

REPUBLIC OF MALAWI

ISTANBUL PLUS FIVE COUNTRY REPORT

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United Nations for the Overall Review and
Appraisal of the Implementation of the
Habitat Agenda**

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ABBREVIATIONS AND ACRONYMS

1.	ADB	African Development Bank
2.	AT	Appropriate Technology
3.	CBM	Commercial Bank of Malawi
4.	CBO	Community Based Organization
5.	CCF	Country Cooperation Framework
6.	CDC	Community Development Committee
7.	CIDA	Canadian International Development Agency
8.	DANIDA	Danish International Development Agency
9.	DDF	District Development Fund
10.	DFID	Department of Foreign and International Development
11.	EAP	Economic Activities Programme
12.	EDEP	Enterprise Development and Employment Creation Programme
13.	EMA	Environmental Management Act
14.	EPZ	Export Processing Zone
15.	FAO	Food and Agriculture Organisation
16.	GOM	Government of Malawi
17.	GPPP	Government Preferential Purchase Programme
18.	HIPC	Highly Indebted Poor Country
19.	IDA	International Development Agency
20.	IEC	Information, Education and Communication
21.	IFAD	International Fund for Agricultural Development
22.	IHS	Income Household Surveys
23.	LGFC	Local Government Finance Committee
24.	MASAF	Malawi Social Action Fund
25.	MIPA	Malawi Investment Promotion Agency
26.	MRFC	Malawi Rural Finance Company
27.	MSE	Micro and Small-scale Enterprises
28.	MSME	Micro, Small and Medium Enterprises
29.	MUSCCO	Malawi Union of Savings and Credit Cooperatives
30.	NALP	National Adult Literacy Programme
31.	NBM	National Bank of Malawi
32.	NEAP	National Environmental Action Plan
33.	NGO	Non-Governmental Organisation
34.	PAP	Poverty Alleviation Programme
35.	PHN	Population Health and Nutrition
36.	PMERW	Promotion of Micro-Enterprises for Rural Women

- 37. PMS Poverty Monitoring System
- 38. PRSP Poverty Reduction and Growth Strategy Paper
- 39. QUIM Qualitative Impact Monitoring
- 40. SEDP Small Enterprise Development Programme
- 41. STAFE Special Task Force on the Economy
- 42. THA Traditional Housing Area
- 43. TWEA Training Women in Economic Activities
- 44. UNCDF United Nations Capital Development Fund
- 45. UNCHS United Nations Centre for Human Settlements
- 46. UNDP United Nations Development Programme
- 47. USAID United States Agency for International Development
- 48. VIP Ventilated Improved Pit-latrines
- 49. WFP World Food Programme
- 50. WID Women in Development
- 51. WSSD World Summit on Social Development

FORWARD

Malawi is a signatory of the Istanbul Declaration and the Habitat Agenda, adopted at the second United Conference on Human Settlements (Habitat II) held in Istanbul, Turkey in June, 1996. In preparing for Habitat II, Malawi, like all other members of the United Nations, prepared a National Plan of Action for the period 1996 to 2001. Now, following the General Assembly of the United Nations resolution 52/190 of 18th December, 1997 to hold a special session in the year 2001 for an overall Review and Appraisal of the implementation of the outcome of the second United Nations Conference on Human Settlements (Habitat II), member countries were requested to prepare Country Reports on conditions, key issues, lessons learned since 1996 and priorities for action in addressing the challenges of urbanization in the twenty first century.

In compiling this report, the National Habitat Committee which had remained dormant since 1996, had to be resuscitated. The composition of the committee is as at Annex I. The Committee followed the guidelines provided by UNCHS – Habitat. It assigned the relevant Chapters to lead government departments and Ministries as follows. Chapter 1: Shelter was assigned to the Ministry of Lands, Housing, Physical Planning and Surveys; Chapter 2: Social Development and Eradication of Poverty was assigned to the National Economic Council; Chapter 3: Environmental Management to Department of Environmental Affairs; Chapter 4: Economic Development to Ministry of Commerce and Industry; Chapter 5: Governance to Ministry of Local Government and District Administration; and Chapter 6: International Cooperation to Ministry of Foreign Affairs and International Cooperation and Ministry of Finance. These lead Ministries and Departments were also requested to provide information on Chapter 7: Future Action and Initiatives pertaining to their respective institutions and other stakeholders they work with. Each lead institution came up with a write-up that was a result of consultation with other stakeholders in the particular issue. The write-ups were consolidated into the report by a core team of 6 institutions derived from the National Habitat Committee (Annex II). The core team produced a draft that was discussed and refined by the National Habitat Committee to produce this report.

The seven Chapters in this report have highlighted some issues which were of concern before 1996 and are still existing to-date. Examples are issues of access to land and credit for housing, environmental degradation, poverty etc. What is pleasing are some policy initiatives that have been put or are being put in place to address such issues. Another issue that is pleasing is the Government's commitment to addressing most of the issues highlighted in this report. It is worth mentioning, however, that the Malawi Government cannot achieve much in her undertakings, without the support of international community.

CHAPTER 1

SHELTER

Background

Since Independence, Malawi did not have comprehensive Housing and Land Policies, as a result efforts to accord sustainable shelter to her citizens have been undertaken haphazardly. The housing delivery system has continued to be affected by factors identified in the National Plan of Action as constraints despite some progress. Issues of concern are: -

(a) Access to Land and Security of Tenure

Access to land has been restricted by bureaucracy and lack of infrastructure, thus making the urban land markets not function efficiently. Further, the titling of land, a prerequisite for secure property rights, takes unduly long. In 1996, a Presidential Commission of Inquiry, was established to undertake a broad review of land problems throughout Malawi and recommend the main principles of a new land policy which will foster a more economically efficient, environmentally sustainable and socially equitable land tenure system. The outcome of this Commission (Final Report, March 1999) has culminated in the formulation of Land Policy.

Despite these bottlenecks, since 1996 about 2,549 residential plots have been serviced and allocated in the cities of Blantyre, Zomba, Lilongwe and Mzuzu, under government schemes. Malawi Housing Corporation has developed about 1189 plots in the cities of Blantyre, Lilongwe and Mzuzu.

