

Report No. 8140-MA1

Malawi

Growth Through Poverty Reduction

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Africa Regional Office

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Annual Average Exchange Rates
(Kwacha per US Dollar)

<u>Year</u>	<u>Kwacha per US Dollar</u>
1980	0.812
1981	0.895
1982	1.056
1983	1.175
1984	1.413
1985	1.719
1986	1.861
1987	2.209
1988	2.561

Conversion Factors for Weights and Measures

1 cubic foot (cu ft)	=	0.0283 cubic meters
1 cubic meter (m ³)	=	35.3 cubic feet = 254 US gal
1 kilometer (km)	=	1,000 meters = 0.621 miles
1 hectare (ha)	=	10,000 square meters = 2.47 acres

Government of Malawi Fiscal Year

April 1 to March 31

GLOSSARY OF ABBREVIATIONS

ADD	-	Agricultural Development Division
ADMARC	-	Agricultural Development and Marketing Corporation
ASA	-	Annual Survey of Agriculture
ASAC	-	Agricultural Sector Adjustment Credit
CDA	-	Community Development Assistant
CSR	-	Center for Social Research
DEMATT	-	Development of Malawian Traders Trust
DSB	-	Department of Statutory Bodies
DevPol	-	Statement of Development Policies 1987-1996
EPD	-	Economic Planning and Development
FHH	-	Female-headed Household
HCW	-	Homecraft Worker
HH	-	Head of Household
ITPAC	-	Industrial and Trade Policy Adjustment Credit
MEDI	-	Malawi Enterprise Development Institute
MHH	-	Male-headed Household
MOA	-	Ministry of Agriculture
MOCS	-	Ministry of Community Services
MOEC	-	Ministry of Education and Culture
MOF	-	Ministry of Finance
MOH	-	Ministry of Health
NCWID	-	National Commission on Women in Development
NRDP	-	National Rural Development Program
NSO	-	National Statistical Office
NSSA	-	National Sample Survey of Agriculture
NTC	-	Northern Transport Corridor
PAYE	-	Pay as You Earn
PEM	-	Protein-Energy Malnutrition
PER	-	Public Expenditure Review
PFP	-	Policy Framework Paper
PHAM	-	Private Hospital Association of Malawi
PHC	-	Primary Health Care
PSIP	-	Public Sector Investment Program
RBM	-	Reserve Bank of Malawi
RTS	-	Rural Trade School
SACA	-	Smallholder Agricultural Credit Administration
SAL	-	Structural Adjustment Loan
SEDOM	-	Small-scale Enterprise Development of Malawi
SFFRF	-	Small Farmer Fertilizer Revolving Fund
WFP	-	World Food Program

MALAWI - GROWTH THROUGH POVERTY REDUCTION
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This report is based on the findings of a mission which visited Malawi in April and May, 1989. Mission members were Kathie Krumm (AF6CO, Mission Leader), Peter Fallon, Lant Pritchett, Brigida Tuason (AF6CO), Joy de Beyer (AF6PHR), Althea Hill (AFTPN), Ayse Kudat (EDI), Alan Roe (Consultant), Svein Longva (Consultant), and Candace Nelson (Consultant) and were joined by Roger Grawe (Lead Economist). The mission worked closely with a team from the Government and the Reserve Bank of Malawi. Richard Scobey (AF6CO) also contributed to the report.

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EXECUTIVE SUMMARY

Recognizing the need to adjust its economy in the face of a difficult external environment, Malawi has actively implemented an evolving structural adjustment program. At the same time, Malawi has one of the lowest per capita income levels in the world and pervasive poverty. This memorandum focuses on removing major remaining structural constraints to sustainable growth while addressing simultaneously the roots of the pervasive poverty in Malawi. A development strategy focusing on growth through poverty reduction is desirable.

MACROECONOMIC DEVELOPMENTS

Malawi is now recovering from a difficult period of adjustment to the external shocks that buffeted the economy in the mid 1980s, foremost amongst these the cut off of rail transport through neighboring war-torn Mozambique and the resulting debilitating increase in international transport costs. These shocks led to two successive years of crisis management in 1986 and 1987 characterized by falling per capita real GDP, deteriorating current account, rapid international reserve losses, and fiscal imbalances. An economic turnaround begun in 1988 was aided by a resumption of imports of intermediate and capital goods, financed by higher export earnings combined with higher external inflows, and by 1989 real GDP per capita increased. The inflationary pressures that had built up were reduced; inflation fell from 31 percent in 1988 to under 8 percent as of October 1989. Nonetheless, increases in transport costs, periodic terms of trade shocks, and the slowing of agricultural output have reduced real GDP per capita to about 20 percent below its level a decade earlier. Adjustment of domestic absorption fell heavily on investment, but private per capita consumption also declined steadily before rebounding in 1988-89.

The incentive framework that had been strengthened during the structural adjustment process remained largely intact during this period of stabilization. The real exchange rate depreciated over the period. Domestic agricultural prices remained by and large in line with border equivalents. Interest rates became increasingly market determined during the period, reaching positive levels by 1989. Real wages continued to fall, with labor in fact bearing a significant part of the adjustment burden. Nonetheless, improvements in macroeconomic balance were due primarily to contraction of domestic demand, with limited structural responsiveness. Export responsiveness was limited by non-price factors in the agricultural sector; private investment has responded slowly to increased profitability and declining real wages, with undeveloped financial channels to non-traditional clients. Daunting development problems continue to face the country in the 1990s.

STRATEGY FOR GROWTH THROUGH POVERTY REDUCTION

Elements of the Strategy

The strategy for Malawi has two objectives: growth and poverty reduction. It is a combination of four major elements that reflect the

poverty profile of Malawi: expansion of employment opportunities, programs and policies enhancing smaller smallholder agricultural productivity, social sector expenditures for human resource development and population, complemented with income transfers. The poor are predominantly rural and conservatively encompass about half of the population, including disproportionate numbers of women and children. Given that the major causes of poverty are limited employment opportunities, complicated by labor constraints for female-headed households, low agricultural yields, limited human resources, rapid population growth, and minimal income transfers, the four elements of the strategy address the underlying causes of poverty.

The approaches to poverty reduction are simultaneously the critical components of a growth strategy for Malawi. They are not alternatives. Rather they complement one another. Malawi's growth largely will come from expanding the base of the economy through expanded employment and greater realization of the country's agricultural potential. Improved education and health will ensure that the population, including the poor, can take advantage of these employment and agricultural opportunities. Expanded child spacing services for population control will reduce pressure on agricultural land, social services, and labor markets needed to support the strategy.

The macroeconomic considerations underlying the strategy are central, albeit complex. Macroeconomic policy affects the poor while at the same time the strategy for poverty reduction has implications for macroeconomic balance, including increasing the responsiveness of the economy to adjustment measures. The strategy takes into account the main features of the macroeconomy and the channels to the poor through which macroeconomic policy operates in the short term, namely, employment levels, wages, relative food prices, access to inputs, and availability of government services, and identifies policy mixes with a favorable impact on poverty. These include trade liberalization with its encouragement of labor-intensive activities, inflation stabilization designed to avoid unduly contractionary fiscal policy, and financial deepening to facilitate generation of domestic resources and redirection to labor-intensive activities.

The strategy has important implications for macroeconomic balance. In the medium-term the strategy implies significant levels of investment, encompassing extensive human capital formation, financed primarily by domestic savings. Resulting fiscal pressures are modest, with at most an increase in expenditures of 1 percent of GDP. Import requirements and delayed export response result in continuing pressure on the current account for several more years. Although the direction for policies and programs remains the same whether or not foreign savings are available to support the strategy, the scenario in which foreign savings complement domestic savings in financing this investment ensures more rapid progress toward meeting development objectives. The strategy also increases responsiveness to enable structural adjustment. Employment opportunities in labor-intensive sectors will enhance production of competitive exports and import substitutes; increased agricultural productivity will improve

food security while at the same time releasing resources for export production; labor productivity in both agriculture and other sectors will stem from the more highly educated and healthier population. The strong export performance and broad income base for strong domestic resource mobilization will achieve the sustainable internal and external macroeconomic balance at the heart of the development strategy.

Employment Opportunities

The first element of the strategy is increasing employment opportunities and labor productivity and reducing constraints on women's time, directly benefitting the poor who do not have many assets other than their labor. Continuing trade liberalization will encourage greater use of Malawi's abundance of labor for both export and import substitution activities. A dynamic informal sector also provides employment opportunities, and the Government should review the constraints placed upon its growth. Increased financial deepening as well as a supportive investment climate are necessary complements to attract both domestic and foreign investment. Wage policy must support mobility and competitiveness in labor markets, requiring more frequent review of the minimum wage. Land rents which reflect land scarcity will not only increase efficiency but also increase employment in line with increased land utilization. To increase the efficiency of home and family maintenance that make large demands on women's time, particularly for the large percentage of female-headed households among the poor, emphasis should be placed on labor-relieving programs in water, transport, and agricultural technology. The National Commission on Women in Development (NCWID) should continue to be strengthened and the fledgling programs for promoting income generation for rural women should be fostered.

Smallholder Agricultural Productivity

The second element of the strategy is increasing the low levels of agricultural productivity of the smaller smallholders. The promotion of widespread fertilizer use will require a significant increase in fertilizer imports and enlargement of agricultural credit programs. Despite the resulting production increases, the poor will continue to rely on off-farm activities and transfers for a large portion of their income. Other innovative programs for raising productivity which contain an income transfer element for these farmers should be considered. For the longer-term, a reorientation of the research and extension agenda towards the development and dissemination of flinty hybrid maize varieties that will win more rapid adoption by small-scale farmers is essential. The proposed extension of licenses to grow certain high value crops to smallholders, in particular, burley tobacco, is expected to provide additional income for some poor households without a significant reduction in efficiency compared to estate production.

Public Expenditures and Social Sector Policies

The third element is to invest heavily in human resources through an expansion in social sector expenditures. The Government will need to

pay explicit attention to the factors that inhibit enrollment of children from poor families and limit access to health, child spacing, and water services. The quality of primary education, and of rural schools in particular, must be given higher priority. In health, the focus on primary health care is critical for cost-effective use of constrained resources, and there is an urgent need to extend access to child spacing services beyond the current third of health centers. Given the links between water services and other critical productivity factors such as health and use of labor, it is critical to increase access to clean water particularly for the majority of the rural population without it.

Income Transfers

The fourth element of income transfers complements the other three growth-oriented approaches by providing additional support to the poor in the interim until their incomes have increased. These ensure that the poor will not be too incapacitated to participate in other productive activities. Continuing efforts in tax reform and greater encouragement of NGO participation in development activities will be critical to finance these transfers. One targeting mechanism that should be expanded is nutrition intervention through feeding programs.

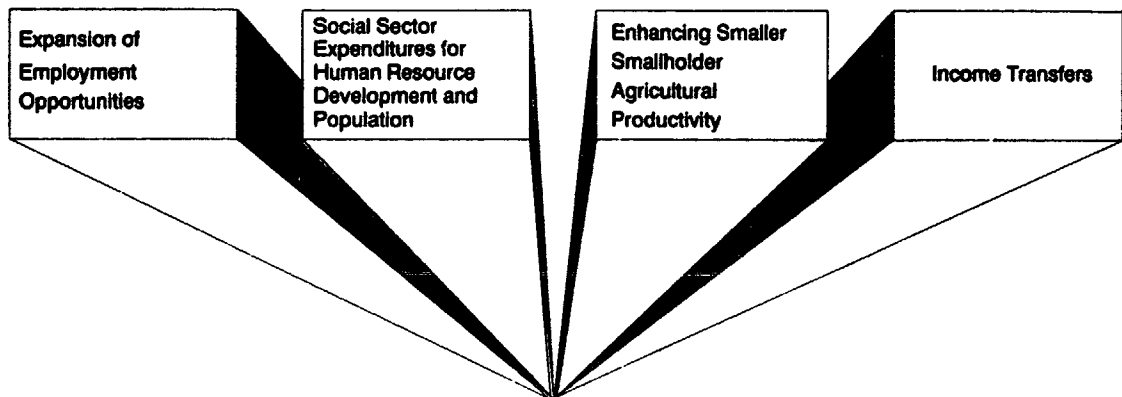
Impact on Growth and Poverty

The combination of these four elements will result in steadily growing incomes for the poor and non-poor over the next five years and well into the future. They will provide economic opportunities as well as enable the poor to participate. The initial impact will come from smallholder agricultural productivity and increased employment with the impact of social sector expenditures complementing these sources of growth at a later stage; the transfer programs partly meet any gaps. The social sector and income transfer elements will be particularly effective in increasing the incomes of the lowest income poor while the labor and agricultural approaches will ensure significant increases for the both the poor and non-poor. This effective and comprehensive strategy for growth and poverty reduction in a resource-poor but well-managed country deserves the full support of the international donor community.

I. INTRODUCTION

1.01 Malawi has one of the lowest per capita income levels in the world. Not surprisingly, poverty is pervasive and not merely the situation of the lowest economic groups. Removing major remaining structural constraints to sustainable growth will address simultaneously the roots of the poverty in Malawi. The memorandum outlines four approaches and the policies and programs for each that are most promising in terms of both growth and poverty reduction: expansion of employment opportunities, enhanced smaller smallholder agricultural productivity, social sector expenditures for human resource development and population, and income transfers. A development strategy which combines these four elements will realize Malawi's potential for growth while reducing poverty.

Strategy for Growth Through Poverty Reduction



Background

1.02 Malawi is characterized by pragmatic management of its economy. However, that economy has a fragile and narrow resource base. Malawi is landlocked; land density already is among the highest in Africa; its population continues to grow at relatively high rates; human resources are largely undeveloped; the economic base is dependent on a small range of export and domestic markets. In addition, the economy has been subjected to a number of external shocks in the 1980s that have adversely affected prospects for growth and development. Foremost amongst these has been the

war and civil strife in neighboring Mozambique which not only led to a severely debilitating increase in international transportation costs but also to increased security-related expenditures and a large influx of refugees.

1.03 The strategy in the first decades following Independence in 1964 by and large emphasized agriculture and infrastructure. In agriculture, the strategy emphasized increased production. Direct public expenditures in agriculture were relatively large, concentrated on the smallholder subsector. Prices paid to smallholders by the monopsonistic marketing board (most recently Agricultural Development and Marketing Corporation (ADMARC)) were considerably less than world levels, but a considerable share of the profits were reinvested in agriculture, albeit the estate or agro-industry subsectors. The estate subsector was deemed critical to export performance; growth in estate output was primarily extensive. In infrastructure, public expenditures in transport and communications took the largest share of total expenditures, benefitting primarily the estate sector. Explicitly recognizing its constrained resources, the Government limited expenditures on social services, resulting in lower allocations than in other Sub-Saharan African countries to primary education among others. Domestic manufacturing and urban development were not emphasized; the Government perceived little contribution to economic growth and the elimination of poverty from the development of capital-intensive industries or increased wage costs for an urban elite. Low wages also were regarded as consistent with strong estate export performance.

1.04 Adjustment strategy in the 1980s was formulated to strengthen performance of key markets. The policies, embraced and implemented by the Malawians with the guidance and support of the World Bank and other international institutions, created a sound base from which to grow. The major policies were liberalizing smallholder marketing, restructuring major private and public enterprises, strengthening fiscal institutions and performance, and restoring a relatively open trade and exchange regime. In light of continuing external shocks and the country's low social indicators, the policy measures undertaken during the decade of the 1980s, despite their breadth and successful implementation, were necessary but not sufficient to lead to sustained growth. Adjustment was the result largely of contraction in domestic demand, with limited movement into new activities.

1.05 In the 1990s the country will continue to face daunting development problems which limit responsiveness of the economy to adjustment measures. The Government has outlined a number of new directions in its Statement of Development Policies 1987-1996 (Devpol) to face this challenge. It recognizes the progress that has been made, for example, by giving the private sector a central role in the economy, and will maintain approaches that have proved successful. At the same time, it recognizes that land and human resource constraints call for shifts in emphasis toward the smaller smallholder and human capital development.

Framework for Analysis of Growth in the Context of Poverty Reduction

1.06 This memorandum explores the constraints to growth and adjustment, in particular, the potential for growth from attacking poverty and integrates the strategy for reducing poverty into a macroeconomic framework. It continues the search for sources of sustainable growth in Malawi. In the post-Independence period, Malawi relied on its initial abundance of land for growth. With the growth in population, the country now is increasingly labor abundant, similar to certain South and East Asian countries. The growth through efficiency-promoting policies in the 1980s will continue, but the greatest growth potential is in utilizing that labor abundance and making it more productive. Malawi is in a position to join other successful countries that have chosen this path.

1.07 This growth strategy also represents a medium-term poverty reduction strategy by using resources to enhance the productive income of the poor. ^{1/} This productive income depends on the assets that the poor control. They have command over few resources other than their own labor and human capital. Increasing the income of the poor from employment opportunities, investment in human resources and child-spacing services, and improvements in agricultural productivity would be a central element of a poverty reduction strategy. Certain options for transfers of income complement the strategy, in particular, those that work effectively in the short-term without jeopardizing the medium-term growth framework.

1.08 The Malawi case suggests that each of the four approaches to poverty reduction are consistent with growth. Expansion of employment opportunities through labor-intensive activities and relief of women's time constraints will result in efficiency gains; addressing the structural factors inhibiting smaller smallholder productivity will result in a broad response to the significant agricultural price and marketing reforms which already have taken place; increased social sector expenditures will raise levels of human capital and labor productivity as well as reduce population pressures; income transfers will play a complementary role by ensuring that the poor are not too incapacitated to take advantage of productive opportunities. The approaches are viewed over two time-frames, the medium-term 1990-95 and the long-term 1995-2005. These approaches are not alternatives because of the complementarities among them. Hence, should resources be tightly constrained, the analysis of trade-offs and policy choices are inevitably difficult. Nonetheless, the report outlines a framework in which to make these choices.

1.09 The macroeconomic considerations underlying the strategy are central, albeit complex. Short-term macroeconomic management affects the poor through a number of channels, with important roles for trade liberalization and financial deepening in stimulating new activities and employment. At the same time, the four approaches affect macroeconomic

^{1/} Jagdish Bhagwati, "Poverty and Public Policy," World Development, Vol. 16, No. 5, pp. 539-555, 1988.

balance. They have implications for the major macroeconomic aggregates including fiscal and external resources. In addition, they are fundamental in increasing the responsiveness of the macroeconomy to enable adjustment. With adequate support from foreign savings to complement domestic resources, all four approaches can be pursued simultaneously, resulting in sustainable internal and external balance in the long-term.

Outline of Memorandum

1.10 This report has two parts. Part I (Chapter II) is an analysis of recent economic events and the context for growth, focusing on macroeconomic developments. Part II (Chapters III-V) develops the growth and poverty reduction strategy for Malawi.

1.11 Chapter III draws a profile of poverty. It characterizes both the poor and a sub-set of core poor (III.A) and identifies major factors underlying their low income level (III.B). Chapter IV outlines the four approaches to poverty reduction based on the profile of poverty and the economy of Malawi. The central role of the labor market and employment is outlined in section IV.A. The report presents a set of options for expanding employment opportunities, with attention to the informal sector, trade reform, land policy, and measures to remove constraints and create opportunities for the women of Malawi. Section IV.B summarizes the key elements of a strategy for enhancing agricultural productivity of the smaller smallholders, in line with the program supported by the Agricultural Sector Adjustment Credit (ASAC). Section IV.C outlines the poverty impact of social sector expenditures and sets forth specific recommendations on delivery of service and cost recovery in the social sectors and implications for public expenditure allocation. Section IV.D analyzes income transfers, including the implications for resource mobilization, both NGO activity and tax policy, as well as delivery and targeting options.

1.12 Chapter V pulls together the strategy in a macroeconomic framework. Section V.A compares and contrasts the four main approaches, making use of a poverty/growth index. It identifies the complementarities among the approaches, the limited trade-offs with growth, and the implications of the strategy for macroeconomic balance, including the fiscal and external resource implications of each approach. In the context of the growth and poverty reduction objectives of these approaches, section V.B sets forth the implications of macroeconomic policy mixes based on the features of the macroeconomy of Malawi. It identifies how the four approaches increase the ability of the macroeconomy to adjust. For the short-term, it evaluates the major links between the macroeconomy and the poor and identifies the alternative macroeconomic policy mixes (including trade, stabilization and financial policies) consistent with both growth and poverty objectives. The final section quantifies the resulting profile of the macroeconomy over the medium- and long-term and outlines the implications for external resource requirements and the pattern of donor support to Malawi.

PART I - MACROECONOMIC DEVELOPMENTS

II. RECENT ECONOMIC EVENTS IN MALAWI

II.A NATIONAL ACCOUNTS

2.01 Initial Adjustment Period, Further Shocks, Crisis and Recovery. Malawi's period of strong economic growth, driven primarily by extensive growth in the estate agricultural sector, came to a halt in the early 1980s. Dramatic declines in the terms of trade, combined with a drought and the beginning of transport difficulties through Mozambique, led to sharp declines in GDP per capita in 1980 and 1981. Some early signs of success in the adjustment process began to show in the years 1982 to 1984 as economic growth returned. During this recovery period, further external shocks buffeted the economy. In 1984 the rail link through Mozambique was cut off completely; the terms of trade took another nosedive from a temporary peak in 1984, driving down the dollar value of exports by 20 percent. These shocks led to two successive years of crisis management in 1986 and 1987, years of falling per capita GDP. Malawi adjusted to these additional external pressures primarily by resorting to tight exchange controls on imports. A broad based recovery in output began in 1988 and continued through 1989, reflected in increased capacity utilization. This was aided by a restoration of fiscal discipline and relaxation of import controls, with increased imports of intermediates and capital goods financed by both higher export earnings and higher external inflows. In spite of earthquakes and flooding in certain parts of the country, per capita income increased significantly in 1989.

2.02 Expenditure and Absorption. From 1984 to 1988, real GDP rose on average by only 2 percent a year while population grew by over 3 percent per annum. Despite further recovery of over 4 percent in 1989, GDP per capita was more than 20 percent below its level a decade earlier. The cumulative effect of increases in transport costs, periodic terms of trade shocks, and the slowing of agricultural output growth as acreage expansion slowed led to much slower growth in output in the 1980s compared with about 5 percent yearly growth during the 1970s. This contraction in output per person was reflected in both consumption and investment trends. As shown in Table II.1, private consumption per capita fell by 2 percent per annum from 1980 to 1984 and another 1 percent per annum by 1988 before rebounding sharply in 1989.

2.03 Savings and Investment. Much of the adjustment of domestic absorption fell on investment. Gross fixed capital formation fell from 19.5 percent of total expenditures in 1980 to 13.3 percent in 1984 and 1988 (Table II.1). Although the level of investment has recovered from its nadir in 1986, fixed capital formation per capita in 1988 was roughly a third of its peak level of 1977-80 and less than half the level of the

Table II.1: TRENDS IN GDP BY EXPENDITURE ITEM
1980-1989

Expenditure category	Recent Annual Changes					Expenditure Share		
	1985	1986	1987	1988	Est. 1989	1980	1984	1988
Consumption	8.2%	1.8%	-2.2	4.4%	11.0%	78.3%	86.9%	88.6%
Private	0.7%	-0.8%	-2.7%	7.1%	18.6%	61.4%	72.9%	70.3%
Government	11.8%	9.7%	-0.5	-2.9%	8.3%	16.9%	16.0%	18.3%
Investment (incl. stocks)	47.2%	-47.2%	21.4%	26.8%	5.6%	21.7%	18.1%	16.3%
Gross Fixed Capital Form	0.5%	-25.1%	2.6%	14.9%	7.5%	19.5%	13.3%	13.3%
Gross Domestic Expenditure	8.9%	-6.7%	0.2%	7.2%	10.2%	100.0%	100.0%	100.0%
GDP at market prices	4.6%	-0.2%	-1.1%	2.9%	5.6%	87.7%	102.6%	91.7%
						Growth Rates by Period		
						1978-80	1980-84	1984-88
*Per Capita Consumption						0.6%	-2.2%	-0.9%
Private						-1.4%	-2.1%	-1.6%
Government						4.6%	-2.4%	1.2%

Source: Statistical Appendix

mid-1970s. The fall was due primarily to the completion of major public investment projects. However, private investment (including parastatals) also was stagnant. Constrained aggregate demand, capacity underutilization, import controls, and the lingering effects of the restructuring of some of the economy's largest enterprises led to a fall in private investment to under 5 percent of GDP before recovering in 1988 and 1989. While some of the decrease in investment reflects a fall in available external capital flows, domestic savings have fallen more sharply than income over the last four years. As shown in Table II.2, national savings in 1989 were only 5.8 percent of GDP compared to 11.4 percent in 1982-84. Private savings continued to fall as a share of GDP in 1988 and 1989, consistent with the previously forced savings for fiscal deficit financing and the recovery in private consumption levels after several years of per capita declines. This was offset by a sharp improvement in Government savings performance, in line with fiscal contraction outlined below. Public enterprise profitability and contribution to savings has been strengthening. The balance of resources to the private sector (investment less savings) swung from large negative transfers in 1984-87 to positive levels in both 1988 and 1989.

2.04 Production: Agriculture. The Malawian economy remains predominantly based on agriculture which accounts for over 35 percent of GDP, 90 percent of exports and 85 percent of total labor force utilization. Both smallholder and estate sectors experienced fluctuations

Table II.2: FLOW OF FUNDS: SAVINGS AND INVESTMENT - PRIVATE, GOVERNMENT AND FOREIGN SECTORS
(In percent of GDP, 1980-1989)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Gross Investment	24.7	17.0	21.4	22.0	12.9	10.3	12.2	12.0	15.4	10.5
Public	10.5	7.0	6.9	7.2	6.7	6.0	6.5	5.0	5.4	6.1
Private a/	14.2	10.0	14.5	14.8	6.2	4.3	5.7	7.0	10.1	4.4
Fixed	11.7	8.1	7.7	6.6	6.4	6.3	3.5	5.0	6.8	8.2
Stock Building	2.5	2.5	6.8	9.1	-0.2	6.2	0.2	1.0	3.3	3.2
Savings (National Concept)	24.7	17.0	21.4	22.0	12.9	10.3	12.2	12.0	15.4	10.5
Foreign Savings	21.2	12.3	10.0	11.0	1.0	9.0	6.3	4.9	6.7	10.7
National Savings	3.5	5.3	10.0	11.0	11.1	9.3	5.9	7.7	6.7	5.0
Public	-4.4	-0.2	-5.0	-3.1	-2.0	-1.7	-3.0	-4.4	-1.0	-1.2
Private	7.9	13.5	10.0	14.0	13.2	11.0	9.0	12.1	6.0	7.0
Fiscal Deficit (calendar year)	14.9	15.2	12.0	10.3	0.7	0.5	12.3	10.2	7.3	6.3
Private Sector Balance	6.3	-2.9	-2.2	0.7	-0.9	0.6	-0.0	-5.3	1.4	4.4
Current Account Deficit	21.2	12.3	10.0	11.0	1.0	9.0	0.3	4.9	6.7	10.7

SOURCE: Statistical Appendix.

a/ Includes Statutory Bodies.

during the past five years. The smallholder sector, distinguished by customary land tenure, is by far the largest, absorbing about 80 percent of the labor force and producing nearly 80 percent of agricultural value added. For the 1984-88 period the growth rate in smallholder agriculture has been 0.7 percent a year, as shown in Table II.3. The production of maize, which accounts for 70 percent of smallholder acreage, has been subject to wide fluctuations, largely weather induced, with large purchases by the Agricultural Development and Marketing Corporation (ADMARC) in 1985 followed by serious shortfalls by 1987 which necessitated food aid imports. Output was 20 percent higher in the 1987/88 season than the previous one due to a return to favorable weather conditions, improved prices relative to smallholder export crops, and increased fertilizer uptake; maize output increased a further 8 percent in the 1988/89 harvest. However, the 1988/89 output level was only 8 percent above the output five years earlier, less than the cumulative increase in population. Maize yields have stagnated at low levels. Output in the sector as a whole declined in 1989 due to floods and earthquakes in certain parts of the country. Estate agricultural production provided much of the impetus for economic growth in the 1970s, primarily due to acreage expansion. After rapid growth up to 1983, value added in estate agriculture grew more slowly, with stagnant yields and little growth in employment. From 1983 to 1986, output of the major crops stagnated due to falling yields in tobacco and adverse price movements in tea that limited production. The combination of favorable weather and increasing prices for burley tobacco led to strong output increases, and the estate sector grew by 7 percent in 1987 and 1988 and 10 percent in 1989 (Table II.3). A major shift has been the increasing share in total tobacco production of burley, more labor-intensive than flue-cured tobacco and typically grown by tenants, increasingly on smaller estates which account for lower yields. Burley tobacco now accounts for about two-thirds of the value of estate tobacco compared to only a quarter a decade earlier.

2.05 Production: Industry. The industrial sector in Malawi is small, contributing about 20 percent of GDP and employing only 3 percent of the labor force. Although the sector is highly concentrated, it has been

Table II.3: CONSTANT PRICE GDP BY PRODUCTIVE SECTOR, GROWTH RATE AND SHARES
1978-1988

	Growth Rates per Annum by Period			Annual Growth Rates					Sectoral Shares in GDP	
	1978-82	1982-84	1984-88	1985	1986	1987	1988	Est. 1989	1978	1988
	Agriculture	-1.6%	5.1%	1.4%	0.5%	0.6%	2.4%	1.8%	1.2%	39.7%
Smallscale	-3.2%	5.6%	0.7%	0.5%	1.0%	1.1%	0.3%	-1.4%	33.2%	27.6%
Large-scale	6.1%	3.1%	3.4%	0.6%	-0.9%	7.2%	7.1%	9.9%	6.5%	8.3%
Industry	-0.2%	1.4%	3.6%	7.5%	-1.6%	1.5%	7.3%	12.0%	19.3%	20.1%
Manufacturing	2.0%	4.8%	2.4%	3.1%	2.2%	0.9%	3.3%	12.9%	11.4%	13.3%
Construction	-6.0%	-9.4%	6.8%	25.7%	-16.1%	-0.3%	24.4%	10.0%	6.2%	4.6%
Electricity and Water	4.0%	5.0%	4.4%	1.9%	5.5%	8.1%	2.1%	8.9%	1.7%	2.2%
Services	2.3%	4.1%	3.8%	6.6%	-2.6%	3.1%	2.6%	3.6%	41.0%	41.0%
Government Services	6.9%	7.6%	6.8%	6.4%	9.1%	14.0%	5.5%	1.6%	9.1%	15.7%
Other	0.7%	2.6%	1.6%	9.5%	-3.6%	-1.3%	1.6%	4.9%	31.9%	25.3%

Source: Statistical Appendix

relatively efficient. After recovering in the 1982-84 period and into 1985, industrial value added fell in 1986, as shown in Table II.3, as low domestic demand and constraints on imported intermediates lowered capacity utilization in the manufacturing subsector to under 50 percent. The construction subsector felt the impact of the reduction in investment levels most strongly. The sector rebounded sharply in 1988 and 1989 with the relaxation of import controls and increased demand from agricultural estate incomes, leading recovery in the economy.

2.06 Production: Services. The service sector accounts for about 40 percent of value added (Table II.3). Within services, the most important producers are government, distribution, transport, and financial services. The apparent growth in output of government services is due primarily to productivity assumptions made in constructing the constant price series for compensation of employees; removing this upward bias would reduce the government services share of GDP to about 11 percent of GDP rather than 16 percent for 1988. This adjustment also would reduce the estimated annual GDP growth rate for 1980-88 by almost a quarter. The transport sector has been under heavy supply pressures, with the lack of imported spare reducing operating vehicles and the demands on the distribution network at times strained by the added task of supplying the refugees. The number of registered vehicles has fallen and the capacity of the sector has not expanded.

2.07 Refugees. Since 1987, there has been an influx of refugees from neighboring Mozambique totaling about 700,000 people, equivalent to 10 percent of the Malawian population, the highest recorded percentage in the world. In addition to the transport pressures from movement of food aid, the influx contributed to an initial sharp rundown in the Government's strategic grain reserve and imposed an additional budgetary burden estimated at about 1 percent of GDP beyond the services provided to the refugees by the international community.

II.B BALANCE OF PAYMENTS

2.08 One aspect of the continuing economic crisis in Malawi is the continuing pressure on the external accounts brought about largely by terms of trade deterioration and increasing transport costs. After a strong year in 1984, in which the current account deficit fell to 1.8 percent of GDP, due largely to an export value boom, the current account deficit rose to 9.0 percent of GDP in 1985 (Table II.4). This, combined with decreased inflows on the capital account, led to increasingly rapid reserve losses. Gross reserves in 1986 fell to less than a month's worth of imports. In response, the Malawian authorities imposed a strict system of foreign exchange allocation that reduced the current account deficit in 1986 and 1987 by sharply containing import growth. In 1988 and 1989, the relaxation of these controls along with increased capital inflows associated with Bank adjustment lending and some increase in export receipts allowed a large surge in imports. The current account again rose to 8.7 percent and an estimated 10.7 percent of GDP, respectively, combined with a restoration of reserves.

Table II.4: BALANCE OF PAYMENTS SUMMARY
(In percent of GDP)

	1984	1985	1986	1987	1988	Est. 1989
Exports of Goods and NFS	29.7	25.7	25.1	24.7	23.0	20.3
Imports of Goods and NFS	28.0	30.8	27.5	26.9	32.1	33.2
Resource Balance	1.7	-5.1	-2.4	-2.2	-9.1	-12.9
Net Factor Income	-4.9	-4.9	-5.6	-4.7	-3.9	-3.5
Factor Payments	5.2	5.4	5.9	4.9	4.5	4.2
of which int. payments	3.9	4.2	5.0	4.1	3.7	2.9
Net Cur. Transfers	1.4	1.0	1.7	2.0	4.3	5.6
Current Acct. Bal.	-1.8	-9.0	-6.3	-4.9	-8.7	-10.7
LT Capt. Inflow	5.4	4.0	6.5	6.1	11.3	7.3
Gov. Trans. (net)	2.1	2.3	2.7	2.5	6.6	3.4
Net LT loans	4.6	2.8	4.4	5.2	3.7	2.8
Other LT Capt Inflows	-1.4	-0.9	-0.6	0.5	1.0	1.1
Short-Term and Unidentified	0.2	0.7	-7.5	1.4	3.4	0.8
Overall Balance ^{a/}	3.8	-4.3	-7.3	4.7	6.0	-2.6
Foreign Exchange Reserves: In Months of Imports	2.8	1.7	0.9	1.8	4.8	2.9

Source: Statistical Appendix.

^{a/} Adjusted for exchange rate differences between current and capital account calculations.

2.09 Exports. Malawi's exports remain heavily concentrated among three export crops that are primarily the product of the estate agricultural sector. Tobacco, tea and sugar account for about 85 percent of export value in 1988 (Table II.5), unchanged from 1978 and higher than a 75 percent share for the top three exports in 1968. This lack of diversification leaves Malawian export earnings vulnerable to the wide swings in externally determined export prices as well as weather induced production fluctuations. The variability of dollar export prices was 13.1 percent compared to a variability of world import prices of 6.8 percent. For example, while export earnings have recovered from \$264

million in 1985 to a value of \$301 million in 1988, they are still 10 percent lower than the 1984 peak of \$330 million. The annual growth in dollar value of exports has been only 1.3 percent from 1980-88, dwarfed by the 18.4 percent growth rate of exports from 1970-80. As shown in Graph II.1, while export prices fluctuated, volumes by and large have been stagnant in the 1980s. While the declines in tobacco production in 1985 and 1986 were mostly weather related, the longer-term slowdown of estate export volumes in the 1980s is because of the limitation on the further expansion of acreage in the estate sector after rapid increases in the 1970s with no compensatory yield increases. The important export crops grown by smallholders are fire-cured tobacco varieties and groundnuts. Smallholder share in tobacco export value has declined from over 50 percent in the early seventies to less than 12 percent in 1988 primarily because of the increasingly poor price incentives. Until recently, ADMARC as the monopsonistic buyer of smallholder tobacco passed through, on average, considerably less than the world price to the farmers. Prices paid to the farmers improved sharply in 1989/90, with indications of a sharp supply response.

Table II.5: TRENDS IN PRINCIPAL EXPORTS

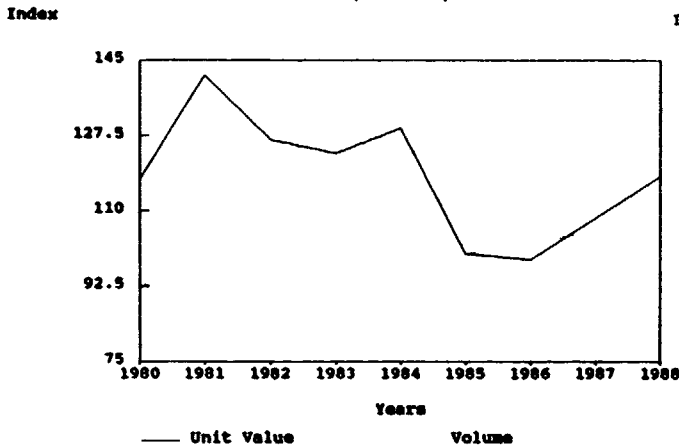
		Percentage Share in Value				Growth Rates Per Annum by Period		
		1978	1980	1984	1988	1980-1988	1980-84	1984-88
Tobacco	Value	57.9%	46.8%	52.4%	64.3%	4.0%	7.1%	2.9%
	Volume					0.0%	2.9%	-2.8%
	Unit value					3.9%	4.1%	5.9%
Tea	Value	19.6%	13.8%	26.2%	10.7%	-1.9%	22.2%	-22.0%
	Volume					1.7%	4.4%	-0.2%
	Unit value					-3.5%	17.0%	-21.9%
Sugar	Value	8.2%	18.1%	6.7%	9.8%	-4.2%	-16.3%	7.4%
	Volume					0.6%	-4.2%	6.1%
	Unit value					-4.8%	-12.6%	1.2%
Groundnuts	Value	3.1%	7.4%	0.2%	3.2%	-7.4%	-55.4%	85.0%
	Volume					2.2%	-52.5%	122.2%
	Unit value					-9.4%	-6.1%	-18.8%
Coffee	Value	0.2%	0.2%	1.0%	3.2%	30.6%	49.2%	30.7%
	Volume					31.0%	57.5%	24.6%
	Unit value					-0.3%	-5.3%	4.9%
Other	Value	10.9%	15.6%	13.4%	6.6%	-4.9%	0.3%	-12.0%
Total	Value	100.0%	100.0%	100.0%	100.0%	1.3%	3.6%	-1.3%

Source: Statistical Appendix

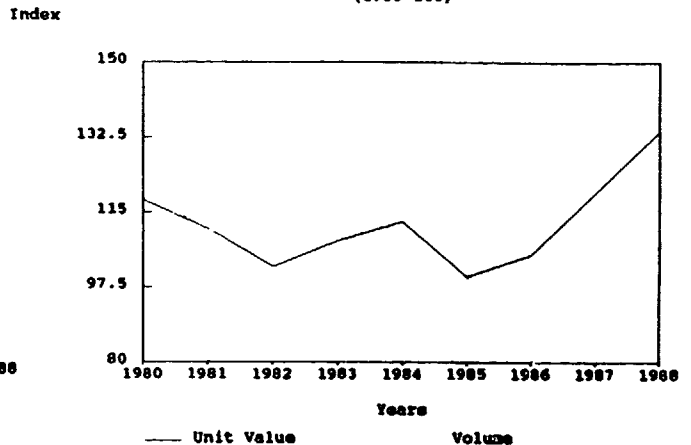
2.10 Imports. Malawi's imports are almost entirely intermediates and capital goods and come primarily from South Africa (30 percent) and the UK (20 percent); the transport situation does not appear to have altered the

geographical pattern of Malawi's imports significantly. Since 1984 the security situation in Mozambique has cut off Malawi completely from rail links to the sea and all imports (and exports) have been moved over long and expensive road and rail links, primarily through the port of Durban. This has raised the estimated CIF/FOB margin for imports from 1.27 in 1980 to 1.67 in 1988 so that transport costs are currently estimated to be 40 percent of the CIF value of imports. By 1984, the volume of imports fell 40 percent from its peak in 1980, as indicated in Graph II.2. With the tightening of exchange based administrative controls on imports in 1986, imports were again pushed to the low levels of the early 1970s, severely constricting the level of investment and inhibiting domestic production. After a modest increase in 1987, import volume increased by over 20 percent in 1988, with further recovery in 1989. The relaxation of exchange controls and the progressive widening of the trade liberalization associated with the Industry and Trade Policy Adjustment Credit (ITPAC) as well as a resurgence in domestic demand with higher tobacco incomes produced a large re-stocking effect. Yet even after the recent import surge, the ratio of imports of goods (FOB) to GDP is less than 75 percent of its 1980 level, in line with the required external adjustment.

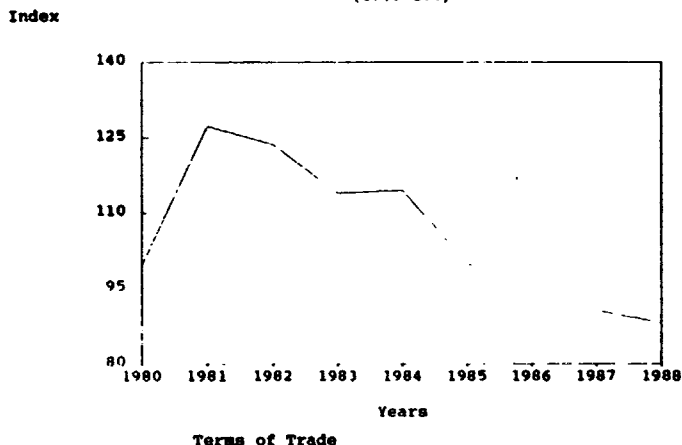
Graph II.1: Export (fob), Unit Value and Volume Indices (1985=100)



Graph II.2: Import (cif), Unit Value and Volume Indices (1985=100)



Graph II.3: Terms of Trade (1985=100)



2.11 Terms of Trade. The terms of trade continued to deteriorate during the past five years, as shown in Graph II.3. After the massive terms of trade losses of the early eighties, the terms of trade were roughly stable from 1982-84 as the deterioration in tobacco prices was offset by a tea price boom through 1984. In 1985 and 1986, the terms of trade fell again as tea and tobacco prices weakened. In 1987 and 1988, the strong recovery in Malawian tobacco prices was offset by higher import prices and a continuing decline in the terms of trade.

