companies in the mining sector, and Lack of mining culture and general knowledge.

6) Despite the potential for growth, the travel, tourism, wildlife and culture sector faces a lot of constraints and challenges. The overall resources available for various sector programmes are inadequate to allow for meaningful exploitation of the sector’s growth potential. Human resources for law enforcement against illegal activities in protected areas and for proper management of protected areas as well as product development, provision of support infrastructure and destination marketing are inadequate. The situation is made worse by coordination challenges inherent in the sector’s cross-cutting relations to other sectors which calls for sector-wide approaches to planning, programming and implementation of the sector with complementary and support sectors such as environment, infrastructure development, private sector providers of travel and accommodation services. Other specific challenges include lack of zoned prime land and consistent sector-specific incentives for private sector investment and development, health risks associated with the existence of bilharzia, tsetse fly and mosquitoes, and inadequate destination marketing.

5.2.2 Human development

As far as human development is concerned, the following key issues (7–25) were unearthed:

7) Statistics reveal that adult literacy rate for the Malawian population aged 15 years and above is 69 percent. This rate is lower than the SADC average of 75 percent (IHS, 2011) and shows that access to education is still an issue for public concern. There are also gender disparities in favour of men in the literacy rates. Male adults are more literate than female adults. Disparities in literacy are evident in terms of household wealth, rural/urban residence, etc. Women and the rural poor appear to suffer most in terms of access to education and so is the population of the Southern region of Malawi as a whole. While girls retention in school could help explain the gender gap, availability of schools within close walking distance of the students and availability of other resources such as sufficient classrooms and teachers, which are more scarce in the Southern region might have contributed to the regional gaps. The implications on inclusive growth is that these groups of the Malawi population will remain poor as they can neither create nor take part in socio-economic development activities of the country let alone social and political participation all of which characterise inclusive growth.

8) Great strides have been made in increasing equitable access to education at all levels of the education system in the past two decades. However, the gains in access are not always sustained due to high attrition that results from a number of factors including child marriages and pregnancy for girls, lack of tuition fees, distance to school, inadequate infrastructure, cultural attitudes and practices and poverty among others.

9) ECD provision in Malawi has faced challenges largely based on difficulties in its placement within the government ministries. ECD has been recognized as an important subsector in education to the extent that it was integrated within the education policy (NESP) in 2008 due to the research finding that it is a good foundation for primary and other levels of schooling and contributes to increased access, retention and survival rates. However, its implementation remains with the Ministry of Gender,
Women and Child Development. This dual allegiance poses challenges thereby rendering its implementation and monitoring problematic.

10) The quality of ECD faces a number of challenges including lack of a unified curriculum so that there is no uniformity in what is on offer. This becomes a major issue for concern because there are no trained care givers due to lack of a formal institution for training care givers, yet this is an area of education that requires investment in order to give a good foundation for acquisition of knowledge and skills in higher levels of education. Equally worrisome is the almost negligible government budget provision for ECD manifested by negligible number of government ECD centres.

11) For primary education, a number of studies on learner assessments have, however, shown that many children cannot read and write even by the time they transition from Standard 4 (Junior Primary) to Standard 5 (Senior Primary). The reasons for poor achievement are many and varied and include inadequate qualified teachers, overcrowded classrooms and inadequate teaching and learning materials.

12) In secondary education, issues of quality and transition rates to tertiary education are very acute. Relevant curriculum for secondary education is yet to be achieved. While attempts have been made to introduce relevant subjects such as Life Skills and Social and Development Studies, there are inherent challenges of putting them as elective subjects. Other relevant but elective subjects are Woodwork and Metalwork, which unfortunately are also offered by very few schools. While the purported reasons for the low offering of the skill based subjects is lack of teaching and learning materials, general laxity by government to offer these subjects is also worth noting. Yet for the majority of the students, for whom secondary education is terminal, this would constitute relevant education.

13) University education also suffers from the problem of access and low transition rates from secondary to university. In the competition for placement at university and TEVET institutions, students from CDSS are disadvantage due to low quality of passes obtained at secondary school.