Through Decentralization and following the transfer of management of traditional housing area (THAs) from Malawi Housing Corporation to City Assemblies, the City Assemblies have expanded access for human settlements through demarcation of plots and formalization of land ownership in squatter areas. For example, Lilongwe City Assembly has serviced 6,500 plots.

(b) The Right To Adequate Housing

Despite having had no comprehensive housing policy, the Malawi Government still recognized the importance of adequate housing as exemplified by the creation of the Ministry responsible for Housing and institutions like the Malawi Housing Corporation, Capital City Development Fund, the New Building Society, Rural Housing Programme, City Assemblies

and the incorporation of residential houses in development projects like schools, hospitals etc. The formulation of the Housing Policy between 1996 and 1999 has attempted to consolidate the systems and processes of providing adequate housing to all Malawians.

(c) Access to Credit

Formal housing finance caters for a very small proportion of the population with only one Building Society as the major provider. Despite the recent (August, 2000) reduction in interest rate from 49 percent to 48 percent by the New Building Society, interest rates are still high for the majority of Malawians to benefit.

Non-conventional Housing finance structures e.g. Savings and Credit Unions, have narrow finance base and lack capacity for them to make a meaningful impact on housing delivery.

(d) Access to Basic Services

The Government's existing budgetary pressures have continued to erode its direct role in provision of basic services for human settlements development.

Prior to 1996, failure by infrastructure providers to timely provide affordable plots resulted in the development of illegal settlements. Of late this has been minimized by the provision and servicing of plots by the City Assemblies especially in the Traditional Housing Areas thereby improving the welfare of the residents. Provision of other services such as water, schools, clinics and civic education has been complemented by Non- Governmental Organizations (NGOs), charitable organizations and the donor community. There is also need for proper co-ordination to be put in place between City Assemblies and NGOs to reduce duplication of effort. However, private sector organizations have not participated fully and there is need for sensitizing them.

(e) Building Materials and Standards

Most of the building materials are imported and are beyond the affordability of many Malawians. The construction standards are also very high making the cost of houses very high. Government is currently reviewing the building standards and regulations to make them applicable and affordable to the Malawian situation.

(f) Employment Generation

An increase in the production of houses will lead to more jobs becoming available. Also increased construction stimulates growth in other sectors of the economy related to building such as manufacturing of building materials resulting in increased earnings and purchasing power of the population which is vital to national economic growth. For example under Malawi Social Action Fund (MASAF) project about 415,195 job opportunities were created, and about K100,979,473 in income wages has been disbursed.

(g) Macro – Economic Environment

Since the late 1970s the Malawian economy has been subjected to a number of exogenous shocks which have adversely affected the external terms of trade and foreign commercial interest rates and consequently the balance of payments position. The recent experience of high inflation rates interest rates and falling exchange rates do not provide an environment conducive to investment. Domestic inflation directly affects the local materials and labour costs of housing while the low exchange rates affect the import costs. On the other hand high interest rates raise the cost of borrowing and adversely influence financial flows to the housing finance sector in favour of short-term high return investment such as government Treasury Bills. For example, despite the economy having enough food stocks and the exchange rate remaining reasonably stable inflation continued to rise in 1999 due to tariff rate adjustments in the utilities sector and fuel price increases effected in 1999. This trend is likely to continue in year 2000.

Chapter 2

Social Development and Eradication of Poverty

Background

The Government of Malawi is deeply concerned about the high incidence of poverty in Malawi. Despite the attainment of positive rates of growth, the incidence of poverty remains very high. Over 60 percent of Malawi's population live below the poverty line. Per capita income is estimated at US \$220 in 1999. Income distribution is highly inequitable with a gini-coefficient of 0.62. Population density is high and data from the 1997/98 Income Household Survey (IHS) estimate that 32.3 percent of smallholder households cultivate between 0.5 and one hectare and 24 percent of households are female headed. The HIV/AIDs pandemic with the sero-prevalence rate estimated at 14 percent has worsened the situation. Life expectancy has fallen from 48 years in 1990 to 43 years in

1997. Child mortality, estimated at 324 per 1000 is one of the highest in the region. Less than 50% the population has access to safe water and 55% of the population are illiterate. Illiteracy among the women is at 69%.

The Qualitative Impact Monitoring (QUIM) undertaken in 1998 suggest that poverty is getting worse due to lack of access to farm inputs; declining yields (declining soil fertility); declining employment opportunities; lack of access to markets; low produce and high commodity prices and erratic rainfall pattern. The economy has failed to meet the target of 6% GDP growth, which is felt to be the minimum required just to prevent an increase in the number of people living in poverty. These statistics present a grim picture for Malawi.

The Situation Analysis of Poverty (1994) has identified the following factors as the key determinants of poverty in Malawi: low agricultural productivity; rapid population growth; lack of off-farm employment opportunities; low levels of education; poor health status; limited access to credit; limited or inequitable access to productive assets; rapid environmental degradation and weak institutional structures.

The groups that are mostly affected by poverty in Malawi include: the smallholder farmers; women; estate workers; tenant farmers in agriculture estates; seasonal/casual labourers; children ; youth and the urban poor.

Malawi's Poverty Reduction Strategy

Malawi articulated its commitment to poverty reduction in the Poverty Alleviation Programme of 1994. The Policy Framework for Poverty Alleviation approved in 1995 was the initial attempt to highlight areas for action. The mission of the Poverty Alleviation Programme (PAP) was to transform the economic structures to ensure that they meaningfully contribute towards the raising of the standards of living of Malawians. In particular, PAP's objectives were to raise the productivity of the poor; promote sustainable poverty reduction; enhance participation of the poor in the socio-economic development process so as to raise and uphold individual and community self-esteem; and increase income and employment opportunities for the poor.

The above objectives were to be achieved by the following strategies: promoting increased participation of women, men and the youth in economic, social and political affairs; economic empowerment of the poor through employment; development of safety net programmes; promotion of participatory approaches to development; sensitization through IEC (information, education and communication); improving the poor's access to credit facilities; and introducing a system of poverty monitoring and evaluation to inform the policy makers on the proper formulation process and subsequent planning for poverty alleviation.

