



United Nations  
Economic Commission for Africa

# COUNTRY PROFILE **2016**



## **MALAWI**





United Nations  
Economic Commission for Africa

# COUNTRY PROFILE **2016**



# **MALAWI**

## Ordering information

To order copies of Country Profile - Malawi, please contact:

Publications Section  
Economic Commission for Africa  
P.O. Box 3001  
Addis Ababa, Ethiopia

Tel: +251 11 544-9900  
Fax: +251 11 551-4416  
E-mail: [ecainfo@uneca.org](mailto:ecainfo@uneca.org)  
Web: [www.uneca.org](http://www.uneca.org)

To download free electronic copies of ECA publications,  
please visit: [www.uneca.org/publications](http://www.uneca.org/publications)

© 2017 Economic Commission for Africa  
Addis Ababa, Ethiopia  
All rights reserved  
First printing: March 2017

ISBN: 978-99944-70-27-3

Material in this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

## Note

The designations used and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations Economic Commission for Africa (ECA) concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process.

# Contents

<b>Abbreviations and acronyms</b>	<b>v</b>
<b>Acknowledgements</b>	<b>vii</b>
<b>1. Overview</b>	<b>1</b>
<b>2. National and regional context</b>	<b>3</b>
<b>3. Economic performance</b>	<b>7</b>
3.1 Economic growth and sectoral performance	7
3.2 Fiscal policy	9
3.3 Monetary policy	10
3.4 Current account	11
3.5 Capital and financial accounts	13
<b>4. Social developments</b>	<b>15</b>
4.1 Demography	15
4.2 Poverty and employment	16
4.3 Health	17
4.4 Education	19
4.5 Gender	20
4.6 The African Social Development Index for Malawi	22
<b>5. Thematic analysis: Agricultural diversification for economic transformation and inclusive development</b>	<b>24</b>
5.1 A case for agricultural diversification	24
5.2 Diversification opportunities	26
5.3 Policy frameworks and strategies	27
<b>6. National data quality evaluation</b>	<b>29</b>
<b>References</b>	<b>30</b>



# Abbreviations and acronyms

CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
IMF	International Monetary Fund
SACU	Southern African Customs Union
SMEs	Small and medium-sized enterprises
OECD	Organization of Economic Coordination and Development public-private partnerships
SADC	Southern African Development Community
TFTA	Tripartite Free Trade Area
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WAEMU	Western African Economic Monetary Union





# Acknowledgements

Country Profiles is a series published annually by the Economic Commission for Africa (ECA). The aim of the series is to disseminate country- and region-specific policy analyses and recommendations for economic transformation, with an emphasis on promoting sustainable growth and social development, strengthening regional integration and facilitating development planning and economic governance. The present series is the result of the close collaboration of the subregional offices of ECA and the African Centre for Statistics. Specific contributions were provided by relevant programme areas of ECA, in particular, the Macroeconomic Policy Division, the Regional Integration and Trade Division, and the Social Development and Policy Division.

The country profile on Malawi was prepared under the overall coordination and substantive guidance of Giovane Biha, Deputy Executive Secretary for Knowledge Delivery of ECA, and the direct leadership of Said Adejumobi, Director of ECA Subregional Office for Southern Africa, with supervision from Sizo Mhlanga, Chief of the Subregional Data Centre. The lead author of the Malawi country profile was Anthony Taylor, Economic Affairs Officer at the Subregional Office for Southern Africa with technical assistance from Marta Duda-Nyczak and Chilo Chiziba, colleague and intern, respectively, of the Subregional Office.

The country profile benefited from substantive inputs from the Ministries of Finance, Economic Planning and Development, Agriculture, Irrigation and Water Development, the National Statistical Office, the Reserve Bank of Malawi, the FAO Country Office and the United Nations Development Programme Country Office.

Valuable contributions and comments were made by the internal review panel, put together by the Operational Quality Section of ECA. We would also like to thank Abbi Kedir, a Research Fellow in the Management School at the University of Sheffield, for his expert critique and review.