14) Inadequacy of health facilities was ranked as the top most constraint to access to health services. The country has fewer hospitals and the health centres are not always within reach of all people in some districts. In many places, terrain challenges are such that not many health centres are easily accessible to people. This challenge could be combined with that of distance to health centres, forcing people to walk long distances. Pregnant women are more likely to face a greater challenge to travel long distances and some end up delivering along the way and sometimes give up going to the health facility in the first place.

15) Inadequate and poorly trained staff was identified as one of the constraints to access to health services. This was in terms of nurses, clinicians and doctors. This is despite the fact that the National Health Strategic Plan reported an improvement in availability of health personnel in 2011. Long queues at health centres and the long-time taken to receive care are some of the other cited constraints.

16) Lack of medicines and drugs was cited as one of the challenges to health access by the different stakeholders. This was also documented in the National Health Strategic Plan which stated that the shortage of drugs and other medical supplies continues to be a major challenge in health facilities. The Plan cited factors such as lengthy procurement processes, poor specifications, weak logistical information systems, inadequate and unpredictable funding for medicines and inadequate infrastructure as contributing to shortages of drugs.

17) Reliance on traditional medicines is one challenge that was not mentioned by the stakeholders but that often contributes to high morbidity and mortality and, therefore, hampering inclusive growth.

18) Data from the 2012 Survey on Gender Based Violence (GBV) that was conducted in seventeen districts confirms that most women in Malawi continue to experience higher levels of violence than men. The gender discrepancies are particularly pronounced in the areas of sexual and physical violence.
19) In Malawi, there is inadequate gender inclusive growth. This is attributable to the fact that though many girls are getting enrolled in primary school, a big number of them are dropping out by Standard 8. Many girls are leaving the school system very early, and diminishing their chances of acquiring professional skills that would allow for their productive participation in the economy. For females, barriers include long distance to school (which may expose them to men that can dissuade them from school), child marriages, early pregnancies and lack of proper sanitary infrastructure.

20) With a dismal score of 0.266 for women’s political power in the Malawi Gender and Development Index (2011), it is clear that women continue to be denied this aspect of their empowerment. For the past 20 years of democracy, women’s representation in parliament has only increased to 22 percent as of the 2009 general elections, only to drop to around 17 percent (32 women) in the 2014 general elections. The slow progress in ensuring women’s equal political participation has usually been attributed to lack of a quota system in Malawi. It has been contended that the current ‘first past the post’ (simple majority) system has not worked for women in Malawi. Even evidence across the world confirms that women are less likely to be elected to the legislature under majority systems than under proportional representation systems.

21) Malawi needs to fully uphold international commitments towards the economic empowerment of women. The Protocol to the African Charter on the Rights of Women in Africa imposes a commitment on the State to adopt and enforce legislative and other measures to guarantee women equal opportunities in work and career advancement and other economic opportunities. The SADC Protocol on Gender and Development urges States Parties to adopt, by 2015, policies and enact laws which ensure equal access, benefit and opportunities for women and men in trade and entrepreneurship, taking into account the contribution of women in the formal and informal sectors. In 2006, the CEDAW Committee expressed concern with the difficulties that women face in attempting to engage in viable economic activity in the formal sector, thereby forcing them to work in the informal sector, as well as their limited access to credit owing to their lack of collateral. The Committee recommended that the Malawi Government should improve the conditions of women workers in the informal sector, as well as women’s access to credit.

22) High maternal mortality is another challenge that affects the development of women and the nation. The 2010 MDHS indicates that maternal mortality rate in Malawi stands at 675 deaths per 100,000 live births. This is a reduction from the figure of 984 deaths per 100,000 live births as reported in the 2004 MDHS. Despite this development, Malawi is unlikely to meet the relevant MDG target.