From 1995, and as a follow up to the World Summit of Social Development (WSSD), the Government has made some progress including: the intensification of the poverty alleviation programme; introduction of the safety net programme for the vulnerable; formulation of the Policy Framework in 1995 to guide the implementation of the Poverty Alleviation Programme; the launching of the Poverty Monitoring System (PMS) in 1996; the establishment of the Malawi Social Action Fund; the enactment by Parliament of an Act in November 1998 to mandate the implementation of a Decentralization Policy; the increasing share of government expenditure towards the social sector in nominal terms; introduction of free secondary education for girls; launching of the Bakili Muluzi Health Initiative to improve on drug shortage and malnutrition; development of the Technical, Entrepreneurial, Vocational and Educational Training Policy for imparting skills and promote self employment; ratification of different UN Conventions e.g. rights of the child; and development of policies on gender, youths and creation of a ministry for people with disabilities including programmes for orphans and persons with disabilities. Despite these achievements, Malawi still remains one of the poorest countries in the world

The commitment by government to fight poverty has however been constrained by the lack of a well-articulated comprehensive national poverty reduction and growth strategy. Most attempts in the past have been expressed by disjointed poverty initiatives. Many poverty related programmes which exist suffer from lack of co-ordination. In the case of the PAP most of the objectives outlined above have not been fully achieved due to lack of an implementation strategy and well-targeted action plans. The other problems relate to the lack of capacity (both technical and financial) in the PAP Unit and increasingly turn over which has led to lack of realization of the Unit's mandate. Recently a study has been commissioned to look at what went wrong with the implementation of PAP and how to forge ahead. Recommendations of the study will enrich the process of preparing the Poverty Reduction and Growth Strategy Paper (PRSP).

Promote Social Integration and Support Disadvantaged Groups

The advent of multiparty politics in Malawi in 1994 has seen the birth of several institutions that speak for the disadvantaged groups. On its part, the government has established the Ministry's of Gender, Youth and Community Services, and a Ministry responsible for people with Disabilities which look at the interests of these groups.

The government and most service providers recognize that increasing the involvement of marginalized groups in the structures of urban governance is vital if decisions of issues affecting them are to be directed in their favour. In this regard, City Assemblies and most NGOs have involved members of disadvantaged groups, especially women, in their service delivery.

One of the ways to enhance social integration and involvement of disadvantaged group in national development is reduction of the high level of illiteracy in Malawi which stands at 55% and the provision of continuing and life-long education for youths and adults.

Government has since 1986 implemented a National Adult Literacy Programme (NALP) with a view to accord every citizen the right to read and write and enhance their role in social and economic development. The National Centre for Literacy and Adult Education in Lilongwe was established by Government with a purpose to accomplish such a noble task.

In 1999 there were about 2,000 classes opened by the Ministry countrywide and about 1,000 other classes initiated by NGOs and other partner agencies. By coincidence over 80% of the learners are women who constitute ^{2/3} of the adult illiterate.

Apart from the 3Rs which are reading, writing and arithmetic, the literacy and adult education process imparts to the learners functional knowledge and skills in areas of health, community development, democracy and human rights, environmental issues, gender, food security, income generation, population education and other developmental issues as they arise from time to time.

Unfortunately, due to limited government funding and lack of donor support in this area only about 500,000 out of a target of 2,000,000 illiterates have been reached to-date. This is an indication that absolute figures of illiterates are still on the increase.

Promote Gender Equality in Human Settlements Development

From 1996, the government of Malawi recognizes that security of tenure is the foundation for the housing improvement process, the basis of collateral for credit, and the prerequisite for generating incomes through letting or business. Thus the most important issue for women is the right to secure claim over property held independently of male partners or relations.

In Malawi, women make up 52% of the total population. This means that human settlement development policies, programmes and activities have an impact on this majority. Due to some factors like low education levels, culture, stereotyped jobs which are low paying, women's involvement, ownership and development of human settlement is limited.

Women have for so long been victims of violence in terms of property grabbing, denial to own land and housing. Despite being victims, women remain largely absent at all levels of policy making, project formulation and management of human settlement.

Considering that one major factor affecting human settlement is the inheritance issues, the government reviewed and revised the inheritance Act particularly the property grabbing component in 1998. The Act protects widows from relatives of deceased husbands from grabbing the property.

In order to achieve Gender Equality in Human Settlements Developments, there is need for:

- (i) involvement of both men and women at all levels of decision making concerning human settlement.
- (ii) review all discriminatory policies/laws on ownership of land and housing.
- (iii) encourage women to take an active role in the development of human settlement.

Sustainable and equitable development in human settlement can be achieved through the involvement of men and women, boys and girls.

Chapter 3

Environmental Management

Background

Malawi is endowed with important natural resources including rich fertile soils, abundant water resources, forest resources and a diverse flora and fauna. If properly managed, these resources can support sustainable development of the country. However, these resources are increasingly challenged and threatened by various factors including rapid population growth, dire poverty, high soil erosion, deforestation, water pollution and depletion and a general decline in biodiversity.

Government efforts and commitment to address these problems is demonstrated in its current policies and programmes that focus on minimization of negative development impacts on the environment. For instance, in December, 1994, the Government adopted a National Environmental Action Plan (NEAP) whose main objectives are to:

- (a) review sectoral policies and programs and assess their impact on the environment;
- (b) make proposals for policy changes as necessary for incorporation into national development programs to ensure environmental protection; and
- c) prioritize areas of sustainable development that need to be undertaken.

To achieve the objectives outlined, several efforts have been made. A national environment policy and Environmental Management Act (EMA) were prepared and adopted in 1996. The EMA (1996) establishes the overall policy and legislative framework to guide the review of sector policies in order to make them consistent with sustainable

environmental management principles. The NEAP is presently used as a framework for all development in line with the requirements of Agenda 21 and the Vision 2020.

Promote geographically balanced settlement structures

In almost all cities of Malawi, human settlement has been structured along the low, medium and high density pattern. The high density category comprise the Traditional Housing Areas, which comprise planned and unplanned settlements and form the largest category of urban housing. In 1993 these settlements accommodated 82% and 78% of the populations of Blantyre and Lilongwe respectively.