A special mention goes to the Publications Section for ensuring the editing, translation, design and printing of the 2016 Country Profiles series.

# Malawi at a glance

General information		Rankings	
Region	Sub-Saharan Africa	Human development index (United Nations Development Programme)	173/188 (2014)
Official language	English	Gender inequality index (United Nations Development Programme)	140/155 (2014)
Currency	Malawian kwacha	Ibrahim index of African governance (Mo Ibrahim Foundation)	17/54 (2015)
Capital city	Lilongwe	Ease of doing business index (World Bank)	164/189 (2015)
Memberships in regional economic communities	SADC, COMESA	Corruption perceptions index (Transparency International)	110/175 (2014)



## Economic growth

The real gross domestic product (GDP) of Malawi fell sharply to 3.1 per cent in 2015, from 5.7 per cent in 2014. It dropped further to 2.7 per cent in 2016, as a result of the 2014 and 2015 El Niño-induced droughts. It is projected to rise to 4.5 per cent in 2017.



## Fiscal policy

A tight fiscal policy regime has contributed to improved public financial management and stricter control of government expenditures. In 2015, the country recorded an increase in revenues and grants compared to the previous year. Revenue, particularly from income and profit taxes, increased by 8.5 per cent in 2014 and then by 8.6 per cent in 2015, while the budget deficit narrowed to 3.9 per cent in 2015 from 5.8 per cent in fiscal year 2014/15.



## Monetary policy

Inflation ranged from 21 to 27 per cent between 2012 and 2015, while the Malawian kwacha (MK) has been depreciating steadily. From 2005 to 2015, it depreciated, from MK118.40 to the United States dollar in 2005 to MK499.6 in 2015.



## Current account

The current account balance has continued to be in deficit, ranging from the \$744.7 million in 2012 to \$1.248 billion in 2013 in the last five years to 2016. The deficit is projected to have narrowed to \$916.3 million in 2016 as a result of tighter control on expenditures and monitoring measures.



### Capital and financial accounts

The country has been affected by a decline in global foreign direct investment (FDI) inflows, particularly in 2014. FDI inflows into Malawi decreased from \$918.6 million in 2012 to \$570.0 million in 2015 and are expected to have declined further to \$493.1 in 2016.



### Demography

The population of Malawi was estimated at 15.8 million in 2014, an increase of 2.7 million from the 13.1 million recorded in the 2008 census. Estimates based on the 2014 census indicated that, more than half of the population, 8.1 million, were female and about 16.4 per cent resided in urban areas.



### Poverty

Some 50.7 per cent of the population is classified as poor, namely those with income below the poverty line of \$1.25. The poverty level is higher in the rural areas than in the urban areas, according to the most recent Integrated Household Survey (IHS), which was conducted in 2012.



### Employment

As of 2013, 5.5 million are employed out of the working population of 7.8 million. This equates to an 80-per cent employment rate, of which 64 per cent work in the agricultural sector. Also of note, is 89 per cent of the labour force work in the informal sector.



### Health

Life expectancy at birth was estimated to be 57.6 years in 2016. Malarial-related deaths in 2012 were recorded at 3.3 per cent, down from 5.6 per cent in 2009; tuberculosis-related deaths was 8 per cent in 2013, down from 20 per cent in 2006; and infant mortality per 1000 live births was 61.78 in 2015.



### Education

The country's national literacy rate was 71.3 per cent in 2013. Net primary school enrolment rate was 85 per cent in 2014 and the pupil to qualified teacher ratio was 68:1 in 2016.



### Gender

Significant progress can be shown in some sectors, including access to finance and secondary school enrolment, where females have outperformed males. Gender parity can be shown in health-related areas and in the economic sector, in particular in labour force participation. There are some areas of concern, nevertheless, in the political and socioeconomic sectors, where females face significant disadvantage.