23) Malawi has quite a large proportion of people with disabilities whom, if empowered, can make significant contributions to the development of the country—whether economically, socially, or politically. However, people with disabilities are already at a disadvantage when it comes to equal opportunities and participation in the development arena because depending on the severity of the disability, most lack the necessary attributes to enable them to take valuable roles in development. People with disabilities and PLWAs face a number of challenges and barriers that prevent them from participating significantly in development and from accessing their fundamental economic, social and political rights. The environment where the disabled are living, for example, can limit their ability to access basic services such as medical services, educational facilities, markets, etc., because of difficulty in mobility and user-unfriendly infrastructural facilities. This can lead to their disempowerment and exclusion from important information and services and may ultimately limit their ability to achieve better standards of living.

24) The elderly make up about 35 percent of the population in Malawi according to the Population and Housing Census of 2008. The elderly in Malawi have and continue to face numerous challenges that limit their inclusiveness in growth-related activities and benefits. While many of these challenges are driven by intergenerational poverty, there are also unique challenges that they face, including their exclusion from development work, they face large care burdens brought by the HIV/AIDS pandemic,

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54 Article 13.
they face physical and mental abuse, and they lack a pension as most of them have never worked in formal employment before.

25) Cultural disparities often reinforce behaviour that promotes gender inequalities. For example, traditions like wife inheritance are mostly in favour of men and boys than for women and girls. In the case of Chokolo, for example, the woman’s rights on who to marry or whether to remarry or not are infringed upon. When the woman has no say in the household, it can also be assumed that they will not participate or contribute much to community issues and as a result, will not be able to make significant contributions to the development activities of their communities. In Northern Chitipa, there is a tradition called Kupawila where a girl is offered to a man as way of repaying debt. The girl can be as young as 9 years old while the man could be as old as 40 years, or even older. Such arrangements often lead to abuse and GBV.

5.2.3 Access to productive and other assets

The following key issues (26–28) have come to light as far as access to productive and other assets (including financial assets) are concerned:

26) Data from the Finscope survey indicates that a disproportionate amount of people are totally unbanked and enjoy no financial services. The survey indicates that comparing the percentage of adults with an account at a formal financial institution shows that women are generally more disadvantaged when it comes to accessing financial services. The survey actually reveals that women are generally more excluded than men with women having more access to more non-banking financial services through either the formal or informal channels.

27) The proportion of those financially excluded remains high at 55 percent and of those who are excluded, the majority tend to be rural-based, female and with little or no education. Less than a quarter of adults surveyed had access to a bank account showing the low penetration rates of formal financial institutions. Access to financial services is much lower in rural than in urban areas and a bit lower for women than men. Formal access also tends to favour the middle-aged and the well educated in the population (Finscope, 2008). The survey also found that in terms of physical representation, branches and outlets of banking institutions were concentrated in more affluent areas with only a few locating their outlets in areas that may be poor, but are densely populated.

28) The survey reveals that at 59 percent the majority of MSME owners do not use any financial products to manage their business finances. Of those who save, the majority keep their money at home and their only coping mechanism is reliance on family and friends and a culture of extended family dependence. While 20 percent of business owners use informal methods for managing their finances, 22 percent use services offered by a commercial bank, and 13 percent use services offered by another formal NBFI. With product usage mainly driven by savings products, it’s surprising to note that most MSME owners who save do so at home, and the preference for savings products was normally driven by cost as most banks charge comparatively lower monthly fees for savings accounts than current accounts.

5.2.4 Human rights and social support

The following major inferences (29–34) have been drawn as regards both human rights and social support:

29) One key factor that erodes the demand for socio-economic rights is the inability of ordinary people to make a link between service delivery and constitutionally guaranteed rights. This has implications on the extent to which people realize their right to demand specific services such as education, housing,

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55 Chokolo is a cultural practice where a woman is compelled to remarry a family member of her deceased husband (usually one of the deceased’s brothers). It is wife inheritance.
health, water, food and the state’s obligation to use available resources to fulfil their socio-economic rights.

30) Inadequate capacity of human rights bodies to function properly due to inadequate funding, human capacities, and sometimes lack of political support.

31) Like with other social support measures, the Malawi National Social Support Programme has admitted that the challenge with social cash transfers is that poverty vulnerability profiles of beneficiaries are not known. This affects the precision of targeting, making it likely that eligible chronically poor people may not be benefiting, while less deserving beneficiaries may be benefiting.