2.12 Service Accounts. Malawi's balance on merchandise trade at FOB values, excluding refugee flows, was in surplus of more than 3 percent of GDP in 1988 and 1989. However, the estimated CIF charges, an astounding 10 percent of GDP, combined with refugee food imports, left a negative resource balance of \$127 million (9.1 percent of GDP) and \$208 million (12.9 percent of GDP) in 1988 and 1989, respectively. Prospects for the dramatic reduction in the overall freight bill over the next few years are brightening but uncertain. The investments in the Northern Transport Corridor coming on stream in the early 1990s will reduce costs slightly. The Nacala line was reopened in October 1989, although the impact will be limited until the security situation is resolved. On the factor services account, interest payments averaged 4 percent of GDP from 1985-88, slightly higher than the 3 percent from 1982-84 but are projected to decline as the higher interest commercial debt is retired and the concessionality of outstanding stock of debt correspondingly increases.

2.13 Capital Account and Internal Debt. After heavy recourse to commercial borrowing in the late seventies and early eighties, the Government of Malawi has effectively eliminated borrowing on commercial terms and actively retired much of it. The amount of debt on concessional terms has increased from 46 percent of total in 1980 to 78 percent in 1988; consequently the percent of debt at variable interest rates has decreased from 22 percent in 1980 to 4 percent in 1988. In addition, grant financing increased significantly in 1988 to over 6 percent of GDP. The estimated level of 3 percent in 1989 also remained well above recent trends. Total debt service obligations in 1985-88 were over 10 percent of GDP but are projected to decline as the increasing share of grant and concessional financing reduces interest and repayment obligations. Malawi negotiated Paris Club and London Club rescheduling agreements in 1988 covering some \$60 million. This debt relief, along with the large adjustment related disbursements in 1988, allowed the regularization of payments on the debt service accounts, the elimination of import payments arrears that had accumulated in 1986 and 1987, and the resumption of commercial lines of credit.

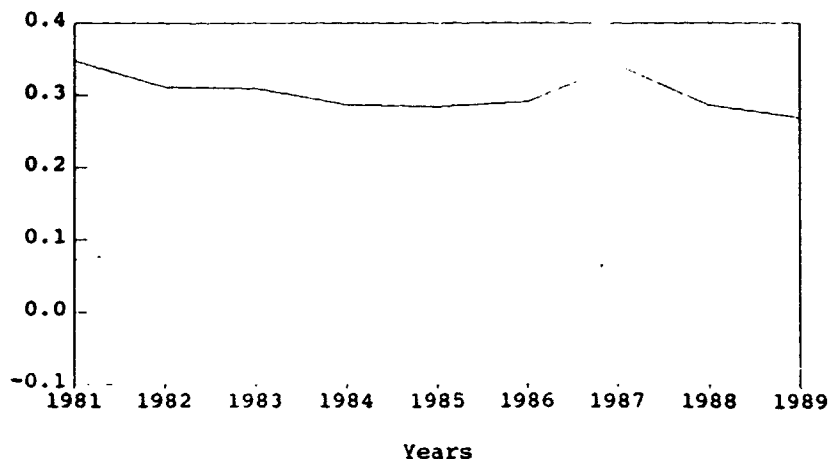
II.C PUBLIC FINANCES

2.14 Central Government: Overall. In the last two years, through stringent expenditure control, the Government reduced the deficit and eliminated recourse to financing from the domestic banking system. Progress had been made in lowering the deficit in the early 1980s; the overall deficit (excluding grants) declined from its 1980/81 peak of 16 percent of GDP to under 9 percent in 1984/85 mainly by cutting expenditure, primarily through cuts in the development account. However,

the deficit worsened again in 1986/87, reaching 13 percent of GDP (9.6 percent including grants). Large extra-budgetary expenditures, associated with the maize purchases from ADMARC and increased expenditures due to the security situation, forced recurrent expenditures up by about 3 percent of GDP, with total expenditures peaking at 34 percent of GDP as shown in Graph II.4. With flat revenues and external financing, these large fiscal imbalances pressured domestic savings, with net domestic financing of 4.7 percent of GDP in 1986/87 and 3.9 percent in 1987/88 (Graph II.4). By 1988/89 the Government had reduced expenditures sharply, from 34 percent of GDP at their peak to 27 percent of GDP. The introduction of improved cost control measures aided in the expenditure reductions, the major factor in narrowing the deficit to 6.6 percent of GDP. This lower deficit, combined with an unexpectedly large inflow of concessional grants and loans, allowed a large decrease in net government credit from the domestic banking system, equivalent to a negative 1.5 percent of GDP. The fiscal stringency was initially achieved through cutbacks in recurrent expenditures and wage compression that distorted the pattern of expenditures of recurrent versus capital expenditures in some sectors and led to substantial erosion of real wages of the civil service. These issues are being addressed through an Action Plan based on a comprehensive Public Expenditure Review, and some balance has been restored in the 1989/90 budget. A three-year tax reform program begun in 1987/88 is also underway in an effort to improve the efficiency and equity of the tax effort. Revenues as a percent of GDP peaked in 1985/86 at 22 percent of GDP, one of the highest ratios in Sub-Saharan Africa, before stabilizing at about 20 percent of GDP as shown in Graph II.4. The reform program aims at strengthening revenue performance through widening the tax base combined with a lowering of tax rates, again some of the highest in Sub-Saharan Africa. Estimates for 1989/90 reflect further negative net domestic financing and decline in the fiscal deficit to 6.3 percent of GDP, with increased revenue and slight decline in expenditures as a share of GDP.

GRAPH II.4 - PUBLIC EXPENDITURES AND FINANCING
As % of GDP, 1980/81-1988/89

Share of GDP



--- Expenditure
- - - Revenue (excluding Grants)
... Domestic Financing
- . - External Financing

2.15 Public Enterprises. Malawi has several large public sector enterprises, or statutory bodies, which play a significant role in the economy and whose losses have at times been a major source of pressure on government finances. One of the major tasks of the adjustment process has been the restructuring of several of these enterprises, the most prominent of which was ADMARC. After severe losses in the 1985/86 and 1986/87 growing seasons ADMARC has been restructured and streamlined to behave more like a commercial organization. ADMARC profits were MK 15 million in 1988/89 and estimated at over MK 20 million in 1989/90. The oversight of the Department of Statutory Bodies has helped reduce losses of other public enterprises. The fiscal crisis of the public enterprises had an effect on overall investment; the decline in investment of the statutory bodies from 1980 to 1986 accounted for almost half of the overall decline in investment over that period. Since the restructuring there has been a modest recovery in investment by the public enterprises.

II.D MONEY, PRICES, AND INCENTIVE FRAMEWORK

2.16 Money and credit. The recent growth of the broad money stock has been rapid but erratic, averaging about 15 percent per annum but ranging from 40 percent in 1988 to under 1 percent in 1985 and 6 percent in 1989. From 1985 to 1987, the rapid monetary expansion was fueled by the expansion in net domestic credit to the official sector. The share of government claims in total domestic credit increased from 50.3 percent in 1984 to 65.8 percent in 1987, as shown in Table II.6. Private sector credit

Table II.6: MONETARY SURVEY
Changes in Money, Net Foreign Assets,
and Net Domestic Credit, 1980-1988

	Growth rates per annum by period				Share of Total				
	1980-84	1984-87	1988	1989	1980	1984	1987	1988	1989
	Liabilities to private sector								
Money	9.3%	22.7%	40.1%	5.5%	52.1%	37.7%	41.7%	49.4%	49.4%
Quasi-Money	28.6%	16.0%	2.9%	5.5%	47.9%	62.3%	58.3%	50.6%	50.6%
Broad Money	18.5%	18.6%	18.4%	5.5%	100.0%	100.0%	100.0%	100.0%	100.0%
Assets of the consolidated Banking system									
Net Foreign Assets	-12.6%	27.8%	99.9%	-50.0%	-23.7%	-33.2%	-33.2%	0.0%	-7.0%
Net Domestic Credit	15.1%	11.0%	-22.0%	23.1%	100.0%	100.0%	100.0%	100.0%	100.0%
Claims on central gov't	34.7%	21.4%	-32.9%	4.6%	26.8%	50.3%	65.8%	56.6%	48.2%
Claims on Statutory bodies	-1.4%	5.2%	-120.9%	-18.4%	14.5%	7.8%	6.8%	-1.8%	-1.7%
Claims on Private Sector	5.8%	-3.5%	27.7%	46.1%	58.7%	41.9%	27.6%	45.2%	53.5%

Source: Statistical Appendix

contracted in nominal terms by 3.5 per annum from 1984 to 1987. In 1988 and 1989, the sources of monetary expansion were completely reversed, with a reduction of net domestic credit to the government to 48 percent of total. In 1988, the large reduction in negative net foreign assets due to the increased flows on the capital account and higher export earnings, combined with an expansion of private credit of 28 percent, offset the contractionary impetus of stringent fiscal policy and continued to fuel growth of the broad money stock. While private sector credit continued to grow significantly in 1989 by over 45 percent, overall money growth was reduced, with a fall in international reserves. Despite the rapid monetary

growth, given the comparable rates of inflation, the real money stock increased annually by only 1 percent from 1984 to 1988. Growth in domestic credit to the private sector has been controlled primarily through the imposition of credit ceilings. Despite an increase in reserve requirements from 10 to 25 percent in early 1990, the commercial banking system continues to hold excess reserves with the Reserve Bank. Financial deepening in the period has been minimal, with increased concentration of credit among traditional clients. While previously the instruments at the disposal of the Reserve Bank for implementing monetary policy were limited, the revised Reserve Banking Act of Malawi of 1989 extended the permissible range of activities to the setting of reserve requirements, open market operations, and broader supervision of the financial sector.

2.17 Interest Rates. Despite rising inflation in the years 1985 to 1988, nominal interest rates have risen only slightly. Commercial bank savings deposit rates were at their 1983 level of 11.5 percent until an increase to 14.5 percent in 1989. Lending rates have risen from the 13.5-16.5 percent range in 1985 to 18-20 percent in 1989. This led to increasingly negative real deposit and lending rates. Interest rates have been progressively deregulated since 1987. Combined with a slowing in the rate of price inflation, real positive lending rates have been achieved in 1989 from negative levels in the preceding years, as shown in Table II.7.

Table II.7: SELECTED INCENTIVE INDICATORS

	1980	1980-1984 a/	1985	1986	1987	1988	1989
Composite CPI Index (1980=100)	100.0	124.2	173.8	199.5	252.9	332.5	385.0
Percentage Change			14.9	14.8	26.8	31.5	15.8
Real Wage Indices:							
Consumer Wage a/							
Rural Minimum Wage	100.0	150.3	184.3	28.7	101.5	77.2	154.5
Agricultural	100.0	115.9	100.9	82.6	71.5	n.a.	n.a.
Non-Agricultural	100.0	98.5	77.6	43.5	69.2	n.a.	n.a.
Producer Wage b/							
Private formal non-estate	100.0	93.4	80.4	75.9	73.2	n.a.	n.a.
Estate sector	100.0	79.8	90.4	65.6	51.6	n.a.	n.a.
Percentage Change in Consumer Wage							
Rural Minimum	--	--	-10.6	-4.2	-21.0	-23.9	100.1
Agricultural	--	--	-12.9	-18.1	-13.4	--	--
Non-Agricultural	--	--	-21.2	-1.8	-9.2	--	--
Real Effective Exchange Rate Index (1985=100)	103.0	101.0	100.0	89.8	83.5	88.4	n.a.
Percentage Change	--	--	0.1	-10.2	-7.3	5.9	--
Real Interest Rate c/							
Lending							
Low rate	-1.3	0.4	4.5	2.9	-5.8	-12.8	5.4
High rate	3.1	4.1	7.3	3.4	-6.2	-10.5	7.1
Deposit	-4.8	-2.4	2.7	0.0	-7.8	n.a.	n.a.

Source: Staff estimates based on Statistical Appendix and other sources

a/ Deflated by Blantyre Low-Income Index.

b/ Deflated by GDP deflator (1978=100). 1989 - deflated by inflation estimate.

c/ Short term deposits.

2.18 Real Exchange Rate. In line with its flexible exchange rate policy to maintain competitiveness, the Malawian authorities devalued the kwacha against a trade-weighted basket of currencies six times during 1984-88, resulting in a depreciation of the nominal effective exchange rate

of 42 percent and a real depreciation of about 12 percent as shown in Table II.7. In the absence of further nominal exchange rate movement, but with the sharp reduction in inflation in Malawi, the real effective exchange rate depreciated slightly in 1989.

2.19 Prices and wages. Inflation accelerated from 1984 to 1988, rising from an average of 11 percent from 1980-84 to over 31 percent in 1988, as shown in Table II.7. It decelerated sharply to about 15 percent in 1989, with a twelve-month inflation of under 7 percent for October 1989. The rapid price increases appear to have been driven, one, by the excess demand pressure on limited domestic production and, two, by pass-through of the local currency increases in imported intermediates stemming from both exchange rate changes and foreign price increases; the reverse trends account for the decline in 1989. Also, the transport sector was under price pressure, with increases of 19 percent more than overall price increases from 1985 to 1988. The price decontrol in the industrial sector carried out in 1984 and 1985 did not lead to faster price increases of the previously controlled goods than the uncontrolled goods. ^{2/} Wage increases since 1984 have been sluggish, with economy-wide nominal average earnings increasing by 8.6 percent in 1985, 9.7 percent in 1986, and 14.2 percent in 1987, with a resultant fall in the real consumption wage. This decline in real average earnings has been a persistent feature of the labor market in Malawi for at least a decade for both the agricultural and non-agricultural sectors, as shown in Table II.7. The nominal minimum wage was fixed from August of 1986 to May 1989, when it was raised by 126 percent in the rural areas, 98 percent in the large cities, and 107 percent in municipalities, restoring the real wage to roughly the level of 1980-84 after an erosion of 88 percent since 1986. ^{3/} As shown in Table II.7, the real producer wage also declined significantly, indicating that a significant part of the burden of macroeconomic adjustment was placed on the labor force.

II.E. MACROECONOMIC SETTING FOR POVERTY REDUCTION

2.20 Functional Distribution of Income. Although there are no recent official figures on the functional distribution of income, calculations from other sources suggest that the two major components are the smallholder sector and the recipients of property, entrepreneurial and capital income, with formal wage employment accounting for about 30 percent. Some recent macroeconomic developments would suggest a shift

^{2/} In the decontrol period (1984-88), the low-income and composite price indices increased by 21 and 22 percent per annum, respectively, or by more than the increase of 19 percent for previously controlled goods. See "Malawi: The Impact of Industrial Price Decontrol Program", World Bank draft, 1989. Similar results are found in Geoffrey Mulaga, "Formation and Variation of Prices in the Malawian Economy", EP&D draft, 1989.

^{3/} The rural minimum wage increased from MK 0.77 to MK 1.74, about \$0.60 per day.

in the income share towards property income from already low wage shares compared with other countries, with price margins widening in the period of simultaneous price decontrol (1983-1988) and import constraint (1985-88) while real wages fell. From 1980 to 1987, wages as a percent of value added are estimated to have decreased from 49.9 percent (up from 36.1 percent in 1978) to 33.6 percent in the estate sector and from 24.4 percent to 20.6 percent in the remaining non-government formal sector. Given recent wage developments discussed in section IV.A, part of this trend was likely reversed in 1989.

2.21 Structural Adjustment. The improvements in short-term macroeconomic management in the last three years and macroeconomic reforms currently being undertaken, including the program of trade liberalization, maintenance of fiscal and monetary discipline, and deregulation of the credit market, have resulted in a stable macroeconomic environment. The adjustment program of Malawi that began in the early 1980s addressed some fundamental constraints through improving the market environment in the country, including parastatal performance and price incentives. Unlike the policies adopted in many countries, this set of policies contributed to containing the negative impact of the severe external shocks to which Malawi was subjected in the 1980s and protecting the productive base of the economy from further crisis. However, based on the limited data available, improvements in external and internal macroeconomic balance to date appear to have been caused primarily by a contraction of domestic demand rather than change in the real structure of the economy, that is, expenditure reduction rather than expenditure switching. In spite of eight years of adjustment programs, the basic productive structure of the economy has not changed significantly, with a change in tobacco composition the major shift in the export pattern.

2.22 Non-price structural factors continue to inhibit expenditure switching which is essential for easing the process of adjustment and assuring adjustment with growth. The macroeconomic policy changes to date have been necessary to avoid further deterioration in the economy but not sufficient for increasing the incomes and growth potential of the majority of the population in Malawi. In particular, the flexibility of resources to move into newly productive activities is limited. Export responsiveness has been impeded by stagnation of smallholder productivity (para. 2.04) and continued population pressures. The reduction in the fiscal deficit and flow of resources to the private financial system was not accompanied by a deepening of channels to non-traditional users of credit (para. 2.16). Despite declining real wages and increased profitability, private investment has responded slowly (para. 2.03), as did employment. Policy adjustments which increase further the responsiveness of the economy are critical. The approaches to poverty reduction outlined in this report will contribute to this responsiveness of the economy and encourage new activities essential for medium-term adjustment. At the same time, the mobilization of resources for the related investment in human capital, infrastructure, and private investment will require continuation and strengthening of the supportive macroeconomic environment. Once the microeconomic foundations of each of the four approaches to growth and

poverty reduction in Malawi are outlined, this report returns to a more extensive discussion of the implications for future macroeconomic policy directions.

PART II - GROWTH AND POVERTY REDUCTION

III. POVERTY PROFILE OF MALAWI

III.A WHO ARE THE POOR?

3.01 The profile of the poor for Malawi indicates that poverty, one, is predominantly rural (over 85 percent of the poor in the smallholder subsector and another 10 percent in the estate subsector) and, two, conservatively encompasses about half of the population. The report identifies two categories, namely, the "poor" and the "core poor". The poverty line for the poor is based on minimum nutrition requirements from food while maintaining the households' food/non-food preference. ^{4/} It is roughly \$40 per capita per annum. This line corresponds roughly to the poorest 55 percent of the population while the line for the core poor is drawn to focus on the poorest 20 percent of the population.

3.02 The poverty line is constructed for three household types, namely, smallholders, estate workers, and urban households, from separate survey sources. The incidence of poverty on a head count and household basis, based on these sources, is summarized in Table III.A.1. With the survey data presently available, methods for the calculation of poverty profiles regrettably cannot be applied in Malawi with as much rigor as desirable, but the proxy used here provides a glimpse of this profile.

III.A.1 Poverty Line and Characteristics - Smallholders

3.03 Income. The vast majority of the poor of Malawi are in the smallholder sector, and over a third reside in female-headed households. About 60 percent of the smallholder population are estimated to be living below the poverty line; over 20 percent are among the core poor. In the absence of data disaggregated by income, estimates are based on the average incomes recorded by size of a household's agricultural plot. The "core" poor are those farming less than 0.5 ha. Other poor households whose incomes fall below the poverty line are identified as those farming between 0.5 and 1 hectare plus half of those farming between 1 and 1.5 hectares.

3.04 The poor increasingly rely more on labor income than on home agricultural production. While income reported here likely underestimates significantly the extent of labor income, available sources illustrate

^{4/} The minimum nutrition is estimated at 200 kg/year of the staple maize for an adult; average price is based on the ADMARC reference price which is roughly comparable to maize prices recorded in the rural market survey conducted by the Ministry of Agriculture for 1988/89.

Table III.A.1: MALAWI POVERTY: INCIDENCE,
1989 Estimate

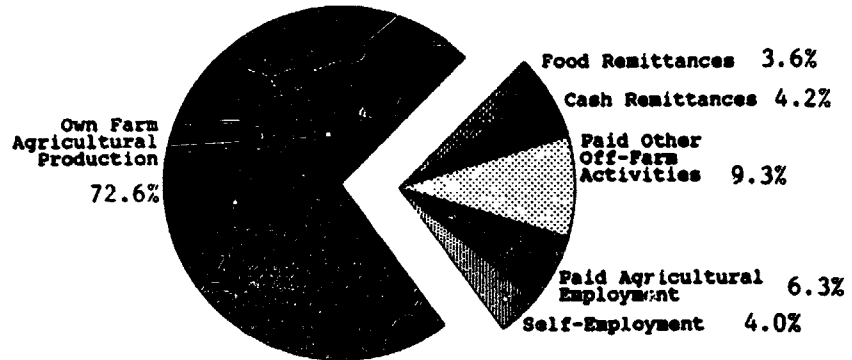
	HEAD COUNT			HOUSEHOLDS		
	Total Poor	Core Poor	Other Poor	Total Poor	Core Poor	Other Poor
	(in millions)			(in millions)		
Smallholders	3.9	1.4	2.5	0.9	0.4	0.5
Estates						
Laborers	0.4	0.2	0.2	0.1	0.0*	0.0*
Tenants	0.1	0.1	0.0*	0.0*	0.0*	0.0*
Urban	0.1	0.0	0.1	0.0*	0.0	0.0*
Total	4.4	1.7	2.8	1.0	0.4	0.6
	Proportion of Subsector (in percent)			Proportion of Subsector (in percent)		
Smallholders	60	22	38	66	26	40
Estates						
Laborers	67	34	34	47	20	26
Tenants	64	41	23	53	30	23
Urban	9	0	9	7	0	7
	Proportion of Total Population (excluding refugees) (in percent)			Proportion of Total Households (excluding refugees) (in percent)		
Smallholders	48	18	31	46	18	28
Estates						
Laborers	4	2	2	4	2	2
Tenants	1	1	0	1	1	0
Urban	1	0	1	1	0	1
Total	55	20	34	51	20	31

Sources: Smallholder shares - ASA 1987/88, by landholding size
 Estates shares - Estate Household Survey 1989, by income group adjusted for household size and composition
 Urban shares - Urban Household Expenditure Survey 1979/80, by income group adjusted for household size, population includes large cities and small towns
 Population by subsector - 1987 Census updated to 1989
 * Small but non-zero values.

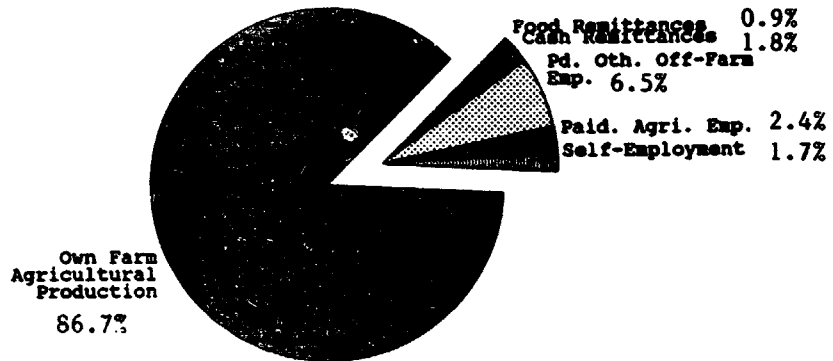
important differences among income groups. Graph III.A.I illustrates the composition of reported income of the core poor, other poor, and non-poor, including both home production and additional cash and in-kind sources of income. The core poor derive about 70 percent of their income from home agricultural production, contributing about 50 percent of caloric requirements of the household. Not surprisingly, given the relative distribution of household assets between land and labor, off-farm activities contribute a significant share of income, over 20 percent of total, including self-employment, paid agricultural labor and other labor. Finally, income transfers represent another nearly 10 percent, about half in cash and half in food. Presumably an important share of transfers is derived from household members, usually men, who migrate to other sectors of the economy given the limited productivity of own-farm labor when the plot size is small. While female-headed households represent about a third of total smallholders, they represent 42 percent of the core poor. One of the factors leading to this disproportionate representation is that the majority of female-heads within Malawi are divorced, separated, or widowed and would not have access to transfer income from non-present husbands.

3.05 The other poor households that are not core poor receive a similar level of income from off-farm activities, but this represents a smaller share of total (11 percent) given their higher incomes. The other poor derive a somewhat larger part of their total incomes from their own agricultural production than the core poor (about 85 percent).

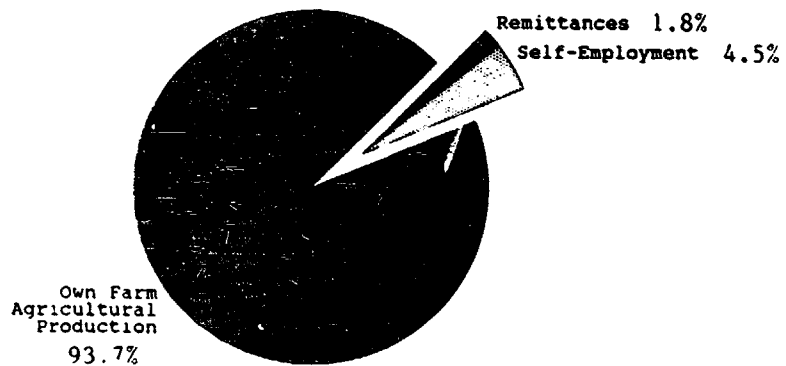
GRAPH III.A.1.: MALAWI - Composition of Income
Smallholder - Core Poor



MALAWI - Composition of Income
Smallholder - Other Poor



MALAWI - Composition of Income
Smallholder - Non-Poor



(By contrast, the non-poor smallholders receive nearly 95 percent of their income from own farm agricultural production and only 5 percent from off-farm activities.) Finally, remittances are less in both absolute and relative terms (only 3 percent of total income) for these poor households relative to the core poor.

3.06 Expenditures. Little comprehensive information is available on the expenditure patterns of the core poor and poor. The smallholder poverty line is consistent with a household expenditure share of 65 percent on food in order to meet caloric requirements; the families below this line presumably spend a greater share. A sample income and expenditure survey indicates that among those with incomes comparably less than the smallholder poverty line, 67.4 percent of total expenditure is for food, compared with food expenditures of the higher income groups of 35-42 percent. ^{5/} This survey also captures an interesting pattern of crop sales, purchases, and home consumption, with food crop sales in the post-harvest period offset by food crop purchases in the same year. This is consistent with poor families selling food at certain times of the year in order to provide cash incomes and with low fluctuations in food prices during the year given ADMARC's price stabilization function. Hence, indications of food insecurity based on time of the year, when own food stocks are depleted, can be misleading.

III.A.2 Poverty Line and Characteristics - Estate Households

3.07 Income. About two thirds of the estate population are classified as poor. While only half of the households are poor, the average size of those households is larger. A number of single laborers may well be part of an extended family, for example, in the smallholder sector, that is characterized as poor but individually would not be classified as such. The majority of estate households rely on permanent laborer income. For the poor households, the shares of total income derived from that labor predominate, providing 79 percent of core poor income and 71 percent of other poor income. About 20 percent of income is provided by other wage income. Compared to smallholders, reported income from own-farm agriculture is minimal. For tenants, over 90 percent of reported income is derived from tenant agricultural production. ^{6/} While a high proportion of the estate population is poor, they represent only 4 and 1 percent, respectively, of total Malawian population given the relatively small size of the estate subsector.

3.08 Expenditures. The largest expenditure item for both laborer and tenant poor households is food, as in the case of smallholders, about 65

^{5/} Calculations based on Pauline Peters and Guillermo Herrera, "Cash Cropping, Food Security and Nutrition: The Effects of Agricultural Commercialization Among Smallholders in Malawi," HIID, June 1989.

^{6/} Indications are that other sources of income have been underreported, resulting in an overestimation of poverty.

percent. Unlike smallholders, transfers represent about 6 percent of expenditures of poor households, compared to only 1 percent in transfer income. The transfer share of poor tenant household expenditures is 13 percent. Because most of the poor laborer households consist of several members and would not necessarily be part of a larger extended family in the smallholder sector, their share of expenditures on transfers is only 4 percent. For non-poor households, about 10 percent of income is spent on remittances. However, less than half of all households make remittances. A significant share of single male households make no remittances, consistent with the large share of unmarried female-headed households among the poor.

III.A.3 Poverty Line and Characteristics - Urban Households

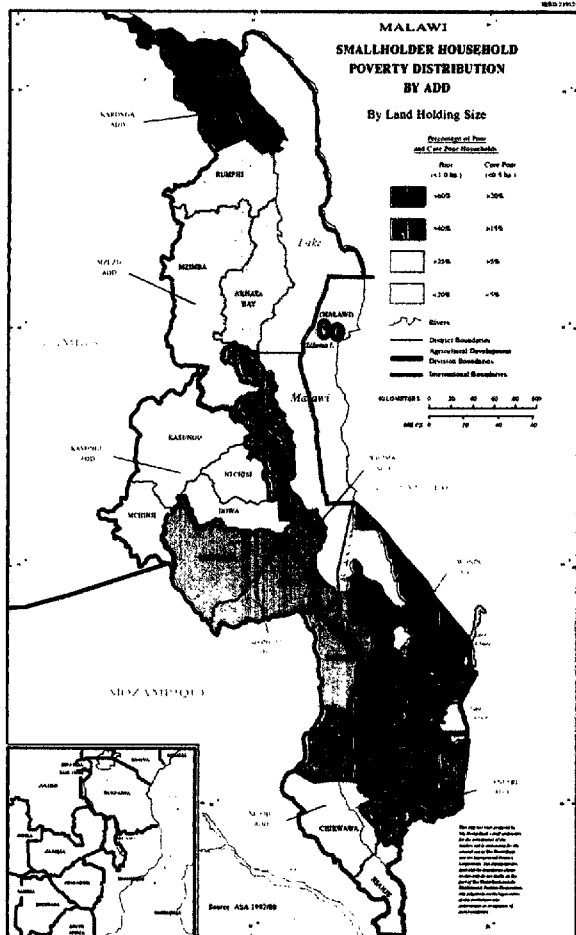
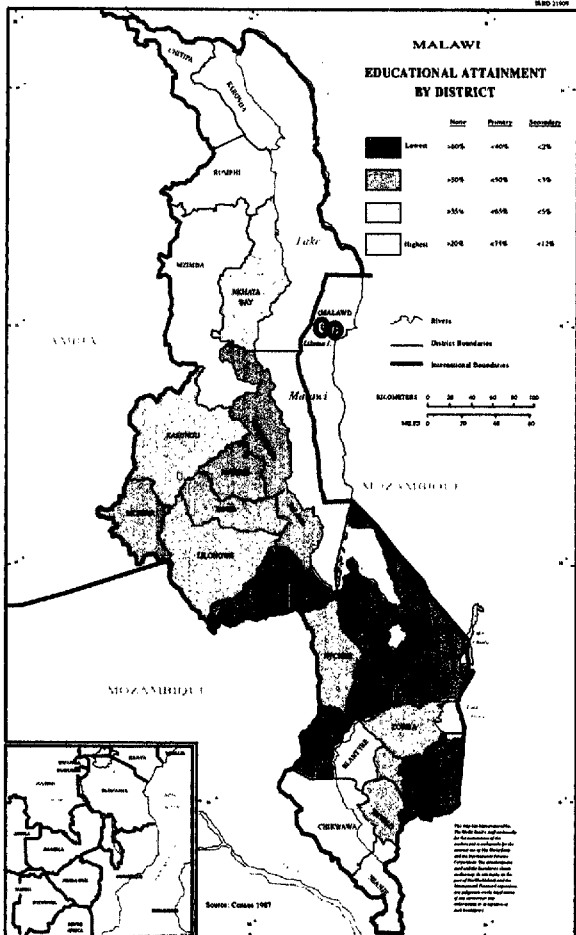
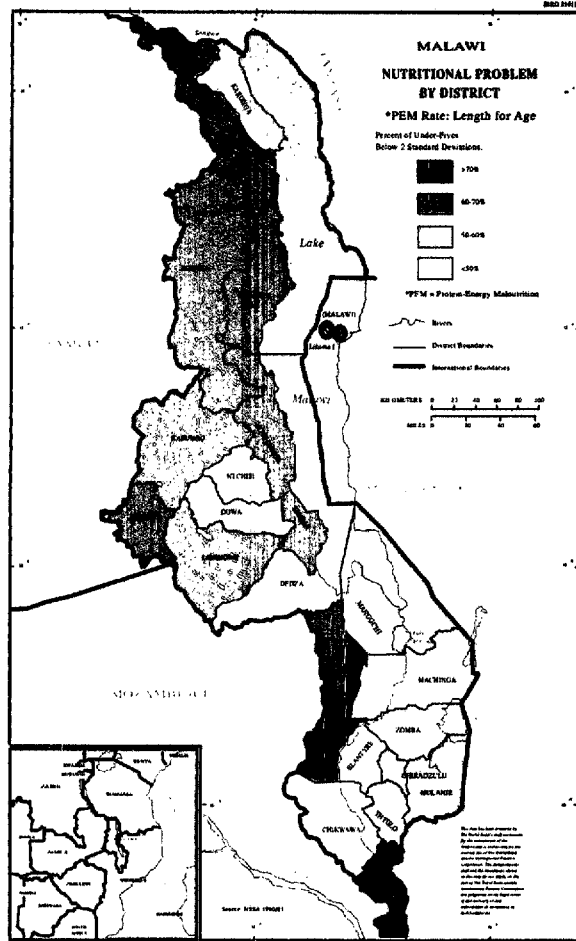
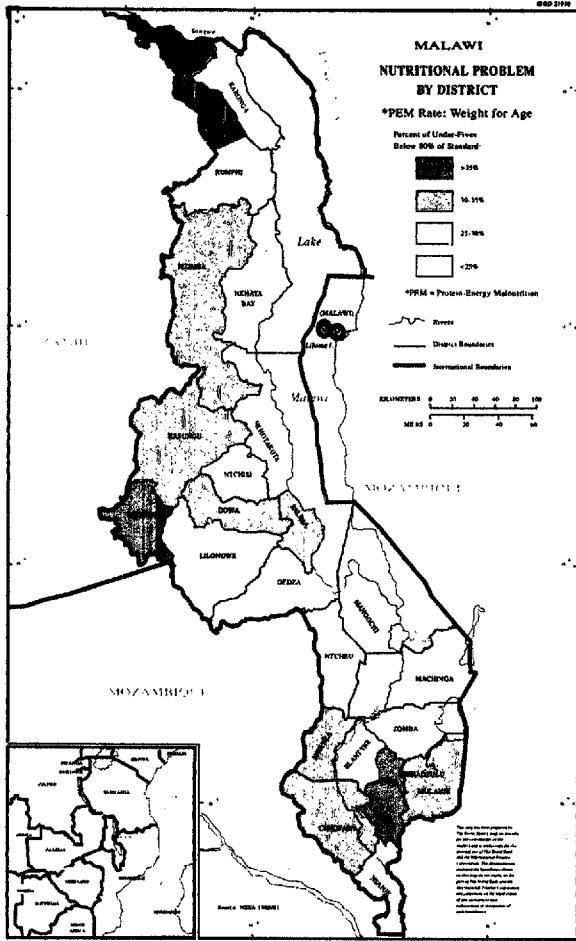
3.09 Income. Under 10 percent of the urban population, or 1 percent of the total Malawian population, are classified as poor. Given the Government's efforts not to distort the urban-rural terms of trade, this percentage is seemingly low, but it may also reflect the lack of development of the informal markets discussed further below which has reduced urban migration. In the 1979/80 urban sample, more heads of poor households were self-employed and engaged in other informal activities than the remainder of the sample, but the percentages were relatively low, 6.9 percent and 28.0 percent, respectively. Shares of poor household income from household enterprises and other non-wage income were 7.3 percent and 11.1 percent, respectively.

3.10 Expenditure. The share of food in the expenditures of the urban poor is much larger than that of the remaining urban population, about 55 percent compared to less than 30 percent for the sample. Other major expenditure categories include fuel and clothing/footwear.

III.A.4 Regional distribution

3.11 The poverty profile drawn above indicates that the incidence of poverty in Malawi is predominantly rural. Malawi consists of three regions, Southern, Central, and Northern. As shown in the attached map, the incidence of smallholder poverty defined by household landholding size is greatest in the Southern Region, in particular, in the districts of Blantyre and Liwonde. Not only is total population larger but the share of poor and core poor is greater. However, the regional differences are less than indicated by this measure because the income derived by equivalent landholding sizes is lower in the Northern region, given poorer land quality. Access to employment also plays an important compensatory role.

3.12 The geographic picture presents some anomalies. While this report confines itself to income criteria, one expects a significant correlation with indicators of the quality of life, including malnutrition. Yet, as shown in the attached maps, the incidence of malnutrition indicated by weight-for-age (a composite measure) and length-for-age (stunting) among under fives is relatively greater in the Northern and Central Regions.



The causes of malnutrition other than income level are discussed further in section IV.B.

III.A.5 Poverty Gap

3.13 As indicated above, the numbers of poor in Malawi are significant. The extremely low income of the core poor indicates as well the severity of poverty. Based on the poverty lines and average incomes for the smallholder, estate, and urban poor populations, Table III.A.2 estimates the poverty gap, or the additional income that would be necessary to bring the incomes of the core poor and other poor up to the poverty line. This would be about MK 140 million, representing about 4 percent of GDP. Hence, although the poor are the majority of the population, the resources required to reduce poverty are more modest.

Table III.A.2: POVERTY LINES AND INCOME GAP,
1989 Estimate

	Per Capita Basis			Household Basis			Income Gap 1989 (MK million)
	Total Poor (1989 MK/annum)	Core Poor (1989 MK/annum)	Other Poor	Total Poor (1989 MK/annum)	Core Poor (1989 MK/annum)	Other Poor	
Poverty Line							
Smallholder	93	63	93	410	250	410	
Estate							
Laborer	117	76	117	440	333	440	
Tenant	106	68	106	609	433	609	
Urban	96	-	96	480	-	480	
Average Income							
Smallholder	56	39	69	236	156	305	120.2
Estate							
Laborer	79	57	100	284	251	310	13.4
Tenant	63	42	99	338	259	445	4.0
Urban	76	-	76	379	-	379	0.0
Total Income Gap							137.6
% of Non-Poor Private Consumption							4.7
% of GDP							4.0

Source: Staff estimates

Note: Poverty lines differ due to two factors. (1) Poverty lines are based on similar nutrition requirements but different assumptions on food share of total expenditures (rural 65%, urban 55%). (2) Poverty lines take into account different household size (and composition for estates) as follows:

	Total Poor	Core Poor	Other Poor
Average household size			
Smallholder	4.4	4.0	4.6
Estate			
Laborers	4.5	5.2	4.0
Tenants	5.8	6.4	5.0
Urban	5.0	-	5.0

III.B. WHY ARE THEY POOR?

3.14 The question as to why the poor are poor is central to an analysis of policies to increase their incomes in a manner consistent with overall economic growth. This report suggests six major factors: (1) limited employment opportunities; (2) low physical productivity of labor and land; (3) low levels of human capital; (4) limited access to land and economic rents; (5) minimal income transfers; and (6) rapid population growth. The first four factors contribute to the poor's low production income, including level of assets and returns on those assets, the fifth factor contributes to low transfer income, and the sixth makes it difficult to increase either production or transfer income on a per capita basis. Table

III.B.1 outlines differences in asset distribution and income earning indicators for the poor.

3.15 Poor and core poor households are limited in employment opportunities to generate labor income. While Table III.B.1 indicates that available labor days per household and per capita are on average smaller for the core poor and other poor smallholders, this average overlooks the critical distinction between households. For certain households, the employment constraint is primarily due to demands within the household. This is particularly the case for female-headed households where demands from child-bearing, child-rearing and other household tasks, including fuel and water collection, reduce the amount of time available for generating income. As shown in Table III.B.1, the percentage of female-headed households among the core poor and other poor is significantly higher than for the corresponding non-poor group, well over a third of the smallholder poor and about a third of all poor households, compared with 16 percent of non-poor households. For some other poor households, the constraint is the limited demand for labor relative to supply as reflected in lack of employment opportunities at the prevailing wage. Holdings of 0.3 ha., the average for the core poor, require about 30 man-days of labor. Given that labor income only represents 30 percent of income for the core poor, other employment opportunities have not been available to make use of the available labor. A major factor is the seasonality of agricultural labor requirements.

3.16 The rate of return on the limited assets or the physical productivity of land and labor controlled by the poor is extremely low in Malawi and definitely one of the major causes of poverty. Agricultural yields are lower for the core poor and other poor smallholder households than for the non-poor. Use by the core poor and other poor of services for increasing agricultural productivity, including fertilizer and credit, is low as indicated in Table III.B.1, together with relatively low expenditure on farm improvement by the poorer households, especially female-headed households. This is reflected in other important characteristics of their economic behavior, foremost amongst these being cropping patterns with the poorer farmers generally concentrating on traditional maize and root crops and with limited adoption of improved maize varieties and other cash crops such as groundnuts. The resulting low productivity of smallholder labor spills over into the behavior of other labor markets for estate production, services, and industry, placing no upward pressure on wage levels. The lack of growth in alternative employment opportunities also reduces labor demand and pressure on the return to labor. The limited growth in the rural and urban informal sector is discussed further below.

3.17 Another asset of the poor in Malawi is productive labor or human capital: its low levels are another major factor contributing to poverty. Uneducated Malawian farmers tend not to make use of agricultural extension services and improved technology, others things being equal, and therefore

have lower yields. ^{7/} They are less likely to learn of, and be able to take advantage of, other opportunities to raise their income. In the estate sector, about half of household heads have had no education, and

Table III.B.1.: POOR AND CORE POOR: ASSET DISTRIBUTION AND INCOME AND EARNING INDICATORS

	Smallholder			Estate ^{a/} Workers		Urban		Malawi
	Core Poor	Other Poor	Non-Poor	Core Poor	Other Poor	Poor	Non-Poor	Total
Average	(Laborer/Tenant)							
Number of Labor Days/Year ^{b/}								
Per household	532	666	762					
Per capita	133	138	143					
Sex of Head of Household ^{c/}								
Percent Female	42	34	16	6/4	11/8	19	16	35
Average Land Holding, ha. ^{d/}								
Per household	0.4	0.9	2.0	1.0/1.9	1.5/1.3	-	-	
Per capita	0.1	0.2	0.4	0.3	0.4/0.3	-	-	0.5
Education Level, Household Head ^{e/}								
Percent without education				55/48	53/24	25	6	45
Percent with some primary only				55/52	47/76	72	57	34
Other				6/6	6/6	6	37	21
Agricultural Services ^{g/}								
Percent using fertilizer	9	16	35					
Maize yields, 1985 tons/ha. ^{f/}	1.2	1.3	1.4					

Source: Staff Estimates

a/ Estate Household Survey

b/ Smallholder - ASA 1987/88.

c/ Smallholder - NASA 1988/81; Estate Household Survey 1989; Urban Household Expenditure Survey 1979/88.

d/ Smallholder - ASA 87/88; Estate Household Survey 1989; Malawi total cultivated/available for arable agriculture - Development Plan.

e/ Estate - Estate Expenditure Survey; Urban - Urban Household Expenditure Survey 1979/88; Malawi total - percent of population, 1987 census.

f/ Fertilizer use - ASA 1984/85, yields - ASA 1987/88.

in the urban sector, the poor are less well-educated than their non-poor counterparts as shown in Table III.B.1. Levels of education in the Northern region are higher relative to the Southern Region (see map, page 24) where the incidence of rural poverty, as defined by householding size, is much greater. While malnutrition, disease, and severity of illness are symptoms of poverty, poor health also contributes to poverty by reducing the amount of productive labor available to the household as well as increasing caloric requirements and reducing the body's ability to absorb nutrients.

