Chapter 2
BACKGROUND

The MGDS is not a stand-alone policy document. It has been derived on the basis of the current long-term policy goal of the country prescribed in the Vision 2020 and past experiences in the implementation of medium term development objectives such as the MPRS and MEGS. The MGDS is not an alternative to MPRS or MEGS or the Vision 2020, but rather an implementable medium term strategy that translates the goals and objectives that emerged from a nation-wide consultation process and are reflected in Vision 2020. It intends to build a broad political consensus on the direction for economic growth and wealth creation.

2.1 Malawi Vision 2020

In the late 1990s, Malawi developed the Vision 2020, which was launched in 2000. This policy framework sets out a long-term development perspective for Malawi. It emphasizes long term strategic thinking, shared vision and visionary leadership, participation by the population, strategic management and national learning. The Vision 2020 states that “by the year 2020 Malawi as a God fearing nation, will be secure, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technologically driven middle-income economy”. The fundamentals of the MGDS are based on the shared Vision 2020 and commitment of Malawians to improve their economic welfare.

2.2 Malawi Poverty Reduction Strategy

In May 2002, the Government launched the MPRS which presented a first attempt to translate long-term strategy of Malawi Vision 2020 into medium term focused action plans. The MPRS became the overarching medium term strategy of the Government for reducing poverty in the country. The goal of the MPRS was to achieve “sustainable poverty reduction through empowerment of the poor.”

The MPRS was built around four strategic pillars namely: sustainable pro-poor growth; human capital development; improving the quality of life of the most vulnerable; and governance. In addition, it had four key cross cutting issues namely: HIV and AIDS, gender, environment, science and technology. The implementation period for the MPRS was for a period of three years and it came to an end in the fiscal year 2004/05.

In the second half of 2005, the MPRS was reviewed to draw lessons from its implementation. These lessons are summarized in the report “Comprehensive Review of the MPRS 2005” and its findings informed the strategic direction of the MGDS. The notable achievement of the MPRS was the decline in poverty levels from 54.1 percent to 52.4 percent. Also important was the fact that Ministries and Departments tried to implement their activities in line with the MPRS framework. However, there were some short falls that hampered the implementation process. These included failure by Ministries and Departments to translate the activities into the budget and
MTEF, slow implementation of the devolution process, and that funding was not based on pillars.

2.4 Malawi Economic Growth Strategy

Under the first pillar of the MPRS, sustainable pro-poor growth, stakeholders noted that the strategies and actions were insufficient to achieve sustained annual economic growth of at least 6 percent. Further, the 2002/03 MPRS review revealed that housing and land policy issues among others were not well articulated to contribute effectively to broad based growth. While it identified certain sectors in terms of their growth potential, it neither focused on eliminating obstacles to growth on an economy-wide basis, nor did it sufficiently articulate the role of the private sector. Therefore, in July 2004, the Government of Malawi developed the MEGS in close collaboration with the private sector. The MEGS was not designed as an alternative to the MPRS, but rather as a complement to strengthen pillar one through investments that would directly impact on economic growth.

The MEGS was indeed a joint realisation by Government and the private sector that the Malawi economy had been registering negative growth and that something had to be done in order to reverse the trend. Hence, the rationale for growth and diversification for Malawi was compelling because rapid broad-based growth was necessary to reduce poverty. Rapid broad-based growth was intended to expand the sectoral sources of growth, deepen and sustain the gains to be made from agriculture, and make the economy less susceptible to external shocks like weather, changes in terms of trade, political developments in the region, and fluctuations in external aid flows.

The MEGS identified and prioritised key potential sectors that could generate growth in addition to the core agricultural sectors of tobacco, sugar and tea. These included tourism, mining, manufacturing with particular emphasis to agro-processing, cotton, textiles and garments. The MEGS also emphasized the need for the creation of favourable environment for private sector participation as it envisaged that the private sector was the engine of growth in the modern liberalised and globalised world.