32) The cash transfer programme has mainly been donor funded, which is a threat to its sustainability and capacity to consistently support the ultra-poor until poverty is eradicated. And there is a problem with late disbursements—sometimes leading to beneficiaries getting their money up to five months in arrears. This practically maintains the impoverished state of beneficiary households for prolonged periods.

33) While some of the available data makes some attempt to disaggregate data by sex, but not so much by other key variables that are meant to guide the selection of deserving beneficiaries for social support (i.e. the elderly, orphans and other vulnerable children, persons with disabilities, etc.), people with disabilities commonly complained of being side-lined in piece work activities despite their confidence that they can ably implement aspects of this work.

34) Microfinance loan schemes have so far not had high poverty impact because of small loan sizes, and the failure to integrate them with village savings and loans as an exit strategy. Therefore, ensuring that this intervention supports inclusive growth requires addressing these challenges, including devising workable strategies for those that currently claim exclusion from micro credit groups. At the same time many social support programmes remain largely uncoordinated.

5.2.5 Gender based budgeting

Mainstreaming of gender-based budgeting in the regular annual national budgeting process has raised the following key concerns (35 and 36):

35) While the Ministry responsible for finance made efforts to integrate gender guidelines in the budget call circular in 2013/2014, there is no evidence that these were utilized in budgeting. There have been weak efforts to provide incentives to sectors that adopt GRB, to train all sector planners and senior officials in GRB, to provide concrete guidance on how gender sensitive budgets can be formulated, and to monitor who is implementing GRB and how.

36) GRB in Malawi is not led by the Ministry responsible for Finance, which is supposed to be at the forefront of the interventions due to the power that it wields in managing public finances. Positively, initiatives by UN Women and the Gender Equality and Women Empowerment Programme (2012–2015) are strengthening the capacity of the Ministry of Finance, Economic Planning and Development to promote GRB.

5.3 Key Recommendations

5.3.1 Growth and sources of growth

From the foregoing and pertaining to real growth and the main sources of growth, the following major policy recommendations are suggested for action (1–10):

1) Malawi should enhance policy formulation and implementation by strengthening policy analysis, through the establishment of an independent Policy Research Unit, and inculcating a culture of “management for results” within the public service. At the same time, Malawi should develop both market-enhancing and growth-enhancing policies and strategies for accelerating inclusive growth and
human development in view of the structurally weak markets for the allocation of assets and resources to high productivity and growth sectors.

2) Malawi should start generating its own set of inclusive growth outcome indicators based on Malawi’s inclusive growth strategies in order to track progress of achievements in the implementation of national development plans. With regard to existing data, Malawi needs to consider tracking measures that promote inclusive growth such as: (a) per capita income growth rates among the poor; (b) self-employment and wage-employment for defined marginalized groups, such as women and youth in order to track their participation in the growth process.

3) In the area of non-income measures of inclusive growth, it is recommended that the definition of poverty should expand to include some of the available non-income dimensions of poverty such as: (a) improvements in nutritional status; (b) access to transport and communications; (c) access to household services (e.g., clean water, electricity, refuse removal) by the poorest income quintile. This would ensure that an income growth episode was disadvantage reducing.

4) As the Agricultural sector is the main driver of economic growth in the country, as well as food security, agricultural production policies should not only promote increased agricultural productivity for both the estates and the smallholder sub-sectors, but should also embrace crop and input pricing policies that support enhanced agricultural production and food security. Promote farmers clubs and cooperatives which will empower farmers to negotiate for better agricultural inputs and produce prices, including access to agriculture research and extension.

5) Enhance market regulation so as to ensure crops are bought at good prices to provide for income for inputs during the next growing season, and ADMARC markets need to be opened in areas where there are no private traders so that during the lean period people can access maize at an affordable price.

6) Malawi needs to add value to its mineral resources through processing. The country, thus, needs to attract investment and provide appropriate incentives for mineral processing. Currently there is no clear national policy on increasing the local content of mineral exports and no attempts are being made to link artisanal small scale mining (which has a high potential to generate more jobs than large-scale mining operations) to medium- and large-scale mining operations.