3.18 Regarding control of assets, the common perception is that limited access to the key productive asset of land contributes to poverty in Malawi, but this issue needs more examination. Farm budget data indicate low returns on land in the smallholder sector. About 85 percent of gross

^{7/} Perraton, Jamison, Jenkins, Orivel and Wolff, Basic Education and Agricultural Extension, Costs, Effects and Alternatives, IBRD Staff Working Paper No. 564, 1983, pp. 187-195.

margins on crops such as maize are attributed to the labor input, with only about 15 percent attributed to land per se; a doubling of the land resources available to the poor, given the labor supply, would at most increase income by about 13 percent. Without enhanced productivity, land is largely important as a factor which provides employment opportunities. Limited access to especially lucrative opportunities also contribute to poverty, for example, the lack of access to burley tobacco licenses for smallholders until recently.

3.19 In addition to productive income, incomes of the poor can include transfers of income from the non-poor in the economy. Although intrafamily transfers are an important source of income for the poor, the low share of transfers to the poor through the public sector and the low overall level of GDP in Malawi to support private transfers contribute to poverty. Direct budgetary transfers are small and consist mainly of capital transfers to public enterprises. Consumer subsidies, either targeted or otherwise, are not large; the losses in the maize trading account of ADMARC which represented an implicit consumer subsidy largely have been eliminated. Encouragement for NGOs, which are a major vehicle for private transfers, has fluctuated.

3.20 Rapid population growth is a major complicating factor that makes the reduction of poverty in Malawi more difficult. It is likely to become even more so over the next twenty years. Data on urban and estate households in Malawi indicate a strong correlation between poverty and larger family sizes. Three major types of pressure exerted by rapid population growth on national resources affect the poor disproportionately: pressure on land resources, pressure on the labor market, and pressure on provision of social services. According to the National Physical Development Plan, population density already is around 180 persons per square kilometer of land resources available for arable agriculture, and considerably higher in certain districts, contributing to the reduced employment opportunities per capita from this key asset. The plight of poor families in a country with fast-contracting land reserves is further exacerbated by the accompanying pressure on employment and job markets, placing downward pressure on the real wage or, given that the Malawian economy is close to reaching the efficiency subsistence wage, creating unemployment. The poor families are the worst equipped to compete in the latter event because of their poor human capital endowments and their lack of capital for speculative labor migration. Rapid population growth also brings about enormous increases in the need and demand for social services.

3.21 The underlying factors indicate four major approaches to reducing poverty in Malawi: expanded employment opportunities, enhanced smaller smallholder agricultural productivity, social sector expenditures for human capital development and population control, and income transfers. While the distribution of income within the non-poor is not as relevant for this report, the incomes of the non-poor continue to be important to a growth

and poverty reduction strategy for Malawi. 8/ First, as indicated above, net private transfers to the poor are an important source of income; these transfers presumably are related to the level of non-poor income. Second, the focus of the report is on reducing poverty in the context of not jeopardizing growth. This includes growth in the income of the non-poor, especially since those incomes as well are among the lowest in the world.

8/ Estimates of income distribution patterns in Malawi are given in Frederic L. Pryor, "Income Distribution and Economic Development in Malawi: Some Historical Statistics," World Bank Discussion Paper, No. 36, pp 48-60.

IV. PROPOSALS FOR A POVERTY STRATEGY CONSISTENT WITH GROWTH

IV.A EMPLOYMENT OPPORTUNITIES

IV.A.1 Role of Labor Markets

Major Findings

4.01 Increasing employment opportunities as well as labor productivity is one of the four main elements of the poverty reduction and growth strategy for Malawi. This section outlines the labor market environment and constraints in which such increases would flow. While the labor market is relatively well-integrated, with less segmentation than found in many other Sub-Saharan African countries, it is characterized by underemployment and low productivity. The four broad employment sectors are: the smallholder sector which is by far the largest (78 percent of total); the estates (or formal agricultural sector, 10 percent); the non-agricultural formal sector (8 percent); and the non-agricultural informal sector (4 percent).

4.02 In the smallholder sector self-employment predominates. The landless, smallest smallholders (core poor), and smaller smallholders (other poor) supply a substantial amount of labor outside the household, while the large smallholders use some hired labor and represent an important source of employment for the poor. The smallholder sector also supplies labor locally and on a migratory basis to the estate sector on both a permanent and seasonal basis. The great bulk of paid work within and outside the smallholder sector is typically performed by men. Women's time is often severely constrained given child-rearing and other household responsibilities. Female-headed households are constrained as well by the absence of men to assist with agricultural work.

4.03 The bulk of employment on the estates is accounted for by tea and tobacco growing, with a mix of wage laborers and tenant farmers. Wages generally do not exceed the minimum statutory rate. ^{9/} Employers on occasions have presented the minimum to estate workers as the maximum which they are allowed to legally pay, introducing an element of rigidity in the sector. Tenants enjoy substantially higher, albeit highly dispersed, income levels than wage laborers. Turnover among estate workers is very large, partly due to limited information about estate employment among new migrants.

4.04 Reported informal sector activity is low compared to that in other similar economies. It operates in a tightly regulated environment in the urban areas, with marketing activity restricted to well-run but constraining market sites. The rural transport sector is highly regulated, with restrictions on vehicles transporting goods and passengers primarily

^{9/} Findings based on Estate Household Survey, 1989.

impeding the informal sector. Government procurement often uses unnecessarily stringent quality standards, for example, those stipulated for school furniture. At the same time, evidence from income composition data of smallholders and other sources indicates extensive informal activity on a self-employed and part-time basis in rural areas, including among the poor and core poor, with evidence of underemployment at certain times of the year related to the agricultural cycle.

4.05 In the formal sector, wages are above those in other sectors, albeit at very low levels relative to international standards. Trade union activity does not exert an important influence upon modern sector wages. Employers have little difficulty in recruiting unskilled workers, with recruitment often from the ranks of existing casual employees who usually are paid the minimum wage. Government and parastatals employ about 17 percent and 10 percent, respectively, of the modern sector work force, not a high proportion by Sub-Saharan African standards.

4.06 The most striking trend is the decline in real wages, as shown in Table IV.A.1 below. The real wage decline in recent years was due to a sluggish rate of real expansion in the economy, with the combination of negative external shocks implying a fall in the real wage as part of the adjustment process. Excess labor supply is not as pronounced as in many other developing economies, with a low open unemployment rate, estimated at under 7 percent in 1987.

Table IV.A.1.: RATES OF GROWTH IN FORMAL SECTOR EMPLOYMENT AND REAL WAGES, 1968-77, 1978-87

	Employment		Real Wages			
	1968-77	1978-87	CPI Deflator		GDP Deflator	
			1968-77	1978-87	1968-77	1978-87
	(average annual percentage change)					
Total	8.3	2.1	-5.9	-4.6	-7.0	-2.5
Of which:						
Agriculture	11.3	0.7	-3.4	-5.9	-4.6	-3.7
Manufacturing	7.2	7.4	-2.1	-2.9	-3.2	-0.7
Government Services	1.6	4.1	-7.0	-7.2	-8.5	-5.1

Source: Statistical Appendix

4.07 In recent years, Government intervention in private sector employment conditions largely has been avoided. One important regulation that is still in force is the statutory minimum wage. The effect of the 1989 increase on urban employment is likely to be minimal given its low absolute and relative level. The revised urban minimum wage is about \$0.75 per day, or 25 percent of average non-agricultural earnings. The rural minimum wage is about \$0.60 per day. To some extent, the new rate

will eliminate the recent labor shortage on estates, induce a reduction in payments in-kind, and increase the share of wages relative to profits rather than result in decreased employment. Another labor market practice condoned by the Government is the setting of maximum tobacco prices for tobacco tenants, primarily burley tobacco. In the area of public sector wages, the Government in 1989 partially corrected the erosion in real wages that had occurred since the wage awards of 1986, which were based on a comprehensive study of comparability between government and private sector employees. However, these increases restored wage comparability only for lower and middle grades and resulted in wage compression. Commercial parastatals have been given ranges for salary increases, contradicting government's stated commitment to giving commercial and quasi-commercial parastatals an increasingly free hand in determining pay awards.

Strategy

4.08 In Malawi, the labor markets have a critical role to play in stimulating growth and reducing poverty through increased employment and wages. Two of the major factors underlying poverty are directly labor-related: (1) lack of employment opportunities and, in some cases, constraints on women's time; (2) low labor productivity. This report identifies a number of areas where policy changes would enhance growth as well as reduce poverty. Since the bulk of the labor force will continue to be absorbed by the smallholder sector for some time to come, raising the productivity within the smallholder sector has to be the central element of the Government's program and will raise real wage rates throughout the economy, directly benefiting the core poor and other poor households. However, particularly for the large percentage of female-headed households among the poor, measures also need to decrease the demand on women's time for home and family maintenance. This would make more labor available for other productive activities.

- o Emphasis should be placed on programs which relieve the constraints on women's time in water, transport, and food and agricultural technology.

Specific areas are outlined in the following section.

4.09 Because the agricultural sector will absorb only a part of labor force growth, expansion in other labor-intensive sectors should be supported by government policy. As discussed further in section V.B.3, the trade liberalization process should ensure a competitive manufacturing base, making use of Malawi's relative labor abundance. Small- and medium-scale industries are expected to be an increasingly important source of employment opportunities. The government should ensure a supportive financial and macroeconomic environment for small-scale industrialization, attracting both domestic and foreign investment. Another vehicle for labor absorption which could play a larger role than at present is informal sector employment.

- o The government should review the constraints placed upon growth in the informal sector

and consider changes in existing policies regarding zoning and location requirements, building and production standards, government procurement standards, the provision of public utilities, and transport restrictions. Although many of the entrepreneurs in the informal sector may come from non-poor families, informal sector activities would contribute to poverty reduction by increasing employment opportunities. Ministries should be encouraged to support community-based initiatives which tend to be more labor-intensive. Projects can be designed to increase employment opportunities particularly during the non-peak agricultural season.

4.10 Another area for policy adjustment is the formal agricultural sector. Wages in the estate subsector have been strongly influenced over some periods by the minimum wage. The abuse of the minimum as a maximum and other mobility and information problems result in sub-optimal labor flows in the economy, as well as a lower wage than necessary to sustain output growth. The minimum wage is therefore a potentially useful tool to avoid labor shortages and to raise the incomes of a poor section of the population without trading off growth.

- o Minimum wage revisions should be made more regularly than in the recent past and made prudently, taking into account likely employment consequences.

More frequent adjustment also will reduce shocks induced by large discrete increases as occurred in 1989. Another recommendation is that the government should review the relevance of the maximum rate for the tobacco prices paid to tenant farmers by estates to ensure labor market competitiveness and stability. The rapid increases in estate production in the 1970s were primarily accomplished through expansion of acreage under cultivation in the sector. Currently, however, much of the land in the estate subsector is unutilized and the extremely low land rents charged provide little incentive for more intensive cultivation of the land. 10/

- o Revision in the system for increasing and collecting the land charges should increase land utilization and, hence, employment in the estate subsector.

This should benefit the poor in two ways, one, reducing pressure for the continued transfer of customary lands into the estate sector to maintain export levels and, two, increasing their employment opportunities in the estate sector.

10/ While about 25 percent of the land should lie fallow in any one year, particularly for tobacco, unutilized estate land is estimated at about 13 percent of total.

IV.A.2 Creating Opportunities for Women

Major Findings

4.11 A specific focus on women in this report is warranted as the poverty profile suggests that there are more women than men contributing to the incomes of poor households. As noted in Table III.B.1, the percent of female-headed households among the core poor and other poor smallholders is 42 percent and 34 percent, respectively, compared to 16 percent for non-poor. In the remaining male-headed households, women are also active participants in agricultural and household production. In addition, the recommendations in section IV.C on investment in human capital rely heavily on the traditional role played by women. Women confront multiple constraints that are non-existent or less critical for men and which hinder increasing opportunities. Their time is constrained by household and child-rearing tasks in addition to other productive activities; they receive less credit, extension, education, and training; they face gender-segregation and discrimination in the labor market. Malawi's recognition that women's issues deserve more attention is reflected in the establishment of the National Commission on Women in Development (NCWID) and new programs in a number of sectoral ministries.

4.12 Nevertheless, the objectives adopted by the Commission are not well-defined, and the human and financial resources required to institutionalize the concerns are inadequate. As a consequence, programming and budgeting at the national and sectoral levels are lacking, and on-going activities in Malawi are fragmented and project-oriented, with a continued over-emphasis on the home-economic approach to women in development and narrow definition of women's concerns. In promoting income generation for rural women, two major units within government, namely, the Ministry of Community Services (MOCS) and the Women's Section of the Ministry of Agriculture (MOA), are implementing small projects with rural women's groups as well as certain NGOs. Both ministries confront very similar problems. One, the programs continue to rely on an extraordinary amount of supervision of daily operations that are not sustainable over time as the scope of the program expands, and, two, they often do not provide cash income for household use nor accumulate capital within the group.

Strategy

4.13 Based on the strong foundation already laid in Malawi,

- o the institutional strengthening of the National Commission on Women in Development would best promote the development contribution of women.

This would include strengthening the ministerial base of women's activities; gathering data on a gender-specific basis to facilitate monitoring and identification; widening of participation in the Commission; and ensuring continuity in the staff supporting the operations of the

Commission. Some of the issues relevant to poor women to which the Commission might attach priority are agriculture, relieving time constraints, and employment.

4.14 Agriculture. An important shortcoming of the existing institutional setup is the weakness of the linkages between the Women's Program and the policy making levels of the Ministry of Agriculture. In addition to supporting activities that require direct contact with women farmers, the majority of which are from poor households, the unit should participate in the formulation of policies and programs to ensure that they will generate the desired production response from women farmers.

4.15 Time Constraints. As noted above, easing the time constraint, especially for poor female-headed households, is critical to enabling women to take advantage of other income enhancing activities. More resources need to be allocated to reducing distance to clean water and maintaining existing pure water sources. Improved rural transport services need to be encouraged. The transport of goods produced or used by the household is predominantly the work of women, including collection of water and firewood, sale of farm produce, and trips to mills. Food processing technology that is labor-saving and efficient can be adapted to poor rural households or, if necessary, developed. Child-spacing and population planning need to be encouraged.

4.16 Employment. Realistically, income generation activities should be considered as part-time income sources, at best, and one of many activities that poor rural women pursue as part of their strategy to generate incomes for the household. For many rural women, a major source of income already is their off-farm labor. Given the limited resources available to Malawi and the Government, it is essential that the support to off-farm activities avoid duplication and promote efficient use of resources. The NCWID may wish to play more of a coordination and information sharing role. NGOs will have a role to play as will both the MOCS and the MOA, with MOA extension staff specializing in agricultural advice and credit and MOCS concentrating on building capacity in business skills and enterprise promotion at a level suitably targeted at poor rural women.

IV.B SMALLHOLDER AGRICULTURAL PRODUCTIVITY

IV.B.1 Concern with Smallholder Production and Food Security

4.17 While Malawi has been successful in terms of the agricultural sector producing marketable food surpluses and lack of food imports, evidence of malnutrition has generated a concern with food security, in particular, at the household level. Food availability per capita at the national level appears to be declining. Over 30 percent of children under five are malnourished; infant mortality and other indicators confirm a food security problem in Malawi. One of the major causes of malnutrition is food availability which is directly related to household income and the poverty focus of this report. Raising incomes through increased food

production, a central element of the food security strategy, represents a second approach toward growth through poverty reduction.

IV.B.2 Strategy.

4.18 Increased productivity in the smaller smallholder sector both increases food production and enhances the income of the poor to enable them to purchase food. Given the high international transport costs, Malawi will rely heavily on domestic production. The major policies and programs to achieve greater production are promotion of fertilizer use, expansion of credit, development and dissemination of flinty hybrid maize varieties, extension of licenses to grow high-value cash crops, particularly burley, and increases in estate land charges, complemented with innovative programs targeted at the core poor. Policy measures are being supported under the ASAC.

4.19 A major element is the promotion of fertilizer use among the smallholders, including those planting the local variety. Although the fertilizer response is much higher using the hybrid maize variety, fertilizer use on local maize is efficient. ^{11/} The availability of fertilizer is hampered by resource constraints of the Smallholder Farmer Fertilizer Revolving Fund (SFFRF) as well as the limited distribution network. Demand, especially for larger bags, is reduced by cash constraints in the absence of credit.

- o To promote fertilizer use, the resources available to the SFFRF should be strengthened; small bags of fertilizer should be made readily available, with larger subsidy elements on those bags; pilots to test subsidies targeted to the smaller households should be initiated; participation in the distribution of fertilizer should be encouraged for agents in addition to ADMARC.

For fertilizer pricing, the objectives should be to stabilize the price near its medium-term level to the extent that the budgetary implications are minimal. In line with the medium-term objective of elimination of subsidies on fertilizer, the subsidy can be eliminated once the current high transport costs are reduced (the completion of the Northern Transport Corridor will reduce import costs substantially) and the flinty hybrid maize is adopted. Until a targeted approach is developed, the general subsidy will encourage adoption of fertilizer among those not currently

^{11/} The immediate need for productivity increases as well as the dynamic effect of preparing the smallholders for adoption of the flinty hybrid variety justify the promotion of widespread fertilizer use among smallholders planting only the local variety maize. At present the Small Farmer Fertilizer Revolving Fund (SFFRF) is responsible for purchasing fertilizer for smallholders; it is sold through ADMARC as sole distribution agent at a subsidized price, the financial cost of which is reimbursed by the Government.

using it. The projected budgetary cost of the subsidy compared with current levels is given in Table IV.B.1.

4.20 Another major element of the strategy is increased emphasis on the enlargement of the agricultural credit promotion programs to those farmers with smaller plots, particularly the other poor. Even on relatively small plots the use of fertilizer raises output sufficiently to repay the credit. The mechanisms through which credit is distributed in the current system have tended to exclude the marginal farmers and food deficit households. Experience in some regions with credit to female-headed households has been very favorable. A pilot scheme will be initiated in order to probe the feasibility and costs of extending credit widely to these food deficit households. Based on the results,

- o the government should expand as rapidly as possible agricultural credit programs to smaller smallholders, including female heads of household.

The Mudzi Fund that has been set up recently will provide credit for other off-farm productive activities.

4.21 A major medium-term objective of the agricultural productivity strategy is crop diversification. However, the release of smallholder land resources from food to other crops depends on sharp improvement of yields on the major food crop, maize. Hence, the strategy depends on:

- o a reorientation of the research and extension agenda towards the development and dissemination of flinty hybrid maize varieties that will win more rapid adoption by small-scale farmers in the medium-term.

This will not only raise the productivity of the smallest smallholders but also dampen the pressure for higher maize prices and increase employment opportunities from the resulting diversification. Until this process of diversification is underway, another major element is:

- o the extension of licenses to grow certain high value crops to smallholders, in particular, burley tobacco.

Malawi has an oligopolistic position in world markets for burley and, hence, limits the volume of burley tobacco production in order to maintain high world prices for their crop; licenses and quotas have only been extended to the estates. A policy with potentially large implications for household food security is the allocation of the license to grow these crops to smallholders, either incrementally as production quotas increase or as a share of existing output. The evidence is that many smallholders may be as efficient producers as the estates, with no impact on growth.

4.22 Other innovative programs to encourage agricultural productivity for food insecure households are under consideration, including food/fertilizer for work schemes and nutrition intervention. These contain

both agricultural productivity and income transfer elements, closely linked to the fourth approach outlined in section IV.D. The estimated total cost and coverage of the programs should they be undertaken more broadly are given in Table IV.B.1. These programs raise important issues for budgetary planning. Success or failure will be heavily dependent upon participant responses which are difficult to predict, such as repayment rates. Organizational requirements and recurrent costs to ensure success of full-scale schemes may be large.

- o The government should initiate pilot schemes for innovative programs and evaluate them carefully before committing large scale resources.

The Social Program Support Fund being set up under the guidance of the Social Dimensions of Adjustment working group should provide the necessary financial and technical resources for initiating, monitoring, and evaluating pilots that the government may wish to undertake.

TABLE IV.B.1.: PROJECTED TARGETED AGRICULTURAL EXPENDITURE PROGRAMS, Yearly Basis, 1989/90 MK

Program	No. of Households 95/96-98/99 (thous. MK)	Unit Cost (MK)	Other Costs (1989/90)	Incremental	
				1995/96 Costs MK	1998-99 Costs million
Fertilizer Subsidy <u>a/</u>				14.4	0.0
Small-scale Credit <u>b/</u>	200-200	20	1.7	5.7	5.7
Mudzi Fund <u>c/</u>	20-100	20	0.5	0.9	2.5
Burley Extension Support <u>d/</u>	50-100	35	0.5	2.3	4.0
Food for Work	10-20	43	1.5	1.9	2.3
with Fertilizer <u>e/</u>	10-20	44		0.4	0.8
Nutrition Intervention <u>f/</u>	20-50	135	0.8	4.9	7.6
Total Targeted Programs				30.5	22.9
GDP (89/90 MK billion)				6.1	7.0
Percent of GDP				0.50	0.33

Notes:

- a/ Fertilizer Subsidy - 1995/96: ASAC President's Report figure of 1.7 percent of expenditures less 1989/90 budgeted amount of MK12 million; 1999/2000: eliminated due to transport costs (assumed opening of NTC, not Nacala route), credit, etc.
- b/ Small-scale credit - current pilot involves 3-7000 households; costs are net of of repayment; include both a transfer element and self-financing on-lending from the government to the private sector.
- c/ Mudzi Fund - staff estimates of costs.
- d/ Burley Extension Support - firmer figures will be available from forthcoming ASAC study.
- e/ Food (fertilizer) for Work - fertilizer would be provided for one year after which household would be expected to use credit.
- f/ Nutrition intervention - unit costs based on the proposed pilot estimates for inputs, travel, and maintenance; in absence of new institutional structure, administrative unit costs are assumed to be 20 percent of those in the proposed pilot (personnel, equipment).

4.23 The combination of these agricultural productivity policies is expected to lead to a significant improvement in food availability and

nutrition levels as well as export responsiveness, as outlined in section V. The approach also depends on progress in population control and reduced population pressures on land, as outlined in section IV.C. The approach will lead initially to pressure on external balance from fertilizer imports, followed by increases in export responsiveness in the medium- and long-term. The agricultural productivity approach implies additional, albeit minimal, fiscal resources, estimated at 0.5 percent of GDP by 1995/96, falling to 0.3 percent of GDP, as shown in Table IV.B.1. Despite the food security orientation of the strategy, the production profile of the core poor and poor will remain far below the national average as a result of their land and labor constraints. ^{12/} Consequently, these groups will continue to rely on labor and transfer income which will stem from the other three approaches to poverty reduction.

IV.C SOCIAL SECTOR EXPENDITURES

4.24 This section outlines the third approach toward poverty reduction and growth through increased human resources development which has lagged in Malawi. Social sector expenditures are the central element of a more determined strategy of human capital formation and population control. The government already plans a reorientation of about 5 percent of total expenditures (or more than 1 percent of GDP) in favor of the social sectors away from other expenditures, as outlined in DevPol and the Public Expenditure Review (PER). The proposed enhanced approach would go beyond those targets.

4.25 The government traditionally gave the economic sectors higher priority in budget allocations because of the perception that only these sectors contribute directly to growth. The social sectors have been allowed to develop as fast as economic growth allowed. While the budget share for health of about 7 percent is comparable to those of other African countries, the share of the budget for education in Malawi of about 11 percent is considerably lower than the share of about 15 percent in other Sub-Saharan countries. Progress in the provision of social services since Independence has been undermined by negative economic shocks (and resulting budgetary pressure) in recent years and diluted by rapid population growth. As a consequence, the level of provision in major areas affecting the poor and longer-term growth has not kept pace with population, particularly education. The increase in 1988/89 and 1989/90 from the trough of 1987/88 is a signal of the Government's determination to increase efforts in the social sectors. Increased emphasis on primary services in both health and education in recent years has been shifting resources to the level which is most heavily used by the poor and which is cost-effective.

^{12/} Consumption of home production is expected to increase from 51 kg per capita in 1988 to 62 kg per capita in 2000 for the core poor, less than the 200 kg minimum requirement.

IV.C.1 Education

4.29 Major findings. As noted in section III.B, low levels of education and poverty are linked. Increasing access is the first of Government's three main goals in education, along with improving the quality and efficiency of the system and balancing the allocation of resources among different levels of education. Access to education is poor -- with enrollment of only 43 percent of children of primary school age compared to 70 percent in Sub-Saharan Africa, and only 4 percent of those of secondary school age. Although there is an open access policy for primary school, research undertaken by the Ministry of Education and Culture (MOEC) shows that significant numbers of children drop out of school early in the year because their parents cannot afford their school fees. There are no estimates of how many children are prevented by poverty from ever entering school. Distance is another major factor, contributing to much lower enrollment rates in rural areas, where poverty is more prevalent than in cities. Rural primary schools generally have less well-trained teachers, and receive fewer textbooks and exercise books per pupil than urban schools, although many urban schools are severely overcrowded.

4.30 The largest share of budgetary resources is allocated to the primary level (about 45 percent of the recurrent budget compared with 15 percent for secondary and 20 percent for higher). On cost recovery, the recent and further proposed increases in fees in secondary and university education have reduced the bias in favor of the higher levels. ^{13/} The Government plans to abolish fees initially at the lower grades of primary education, and thereafter at the middle grades as well, based on the belief that inability to pay the fees is a major factor preventing more widespread enrollment and causing high drop-out ratios. Although there are other explanations, the reform is clearly in a direction consistent with poverty alleviation. On access to post-primary education, the selection is primarily on grounds of merit, which helps protect access for poor students who finish primary school, but fees may well be prohibitive for poor and core-poor families, who look to relatives for help. No information is available on the socio-economic background of secondary school pupils. Merit-based competitive entry to University seems to have allowed better access for children of relatively poor families than is the case in many other countries.

4.31 Strategy. There is no precise way that education expenditures can be targeted to the poor and core poor.

- o The strategy calls for a general expansion of the primary school program as currently envisaged but with an enhanced rate of expansion, with explicit attention to the factors that prohibit enrollment of children from poor families.

^{13/} Fees at day secondary, boarding secondary and university level now represent about 8 percent, 20 percent, and 5 percent, respectively, of the recurrent cost.

In order to protect the access of the poor and to maximize the chances that they will benefit from expansion of the education system,

- o the quality of primary education and of rural schools in particular must be given higher priority.

As MOEC proceeds with plans to phase out fees for standards 1-4, other resources must replace the lost revenue which has been earmarked for exercise books and other school supplies. If there is a large increase in enrollments in response to the new fee policy, MOEC may need to take urgent interim measures such as double shifts and in-service training and additional recruitment of new teachers, and needs to move fast to provide additional classrooms, and other inputs to match the increase in enrollments. For post-primary education, selection must be highly meritocratic, and bursaries and loans be introduced to ensure that no student is prevented by poverty from taking up the place they have won.

4.32 These measures have potentially large budgetary implications, well beyond any gains from the continuing cost recovery measures in higher level education. While the targets outlined in DevPol for budgetary share are so far being achieved, the Government should overshoot the original budgetary target in order to achieve significant enrollment gains without jeopardizing further the quality of primary education. Because of the faster rate of population growth than planned, reaching the Government's original target of 85 percent enrollment implies an additional 13 percent above the projected Education Budget in 1995/96, which already represents more than a 20 percent increase from current levels (Table IV.C.1). There is little leeway for finding this money by reallocating from other levels within the MOEC budget.

IV.C.2 Health

4.33 Major findings. The relationship between poverty and disease means that expenditures by the Ministry of Health (MOH) benefit the poor by their very nature. Government health services are provided free, and although the Private Hospital Association of Malawi (PHAM) facilities have nominal charges for some services, patients who are unable to pay are not refused treatment. In fact, the unusually low household expenditure on health care in Malawi (0.2 percent of average income) is indicative of a potential to extract more user charges. While there is no information on the socio-economic characteristics of users of health services on which basis to estimate the proportion of health expenditures that benefit the core and other poor, MOH programs of preventive services such as immunization and community-based and primary health care are especially likely to benefit the poor. Of the 30 percent of the recurrent budget

allocated to district hospitals, about 30 percent is spent on rural services and primary health care. ^{14/} Distance is the major determinant of access to health care, especially in rural areas where transportation is scarce and often costly. About 85 percent of households live within 8 km of a health facility, above the average for Sub-Saharan Africa, and about half are within 5 km. A significant proportion of recent health investments have been devoted to peripheral facilities and services, to increase access of rural families. However, staffing, supplies,

Table IV.C.1.: PROJECTED EXPENDITURES, GENERAL PROGRAMS IN THE SOCIAL SECTORS
Yearly, 1989/90 MK

Sector	Unit Cost (MK)	Projected Units			89/90 95/96 2005		
		(millions)			(MK millions)		
Poverty Focus							
Primary Education a/ enrollment rate	35	55%	70%	90%	Rec: 52.5	79.3	111.0
enhanced enrollment			85%	100%	Dev: 26.5	18.6	10.0
removal of fees						22.4	21.8
Standard 1-4						3.9	4.5
Primary Health Care within 5 km. b/		50%	75%	100%	Rec: 4.0	15.7	25.0
Child-spacing contra. prev. c/	25/35 d/	3%	15%	40%	Dev: 2.0	12.0	4.0
Rec: g/ -						14.4	20.0
Rural Water access to safe drinking water f/		58%	77%	90%	Rec: 0.8	3.6	8.9
Dev: 3.2						13.4	10.2
Income-generating activities MDCS g/	10				-	1.2	1.5
Total General Programs GDP (89/90 MK billion)					89.0	182.5	217.7
As Percent of GDP					4.6	5.9	9.8
Total Poverty Focus Programs DevPol					1.8	3.1	2.2
Additional Expenditures, Enhanced Case					1.8	2.6	2.0
Other Social Sector Programs					3.9	0.5	0.2
Total Social Sector Programs h/ DevPol					5.7	4.3	5.0
Enhanced Case						7.4	7.2

Notes:

- a/ Second Education Sector Credit, Staff Appraisal Report, inflated to 1989/90 basis. For 2005, student population increased by 40%.
- b/ By 1988, 85% were within 8 km. Recurrent expenditures 1989/90 assumed same in real terms as estimated MK 4 million in 1987/88, increasing thereafter in line with access and population growth. Facilities would increase by 50 percent.
- c/ Contraceptive prevalence targets consistent with projected moderate fertility decline projections; final target is 50% by 2020.
- d/ For first 5%, MK 25 (half of international average), declining to MK 10 as coverage increases.
- e/ Within Primary Health Care budget; allocation unknown.
- f/ Within 2 kilometers from improved water source. Assuming 500 people per new borehole. 1996/96 includes rehabilitation of 2600 boreholes at MK 3000 each and construction of additional 4800 at MK 12,000 each; through 2005 construction of additional 4600 at boreholes at higher cost of MK 20,000. Yearly recurrent costs estimated at 5 percent of capital costs.
- g/ Assuming that half of existing CDA and HCW network is transferred to income generating activities.
- h/ Excludes food security interventions and science and technology included in Long-Term Perspective Study.

^{14/} Anne Mills, Jean Njoloma, and Stephen Chisimbi, "The Role of the Hospital in the District Health Sector: The Pattern of Resource Allocation and Unit Costs in a Sample of Malawian Districts," World Bank Discussion Document, April, 1989. A 1982 review indicates that the share of primary health care in the budget increases to 40 percent if communicable diseases are included.

and logistical support are clearly inadequate. Supplementary feeding for malnourished children and mothers is the most effectively targeted health program, but is estimated to reach only one fifth of the population.

4.34 Strategy. As with education,

- o since it is difficult to target health services to the poor and core poor, the strategy calls for a general expansion of the primary health care services in the rural areas,

reaching both smallholder and estate households, with additional resources to be used for further strengthening community health care programs; expansion of the immunization program, maternal health services, targeted supplementary feeding programs, malarial treatment and control; improved staffing of rural facilities, and more mobile clinics. Access to primary level facilities is used as a measure to estimate the budgetary impact of strengthening these services, as given in Table IV.C.1. 15/

IV.C.3 Child Spacing.

4.35 Major findings. A reduction in fertility is critical to the success of the poverty reduction and growth strategy. Table IV.C.2 indicates the implied impact on the labor force, land availability, school enrollment, health services, and dependency ratios of the failure to reduce fertility levels. Both macroeconomic scenarios presented in section V.C assume this moderate reduction in fertility from 7.6 to 6.7 by 2005, combined with a moderate decline in mortality. 16/ Without the assumed decline, per capita income and food security would not improve in the constrained scenario and would increase at a significantly lower rate in the base scenario.

4.36 Because of the importance of the population strategy to per capita income growth and poverty reduction, the child-spacing program of MOH is considered separately. The use of child-spacing services is concentrated in the urban population and among better educated women, namely those less likely to be in the poor of core poor groups.

15/ This rough estimate excludes existing donor off-budget support to the health sector which would be expected to continue.

16/ This results in a population growth rate of 3.5 percent through 1995 declining to 3.3 percent by 2005; population is assumed to increase to about 10 million by 1995 and 14 million by 2005. An alternative assumption is that fertility remains unchanged at 7.6 percent, resulting in a population growth rate rising to 3.8 percent by 2005 and a population of about 14.5 million. The contrast between the two scenarios is much greater by the year 2030.

**Table IV.C.2.: IMPACT OF ALTERNATIVE POPULATION GROWTH SCENARIOS
Constant Fertility vs. Moderate Fertility Decline By 2010**

	Constant Fertility	Moderate Fertility Decline After 1995
Balance Requiring Employment in Smallholder Sector, millions	4.74	4.71
Population Density per km Arable Land	392	364
Growth Rate in Primary Enrollment at Education Plan Target Rates	4.5%	3.9%
Growth Rate in MOH Clients	3.9%	2.1%
Dependency Ratio	107	93

Source: Staff estimates

4.37 Strategy. There is an urgent need to extend access to child-spacing services widely, as this would help reduce maternal and child mortality as well as reduce overall population pressure. ^{17/} Spacing the burden of child-bearing and rearing is critical to reducing constraints on women's time and allowing employment opportunities.

- o Both the public and private sector can play a larger role in enhancing access to child-spacing services.

The Government needs (i) to phase and accelerate training of health workers to enable all health facilities to offer at least some child-spacing services and (ii) to broaden criteria to offer a wider choice of modern contraceptive methods. The Family Welfare Association should be supported fully as well as other Information, Education and Communication (IEC) activities to increase awareness of the problem associated with high fertility and of the health benefits of child-spacing.

- o Given the resource constraints facing the Government, the choice of cost-effective delivery methods is critical.

The Government needs to test and implement its plans to use commercial and community-based distribution networks for contraceptives on a cost-effective basis. Nonetheless, this implies an even larger budgetary allocation to primary health care.

^{17/} At present, 15% of children die before their first birthday and 33% before reaching their fifth birthday; 170 of every 100,000 live births results in the death of the mother and ten times as many women suffer permanent disability from pregnancy-related complications.

4.38 The child-spacing program at present is estimated to correspond to about a 3 percent contraceptive prevalence rate, a notable increase from close to zero in 1984. MOH's target is to reach a 10 percent prevalence rate by 1992/93, but an increase in the target prevalence rate to 15-20 percent by 1995 is feasible, given the large excess demand for these services at the current time, with budgetary implications shown in Table IV.C.1. This prevalence rate is consistent with the moderate fertility decline in the population projections.

IV.C.4 Water Services.

4.39 Major Findings. Access to clean water is sharply different between the urban and the rural areas. In the urban areas both the Water Department and the two independent companies in Lilongwe and Blantyre provide access to most of the population. They are close to achieving full cost recovery in the provision of their urban services, with some cross subsidization, especially from industrial users to those served mainly by stand-pipe arrangements in the traditional housing areas. 18/

4.40 In the rural areas less than 40 percent of the population has access to water, supplied mainly from gravity fed systems or bore-hole arrangements. A major problem is that 30 to 40 percent of the existing boreholes are not functional due to problems of maintenance. The tradition is free water and community labor contributions to the construction of water projects. The Government is exploring introducing a system of charges related to the need to encourage greater care and effort in water use and maintenance, rather than any expectation that it can recover a substantial part of the operating costs.

4.41 Strategy. The Government's short-term target is to increase access to clean water to about 65 percent of the population, primarily through its rural expansion, much of this through the investment program currently underway. Given the importance of water access for both better health and reduction of women's time constraint, expansion of the system requires construction of many more boreholes and other water schemes throughout the rural areas. As outlined in Table IV.C.1, the related capital and recurrent expenditures are projected to total MK 17 million (1989 basis) by 1995/96.

IV.C.5 Implications for Expenditure Levels and Allocation

4.42 As outlined in DevPol, the Government projects to increase the share of expenditures in education and health over the medium-term from 20 to 25 percent of total expenditures, or from 5 to 6 percent of GDP, with

18/ In these latter cases charges are made on a per bucket basis but the staffing at the stand-pipes to collect these revenues represents costs which are unlikely to be fully recovered.

the increase divided between poverty-focused primary programs and other programs; the share to water also is projected to increase.

- o Government should increase the budgetary shares for primary education, primary health (including child-spacing), and rural water, beyond the expansion envisaged in DevPol. In so doing, it will need to continue to scrutinize the size of programs in lower priority areas.

4.43 The recommended further expansion to the general expenditure programs in education, health, including child-spacing, and water is to about 3 percent of GDP by 1995/96 as outlined in Table IV.C.1, compared to less than 2 percent at present and additional expenditures of about 0.5 percent of GDP above the proposed expansion. These expenditures are broadly consistent with the objectives laid out in the "Long-Term Perspective for Sub-Saharan Africa". ^{19/} Many of the expenditures will result in higher growth and tax revenues to support them within the medium-term, that is, by 1995/96. Others, primarily expenditures in education, will be sustainable through broad-based income increases and resulting revenues in the longer-term.

IV.D INCOME TRANSFERS

4.44 This section evaluates the fourth approach to poverty reduction, namely, income transfers. As indicated in Table III.A.2, the 5 percent share of private consumption that would have to be transferred from the non-poor to the poor to eliminate the poverty gap is relatively small, about 4 percent of GDP. Although about half of the population is poor, the transfers needed to bring them up to the poverty line are not large because the minimum nutrition-based income level on which the line is based is quite low, only about \$40 per capita. Hence, modest levels of income transfers can have an important impact on the poverty strategy. In addition, these transfers can have an immediate impact on nutrition and health, enabling households to take advantage of productive activities and representing a medium-term investment through healthy children. The concerns are, one, the ability to mobilize resources for the transfer in an efficient and equitable manner, and, two, the availability of cost-effective delivery and targeting mechanisms.

IV.D.1 Resource Mobilization

4.45 The two major potential sources for resources for income transfers are private contributions and tax revenues. In Malawi, a number of domestic and international non-governmental organizations (NGOs) assist in

^{19/} The LTPS recommends 6.7 percent of GDP to broad-based human resource development, with another 3.3 percent for related investments. The total in this report of 8.5 percent of GDP in total excludes food security interventions discussed in section IV.B and includes a lower projected share of expenditures for secondary and higher education in Malawi.

channeling resources from the private community to the poor. While no estimates of the magnitude of assistance are available, the potential of NGOs has been largely untapped.

- o NGOs should be encouraged to participate in the support of economic development focused on the poor.

The other source to complement the private sector is through the tax policy of the Government. This section reviews tax policy and its possible contribution to increased income transfers to complement other expenditure programs. The strengthening of revenues also is consistent with the role of public expenditures in the agricultural and social sector elements of the poverty and growth strategy.

4.46 Tax Policy. Malawi's tax system has resulted in one of the higher tax to GDP ratios in Sub-Saharan Africa. The tax revenue to GDP ratio rose rapidly from about 12 percent in the mid-1970s peaking at 22 percent in the mid-80s. Overall revenue performance is still good with a ratio of about 20 percent, particularly when compared with other very low-income countries. However, this performance was largely due to a shift from direct to commodity-based taxes (largely on imports) and very high tax rates on a limited modern sector tax base. Continued strong performance would not have been possible without worsening incentives for production. As part of its structural adjustment program, the Government has been enacting a tax reform package aimed at encouraging efficient production while setting the stage for a broadening of the tax base. Recent reforms have strengthened an already reasonably simple system. In particular, the unified surtax with its potentially very broad tax base is suited to generating resources in a non-distorting way. This would allow a reduction in the excessively high rates while ensuring sustainable financing of public expenditures. In response to the reform measures, the tax to GDP ratio is projected to increase slightly over the next five years to about 21 percent of GDP.

4.47 The amount of resources that would need to be mobilized by the Government greatly exceed the actual amount transferred to the poor because of leakage and administration. Experience in other countries indicates that leakage would be significant. First, it is difficult to distinguish between the poor and the near-poor in Malawi. In addition to the 66 percent of smallholder households identified as poor, an additional 20 percent also have small holdings under 2 hectares. Given the low level of total per capita income of \$160, a significant proportion of the non-poor population have very low incomes, albeit above the nutritional minimum. Second, the predominance of rural poverty makes administration more costly. Given the expected leakage and expenses of administering income transfers, the tax system would need to generate at least an additional 6 percent of GDP than at present to finance transfers to eliminate the poverty gap.