The MEGS focused on strategies and actions that did not require substantial additional spending by Government and instead could be achieved through refocusing of existing resources and by developing a more conducive set of policies that would stimulate private sector investment and trade in the immediate future. It was envisaged, in the medium term, that donor organisations would have a key role to play in creating a conducive environment for economic growth by supporting policy reforms and providing resources to support Government during the transitional period.

2.5 Millennium Development Goals

Malawi as a nation remains committed to achieving the Millennium Development Goals (MDGs). The MGDS, being an over-arching strategic policy document for the next five years has been developed with strong linkages to achieve the MDGs. The emphasis to promote economic growth and development does not in anyway
Malawi Growth and Development Strategy

substitute the need for providing social services which are particularly important to achieving the MDGs but rather it is envisaged that the benefits of economic growth will generate sustainable means for the provision of basic human needs to enable Malawi achieve the MDGs.

The MGDS has attempted to translate the MDGs for Malawi in a localized context. All MDGs are therefore addressed in the strategy within the targets and strategies in that localized context. These MDGs are important to Malawi as they reflect improvements in the wealth and welfare of the people of Malawi. The MGDS recognizes the importance of the MDGs hence its strategies have been aligned to the MDGs outcomes as follows:

• **Poverty:** The goal of the MGDS is to decrease poverty by 8.0 percent through a combination of: economic growth, economic empowerment and food security so that Malawians are less vulnerable to economic shocks; and take measures to protect those who temporarily fall into poverty through measures that increase assets for the poor. The strategy seeks to control fluctuations in poverty due to economic shocks to ensure that those who graduate from poverty stay above the poverty line and those above it do not fall into poverty.

• **Hunger:** The MGDS seeks to directly decrease the proportion of the population who suffer from hunger and to improve their nutritional status. Cycles of hunger are a factor in people moving into poverty. Food security is therefore one of the key priorities;

• **Education:** The MGDS seeks to increase enrolment to 95 percent and reduce the dropout rate to 5 percent by 2012. At the primary school level it is expected that there will be substantial reduction in absenteeism, repetition and dropout rates and high quality and relevant education. At the secondary and tertiary levels it is expected that there will be increased access and improved quality and relevant education for both sexes and people with special needs.

• **Gender:** The MGDS addresses gender by integrating targeted programs for women to enable women be part of economic growth such as targeted programs for business development and micro-finance. The strategy for gender directly targets mainstreaming gender into the programs of Government and disaggregates information by gender.

• **Child Mortality:** The MGDS addresses child mortality through improved access to essential health care services including integrated management of childhood illness and immunization, for example, oral rehydration therapy and antibiotics for diarrhoeal disease and acute respiratory infections. In addition, the strategy seeks to increase access to clean water and sanitation, improve the nutritional status of children and ensure food security;

• **Maternal Mortality:** The MGDS recognizes that little progress has been made on maternal mortality. It, therefore, seeks to improve the antenatal care and basic emergency obstetric care. Measures are being taken through the Health Sector Support Program to directly tackle health-related issues for maternal mortality. It
is recognized that economic empowerment will also enable women to access better care services;

- **HIV and AIDS:** The MGDS incorporates the strategies of the National AIDS Framework and the three ones. It seeks to not only reduce the prevalence and incidence of HIV and AIDS but also decrease the negative impact of HIV and AIDS on people living with AIDS and to reduce the economic and social consequences for those who care for people living with HIV and AIDS;

- **Malaria:** The MGDS is tackling malaria through improvement of essential health care services, and realizing efficiency gains. It is expected that malaria incidences will decrease while the treatment of malaria will improve;

- **Environmental Sustainability:** The MGDS recognizes that managing natural resources is an essential aspect of environmental sustainability. Thus, not only does the strategy directly consider environmental sustainability in forestry resources and fisheries, enforcement and education of environmental standards, but also it seeks to identify areas, such as eco-tourism, which have a positive spill-over effect on economic sustainability; and

- **Access to water:** The MGDS seeks to improve access to clean water and sanitation in line with the MDGs. Malawi intends to increase access to water within 500m distance for all people, and thereby ensuring that basic water requirements of every Malawian are met while the country’s natural ecosystem is enhanced.