Housing conditions in T.H.As are generally poor and basic services such as potable water and proper sanitation are often lacking. Of course, the City Assemblies put in every effort to ensure that all city residents are catered for equally. However, since the high density areas comprise the majority of the population, it appears as if little effort is made to provide for them, by way of provision of basic services. That is, the overcrowding in these areas overstretches the capacity of the provided infrastructure there by making efforts to maintain them difficult. The problem of illiteracy and inadequate civic education, has led to vandalism and lack of proper care for the provided infrastructure.

However, through programmes like the Urban Agenda 21, efforts are being made to promote community participation in planning and implementation of projects at grassroots level. The Urban Agenda 21 also links communities with donors to make projects sustainable.

Manage supply and demand for water in an effective manner

Surface water resources in Malawi include lakes and a network of river systems. Population pressure and poor agricultural practices are often linked to degradation of catchment areas in the country and accelerated soil erosion that results in sedimentation problems in rivers and reservoirs during rainy season. Inadequate sanitary facilities for human settlements especially those in catchment areas and agrochemical runoff from cultivated fields often result in degradation of water quality in many parts of the country.

The Government's policy is to provide clean portable water to all people so as to reduce the incidence of waterborne diseases and time devoted by individuals to water collection. For urban water supplies, the aim is to meet the full demand for treated water with individual connections for those who can afford and either stand-pipes or kiosks services for those who cannot. For the rural people, the target is to provide clean but untreated water at a maximum distance of 500 metres. The rural population has access to safe portable water.

According to the 1985 World Bank data, 65% of Malawi's population had access to clean or safe water potable water. The breakdown indicates that 85% of the urban population

had access to safe drinking water and 45% of the rural population had access to clean water. Although the overall coverage is rated highest in Africa, both urban and rural water supply systems tend to suffer from significant operational problems. In this regard, it is estimated that about one third of the rural population has actually access to improved water supplies while about 60-70% of the urban population has access to safe potable water.

Water problems in the Country

Water problems in Malawi occur in various forms and are characterized by:

- declining quantities of water to meet demand for domestic needs, industrial production and irrigation.
- declining flow depths in river channels and depths of reservoirs due to sedimentation.
- declining amounts of surface and groundwater due to inadequate rainfall in catchment areas.
- reduction of base flows in rivers due to increased surface runoff resulting from depleted vegetation cover on the ground surface.
- deterioration of water quality in rivers particularly those flowing in urban areas due to effluent discharges from sewers, drains and industrial areas.
- Increased frequency of floods and droughts possibly due to climate change factors and poor catchment management practices, and
- Proliferation of water hyacinth in water bodies possibly as a result of nutrient pollution of the waters.

The problems listed above are associated with various pressures including the following:

- increasing populations that exceed the capacity of water supply schemes.
- increasing demand for water resources for industrial production and irrigation activities.
- increasing land clearances due to expansion settlement and agricultural activities - a practice that results in soil erosion and increasing sedimentation problems in water reservoirs.
- discharge of untreated or partially treated industrial and domestic wastes into water bodies and
- inadequate enforcement of water legislation and policies.

The National Water Resources Management Policy developed in 1994 outlines the policy and strategies for sustainable water management in the country.

While the policy addresses most matters pertaining to provision of water services, it is silent on issues related to water resources conservation such as catchment protection and rainwater harvesting. Other aspects not addressed by the policy include regional commitments or cooperation between Malawi and its riparian countries, disaster preparedness, monitoring and evaluation of the water resources in the country.

tailoring, sanitation (VIP), credit training etc. However, at municipal level, the momentum has scaled down due to funding problems and tasks have not been performed to expected levels except in Blantyre and there is need to revitalise them by identifying the obstacles.

In Lilongwe and Blantyre, Urban Networks have been put in place bringing together communities and NGOs. This enables the communities to source funds from the NGOs for the implementation of various projects but the limiting factor has been the non-availability of budgetary allocation on the part of the Assemblies for such activity.

This positive move was not without problems. The people in the previous regime used to handouts so much so that it becomes difficult for the same people to attend meetings when they are aware that they will not get allowances. As a result the culture of dependency on outsiders is strong. The communities have had no opportunity to evolve a culture, values, skills that would support a self-determined development process. Sometimes CDCs are formed in a hurry and do not fully understand their roles and responsibilities.

Chapter 4

Economic Development

Strengthen small and micro-enterprises, particularly those developed by Women

Background

Government continues to place more emphasis on the development of micro and small-scale enterprises (MSEs) in recognition of the important role that they play in the economic development of the country. The total number of MSEs is estimated between 240,000 and 600,000 units employing just over a million people. Most are operated or owned by one person and over half of them are less than 3 years old and 35% less than one year old indicating a high rate of death of enterprises. In order to address the constraints that are faced by MSEs a number of initiatives have been put in place in support of the sector, these include:

- The creation and support of public and semi public MSE support institutions to provide financial, business and technical assistance;
- Encouragement and facilitation of the establishment of NGOs dealing with MSEs;
- Establishment and operationalisation of the Government Preferential Purchase Programme (GPPP) and the Bulk purchase and Distribution of Raw Material scheme;
- Establishment of the Small and Medium Scale Enterprise Support Fund; and

- Launching the Small Enterprise Development Programme (SEDP) of the Government of Malawi/United Nations Development Programme (GOM/UNDP) 5th Country Programme. This started in January, 1992 and came to a close on 30th June, 1997. Under the theme "Human Development: From Poverty to Self-Reliance" the SEDP was designed to tackle one of the salient features of poverty in Malawi, namely, a weak small-scale enterprise sector. The principle objective of the SEDP was to create alternative off farm income and employment opportunities in order to reduce poverty.