7) Malawi needs to build capacity and skills for overseeing and monitoring the operations of mining and mineral exploration companies, including for contract negotiation.

8) The 1981 Mines and Minerals Act needs to be revised and be made consistent with other legal provisions, such as the Environmental Management Act and the Local Government Act which were enacted more recently.

9) Malawi should build capacity for collection and analysis of tourism statistics which can be used to assess the economic impact of the sector and guide policy makers on needed policy interventions to ensure that the sector yields the desired long-term objectives of economic growth. In the meantime, Malawi should consider hiring the services of WTTC to produce a special report for the country that will provide an assessment of the Economic Impact of Travel & Tourism, a market analysis for Malawi and review of current government policies as they relate to Travel & Tourism, making a series of recommendations for the sector’s future development.

10) There is need to safeguard the ecosystem of the areas surrounding Lake Malawi. The Ministry of Tourism, Wildlife and Culture, together with the ministries responsible for natural resources and environment, should take the lead in ensuring that environmental impact studies are carried out for all major investments likely to affect Lake Malawi and its catchment areas.

5.3.2 Human development

As far as human development is concerned, the following key policy recommendation (11–24) are advanced:
11) There is need to upgrade infrastructure in all subsectors so as to increase enrolment for primary, secondary and tertiary education, to ensure equity between girls and boys at all levels. To this end the Ministry of Education, Science and Technology needs to create robust relationship with the private sector engaged in education to help in increasing access and developing relevant curricula.

12) Integrate ECD with basic education to ensure that all children start with pre-school education before going for primary education, and allow a full integration of ECD in the Ministry of Education, Science and Technology, and establish a training centre for care givers.

13) Ensure that girls’ enrolment and progression at primary school level is promoted through the roles of existing community-level structures such as Mother Groups that advocate avoidance of pregnancies and child marriages, and enhance school demand for the poor and vulnerable through sensitization, advocacy, school meals, cash transfers, etc.

14) Create incentive mechanisms for teachers in all schools so that qualified teachers should be enabled to go and teach in rural schools where positions would be available. This should be true for both primary and secondary schools, and evaluate the different teacher training programmes in order to identify right practices and upgrade such practices in further teacher training.

15) Ensure more equitable teacher allocation in secondary schools especially among CDSS and conventional secondary schools; in addition, ensure equitable distribution of teaching and learning materials such as laboratories, textbooks in the different types of secondary schools.

16) There is need to consider greater student access to practical and skills based subjects such as metalwork, woodwork, etc., at secondary school level to ensure that the majority of the students, whose education ends at this point, acquire some skills that they can use to advance their lives.

17) The vocational and skills training sub-sector should be expanded to accommodate more people so that they acquire the skills necessary for benefitting from the productive economic activities available in the country. Further, strengthen the regulatory power of TEVETA in order to allow for better coordination and regulation of the sub-sector and systematically apply the CBET approach to all different groups of students attending TEVET trainings.

18) The University curricula should be made more relevant to the needs of the local industry and expand Open Distance Learning (ODL) programmes in the university in order to increase student access.

19) Complementary Basic Education (CBE) should be rolled out to other districts in order to help ensure that all children that dropped out of school acquire functional literacy and other skills they need to live productive lives. At the same time, EMIS should include statistics on student enrolment in CBE and adult education programmes.

20) Implement nutrition interventions that target rural areas, especially of the Central and Southern regions of the country, and enhance education of mothers as a long term strategy to reduce child nutrition problems and therefore reduce infant and under-5 mortality.

21) Construct new health facilities closer to the people especially in districts that have greater need and in rural areas. Also train additional health personnel by increasing the in-take of existing health personnel training institutions especially for nurses and improve conditions for health workers through appropriate packages, to enhance health worker retention.

22) Increase availability of health technologies for prevention, screening, diagnosis, treatment of communicable and non-communicable diseases, and improve availability of essential drugs and
medical supplies by identifying more viable financing sources, to reduce dependence on donor funding.