## Overview

The gross domestic product of Malawi has been fluctuating since 2010. GDP growth nosedived from 6.9 per cent in 2010 to -0.6 per cent in 2012, climbed to about 6 per cent in 2013 and 2014 and then tumbled to 3.1 per cent in 2015. Key macroeconomic fundamentals include very unstable exchange rates. The Malawian kwacha depreciated from an average of MK156.5 to the U.S. dollar in 2011, to an average of about MK706.8 to the U.S. dollar in 2015. Also of note, interest rates and the inflation rates have been high. In mid-2016, the bellwether interest rate was 27 per cent and inflation stood at 19 per cent.

Agriculture is the key sector in the economy, contributing an average of 30 per cent to GDP. From 2014 to 2015, the country's GDP growth rate declined significantly from 5.7 per cent to 3.1 per cent because of adverse weather and climatic conditions, which disrupted the harvests of the country's major food and export crops. GDP is projected to have continued to decline to 2.7 per cent in 2016. However, it is expected to rebound to 4.5 per cent in 2017, supported by better weather conditions and the expected recovery in the agricultural sector, particularly in the food crops subsector. Malawi, similar to most developing country, tend to run budget deficits. From 2010 to date, the country's budget has been in a deficit with the exception of the 2011 budget. Implementation of tight fiscal and monetary policies, underpinned by prudent economic and financial reform measures has started to brighten the prospects of the country's economic performance. Comparatively, GDP growth of Malawi ranked below average in 2015 among the members States of the Southern African Development Community (SADC) subregion and among all the countries in Africa.

The population living in urban areas has increased to about 16.1 per cent, resulting in unintended consequences and pressures on public services and natural resources, in particular land, water and forestry. As of 2014, youth (15-30 years) literacy levels are at 83.3 per cent and the secondary school gross enrolment ratios are 39.4 per cent. The proportion of higher positions held by women is at 16.7 per cent. Malarial prevalence and deaths are 3.3 per cent, infant mortality is 61.78 out of 1000 live births, and a reduction in maternal deaths is at 574 out of 100,000 live births. These figures represent social gains, which are the result of intensified investment and increased budgetary allocations to the health sector. Some key challenges of the country are rising food insecurity, unpredictable

and vulnerable weather conditions and patterns, falling fiscal revenues, shrinking donor inflows, and a lacklustre external sector, among others. Consequently, the Government has resolved to diversify the agricultural sector by intensifying irrigation farming in order to transform the economy from its excessive dependence on rain-fed agriculture. Ultimately, it is striving to increase productivity and attain inclusive and transformative growth and sustained development for the growing population.

## National and regional context

The GDP growth rate of 3.1 per cent in Malawi in 2015 was below the averages of the SADC subregion and African region of 3.9 and 3.6 percent, respectively (figure 1). It surpassed only South Africa and Zimbabwe in the subregion, which grew by only 1.3 and 1.5 per cent, respectively. Compared with 2014, economic growth slowed significantly from 5.7 per cent. This can be attributed to adverse weather conditions, which disrupted the 2015 harvest, and, in turn, resulted in a contraction in growth of the agriculture sector to 1.6 per cent (Malawi authorities and IMF, 2016). In 2016, the economy is projected to have grown by 2.7 per cent, which is above the projected 2.0 per cent average real GDP growth of SADC member countries. The lower economic growth among SADC member countries is primarily the result of external conditions (SADC Secretariat 2015a). Meanwhile, the projected average real GDP growth rate of Africa in 2016 of 3.7 exceeds the estimated rates for Malawi, as well as for the SADC member countries (African Development Bank, OECD and UNDP 2016). In 2017, the growth rates of Africa and Malawi are projected to rise to 4.5 per cent.