The major outputs of SEDP include the following:

- (a) Development of a Policy Statement for micro and small enterprises.
- (b) Provision of such interventions as entrepreneurship training and skills development; credit; appropriate technology and marketing services.
- Launching of the The Enterprise Development and Employment Creation Programme is a successor to the Small Enterprise Development programme. EDEP, sub-programme under the Sustainable Livelihood Programme of the GOM/UNDP 1st Country Cooperation Framework (CCF) covers the period 1997 - 2001. The overall objective of the Sustainable Livelihoods Programme is to ensure that the very insecure poor especially women in rural and urban areas are identified and assisted to establish adequate capacities, structures, means and incomes to meet their basic requirements, particularly by creation of opportunities through promotion of enterprises and generation of employment.

The overall objective of EDEP is to create an enabling environment for viable development of micro, small and medium enterprises (MSMEs) that would expand opportunities for employment creation and private sector activities. The total number of people who received training under EDEP in the 14 months of operations totaled some 2,298 of which 60% were women.

- A number of policy and related initiatives have been undertaken since April, 1997 under the Enterprise Development and Employment Creation Programme and these are:
 - (a) Development of the Cooperatives Development Policy which has since been approved by Government;
 - (b) Development of the Cooperatives Bill which has since been passed by Parliament in December, 1998;
 - (c) Development of a Micro and Small Enterprises Policy which has since been approved by Government;

- (d) Development of a Micro Finance Programme for Malawi to be financed by the United Nations Capital Development Fund (UNCDF);
- (e) The Government has also finalized work on the draft Strategy Document for the Development of MSMEs in Malawi.

A mid-term evaluation of EDEP in September/October, 1999 has resulted in the sharpening the focus of interventions and introducing competitive bidding in the delivery of services to micro and small enterprises. This has been done to make sure that more and more of resources are channeled towards reaching the beneficiaries. The evaluation revealed that impact at grass roots level has begun to show as beneficiaries are beginning to utilize skills gained from the various training programmes.

Other Programmes

Since 1986, the Government has also been promoting income generating and micro-enterprise activities for women in the rural part of the country.

This involved a number of projects such as Training women in Economic Activities (TWEA), Promotion of Micro-enterprises for rural women (PMERW), and Population Health and Nutrition (PHN)/Women in Development (WID). These projects have since phased out into a programme called Economic Activities Programme (EAP), which has four components namely: Credit management, Business management, Appropriate Technology (AT) component and Planning component.

The goal of the programme is to increase the number of rural men and women to engage in profitable and sustainable economic activities in order to improve their incomes.

The main functions of the programme and project is to sensitize the women and men on opportunities for them to venture into economic activities or businesses by mobilizing them into groups, training them in business and credit management as well as appropriate technologies and skill, linking them to relevant financial institutions e.g. NBM, CBM, MRFC, and MUSCCO. The Government has also trained staff to continue with the training and advisory services in the rural areas.

So far the Programme has managed to train well over 4,000 women in business and credit management and over 200 groups have been linked to Financial lending institutions doing various businesses.

Although the focus of EAP is on both women and men, 70% of the beneficiaries are women.

Encourage Public - Private Sector Partnerships and Stimulate Productive Employment Opportunities

The Government of Malawi recognizes the private sector as an engine of economic growth. As such the Government has made clear its commitment and determination to implement strong measures to promote private sector participation for economic growth and employment.

Over the year, the Government has developed policies and the necessary legislation to encourage the development of an effective and vibrant private sector in general, and micro small and medium enterprises (MSMEs) in particular. These policies are meant to create an enabling investment, production and trading environment and at the same time encourage the growth of linkages in the economy.

The enactment of Privatisation Act in 1996 is one important examples of the Government's commitment to the reform effort. The Government has also fully embraced privatization as a policy and it is expected that this would benefit the private sector tremendously. The stated objectives of privatization are to increase economic efficiency, enhance competition, reduce monopoly, and promote and expand Malawi business ownership, and raise government revenue. In this regard the Privatisation Commission was established to implement the Act.

The government further enacted the Investment Promotion Policy which among other things, created the Malawi Investment Promotion Agency (MIPA) and also aimed at promoting both local and foreign investment in Malawi and hence boosting the level of employment in Malawi.

One of the Government policies worth mentioning is the Export Processing Zone (EPZ) programme, which is guided by EPZ Act. Under the programme those manufacturing for export are accorded special incentives. Currently there are about 25 EPZ companies which have been granted Enterprise Certificates in clothing, textiles, horticulture, electronic and wood sub-sectors. Companies operating under EPZ are labour intensive creating high employment opportunities.. The programme has created 11,000 jobs directly with many more indirectly.

The Government is further committed to ensure implementation of programmes that encourage full participation of the private sector through public/private consultations for a such as the Business Council. In addition the Government has established a Special Task Force on the Economy (STAFE) comprising Government Ministries, high level civil servants and selected private sector representatives. The purpose of such bodies is to enhance Public-Private sector partnerships that see through implementation of action plans aimed at effectively addressing a few but most important constraints to economic growth.

CHAPTER 5

GOVERNANCE

Background

There has been a wide range of political changes in Malawi since 1994. In 1995 a new constitution was adopted which guarantees the full range of civil, cultural, social, political and economic rights. The current government's policy reforms give the highest priority to consolidating democracy, in addition to poverty alleviation.

At the centre much has been done to consolidate democracy and improve governance. The introduction of such institutions as Independent Judiciary, an Electoral Commission, Law Commission, Ombudsman etc. are indications of government's commitment to democratisation. Efforts are now directed to consolidate democracy and good governance at district level.

The National Decentralisation Policy was approved in October 1998 after a long consultative process. The policy devolves wide-ranging powers for local governance and development to elected Local Governments called Assemblies.

A new Local Government Act enshrining the Decentralisation Policy was passed by Parliament in December 1998.

Promotion of decentralisation and strengthening local authorities

Completion of the Legal Framework

The passing of Local Government Act necessitates the revision of a number of laws with a view to harmonise the new Local Government Act with other existing laws to remove contradictions. A Task Force under the Technical Committee of the Cabinet Committee on Decentralisation was established to review relevant legislation. The Task Force reviewed 28 Acts and made recommendations for the revision or repeal of 17 of the Acts.

Administrative Reform

This is aimed at creating institutional arrangements and systems for decentralisation and the following has been carried out:

(a) Merger of District Administration and Local Government

This involved merging offices at the district level to establish one administration. A comprehensive functional review has been completed. This review contains

recommendations concerning how to strengthen the capacity of Department of District and Local Government Administration and Assemblies.