The new emphasis in the policy direction does not necessarily imply a decrease in investment in the social sectors, but rather it seeks to strike an appropriate balance between investment in economic and social sectors. This would be achieved through reallocation of expenditure from non-priority sectors such as general administration to economic services and investment in productive sectors such as transport, energy and agriculture. In addition, it is recognized that intra social sector investment would be prioritised, stressing efficiency and effectiveness of social investment.

### 2.6 Malawi Growth and Development Strategy Formulation Process

The Cabinet set up a Steering Committee to translate the Government’s vision for Malawi into an operational strategy for the medium term. The Steering Committee in turn set up a Technical Working Group (TWG) to lead the formulation of Malawi Growth and Development Strategy. The consultation process for preparing MGDS was done in two phases. The first phase started with internal Government discussions in order to develop a framework for further consultations. The priorities and approach of the strategy benefited from working sessions within Government and available data and evaluations of the implementation of the MPRS. A number of consultative meetings and workshops were held with all stakeholders to seek their input in the strategy.

The second phase of the consultations involved the interface between the TWG with the MPRS Review Team. The findings of the comprehensive review of the MPRS whose consultations sought feedback from civil society on its implementation was
incorporated into this document. In addition, the MGDS incorporated inputs from Integrated Household Survey, Malawi Demographic and Health Survey and the Malawi Poverty Vulnerability Analysis. Further consultations were held with other stakeholders that included Government, Parliament, Judiciary, private sector, civil society, donors and co-operating partners and the general public.

2.7 Malawi Growth and Development Strategy Framework
The Strategy is centered on achieving strong and sustainable economic growth in the medium-term. The MEGS has particularly informed the development of MGDS themes one and four on sustainable economic growth, and infrastructure development in order to achieve this objective. It is expected that the continued implementation of the MEGS strategies will generate immediate economic benefits that will translate into the well being of Malawians. The focus on infrastructure development will be key to enable private sector operate effectively and efficiently in the economy. The MGDS also emphasizes on building a healthy and educated human resource base, protecting and empowering the most vulnerable. As such themes two and three on social protection and social development are designed to achieve this objective. The successful implementation of the MGDS will depend on good governance environment within which there is a sound economic environment, high quality service delivery, effective institutions and rule of law, an efficient and effective public sector, and reduction in corruption. These issues have been comprehensively articulated in theme five on improving governance.

For each of the thematic strategy areas, a detailed matrix has been developed and is presented in Annexes to this document. These matrices show the relationship between the longer term goals for Malawi, the expected medium term outcomes that should result from the priority actions and move the country closer to realizing the longer term goals, the constraints to achieving the expected medium term outcomes, and the proposed strategies and actions to address the constraints.

The detailed matrices have been translated into a policy matrix which summarizes how the Government, in partnership with all stakeholders will implement the MGDS. The actions in the policy framework are priority actions that will feed into the yearly budget. Monitoring of progress on the actions, outputs, and expected outcomes will enable the strategy to be changed as conditions change during implementation while maintaining policy coherence over the period.

2.8 Poverty, Social Profiles and Vulnerability
Poverty has not changed significantly for the past seven years. According to Integrated Household Survey 2004/05, the current status of poverty shows that 52.4 percent of the population live below the poverty line. This translates into about 6.3 million Malawians who are poor, with the poorest people in the Southern Region and rural areas poorer than urban where poverty rates are at 25.0 percent. The poor still have poor socio-economic indicators with food security a continuing threat to better life, ability to integrate the poor into the economic fabric, and problems of

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2 The data from the IHS2 is not directly comparable to the past poverty levels. A change in survey instruments and methodology, required an effort to compute the poverty rates for the previous IHS using the current methodology. In this exercise, poverty estimates from IHS1 were estimated using regression models to impute expenditure per capita based on comparably measured household characteristics. The IHS1 poverty rates were calculated at 54%
malnutrition. As can be seen from Table 2.1 below, improvements in health indicators have been unsatisfactory.