4.48 Generating higher levels of revenue than currently envisaged in the ambitious tax reform program likely involves losses in economic efficiency. First, marginal tax rates for higher income groups and

corporate taxpayers already are high. 20/ Second, collection efforts already are being strengthened. 21/ Nonetheless, given the role that enhanced revenues can play in complementing the growth strategy with income transfers to the poor,

- o the Government should maintain its commitment to strong revenue performance, including critical examination of sources which would not adversely affect growth.

4.49 A related question to resource mobilization as a source for increased income transfers and other expenditures is the extent to which the current tax system is progressive. Although not the major design consideration of the tax reform, the equity consequences are favorable. First, the retention of a direct tax system which was already progressive has ensured that the overall system has remained progressive. The reform program also will eliminate interest deductions for housing which are regressive. Given the cost of collection and small contribution to revenues, the Government should consider eliminating the minimum tax as well as merging the graduated tax with the personal income tax at a higher cut-off income. The second positive equity consequence of the tax reform program is the reforms within commodity taxation in recent years which have been unambiguously helpful from an equity viewpoint, with differential rates depending on whether the items in question are basic necessities or luxuries. These steps are also consistent with the aim of shifting most excises into the surtax system and allowing the surtax to bear the burden of differential taxation of luxury goods. The government should consider further differentiation of surtax rates to increase the equity characteristics.

IV.D.2 Targeting and Delivery

4.50 NGOs have a variety of programs largely targeted at increasing incomes of the poor through transfers. In addition, a number of government programs are now under discussion or in the pilot stages of implementation. One of the roles of transfers will be to complement in the short term the three growth-oriented approaches which will reduce poverty over time, and, hence, this section evaluates how expeditiously such programs can be put in place. Taking into consideration medium-term trade-offs with growth as well as leakage, coverage, and administrative feasibility, nutrition interventions are the most promising type of program for expansion at this stage. For public works programs and food aid, further analysis will be necessary before large scale resources are committed. The government and

20/ Personal income tax rates range up to 50 percent. Average effective corporate tax rates are over 50 percent.

21/ Prior to the tax reform, the system was collecting over 50 percent of liabilities; performance under the tax reform program in collecting arrears has been above expectations.

donor community should consider working with NGOs in the implementation of some of their programs.

4.51 Nutrition intervention. Feeding programs have proven successful mechanisms in other countries for transferring income to the poor, in particular, women and children. In Malawi, the major feeding program is through the hospitals and clinics of MOH, targeted at malnourished children and pregnant and lactating mothers. ^{22/} These activities are being extended in coverage through a smaller community-based supplementary feeding program. Currently, leakage is estimated at about 50 percent, but the Government has identified options for improving the targeting. Another proposed pilot project targeted at farming families with young malnourished children and discussed in section IV.B.2 would complement these programs.

4.52 Nutrition intervention programs have three major advantages. One is that the basic framework already is in place and tested. The second is the relative ease of the targeting mechanism, namely, measurement of the malnourishment of children. The limitation is that, given the time constraints of women outlined in section IV.A.2 and the distance for many poor families to clinics through which the programs are administered, coverage of the programs is reduced. The community-based programs are attempting to address this constraint. Third, the distortions to production incentives are minimal. Experience from other countries indicates that expenditures from other household income on food for children is reduced only slightly in the presence of feeding programs. Hence, the programs imply increased investments in nutrition in children and develop the human resource capabilities in the medium-term.

4.53 Public Works. No major public works programs have been set up to date in Malawi to transfer income to the poor. The potential for such programs in Malawi is likely to be limited. The time constraints for women throughout the year will limit the participation of this key poverty group. Second, other countries' experience with setting the wage at below the market wage as a means for self-selection of the poor is questionable in Malawi given the very low prevailing market wage as discussed in section IV.A.1. The downward pressure on the wage already is great in the non-peak time given the seasonality of agricultural production on which the economy largely is based. A productivity-oriented food (and fertilizer) for work program is in a pilot phase. Lessons from this pilot will assist in evaluating the feasibility of public works programs for transferring income in Malawi.

4.54 Food Aid. The potential role of food aid needs cautious examination. In the face of nutritional stress due to alternating drought, floods, and mealy bug infestation in parts of the country over the last few years, the Government set up food aid distribution channels with support from the international donor community. While these channels are in place, they have not been assessed from the perspective of more permanent income

^{22/} The World Food Program (WFP) is assisting in provision of food.

transfer mechanisms targeted only to the poor. In addition, the disincentives to food production and the implications for the agricultural productivity approach to poverty reduction would have to be assessed carefully. Nonetheless, a further assessment of food aid should proceed given the proven ability of these networks to move large amounts of support expeditiously and the potential to attract donor financing that is not likely to be available for use in other programs.

4.55 Given the difficulties experienced in other countries with delivery of food through the public relief system, the Government also should consider separating the injection of food from the income transfer. One option would be using direct cash transfers, complemented with additional supplies of food sold to either ADMARC or the private trade in the event of domestic supply shocks. 23/ A targeted consumption subsidy on inferior maize flour should be considered. These and other possibilities will require further examination, testing, and evaluation. The Social Program Support Fund to be set up under the Social Dimensions of Adjustment working group will play a useful role in financing any pilot projects that may be required and assisting in their monitoring and evaluation.

4.56 Because the three growth-oriented approaches will take time to develop, they can be complemented in the interim with some measure of the fourth income transfer approach outlined above. The next chapter reviews quantitatively the relationships among the various approaches, including their macroeconomic impact, to guide the Government and donor community in sequencing a growth strategy through poverty reduction.

23/ Among other considerations, the evaluation of the cash transfer option would have to take into account the increased demand for food from this additional income and resulting increased food prices, including for poor groups which may not benefit from the transfer. The cash option could be implemented through other transfer mechanisms, such as public works programs should they prove successful.

V. CHOICES WITHIN A MACROECONOMIC FRAMEWORK

5.01 A combination of the four approaches outlined in detail above, namely, employment opportunities, smaller smallholder productivity, social sector expenditures, and income transfers, results in growth and poverty reduction in Malawi. They are not alternatives. Rather, each approach requires elements of the others to be successful. Although the relationships among them are complex and multidimensional, the macroeconomic considerations underlying these four elements of a growth and poverty reduction strategy are central. The first section summarizes in a common quantitative framework the trade-offs and complementarities among the various approaches for growth and poverty reduction. This summary identifies the impact of the approaches on key macroeconomic variables, which are reflected in the macroeconomic projections in the final section. As laid out in the intervening section, the strategy also recognizes the importance over the medium- and long-term of altering the features of the macroeconomy which reduce its ability to adjust. In the short-term, based on the major features of the economy at present, the strategy recognizes the channels to the poor through which macroeconomic policy operates and identifies a number of policy mixes consistent with the strategy.

V.A IMPLICATIONS OF FOUR APPROACHES TO POVERTY REDUCTION

5.02 This section places the four approaches to poverty reduction within a common framework so as to assess the trade-offs and complementarities. As outlined in section V.C, Malawi could generate the external and fiscal resources to pursue each growth-oriented approach vigorously, and additional provisions could be made for transfers. Nonetheless, choices at the margin inevitably will need to be made, particularly in the event of further negative shocks to the economy. In making such choices, no single approach dominates. First, the growth stemming from any one approach depends greatly on elements of the others. Second, no single approach brings improvement to income in both the short- and long-term nor reaches effectively both the core poor and other poor. The quantification assessment of each approach in this section supports a balanced strategy, with a combination of the four, so as to increase steadily incomes of all groups.

5.03 Framework for Comparison. Despite the lack of comprehensive household data, this section analyzes the impact of the four approaches on incomes of the core poor, other poor, and non-poor in the medium- and long-term. The quantitative tool for this analysis is a poverty/growth index. This index gives a weight to both incomes of the poor and non-poor and, within the poor, a poverty index weights the deviation of income from the

poverty line to take into account varying depths of poverty. ^{24/} Conceptually, the measure allows us to capture any poverty/growth trade-off by attaching a greater weight to a marginal increase in the incomes of the core poor than a marginal increase for the other poor or a greater weight to reducing income deviations for the poor than increasing incomes of the non-poor. The contributions to the improvement in the poverty/growth index over time likely to result from each approach are illustrated in Graph V.A.2.

5.04 This measure is used to quantify the consistency between growth and poverty reduction in Malawi for the four approaches contained in the development strategy. The quantitative impact on income of the core poor, other poor and non-poor is estimated through 1995 and through 2005. The first, increased labor income for unskilled labor, is illustrative of the approach which emphasizes employment opportunities in the economy. The second, fertilizer access followed by the introduction of a new maize variety, is illustrative of the approach emphasizing smallholder agricultural productivity. The third, enhanced primary education, is illustrative of the approach emphasizing social sector expenditures. The fourth, direct transfer payments to the poor financed by increased revenues, is illustrative of the income transfers approach. The cumulative contributions of each to the incomes of the core poor, other poor, and non-poor are illustrated in Graph V.A.1. One, the graph illustrates how the income increases are distributed across the three income groupings, where a steep downward slope represents a more progressive income distribution impact and a flat slope represents a neutral income distribution impact. Two, it illustrates how the income increases are distributed over time, where darker shading represents a more immediate impact (1990-95) and lighter shading represents a longer-term impact (1995-2005). The impact over time also is illustrated by the increase in the poverty/growth index

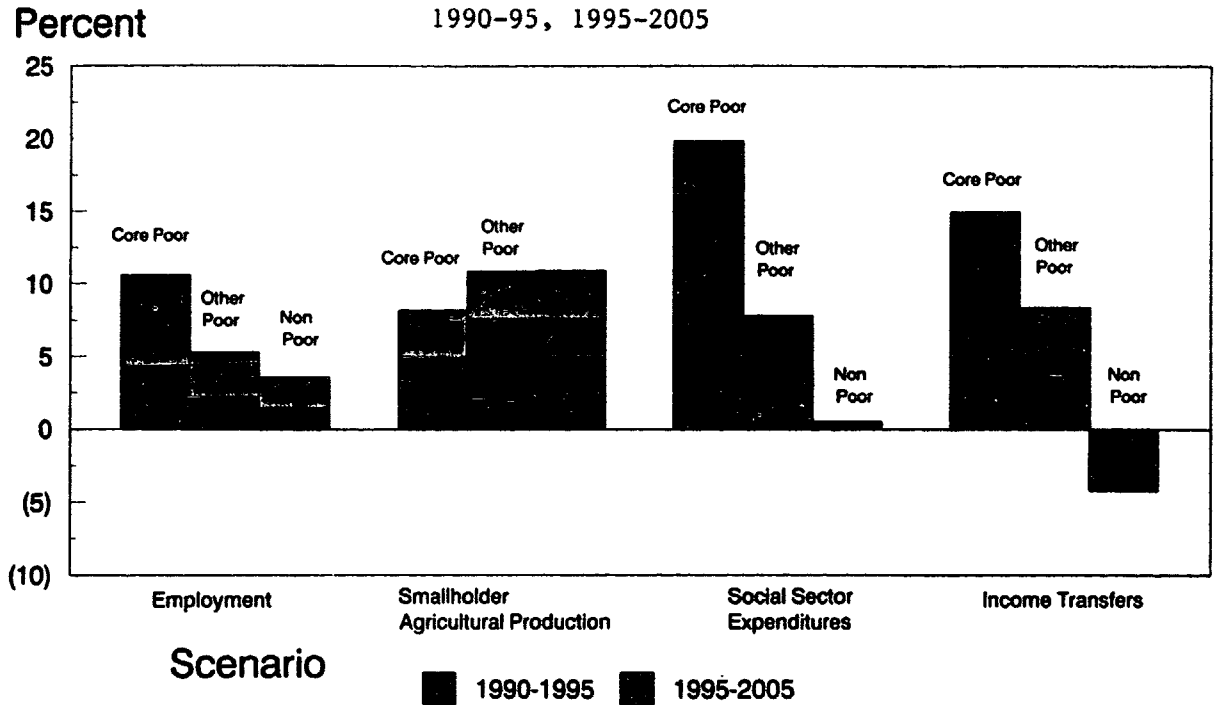
^{24/} The measure which underlies the index is the following:

$$P(y,z) = -(1-x) * \left[\int_{y < z} \left\{ \frac{(z-y)}{z} \right\} * f(y) dy \right]^q + (x) * \left[\int_{y > z} f(y) dy \right]$$

where y is income, f(y) is the distribution of household income, z is the poverty line, q measures the sensitivity of transfers of income among the poor, and x represents the non-poor proportion of total households. The first part of the measure is a poverty measure which subsumes commonly used ones. Higher values of q reflect increasing weight to the poorest by attaching priority to the lowest tails of the distribution; a value of 2 is used for the illustrative quantification here. The additional inclusion of a weight for the non-poor is an innovative feature of this report, with value of population share used for illustrative purposes. For comparability among approaches, the resources allocated to each approach result in the same total impact on the poverty/growth index by 2005.

which is a weighting of the cumulative increases in incomes of the core poor, other poor, and non-poor.

Graph V.A.1: **Impact of Poverty/Growth Strategy On -
Core Poor, Other Poor and Non Poor
Cumulative Percent Change in Income**



Notes:

Employment: Assuming original labor income share of 30 percent for core poor, 15 percent for other poor (Graph III.A.1) and half of the labor share in GDP (30 percent) for non-poor to take into account predominance of skilled labor. Proposed policy changes are assumed to increase labor income by 1.9 percent per annum.

Smallholder agriculture: Assuming increased fertilizer consumption of 11 percent per annum through 2000, shared between local and hybrid maize through 1992 and total on improved hybrid thereafter. Share of smallholders using improved flint hybrid assumed to increase gradually, its yield assumed between that of local and dent hybrid.

Social sector expenditures: Assuming initial primary enrollment rates of about 20% for core poor, 50% for other poor, and 70% for non-poor. Incremental enrollment is distributed by population share up to 100% enrollment for any income group. Private rate of return to primary education assumed to be 11 percent in both agriculture and off-farm activities.

Income transfers: Leakage is assumed to be 50 percent; administrative costs 10 percent. Marginal efficiency loss in output is assumed to be 0.08 percent for each additional 1 percent of GDP in increased revenues necessary to finance the transfer program.

5.05 Because of the increasing importance of labor income to the core and other poor as outlined in the poverty profile and section IV.A,

- o The programs and policies which result in increased employment opportunities and upward pressure on the real wage would increase significantly the labor income of the core and other poor in both the medium- and long-term.

These programs and policies include the relaxation of restrictions on the informal sector, continued trade liberalization, improved investment climate, financial deepening, and time-saving investments and technologies for women. Given part of their income from unskilled labor as well as the expected upward pressure on wage levels in general, the non-poor also will benefit from this approach, although by less than the poor as indicated by the downward slope in income increases by income group in Graph V.A.1. The fiscal and external resources for this strategy are expected to be minimal (with some related expenditures such as water captured under other approaches), but this approach requires institutional changes, including greater integration of employment concerns in policy making. Growth in production and exports from the non-agricultural sector as projected in section V.C depend critically on this employment element of the strategy.

5.06 To complement expanded employment, given the continuing role of own-farm production for the rural poor of Malawi,

- o The other poor would benefit significantly from the smallholder productivity approach in both the medium- and long-term.

The approach also includes programs that will increase the impact on the core poor, but the impact is quite evenly spread across income groupings as illustrated in Graph V.A.1. Increased fertilizer usage will begin to improve income immediately, with the new maize variety playing a key role in a few years. The fiscal implications of the programs supporting this approach outlined in section IV.B are additional expenditures of about 0.5 percent of GDP in 1995, falling thereafter, some of which can be made from reallocations within the agricultural budget. The approach implies pressure on external resources, with fertilizer growing from 10 percent of total imports in 1988 to 17 percent in 2000. This use of external resources will ensure an intensification of land use so as to release land for production of export crops, critical for medium-term adjustment of the Malawian economy, as projected in section V.C. The resulting production levels will allow for real increases in maize consumption so as to meet an increasing share of the minimum caloric requirement, but other sources of income will still be necessary to overcome poverty.

5.07 Human capital investment and reduced fertility through social sector expenditures will play a vital role in not only increasing the incomes of the poor but also increasing growth in the economy. However, by comparison with other policy directions, social sector expenditures are not expected to produce results in the short-term. In the quantitative

assessment, increased primary enrollment has no effect by 1995 but a sharp impact by 2005.

- o Although the impact is over the longer-term, the poor, especially the core poor, benefit significantly from the social sector expenditure approach despite the inability to target effectively.

As indicated in Graph V.A.1, the poor benefit more than the non-poor, and the core poor more than the other poor, through primary education enhancement because of the initially higher enrollment rates assumed for the non-poor based on the evidence from other countries. This implies that the increased enrollment will be among the poor who initially had less access. Yet the return to social sector expenditure assumed in this analysis can only be realized if the employment and agricultural productivity elements of the strategy provide income-generating opportunities. The fiscal resources for social service expansion are projected at about 2 percent of GDP beyond current levels. In light of the Government's plans to increase the share of social sector expenditures away from other expenditures, the proposed approach would imply additional fiscal resources of about 0.5 percent of GDP. Human resource development and population control stemming from this element of the strategy underpin the longer-term growth rates projected in section V.C.

5.08 Given the relatively small amount of GDP that would need to be transferred to bring the poor up to the poverty line, including an income transfers element in the growth and poverty reduction strategy is an option. Reducing the poverty gap by about 20 percent through transfers would have an equivalent impact on the poverty/growth index to the other three approaches.

- o Through the complementary income transfer approach, a significant impact on the poor would be more immediate compared to the other approaches, albeit at the expense of the non-poor.

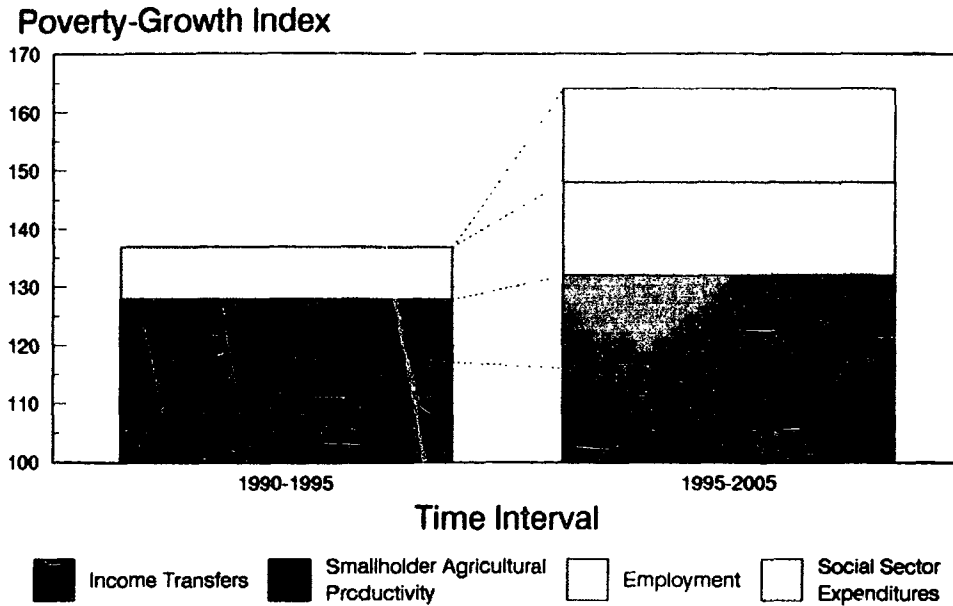
Graph V.A.1 illustrates the trade-off in terms of income for the non-poor, due to the cumulative amount of transfers and the economic inefficiencies resulting from the process of collecting taxes to finance them, which continue to reduce income in the longer term despite no further increase in the amount of transfers. The implication would be about 1 percent of GDP in additional expenditures financed by stronger revenue performance. Greater NGO involvement and private resource mobilization could reduce the negative income impact stemming from the revenue effort.

5.09 In combination, these four approaches will result in steadily growing incomes for the poor and non-poor over the next five years and well into the future. As illustrated by the increases in the illustrative poverty/growth index of Graph V.A.2, the initial growth impact (1990-95) will come from smallholder agricultural productivity and enhanced employment opportunities, complemented by the transfer programs. Growth and poverty reduction in the long-term (1995-2005) from social sector expenditures would build on the continuing impact of enhanced employment

and agricultural productivity. The employment, social sector and income transfer approaches will be particularly effective in increasing the incomes of the core poor while the agricultural approach will ensure significant increases for the other poor. With the exception of the transfer approach, the strategy also results in strong income growth for the non-poor.

Graph V. A.2:

Contributions to Improved Poverty/Growth Index Medium-Term 1990-1995, Long-Term 1995-2005



5.10 Fiscal, external and institutional resources play different roles in each of the four approaches. The employment approach involves largely institutional changes. The agricultural productivity approach implies significant import requirements, with expanded budgetary resources for targeted food security expenditures. The social sector and transfer approaches require mainly budgetary resources. These resource implications for the macroeconomy are captured in the macroeconomic projections in section V.C where they are shown to be within reach. Nonetheless,

- o Should the fiscal and external resources for the comprehensive strategy not be available, the direction for programs and policies would remain unchanged.

However, the pace of implementation of the strategy would slow.

5.11 The choice of which approach to emphasize over another would be based on a judgement of the relative importance of longer-term growth to immediate poverty reduction, of core poor to other poor. These would be difficult choices. These approaches are not alternatives. Rather, they are complementary. Expanded employment and higher wage levels under the first approach depend critically upon agricultural productivity and a more

educated and healthier labor force. Smallholder technology adoption under the second approach depends on access to cash through labor income and basic education. The benefits from education under the third approach depend on active labor markets to absorb a more educated labor force and on available agricultural technologies to be adopted by more educated farmers. Income transfers under the fourth approach reduce the chances that poor families will be too incapacitated to join the labor force, work in the fields, and attend school and, hence, not take advantage of the opportunities for future productive income.

- o Because of the complementarities among approaches, the Government should maintain a balanced approach.

The Government could scale back each of the approaches, should sufficient external support not be forthcoming. However, if the long-term is viewed as more important than immediate results, more emphasis could be placed on social sector expenditures rather than income transfers. If the concern is primarily growth and fewer numbers of poor, more emphasis could be placed on employment and smallholder productivity approaches whereas if the depth of poverty is considered important, more emphasis could be placed on social sector expenditure and income transfer approaches.

V.B MACROECONOMIC POLICY MIXES

5.12 This section identifies the features of the macroeconomy which reduce its ability to adjust and the role the four approaches to poverty reduction play in increasing the economy's responsiveness to adjustment measures. For short-term macroeconomic management, based on the major features of the economy at present, it identifies the channels to the poor through which macroeconomic policy operates and identifies a number of policy mixes consistent with the strategy. Alternative macroeconomic policy mixes will work directly through the various channels to the poor. The policies examined are: trade reform, short-term stabilization, financial deepening, and channeling of foreign savings. Decisions on macroeconomic adjustment in the 1980s have been made largely without taking into account income distribution and poverty issues. If policy makers chose to consider such impacts, their task would have been difficult because of the absence of macroeconomic modeling frameworks relevant to the structure of the Malawian economy and the weak data situation. This report emphasizes the relationship between the features of the economy and income formation. 25/ In addition, this section presents some of the shortcomings of the data situation that need to be overcome to proceed with more precise analysis as well as some transitional monitoring options available to the Government.

25/ See Svein Longva, "Macroeconomic Policy and Poverty Alleviation: A Simple Framework for Malawi," CEM Background Paper, World Bank, 1989, for a simple conceptual model supporting the analysis in this section.

V.B.1 Responsiveness to Adjustment Measures

5.13 Major institutional and structural characteristics continue to limit the effectiveness of macroeconomic policy at present to induce extensive expenditure switching, that is, movement into new activities, thereby adjusting through minimal contraction. To date, improvements in the balance of payments appear to have been caused by a contraction of domestic demand. External balance has been maintained predominantly through real depreciation of the exchange rate; internal balance has been maintained predominantly through declines in the real wage. ^{26/} Although the data base on which to base observations is weak, the real structure of the Malawian economy appears not to have changed significantly.

5.14 One characteristic is the limited price sensitivity in agriculture of production supply and factor demand. The structural program to date removed key price and marketing constraints. However, major non-price structural factors for smallholders remain, including lack of appropriate high-yielding maize varieties, inadequate fertilizer access, narrow range of high-value cash crops, and progressive reduction of the available total land area. In the face of these non-price factors, price changes largely shifted the composition of output between export and domestic crops, with little overall supply response. Household food security considerations limited the switch away from food to export crops. As outlined in section II.3, export supply responsiveness in the agricultural sector in the 1980s has been weak. The major change has been the increased transfer of land resources for the production of burley tobacco.

5.15 Another characteristic is an oligopolistic or monopolistic manufacturing sector in the presence of high transportation costs and duties on competitive imports, compounded by quantitative import restrictions until recently. The sector is characterized by mark-up pricing behaviour. Section II.A describes the recent but gradual increase in private investment and limited investment response in the non-agricultural sector to increased profit margins and declining real product wages. A third related characteristic is a narrow credit market limited to serving the saving and investment needs of the formal sector of the economy, as described in section V.B.5 below. Increased credit availability to the private sector in line with fiscal discipline has not

^{26/} However, should any further decline in real incomes be counteracted because of their already low levels, macroeconomic adjustment may be more difficult to attain. In a situation when large segments of the population already are below minimum nutrition-related levels of income, further downward real income flexibility may be counteracted. An active exchange rate policy may result in high inflation rather than a reduction of the current account deficit. Without greater access to foreign savings, an increasing number of households will fall below the nutrition-related poverty level.

resulted in sizable financial resources to non-traditional clients as outlined in section II.D.

5.16 The macroeconomic reforms currently being undertaken, including the program of trade liberalization, maintenance of fiscal and monetary discipline and deregulation of the credit market, are necessary for stabilization but not sufficient for increasing the incomes and growth potential of the majority of the population in Malawi.

- o Policy adjustments which increase the responsiveness of the economy and encourage entry into new activities are critical to reduce the extent of economic contraction involved in improving the balance of payments.

One aspect of the relationship between macroeconomic balance and the approaches to poverty reduction outlined in this report is their contribution to increased responsiveness. One, the agricultural approach to poverty reduction and growth will remove many of the non-price constraints in that sector. The nutrition implications of extensive switching of production away from non-tradable food crops into export crops has impeded adjustment. Intensification of land use in both the estate and smallholder subsectors will release land for greater production of export crops. Two, the employment approach will increase labor and capital mobility into sectors engaged in the production of tradable goods. Experience in other countries indicates the important role that the informal sector plays in production of import substitutes and in making use of abundant labor. Third, the social sector approach will expand the human capability to innovate and adjust. Given the discipline of the Malawian labor force, the ingredient needed to encourage greater investment in labor-intensive export production is a labor pool with basic education and health. As discussed below, other policies which widen the role of the financial markets also will facilitate adjustment.

V.B.2 Channels to the Poor

5.17 Another aspect of the relationship between macroeconomic balance and poverty is how the choice of short-term macroeconomic policies affects the incomes of the poor. In the face of current macroeconomic structure, there are five main channels to the poor by which short-run macroeconomic policy does affect their incomes, namely, employment, wages, relative price of food, access to inputs, and consumption of government goods and services. These are based on the central traits of the major income groupings: smaller smallholders and estate employees (the poor), large smallholders, and profit earners, that is, owners in the formal sector and corporations (the non-poor). Given the importance of labor income to the small smallholders and estate employees, the impact of the macroeconomic policy mix on overall employment level and opportunities is critical to the poor. The policy mix also has an impact on real wages, particularly in the formal sector. The channel to the poor would be primarily through its effect on estate employees and the smaller group of urban poor. The evidence on the links between macroeconomic policy and rural wages is less

clear. Macroeconomic policy affects relative prices of output, in particular, between tradable goods and non-tradables. An important output price for the poor is that of food (maize). Because the high transport costs result in a domestic market price of maize between the import and export parity prices, maize can be viewed as a non-tradable good, unlike the situation in many countries. Policies also can affect access to inputs in the smallholder and other sectors of the economy, especially imported inputs. Finally, the fiscal policy component affects consumption of government services by these groups. With these channels in mind, the following subsections examine alternative macroeconomic policy mixes.

V.B.3 Trade Liberalization.

5.18 Malawi has nearly completed a process of restoring a more liberalized trade regime. The completion of this process is a critical component of the growth and poverty reduction strategy. This includes not only the removal of Reserve Bank prior approval for imports but also a reduction in the level of import duties. The elimination of economic rents accruing from the rationing of foreign exchange would have a positive impact on poverty through two channels. First, the competition from imports would put downward pressure on prices, resulting in an increase in real wages in the short-term. Evidence from the mid- to late-1980s indicates that the economic rents of the economy were captured by the owners of capital through higher price increases not matched by increased wages, with a slight increase in the share of value added allocated to capital compared to a decline in the share allocated to labor, as noted in section II.E. The maintenance of a liberalized trade and exchange regime would ensure that this phenomenon is not repeated. Second, the improved efficiency from the gains to trade and improved allocation of foreign exchange leads to not only overall growth but also increased real wages over the medium- and long-term. Trade liberalization will encourage manufacturing activity that, to be competitive, will need to make use of Malawi's relatively low wage labor force.

- o The restoration of a liberalized trade regime should be maintained, including in response to any further negative shocks to the Malawian economy.

V.B.4 Short-term Stabilization Policies

5.19 In their short-term adjustment program, the Malawians have relied heavily on a tight monetary and fiscal package rather than the alternative which would have been a looser package combined with more frequent exchange rate adjustment and resulting in slower reduction of inflation. Contrary to the experiences of other countries, the effects of less frequent devaluations and tighter credit policy may well benefit the poor of Malawi.

5.20 Three major factors indicate that the rural poor may benefit: food as a non-tradable, impact on profit and wage shares, and narrowness of the financial market. Because of the role of rural poor in most countries as producers of tradable agricultural commodities, more frequent

devaluation is considered to have a generally positive effect on rural poverty. However, food in Malawi behaves as a non-tradable good. High transport costs result in a large difference between import- and export-parity prices; the domestic price of major food commodities such as maize falls between those prices. Hence, rural poor producers of food do not benefit from depreciation unlike in other countries. At the same time, the core poor are net consumers of food so that a decrease in the relative price of non-tradable food through a devaluation would have a positive impact on this group. Second, certain segments of the labor markets of significance to the poor are characterized by upward nominal wage rigidity. During the recent period of high inflation and exchange rate adjustment, nominal wages have not adjusted while profits have increased. For example, the use of minimum wage as a maximum is cited in section IV.A. Third, the private financial market which faces a credit tightening is primarily serving the formal sector. This sector has fewer links to the rural sector from which most of the poor are deriving their income. Hence,

- o the Government should continue to give high priority to stabilizing inflation and the path of the real exchange rate.

5.21 At the same time, the design of the stabilization package needs to recognize that fiscal contraction reduces critical public expenditures, impeding poverty reduction and growth. Further work on the impact on the poor of fiscal contraction relative to inflation stabilization should be pursued. Within a constrained credit environment, the trade-off can be reduced by recognizing that adequate resources can be made available to the private sector without jeopardizing these critical expenditure levels. The Policy Framework Paper 1989/90-1991/92 (PFP) outlines a fiscal program of government expenditures of about 26 percent of GDP. In line with the expenditure adjustments outlined in sections IV.B and C to support the social sector and agricultural approaches, the expenditure targets could increase while maintaining positive flows to the private sector. Projections presented below assume continuing strong domestic resource mobilization, with a revenue/GDP ratio of about 20 percent, and higher expenditures up to 1 percent more than those projected in the PFP. Net domestic credit financing of the government deficit would continue to remain negative. As shown in Table V.B.1 consistent with the macroeconomic projections in the next section, net flows to the private sector, that is, private investment less private savings, would continue to be highly positive, at 2.5 percent and 2.2 percent of GDP in 1995 and 2005, respectively. Even in the constrained scenario, private sector flows would be 1.4 percent and 0.7 percent, with only part of the adjustment reflected in a reduced fiscal deficit so as to allow continuation of significant public expenditure support to the strategy. Hence,

- o the government should aim at a fiscal mix that allows adequate levels of critical public expenditures to support the strategy.

Nonetheless, improved poverty programs will need to be designed in the context of a relatively slow expansion of available public resources. As outlined in the Public Expenditure Review, delay or redesign of some lower

priority projects and programmes (in areas such as upgrading of roads and tertiary social sector developments) will be required and were assumed in the fiscal projections of the PFP.

Table V.B.1.:

MALAWI
FLOW OF FUNDS, 1990-2005
(BASE CASE PROJECTIONS - IN PERCENT OF GDP)

	1990	1991	1992	1993	1994	1995	2000	2005
Gross Investment	15.8	15.9	16.2	16.3	16.6	16.7	16.2	16.2
Public	5.3	5.4	5.7	5.9	5.6	5.5	5.6	4.9
Private	10.5	10.5	10.5	10.4	11.0	11.2	11.2	11.3
Fixed	9.0	9.0	9.0	8.9	9.5	9.7	9.7	9.6
Stock Building	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Savings (National Concept)	15.8	15.9	16.1	16.3	16.6	16.7	16.2	16.2
Foreign Savings	9.6	9.1	8.2	8.6	8.6	7.9	6.5	4.6
National Savings	6.2	6.8	7.9	8.3	8.0	8.8	9.7	11.6
Public	-1.6	-0.9	-6.6	-6.7	-6.4	6.2	1.7	2.5
Private	7.3	7.7	8.7	9.6	9.6	8.6	8.0	9.1
Fiscal Deficit (Calendar Year)	6.3	6.4	6.5	6.6	6.6	5.3	3.3	2.4
Private Sector Balance	3.2	2.7	1.8	1.4	2.0	2.5	3.2	2.2
Current Account Deficit	9.6	9.1	8.2	8.6	8.6	7.9	6.5	4.6

MALAWI
FLOW OF FUNDS, 1990-2005
(CONSTRAINED CASE PROJECTIONS - IN PERCENT OF GDP)

	1990	1991	1992	1993	1994	1995	2000	2005
Gross Investment	14.9	15.1	15.3	15.3	14.9	14.8	14.4	14.4
Public	5.2	5.4	5.5	5.6	5.2	5.1	4.7	4.7
Private	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Fixed	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Stock Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Savings (National Concept)	14.9	15.1	15.3	15.3	14.9	14.8	14.4	14.4
Foreign Savings	8.8	8.0	7.1	6.7	6.6	6.4	4.6	3.2
National Savings	6.4	7.1	8.2	8.6	8.3	8.4	9.8	11.2
Public	-6.9	-6.7	-6.6	-6.4	-6.6	6.4	1.6	2.2
Private	7.3	7.8	8.8	9.6	8.3	8.6	8.2	9.0
Fiscal Deficit (Calendar Year)	6.2	6.1	6.1	5.9	5.2	4.7	3.2	2.5
Private Sector Balance	2.4	1.9	1.6	0.8	1.4	1.7	1.4	0.7
Current Account Deficit	8.5	8.6	7.1	6.7	6.6	6.4	4.6	3.2

V.B.5 Financial Deepening

5.22 One of the major structural characteristics influencing macroeconomic adjustment is the limited scope of the formal financial system. ^{27/} The system is characterized by a large degree of market fragmentation, with specialized institutions operating in distinct market niches. Often the fragmentation reflects legal restrictions. One problem of the system is a lack of competition. This partly reflects the oligopolistic structure of the formal sector economy, with several large companies with a substantial amount of interlocking ownership between subsidiaries. It also reflects the fragmentation of the financial system which inhibits competition. Credit controls as an instrument of monetary control have had some detrimental effects on commercial bank competition and willingness of the banking system to seek business in non-traditional sectors and among non-prime clients in traditional sectors. Another problem of the financial system is excessive resource concentration.

5.23 Because of these problems of the financial system, its ability to facilitate increased domestic savings as well as the redirection of resources in response to adjustment measures is severely limited. Building on the groundwork laid under ITPAC and support from the IMF and IFC, the legal framework for the financial system has been strengthened. The Reserve Bank Act revised in 1989 expands the operations in which the central bank can engage, including open market operations, implementation of reserve requirements, enhanced institutions, and last resort lending to the banking system. The policy framework is now in place for implementing monetary policy increasingly through indirect monetary instruments and mechanisms, allowing a movement away from direct control of credit and interest rates. What remains is to develop the institutional capacity in money markets. A revised Banking Act of December 1989 has introduced a framework which paves the way for entry into the banking sector and allows use of new instruments by both bank and non-bank financial institutions to generate resources. Institutions now need to be supported to take advantage of the opportunities created by the revisions. A particular strength of the financial system is that the institutions that are in place are by and large financially strong and well placed to play a more active role.

^{27/} The financial system consists of the Reserve Bank of Malawi; two commercial banks (National Bank of Malawi and the Commercial Bank of Malawi); two leasing finance companies (Leasing Finance Company and Mercantile Credit); the New Building Society; a series of development finance institutions (Malawi Development Corporation, Investment and Development Bank of Malawi and Small Enterprises Development Organization); two savings and credit institutions (Post Office Savings Bank and Malawi Union of Savings and Credit Cooperatives Limited); a series of insurance and reinsurance companies, a number of insurance brokers and one pension fund manager (INDETRUST).

- o Given the importance of increasing savings and channeling savings to new activities, development of financial instruments and institutions should be high priorities.

The Reserve Bank and Government will need to be supportive of financial institutions while at the same time prudent as the process of financial deepening evolves. In addition, the Capital Market Act of 1990 provides the framework for development of capital markets in Malawi, another important source of domestic savings as well as an appropriate vehicle for new activities characterized by higher risks and returns.

5.24 The impact of the financial system is particularly minimal on the rural, informal, and small-scale sectors of critical importance to growth and the poor. Bank financing is limited by and large to crop financing of the estates. Specialized institutions such as SEDOM have limited reach.

- o Special attention should be paid to the generation and channeling of financial resources in the rural and small-scale sectors of the economy.

Particular attention will need to be paid to those institutions which are well positioned to generate greater financial resources in the rural sector, such as the Post Office Savings Bank. To complement financial flows, venture capital operations are also appropriate for these sectors. An important source of financing for these activities continues to be the informal financial sector, characterized by short maturities and high interest rates. Such activities should not be discouraged from filling the gaps in the current formal system; the formal financial sector will gradually replace informal sector activities as it develops more efficient mechanisms for both mobilization and channeling of financial resources.

V.B.6 Channeling Increased Foreign Savings

5.25 Given the recognition of the untapped potential in Malawi and the relatively well-managed macroeconomy, Malawi is receiving substantial external concessional support. The macroeconomic projections presented in section V.B indicate the role for continued support. One of the challenges is selecting an appropriate macroeconomic policy mix that directs these flows in support of poverty reduction while maintaining short-term stabilization of the economy in the face of external shocks. Three alternative channels for these flows are: (1) through public expenditures, both government consumption and investment, (2) through the private financial system, and (3) directly to the rural and informal private economy. While the second channel is being developed, the last channel also needs to be utilized.

5.26 Government services in the development sectors need to be maintained, in fact, expanded in the social sectors and agriculture as outlined in the preceding section. Nonetheless, this will absorb only a fraction of foreign savings. Any further increase in government consumption and investment above the proposed 27 percent of GDP will reach

the poor, and with effective targeting, the core poor, but it also will reach the non-poor. In addition, it is the urban wage earner households that benefit most from wage and employment effects.

5.27 The resources will need to be channeled mainly to the private sector. The financial markets of Malawi are well-placed to channel a certain proportion of resources to the formal sector. However, should the entire increased access to foreign savings lead to increased liquidity in the currently underdeveloped financial markets, the real exchange rate would have to appreciate significantly to absorb these flows. Export production would be crowded out by the real appreciation of the currency, with implications for estate and smallholder agricultural growth as well as the incomes of the poor derived from these sectors. In addition, because of the current limits and segmented nature of the private financial markets, the impact on the smallholder, informal and non-traditional sectors will be minimal in the short-term. The importance of deepening these markets to enhance growth and poverty reduction is discussed above.

5.28 In the interim, until financial and capital markets are sufficiently deep, strengthening specific channels to rural households will improve access to financial resources for a broader segment of the private sector. Donors and Government need to identify ways to channel large amounts of financial resources directly to the rural and informal sectors to complement the existing private financial sector channels until they are deepened. These programs would encompass the expanded smallholder fertilizer credit and distribution programs recommended in section IV.B. The Smallholder Agricultural Credit Administration (SACA) is already in place for channeling significant amounts of foreign support to the private sector. The strong credit performance of the smallholder sector in Malawi can be maintained with such expansion. Other programs would include onlending vehicles to the rural and urban sector in support of informal sector development recommended in section IV.A. The Mudzi Fund is being set up for this purpose. Other institutions to support micro-enterprises need to be oriented toward mass credit distribution. Donors should support the provision of equity for venture activities. Development of these channels is critical for the economy to expand quickly into new activities.

V.B.7 Strengthening the Data Base for Macroeconomic Analysis and Monitoring.

5.29 The quality and coverage of the national accounts are of fundamental importance for the formulation of current macroeconomic policy and the potential development of empirically based macroeconomic models. To integrate a strategy for poverty reduction into a macroeconomic framework, the national accounts must contain sufficient information on the links between changes in macro policies and variables on the one hand and changes in incomes of firms and households on the other. At the moment, all national accounts figures since 1978 are basically estimates. In addition, the coverage of the national accounts is not sufficient to establish income links. A number of specific measures to be taken care of are: (i) construction of sector price indices to allow calculation of

sector value added beyond 1978 prices and breakdown of value added by factor income components; (ii) collection of non-urban consumer price data; (iii) extension of coverage to the informal sector; and (iv) integration of data from the proposed national household survey and the next agricultural survey into the national accounts. These measures will vastly improve the reliability of the national accounts, as well as their usefulness in macroeconomic policy formulation.

5.30 In the interim, despite the absence of more comprehensive data, the Government can monitor the impact of short-term macroeconomic policy on the poor. Based on the channels to the poor outlined in section V.B.2,

- o the Government should supplement its current data collection efforts with small but frequent surveys of key variables affecting the poor, particularly in rural areas.

These would include the wage level in the non-formal smallholder sector; the price of maize in rural markets other than ADMARC; plus other indicators of rural employment.