(b) Establishment of Interim Administration at District level

Interim Chief Executives, Directors of Finance, Administration and Development Planning were assigned in December 1999 to Assemblies. This allowed the management team to be in place by the time elected Councillors are seated. However, while staff numbers look adequate in some of the departments, there is still lack of capacity and skills to adequately carry out planning, management, supervisory, researching, evaluation, monitoring, and re-organising functions. Therefore there is need for training and motivation to curb the brain drain to improve efficiency and effectiveness but funds are limited.

(c) Inter-governmental Fiscal Transfers

The government of Malawi is aware that for local Assemblies to perform well, there is need to have a good system of intergovernmental fiscal transfers that will ensure that proper financing mechanisms are in place. The main revenue sources include: property rates; ground rents; fees and licences; commercial undertakings; and service charges.

Encouragement and support of participation and civic engagement

In cities and municipalities, Community Development Committees (CDCs) were formed. CDCs are representatives of the community and contribute to development in partnership with the Local Assembly. The CDCs serve as a bridge between the local assembly through the councillors and the community to allow officials to know more about the needs of the people in the Traditional Housing Areas (THAs) and informal housing areas. CDCs are intended to raise awareness about goals and objectives of the services initiated for the benefit of the community. This ensures co-operation and commitment of the community to contribute efforts towards sustainable development. By forming CDCs, the community gets an opportunity to participate in development process including decision-making. The Assemblies have supported CDCs by providing training in project planning and management including action planning. Other structures such as Project Committees have dealt with developmental activities as well but there is little community involvement in the development of city plans leaving the city disaggregated.

Partnerships

Empowering and strengthening district level authorities can be achieved through partnerships with Community-Based Organizations (CBOs) and Non-Governmental Organizations (NGOs), which ensure the communities, are empowered and control their development. Any success in reducing poverty and sustainable human settlement

development cannot be achieved by government alone. An active civil society needs to play a leading role in reaching out to poor people, advocating friendly development policies and pushing for more resources to reduce poverty. Therefore well co-ordinated participatory methodologies in which the state, the private sector and civil society organize themselves to explore grassroots solutions to poverty alleviation and sustainable human settlement development would be of paramount importance. In the cities and municipalities there have been partnerships with NGOs like Habitat for Humanity and Christian Service Committee, Save the Children Federation, American Embassy, MASAF in the provision of housing and other necessary infrastructure. However, private sector organizations have not participated fully and there is need for sensitization. It is also imperative that proper co-ordination need to be put in place between the Assemblies and NGOs to reduce duplication of effort.

Ensure transparent, accountable and efficient governance of towns, cities and metropolitan areas

Adequate financial controls will be put in place to ensure that any funds within the Local Assemblies will be utilised effectively and can be accounted for. The Local Government Finance Committee (LGFC) is put in place to ensure that budgets are adequately prepared, that spending is in accordance with budget plans by reviewing management reports on quarterly basis, that local assemblies alter behaviours in response to audit reports with subsequent reporting to Parliament on the performance of local governments. In a sense, the LGFC is to bear the brunt of the financial oversight activities that are used to ensure financial accountability. However, there is need to work out modalities in a manner that will not undermine the budgeting and planning autonomy of Assemblies.

The Act and the Decentralisation policy have deliberately encouraged Assemblies to be transparent with the provision of working committees such as the finance committee, works committee, plot allocation committee etc that are mandated to approve any expenditure, awarding of contracts and other activities. Very few Assemblies such as Blantyre City have for the first time employed the participatory budgeting system where rate payers and other stakeholders have been consulted in prioritising activities that the Assembly should direct resources on.

In addition controlling procurement procedures will be of great importance. In this context, there will be procurement committees, which will be charged to conduct its affairs in transparent manner by following procedures.

A set of financial management and account manuals has been developed for District Development Fund (DDF). The accounts staff in all districts has been trained in the use of these manuals.

However, the absence of councillors has made transparency difficult to monitor and there is need that problems have to be identified that have made Assembly operations non – accountable.

CHAPTER 6

INTERNATIONAL COOPERATION

Enhance International Cooperation

In Implementing her National Plan of Action, Malawi has benefited from the International Community. For example, the formulation of the Housing Policy and Review of the Rural Housing Programme, UNCHS (Habitat) provided technical and financial support. The World Bank, DANIDA, USAID, FAO and DFID have supported the formulation of the Land Policy.

UNCHS (Habitat) and UNDP have also supported the Local Urban 21 programmes in the cities of Blantyre and Lilongwe. The World Bank has also supported the Malawi Social Action Fund, a programme that mainly focuses on infrastructural development in rural and urban areas.

The United Kingdom is the largest bilateral donor in Malawi with assistance totaling about \$100 million per year. The expenditure profile is aimed at building partnerships that promote poverty elimination, equity and human rights. The six impact areas are: rethinking the role of government, including decentralization; economic and financial management; human rights; better access and quality of basic health and education; sustainable rural livelihoods and; safeguarding the environment.

Germany has an assistance programme of about \$15 million annually concentrated in the areas of agriculture (prevention of post-harvest losses, promotion of horticulture especially organically grown produce, livestock improvement), education, rural development through promotion of secondary centers as growth nodes, democracy and good governance plus, historically, commodity aid in the form of medical drugs for direct distribution to hospitals.

Denmark provides about 20 million per year through structural adjustment support (initially debt relief) and projects in the education, health, natural resources and good governance sectors. Interventions include livestock improvement, promoting poultry and dairy farming, small scale irrigation and district environmental plans. The Danish government also provides support to various constitutional and civic bodies (e.g. Parliament, Law Commission and Anti-corruption Bureau).

The Netherlands has historically provided \$3 million per year of debt relief under the 5th dimension debt relief initiative. The nature and future levels of this and other forms of assistance are currently under review.

Sweden has in recent year provided macro-financial assistance in the order of \$5 millions and is actively looking at means to increase the levels of aid, with the social sector the likely beneficiary sectors. Past assistance has been afforded for the training of auditors.