The slowing economic performance of Malawi in 2015 triggered unstable macroeconomic conditions, such as the unpredictable depreciation of the exchange rate during the tobacco season, scarcity of food; the weakening of the kwacha against major trading currencies, prompted by the general strengthening of the U.S. dollar and speculation among currency traders on the local market. The domestic currencies in other countries in the subregion also depreciated significantly. For example, the local currency of Zambia depreciated by 90 per cent against the U.S. dollar, as compared to 70 per cent for the kwacha (Ministry of Finance, Economic Planning and Development, 2016b).

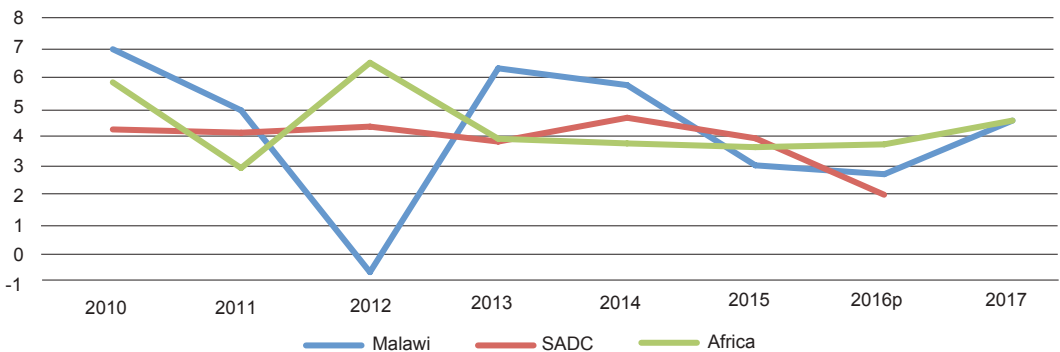
In general, economic growth was expected to have declined in the SADC subregion in 2016 because of the continuing fall in commodity prices and a reduction in electricity production related to drought, which has lowered the overall output of the economy and increased the cost of power. This has resulted in diseconomies of scale, which, in turn, has led to slowing growth (Ministry of Finance, Economic Planning and Development, 2016b).

In 2014, SADC had the highest proportion of intraregional trade in Africa at 19.3 per cent of its total trade, followed that of the East African Community (EAC) at 18.4 per cent. The Western African Economic Monetary Union (WAEMU) and the Southern African Customs Union (SACU) had intraregional trade proportions of 15.3 per cent and 15.7 per cent, respectively.

The Tripartite Free Trade Area (TFTA) and the proposed continental free trade area (CFTA) are designed to spur intraregional and continental trade and investment. TFTA comprises the 19-nation Common Market for Eastern and Southern Africa (COMESA), the five-country East African Community (EAC) and the 15-member SADC, making it the largest free trade zone in Africa. TFTA accounts for more than 58 per cent of continental output and covers 48 per cent of its countries in Africa and 57 per cent of the population. TFTA also accounts for 25 per cent of intraregional trade, whereas other blocs account for an average of 15 per cent. To accelerate regional integration and boost regional trade, TFTA focuses on: (a) harmonizing existing regional trade agreements; (b) facilitating the flow of goods between countries and along transport corridors; (c) improving links between members by developing cross-border infrastructure; and (d) allowing free movement of business persons (African Development Bank, OECD and UNDP, 2016).

In that regard, box 1 depicts the status and positions of Malawi in the African Regional Integration Index, with respect to its membership in SADC and COMESA. It further highlights the country's performance and progress and realization of some of the key obligations, criteria, and targets that it is committed to, including: (a) free movement of persons; (b) trade integration; (c) productive integration; (d) infrastructure; and (e) financial integration and macroeconomic policy.

**Figure 1 : Average annual GDP growth (%) (2010-2017)**



Sources: African Development Bank, OECD and UNDP (2016); National Statistical Office (2015).