5.3.3 Governance and broad based participation

The following key policy recommendations (25–37) have been suggested for action as far as access to productive and other assets (including financial assets) are concerned:

25) Malawi needs to enhance overall participation by the public at large, through representatives (elected MPs at the national level, elected representatives at District, Ward, Area and Village levels) in the development and implementation of inclusive growth strategies to ensure that the various inclusive growth programmes are addressing the perceived needs of the concerned beneficiaries.

26) Malawi needs enhanced policy focus on empowering and developing the youths and young children. This can be done through establishment of national youth programmes that the country’s youth can identify with, one similar to the Malawi Young Pioneers (MYP) Movement where opinions of the youths can be sought and where youths can be trained in various technical and entrepreneurial skills. This will encourage more coordinated efforts in developing initiatives that benefit the youth.

27) Maximize support and empower youth organizations and existing coordination structures such as the Sector Working Group on Gender, Children, Youth and Sports, the Technical Working Group on Youth (TWGY), the Youth Technical Committees (YTC) so that issues affecting the youth get adequate attention.

28) Build the capacity of the Ministries of Finance and Economic Planning and Development to lead gender responsive budgeting efforts across all sectors in close collaboration with the Ministry responsible for gender. This includes ensuring that the Ministry of Finance has adequate capacity to: develop budget call circulars that provide clear guidance on gender mainstreaming, and is able to diligently monitor their implementation; and to fully integrate gender into Medium Term Expenditure Frameworks and economic policies.

29) Capacitate sectors to develop efficient policies, programmes and budgets that are responsive to the different needs of women and men of all various subgroups. This includes supporting a programme for building the capacity of the Ministry responsible for Gender to the routinely training/mentor sectoral management and planners in gender responsive budgeting.

30) Support the development of sectoral gender mainstreaming guidelines and costed gender action plans that can facilitate the promotion of gender equality in all efforts to attain sectoral strategies under the MGDS II. This includes adopting sector specific strategies aimed at supporting priority interventions towards accelerating the achievement of gender related MDGs in Malawi.

31) Allocate resources to development interventions aimed at reducing the time that women spend on (unpaid) care work, including prioritizing the scaling up of early childhood education centres where proper incentives are given to caregivers. This also applies in other areas where there is unpaid care work.

32) Implement a comprehensive sectoral approach to gender based violence that is tightly linked to existing challenges like HIV.

33) Promote women participation in politics by passing existing amendment bills that support proportional representation in Parliament and Local Government, including providing adequate support to the on-going 50:50 programme for women politicians as well as aspiring politicians that co-opts strong advocacy strategies for affirmative action through legal and policy measures.

34) Allocate adequate resources for the implementation of gender related laws such as the Prevention of Domestic Violence Act, the Deceased Estates (Wills, Inheritance and Protection) Act of 2011, the Gender Equality Act of 2013 (and also once assented to by the President, the Trafficking in Persons Act and the Marriage, Divorce and Family Relations Act) in order to address challenges that women
face in relation to their economic empowerment and health rights; and review other gender related laws in the areas of trade and business, politics, citizenship, HIV, abortion etc.

35) Strengthen the capacity of customary law justice structures to uphold human rights, gender equality principles and other relevant rights-based instruments that Malawi has committed to at the international level.

36) Support a persistent campaign to delay child birth and keep girls in school up to college level. This includes implementing strategies aimed at ensuring that girls have supportive infrastructure, and that teen mothers are encouraged and supported to go back to school after child delivery, and speed up efforts to expand the availability of safe abortion services by reviewing relevant laws and devise customized strategies for the prevention of unwanted pregnancies and uptake of contraceptives by different age groups.

37) Malawi needs to develop policies that have a direct inclination towards addressing the problems experienced by People with Disabilities, People Living with HIV and AIDS, and the Elderly to allow them adequately benefit from development as well as enable them to participate fully in development activities. While social protection measures such as the Targeted Inputs Programme (TIP) and the Farm Inputs Subsidy Programme (FISP) have the vulnerable, and so include the elderly, the impacts of these programmes are not significant enough to improve the wellbeing of the elderly poor.