The Canadian International Development Agency (CIDA) has had an in-country presence since 1998. Projects have improved small town water supplies, increased the number of girls in primary school, provided textbooks and pharmaceuticals and increased the bio diversity of Lake Malawi. The current 10 year goal is "*to assist Malawi to create a healthy, educated and productive human resource base*" as one of the prerequisites for reducing poverty and attracting investment. A particular emphasis will be upon promoting gender equality and increasing women's capacities and decision-making in the focal sectors of health, education, water governance and HIV/AIDS. The size of the annual programme, including regional projects of benefit to Malawi is approximately \$7m.

Norway provides 6m annual assistance in the natural resources, education (access for under 10 year old) and health sectors as well as providing macro-financial support in the form of debt relief through a Trust fund administered by the World Bank.

Japan has provided both bilateral grant support and loan assistance through the OECD, but as Malawi has opted for HIPC will most likely discontinue these complementary structural adjustment loans, which add to the external debt burden. Bilateral grant aid has been concentrated in the agriculture, natural resources, communications and water sectors. Macro-financial and commodity aid is given through the Kennedy Round agreements for food and food production, in addition to debt relief grants.

The UN agencies are well represented in Malawi and so most sectors are covered. UNDP focuses its efforts on promoting local government/decentralization and sustainable livelihoods; UNICEF on activities relating to mother and child welfare; FAO, IFAD and WFP on soil and water conservation, smallholder food security and food-for-work safety net programmes.

The IDA arm of the World Bank is the largest lending agency in the country with a gross average annual disbursement of around \$90m and commitments somewhat higher at \$120m. Principal interest repayments total \$ 30m so net resource transfers are \$ 60 m pa. The World Bank has a broad loan portfolio totaling \$1.7 billion representing 65% of the country's total external public debt and is most active in the sale of loans in the agriculture natural resources, health, education, power and road infrastructure sectors. Substantial loans are also committed to the community based Malawi Social Action Fund (MASAF) and structural adjustment in support of sound macro-economic management and market liberalization.

The African Development Bank (ADB/ADF) has a loan portfolio that reflects interest in the agriculture, education and water sanitation sectors. Past involvement in the road transport sector has effectively ceased.

The cumulative total of the overall inflows from the donor community and lending agencies is in the order of 400m each year, equivalent to 18% of GDP. There is an established framework for donor community and lending agency coordination with regular meetings chaired by selected missions taking the lead role in each of the key sectors. Formal annual Consultative Group meetings are held with the government annually which supplement the myriad of individual missions where there remains significant scope for streamlining and coordination of the interface with government.

CHAPTER 7

FUTURE ACTION AND INITIATIVES

Priorities for Shelter Development and Sustainable Urban Development

(a) Shelter

In the period 1996 to present, the government has formulated the National Housing Policy and is in the process of formulating the Land Policy. As regards, human settlements development the major thrust for these policies is to ensure that the housing delivery system enables all Malawians have access to housing. For households in the lowest income groups, the main housing interventions will comprise the regularization of land tenure in existing traditional housing areas, the provision of demarcated plots with secure tenure, the provision of basic infrastructure services, and the promotion of income generating activities. Households with higher incomes will be able to afford other housing options provided mainly by the private sector.

The Government will also ensure that urban land markets operate efficiently and effectively so as to meet the demand for serviced and unserved plots by all income groups.

As regards, housing finance, the government aims at improving; competition in the conventional housing finance market, as well as, access to housing finance by the low and medium income groups, through promotion of Community Based Organisations and provision of guarantees and insurance cover for loans, among others.

In short, government aims at providing an enabling environment with a decentralized housing delivery process so as to take advantage of the unexploited potential of the corporate sector, local authorities and the civil society, to set their own priorities and to mobilize resources.)

The Government recognizes that infrastructure provision is essential for effective private sector operations. However, huge financial outlays necessitate that the

Government should allow for private sector participation in infrastructure development. In this regard, efforts are underway to develop modalities for private sector participation in infrastructure development. What is missing at the moment is a clearly articulated dominant policy goal on what the government expects to achieve from private sector participation in infrastructure provision.

(b) **Social Development and Eradication of Poverty**

Recognizing the need for coordination of poverty eradication initiatives, and the involvement of stakeholders in the war against poverty as well as the need to prioritize interventions, the Malawi Government is in the process of preparing the Poverty Reduction and Growth Strategy Paper (PRSP). The commitment to prepare the PRSP has already been shown through the preparation of the Interim PRSP presented at the 2000 Consultative Group Meeting in May this year

The PRSP presents an opportunity for Government to re-visit its poverty reduction strategy. It is intended to be a well-focused policy document to be used by both the government and the donor community for development programming. As such it is vital that the new framework reflects broad consensus on effective policies targeted to growth and poverty reduction.

It is crucial that issues of the environment, shelter and health be taken on board from the start. This means involving various stakeholders that are involved in the provision of shelter and health services 5.1. The PRSP will indicate short-term policy options focusing on limited number of programmes deemed to be capable of having remarkable impact on the economy for a period of three to five years.

(c) **Environmental Management**

The National Water Resource Management Policy (1994) among other things encourages that:

- Water should be managed and used efficiently and effectively in order to promote its conservation and future availability in sufficient quantity and acceptable quality.
- Water allocation should recognize that water is social as well as an economic commodity hence should be distributed in a manner that maximizes maximum benefit to the country.
- The pricing of water should reflect demand and cost of water services.
- All programs related to water should be implemented in manner that mitigates environmental degradation while optimizing benefits by the consumers.
- In planning and providing water services consideration should be given to safe disposal of waste resultant water.
- The government shall facilitate the participation of stakeholders in both the public and private sectors to ensure that needs of their relevant interests are met.

Better water management would require innovative technologies to make full use of the limited resource and to safeguard the water from pollution. It will also require that water management be integrated into national economic and social policies including land use planning and protection of river banks and catchment areas. In Malawi, the Water Resources Board assumes responsibility for ensuring that catchment areas are not utilized for agricultural production and human settlement, limiting physical developments to 50 meters from any water body.