V.C. PROFILE OF MACROECONOMY OVER MEDIUM- AND LONG-TERM

5.31 The poverty reduction strategy outlined in this report involves a significant reorientation of microeconomic strategies and macroeconomic policy mixes. This section integrates the impact of these measures on the macroeconomic framework laid out in the PFP and presents a set of revised macroeconomic projections consistent with the objectives of growth and poverty reduction as well as macroeconomic balance in the medium- and long-term. The strategy implies significant levels of investment over the medium-term beyond those outlined in the PFP, including extensive human capital investment, financed primarily by domestic savings. The direction for policies and programs remains the same whether or not foreign savings are available to support the strategy. Two macroeconomic scenarios illustrate the implications of both greater and less foreign savings trends than the moderate levels assumed in the PFP for the next three years. In the "base" scenario, higher foreign savings complement domestic savings in financing the comprehensive investment program of the poverty reduction strategy and ensure more rapid implementation of the strategy and adjustment in the context of growth. This is preferred to a second "constrained" scenario of more limited foreign savings and a slower pace of implementation.

V.C.1 Base Case Macroeconomic Projections

5.32 As reviewed earlier, the poverty reduction strategy is expected to have a strong positive impact on growth. Nevertheless, projected growth rates are slightly lower than those projected in the PFP because of the reevaluation of the underlying requirements consistent with growth in the agricultural and non-agricultural sectors that was carried out in the preparation of the report. Three different periods of growth are projected (macroeconomic indicators are presented in Table V.C.1). In the short-

term, 1990-92, output is projected to increase at a modest level of about 4 percent per year. The principal source of growth during this period will be the improved performance of the industrial, construction, and distribution sectors, in response to the industry and trade policy reforms initiated as part of the Government's ongoing structural adjustment program. In the medium-term, 1993-97, a more robust growth rate approaching 5 percent per year is projected as a result of: (i) increased output in the smallholder agriculture sector in response to the adoption of high-yielding maize varieties, fertilizer use, and other elements of the agricultural approach outlined in section V.B; (ii) expansion of urban informal and formal employment and rural off-farm activities in response to the employment-enhancing policies reviewed in section IV.A and V.B; and (iii) strong growth in the service sector, particularly distribution, transport, and private social and community services, in response to the improvement in agricultural incomes. In the longer-term, 1998-2005, the development of agricultural surpluses will support an expansion of the industrial base and the strengthening of Malawi's human capital will yield economy-wide efficiency gains, leading to a sustainable annual growth rate exceeding 5 percent.

5.33 These growth targets imply significant levels of investment over the medium-term, with fixed investment reaching about 17 percent of GDP by 1995 plus extensive human capital investment, financed primarily by domestic savings. These targets also assume a moderate improvement in the efficiency of resource use. 28/ The poverty reduction strategy involves a significant channeling of resources to the private sector, initially through both the formal private financial system and more direct channels to the private sector outlined in section V.B but increasingly through a broader and more developed financial system. As a result, private investment is expected to increase to over 11 percent of GDP in 1995. Likewise, private consumption is expected to increase by 3.4 percent per year between 1989 and 1992 and then by 4.5 percent per year between 1993 and 2005, in response to the productivity gains in agriculture and expanded employment.

5.34 The level of real 1990-93 income available to the economy will continue to be significantly affected by changes in the terms of trade in the short- and medium-term. In 1990-93, terms of trade are expected to be favorable due to both stable import prices and projected increases in export prices, particularly for tea and sugar. In addition, external transport margins are projected to improve in 1991-93 with the completion of the Northern Corridor Transport Project, leading to a favorable income effect and increases in real per capita gross domestic income. Terms of

28/ The average ICOR is expected to decline from 5.0 in 1973-80 to 4.1 in 1989-93. In the longer-term, the ICOR is expected to further decline to 3.3 as a result of the investments in human resource development, which are largely not captured in gross fixed capital formation.

Table V.C.1.:

MALAWI
KEY MACROECONOMIC INDICATORS, 1989-2005
(BASE CASE PROJECTIONS)

	1989	1991	1992	1993	1994	1995	2000	2005
GDP Growth Rate	3.6	3.9	4.6	4.7	4.8	5.6	5.2	5.2
GDY Growth Rate	4.3	3.9	4.3	4.7	4.4	4.7	5.6	5.6
GDY/Capita Growth Rate	6.9	6.4	6.8	1.1	6.9	1.2	1.5	1.7
Consumption/Capita Growth Rate	-0.5	0.3	0.2	0.9	0.7	1.0	1.1	1.2
Debt Service (USD million) [1]	165.6	167.8	111.8	94.2	102.7	119.6	136.8	206.6
Debt Service/XGS	26.1	24.9	23.8	19.5	18.7	20.1	14.4	13.4
Debt Service/GDP	7.6	6.5	6.1	4.7	4.7	5.6	3.7	3.6
Gross Investment/GDP [2]	15.8	15.9	16.2	16.3	16.6	16.7	16.2	16.2
Public Investment/GDP	5.3	5.4	5.7	5.9	5.6	5.5	5.6	4.9
Private Investment/GDP	10.5	10.5	10.5	10.4	11.0	11.2	11.2	11.3
Public Invest./Private Invest.	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.4
Domestic Savings/GDP [3]	8.6	8.7	9.3	9.5	9.6	9.7	10.5	12.3
National Savings/GDP	6.2	6.8	7.9	8.3	8.6	8.6	9.7	11.6
Public Savings/GDP	-1.6	-0.9	-0.8	-0.7	-0.4	0.2	1.7	2.5
Private Savings/GDP	7.3	7.7	8.7	9.0	9.0	8.6	8.6	9.1
Private Sector Balance/GDP	3.2	2.7	1.8	1.4	2.6	2.5	3.2	2.2
Government Revenues/GDP [4]	26.4	26.4	26.4	26.4	26.4	26.6	26.8	26.8
Government Expenditures/GDP	26.8	26.8	27.6	27.1	26.2	26.6	24.1	23.2
Fiscal Deficit/GDP	-0.4	-0.4	-0.5	-0.6	-0.8	-0.2	-3.2	-2.4
Deficit After Grants/GDP	-0.2	-2.2	-2.7	-3.0	-1.9	-1.2	0.1	0.6
Export Growth Rate	3.8	4.6	3.9	4.6	4.9	5.4	6.2	6.2
Exports/GDP	26.9	26.2	25.7	25.4	25.1	24.9	25.4	26.6
Import Growth Rate [5]	5.5	4.6	4.5	4.5	4.5	4.2	4.2	4.6
Imports/GDP	34.8	34.1	32.8	32.5	32.4	32.2	31.6	31.6
Current Account (USD million) [6]	-143.9	-150.2	-156.5	-159.9	-174.8	-188.6	-242.5	-265.5
Current Account/GDP	-9.6	-9.1	-8.2	-8.6	-8.6	-7.9	-6.5	-4.6
Current Account After Grants/GDP	-2.6	-4.8	-4.4	-4.4	-4.2	-3.8	-3.1	-1.8
External Reserves (USD million)	182.6	195.6	199.1	206.3	214.3	233.1	361.1	552.2
Ext. Res. in Months of Imports	4.6	4.6	4.4	4.2	4.6	4.6	4.6	4.6

Source: Staff projections using baseline data from 1989 PFP, adjusted in some cases for actual 1989-90 outcome.

- [1] Debt service is calculated before debt relief and after debt conversion.
[2] Investment includes stock-building. Parastatal investment that is not part of the Central Government Budget is included under private sector data.
[3] Savings in 1989-90 are significantly affected by changes in the level of emergency grants for refugees included in current transfers.
[4] Fiscal data is presented on fiscal year basis beginning April 1 of year indicated. Government revenues exclude official grants.
[5] Import growth rate excludes emergency imports for refugees.
[6] Current account excludes official transfers but includes emergency grants for refugees.

trade changes are expected to decline slightly but not significantly after 1993. 29/

5.35 As discussed in Section V.B, government expenditures will also play a key role in channeling foreign savings to the poor in the short- and medium-term. While recognizing the importance of maintaining fiscal discipline, the macroeconomic framework as laid out in the Policy Framework Paper 1989/90-1991/92 also recognizes the importance of expansion of core expenditures in high priority sectors. Building on the levels of expenditures projected in the PFP, the base scenario presented here accounts for the additional expenditure requirements related to the expanded agricultural and social sector approaches to poverty reduction and growth. In total, these represent at most about 1 percent of GDP in 1995/96, falling to under 0.5 percent of GDP by 2005. Additional income transfer expenditures are not included since it is assumed that they would be compensated through enhanced tax revenues. Within expenditures, government investment is expected to increase from 5.3 percent of GDP in 1990 to 5.9 percent of GDP in 1993, reflecting additional poverty-related capital expenditures in the education, health, agriculture and water sectors, as well as conservative assumptions regarding the share of the lumpy power investment project reflected in the budget. Likewise, government consumption, which has been severely constrained under the 1988/89 and 1989/90 fiscal programs, is projected to increase, in part due to increased recurrent financing support for poverty-related investments. Part of government consumption represents human capital formation, for example, increased access to services of the agricultural extension network, increased school enrollment, and increased access to health services. The increase in government consumption fully supports the human investment thrust of the development strategy for Malawi.

5.36 The increased role for government expenditures as a vehicle to improve private sector access to investment and consumption of goods is reflected in no further decline in the fiscal deficit during the short-term, peaking at 6.6 percent of GDP in 1993/94 compared with 6.3 percent of GDP in 1989/90. Recently, revenue performance has improved to above 20 percent of GDP, above the levels projected in the PFP. Since the broadening of the tax base in the tax reform will need to be combined with lowering of tax rates, no further revenue strengthening is suggested in the short-term. However, with support from foreign savings, recourse to domestic credit financing will not be necessary. The deficit is then projected to decrease to sustainable levels in the medium-term as a result of improved revenue performance, following the broadening of the tax base under the government's tax reform program in combination with a growing

29/ The projections assume that Malawi's traditional external transport routes to Nacala and Beira will continue to remain closed due to security difficulties. Any reopening of these routes would obviously have a dramatic impact on Malawi's terms of trade, gross domestic income, and current account balance.

economy, and reduction in government interest payments, in line with the increasing reliance on concessional external financing.

5.37 These public and private investment and consumption patterns will result in structural adjustment in the context of growth and poverty reduction for Malawi. The removal of underlying structural rigidities combined with significant physical and human capital investment will be reflected in gradual but sizeable improvement in export performance. In the short- and medium-term, foreign savings will be absorbed through current account deficits. ^{30/} Imports are projected to grow by 5.5 percent in 1990 following the import compression of the 1980s, and by 4-4.5 percent per year in 1991-95, in line with the import requirements of the formal industrial and informal manufacturing sectors, the increased public sector investment program in the social sectors, and the expanded fertilizer use envisioned under the food security program. The impact of this strong import demand on current account balance is somewhat offset by the reduction in external transport margins and interest payments on external debt, as noted above. After 1995, import volume growth is expected to slow down to 4.2 percent per year with the expansion of import-substitution production in the intermediate and consumer goods sectors.

5.38 Export performance will improve significantly beginning in the mid-1990s. In the shorter term, the smallholder agriculture sector should continue to focus on domestic food production for food security objectives to enable sustainable release of land for export production. However, improvements in the productivity of smallholder agriculture are expected to generate surpluses for increased commodity and agro-industrial exports by the mid-1990s, leading to export volume growth of over 4.5 percent per year in 1993-94, increasing to 5-6 percent thereafter. Export crop production in the smallholder subsector is projected to grow by over 6 percent by 1995 and over 8 percent by 2000. Estates are expected to improve their performance so as to maintain estate export growth at about 3 to 4 percent per annum. Manufacturing export growth is projected at 15 percent, consistent with trade liberalization and supportive labor and financial policies. As a result of the strong import demand and delayed export response, the adjustment in Malawi's current account is expected to be gradual. The deficit is projected to decline from 10.7 percent in 1989 to 9.6 percent in 1990, 7.9 percent by 1995, 6.5 percent in 2000 and 4.6 percent by 2005.

^{30/} These current account projections are based on a different set of assumptions than the second-year PFP, as follows: (i) more recent forecasts of import and export prices are used, which lead to a more favorable terms of trade effect in 1990-95 than assumed in the PFP; (ii) higher import elasticities are assumed, in line with the findings of recent Bank research on Sub-Saharan African import demand; and (iii) lower export growth is projected in 1990-94, in line with the greater emphasis on domestic food production proposed in this report.

5.39 These current account deficits are expected to be financed primarily from large inflows of grants and concessional loans, as reviewed below in the external financing section. As a result of the need for increased foreign savings under the poverty program, Malawi's stock of disbursed and outstanding debt is expected to increase by 50 percent between 1988 and 1995, from US\$1.2 to US\$1.8 billion. The debt service ratio, however, is expected to drop from over 35 percent in 1988 to 20 percent in 1995 as a result of the declining share of non-concessional financing in Malawi's external flows. ^{31/} The projections assume no further programs with the Fund after the completion of the current ESAF, which results in a net outflow to the Fund of US\$104 million in 1991-2000.

V.C.2 Constrained Case Macroeconomic Projections

5.40 If Malawi is unable to secure adequate external resources to support the macroeconomic strategy outlined above, the pace of project implementation and policy reform would be slowed down, with adverse impact on growth and poverty levels, but the directions of the strategy would remain unchanged. An alternative scenario was developed that reviewed the macroeconomic impact of a reduction in the level of the external financing gaps to slightly below those outlined in the PFP projections and declining further thereafter (macroeconomic indicators for this constrained case are presented in Table V.C.2).

Table V.C.2:

MALAWI
KEY MACROECONOMIC INDICATORS, 1990-2005
(CONSTRAINED CASE PROJECTIONS)

	1990	1991	1992	1993	1994	1995	2000	2005
GDP Growth Rate	3.6	3.5	3.6	4.1	4.6	4.3	4.3	4.3
Consumption/Capita Growth Rate	0.2	-0.2	-0.2	0.3	0.6	0.4	0.3	0.5
Gross Investment/GDP	14.9	15.1	15.3	15.3	14.9	14.8	14.4	14.4
Export Growth Rate	3.8	4.6	3.9	4.4	4.8	5.1	5.2	5.2
Import Growth Rate	4.4	3.7	3.8	3.7	3.6	3.6	3.5	3.5
Fiscal Deficit/GDP (Fiscal Year)	-0.2	-0.1	-0.1	-0.8	-0.6	-0.6	-3.1	-2.5
Private Sector Balance/GDP	2.4	1.9	1.6	0.8	1.4	1.7	1.4	0.7
Current Account/GDP	-0.5	-0.6	-7.1	-6.7	-6.6	-6.4	-4.6	-3.2

^{31/} The debt service projections assume that Government will continue to pursue a cautious policy towards non-concessional external borrowing and that the composition of external financing of government projects will continue to be one-third grant and two-thirds loan, of which 98% is concessional and only 2% is non-concessional.

5.41 Limited foreign savings would necessitate greater external adjustment in the short- and medium-term, resulting in a reduction in imports and an improved current account position. The current account deficit would fall from 8.5 percent of GDP in 1990 to 6.4 percent in 1995 and to 4.6 percent in 2000. The decline in fertilizer and capital goods imports implied by the improved current account position would significantly constrain growth in the smallholder agriculture and informal manufacturing sectors and, as a result, GDP would only grow by 4.2 percent in 1993-97. In particular, the lower levels of fertilizer imports would imply sharply lower levels of growth in per capita food consumption. The slower agriculture growth would in turn dampen the supply response in agro-industrial manufacturing and services, leading to no further improvement in annual GDP growth.

5.42 On the demand side of the projections, the constrained external resources would lead to a reduction in investment and consumption. With less foreign savings available to fill the gap between investment requirements and domestic savings rates, gross capital formation would be lower, under 15 percent of GDP by 1995. The reduction in foreign savings would fall on both the private sector and government. Public expenditure projections would remain in line with those laid out in the PFP, with a substantial reallocation from other expenditures required to support the poverty-related program, albeit at a slower pace. Public savings would be 0.2 percent of GDP more by 1995 than in the base case (Table V.B.1). However, given lower growth, private savings would be less than in the base case; despite lower private investment, the private sector balance (private savings minus private investment) would be less than the base case by about 0.8 percent of GDP. The reduction in production and income would result in declining per capita consumption levels in 1989-92 and only slight increases in per capita consumption thereafter.

V.C.3 Role of Donor Support

5.43 Malawi has one of the lower per capita incomes in the world and pervasive poverty. The country has made significant strides in adjusting the economy in the face of a difficult external environment. Much remains to be done to remove the remaining structural constraints to growth. The effective and comprehensive strategy for growth through poverty reduction laid out in this report deserves the full support of the international donor community. The aim must be to provide the levels of external financing implied by the base case.

5.44 Malawi's total financing requirement under the base case amounts to US\$1.2 billion in 1990-94, comprising current account deficits of US\$779 million, debt repayments (including IMF repurchases) of US\$251 million, and

Table V.C.3.:

MALAWI
EXTERNAL FINANCING REQUIREMENTS, 1990-1994
(BASE CASE PROJECTIONS - IN MILLIONS OF USD)

	1990	1991	1992	1993	1994	1990-94
FINANCING REQUIREMENTS						
A. Current Account Deficits [1]	143.9	150.2	150.5	159.9	174.0	779.3
B. Amortization [2]	45.9	47.4	52.0	48.2	56.0	251.1
C. Change in Net Reserves	88.7	33.5	21.7	12.9	13.4	160.2
1. Gross Reserve Change	87.5	13.1	3.5	7.2	8.0	99.2
2. IMF Repurchases [3]	18.5	20.4	18.3	5.0	5.4	68.3
3. Arrears Change	0.0	0.0	0.0	0.0	0.0	0.0
4. Other Liabilities	0.7	0.0	0.0	0.0	0.0	0.7
Total Financing Requirements	276.5	291.1	225.0	221.0	245.0	1190.6
FINANCING SOURCES						
A. Existing Disbursements [4]						
1. Grants	71.3	37.2	21.7	15.0	10.0	155.2
Of which adjustment:	20.7	0.0	0.0	0.0	0.0	20.7
2. Loans	67.5	36.4	24.0	14.1	0.0	151.5
a. Bilateral Creditors	5.7	1.9	0.0	0.4	0.0	8.0
Of which adjustment:	0.0	0.0	0.0	0.0	0.0	0.0
b. Multilateral Creditors	40.0	33.0	23.0	13.7	0.0	120.1
Of which World Bank:	40.1	29.0	22.5	13.7	0.0	114.9
Of which adjustment:	0.0	0.0	0.0	0.0	0.0	0.0
c. Private Creditors	15.7	0.0	0.0	0.0	0.0	15.5
3. Other Capital [5]	0.0	0.0	0.0	0.0	0.0	0.0
4. IMF Purchases [3]	25.0	12.5	0.0	0.0	0.0	37.5
Total Existing Disbursements	168.8	86.1	45.3	29.1	10.0	344.2
Of which adjustment:	20.7	0.0	0.0	0.0	0.0	20.7
B. Expected Disbursements [6]						
1. Grants	20.4	14.8	21.9	29.5	34.5	127.1
Of which adjustment:	20.4	3.0	0.0	0.0	0.0	30.2
2. Loans	71.5	61.8	100.0	105.4	111.0	481.3
a. Bilateral Creditors	21.0	12.3	0.0	11.0	13.0	67.7
Of which adjustment:	21.0	7.9	0.0	0.0	0.0	28.9
b. Multilateral Creditors	50.5	57.4	64.2	70.0	70.9	327.0
Of which World Bank:	40.1	40.7	47.1	53.0	51.9	240.9
Of which adjustment:	60.5	40.1	30.0	30.0	25.0	175.6
c. Private Creditors	0.0	22.1	27.0	17.0	19.2	86.7
3. IMF Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Total Expected Disbursements	97.9	106.7	122.7	134.9	140.3	600.4
Of which adjustment:	97.9	51.0	30.0	30.0	25.0	234.7
C. Debt Relief						
	1.9	1.9	1.9	1.9	1.9	9.5
Total Financing Sources	268.6	194.7	170.9	165.9	167.0	962.1
FINANCING GAP	-12.9	-86.4	-54.2	-55.1	-78.0	-230.5

Source: Staff projections using baseline data from 1989 PFP, adjusted in some cases for actual 1989-90 outturn.

- [1] Current account excludes official transfers but includes emergency grants for refugees.
- [2] Amortization is calculated before debt relief and debt conversion.
- [3] IMF flows assume disbursement of the third arrangement under the ESAF.
- [4] Disbursements from commitments existing as of end-1988.
- [5] Other capital includes other long-term and short-term flows.
- [6] Expected disbursements include pledges of adjustment financing made under SPA I and a trend projection of project financing based on the constant 1989 project financing level.

reserve changes of US\$168 million (see Table V.C.3). ^{32/} Disbursements from existing grants and loans committed as of end-1988 are expected to provide about a third of this requirement. Disbursements from identified new commitments are projected at about US\$600 million, over a half in project financing and the remaining US\$234 million in adjustment financing. ^{33/} After taking into account these inflows, Malawi faces a total financing gap of US\$237 million in 1990-94, as follows: US\$13 million in 1990, US\$36 million in 1991, US\$54 million in 1992, US\$55 million in 1993, and US\$78 million in 1994.

5.45 The sustainability of the growth and poverty strategy outlined in this report will depend not only on additional commitments from donors to meet these financing gaps but also on the composition of external financing flows, as follows.

5.46 First, in light of the constrained fiscal environment, there is need to ensure that donor financing remains consistent with the public sector expenditure priorities presented here.

- o This reorientation of the project portfolio towards poverty investments will entail increased allocations in primary education, health, population control, rural water, and smallholder agriculture.

5.47 Second, in addition to financing capital costs of new poverty-related investments,

- o there is need to expand support for recurrent expenditures that promote human capital development.

Given the limited modern sector tax base, Government has been unable to support the optimal level of recurrent financing from its own revenues. Consequently, recurrent financing requirements have been underfunded and public sector investments have operated below efficient levels. While the tax reform program is expected to lead to improved revenue performance in the longer-term, increased external resources are required in the short- and medium-term to raise the efficiency of existing investments and support key human capital expenditures, particularly in the areas of school textbooks, medical supplies, rural water maintenance, nutrition, and agricultural extension.

^{32/} These financing requirements do not incorporate emergency assistance for Mozambican refugees or for disaster reconstruction following the 1989 floods and earthquakes.

^{33/} New commitments of project financing are based on a trend projection of the constant 1989 project financing level.

5.48 Third,

- o there is need to expand the pool of investment funds for the private sector, particularly in support of smallholder agriculture, the informal sector, and other rural activities, in order to meet the private sector capital formation targets set out in this report.

While domestic savings rates are expected to improve in the longer-term as a result of improved financial intermediation and income growth, increased foreign financing is required in the short- and medium-term to fill the transitional gap between private sector investment and savings levels. As reviewed in section V.D, donors and the Government will need to develop new private sector credit mechanisms that channel resources more directly to the rural poor and to support more broad-based financial participation and development.

5.49 Finally,

- o there is continuing need for quick-disbursing balance of payments support to finance current account requirements, particularly private sector imports.

As reviewed above, the completion of the import liberalization program and the delayed export supply response will lead to external pressures in the short- and medium-term. In 1990-94, an additional US\$150 million in adjustment-related financing from that already included in expected disbursements is required. In the context of the Special Program of Assistance, this level of financing is feasible. This combination of donor support will enable Malawi to attack poverty vigorously on all fronts.

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STATISTICAL APPENDIX

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Table 1.01: SELECTED DEMOGRAPHIC ESTIMATES

	Sept. 1977	Sept. 1987
Enumerated Population (millions)	5.50	7.98
of which: Urban Population (percent)	8.30	10.00
	(1970-75)	(1985-90)
Estimated Rates:		
Birth Rate, per Thousand	56.0	54.0
Death Rate, per Thousand	27.0	19.0
Rate of Natural Increase (percent)	2.9	3.5
Infant Mortality Rate 1/	191.0	162.0
Total Fertility Rate	7.0	7.0
Other Demographic Statistics:		
Percent of Children Dying Between Birth and Fifth Birthday	33.4	25.0
Life Expectancy at Birth (in years)		
Males	41.0	47.4
Females	42.0	49.5
Both Sexes 2/	41.0	48.0

1/ Deaths Under One Year, per Thousand Live Births.

2/ Assuming a sex ratio at birth of 103 males per 100 females.

Source:

1970 Data - World Bank analysis of Malawi's 1977
population census as detailed in Althea Hill, "The
Demography of Malawi" (Washington, D.C.: April 1981)

1980 Data - Malawi - Population Sector Study (forthcoming)

Table 1.02: POPULATION - 1966, 1977 AND 1987
('000)

	1966			1977			1987		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Northern Region	497.4	229.1	268.5	643.9	306.8	342.0	987.1	448.5	466.6
Chitipa	59.5	28.0	31.6	72.3	34.0	38.3	96.8	46.0	50.8
Karonga	77.7	36.4	41.3	100.9	50.0	50.4	147.1	71.0	76.1
Nkhata Bay	83.9	38.3	45.7	105.8	50.4	55.4	130.0	66.7	69.4
Rumphi	46.0	21.1	25.5	62.5	29.1	33.4	94.7	46.2	48.5
Mzimba	229.7	105.3	124.4	301.4	142.8	158.5	432.4	210.0	221.8
Central Region	1,475.0	691.5	783.2	2,143.7	1,044.3	1,099.4	3,110.0	1,530.2	1,585.9
Kasungu	97.5	45.3	52.1	194.4	100.7	93.8	322.0	167.7	155.1
Nkhosakota	62.9	29.1	33.8	94.4	45.6	48.8	157.1	78.8	78.3
Ntchisi	66.0	31.1	35.0	87.4	41.9	45.5	120.7	59.4	61.3
Dowa	182.0	86.9	95.1	247.6	121.0	126.6	322.1	158.6	163.5
Salima	66.6	30.5	36.1	132.3	64.1	68.2	188.3	91.8	96.5
Lilongwe	498.5	241.0	257.5	704.1	348.5	355.6	980.4	490.4	490.0
Mchinji	85.3	40.4	44.9	150.8	68.9	77.9	248.2	127.1	121.0
Dedza	230.7	104.8	125.9	290.2	137.2	151.0	410.0	190.3	220.5
Ntcheu	164.7	73.4	91.3	220.5	104.4	122.0	359.6	160.0	193.6
Southern Region	2,067.8	992.7	1,074.6	2,754.9	1,322.4	1,432.5	3,959.4	1,909.4	2,050.1
Mangochi	232.7	103.0	129.1	302.3	138.4	164.0	495.9	235.4	269.5
Kasupe/Machinga	226.5	103.1	123.4	341.0	157.0	184.0	514.0	242.4	272.2
Zomba	202.4	139.5	142.9	352.3	169.4	183.0	438.2	209.0	229.2
Chiradzulu	142.2	66.9	75.3	176.2	81.0	94.4	210.7	97.7	113.1
Blantyre	237.3	124.2	113.1	400.1	212.5	187.6	587.9	303.8	284.1
Mwanza	42.0	19.4	22.6	71.4	33.7	37.7	121.3	57.3	64.0
Thyolo	250.0	126.0	130.0	322.0	157.3	164.7	431.5	209.1	222.5
Mulanje	390.9	190.8	208.1	477.5	225.0	252.5	630.3	290.4	340.0
Chikwawa	147.4	71.3	76.1	194.4	95.4	99.0	319.8	159.4	160.4
Nsanje	101.2	47.3	54.0	100.0	51.3	57.4	201.3	97.1	104.2
Total	4,040.2	1,913.3	2,126.3	5,547.5	2,673.6	2,873.9	7,982.0	3,888.1	4,102.5

Source: NSO, Population Census 1977 and 1987 (Preliminary Report).

Table 1.03: URBAN POPULATION BY DISTRICT
1966, 1977 AND 1987

	Total Population ('000)			Urban Population			Percentage of Total Population		
	1966	1977	1987	1966	1977	1987	1966	1977	1987
Northern Region	497.4	648.9	967.1	19,967.0	44,716.0	96,476.0	3.7	6.9	10.0
Chitipa	59.5	72.3	96.8	1,429.0	3,110.0	5,233.0	2.4	4.3	5.4
Karonga	77.7	106.9	147.1	1,128	12,051	19,630	1.5	11.3	13.3
Nkhata Bay	83.9	106.0	136.0	1,188	4,048	6,492	1.4	3.8	4.8
Rumphi	46.6	62.5	94.7	1,916	4,003	7,147	4.1	6.4	7.5
Mzimba	229.7	301.4	432.4	12,646	21,564	51,978	5.5	7.1	12.0
Central Region	1,475.0	2,143.7	3,116.0	31,514	134,500	300,423	2.1	6.3	9.6
Kasungu	97.5	194.4	322.9	1,620	6,488	10,848	1.7	3.3	3.4
Nkhatakota	62.9	94.4	157.1	1,117	10,310	12,149	1.0	10.9	7.7
Ntchisi	66.8	87.4	120.7	1,210	1,654	3,000	1.0	1.9	2.5
Dowa	182.0	247.6	322.1	1,552	1,962	2,704	0.9	0.6	0.8
Selima	66.0	132.3	180.3	2,307	4,712	10,600	2.7	3.6	5.6
Lilongwe	498.5	704.1	986.4	19,425	90,710	233,973	3.9	14.0	23.7
Mchinji	85.3	158.0	248.2	831	1,957	4,542	1.0	1.2	1.8
Dodza	230.7	298.2	410.0	2,318	5,570	10,735	1.0	1.9	4.1
Ntcheu	164.7	226.5	359.6	1,110	3,115	5,800	0.7	1.4	1.6
Southern Region	2,067.8	2,754.9	3,959.4	140,130	283,020	453,521	6.8	10.3	11.5
Mangochi	232.7	302.3	495.9	2,767	5,999	22,197	1.2	2.0	4.5
Kasupo/Machinga	226.5	341.0	514.0	2,649	10,067	18,770	0.9	2.9	3.6
Zomba	282.4	352.3	438.2	19,666	24,234	42,070	7.0	6.9	9.0
Chiradzulu	142.2	176.2	210.7	609	609	1,450	0.4	0.4	0.7
Blantyre	237.3	408.1	587.9	109,461	219,011	331,588	40.1	53.7	50.4
Mwanza	42.0	71.4	121.3	692	2,354	4,710	1.6	3.3	3.9
Thyolo	256.6	322.0	431.5	1,394	3,381	4,737	0.6	1.1	1.1
Mulanje	398.9	477.5	630.3	1,225	3,001	7,112	0.3	0.6	1.1
Chikwawa	147.4	194.4	319.0	902	7,084	10,022	0.6	4.1	3.1
Nsanje	101.2	108.0	201.3	1,373	6,400	10,642	1.4	5.9	5.0
Total	4,040.2	5,547.5	7,982.0	189,959	402,236	844,419	4.7	8.3	10.6

Source: NSO, Population Census 1977 and 1987 (Preliminary Report).

Note: "Urban areas" include all townships and town planning areas and all district centers. An urban area need not be an administrative center, but must have other installations such as a police post or a works camp or a post office in addition to trading stores and a market.

Table 1.04: POPULATION CHARACTERISTICS
1966, 1977 AND 1987

	Land Area (sq. km)	Sex Ratio a/			Population Density b/			Population Distribution (%)		
		1966	1977	1987	1966	1977	1987	1966	1977	1987
Northern Region	26,930	85	90	94	18	24	34	12.3	11.7	11.4
Chitipa	3,504	89	89	91	17	21	28	1.5	1.3	1.2
Karonga	2,956	88	90	93	20	30	50	1.9	1.9	1.8
Nkhata Bay	4,080	84	91	96	21	26	33	2.0	1.9	1.8
Rumphi	5,962	83	87	95	8	10	16	1.2	1.1	1.2
Mzimba	10,436	85	90	95	22	29	41	5.7	5.5	5.4
Central Region	35,592	88	95	96	41	60	88	36.4	38.6	39.0
Kesungu	7,878	87	107	108	12	25	41	2.4	3.5	4.0
Nkhotakota	4,259	86	94	101	15	22	37	1.6	1.7	2.0
Ntchisi	1,855	87	92	97	40	53	73	1.7	1.6	1.5
Dowa	3,041	91	96	97	60	81	100	4.5	4.4	4.0
Salima	2,198	84	94	95	39	66	88	2.8	2.4	2.4
Lilongwe	6,159	94	98	99	81	114	160	12.3	12.7	12.4
Mchinji	3,358	90	104	105	25	47	74	2.1	2.8	3.1
Dedza	3,024	83	85	88	64	82	113	5.7	5.4	5.1
Ntcheu	3,424	88	88	88	48	66	105	4.1	4.1	4.5
Southern Region	31,752	92	92	93	65	87	125	51.3	49.7	49.6
Mangochi	6,272	88	84	88	37	47	79	5.8	5.4	6.2
Kasupe/Wachinga	5,984	84	86	89	38	57	88	5.6	6.2	6.5
Zomba	2,588	98	93	91	100	137	170	7.0	6.3	5.5
Chiredzulu	767	89	87	86	105	230	275	3.5	3.2	2.6
Blantyre	2,012	110	109	107	118	203	292	5.9	7.4	7.4
Mwanza	2,295	86	89	90	19	31	53	1.1	1.3	1.5
Thyolo	1,715	97	96	94	150	188	252	6.4	5.8	5.4
Mulanje	3,450	92	89	88	116	138	185	9.9	8.6	8.0
Chikwawa	4,755	94	96	99	31	41	67	3.6	3.5	4.0
Nsanje	1,942	88	89	93	52	56	104	2.5	2.8	2.5
Total	94,274	88	93	95	43	59	85	100.0	100.0	100.0

a/ Males per 100 Females.

b/ Number of persons per square kilometer.

Source: NSO, Population Census 1977 and 1987 (Preliminary Report).

Table 1.05: AFRICAN POPULATION 5 YEARS AND OVER BY EDUCATIONAL LEVEL, LITERACY RATES AND REGION, 1977 AND 1987

Region	1977						1987					
	Total Pop. over 5	Never Attended School	Attended Primary School a/	Attended Secondary School b/	Not Stated	Adult Literacy Rate (%)		Pop. over 5	Never Attended School	Attended Primary School	Attended Secondary School a/	Adult Literacy Rate (%)
						M	F					
Malawi	4,454,046	2,411,322	1,912,045	52,828	38,528	40.8	17.4	6,586,002	3,613,867	2,748,049	224,746	27.2
Northern	526,787	183,687	326,274	9,694	4,100.0	61.5	32.2	747,327	246,863	464,642	35,882	--
Central	1,766,478	933,689	727,881	12,982	16,009.0	37.9	16.8	2,544,519	1,428,611	1,046,820	77,288	--
Southern	2,220,789	1,294,826	859,716	36,227	18,413.0	38.4	14.3	3,294,756	1,946,393	1,236,787	111,576	--

a/ Primary includes standards one to eight.

b/ Secondary includes standards one to eight.

Source: Malawi Population Census 1977, and 1987 (Preliminary Report).

Table 1.06: ENROLLMENT STATISTICS

	1966	1977	1987
Primary			
Total	337,720 a/	675,741	1,022,765
Male (%)	--	--	56%
Female (%)	--	--	44%
Enrollment Rate	--	--	43%b/
Secondary			
Formal	6539	15140	25091
Male (%)	--	--	33%
Female (%)	--	--	67%
Enrollment Rate	--	--	4%
Malawi College of Distance Educ. (MCDE)	--	7400	24000
Post-Secondary			
University	490	--	--
Male (%)	77%	--	--
Female (%)	23%	--	--
Primary Teaching Training	1153	1433	913
Male (%)	--	--	66%
Female (%)	--	--	34%
Technical Training	2177	1002	777 c/

a/ 1965 figure.

b/ Net enrollment rate (i.e/ 9-13 year olds enrolled as a percent of all children in the age group).

c/ 1986/87 school year.

SOURCE: MALAWI - Education Statistics and official sources.

Table 1.07: SELECTED HEALTH STATISTICS

	1977		1987	
	Total Number ('000)	Persons Per Unit	Total Number ('000)	Persons Per Unit
Population a/	5547.5	n.a.	7982.6	n.a.
Facilities b/	591	9	791	10
Hospitals	52	107	48	100
Other	539	10	743	11
Total Number of Beds b/	10034	0.51	12020	0.63
Hospitals	7052	0.79	7001	1.13
Other	3782	1.47	5545	1.44
Physicians c/	121	45.85	130	61.40
Nurses d/	1095	3.27	2002	8.90
Other Medical Personnel e/	4077	1.36	3590	2.22
(Other Health Statistics)				
Life expectancy		43 yrs.		46 yrs.
Under 5 Mortality		40 per 1000		40 per 1000
Infant Mortality		151 per 1000		151 per 1000
Pregnancy-Related Death f/				170

a/ Census figures.

b/ Data used for 1977 calculations are for 1979.

c/ Refers to Medical Officers. 1987 estimates are 1984 figures. 1977 estimates are 1981 figures.

d/ Includes Registered and Enrolled Nurses/Midwives. 1987 estimates are 1984 figures. 1977 estimates are 1981 figures.

e/ 1987 estimates are 1984 figures. 1977 estimates are 1981 figures.

f/ Per 100,000 live births.

Sources:

Table on Medical and Paramedical Personnel by Occupation and Agency, 1984
in 1988 MALAWI Statistical Yearbook.

1980 Statistical Yearbook

1981 Statistical Yearbook

World Development Report 1989

Table 2.01: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN IN 1978 CONSTANT PRICES
(Million Kwacha)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Agriculture	223.6	228.2	230.3	257.6	286.5	294.9	304.1	284.2	260.9	277.6	289.9	306.5	308.0	309.9	317.3	323.1	327.1
Smallscale	194.0	196.0	191.4	218.2	239.0	246.3	252.8	231.2	210.6	215.9	223.6	240.9	242.0	244.5	247.2	248.0	244.6
Largescale	29.6	32.2	38.9	39.4	47.5	48.6	51.3	53.0	50.3	61.7	66.1	65.6	66.0	65.4	70.1	75.1	82.5
Manufacturing a/	61.9	69.1	61.1	78.2	60.5	64.8	66.5	69.9	92.0	91.7	98.2	100.7	103.8	106.1	107.1	110.6	124.9
Construction	28.9	29.6	33.9	32.7	36.1	46.2	42.7	45.5	35.9	38.1	33.0	29.6	37.2	31.2	31.1	38.7	42.9
Electricity & Water	8.4	6.2	10.8	10.8	11.3	12.5	13.2	14.2	14.3	14.6	15.8	16.1	16.4	17.3	18.7	19.1	20.8
Distribution	74.1	87.9	91.9	93.7	89.0	104.8	105.1	110.4	98.3	98.2	98.6	104.1	114.0	109.9	107.4	106.0	108.7
Transport & Comm.	37.2	40.7	43.9	45.7	40.1	44.7	51.5	52.3	48.5	47.2	46.0	47.0	49.5	51.8	49.1	50.1	53.3
Fin.&Comm. Services	22.2	27.7	31.0	33.8	37.8	43.3	50.6	52.0	47.9	49.0	50.4	51.2	55.0	53.8	53.8	56.2	61.1
Ownership of Dwellings	20.4	21.4	22.6	24.9	27.0	29.3	31.5	32.4	31.9	32.8	33.8	34.6	36.3	36.6	37.3	38.6	40.6
Gov. Services	51.1	58.9	58.2	61.2	64.0	67.2	72.3	78.4	63.3	67.9	92.2	101.7	108.2	118.0	134.5	141.6	144.1
Priv.Soc.&Comm.Serv.	25.4	26.5	26.1	26.6	26.0	26.9	28.1	29.1	30.6	31.7	33.6	34.7	35.2	37.7	38.4	39.8	41.1
Unall. Fin. Charges	-7.7	-10.1	-11.3	-8.2	-12.8	-12.1	-20.4	-21.0	-19.3	-19.7	-20.3	-20.6	-22.2	-21.7	-21.7	-22.6	-24.6
GDP (Factor Cost)	545.5	586.1	618.5	657.0	685.5	742.5	767.2	784.3	724.3	745.1	771.2	805.6	841.4	850.6	873.0	901.2	940.0
GDP (Market Prices)	582.6	624.3	662.3	695.3	729.7	800.7	835.7	839.0	794.8	814.8	845.1	890.5	931.1	929.1	949.5	977.1	1025.5
Indirect Taxes	37.1	38.2	43.8	38.3	44.2	58.2	68.5	74.7	70.5	69.7	73.9	84.9	89.7	78.5	76.5	75.9	85.5

NOTES:
a/ includes mining and quarrying.
1987 data is New Series.
1989 is an estimate.

SOURCES:
• 1984-1989 DATA - Government estimates (January 1990 EP & D, RBM, Treasury and MSD data).
• 1978-1983 DATA - MALAWI - E.P. & D. Printout May 1989.
• 1973-1977 DATA - MALAWI - CEM, Oct. 1985.