Female headed households are worse-off and income inequality persists in Malawi with the richest 10 percent of the population having a median per capita income that is eight times higher (MK50,373 per person per annum) than the median per capita income of the poorest 10 percent (K6,370 per person per annum). However, the overall poverty figure masks fluctuations in poverty. That is approximately 30 percent of the poor moved out of poverty during the period, while 30 percent of the non-poor moved into poverty. This suggests that there is continued economic vulnerability in Malawi. In general, communities have experienced a decline in social and economic growth in the last 10 years. Malawi also has a very young and rapidly growing population, and this is a key factor explaining Malawi’s high and persistent poverty. More than half of the poor in Malawi are children. Malawi’s total population in 2005 was estimated at 12.3 million, of which about 60 percent is under the age of 20. Poor households in Malawi are generally larger than non-poor households. When looking at average household size by income decile, the relationship is evident. Households in the poorest decile are more than twice as large as households in the richest decile.

Table 2.1: Trends of selected health indicators for Malawi

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline</th>
<th>MPRS target</th>
<th>Current situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternal mortality rate</td>
<td>1,120/100,000 deliveries</td>
<td>400/100,000</td>
<td>1120/100,000</td>
</tr>
<tr>
<td>Deliveries conducted by trained health personnel</td>
<td>56%</td>
<td>-</td>
<td>58%</td>
</tr>
<tr>
<td>Contraceptive prevalence rate</td>
<td>25%</td>
<td>-</td>
<td>33%</td>
</tr>
<tr>
<td>Infant mortality rate</td>
<td>104/1,000</td>
<td>90</td>
<td>76</td>
</tr>
<tr>
<td>Under five mortality rate</td>
<td>189</td>
<td>150</td>
<td>133</td>
</tr>
<tr>
<td>Fertility Rate</td>
<td>6.3</td>
<td>5.5</td>
<td>6.0</td>
</tr>
<tr>
<td>Children underweight (%)</td>
<td>30</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Under 1 immunization rate</td>
<td>54%</td>
<td>-</td>
<td>55%</td>
</tr>
<tr>
<td>ITN Coverage</td>
<td>13%</td>
<td>-</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: DHS 2005

In addition, social indicators have not improved significantly in the past several years. The MGDS is to reduce poverty levels of the country by 8 percent during the implementation period by creating necessary opportunities for development.

The Poverty Vulnerability Assessment for 2006 suggests that the major factors affecting the level of household poverty are: household size, education, access to non-farm employment, access to irrigation, proximity to markets and trading centers, and access to tarmac roads. Access to larger landholdings and engagement in cash crop production also play an important role.

Recent trends in human development indicators broadly support the fact that there has been little progress in reducing poverty. The Human Development Index has stagnated since the mid-1990s. While there have been improvements in the education and literacy, several health indicators have worsened over the past decade. Among
others, the number of physicians per population has fallen by half, and life expectancy has fallen from 46 years in 1987 to 37 years in 2005, largely due to the HIV and AIDS epidemic. Childhood immunization has also decreased from 82 percent in 1992 to 64 percent in 2004. Maternal mortality rates have increased from 620 in 1992 to 960 in 2004, although they are now on a decreasing trend. Child malnutrition has remained virtually unchanged since 1992, and almost half of children under five years of age in Malawi are stunted, and 22 percent are severely stunted\textsuperscript{4}.

\textsuperscript{4} PVA Report June 2006