5.3.4 Human rights and social protection

The following major policy recommendations (38–54) have been proposed as regards both human rights and social support:

38) Support the promotion of the right to development by addressing challenges that are experienced by women, children and people with disabilities in sectors such as education, health, agriculture, labour and infrastructure.

39) Develop laws, policies and programmes that respect and strengthen all dimensions of property rights. This includes land rights of smallholder farmers in the context of large scale land acquisitions (for agriculture and mining); property and land rights of men and women in matrilineal and patrilineal areas; and women’s property rights in marital unions and after the death of spouses.

40) Allocate adequate funding towards the full enforcement of labour standards by the Ministry of Labour and promotion of labour rights by the Industrial Relations Court and develop nationwide programmes to reinforce labour rights of those who work in the informal sector, particularly domestic workers. In addition, ratify the relevant ILO convention concerning decent work for domestic workers.

41) Develop programmes for the systematic implementation of the provisions of the Gender Equality Act of 2013 that promote safe labour practices by prohibiting sex discrimination and requiring the development of sexual harassment policies in workplaces. Programmes should also address gender inequalities in remuneration for work of equal value between men and women; as well as discrimination against women on the ground of maternity.

42) Strengthen the financial, human resource and logistical capacity of the Malawi Congress of Trade Unions in order for it to play a more robust and effective role in safeguarding labour rights, and support the full implementation of the Democratic Governance Sector Strategy (2013-2014) as a way of strengthening institutions that are key to the promotion of human rights.

43) Review budget allocations for MHRC, Office of the Ombudsman and formal courts with a view to addressing their operational and accessibility challenges, and review and improve the quality and reach of programmes aimed at strengthening the capacity of citizens to demand their rights and to report human rights violations.

44) Adopt a human rights based approach as a regular part of sectoral planning in order to comprehensively and systematically implement human rights related strategies under the MGDS to
support nationwide programmes to systematically strengthen the capacity of suppliers of customary justice to apply a rights based approach to justice delivery.

45) Routinely monitor and evaluate social protection programmes by using all the variables that are targeted in Social Support Policy, namely the elderly, the chronically sick, orphans and other vulnerable children, persons with disabilities, and destitute families. Ensure that the data for the various groups is consistently sex disaggregated to allow for improved targeting.

46) Work towards funding the bulk of social support through government financing so that there is less donor dependency in social support programmes, as this threatens sustainability.

47) Scale up district level social support programmes so that they are able to reach the ultra-poor in all Traditional Authority Areas. This would also apply to other interventions that are being implemented by donors. Focus should be on districts and regions that are lagging behind, and a consideration of social support needs of the urban poor is pertinent.

48) Fully implement the Malawi National Social Support Programme (2012–2016) by paying specific attention to each of the various sub groups that are targeted for social support.

49) De-politicise social support interventions.

5.3.5 Access to productive and other assets

Mainstreaming of gender-based budgeting in the regular annual national budgeting process has led to the following major policy recommendations (50–53):

50) Use of technologies which improve accessibility of financial services to the vulnerable segments of society, such as mobile-banking; and introducing innovations and regulations in the financial sector that lead to lower transaction costs especially among the poor and ultra-poor.

51) Expand scope of available financial services to include those that are specially targeted and suitable for vulnerable segments of the society, such as poor rural women, those with low salaries, and those operating marginal businesses.

52) Encourage product innovations that allow users access to financial services in areas where communication infrastructure restricts physical access, and promote interconnectivity amongst financial institutions that will be able to reduce their distribution costs and leverage off each other’s networks. Vehicular banking, agents, and mobile banking have huge potential to meet the demand for financial services that reach closer to home among many Malawians. By providing an enabling environment for more customers to access new payment services, financial services providers will be able to drive volume to a sustainable level.

53) The Banking sector in Malawi should mount a customer education and awareness campaign to educate consumers of financial services of the benefits (low cost) of new financial services such as mobile banking services and other new payment products with a view to helping low-income consumers to test and trust these new products, perhaps increasing take-up, and empowering people to participate in more financial services.
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