Table 2.02: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN IN CURRENT PRICES
(Million Kwacha)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Agriculture	139.7	168.7	184.2	226.7	286.6	294.9	311.9	335.8	360.3	420.6	467.7	561.6	635.1	720.6	901.4	1158.4	1476.5
Smallscale	121.2	144.9	153.1	192.1	238.4	246.3	259.3	272.7	290.9	327.8	376.5	457.3	499.0	568.7	702.2	869.2	1061.7
Largescale	18.5	23.8	31.1	34.7	47.4	48.6	52.6	62.5	69.5	93.5	111.2	124.5	136.1	152.1	199.1	289.3	354.7
Manufacturing a/	38.7	51.1	64.9	68.8	60.3	64.8	66.8	104.8	127.1	139.0	165.2	191.2	214.0	246.8	304.2	396.5	537.0
Construction	18.1	21.9	27.1	28.6	36.0	46.2	43.8	51.3	49.6	54.7	55.5	56.2	76.7	72.6	68.5	136.8	184.5
Elec. & Water	5.2	6.1	6.6	9.5	11.3	12.5	13.5	16.8	19.7	22.1	26.6	30.6	33.9	40.2	53.1	66.5	69.4
Distribution	46.3	65.0	73.5	62.5	66.8	104.8	107.8	130.2	135.8	145.6	165.9	197.6	235.1	255.6	305.1	380.0	467.4
Transport & Comm.	23.2	30.1	35.1	40.2	40.0	44.7	52.6	61.7	67.0	71.6	77.4	69.2	102.1	120.5	139.5	179.6	229.2
Fin & Comm Services	18.9	20.5	24.8	29.8	37.7	43.3	51.9	61.3	66.2	74.3	84.6	97.2	113.4	125.1	152.6	201.5	262.7
Ownership of Dwellings	12.7	15.8	18.1	21.9	26.9	29.3	32.3	38.2	44.1	49.7	56.9	65.7	74.6	65.1	106.0	138.4	174.6
Government Services	31.9	42.1	46.8	53.9	63.9	67.2	74.1	92.5	115.0	135.2	155.1	193.1	223.1	274.4	382.1	507.7	619.6
Priv.Soc.&Comm Services	15.9	19.6	20.9	23.4	25.9	26.9	28.8	34.3	42.3	48.1	56.5	65.9	72.6	87.7	109.1	142.7	178.7
Unall. Fin. Charges	-4.7	-7.5	-9.0	-7.2	-12.8	-12.1	-20.9	-24.6	-26.7	-29.9	-34.2	-39.1	-45.6	-50.5	-61.6	-81.0	-105.6
GDP (Factor Cost)	340.8	433.3	494.7	578.3	683.9	742.5	786.6	901.6	1000.3	1129.5	1297.4	1529.3	1734.9	1978.3	2480.0	3231.1	4041.6
GDP (Market Prices)	384.0	461.5	529.7	612.0	728.0	800.7	864.5	1005.1	1109.1	1245.6	1437.0	1707.4	1980.9	2194.7	2748.3	3580.5	4457.3
Indirect Taxes	23.2	28.2	35.0	33.7	44.1	58.2	77.7	103.5	107.8	116.1	139.6	178.1	216.0	216.4	268.3	349.4	415.5
GDP Deflator (F) b/	62.5	73.9	80.0	88.0	99.8	100.0	102.6	118.0	138.1	151.6	166.2	189.8	206.2	232.6	284.1	358.5	430.0
GDP Deflator (MF) (F)	62.5	73.9	80.0	88.0	99.8	100.0	103.4	119.8	139.4	152.9	170.0	191.7	209.5	236.2	289.4	366.4	434.6

NOTES:
a/ including mining and quarrying.
b/ based on GDP at factor cost in current prices divided by GDP at factor cost in constant 1978 prices.
1987 numbers are new series.
1989 numbers are estimates.

SOURCE:
• 1984-1989 GDP (MF) and Indirect Tax data - Government Estimates (January 1990 printout based on EP & D, RBM, Treasury and MSD data).
• Industry Values in current prices based on MWICOPCOM (constant value) worksheet. Conversion done using GDP deflator indicated.
• 1978-1983 DATA - MALAWI - E.P. and D. Printout, May 1989.
• 1973-1977 DATA - MALAWI - CEM, Oct. 1985.

Table 2.03: SAVINGS AND INVESTMENT IN CONSTANT 1978 PRICES
(Million Kwacha)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Tot Gr Fnd Capt Form	118.9	118.1	164.8	153.7	162.0	247.1	198.0	174.0	117.9	114.8	112.0	108.5	108.0	80.9	88.2	101.3	108.9
Gross Fnd Capt Form																	
Government	42.4	39.8	53.1	43.2	43.7	85.3	76.3	89.2	56.5	56.7	81.7	60.1	63.9	60.0	56.4	53.8	53.2
Statutory Bodies	30.9	32.5	60.3	51.7	49.7	63.7	55.9	59.5	25.5	12.7	9.5	27.7	14.2	14.4	19.3	24.0	20.5
Other Large Enterp	40.0	39.4	44.5	51.4	61.3	88.8	84.0	29.4	27.7	39.2	35.2	18.4	38.8	4.9	33.5	53.6	70.3
Small Scale Enterp	5.6	6.5	6.9	7.5	7.2	9.3	10.0	11.0	11.9	11.3	10.8	11.1	12.0	14.3	15.1	14.8	14.8
Change in Stocks	11.5	52.8	58.5	28.9	18.1	60.7	28.8	21.7	19.9	56.0	77.5	-1.5	49.5	2.3	17.3	32.5	32.7
Total Investment	130.5	170.6	223.3	182.6	180.1	307.8	226.8	195.7	137.8	170.8	189.5	107.0	157.5	83.2	105.5	133.8	141.6
National Savings	80.0	124.0	128.5	109.2	128.3	165.3	63.9	31.8	53.4	86.6	91.5	95.8	80.0	42.5	71.1	75.0	47.2
Domestic Savings	72.5	102.3	112.3	123.9	146.3	164.3	94.4	85.1	92.5	120.4	128.5	123.2	111.8	68.6	89.8	65.7	42.7
Net Factor Income	1.3	16.8	10.0	-20.4	-23.1	-4.0	-30.2	-63.8	-52.4	-47.4	-43.6	-38.4	-39.6	-34.9	-33.0	-28.6	-26.7
Current Transfers	6.2	5.0	6.3	5.7	5.0	5.0	-0.3	10.5	13.3	13.6	8.6	10.8	7.8	8.8	14.2	38.1	31.3
Foreign Savings	50.6	46.5	94.8	73.4	51.8	142.6	162.8	163.8	84.5	84.5	98.0	11.4	77.9	39.0	34.5	58.8	94.4
Gov. Grants	15.7	9.5	21.6	22.8	18.0	32.8	33.1	31.9	29.2	24.5	20.1	18.8	18.3	16.5	17.4	43.0	23.6
Net Capital Mvmts. s/	78.3	55.7	35.9	69.0	69.0	85.0	83.6	137.0	30.7	30.0	46.7	38.9	13.9	-11.4	39.5	69.7	60.0
Change in Reserves	-43.4	-18.7	37.3	50.6	-35.2	24.8	46.2	-5.2	24.8	29.9	31.2	-44.3	45.6	33.9	-22.4	-53.9	10.8
Total Savings	130.6	170.6	223.3	182.6	180.1	307.9	226.8	195.5	138.0	171.1	189.5	107.0	157.9	81.6	105.5	133.8	141.6

NOTES:

This table was computed by applying appropriate deflators for the various items to their current values.
1987 data based on new series data.
1989 data is based on government estimates.

Table 2.04: SAVINGS AND INVESTMENT IN CURRENT PRICES
(Million Kwacha)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Tot Gr Fnd Capt Form	74.3	87.8	131.8	135.3	161.6	247.1	231.9	223.1	167.8	181.7	197.3	222.7	259.5	264.1	352.9	524.0	682.5
Gross Fnd Capt Form																	
Government	26.5	29.4	42.5	39.0	43.6	85.3	78.2	105.2	78.0	85.9	103.8	114.1	131.8	186.0	160.2	192.9	228.8
Statutory Bodies	19.3	24.0	48.2	45.5	49.6	63.7	57.3	70.2	35.2	19.2	16.0	52.6	29.2	33.6	54.6	85.9	68.0
Other Large Enterp	25.0	29.1	35.6	45.2	61.2	88.8	86.1	34.7	38.2	59.4	59.3	34.9	73.8	11.3	95.1	192.0	302.2
Small Scale Enterp	3.5	4.8	5.5	6.8	7.2	9.3	10.3	13.0	16.4	17.2	18.2	21.1	24.7	33.2	42.8	53.2	63.5
Change in Stocks	7.2	38.8	46.8	25.4	18.1	60.7	29.5	25.6	27.5	84.9	130.3	-2.8	102.1	5.3	49.2	116.5	140.5
Total Investment	81.5	126.1	178.6	160.7	179.7	307.8	261.4	248.7	195.3	266.6	327.6	219.9	361.6	269.4	402.1	640.5	823.0
National Savings	50.0	91.7	102.8	96.1	128.0	165.3	73.7	40.4	75.7	135.2	158.3	196.4	183.7	137.8	270.8	359.0	274.4
Domestic Savings	45.3	75.6	89.8	109.1	146.0	184.3	108.8	108.2	131.1	188.0	218.8	253.1	258.7	222.3	342.3	314.6	248.0
Net Factor Income	0.8	12.4	8.0	-18.0	-23.0	-4.0	-34.8	-81.1	-74.3	-74.0	-75.4	-78.8	-90.9	-112.9	-125.7	-137.9	-155.4
Current Transfers	3.9	3.7	5.0	5.0	5.0	5.0	-0.3	13.3	18.9	21.2	14.9	22.1	17.9	26.4	54.2	182.3	161.8
Foreign Savings	31.6	34.4	75.8	64.6	51.7	142.6	187.7	208.1	119.8	131.9	169.4	23.4	178.8	126.4	131.4	281.5	548.6
Gov. Grants	9.8	7.0	17.3	20.1	18.0	32.8	38.1	40.6	41.4	38.3	34.7	34.5	42.1	53.6	68.4	205.9	137.2
Net Capital Mvmts. s/	48.9	41.2	28.7	68.8	68.8	85.0	96.4	174.1	43.5	46.9	80.7	79.9	32.0	-36.9	150.5	333.6	348.6
Change in Reserves	-27.1	-13.8	29.8	44.5	-35.1	24.8	53.2	-6.6	34.9	46.7	54.0	-91.0	104.7	109.7	-85.5	-258.0	62.8
Total Savings	81.6	126.1	178.6	160.7	179.7	307.9	261.4	248.5	195.5	267.1	327.7	219.8	362.5	264.2	402.2	640.5	823.0

NOTES:

s/ Net Long-term and Short-term capital movements, including errors and omissions.
1987 data is new series.
1989 is an estimate.

SOURCES:

1984-1989 DATA - Government estimates (January 1990 EP & D, RBN, Treasury and NSO data).
1980-1983 - Reserve Bank of Malawi Statistical Annex, Dec. 1986.
1973-1983 - NSO, Monthly Statistical Bulletin and Official Sources.

Table 2.05: GROSS DOMESTIC EXPENDITURE IN 1978 PRICES
(Million Kwacha)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
GD _P at Factor Cost	545.5	586.1	618.5	657.0	685.5	742.5	767.2	764.3	724.3	745.1	771.2	805.6	841.4	850.6	873.0	901.2	940.0
Plus Net Indirect Taxes	37.1	38.2	43.8	38.3	44.2	58.2	68.5	74.7	70.5	69.7	73.9	84.9	89.7	78.5	76.5	75.9	85.5
GD _P at Market Prices	582.6	624.3	662.3	695.3	729.7	800.7	835.7	839.0	794.8	814.8	845.1	890.5	931.1	929.1	949.5	977.1	1025.5
Smallholder Prod. (Consumption)						321.2	329.9	310.7	292.5	300.4	310.9	329.8	333.7	333.6	339.0	344.3	344.9
Less ADMARC Purchases						30.0	26.3	23.5	22.3	23.3	22.4	33.4	35.7	36.4	28.2	21.5	31.1
Smallholder Consump. (Non-monetary)						291.2	303.6	287.2	270.2	277.1	288.5	296.4	298.0	297.2	310.8	322.8	313.8
GD _P (Formal Sector) a/						509.5	532.1	551.8	524.8	537.7	556.6	594.1	633.1	631.9	638.7	654.3	711.7
Less: Government Consumption	78.0	88.9	93.4	98.0	98.8	134.2	150.9	157.2	150.8	154.0	153.4	185.9	185.4	203.3	201.3	195.4	201.8
Compensation of Employees						81.3	67.1	73.0	77.7	82.3	86.4	95.8	102.2	111.9	128.2	135.2	137.6
Con. of Other Goods & Serv. b/						72.9	83.8	84.2	72.9	71.7	67.0	70.1	83.2	91.4	73.1	60.2	64.2
Less: Fixed Capital Formation	118.9	118.1	164.8	163.7	162.0	247.1	198.0	174.0	117.9	114.8	112.0	108.5	108.0	80.9	88.2	101.3	108.9
of which: Private	45.6	45.9	51.4	58.8	68.6	98.1	55.6	37.2	38.4	48.4	44.0	27.3	41.0	13.6	34.5	47.4	58.4
Public	73.3	72.2	113.4	94.9	93.4	149.0	142.4	136.8	79.5	66.4	68.0	81.2	67.0	67.3	53.7	53.9	50.5
Less: Exports of Goods & Services	161.0	174.9	192.9	211.7	218.9	185.7	205.6	273.7	224.7	202.3	209.0	277.5	291.5	281.1	284.3	290.0	277.9
Domestic Exports & Re-exports						155.7	189.1	250.2	207.2	187.5	194.4	259.2	271.4	285.7	270.0	274.2	264.2
Exports of Non-factor Services						30.0	16.5	13.5	17.5	14.8	14.6	18.3	20.1	15.4	14.3	15.8	13.7
Plus: Imports of Goods & Services	219.0	243.2	303.9	270.3	262.7	329.2	271.0	308.9	239.8	226.7	232.8	217.8	265.0	195.8	189.5	229.0	262.3
Imports (fob)						224.2	179.1	204.6	158.7	133.4	133.1	110.4	138.4	101.7	102.6	129.1	149.5
Imports of Non-factor Services						105.0	91.9	104.3	81.1	95.3	99.7	107.2	126.6	93.9	86.9	99.9	112.8
Resource Balance	57.9	68.3	111.0	58.6	33.8	143.5	65.4	35.2	15.1	26.4	23.8	-59.9	-26.5	-85.5	-94.8	-81.0	-15.6
Residual Expenditure c/						271.7	248.6	255.8	271.2	295.3	315.0	259.8	313.2	282.2	254.4	296.6	385.4
Total Priv. Consump. + Stock Increase d/	443.7	485.6	515.1	502.2	502.7	562.9	552.2	543.0	541.4	572.4	603.5	556.2	611.2	559.4	565.2	619.4	699.2
of which: Private Consumption	432.2	433.1	456.6	473.3	484.5	502.2	523.4	521.3	521.5	516.4	526.0	557.7	561.7	557.1	547.9	586.9	668.5
Stock	11.5	52.5	58.5	28.9	18.1	60.7	28.8	21.7	19.9	56.0	77.5	-1.5	49.5	2.3	17.3	32.5	32.7

a/ GD_P at Market Prices Less Smallholder Consumption.

b/ Consumption of other Goods and Services, including Depreciation.

c/ Private consumption of Goods and Services plus Stock Increase.

d/ Including Private Non-profit Institutions Serving Households.

1987 data is new series.

1989 is an estimate.

SOURCES:

1984-1989 DATA - Government estimates (January 1990 EP & D, RBM, Treasury and NSD data).

1980-1983 - Reserve Bank of Malawi Statistics Annex, Dec. 1986.

1973-1983 - NSD, Monthly Statistical Bulletin and Official Sources.

Table 2.06: GROSS DOMESTIC EXPENDITURE IN CURRENT MARKET PRICES
(Million Kwacha)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
GD ^a at Factor Cost	340.8	433.8	494.7	578.3	683.9	742.5	786.8	901.6	1000.3	1129.5	1297.4	1529.3	1734.9	1978.3	2480.0	3231.1	4041.8
Plus Net Indirect Taxes	23.2	28.2	35.0	33.7	44.1	56.2	77.7	103.5	107.8	116.1	139.6	178.1	216.0	216.4	268.3	349.4	415.5
GD ^a at Market Prices	364.0	461.5	529.7	612.0	728.0	800.7	864.5	1005.1	1108.1	1245.6	1437.0	1707.4	1950.9	2194.7	2748.3	3580.5	4457.3
Smallholder Prod. (Consumption)						321.2	366.7	403.2	419.6	474.8	563.9	712.0	791.8	906.1	1151.9	1584.2	1769.7
Less ADMARC Purchases						30.0	27.8	29.3	27.8	41.7	45.8	72.8	87.9	90.1	77.0	65.9	127.9
Smallholder Consump. (Non-monetary)						291.2	338.9	373.9	391.8	433.1	518.1	639.2	703.9	816.0	1074.9	1498.3	1641.8
GD ^a (Formal Sector) =/						509.5	525.6	631.2	716.3	812.5	916.9	1068.2	1247.0	1376.7	1673.4	2082.2	2615.5
Less: Government Consumption	48.7	65.7	74.7	86.3	98.6	134.2	164.2	193.9	198.0	218.3	235.9	268.0	344.0	433.8	488.6	518.5	655.1
Compensation of Employees						61.3	68.3	74.1	84.4	99.0	111.7	127.3	149.5	186.9	231.7	244.4	312.0
Con. of Other Goods & Serv. b/	48.7	65.7	74.7	86.3	98.6	72.9	95.9	119.8	113.6	119.3	124.2	140.7	194.5	246.9	286.9	274.1	343.1
Less: Fixed Capital Formation	74.3	97.3	131.8	135.3	161.6	247.1	231.9	223.1	167.8	181.7	197.3	222.7	250.5	264.1	352.9	524.0	682.5
of which: Private	28.5	33.9	41.1	51.8	68.4	98.1	65.1	47.7	54.8	76.6	77.5	56.0	96.5	44.5	137.9	245.2	365.7
Public	45.8	63.4	90.7	83.5	93.2	149.0	166.8	175.4	113.2	105.1	119.8	166.7	161.0	219.6	215.0	278.8	316.8
Less: Exports of Goods & Services	100.6	129.3	154.3	186.3	218.4	185.7	200.5	249.7	284.4	280.2	298.2	484.4	470.5	504.7	665.1	824.3	905.6
Domestic Exports & Re-exports						155.7	181.7	231.0	257.5	271.5	270.6	446.2	422.0	462.1	615.1	751.7	831.4
Exports of Non-factor Services	100.6	129.3	154.3	186.3	218.4	30.0	18.8	18.7	26.9	24.7	27.6	38.2	48.5	42.6	50.0	72.6	74.2
Plus: Imports of Goods & Services	136.8	179.8	243.1	237.9	252.1	329.2	353.1	390.1	348.6	359.3	407.1	451.2	531.5	551.8	724.9	1150.2	1430.6
Imports (fob)						224.2	233.4	258.4	230.8	209.8	232.8	228.9	303.7	286.8	392.3	648.1	844.0
Imports of Non-factor Services	136.8	179.8	243.1	237.9	252.1	105.0	119.7	131.7	117.8	149.7	174.3	222.3	277.8	265.0	332.6	502.1	636.6
Resource Balance	36.2	50.5	68.8	51.6	33.7	143.5	152.6	140.4	64.2	79.1	106.9	-33.2	111.0	47.1	59.8	325.9	575.0
Residual Expenditure c/						271.7	282.1	354.6	414.7	491.6	594.6	544.3	754.5	725.9	891.7	1365.6	2062.9
Total Priv. Consump. + Stock Increase d/	277.2	359.0	412.0	442.0	501.5	562.9	621.0	728.6	806.5	924.2	1112.6	1183.5	1452.8	1543.9	1966.6	2863.9	3694.7
of which: Private Consumption	270.0	320.2	365.2	416.6	483.4	502.2	591.5	703.0	779.0	839.3	982.3	1186.3	1350.2	1538.6	1917.4	2747.4	3554.2
Stock	7.2	38.8	46.8	25.4	18.1	60.7	29.5	25.6	27.5	84.9	130.3	-2.8	102.1	5.8	49.2	116.5	140.5

a/ GDP at Market Prices Less Smallholder Consumption.

b/ Consumption of other Goods and Services, including Depreciation.

c/ Private consumption of Goods and Services plus Stock Increase.

d/ Including Private Non-profit Institutions Serving Households.

1987 data is new series.

1989 is an estimate.

SOURCES:

1984-1989 DATA - Government estimates (January 1990 EP & D, RBN, Treasury and NSO data).

1980-1983 - Reserve Bank of Malawi Statistical Annex, Dec. 1986.

1973-1983 - NSO, Monthly Statistical Bulletin and Official Sources.

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Table 3.01: MALAWI: INDEX OF INDUSTRIAL PRODUCTION a/
(1984=100)

Manufactures produced mainly for the Domestic Market							Export Goods	Total Manufacturing	Electricity and Water	General Industrial Production
Goods Mainly for Consumption				Intermediate Goods mainly for Building and Construction	Total					
Food Beverages and Tobacco	Footwear Clothing and Textiles	Other Goods	Total							
Weight	13%	9%	23%	45%	18%	63%	23%	86%	14%	100%
1980	105.5	107.7	106.1	106.2	141.9	116.4	88.6	106.7	83.8	103.4
1981	131.7	113.5	93.9	109.7	116.8	111.0	74.5	101.3	84.1	98.9
1982	116.2	122.0	71.2	94.4	103.3	96.9	85.8	93.8	88.7	93.1
1983	131.8	132.3	98.3	114.8	102.7	111.3	86.5	104.7	95.7	103.4
1984	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1985	111.8	75.4	115.3	106.3	99.9	104.5	100.4	103.4	102.8	103.2
1986	112.8	91.6	117.8	111.1	109.3	110.6	89.8	105.0	109.7	105.7
1987	115.2	89.9	113.0	109.0	88.8	101.0	87.6	97.4	120.0	100.5
1988	127.6	64.2	121.5	111.8	96.6	107.8	95.2	104.5	121.7	100.9

a/ Excludes Mining and Quarrying.

SOURCES:

NSO, Monthly Statistical Bulletin, June 1989.

Table 3.92: AVAILABILITY OF LAND IN MALAWI BY REGION

	Total Land	Settlements & Infra-structure	National Parks & Game Parks	Forest Reserves	Unsuitable for Agriculture	Balance	Estates	Balance for Small-holders	Total Population ('000)	Non-estate Usable land per head of Population (ha)
----- Areas in Square Kms. -----										
Northern	26931	216	4134	2656	12776	6955	1249	5746	987	0.63
Central	35592	575	4118	2696	9233	19776	3622	15264	3116	0.49
Southern	31752	668	2661	2926	7847	17064	1538	16126	3959	0.41
Total	94275	1451	10913	8666	29856	43395	6369	37126	7962	0.46

Sources: Table 6.2 National Physical Development Plan, Land Use and Physical Constraints, and preliminary results of 1987 census.

Table 3.03: VALUE OF ADMARC DOMESTIC PURCHASES BY COMMODITY, 1972-1989
(M Million)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total	15.60	14.20	17.18	17.02	23.18	25.48	29.95	27.81	29.25	27.75	41.70	45.78	72.75	87.86	90.05	75.99	85.89	91.34
Tobacco	4.61	4.37	3.42	4.44	6.03	9.13	11.27	8.01	4.79	5.42	4.43	6.87	15.62	20.62	16.97	18.59	10.48	9.75
Groundnut (Shelled)	4.38	3.69	4.54	5.22	5.58	3.38	2.23	7.33	9.69	5.98	3.41	5.06	5.70	12.38	38.60	32.70	10.87	0.44
Seed Cotton	1.95	1.94	3.41	2.88	3.02	4.27	5.16	4.89	5.04	4.65	3.98	4.86	12.87	14.21	10.02	11.21	15.22	20.16
Rice	1.44	1.27	1.57	1.26	2.42	2.35	3.03	2.03	1.77	1.47	1.37	1.06	1.53	1.83	2.34	1.70	1.49	3.21
Maize	1.98	2.22	2.87	2.25	3.54	4.86	6.26	4.27	6.08	9.05	27.28	27.12	35.57	33.25	13.70	8.71	23.33	54.91
Pulses	0.89	0.36	0.62	0.51	1.90	0.88	1.23	0.80	1.28	0.88	0.73	0.48	1.02	5.22	7.90	3.75	3.72	2.40
Other	0.35	0.35	0.75	0.46	0.70	0.61	0.77	0.49	0.61	0.31	0.49	0.29	0.45	0.36	0.53	0.33	0.79	0.47

SOURCE:
NSO, Malawi - Monthly Statistical Bulletin, Economic Report 1989 and official sources.

Table 3.04: QUANTITY OF ADMARC PURCHASES BY COMMODITY, 1972-1989
('000 Tonnes)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total	183.39	152.86	170.37	119.50	181.06	195.48	229.43	180.30	192.96	215.85	302.45	291.91	376.25	372.98	242.99	163.48	202.59	273.64
Tobacco	17.68	15.02	11.58	12.24	14.49	23.17	23.74	19.54	11.34	12.76	8.79	9.28	19.16	20.82	17.17	18.12	9.33	5.80
Groundnut (Shelled)	39.27	29.98	28.79	32.81	32.55	18.50	11.13	24.30	31.42	19.49	10.43	10.22	9.87	18.24	53.07	44.83	15.57	0.63
Seed Cotton	22.09	16.21	21.40	17.78	17.96	22.64	24.22	22.41	23.11	21.74	14.80	13.37	32.12	32.71	21.01	21.36	25.72	28.14
Rice	19.94	17.28	20.99	14.66	24.52	23.90	30.82	20.49	17.50	14.68	12.54	8.50	9.77	10.74	12.13	7.66	5.18	9.91
Maize	63.58	63.07	65.47	29.25	64.85	89.92	120.62	82.17	91.89	136.65	246.06	244.94	296.29	271.57	112.64	69.47	136.30	223.03
Pulses	16.02	6.82	7.92	5.93	18.61	8.77	10.44	6.71	10.60	7.20	5.79	3.19	5.57	17.04	25.39	11.13	6.55	5.14
Other	4.81	4.48	14.31	6.84	6.09	8.59	8.47	4.69	7.10	3.33	4.03	2.42	3.47	1.87	1.59	0.69	2.95	0.99

SOURCE:
NSO, Malawi - Monthly Statistical Bulletin, Economic Report 1989 and official sources.

Table 3.05: ADMARC PRODUCER PRICES
(Tambala/Kilograms)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
PRODUCE																
Maize:	3.0	4.0	5.0	5.0	5.0	5.0	6.6	6.6	6.6	11.0	11.0	12.2	12.2	12.2	16.7	24.0
to growers at ADMARC markets																
Traders delivered at depots (Price/200 lb. bag)																
Cotton:																
Grade A	14.0	16.0	19.0	20.0	22.0	23.0	23.0	23.0	23.0	26.5	36.0	46.0	50.0	55.0	65.0	77.0
Grade B	12.0	13.0	14.0	15.0	16.0	16.0	16.0	16.0	16.0	22.0	32.0	32.0	32.0	32.0	33.0	37.0
Grade C	6.0	8.0	8.0	10.0	13.0	13.0	13.0	13.0	13.0	15.0	27.0	NA	NA	NA	NA	NA
Groundnuts:																
Chalimbans GDA	18.5	18.0	19.0	20.0	22.0	33.0	33.0	33.0	33.0	37.0	35.0	70.0	75.0	75.0	75.0	65.0
Maitunda/Kaisere GDB	12.0	13.0	14.0	15.0	16.0	26.4	26.0	26.0	26.0	26.0	30.0	15.0	17.0	65.0	65.0	75.0
Splita and Shrivela GDY	6.0	7.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	17.0	17.0	17.0
Manipinter and Malimaba Shelled	12.0	14.0	15.0	15.0	16.0	20.0	20.0	20.0	20.0	20.0	30.0	45.0	50.0	58.0	58.0	53.0
Manipinter and Malimaba Unshelled	9.0	10.0	10.0	10.0	11.0	13.0	13.0	13.0	14.0	13.0	19.0	28.0	30.0	35.0	35.0	42.0
Paddy Rice:																
Grade I	7.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.5	17.0	19.0	22.0	27.0	30.0
Grade II	6.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	10.0
Grade III	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	NA	NA	NA	NA	NA
Tobacco:																
NDDF and Sun-Air Cured																
Grade C1	33.0	40.0	44.0	44.0	59.0	59.0	59.0	59.0	59.0	59.5	102.0	145.0	145.0	145.0	160.0	240.0
Grade C2	31.0	27.0	42.0	42.0	57.0	57.0	57.0	57.0	57.0	57.0	99.0	141.0	141.0	141.0	155.0	233.0
Grade K (Chikopa)	29.0	35.0	40.0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	147.0	170.0	255.0
Grade C1	22.0	28.0	31.0	40.0	53.0	53.0	53.0	53.0	53.0	53.0	93.0	120.0	120.0	120.0	126.0	190.0
Grade F	20.0	24.0	29.0	29.0	40.0	40.0	40.0	40.0	40.0	40.0	73.0	104.0	104.0	104.0	109.0	164.0
Grade X1	20.0	24.0	26.0	35.0	46.0	46.0	46.0	46.0	46.0	46.0	81.0	100.0	100.0	100.0	100.0	125.0
Grade C2	18.0	20.0	24.0	33.0	44.0	44.0	44.0	44.0	44.0	44.0	77.0	97.0	97.0	97.0	97.0	121.0
Grade X2	7.0	9.0	11.0	11.0	13.0	13.0	13.0	13.0	13.0	13.0	20.0	20.0	20.0	20.0	20.0	22.0
Grade L1 (Lower Leaves NDDF only)	22.0	26.0	26.0	26.0	35.0	35.0	35.0	35.0	35.0	35.0	55.0	73.0	73.0	73.0	73.0	91.0
Grade L2															22.0	24.0
Grade H (Whittled-Sun/Air only)	22.0	26.0	26.0	26.0	35.0	35.0	35.0	35.0	35.0	NA	20.0	27.0	22.0	NA	22.0	NA
Southern Division Fire-cured:																
Grade S1 (Long Sound Leaf 19" & over)	NA	NA	NA	44.0	59.0	59.0	59.0	59.0	59.0	59.0	91.0	125.0	125.0	125.0	138.0	207.0
Grade S2 (Short Sound Leaf Under 19")	NA	NA	NA	37.0	57.0	57.0	57.0	57.0	57.0	57.0	87.0	120.0	120.0	120.0	132.0	198.0
Grade T1 (Long Torn Leaf 19" & over)	NA	NA	NA	35.0	53.0	53.0	53.0	53.0	53.0	53.0	80.0	99.0	99.0	99.0	99.0	124.0
Grade T2 (Short Torn Leaf Under 19")	NA	NA	NA	26.0	40.0	40.0	40.0	40.0	40.0	40.0	58.0	70.0	70.0	70.0	70.0	87.0
Grade X b/	NA	NA	NA	1.0	13.0	13.0	13.0	13.0	13.0	13.0	19.0	21.0	21.0	21.0	21.0	23.0
Grade L1 (Lower Leaf)	NA	NA	NA	26.0	35.0	35.0	35.0	35.0	35.0	35.0	51.0	NA	NA	NA	NA	NA
Grade L2	NA	NA	NA	NA	NA	NA	NA	13.0	13.0	13.0	19.0	NA	NA	NA	NA	NA
Oriental Tobacco:																
Top Grade A	NA	NA	NA	NA	NA	NA	NA	64.5	64.5	64.5	102.0	123.0	123.0	137.0	190.0	285.0
Grade A1	55.0	55.0	59.0	59.0	59.0	59.0	59.5	59.5	59.5	59.5	87.0	106.0	106.0	118.0	180.0	270.0
Grade A2	46.0	46.0	51.0	51.0	51.0	51.0	51.0	51.0	51.0	51.0	76.0	91.0	91.0	101.0	140.0	210.0
Grade B1	37.0	37.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	50.0	60.0	60.0	67.0	85.0	106.0
Grade B2	31.0	31.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	40.0	48.0	48.0	53.0	60.0	75.0
Grade Kappa	18.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	22.0	22.0	22.0	40.0	50.0
Sunflower Seed:																
Grade Grey Stripped	5.5	7.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	11.0	11.0	20.0	25.0	35.0
Grade Black	4.0	5.5	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	10.0	10.0	20.0	25.0	35.0
Grade White	NA	4.0	NA	5.5	7.0	7.0	8.0	8.0	8.0	8.0	8.0	10.0	10.0	20.0	25.0	35.0
Mixed Grades														15.0	19.0	26.0
Beans:																
White Haricot	11.0	11.0	12.0	12.0	12.0	14.0	14.0	14.0	14.0	14.5	20.0	40.0	42.0	NA	44.0	48.0
White Kidney	11.0	11.0	11.0	11.0	12.0	12.0	13.0	13.5	13.5	13.5	20.0	40.0	42.0	NA	44.0	48.0
Canadian Wonder or Pure Red Haricot	11.0	11.0	12.0	12.0	11.0	13.0	12.0	12.5	12.5	12.5	20.0	40.0	42.0	NA	44.0	48.0
Sugar	11.0	11.0	12.0	12.0	12.0	14.0	14.0	14.5	14.5	14.5	20.0	40.0	40.0	NA	44.0	48.0
Mixed	10.0	10.0	11.0	11.0	13.0	13.0	13.5	13.5	13.5	13.5	20.0	40.0	40.0	NA	40.0	44.0
Dolichos	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	NA	5.5	15.0
Ground	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	20.0	30.0	30.0	NA	30.0	33.0
Soy	10.0	10.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	16.5	17.5	25.0	45.0	47.0
Quar	NA	NA	NA	NA	NA	NA	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	15.0	25.0
Peas:																
Field	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	10.0	15.0	15.0	NA	15.0	17.0
Chick	11.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	20.0	25.0	28.0	NA	33.0	36.0
Cow	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	10.0	25.0	28.0	NA	27.0	30.0
Pigeon	5.5	5.5	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0	20.0	30.0	30.0	NA	30.0	33.0
Grass																
Black	11.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	20.0	20.0	25.0	NA	27.0	30.0
Green	11.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	20.0	20.0	25.0	NA	30.0	33.0

(Table 3.05 con't)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Cashew Nuts:																
Grade I	NA	NA	NA	NA	NA	NA	13.0	13.0	13.0	13.0	13.0	50.0	55.0	65.0	75.0	100.0
Grade II	NA	NA	NA	NA	NA	NA	11.0	11.0	11.0	11.0	11.0	25.0	27.0	NA	NA	35.0
Macadamia:																
Grade I														65.0	75.0	100.0
Grade II														NA	30.0	50.0
Coffee:																
Cherry Grade I	9.0	9.0	9.0	10.0	13.0	13.0	13.0	13.0	13.0	20.0	20.0	NA	NA	33.0	48.0	60.0
Cherry Grade II	5.5	5.5	5.5	7.0	9.0	9.0	9.0	9.0	9.0	14.0	14.0	NA	NA	15.0	18.0	20.0
Mbuni	5.5	5.5	5.5	7.0	9.0	9.0	9.0	9.0	9.0	14.0	14.0	NA	NA	15.0	18.0	23.0
Parchment Grade I	37.0	37.0	37.0	44.0	59.0	59.0	59.0	59.0	59.0	90.0	90.0	NA	NA	155.0	224.0	280.0
Parchment Grade II	22.0	22.0	22.0	29.0	40.0	40.0	40.0	40.0	40.0	60.0	60.0	NA	NA	80.0	96.0	110.0
Parchment Grade III	5.5	5.0	5.0	7.0	9.0	9.0	9.0	9.0	9.0	14.0	14.0	NA	NA	15.0	18.0	20.0
Castor Seed	10.0	10.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	25.0	30.0	30.0	33.0	33.0
Sesame	13.0	13.0	14.0	14.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0	30.0	35.0	38.0	41.0	45.0
Cassava	NA	NA	NA	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	6.0	10.0
Sorghum	3.0	3.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	10.0	12.0	14.0	NA	NA	18.0
Wheat	5.5	7.0	10.0	10.0	11.0	11.0	11.0	11.0	11.0	11.0	22.0	30.0	35.0	38.0	42.0	50.0
Bullrush Millet	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	NA	NA	NA	NA	6.0
Chillies:																
Small (Birds Eye)	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	90.0	90.0	135.0	165.0	200.0
Large Capsicums (1st Grade)	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	45.0	45.0	45.0	55.0	61.0
Large Capsicums (2nd Grade)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	20.0	20.0	20.0	24.0	28.0
Ginger															75.0	200.0
Cardamom															75.0	150.0
Bluebonnet Rice																
Grade I										12.0	13.5	17.0	19.0	22.0	27.0	30.0
Grade II										10.0	10.0	8.0	8.0	8.0	9.0	30.0
Grade III										6.0	6.0	NA	NA	NA	NA	NA
Tobacco-Sun/Air Cured																
Grade C1										91.0	132.0	132.0	132.0	132.0	145.0	218.0
Grade C2										67.0	126.0	126.0	126.0	126.0	139.0	209.0
Grade F										58.0	94.0	94.0	94.0	94.0	92.0	136.0
Grade G1										80.0	110.0	110.0	110.0	110.0	121.0	182.0
Grade G2										64.0	78.0	78.0	78.0	78.0	82.0	102.0
Grade X1										47.0	82.0	82.0	82.0	82.0	86.0	107.0
Grade X2										19.0	21.0	21.0	21.0	21.0	22.0	24.0
Grade L1														NA	NA	NA
Grade L2														NA	NA	NA
Grade H										51.0	82.0	82.0	82.0	82.0	85.0	81.0

a/ Discontinued beginning 1976/77.

b/ All perished poleburned badly diseased, trashy, grass green and off type)

SOURCE: ADMARC

Table 3.06: CROP PRODUCTION FROM THE ESTATE SECTOR, 1973-1988

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
TEA																
Area Producing - '000 Ha.	16.2	16.6	17	17.4	17.4	17.8	18.2	18.3	18.4	18	18.6	18.8	18.8	18.8
Total Production - '000 Tonnes	23.6	23.4	26.2	28.3	31.6	31.7	32.6	29.9	32	38.5	32	37.5	39.95	38.97	31.9	40.16
Value of Exports - Min. MK	13.7	17.2	21.7	26.4	41.6	29.1	36.6	29.8	36.6	44.2	55.9	112.9	91.39	68.45	68.99	79.62
Yield/Ha. - Kg.	1456.7	1409.6	1641.1	1626.4	1816.6	1788.8	1791.2	1633.8	1739.1	2138.8	2147.8	2072.8	1698.8	2138.1
SUGAR																
Area Harvested - '000 Ha.	4.5	5.4	6.7	9.7	9.1	9	9.1	13.9	14.9	14.2	..	14.7	14.5	14.9	14.6	14.8
Total Production - '000 Tonnes	49	49.3	64.9	64.2	91.5	93.5	107.6	147.4	166.6	171.8	175.3	154.9	148.7	162.9	172	174.5
Value of Exports - Min. MK	3.3	9.2	12.3	23.2	14.9	12.2	18	37.7	56.7	24.3	27.1	28.9	51.63	39.92	63.46	73.18
Yield/Ha. - Tonnes	10.89	9.13	9.69	9.68	10.65	10.39	11.82	10.66	11.18	12.18	..	10.54	10.26	10.93	11.78	11.79
FLUE-CURED TOBACCO																
Area Planted - '000 Ha.	7.9	9.5	10.7	13	15.3	17.5	18.9	18.7	14.9	13.9	13.8	15.2	16.2	15.9	16.6	16.8
Purchases '000 Tonnes	10	10.5	14.9	16.2	19.6	20.9	25.2	26.3	19.7	22.6	21.7	24.9	22.281	21.034	24.464	20.742
Average Auction Price - MK/kg	1.29	1.49	1.3	1.48	1.72	1.71	1.58	1.61	1.79	2.09	1.87	2.23	2.3754	3.0274	3.9697	5.2627
Total Value at Auction - Min. MK	12.9	15.7	19.4	24	33.7	35.7	39.8	26.8	35.4	47.2	40.6	55.5	52.93	63.69	96.87	109.58
Yield/Ha. - Kg.	1266.8	1165.2	1392.5	1246.1	1291.8	1194.2	1333.3	1406.4	1322.1	1625.8	1572.4	1638.1	1375.3	1322.8	1473.7	1234.6
BURLEY TOBACCO																
Area Planted - '000 Ha.	6.6	6.8	7.1	8.7	8.7	10.9	13.8	13.8	16	23.3	39.4	26.9	31.5	28.24	24.52	41.484
Purchases '000 Kg.	6	5.4	8	6.6	10	10.6	14.9	16.7	18.8	27.6	41.5	38	36.372	38.19	38.789	45.545
Average Auction Price - MK/kg	0.79	1.09	0.93	1.03	1.38	1.16	1.07	1.18	2.32	2.16	1.31	1.72	1.8155	2.914	3.963	5.244
Total Value at Auction - Min. MK	4.7	5.9	7.4	6.8	6.8	12.3	15.9	19.7	43.6	59.8	54.4	51.6	55.14	67.97	145.81	238.88
Yield/Hectare - Kg. a/	909.1	794.1	1126.8	758.8	1149.4	972.5	1079.7	1216.1	1175.6	1184.5	1053.3	1115.2	964.2	1069.1	1065.7	1106.6

a/ Calculated using quantity purchased/area planted.

SOURCES:

NSO, Monthly Statistical Bulletin, Economic Report 1988 and TAMA.

Table 3.07: TOBACCO AUCTION SALES, 1973-1989

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total Sales																	
Quantity (000 kg)	31,269	26,836	34,717	36,712	51,272	51,061	53,980	54,411	50,672	56,510	72,243	72,999	66,680	63,539	72,507	75,023	86,327
Value (K 000)	26,294	31,739	44,293	55,388	89,244	67,528	69,848	59,205	99,276	133,779	119,745	145,812	126,673	178,563	278,248	387,173	362,002
Northern Division Fire-Cured																	
Quantity (000 kg)	11,641	8,771	9,788	11,760	18,011	15,360	11,064	9,098	9,928	6,521	7,576	14,668	12,473	10,888	9,849	7,743	4,633
Price (t/kg)	58.40	95.53	147.58	178.12	195.60	106.95	108.42	121.17	174.97	343.69	287.54	215.37	150.73	224.87	324.63	449.52	619.22
Southern Division Fire-Cured																	
Quantity (000 kg)	1,258	461	344	389	585	1,042	1,223	841	897	604	808	1,497	598	474	493	424	274
Price (t/kg)	50.11	85.67	138.23	143.44	176.92	79.40	73.86	88.28	131.29	199.64	197.39	174.96	95.16	172.63	235.21	388.65	556.65
Flue-Cured																	
Quantity (000 kg)	9,990	10,522	14,899	16,170	19,584	20,650	25,155	26,301	19,714	22,609	21,659	24,912	22,261	21,034	24,464	20,742	19,636
Price (t/kg)	129.26	146.90	129.76	147.85	172.17	171.26	157.99	100.95	179.33	208.60	187.08	222.52	237.54	302.74	395.97	528.27	446.28
Burley																	
Quantity (000 kg)	6,045	5,372	7,997	6,598	10,044	10,584	14,911	16,688	18,804	27,602	41,537	29,981	30,373	30,189	36,791	45,545	61,213
Price (t/kg)	79.26	106.84	95.32	103.38	136.36	115.73	107.45	117.74	231.61	216.24	130.71	172.46	161.55	291.40	396.30	524.47	376.31

SOURCE: Monthly Statistical Bulletin

Table 3.08: SMALLHOLDER PRODUCTION, 1988-1989

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Value of Agricultural Output a/ of which:												
Smallholder Agriculture a/	284.1	258.7	277.8	289.9	308.5	308.0	309.9	328.4	331.9	349.4		
Indicators of Agricultural Production												
Estimated Maize Production b/				1,237	1,244	1,309	1,398	1,355	1,295	1,218	1,427	1,528
Estimated Production of Groundnuts												
Estimated Production of Pulses												
Estimated Fish Production c/ Estimated Livestock Production d/												
Cattle	65.8	51.4	59.7	65.8	65.1	62.1	73.1	68.6	83.4	n.a.		
Goats	848	871	887	988	949	1,028	n.a.	n.a.	n.a.	n.a.		
	691	718	761	831	739	799	n.a.	n.a.	n.a.	n.a.		
Level of Maize Utilization per Capita e/ Level of Utilization of Food Crops e/												
	156	169	177	154	127	139	139	n.a.	n.a.	n.a.		
	223	235	243	216	197	261	185	n.a.	n.a.	n.a.		

a/ From GOM, Economic Reports for selected years.

b/ From the Ministry of Agriculture. Values are in Thousands of Metric Tonnes.

c/ Source is Malawi Statistical Yearbook and the Malawi Economic Report (1999). Values are in Thousands of tonnes.

d/ From the Malawi Statistical Yearbook. Values are in number (in thousands) by type.

e/ From FAO. Values are in Kilograms per capita.