The way to deal with waste problems is to encourage waste prevention approaches focused on changes in attitude, life styles and in production and consumption patterns. National plans are needed to minimize the generation of waste and to ensure that wastes are re-used, recycled and safely collected and treated. Waste control programs should be developed in cooperation with local governments, businesses, non-governmental organizations and the consumers. The government needs to provide incentives to recycling and to fund pilot programs aimed at household-based waste reduction initiatives e.g. urban agriculture, recycling, composting and recovery of energy and materials from wastes.

Public education, regulations and financial incentives are needed to encourage the industries to redesign production technologies aimed at reducing waste and encouraging consumers to switch on to materials that can be safely re-used. Although there is no principal statute on waste management and sanitation, the Environmental Management Act (EMA, 1996) contains provisions that can be used to guide and regulate waste management and disposal in the country.

Priorities for Capacity Building and Institutional Development

(i) Economic Development

National Capacity Assessment for micro, small and medium enterprises (MSMEs) - the Government, with support from the UNDP, carried out capacity assessment and institutional audit of selected MSME support institutions in order to determine strengths and gaps, and to define roles that these institutions could play in the development of MSMEs;

(ii) Private Sector Development Project

The Government of Malawi with support from the World Bank, embarked on a private sector development project which is aimed at unveiling constraints to private sector development and consequently developing a strategy to address the constraints. The Strategy will also highlight Malawi's competitive advantage in various existing, emerging and potential industries. It is

believed that this will contribute to Malawi's increasing industrial production capacity hence creating more employment opportunities and enhancing economic growth.

(iii) **Governance**

1. Decentralisation policy revolves around four main objectives, which briefly can be stated as follows:
 - (a) To create a democratic environment and institutions in Malawi for governance and development at the local level, which will facilitate the participation of the grassroots in decision-making;
 - (b) To eliminate dual administration at the district level with the aim of making public service more efficient, more economical and cost effective;
 - (c) To promote accountability and good governance at the local level in order to help government reduce poverty; and
 - (d) To mobilise the masses for socio-economic development at the local level.

2. **Devolution of Political Local Power to Local Assemblies**

Responsibility for local governance and development will be entrusted on elected leaders. Therefore the realisation of this objective depends on the holding of local elections. These are scheduled to take place in November 2000. The local leaders that will be elected during the impending local government elections need to be trained to encourage partnership between local and central government in an attempt to promote democracy and decentralisation.

3. **Mobilisation of Financial Resources**

As for ground rents this will await decentralisation of land and land administration to Assemblies. A study called Local Authorities Access to Land was carried out in 1995 where recommendations were made to transfer all public land within the Cities and municipality to respective local Assemblies. It is hoped that the land policy in the making will enshrine this and thereafter implementation will follow.

Central Government Transfers: Government will make available to local levels at least 5% of national revenues, excluding grants to be used for development of districts. In addition Government will pay 50% value of government rateable properties. However, the procedures and the time frame seem not to be clear and apart from the paper work, little progress has been achieved in this area.

4. Line Ministries

Line Ministries will retain responsibility over the following areas: policy formulation; policy enforcement; inspectorate; establishment of standards; training; curriculum development; international representation etc. In undertaking this responsibility, line Ministries will have direct links with local authorities as instruments of service delivery over professional and operational issues. However, policy and other issues affecting all local authorities as instruments of local government and development will be channelled through the Department of District and Local Government Administration.

5. Department of District and Local Government Administration

This will provide primary guidance and support to District Assemblies. In this respect the department will facilitate the development of an effective system for governance and development in the form of district assemblies and act as a link between central government and district assemblies.

(e) Priorities for International Cooperation

The government's existing budgetary pressures have continued to erode its direct role in provision of infrastructure for human settlements development. In addition, failure by other players in timely provision of infrastructure at affordable costs have resulted in sprawl of illegal settlements. This problem has been compounded by poverty and lack of access to housing finance. In this regard, for Malawi, the attainment of sustainable human settlements (i.e. adequate shelter for all) greatly requires inputs, by way of resources, from the international community, for infrastructure development and housing finance.

It is pleasing to note, however, that the international community has committed itself to assist Malawi in other sectors. For example: the United Kingdom has indicated that it will assist Malawi in public sector reform including the decentralization programme, through financial support to the budget and debt relief, for civic education and protection of women and

children's rights, land reform, soil fertility and forestry, rural public works, health service delivery, primary education and bio diversity protection.

The USAID has recently prepared its 5 year country strategy plan (2001-5) with the goal of *"poverty reduction and increased food security through broad-based market-led economic growth."* USAID will assist in the natural resources, health, education and good governance/democracy sectors with the strategic objectives to achieve sustainable increases in rural incomes, increased civic involvement in the rule of law, the adoption of behaviours that reduce fertility, the risk of HIV/AIDS and improve child health and improve the quality and effectiveness of basic education.

ANNEX I

NATIONAL HABITAT COMMITTEE

1. Local Authorities

Mzuzu City Assembly
Lilongwe City Assembly
Zomba City Assembly
Blantyre City Assembly

2. Statutory Corporation

Malawi Housing Corporation
Blantyre Water Board
Lilongwe Water Board
Electricity Supply Commission of Malawi (ESCOM)
University of Malawi, Centre for Social Research, and
The Polytechnic

3. Private Sector

New Building Society
Landed Property Agents
Surveyors Institute of Malawi
National Construction Industry Council

4. Non-Governmental Organisation

CONGOMA
Habitat for Humanity
National Association of Business Women
Christian Service Committee
CARER
Women Law Society of Southern Africa

5. **Government Ministries and Departments**

Lands, Housing, Physical Planning and Surveys
Gender, Youth and Community Services
Forestry and Environmental Affairs
Local Government and District Administration
Water Development
Health and Population
National Economic Council
Disaster Preparedness, Relief and Rehabilitation
Commerce and Industry
Finance and Economic Development (Treasury)
Foreign Affairs and International Cooperation

6. **International Community/Agencies**

United Nations Development Programme

ANNEX II

CORE TEAM

Ministry of Lands, Housing, Physical Planning and Surveys
Ministry of Local Government and District Administration
Department of Environmental Affairs
National Economic Council
Malawi Housing Corporation
Lilongwe City Assembly