Apparent Utilization is defined as the sum of domestic production and net imports.

Food crops include maize, millet/sorghum, paddy rice, wheat, pulses, cassava and groundnuts.

Table 4.01: BLANTYRE HIGH INCOME PRICE INDEX, 1970-1989
(1980=100)

	70s/76	80s/76	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
All Items	100.0	100.0	28.4	30.7	31.9	33.8	39.6	47.6	53.3	60.2	68.4	79.0	100.0	109.7	120.4	139.6	143.1	169.8	195.1	252.3	327.0	383.8
Food	28.3	20.3	40.7	45.1	48.9	48.6	54.8	62.4	64.4	72.1	80.4	84.2	100.0	115.8	128.4	141.8	150.7	182.5	219.7	278.9	356.0	409.5
Beverages & Tobacco	6.7	7.6	44.3	46.7	47.3	48.3	52.6	56.8	59.6	65.5	76.5	84.7	100.0	110.9	117.9	128.6	132.5	156.0	178.9	228.7	306.5	337.1
Clothing	5.8	7.1	45.2	49.2	50.4	54.2	64.8	81.2	89.8	90.9	90.6	95.3	100.0	106.1	113.4	122.1	136.4	156.2	170.8	189.7	246.1	291.8
Housing	12.3	13.0	32.2	34.6	35.9	38.8	42.2	55.2	62.1	65.6	72.1	84.9	100.0	107.1	121.3	148.0	150.0	168.8	185.9	218.4	291.0	338.8
Household Operation	6.7	10.8	56.0	61.5	62.7	65.7	73.2	82.1	87.5	91.3	93.6	98.1	100.0	105.2	114.0	131.2	136.6	171.7	179.7	207.0	261.1	274.2
Transportation	26.4	25.3	19.0	21.1	22.2	24.4	30.6	19.6	44.1	52.5	59.7	73.6	100.0	108.3	117.2	126.3	145.9	174.3	217.4	315.3	408.7	522.6
Miscellaneous	18.8	15.9	24.0	24.7	25.5	26.2	32.2	36.5	44.8	51.7	63.0	75.4	100.0	110.5	122.9	136.4	144.9	157.5	165.8	215.9	279.2	304.0

Note: Values for 1974 to 1979 have been rebased to 1980=100.

Source:
1970-1987: Malawi Monthly Statistical Bulletin.
1988-1989: Government estimates.

Table 4.02: BLANTYRE LOW INCOME PRICE INDEX, 1970-1989
(1980=100)

	70s/76	80s/76	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
All Items	100.0	100.0	41.0	44.4	46.0	48.3	55.7	64.4	67.2	70.0	75.9	84.5	100.0	111.8	122.8	139.4	157.3	184.9	210.7	264.0	353.5	399.4
Food	47.9	50.0	37.1	41.2	42.9	45.9	53.4	63.7	65.1	66.2	70.4	80.2	100.0	109.8	114.6	132.3	153.1	167.1	203.9	245.2	323.7	378.3
Beverages & Tobacco	7.7	3.9	53.0	60.2	62.6	62.9	66.7	73.2	79.0	81.9	83.8	90.1	100.0	109.5	128.2	136.0	148.4	165.1	186.4	235.8	303.5	316.5
Clothing	17.6	15.4	57.3	57.5	59.2	62.7	69.3	75.8	78.7	81.1	86.8	92.9	100.0	114.6	135.4	150.4	196.2	213.7	244.1	293.6	400.8	452.0
Housing	19.8	10.8	35.2	37.7	38.8	39.8	48.5	55.7	60.2	67.1	78.8	86.4	100.0	122.5	132.0	142.0	205.6	222.2	241.9	307.0	456.4	521.9
Household Operation	1.6	8.6	58.0	69.7	61.7	65.6	73.2	82.1	87.5	91.3	93.6	98.1	100.0	107.3	129.7	154.2	172.0	207.0	236.7	300.9	371.2	386.3
Transportation	1.8	4.3	36.1	39.3	42.3	44.4	53.7	63.6	67.6	70.4	76.1	90.8	100.0	115.0	139.1	159.1	181.0	210.8	236.9	290.0	365.3	384.6
Miscellaneous	3.6	6.5	66.2	69.3	67.9	68.4	71.7	74.3	81.3	83.4	85.9	92.6	100.0	107.9	119.4	131.5	140.2	154.6	175.4	222.1	297.0	310.0

Note: Values for 1974 to 1979 have been rebased to 1980=100.

Source:
1970-1987: Malawi Monthly Statistical Bulletin.
1988-1989: Government estimates.

Table 4.03: LILONGWE HIGH INCOME PRICE INDEX, 1974-1989
(1980=100)

	74ets	80ets	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
All Items	100.0	100.0	49.7	50.2	57.7	65.9	75.4	84.3	100.0	109.2	119.3	133.9	149.0	165.8	193.8	256.6	331.3	375.1
Food	28.8	18.4	52.1	61.2	67.4	73.8	83.0	89.6	100.0	123.9	132.5	155.5	167.8	183.8	202.9	260.6	372.2	435.5
Beverages & Tobacco	7.5	4.8	51.6	55.1	60.9	69.3	79.5	86.5	100.0	103.9	119.9	128.0	137.6	151.3	177.7	232.8	314.2	337.2
Clothing	8.2	5.0	62.7	75.0	89.3	91.3	91.6	95.7	100.0	104.0	108.0	117.9	126.1	150.6	159.2	165.0	219.8	242.3
Housing	12.5	16.1	55.8	68.1	78.8	91.4	110.3	127.2	100.0	106.0	107.0	128.3	140.1	152.5	171.2	216.5	276.8	317.3
Household Operation	7.1	12.8	77.8	80.2	87.0	89.7	92.0	96.4	100.0	109.3	114.4	129.1	168.5	165.9	176.4	238.4	271.4	299.1
Transportation	20.7	33.9	41.3	47.1	53.4	59.8	64.8	75.2	100.0	104.7	121.4	130.2	140.8	166.4	212.4	296.9	402.1	451.9
Miscellaneous	17.2	9.0	30.9	34.9	35.9	54.1	73.4	84.0	100.0	106.9	119.0	143.0	148.9	168.9	183.6	205.8	235.3	268.2

Note: Values for 1974 to 1979 have been rebased to 1980=100.

Source:

1974-1987: Malawi Monthly Statistical Bulletin.

1988-1989: Government estimates.

Table 4.04: LILONGWE LOW INCOME PRICE INDEX, 1974-1989
(1980=100)

	74ets	80ets	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
All Items	100.0	100.0	56.5	67.5	70.9	75.5	79.8	88.4	100.0	107.4	119.3	140.6	164.2	178.8	207.4	256.5	341.7	391.0
Food	47.9	50.0	58.9	74.3	74.5	78.4	80.8	87.8	100.0	104.0	112.9	133.9	149.8	164.5	204.7	256.9	333.8	397.5
Beverages & Tobacco	7.7	3.9	61.8	67.0	72.6	79.0	84.6	90.0	100.0	108.4	123.3	139.8	152.5	164.8	185.9	223.6	283.0	294.0
Clothing	17.6	15.4	68.1	71.6	75.0	80.2	84.1	92.9	100.0	115.0	126.3	156.5	190.9	204.5	209.7	253.2	354.3	368.8
Housing	19.8	10.8	42.5	53.0	60.9	66.3	74.1	86.4	100.0	107.0	117.3	134.7	187.2	206.0	226.8	266.7	405.6	492.3
Household Operation	1.6	8.6	77.8	80.2	87.0	89.7	92.0	96.4	100.0	100.9	126.5	154.4	185.0	200.8	223.3	301.7	354.9	377.2
Transportation	1.8	4.8	57.8	64.7	67.8	70.3	73.6	87.6	100.0	122.3	137.5	157.3	166.7	191.9	212.6	280.2	352.1	375.6
Miscellaneous	3.6	6.5	59.2	65.3	71.6	74.5	77.4	87.1	100.0	112.3	121.2	133.8	139.0	142.5	182.5	208.9	257.9	266.4

Note: Values for 1974 to 1979 have been rebased to 1980=100.

Source:

1974-1987: Malawi Monthly Statistical Bulletin.

1988-1989: Government estimates.

Table 4.05: COMPOSITE RETAIL PRICE INDEX, 1980-1989
(1980=100)

	80ets	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
All Items	100.0	100.0	110.4	120.1	136.2	151.2	173.8	199.5	252.9	332.5	375.4
Food	32.9	100.0	112.7	120.5	140.3	154.4	177.0	260.4	259.2	344.5	365.8
Beverages & Tobacco	6.4	100.0	109.5	119.3	131.4	139.8	180.6	180.7	229.9	303.4	325.2
Clothing	10.7	100.0	108.6	118.1	133.6	156.4	178.3	194.5	225.5	304.9	369.3
Housing	13.3	100.0	109.3	118.9	136.7	155.7	177.0	194.3	239.5	322.4	373.6
Household Operation	9.6	100.0	108.3	118.3	136.1	149.6	173.8	190.7	234.9	387.5	309.5
Transportation	17.6	100.0	110.2	121.3	131.6	148.5	176.1	220.1	307.2	402.3	494.5
Miscellaneous	9.5	100.0	111.0	123.2	136.0	146.0	158.0	171.9	231.7	272.3	297.8

Notes: a) 1989 figure is the January Index.
b) the Index covers the cities of Blantyre and Lilongwe.

SOURCE: NSD, Monthly Statistical Bulletin, Economic Report 1989 and Official sources.

Table 5.01: NUMBER OF PAID EMPLOYEES BY YEAR
('000 of Persons)

	-Old Series-										-New Series-									
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total	134.5	146.5	159.3	172.2	189.5	215.3	226.9	244.8	264.1	306.9	338.9	357.8	387.3	327.6	344.1	387.5	380.9	396.9	412.7	407.4
Private	89.8	99.9	110.1	119.4	130.5	150.1	150.5	176.3	194.0	240.3	270.8	288.2	290.9	251.5	287.7	307.5	301.7	314.9	328.5	316.4
Government	44.9	46.6	49.2	52.8	59.0	65.2	66.4	68.5	70.1	66.6	68.1	69.6	76.4	76.1	76.3	80.0	79.2	82.1	84.3	91.0
Agriculture, Forestry & Fishing	44.2	48.3	53.7	57.4	63.7	76.3	80.4	93.0	103.9	154.7	168.9	182.3	181.1	157.2	179.2	197.2	177.7	190.7	185.1	179.8
Private	40.8	42.5	48.6	53.7	59.4	71.4	74.8	86.1	95.7	132.8	147.9	160.8	159.1	135.4	158.1	172.3	155.2	165.6	162.3	157.2
Government	3.4	5.8	5.1	3.7	4.3	4.9	5.6	6.9	8.2	21.9	21.0	21.4	22.0	21.8	21.1	24.9	22.5	25.2	22.8	22.7
Mining & Quarrying	0.5	0.8	0.5	0.6	0.8	0.7	0.8	0.9	1.1	0.8	0.8	0.6	0.6	0.8	0.6	0.5	0.3	0.3	0.3	0.3
Private	0.3	0.7	0.5	0.6	0.8	0.7	0.8	0.9	1.1	0.8	0.6	0.6	0.6	0.6	0.6	0.5	0.3	0.3	0.3	0.3
Government	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	17.3	18.4	19.5	21.7	23.1	25.7	26.8	31.4	36.0	33.5	35.8	37.0	39.7	35.4	31.4	47.5	49.2	46.2	52.9	49.6
Private	18.6	17.7	18.8	21.0	22.3	24.5	25.7	30.3	34.9	32.2	34.8	35.9	38.2	33.9	29.9	45.7	47.8	43.7	50.2	47.0
Government	0.7	0.7	0.7	0.7	0.8	1.2	1.1	1.1	1.1	1.3	1.0	1.2	1.4	1.5	1.5	1.8	1.4	2.5	2.7	2.7
Electricity & Water	1.5	1.5	1.7	2.2	2.4	2.9	2.5	2.7	3.0	2.6	2.9	3.5	4.0	4.1	4.3	5.4	4.9	4.5	4.7	5.5
Private	1.1	1.2	1.2	1.4	1.6	2.0	1.7	1.9	2.1	2.3	2.4	3.0	3.4	3.5	3.6	3.5	3.5	3.7	3.9	4.4
Government	0.4	0.3	0.5	0.8	0.8	0.9	0.8	0.8	0.9	0.5	0.5	0.5	0.6	0.6	0.6	1.8	1.4	0.8	0.8	1.1
Building & Construction	15.3	17.4	18.5	17.7	19.2	21.1	22.8	21.1	21.1	23.3	31.6	33.4	32.7	24.5	24.7	23.4	25.9	23.1	28.8	30.7
Private	7.8	12.2	12.9	12.0	12.3	13.8	14.8	15.1	15.7	18.6	27.5	29.7	27.7	20.2	20.9	19.7	20.8	17.9	23.8	25.1
Government	7.5	5.2	5.6	5.7	6.9	7.3	8.0	6.0	5.4	4.7	4.1	3.7	5.1	4.3	3.8	3.7	5.1	5.2	5.2	5.7
Wholesale, Retail Trade a/	9.4	11.0	12.3	13.6	15.8	18.4	20.9	19.9	20.7	25.2	27.5	28.3	26.3	23.6	21.8	24.8	31.7	38.6	38.5	34.4
Private	9.4	11.0	12.3	13.8	15.8	18.4	20.9	19.9	20.7	24.8	27.1	27.9	26.0	23.2	21.1	24.1	31.0	37.9	37.9	38.6
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.4	0.4	0.7	0.7	0.7	0.7	0.6	0.6
Transport, Storage & Communications	8.2	8.4	8.5	9.2	9.8	10.4	11.4	11.9	12.9	16.8	17.8	18.4	17.2	17.0	16.7	21.8	22.0	23.9	26.3	24.6
Private	8.5	8.5	8.6	7.1	7.8	8.1	8.7	9.4	10.0	12.9	14.0	14.2	13.3	12.7	12.4	17.3	17.4	19.3	21.3	20.0
Government	1.7	1.9	1.9	2.1	2.2	2.3	2.7	2.5	2.9	3.7	3.8	4.2	3.9	4.3	4.4	4.4	4.6	4.6	5.1	4.7
Financing, Insurance & Bldg. Serv.	0.9	1.1	1.2	1.4	1.4	1.9	2.3	2.8	3.4	6.8	6.8	8.4	12.1	10.6	10.0	11.2	11.5	12.7	13.0	12.8
Private	0.9	1.1	1.2	1.4	1.4	1.9	2.2	2.7	3.3	6.0	6.2	7.8	11.5	9.9	9.3	10.5	10.8	11.9	11.9	11.7
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.8	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	1.1	1.1
Community, Social & Personal Serv.	37.4	40.3	43.4	48.3	54.1	57.9	59.0	61.2	61.9	45.5	47.4	48.1	53.8	54.6	55.3	55.8	57.8	57.0	63.1	69.6
Private	8.4	7.7	8.1	8.5	9.2	9.3	10.9	10.0	10.4	9.9	10.8	10.6	11.9	12.2	11.8	13.9	15.0	14.7	17.1	17.0
Government	31.0	32.6	35.3	39.8	44.9	48.6	48.1	51.2	51.5	35.7	36.6	37.6	42.5	42.4	43.5	41.9	42.8	42.8	46.0	52.6

NOTES:
a/ Includes Hotels and Restaurants.

Old Series^a and New Series^b figures are not directly comparable because some industrial activity, particularly government, was reclassified between 1976 and 1977. In particular government agricultural extension workers were reclassified from "Community, Social and Personal Services^a" to "Agriculture, Forestry and Fishing^b".

SOURCE:
1983-1987 - MALAWI - Monthly Statistical Bulletin, Sept. 1987 and Dec. 1988.
1982 - MALAWI - CEM, 1985.
1979-1981 - MALAWI - Reported Employment and Earnings Annual Report, 1979-81
1977-1978 - MALAWI - Monthly Statistical Bulletin, March 1980.
1976 - MALAWI - Growth and Structural Change: A Basic Economic Report, 1982.
1971-1975 - MALAWI - Reported Employment and Earnings Annual Report, 1975.
1968-1970 - MALAWI - Growth and Structural Change: A Basic Economic Report, 1982.

Table 5.02: MONTHLY AVERAGE EARNINGS BY INDUSTRY AND BY PRIVATE/GOVERNMENT
(Kwacha)

	Old Series							New Series											
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total	27.00	27.58	27.76	27.29	27.75	30.26	30.48	31.67	30.42	35.58	37.45	43.68	49.31	55.17	54.25	54.64	62.25	68.17	80.68
Private	23.58	24.87	24.78	25.79	25.84	29.23	29.95	29.33	29.08	31.92	34.10	40.88	47.20	52.51	50.87	51.88	58.17	64.50	78.09
Government	34.33	34.26	34.72	30.84	32.59	35.13	34.42	38.17	35.08	50.08	50.94	54.24	56.28	64.50	68.00	65.96	78.53	83.07	69.44
Agriculture, Forestry & Fishing	8.17	8.83	9.25	9.50	9.56	10.83	10.67	11.25	12.33	14.42	14.54	15.91	18.67	24.71	22.17	23.71	26.42	26.42	29.06
Private	8.50	9.08	9.33	9.87	9.75	11.08	10.92	11.58	10.87	11.93	12.28	13.87	16.80	21.23	17.88	18.01	22.06	23.38	25.19
Government	8.08	6.67	7.17	7.00	7.00	7.67	7.88	7.58	22.33	32.33	31.30	32.82	32.99	50.81	52.33	52.58	51.89	48.32	56.07
Mining & Quarrying	20.67	17.50	15.17	16.83	18.38	24.50	34.92	29.83	25.17	27.67	31.08	29.27	31.77	33.94	38.50	70.74	47.17	52.58	43.07
Private	21.42	17.75	15.26	17.00	18.83	25.33	35.00	29.92	25.17	27.67	31.08	29.27	31.77	33.94	38.50	70.74	47.17	52.58	43.07
Government	16.08	12.17	13.42	12.33	12.83	10.00	16.87	27.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Manufacturing	27.58	28.17	29.58	32.58	32.25	37.75	38.83	39.75	43.38	47.00	50.39	60.74	68.04	99.17	79.58	72.45	69.75	79.00	125.77
Private	27.67	28.17	29.67	32.83	32.58	38.17	39.17	40.08	43.92	47.42	50.64	61.45	69.28	101.77	80.75	72.63	70.00	79.58	128.58
Government	26.75	26.92	28.92	25.83	25.25	28.92	29.00	31.08	28.33	32.75	42.41	41.84	40.48	48.81	50.58	51.77	63.68	65.40	76.37
Electricity & Water	40.83	36.75	33.08	33.75	32.83	39.58	47.17	44.50	59.00	54.88	60.68	80.87	83.53	85.37	91.75	99.29	99.50	114.42	116.47
Private	45.58	44.42	43.83	42.92	39.67	48.17	56.58	54.33	68.83	59.17	68.04	88.46	87.74	93.12	108.92	107.29	104.41	121.33	125.93
Government	24.08	18.17	15.26	18.83	17.50	20.42	23.67	22.17	20.00	35.00	30.14	34.37	39.83	41.82	68.42	79.55	75.59	79.48	79.47
Building & Construction	24.50	28.25	25.50	25.67	28.58	30.42	33.50	33.42	35.83	38.50	38.91	48.60	46.32	47.19	48.58	51.96	58.08	58.08	64.55
Private	27.25	33.25	29.87	30.33	31.83	36.92	39.58	39.25	40.75	41.17	40.82	53.12	49.50	50.12	49.33	54.84	62.58	63.25	70.88
Government	18.08	16.92	18.87	18.08	18.87	18.50	17.92	18.25	18.08	20.50	23.68	23.43	31.45	31.24	32.00	32.14	33.87	34.89	37.84
Wholesale, Retail Trade & /	35.92	36.00	35.50	38.00	38.83	38.17	38.00	48.75	49.00	58.87	68.95	78.47	85.28	95.18	104.50	94.58	96.67	99.17	111.33
Private	35.92	36.00	35.50	38.00	38.83	38.17	38.00	48.75	49.50	57.25	69.78	79.25	88.37	98.93	108.50	98.98	97.67	100.08	112.34
Government	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.00	15.00	23.51	23.28	23.40	39.43	37.33	29.28	41.68	42.89	49.85
Transport, Storage & Communications	47.08	49.83	51.92	52.92	58.17	58.67	62.42	80.00	80.83	65.42	74.33	80.19	84.31	100.89	78.50	84.04	89.33	93.25	103.12
Private	47.33	51.75	55.92	55.87	57.87	62.08	68.83	83.17	82.87	63.00	74.82	81.82	89.89	103.43	78.42	79.98	88.08	93.17	104.22
Government	46.00	43.42	38.42	43.58	51.08	47.42	45.58	49.08	54.58	74.50	73.36	74.57	89.38	92.90	88.87	95.42	103.11	93.35	94.14
Financing, Insurance & Bldg. Serv.	129.08	134.75	128.67	128.67	117.83	115.08	110.75	108.25	111.75	139.50	144.20	144.39	188.57	185.58	210.08	215.31	224.50	285.67	327.23
Private	129.08	134.75	128.67	128.67	117.83	118.50	112.17	109.25	119.42	148.67	151.08	149.29	198.07	195.28	220.08	228.83	238.67	282.17	351.07
Government	0.00	0.00	0.00	0.00	0.00	53.92	64.33	61.25	33.33	50.00	48.84	48.48	58.20	53.89	58.75	60.75	63.70	92.79	89.24
Community, Social & Personal Serv.	40.50	40.25	40.17	38.08	38.83	41.42	40.17	44.92	45.25	61.08	62.19	67.74	71.74	77.19	82.92	88.24	104.33	109.92	117.61
Private	36.08	37.50	39.83	43.08	47.83	43.83	42.92	43.92	44.33	58.00	58.92	65.78	75.42	83.88	92.00	104.39	119.92	120.17	139.08
Government	41.58	40.88	40.17	34.58	37.08	40.88	39.67	45.17	30.42	62.58	68.12	68.25	70.89	72.71	79.92	75.75	98.99	108.09	110.68

NOTES:

a/ Includes Hotels and Restaurants.

Old Series* and *New Series* figures are not directly comparable because some industrial activity, particularly government, was reclassified between 1978 and 1977. In particular government agricultural extension workers were reclassified from "Community, Social and Personal Services" to "Agriculture, Forestry and Fishing".

SOURCE:

- 1983-1987 - MALAWI - Monthly Statistical Bulletins, Sept. 1987 and Sept. 1988.
- 1982 - MALAWI - CEM, 1985.
- 1979-1981 - MALAWI - Reported Employment and Earnings Annual Report, 1979-81
- 1977-1978 - MALAWI - Monthly Statistical Bulletin, March 1980.
- 1976 - MALAWI - Growth and Structural Change: A Basic Economic Report, 1982.
- 1971-1975 - MALAWI - Reported Employment and Earnings Annual Report, 1975.
- 1969-1970 - MALAWI - Growth and Structural Change: A Basic Economic Report, 1982.

Table 5.03: STATUTORY MINIMUM DAILY WAGE
(Tambala)

	BLANTYRE/LILONGWE a/	ZOMBA/TOWNSHIPS b/	OTHER	EFFECTIVE DATE
1973	40	35	25	As at January 1
1974	40	35	25	As at January 1
1975	40	35	25	As at January 1
1976	40	35	25	As at January 1
1977	40	35	25	As at January 1
1978	40	35	25	As at January 1
1979	40	35	25	As at January 1
1980	45	35	30	July 1
1981	70	60	50	January 1
1982	81	69	59	January 1
1983	81	69	59	As at January 1
1984	81	69	59	As at January 1
1985	100	85	70	September 1
1986	111	94	77	August 1
1987	111	94	77	As at January 1
1988	111	94	77	As at January 1
1989	217	195	174	May 1

SOURCE:
Ministry of Labor

- a/ From 1965 to 1979 this category included Blantyre and Limbe.
From 1980 to 1985 this category included Blantyre and Lilongwe.
From 1986 to the 1989 category includes Blantyre, Lilongwe and Mzuzu.
- b/ From 1965 to 1979 this category included Lilongwe and Zomba Townships.
From 1980 to 1985 this category included the municipalities of Zomba, Mzuzu and all townships.
From 1986 to the 1989 category includes the municipality of Zomba and all townships.

Table 8.01: EXTERNAL CAPITAL AND DEBT (1980-1988)
(US\$ Million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
DISBURSEMENTS									
Public & Publicly Guaranteed	158.3	122.8	73.3	74.7	111.5	68.9	119.6	131.7	111.0
Total Official	110.2	88.3	68.9	63.0	103.2	64.5	118.3	130.9	110.1
Multi-lateral	54.3	60.6	57.1	49.7	97.2	48.6	96.1	92.0	95.8
of w/c IBRD	7.6	26.8	21.0	1.5	0.2	0.5	6.3	8.9	6.0
IDA	15.1	21.0	27.1	30.5	77.0	33.3	60.6	45.5	45.8
Bilateral	55.9	27.7	9.8	13.3	6.0	15.9	22.2	38.9	14.5
Private	48.1	34.5	8.4	11.7	8.3	4.4	1.3	0.8	0.9
Suppliers' Credits	6.7	8.2	0.0	0.0	4.3	1.8	0.0	0.0	0.0
Financial Markets	41.4	26.3	8.4	11.7	4.0	2.6	1.3	0.8	0.9
Non-Gov. Guaranteed Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	158.3	122.8	73.3	74.7	111.5	68.9	119.6	131.7	111.0
IMF Purchases	31.8	35.4	12.1	38.6	38.7	23.4	0.0	0.0	0.0
Short-term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt	190.1	158.2	85.4	111.3	150.2	92.3	119.6	131.7	
AMORTIZATION									
Public & Publicly Guaranteed	33.3	39.1	30.2	27.9	41.1	52.0	74.8	44.4	66.0
Total Official	5.2	7.7	8.4	8.2	12.1	13.0	37.0	25.0	44.3
Multi-lateral	1.4	3.2	4.1	6.2	7.5	8.8	13.6	14.8	18.0
of w/c IBRD	0.0	0.0	0.8	1.5	1.6	1.4	3.5	6.5	5.2
IDA	0.8	0.8	0.9	2.0	0.8	0.8	1.0	1.3	1.6
Bilateral	3.8	4.5	4.3	2.0	4.6	6.2	23.4	10.2	26.3
Private	28.1	31.4	21.8	19.7	29.0	39.0	37.8	19.4	21.7
Suppliers' Credits	4.0	6.7	2.8	2.5	2.5	2.6	1.4	2.0	
Financial Markets	24.1	24.7	19.2	17.2	26.5	36.5	35.2	18.0	19.7
Non-Gov. Guaranteed Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	33.3	39.1	30.2	27.9	41.1	52.0	74.8	44.4	66.0
IMF Purchases	1.3	7.5	13.9	11.0	20.9	16.2	24.2	30.5	0.0
Total Debt	34.6	46.6	44.1	38.9	62.0	68.2	99.0	74.9	66.0
INTEREST									
Public & Publicly Guaranteed	34.5	49.4	32.8	31.8	30.8	30.2	36.2	26.2	36.5
Total Official	9.4	18.1	12.7	18.8	18.0	19.0	27.4	22.0	32.5
Multi-lateral	3.2	6.0	6.4	11.5	11.1	10.7	18.2	16.1	21.2
of w/c IBRD	1.3	2.2	3.0	7.6	5.4	5.4	7.0	7.9	9.7
IDA	0.9	0.9	1.2	1.4	1.9	2.5	3.5	4.0	4.6
Bilateral	6.2	12.1	6.3	5.3	6.9	6.3	11.2	5.9	11.3
Private	25.1	31.3	19.9	14.8	12.8	11.2	8.8	4.2	4.0
Suppliers' Credits	1.9	1.5	0.8	0.5	0.4	0.4	1.0	0.5	0.6
Financial Markets	23.2	29.8	19.1	14.3	12.4	10.8	7.8	3.7	3.4
Non-Gov. Guaranteed Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	34.5	49.4	32.8	31.8	30.8	30.2	36.2	26.2	36.5
IMF	1.8	4.2	7.4	7.3	8.8	9.8	10.6	8.6	0.0
Short-term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt	36.3	53.6	40.0	38.9	39.6	40.0	46.8	34.8	
DEBT OUTSTANDING									
Public & Publicly Guaranteed	643.7	674.9	703.3	712.6	730.0	808.3	928.6	1155.9	1128.3
Total Official	450.7	486.8	541.5	575.9	603.4	711.9	865.2	1107.1	1106.2
Multi-lateral	287.0	287.0	334.7	370.9	437.0	518.1	648.8	814.0	854.0
of w/c IBRD	25.5	52.3	72.5	72.5	60.4	69.2	84.7	104.3	106.1
IDA	130.5	150.6	178.5	204.7	275.4	322.7	422.4	510.3	544.0
Bilateral	212.8	199.8	208.8	205.0	168.4	193.8	216.4	293.1	251.2
Private	193.0	188.1	181.8	186.7	126.6	96.4	63.4	48.8	23.1
Suppliers' Credits	20.0	17.7	12.2	7.6	7.5	8.7	7.6	7.7	3.8
Financial Markets	173.0	170.4	149.6	129.1	119.1	87.7	55.8	41.1	19.3
Non-Gov. Guaranteed Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	643.7	674.9	703.3	712.6	730.0	808.3	928.6	1155.9	1128.3
IMF	61.1	87.6	81.2	102.1	112.6	133.9	124.0	110.3	0.0
Short-term Debt	116.1	50.0	85.8	73.0	42.0	80.6	80.1	98.2	0.0
Total Debt	820.9	812.5	870.3	887.7	884.6	1022.8	1132.7	1364.4	1128.3

SOURCE: Staff Estimates.

Table 7.01: CENTRAL GOVERNMENT BUDGETARY OPERATIONS, 1976/77-1988/89
(K Million)

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Expenditure by Government Account	142.5	176.5	248.0	305.9	358.6	392.7	400.3	432.0	503.2	611.9	797.0	856.5	1047.3
Revenue Budget	86.6	101.9	134.5	156.8	183.7	231.9	260.7	289.1	364.8	426.6	560.5	638.4	734.4
Development Budget	55.9	76.6	113.5	128.0	174.9	124.2	139.8	142.9	138.4	160.2	189.8	207.4	278.1
Extrabudgetary	0.0	0.0	0.0	21.3	0.0	36.7	0.0	0.0	0.0	26.0	46.7	10.7	34.8
Total Revenue	95.8	116.4	148.8	187.0	199.2	221.0	244.3	286.0	353.2	442.0	492.9	583.4	791.7
Deficit before Grants	-46.7	-62.1	-99.4	-118.9	-159.4	-171.7	-156.0	-148.0	-149.9	-169.8	-304.1	-273.1	-255.6
Total Financing	46.7	62.3	99.4	118.8	159.4	171.8	156.0	146.0	149.9	169.8	304.1	273.1	255.6
Grants	9.4	18.0	26.0	34.6	43.3	42.2	41.7	33.7	40.5	47.8	79.3	76.1	209.2
Domestic Borrowing (net)	13.4	3.8	11.6	13.2	78.1	98.3	39.1	17.3	56.4	48.7	109.8	117.4	-59.7
External Borrowing (net)	23.9	42.5	61.8	71.0	40.0	31.3	75.2	95.0	53.0	73.5	115.0	60.0	117.5
Borrowing	28.2	47.2	66.6	76.1	62.3	63.1	87.4	112.1	102.7	143.2	218.3	198.2	258.3
Repayment	4.3	4.7	4.8	5.1	22.3	31.8	12.2	17.1	49.7	69.7	103.3	118.2	140.8
Other (-increase)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	11.4
	(as percent of GDP)												
Revenue (excluding grants)	14.9%	15.6%	18.2%	20.8%	19.3%	19.3%	18.9%	19.0%	20.0%	22.0%	21.1%	19.5%	20.4%
Recurrent Expenditure	13.5%	13.7%	16.5%	17.4%	17.8%	20.3%	20.2%	19.2%	20.6%	21.2%	24.0%	21.3%	18.9%
Development Expenditure	8.7%	10.3%	13.9%	14.2%	17.0%	10.9%	10.8%	9.5%	7.8%	8.0%	8.1%	6.9%	7.2%
Extrabudgetary Expenditure	0.0%	0.0%	0.0%	2.4%	0.0%	3.2%	0.0%	0.0%	0.0%	1.3%	2.0%	0.4%	0.9%
Expenditure	22.2%	23.9%	30.4%	31.6%	34.8%	31.2%	30.9%	28.7%	28.5%	29.1%	34.2%	28.6%	27.0%
Deficit before Grants	-7.3%	-8.3%	-12.2%	-13.2%	-15.5%	-15.0%	-12.1%	-9.7%	-8.5%	-8.4%	-13.0%	-9.1%	-6.6%
Overall Deficit	-5.8%	-6.2%	-9.0%	-9.4%	-11.3%	-11.3%	-8.8%	-7.5%	-6.2%	-6.1%	-9.6%	-6.6%	-1.2%
GDP at Market Prices c/	641.0	746.2	816.7	899.7	1030.9	1142.5	1293.5	1504.7	1768.2	2010.2	2332.6	2992.3	3883.1

NOTES:

c/ GDP on a fiscal year basis.

SOURCE:

1986/87 - 1988/89: Government Estimates in PFP 1989/90-1991/92. 1987/88 figures differ slightly from those in Malawi Economic Report 1989.
1981/82 - 1986/87: MALAWI - Economic Report, 1989
1980/81 : MALAWI - Economic Report, 1985
1976/77 - 1979/80: MALAWI - Economic Report, 1981

Table 7.02: CENTRAL GOVERNMENT REVENUE, 1976/77-1988/89

 (K Million)

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Taxes on Income and Profits	35.3	43.2	57.2	59.2	64.9	61.6	79.5	93.8	117.2	154.5	168.8	181.2	288.6
Companies	24.2	29.5	38.9	38.1	39.5	34.1	45.2	53.3	72.2	102.3	103.8	98.8	181.9
Individuals	11.1	13.7	18.3	21.1	25.5	27.7	34.3	40.4	45.0	52.2	64.9	84.4	106.7
Minimum	1.5	2.1	2.0	2.1	2.1	2.2	2.5	2.2	2.5	2.6	2.6	2.6	2.6
Minimum Remittances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.7
Graduated	1.9	2.2	2.5	2.6	2.8	3.1	3.2	3.2	3.1	3.9	3.7	3.7	3.2
P.A.Y.E.	7.5	9.2	13.6	16.1	20.4	22.2	28.3	34.6	39.1	40.1	51.6	67.6	81.8
District Administration	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.3
Withholding Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	6.6	6.4	17.1
Taxes on Property	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.5	0.4	0.4	0.3
Taxes on Goods and Services	23.3	29.0	37.3	50.4	59.2	66.1	73.8	86.1	110.7	124.1	139.6	181.2	259.8
Accommodation & Refreshment	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.8	1.2	1.2	1.4	1.9	3.4
Surtax	17.9	23.5	30.5	43.3	48.6	54.0	58.3	67.9	92.0	103.7	118.5	159.4	220.7
Excise Duties	4.2	4.5	5.8	6.0	7.8	9.0	11.8	13.0	12.5	13.6	13.7	13.1	22.7
Licences	1.2	1.0	1.0	1.1	2.9	3.1	3.5	4.5	4.9	5.6	6.0	6.8	13.0
Business & Professional	0.6	0.4	0.5	0.5	0.6	0.7	1.0	0.9	0.9	0.9	1.0	1.0	2.7
Motor Vehicle	0.6	0.6	0.5	0.6	2.2	2.4	2.5	3.5	4.1	4.7	5.0	5.9	10.3
International Trade Taxes 1/	13.3	18.3	25.8	32.7	42.1	50.2	52.5	58.5	66.6	92.6	80.2	86.7	117.5
Import Duties	13.1	16.1	25.6	32.4	41.6	49.6	51.5	56.1	66.3	73.9	74.4	86.1	115.6
Export Levy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.3	4.4	0.2	0.3
Other	0.2	0.2	0.3	0.3	0.5	0.5	1.0	0.4	0.3	0.4	1.4	0.4	1.4
Stamp Duties	1.3	1.4	1.6	1.5	0.6	0.8	1.0	0.3	1.5	1.7	2.1	2.1	2.5
Non-Tax Revenue	22.6	26.4	26.6	43.2	32.4	41.9	36.6	47.2	57.1	68.5	101.8	132.0	123.0
Treasury Fund Receipts	1.9	1.7	0.7	2.9	1.4	2.7	3.9	2.7	0.8	2.3	4.8	6.1	14.8
Rents	1.2	1.3	1.5	1.9	1.6	1.8	2.3	2.3	3.1	5.1	6.8	6.9	12.0
Department Receipts	14.9	15.1	15.8	29.7	21.6	27.4	26.6	35.6	40.7	50.7	62.0	80.4	50.0
Other	4.6	6.4	6.7	11.7	7.8	10.0	4.0	6.5	12.5	10.5	28.3	54.6	66.2
Total Revenue	95.8	116.4	148.6	187.0	199.2	221.0	244.3	286.0	353.2	442.0	492.9	583.4	791.7

1/ Also referred to as customs duties.

2/ Most recent estimate for which further disaggregation is not yet available.

Source of this data is set of government estimates used in PFP 1989/90-1991/92 (obtained 7/20/89.)

NOTES:

1987/88 data are Actual figures as published in the Economic Report, 1989.

SOURCES:

1988/89 : Official Government Sources (7/20/89 printout).
 1981/82 - 1987/88: MALAWI - Economic Report, 1989
 1980/81 : MALAWI - Economic Report, 1985
 1976/77 - 1979/80: MALAWI - Economic Report, 1981

Table 7.03: ECONOMIC CLASSIFICATION OF DEVELOPMENT BUDGET, 1976/77-1988/89
 (K Million)

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Gross Consumption	5.73	5.11	4.57	7.90	7.15	6.05	4.88	18.99	16.03	17.82	23.62	51.23	46.34
Wages and Salaries	2.92	1.02	1.16	1.29	1.89	0.82	0.22	2.89	3.75	7.67	6.83	11.98	14.60
Other Goods and Services	2.81	4.09	3.41	6.61	5.26	5.43	4.66	16.10	12.28	10.15	16.79	39.25	31.74
Agricultural Subsidies & Grants	0.00	0.27	0.00	0.00	0.00	0.00	19.70	26.32	9.85	8.47	0.00	6.93	2.96
Other Grants	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.98	0.00
Gross Fixed Capital Formation	39.75	56.36	98.93	109.57	154.49	113.93	109.75	96.90	110.03	129.87	181.27	140.05	217.36
Buildings	7.21	9.57	11.39	42.43	20.67	25.04	43.14	37.88	41.66	35.83	30.34	52.94	82.76
Construction & Works	20.31	37.07	63.99	38.72	93.66	49.86	24.86	26.20	38.86	50.94	54.87	34.41	40.71
of which: Roads & Bridges	11.97	14.84	20.68	16.40	18.04	26.05	21.88	15.19	28.47	46.97	46.83	31.11	28.16
Services	0.42	5.63	6.08	9.12	12.03	5.53	7.99	8.74	5.58	12.45	13.04	11.96	8.23
Equipment	4.20	2.90	0.89	1.61	4.08	7.44	10.36	0.63	11.14	10.89	6.91	31.29	82.15
Other	7.61	1.19	16.58	17.69	24.05	26.06	23.40	22.45	12.79	19.78	56.11	9.45	23.51
Loans to Public Enterprises	10.43	14.76	9.99	10.48	13.26	4.19	5.25	0.70	2.47	6.06	4.89	2.23	3.74
Development Budget	55.91	78.58	113.49	127.95	174.90	124.17	139.58	142.91	138.38	160.22	189.78	207.40	270.40
Development Budget 1/													278.10

1/ Most recent estimate for which further disaggregation is not yet available.
 Source of this data is set of government estimates used in PFP 1989/90-1991/92 (obtained 7/20/89.)

NOTES:
 1987/88 data are Actual figures as published in the Economic Report, 1989.
 1988/89 data are Revised figures as published in the Economic Report, 1989.

SOURCES:
 1981/82 - 1988/89: MALANI - Economic Report, 1989
 1980/81 : MALANI - Economic Report, 1985
 1976/77 - 1979/80: MALANI - Economic Report, 1981

Table 7.04: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT REVENUE BUDGET, 1976/77-1988/89
(K million)

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
General Services	30.0	38.2	50.6	58.5	59.6	73.5	84.2	95.0	101.3	143.6	157.3	174.6	239.3
General Administration	14.1	16.1	19.2	22.7	24.2	28.7	38.1	50.6	44.1	67.0	61.9	81.1	138.4
Defense	7.9	13.6	19.3	17.6	18.0	22.3	19.0	22.5	27.0	38.3	49.3	47.3	53.3
Justice	8.0	8.5	12.1	16.3	17.3	22.5	27.0	21.9	30.3	38.3	46.1	46.3	47.6
Social Services	22.5	24.2	32.7	38.9	44.2	51.7	53.0	62.3	74.4	88.0	124.5	126.4	154.7
Education	12.6	14.0	17.8	20.4	23.6	27.5	31.6	35.5	40.1	46.5	61.4	70.0	83.9
Health	7.1	7.8	10.3	12.1	15.0	18.7	17.4	21.6	28.0	39.0	47.1	40.8	50.5
Community & Soc. Dev.	2.8	2.5	4.5	4.4	5.7	5.5	4.0	5.3	6.3	2.5	16.1	15.7	20.2
Economic Services	18.8	21.6	25.9	30.0	33.1	39.6	49.9	54.3	61.0	76.7	92.8	98.8	117.5
Agri. & Natural Resources	8.0	9.2	12.0	14.4	17.4	22.6	24.8	29.6	30.1	37.7	47.9	48.5	56.9
Transport	3.5	3.5	4.7	5.8	5.5	6.3	10.3	12.5	14.2	15.3	17.9	21.1	20.5
Posts & Telecommunications	1.4	1.6	1.9	2.1	2.0	2.4	2.8	3.3	3.1	4.4	7.2	6.7	9.7
Other	6.0	7.3	7.3	7.7	6.2	6.3	12.1	8.9	13.6	19.2	19.9	20.6	30.4
Debt Service 1/	15.7	17.3	20.3	38.6	57.0	93.1	77.6	62.1	157.6	186.9	249.5	292.7	359.5
Miscellaneous	6.6	7.0	11.1	13.1	13.7	15.1	13.8	21.5	22.5	24.2	33.7	36.3	51.3
Pensions & Gratuities	2.9	2.8	3.0	3.8	3.6	4.1	4.7	4.8	4.5	5.4	7.4	10.9	14.1
Other Unallocable Services	3.7	4.2	8.1	9.4	10.2	11.1	9.2	16.7	18.0	17.9	26.3	25.4	37.2
Total	93.7	108.8	140.5	173.0	207.3	273.0	278.5	315.3	416.8	519.3	657.8	728.8	922.2
Less: Debt Amortization	7.0	6.4	6.0	16.4	24.0	41.2	17.8	26.2	52.0	93.6	97.3	112.8	201.2
Revenue Budget	86.6	101.9	134.5	156.6	183.7	231.9	260.7	289.1	364.8	425.6	560.5	616.5	721.0
Revenue Budget 2/												638.4	734.4

1/ Public Debt Servicing

2/ Most recent estimate for which further disaggregation is not yet available.

Source of this data is set of government estimates used in FFP 1989/90-1991/92 (obtained 7/20/89.)

NOTES:

1987/88 data are Actual figures as published in the Economic Report, 1989.
1988/89 data are Revised figures as published in the Economic Report, 1989.

SOURCE: Ministry of Finance

1981/82 - 1987/88: MALAWI - Economic Report, 1989

1980/81 : MALAWI - Economic Report, 1985

1976/77 - 1979/80: MALAWI - Economic Report, 1981 and Malawi CEP 1985.

Table 7.05: FUNCTIONAL CLASSIFICATION OF DEVELOPMENT BUDGET, 1976/77-1988/89
(K Million)

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Agriculture and Natural Resources	12.09	15.92	14.91	20.20	23.16	27.87	30.52	37.31	28.72	25.88	50.44	57.17	49.20
Agriculture	8.92	12.56	10.71	15.10	15.47	20.73	22.61	30.93	22.88	20.08	27.23	31.04	29.27
Forestry and Game	2.06	2.27	2.17	3.11	4.03	4.43	4.96	5.03	4.60	4.13	18.56	17.54	13.28
Veterinary Service	0.72	0.56	0.73	1.59	3.15	2.13	2.59	1.19	1.07	1.32	1.68	5.71	3.46
Surveys and Lands	0.14	0.14	0.88	0.12	0.11	0.09	0.04	0.04	0.05	0.09	2.52	2.43	1.57
Fisheries	0.25	0.39	0.42	0.28	0.42	0.49	0.32	0.13	0.12	0.28	0.47	0.45	1.52
Social Services	3.11	5.08	8.02	7.85	11.86	13.49	23.44	26.81	27.87	23.54	24.50	25.42	53.45
Education	1.34	4.17	6.99	5.11	7.61	11.93	19.67	20.14	18.28	20.68	18.71	14.59	29.57
Health	1.87	0.87	1.01	2.73	4.25	1.58	3.77	6.52	9.48	2.75	5.68	8.93	23.44
Community and Social Development	0.10	0.04	0.02	0.01	0.00	0.00	0.00	0.15	0.13	0.12	0.13	1.90	0.44
Transport and Communications	23.88	34.82	61.15	44.32	68.78	49.17	85.80	38.60	50.51	65.10	71.99	89.39	109.03
Transport	21.03	31.44	58.23	41.23	65.59	48.68	33.61	30.73	48.26	52.69	58.04	59.25	85.49
Posts and Telecommunications	2.75	3.38	2.92	3.09	2.19	2.49	2.19	2.87	2.25	12.41	13.95	10.14	23.54
Other Services	18.73	20.74	29.41	55.58	71.08	33.64	49.82	45.20	31.28	45.70	42.85	55.42	68.72
Power	5.51	3.92	8.91	7.60	6.01	3.73	0.57	0.04	1.68	5.80	4.98	5.84	7.78
Government Buildings	3.99	1.63	12.48	32.39	39.74	17.93	17.78	12.85	13.07	16.09	5.91	5.78	3.17
Housing	1.10	1.49	1.87	1.59	2.83	0.80	0.00	0.07	0.13	0.31	0.66	1.17	6.28
Water and Sanitation	0.88	1.39	5.01	6.12	6.73	6.13	6.79	6.62	6.42	5.78	6.07	22.59	18.68
Finance, Commerce and Industry	1.55	9.70	0.15	2.39	1.42	1.27	21.05	23.07	6.16	13.74	18.25	11.94	6.57
Works Organization	0.14	0.11	0.07	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous	3.68	2.50	2.92	5.48	14.34	3.78	1.63	2.55	1.84	3.98	8.88	8.12	16.28
Development Budget	55.91	76.58	113.49	127.95	174.90	124.17	139.58	142.91	138.38	160.22	189.78	207.40	270.40
Development Budget 1/													278.10

1/ Most recent estimate for which further disaggregation is not yet available.
Source of this data is set of government estimates used in FPP 1989/90-1991/92 (obtained 7/20/89.)

NOTES:
1987/88 data are Actual figures as published in the Economic Report, 1989.
1988/89 data are Revised figures as published in the Economic Report, 1989.

SOURCES:
1981/82 - 1988/89: MALAWI - Economic Report, 1989

Table 8.01: MONETARY SURVEY, 1973-1989 (for Year Ending December)
(K Million)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Foreign Assets (Net)	50.3	63.8	21.6	-24.3	10.8	-9.0	-80.2	-73.8	-108.4	-155.2	-209.2	-118.2	-223.4	-333.1	-247.7	-0.1	-50.0
Monetary Authorities	54.7	68.5	27.7	-7.6	38.9	12.4	-31.5	-32.7	-85.3	-131.5	-174.7	-76.4	-167.8	-244.2	-196.7	30.6	-22.4
Commercial Banks	-4.4	-4.7	-6.1	-16.7	-29.1	-21.4	-40.7	-40.9	-23.1	-23.7	-34.5	-41.8	-55.6	-89.9	-51.0	-30.7	-27.6
Domestic Assets (net)	31.9	52.8	104.7	141.5	131.9	184.1	267.2	310.7	396.1	471.3	531.5	545.2	618.4	753.4	745.5	581.3	715.4
Net Claims on Government	11.4	17.3	34.8	45.7	34.8	48.6	65.4	83.4	167.2	211.3	252.7	274.5	328.6	457.5	490.9	329.3	344.5
Net Claims on Statutory Corp.	-12.5	-13.9	14.0	19.2	9.4	15.3	91.0	44.9	39.1	61.0	24.5	42.3	77.2	59.6	49.2	-10.3	-12.2
Claims on Private Sector	33.0	49.4	56.1	76.6	87.7	122.2	170.8	182.4	191.8	219.0	254.7	228.4	212.6	236.3	205.4	262.3	383.1
Liabilities to Private Sector	72.4	99.3	103.7	96.0	122.7	133.2	144.7	177.9	216.4	251.9	260.5	351.4	351.4	435.1	506.2	694.1	732.1
Money	49.1	63.6	62.7	58.4	70.0	74.9	77.6	92.7	101.0	118.0	110.5	132.5	153.5	186.9	244.6	343.0	361.7
Quasi-money	23.3	35.7	41.0	39.6	52.7	58.3	67.1	85.2	117.4	133.9	150.0	218.9	197.9	248.2	341.4	351.1	370.4
Other Items (net)	9.9	17.3	22.5	19.1	20.0	41.9	42.3	58.9	71.1	64.3	42.2	75.6	43.6	-14.8	-86.3	-113.0	-66.7

SOURCE:

1973-1987: Reserve Bank of Malawi, Financial and Economic Review, 1988 and official sources.
1988-1989: IMF estimates.

Table 8.02: OFFICIAL FOREIGN EXCHANGE RESERVES AND NET FOREIGN ASSETS OF COMMERCIAL BANKS, 1973-1988
(K '000, Year end figures)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Official Foreign Exchange Reserves																
Net Official Reserves	54,701	66,546	27,711	(7,562)	36,672	12,396	(31,627)	(32,697)	(61,284)	(151,455)	(174,729)	(76,913)	(167,643)	(244,143)	(196,701)	30,244
Gross Official Reserves	54,569	66,731	55,294	23,789	76,173	60,670	51,574	59,077	48,430	24,860	17,357	86,974	73,414	37,515	100,166	357,813
of which:																
Reserve Bank (net)	50,631	67,257	26,479	(9,539)	35,054	10,638	(35,505)	(32,754)	(65,880)	(132,068)	(175,861)	(77,663)	(161,567)	(251,290)	(213,316)	628
Foreign Assets	50,819	67,440	54,062	21,818	74,357	59,112	47,596	59,020	43,934	23,349	16,225	86,324	59,590	30,368	63,533	326,197
Bal. w/ Foreign Banks & Securities	48,968	58,860	49,261	17,276	70,282	55,643	44,380	56,370	34,023	18,998	14,795	63,975	59,042	26,963	63,541	325,053
Special Drawing Rights a/	3,831	8,580	4,801	4,542	4,075	3,489	3,216	2,650	9,911	4,351	1,430	4,349	648	1,406	12	3,134
Foreign Liabilities b/	168	168	27,583	31,351	39,308	46,474	63,101	91,774	129,814	156,315	192,066	165,687	241,257	281,658	296,069	327,559
Treasury (total)	4,070	1,291	1,232	1,971	1,818	1,758	3,978	57	4,496	1,511	1,132	650	13,724	7,147	16,615	29,616
Bal. w/ Crown Agents & Special Acct.	946	1,291	1,232	1,971	1,818	1,758	3,978	57	546	1,511	1,132	650	13,724	7,147	16,615	29,616
Reserve Position in IMF	3,124	0	0	0	0	0	0	0	3,950	0	0	0	0	0	0	0
Net Foreign Assets of Commercial Banks	(4,401)	(4,755)	(6,111)	(16,737)	(26,104)	(21,406)	(48,677)	(40,915)	(23,148)	(28,715)	(34,448)	(41,765)	(55,562)	(86,928)	(50,976)	(30,741)
Foreign Assets	3,443	2,166	5,219	5,685	5,658	10,809	6,640	5,649	6,513	9,029	13,660	9,479	13,025	10,370	6,311	14,785
Claims of Foreign Banks	2,709	2,040	2,728	3,869	5,121	9,613	4,134	4,699	5,948	9,020	7,209	7,062	10,161	7,495	6,250	14,639
Loans and Advances c/	734	126	2,491	1,816	547	1,196	2,506	950	565	9	6,451	2,417	2,844	2,675	61	146
Foreign Liabilities	7,844	6,921	11,330	22,422	31,772	32,215	55,317	48,564	29,661	32,742	48,108	51,244	68,587	99,298	57,287	45,528
Liabilities to Foreign Banks	1,358	2,903	4,479	13,210	19,382	14,461	43,518	36,291	20,836	21,195	38,436	42,059	57,097	85,589	36,863	23,441
Deposits of Non-residents	6,486	4,018	6,851	9,212	12,390	17,754	11,799	10,273	9,825	11,547	9,672	9,185	11,490	13,709	18,424	22,085

Notes:

a/ Figure for 1974 includes Reserve Position in IMF from December 1974; the RPF was temporarily reduced to zero in November 1975, reconstituted in July 1981, and reduced again to zero in March 1982.

b/ Deposits of International Agencies, etc. Excluding IMF accounts already included in Reserve Position in IMF.

c/ To Non-Residents and Bills Payable Abroad.

SOURCES:

1973-1979: Malawi CB, 1985.

1980-1988: Reserve Bank of Malawi.

Table 8.03: COMMERCIAL BANKS: ADVANCES BY MAIN SECTORS, 1973-1987
(December Figures in K '000)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Agriculture	5,703	7,783	13,008	27,072	30,190	53,783	81,853	92,671	94,272	115,120	138,520	113,463	117,866	135,464	100,581
Mining and Quarrying	2	8	0	5	15	13	147	388	390	181	345	0	304	10	975
Manufacturing	2,308	3,978	6,089	7,882	12,078	13,552	9,657	6,689	6,059	7,819	10,839	19,780	9,849	15,261	24,245
Electricity & Water	0	0	1	0	58	73	2	8	3	134	84	522	13	4	0
Construction of	804	1,445	480	1,782	570	2,812	3,853	1,483	1,328	1,285	853	443	852	1,440	1,522
Trading b/	13,294	26,229	25,013	21,328	29,980	25,163	36,782	16,548	20,367	19,723	30,684	29,791	26,810	41,534	75,405
Transport c/	444	567	1,319	2,488	2,290	3,096	3,549	4,014	8,807	3,373	6,502	1,126	1,746	747	1,100
Finance d/	5,205	3,898	3,338	4,972	7,373	14,512	24,323	35,543	39,683	45,792	55,159	18,382	2,346	6,483	4,980
Services e/	292	1,315	2,009	2,992	713	2,125	5,987	9,705	13,914	22,448	15,647	7,492	12,816	25,245	21,484
Personal Accounts	1,139	1,867	3,402	3,273	2,484	5,703	4,672	5,198	7,012	6,250	3,271	13,297	6,561	8,184	5,692
Total	29,183	46,698	56,227	71,742	86,346	120,652	170,605	172,245	169,789	222,114	284,084	204,296	181,188	232,872	239,025

Note:
1987 figures are September figures.

Source:
Reserve Bank of Malawi, Financial and Economic Review, 1988 and official sources.

Table 8.04: INTEREST RATES, 1973-1988
(Percent, End-of-Period)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Bank Rate	8.00	8.00	8.00	7.00	7.00	7.00	7.00	8.00	10.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00
Treasury Bill (91 Days)	5.80	5.80	5.80	6.00	6.00	6.00	6.00	7.25	9.00	9.00	9.00	11.00	12.15	12.75	14.00	14.75
Commercial Banks Lending	8.5-18.0	8.5-13.0	8.5-13.0	10.0-15.0	10.0-15.0	10.0-15.0	10.0-15.0	11.5-18.5	13.5-18.5	13.5-18.5	13.5-18.5	13.5-18.5	13.5-18.5	13.5-18.5	18.00	17.00-20.0
Deposits																
Savings a/	4.00	4.00	4.00	5.50	5.50	5.50	5.50	8.75	8.75	8.75	8.75	10.75	10.75	10.75	13.75	10.75
Short-term	4.25	4.25	4.25	6.25	6.25	6.25	6.25	7.50	9.50	9.50	9.50	11.50	11.50	11.50	14.50	14.50
Time Deposits																
3-5 Months	4.50	4.50	4.50	6.50	6.50	6.50	6.50	7.75	9.75	9.75	9.75	11.75	11.75	11.75	12.75	15.75
6-11 Months	5.00	5.00	5.00	7.00	7.00	7.00	7.00	8.75	10.25	10.25	10.25	12.25	12.25	12.25	13.25	16.25
12-23 Months	5.00	5.00	5.00	7.50	7.50	7.50	7.50	8.75	10.75	10.75	10.75	12.75	12.75	12.75	14.25	17.25
24-35 Months	5.00	5.00	5.00	7.50	7.50	7.50	7.50	9.25	11.25	11.25	11.25	13.25	13.25	13.25	14.25	17.25
Over 35 Months	6.50	6.50	6.50	7.50	7.50	7.50	7.50	9.75	11.75	11.75	11.75	13.75	13.75	13.75	14.25	17.25
Other Institutions																
Post Office b/	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.75	8.75	8.75	8.75	10.75	10.75	10.75	13.75	10.75
Max Building Society																
Fixed Deposits																
6-11 Months	5.00	5.00	5.00	7.00	7.00	7.00	7.00	8.25	10.25	10.25	10.25	12.25	12.25	12.25	13.25	16.25
12-23 Months	5.50	5.50	5.50	7.50	7.50	7.50	7.50	8.75	10.75	10.75	10.75	12.75	12.75	12.75	14.25	17.25
24-35 Months	6.00	6.00	6.00	8.00	8.00	8.00	8.00	9.75	11.25	11.25	11.25	13.25	13.25	13.25	14.25	17.25
Over 35 Months	7.00	7.00	7.00	8.50	8.50	8.50	8.50	9.75	11.75	11.75	11.75	13.75	13.75	13.75	14.25	17.25
Savings Deposits																
Investment Deposits	4.00	4.00	4.00	5.00	5.00	5.00	5.00	6.75	8.75	8.75	8.75	10.75	10.75	10.75	13.75	10.75
Minimum Mortgage Rate	8.0-10.5	8.0-10.5	8.0-10.5	8.0-10.5	8.0-10.5	8.0-10.5	8.0-10.5	9.75-13.75	11.75-15.75	11.75-15.75	11.75-15.75	13.75-17.75	13.75-17.75	13.75-17.75	15.75-21.0	13.75-20.0

a/ MK10,000 or over subject to 30 days notice of withdrawal; minimum MK1,000,000.
b/ Savings Bank Deposits.

SOURCES:
1973-1979: MALAWI CEN, 1985.
1980-1988: Reserve Bank of Malawi, Financial and Economic Review and official sources.

Table 8.05: COMMERCIAL BANKS: COMPOSITION OF SOURCES AND USES OF FUNDS, 1973-1988
(in Percent)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Sources of Funds																
Private	65.34	66.17	64.41	59.88	59.42	53.30	46.98	49.93	57.72	57.63	53.82	55.60	58.26	55.48	60.95	67.26
Official	12.99	12.91	12.92	10.56	8.83	12.44	12.13	6.81	6.03	6.53	5.91	6.84	5.91	4.93	5.81	5.20
Reserve Bank	2.31	2.73	0.55	2.02	0.75	3.32	7.35	4.86	0.62	0.00	0.92	1.36	0.00	0.00	0.00	0.00
Foreign	10.48	8.33	9.26	14.17	18.14	15.28	17.78	16.41	13.39	10.07	12.58	10.97	13.07	15.73	12.81	6.77
All Other	8.88	9.87	12.67	13.38	13.86	15.67	15.78	22.20	22.25	25.78	27.07	25.58	22.74	23.56	20.42	20.78
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Uses of Funds																
Private	49.86	48.86	48.97	58.44	54.56	56.27	63.28	64.79	62.23	63.77	61.42	51.91	45.01	44.43	35.85	38.38
Official	18.18	15.99	22.00	28.19	24.70	28.13	22.45	18.81	14.71	13.51	13.55	19.45	28.23	24.80	20.97	20.48
Reserve Bank	18.68	23.08	15.66	3.84	8.76	4.89	4.05	5.86	9.59	10.69	11.01	17.27	17.18	18.74	32.44	27.04
Foreign	6.55	4.02	4.81	3.78	3.52	3.50	2.77	2.63	1.42	2.02	2.69	2.21	2.21	2.18	1.80	2.31
All Other	8.71	8.03	8.67	7.74	8.46	7.22	7.45	7.92	12.08	10.05	11.34	9.39	9.39	9.86	8.98	10.89
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

NOTES:

1988 Figures are averages for the period January to June.
Figures for prior to 1988 are yearly averages.

Table 9.01: BALANCE OF PAYMENTS SUMMARY, 1973-1988
(K Million)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Exports, FOB	79.9	101.3	122.1	151.6	180.4	155.7	181.7	228.0	244.0	253.0	289.2	440.7	429.7	462.1	615.1	760.6
Imports, FOB	99.1	139.0	193.1	166.1	165.2	224.2	253.4	256.4	230.8	209.6	236.1	229.0	295.6	286.4	392.3	641.5
Trade Balance	-19.2	-37.7	-71.0	-14.5	15.2	-68.5	-71.7	-30.4	13.2	43.4	53.1	211.7	134.1	175.3	222.8	119.1
Non-Factor S. (cr.)	20.7	26.1	32.2	24.7	36.0	30.0	26.0	21.4	32.2	29.4	33.6	36.2	48.5	42.6	49.9	66.7
Non-Factor S. (dr.)	37.7	40.6	50.0	61.6	86.8	105.0	127.0	131.7	117.8	149.7	171.9	222.4	267.5	265.0	332.6	512.7
Non-Factor S. (net)	-17.0	-12.7	-17.8	-37.1	-46.8	-75.0	-99.0	-110.3	-85.6	-120.3	-138.1	-184.2	-219.0	-222.4	-282.7	-446.0
Factor S. (cr.)	20.9	31.6	32.7	5.0	2.0	14.2	14.2	1.6	1.2	1.6	1.6	5.2	9.4	6.1	7.2	17.7
Factor S. (dr.)	20.1	19.2	22.0	22.5	25.0	18.2	49.0	82.9	75.4	66.7	64.6	94.0	100.3	119.0	132.9	161.2
Factor S. (net)	0.8	12.4	10.7	-17.8	-23.0	-4.0	-34.8	-81.1	-74.2	-67.1	-63.2	-78.8	-90.9	-112.9	-125.7	-143.5
Services, Balance	-16.2	-0.3	-7.1	-54.6	-71.8	-79.0	-133.8	-191.4	-159.6	-167.4	-221.3	-263.0	-309.9	-335.3	-406.4	-569.5
Bal. on Goods & Serv.	-35.4	-38.0	-78.1	-69.1	-66.6	-147.5	-205.5	-221.6	-146.6	-144.0	-168.2	-51.3	-175.6	-160.0	-185.6	-470.4
Priv Transfers (cr.)	4.0	3.8	5.0	5.0	5.0	5.0	6.0	24.1	25.0	26.8	28.2	36.4	37.0	47.1	66.6	219.1
Priv Transfers (dr.)	0.1	0.1	0.0	0.0	0.0	0.0	6.3	15.3	14.2	16.3	16.5	16.3	19.1	13.5	32.4	36.6
Priv Transfers (net)	3.9	3.7	5.0	5.0	5.0	5.0	-0.3	8.8	10.8	12.5	9.7	22.1	17.9	33.6	34.2	180.5
Current Acct. Bal.	-31.5	-34.3	-78.1	-64.1	-61.6	-142.5	-206.6	-213.0	-135.8	-131.5	-158.5	-29.2	-157.9	-126.4	-131.4	-269.9
Capital Account																
Gov. Transfers (cr.)	10.1	7.4	17.6	20.6	18.5	33.3	36.6	41.0	41.9	39.4	35.9	37.3	45.3	57.9	72.7	207.4
Gov. Transfers (dr.)	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0	2.8	3.2	4.3	6.3	6.7
Gov. Transfers (net)	9.8	7.0	17.3	20.1	18.0	32.8	36.1	41.0	41.9	39.4	35.9	34.5	42.1	53.6	66.4	200.7
Priv LT Capt (cr.)	14.9	14.9	-	-	11.0	-	14.2	13.9	14.4	9.3	23.6	9.7	17.2	25.3	13.6	15.0
Priv LT Capt (dr.)	5.5	2.4	-	-	-	-	2.0	4.4	7.0	9.3	7.5	13.0	7.4	16.7	11.7	14.0
Priv LT Capt (net)	9.3	12.5	6.7	9.2	10.0	16.5	12.2	9.5	7.4	0.0	16.3	-3.3	9.8	8.8	2.1	1.0
Pub. Ent LT Capt (cr.)	9.3	9.4	-	-	16.9	24.0	16.1	17.1	9.8	7.9	32.0	1.0	12.3	0.5	25.7	47.8
Pub. Ent LT Capt (dr.)	1.4	1.8	-	-	6.4	10.4	3.5	7.0	5.8	29.4	36.6	19.7	36.6	29.7	15.4	17.7
Pub. Ent LT Capt (net)	7.9	7.6	7.7	6.7	12.5	13.6	14.7	10.1	4.0	-21.4	-4.6	-18.7	-26.6	-20.2	10.3	30.1
Gov LT Capital (cr.)	21.1	31.6	-	29.1	49.0	60.0	64.4	134.8	60.6	91.4	114.7	131.1	108.2	105.6	166.1	282.3
Gov LT Capital (dr.)	3.2	2.9	-	4.5	4.1	5.4	12.2	11.2	26.9	48.0	48.6	57.1	60.4	107.2	108.2	150.4
Gov LT Capital (net)	17.9	28.7	33.3	24.6	44.9	44.6	52.2	123.6	31.9	43.4	65.9	74.0	47.8	66.4	159.9	131.9
Net IMF Transactions 3/	0.0	0.0	2.3	1.4	0.0	-4.9	27.4	22.1	26.9	-2.0	30.0	24.9	12.1	-46.0	-67.1	-
ST Capt. also (net)	13.7	-7.7	-24.0	-42.0	1.4	15.2	17.4	24.1	2.0	25.1	-2.3	-3.5	-4.6	34.9	10.9	-
Capital Account Bal.	66.6	48.1	43.3	20.0	66.6	117.8	162.0	241.7	129.6	63.2	65.0	111.8	53.6	-34.6	99.9	428.9
Overall Bal. 1/	27.1	13.8	-29.8	-44.1	35.2	-24.7	-43.6	26.7	-6.0	-66.3	-98.5	82.6	-104.3	-161.0	-91.5	137.0
Net Movements-Offcl Reserv	-27.1	-13.8	29.8	44.1	-35.2	24.7	43.6	-26.7	6.0	46.6	24.0	-65.4	31.8	62.7	-53.5	-
Debt Relief	-	-	-	-	-	-	-	0.0	0.0	19.7	69.5	33.3	11.7	5.3	49.9	121.0
Overall Bal. 2/	27.1	13.8	-29.8	-44.1	35.2	-24.7	-43.6	26.7	-6.0	-46.6	-24.0	115.9	-92.6	-155.7	16.4	256.0

1/ Equal to changes in gross Official Reserves

2/ Balance before debt relief.

3/ From IMF estimates

SOURCE: MALAWI - Monthly Statistical Bulletin and official sources, except data on IMF transactions which are from IMF estimates.

Table 9.02: MALAWI - BALANCE OF PAYMENTS, 1973-1989
(In Millions of USD)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Exports of Goods & NFS	122.8	153.8	178.6	193.1	241.9	220.1	256.7	307.1	306.5	267.6	274.9	356.8	292.0	296.6	307.2	321.9	326.1
Merchandise (FOB)	97.5	120.4	141.4	166.0	196.6	184.5	222.4	280.6	272.5	239.7	246.2	330.1	264.1	271.5	284.1	293.5	301.2
Non-Factor Services	25.3	33.4	37.3	27.1	42.1	35.6	34.3	26.4	36.0	27.9	28.6	26.7	27.9	25.0	23.1	26.4	26.9
Imports of Goods and NFS	187.0	213.7	261.4	249.6	279.1	390.2	465.7	480.4	399.4	340.4	347.3	337.9	349.4	324.4	334.8	449.0	535.7
Merchandise (FOB)	121.0	165.2	223.5	181.9	188.0	265.7	310.2	318.2	257.8	196.8	201.0	171.5	181.7	168.6	176.8	224.6	249.2
Non-Factor Services	46.0	48.5	57.9	67.7	96.1	124.5	155.5	162.2	131.6	141.8	146.3	166.5	167.7	155.8	158.0	224.2	286.5
Resource Balance	-44.2	-59.9	-102.8	-56.5	-37.2	-170.1	-209.0	-173.3	-80.9	-72.9	-72.4	20.8	-57.4	-27.8	-27.6	-127.1	-207.6
Net Factor Income	1.0	14.7	12.4	-19.2	-25.5	-4.7	-42.6	-99.9	-82.0	-63.6	-70.8	-59.0	-55.9	-66.3	-58.0	-53.9	-56.4
Factor Receipts	25.5	37.6	37.9	5.5	2.2	16.8	17.4	2.2	1.3	1.5	1.4	3.9	5.8	3.6	3.3	9.5	10.9
Factor Payments <i>o/s interest payments</i>	24.5	22.8	25.5	24.6	27.7	21.6	60.0	102.1	84.2	65.1	72.2	62.9	61.7	69.9	61.3	63.4	67.3
Net Current Transfers	4.8	4.4	5.8	5.5	5.5	5.9	-0.4	10.8	12.1	11.8	8.3	16.5	11.1	19.8	25.1	59.6	91.1
Current Receipts <i>o/s worker remittances</i> <i>o/s other receipts</i>	4.9	4.5	5.8	5.5	5.5	5.9	7.3	29.7	27.9	27.3	24.0	28.8	22.7	27.7	40.0	74.9	107.5
Current Payments	0.1	0.1	0.0	0.0	0.0	0.0	7.7	18.8	15.9	15.4	15.7	12.3	11.7	8.0	14.9	15.1	16.4
Current Account Balance	-38.4	-40.8	-84.6	-70.2	-57.1	-168.9	-251.9	-262.3	-151.7	-124.6	-134.9	-21.7	-102.3	-74.4	-60.5	-121.2	-172.6
Long-Term Capital Inflow	64.8	66.8	75.2	66.4	94.6	127.4	143.5	226.8	95.2	59.2	96.6	64.8	45.2	76.6	101.0	153.2	117.9
Net Direct Investment	12.0	8.3	20.0	22.0	19.9	89.9	46.6	50.5	46.8	37.3	30.6	25.8	26.0	31.4	30.7	91.6	55.0
Net Government Transfers	42.8	58.0	55.2	44.4	74.6	89.5	96.8	176.3	48.4	20.9	66.1	55.5	29.4	52.0	64.6	51.7	45.7
Net Long-Term Loans	55.3	68.5	31.9	88.3	67.7	118.4	204.2	94.9	102.9	145.1	98.2	66.5	115.0	113.7	118.2	108.9	108.9
Disbursement	12.3	8.4	4.9	11.6	18.7	21.7	27.8	46.8	82.1	79.1	42.6	37.1	63.0	49.1	64.5	59.2	59.2
Repayment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-16.5	-10.2	-8.8	5.7	14.6	17.2	
Other Long-Term Inflows	16.7	-9.2	-27.6	-46.0	1.6	18.0	21.3	43.6	17.5	3.6	-66.8	2.7	8.2	-86.4	17.7	47.0	12.6
Short-Term and Unidentified	33.1	16.4	-37.2	-49.8	39.0	-23.5	-87.2	8.1	-39.0	-82.8	-105.1	45.8	-49.0	-85.0	59.2	84.0	-42.4
Overall Balance ^{a/}	-33.1	-16.4	37.2	49.8	-39.0	23.5	87.2	-8.1	39.0	82.8	105.1	-45.8	49.0	85.0	-59.2	-84.0	42.4
Financing	-33.1	-16.4	37.2	49.8	-39.0	23.5	87.2	-8.1	39.0	82.8	105.1	-45.8	49.0	85.0	-59.2	-84.0	42.4
Change in Net Reserves	0.0	0.0	2.7	1.5	0.0	-8.8	33.5	27.2	32.3	-1.9	25.5	18.9	7.5	-26.4	-31.1	-1.7	-0.5
Net IMF Credit	-33.1	-16.4	34.5	48.3	-39.0	29.3	53.6	-35.3	6.7	48.0	20.4	-24.1	26.7	34.0	-24.1	-35.3	57.9
Change Gross Reserves																	
Change Other Liability																	
Change in Exch. Arrears								0.0	0.0	18.7	50.2	0.0	0.0	56.2	-12.8	-45.6	0.0
Debt Relief								0.0	0.0	0.0	0.0	25.0	7.2	3.1	0.5	62.8	17.8
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items																	
Shares of GDP (current USD):																	
Resource Balance	-9.9%	-10.9%	-16.6%	-8.4%	-4.6%	-17.9%	-19.7%	-14.0%	-6.5%	-6.2%	-5.9%	1.7%	-5.1%	-2.4%	-2.2%	-9.1%	-12.9%
Debt Service												10.7%	10.5%	12.6%	11.3%	10.5%	
Current Account	-8.7%	-7.4%	-13.6%	-10.5%	-7.1%	-17.6%	-23.6%	-21.2%	-12.3%	-10.6%	-11.0%	-1.8%	-9.0%	-6.3%	-4.9%	-8.7%	-10.7%
Long-Term Capital Inflow	12.3%	12.1%	12.3%	9.9%	11.7%	13.4%	13.6%	16.3%	7.7%	4.9%	7.9%	5.4%	4.0%	6.5%	6.1%	11.3%	7.5%
Net IMF Credit	0.0%	0.0%	0.4%	0.2%	0.0%	-0.6%	3.2%	2.2%	2.6%	-0.2%	2.1%	1.6%	0.7%	-2.2%	-2.5%	-0.1%	0.0%
Foreign Exchange Reserves:																	
Reserve Level ^{b/}	66.7	81.8	61.5	26.2	87.5	74.8	89.5	66.4	49.1	22.7	15.4	62.9	42.7	20.1	45.4	144.3	97.4
In Months of Imports	4.8	4.8	2.6	1.3	3.6	2.3	1.8	1.7	1.5	0.8	0.5	2.6	1.7	0.9	1.8	4.8	2.9

^{a/} Adjusted for exchange rate differences between current and capital account calculations.
^{b/} End-of-period stock.

SOURCE: Staff estimates based on information from Government Officials.
These calculations may differ from Keacha accounts.

Table 9.03: IMPORTS BY END USE, 1973-1988
(Kwacha Million)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Consumer Goods	19.2	26.0	30.5	22.4	26.6	36.0	46.7	40.9	41.7	44.6	47.6	45.5	61.6	64.6	66.6	100.3
Non-Durable Goods	16.5	22.3	24.4	19.4	24.9	30.3	39.2	34.4	34.5	37.5	41.4	39.9	53.0	54.5	57.4	84.0
Durable Goods	2.7	3.7	6.1	3.0	1.7	5.7	7.5	6.5	7.2	7.0	6.1	5.6	8.6	10.3	11.2	16.3
Plant, Machinery & Equipment	14.5	19.2	27.3	26.5	34.7	55.5	44.6	50.3	37.6	35.8	44.1	41.3	72.1	66.5	123.6	167.0
Operating Machines	7.7	11.1	15.7	18.2	23.5	39.1	23.1	27.3	21.9	20.5	29.1	22.5	42.7	37.5	66.4	112.9
Auxiliary Equipment	6.8	8.1	11.6	10.3	11.2	20.3	21.5	23.0	15.7	15.3	15.0	18.8	29.4	29.0	55.2	54.2
Transport Means	16.4	22.1	35.0	25.2	22.6	38.6	46.1	61.2	29.3	28.8	39.7	42.3	64.0	71.0	60.4	132.9
Motor Cars & Bicycles	3.4	3.8	4.5	2.9	3.3	6.3	6.6	6.5	4.2	4.0	7.1	6.3	11.3	9.8	7.3	11.9
Other Transport	13.0	18.3	30.5	22.3	19.4	32.3	39.5	54.7	25.1	24.8	31.7	36.1	52.7	61.2	53.1	121.0
Material for Building & Const.	10.3	13.3	17.0	19.5	16.5	23.9	25.2	30.9	19.3	22.8	18.7	18.3	29.7	26.1	31.1	66.7
Basic & Aux. Materials-Industr	35.6	50.4	72.5	54.9	62.1	73.9	90.7	106.1	116.3	120.7	133.2	157.2	189.6	158.8	247.1	425.0
Parts, Tools & Misc. Appliance	3.6	4.6	7.2	7.1	10.4	14.1	12.3	10.6	10.0	10.9	10.8	10.1	16.3	17.9	20.9	34.0
Intermediate & Final Consumpti	14.2	21.4	28.2	29.0	33.7	38.6	56.0	56.4	57.2	58.7	68.7	65.7	70.8	69.0	96.3	145.4
Clothing for Manuf. & Consum	5.0	6.2	6.2	5.2	6.0	7.7	12.2	5.7	6.2	6.4	9.4	8.1	11.1	10.4	8.3	21.1
Oils, Fuels & Lubricants	9.2	15.0	19.6	23.8	25.6	30.9	44.8	50.3	48.9	49.6	59.2	56.9	58.5	58.7	69.2	124.1
Other	0.0	0.1	0.2	0.0	0.0	0.0	1.0	0.4	0.1	0.7	0.1	1.7	1.3	0.7	0.7	0.3
Imports under K20 Value	0.4	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Miscellaneous Transactions	0.6	0.4	0.6	0.7	0.6	1.1	0.9	0.8	0.9	0.4	0.9	1.1	2.0	2.9	3.9	6.7
Total Imports	114.7	157.7	218.7	186.5	209.8	284.8	324.8	357.3	312.5	322.7	362.9	361.7	506.2	476.0	653.9	1080.1

SOURCE:

Monthly Statistical Bulletin, June 1989 (for 1977 to 1988), September 1988 (for 1976) and March 1980 (for 1973-1975).

Table 9.04: DOMESTIC EXPORTS BY MAIN COMMODITIES (K million)
(Kwacha Million)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Tobacco	30.3	39.3	51.1	64.9	66.1	66.1	98.8	100.8	99.4	144.0	145.6	225.7	185.5	244.4	373.7	306.3
Tee	13.7	17.2	21.7	26.4	41.6	29.1	30.8	29.8	30.6	44.2	55.9	112.9	91.4	66.5	61.0	79.5
Sugar	3.3	9.2	12.3	23.2	14.9	12.2	18.0	34.7	57.0	24.3	27.1	28.9	51.6	39.9	63.5	67.1
Groundnuts	5.9	5.2	6.5	11.2	8.9	4.7	8.9	15.9	10.8	4.6	2.9	1.1	5.9	15.5	13.2	23.5
Cotton	2.0	2.7	1.9	2.3	2.4	0.7	0.8	4.5	1.5	0.3	0.0	3.0	13.0	2.1	0.8	0.0
Other 1/	13.7	15.9	12.7	12.9	18.1	16.0	20.3	29.6	33.6	26.1	51.8	56.9	63.4	76.7	90.4	265.6
Total Exports	68.8	89.5	106.3	141.0	172.0	150.6	177.2	215.3	232.7	245.5	263.2	430.5	410.8	449.1	602.5	742.0

Note:

1/ Includes beans and peas, maize, tung, wooden crates and parts, rice casava, cattle cake, hides and skins, coffee, unbleached cotton fabric, printed cotton fabric, dyed cotton fabric, cotton yarn, cotton yarn and other commodities.

SOURCE:

1984-1988 data is from Monthly Statistical Bulletin, June 1989.
1983 data is from Monthly Statistical Bulletin, September 1988.
1979-1982 data is from Monthly Statistical Bulletin, March 1987.
1977 and 1978 data from Monthly Statistical Bulletin, September 1988.
1976 and 1979 are from Reserve Bank Publications.
1973-1975 data is from Reserve Bank Publications.

Table 9.05: EXPORT VOLUMES, 1980-1988
(Tonnes)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988
Tobacco	60,311	39,314	43,334	47,084	67,616	59,891	58,832	61,417	59,639
Tea	31,274	31,018	38,418	35,976	37,205	37,777	40,211	33,404	36,991
Sugar	91,092	121,901	77,131	88,548	76,589	99,062	93,878	91,727	98,898
Groundnuts	25,556	11,121	7,166	4,137	1,305	9,096	18,492	18,554	30,321
Cotton	3,013	1,031	500	21	1,851	7,270	2,156	634	-
Pulses	6,508	6,548	7,367	15,513	9,732	12,363	18,120	48,524	11,915
Rice	9,803	7,910	2,997	374	1,311	419	1,271	-	4,272
Coffee	248	476	1,038	1,028	1,527	3,251	3,704	4,899	3,682

SOURCE: Malawi Statistical Bulletin.

Table 9.06: EXCHANGE RATE, 1973-1989
(Kwacha per US Dollar)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Exch. rt. Kw/US\$ (end of prd.)	0.8475	0.8405	0.8998	0.9074	0.8678	0.8091	0.7996	0.8258	0.9074	1.097	1.2992	1.5649	1.6792	1.9524	2.0538	2.5355	2.7972
Exch. rt. Kw/US\$ (prd. ave.)	0.8193	0.8412	0.8638	0.913	0.9029	0.8437	0.8169	0.8121	0.8953	1.0555	1.1748	1.4134	1.719	1.8511	2.2087	2.5613	2.6215

SOURCE: IFS.

Note: 1989 data is third quarter estimate. (1989 figure not yet available as of Jan. 1990).

Table 9.07: Trade Indices, 1980-1988
(1985=100)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Value Index (1985=100)									
Exports (fob)	110.9	108.8	97.3	100.9	127.5	100.0	101.0	114.1	121.2
Imports (cif)	149.4	118.5	108.8	104.9	91.7	100.0	87.2	100.5	148.2
Quantity Index, 1985=100									
Exports (fob)	94.6	78.9	78.9	81.8	98.7	100.0	102.3	106.4	102.7
Imports (cif)	128.8	108.7	101.5	96.8	81.3	100.0	88.0	84.2	108.9
Unit Price Index, 1985=100									
Exports (fob)	117.3	141.4	126.5	123.4	129.2	100.0	98.7	108.3	118.1
Imports (cif)	117.8	111.1	102.3	108.3	112.8	100.0	105.0	119.4	133.9
Terms of Trade	99.5	127.3	123.7	113.9	114.6	100.0	94.0	90.7	88.2

Source: Malawi Statistical Bulletin and staff estimates.