### Box 1: Africa regional integration index - Malawi

The Africa regional integration index is designed to measure the extent to which each country in Africa is meeting its commitments under the various pan-African integration frameworks, such as Agenda 2063 and the Abuja Treaty. The index, which is a joint project of the African Development Bank, the African Union Commission and ECA, covers the following dimensions: (a) free movement of persons; (b) trade integration; (c) productive integration; (d) infrastructure; (e) financial integration; and (f) macroeconomic policy convergence. The following section gives highlights of selected indicators.

#### Overall rank :

Eleventh in SADC (score – 0.36). Best performer in SADC is South Africa (score – 0.74).

Eleventh in COMESA (score- 0.41)\*

Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
Eighth in SADC (score – 0.6). Ninth in COMESA (score- 0.29).	Tenth in SADC (score – 0.49). Best performer in SADC is South Africa (score – 1). Tenth in COMESA (score- 0.57).	Tenth in SADC (score – 0.28). Best performer in SADC is Zimbabwe (score – 0.74). Seventh in COMESA (score- 0.5).	Seventh in SADC (score – 0.46). Best performer in SADC is Botswana (score – 0.82). Seventh in COMESA (score- 0.47).	Fifteenth in SADC (score – 0). Best performer in SADC is South Africa(score – 0.91). Sixteenth in COMESA (score- 0.21).

Malawi ranks moderately to poorly within both SADC and COMESA in the overall index, attaining eleventh place.

**Free movement of persons:** moderate to poor score (eighth in SADC, ninth in COMESA). Malawi has not yet ratified the relevant SADC and COMESA instruments concerning free movement of persons, rights of establishment and free movement of workers. Nonetheless, more than 80 per cent of other SADC member States may enter Malawi visa-free, and the remaining 7 per cent may enter with a visa on arrival, while 55 per cent of COMESA member countries are required to have a visa and 40 per cent of other member States may enter Malawi visa-free.

**Trade integration:** moderate to poor score (tenth in both SADC, and COMESA). Malawi incurs an average applied tariff of about 1.6 per cent on imports from SADC (based on data for 2014); this was the seventh lowest in the bloc, and 0.015 per cent on imports from COMESA (it was placed second-to-last among COMESA member countries). Over the period 2010 to 2013, imports from the rest of SADC accounted for only 18 per cent of GDP, which was the seventh-highest ranking among SADC member countries. Imports from the rest of the COMESA member countries accounted for 5.3 per cent, which was the fifth-highest ranking among COMESA member countries. On the other hand, the country's exports to SADC as a share of GDP averaged 4.2 per cent over the same period (the sixth-lowest level among SADC member countries) and exports to COMESA averaged around 3.4 per cent of GDP, which was the eighth-highest level among COMESA member countries.

\* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa regional integration index and will be added to subsequent updates of the ECA country profiles.

**Productive integration:** moderate to poor score (seventh in COMESA, tenth in SADC). Malawi appears to be only weakly integrated into regional value chains. Its trade is weakly complementary with that of its partners. The UNCTAD merchandise trade complementarity index for Malawi was 0.10 vis-à-vis the rest of SADC between 2010 and 2013. This indicates weak correlation between the exports of Malawi and the SADC import structure. The share of intermediates in the imports of Malawi from SADC was 22.8 per cent over the same period (the fifth-highest in the bloc), while 31.8 per cent of the country's imports from COMESA were intermediates (the fifth-highest in this bloc as well) for which data were available. The Malawi share of intermediates in total exports to SADC averaged 23.8 per cent (the fifth-highest in the bloc), while 31.5 per cent of its exports to COMESA were intermediates (the sixth-highest level among COMESA members for which data were available).

**Infrastructure:** moderate score (seventh in both SADC, and COMESA). The country ranked ninth among SADC member countries in its average performance in the Africa Infrastructure Development Index between 2010 and 2012. About 83 per cent of international flights to and from Malawi are intra-SADC, which was the eighth highest among SADC member countries, while 77 per cent of its international flights were intra-COMESA (the sixth highest among COMESA member countries). Intra-African mobile phone roaming was relatively less expensive in Malawi, which had the fourth-lowest roaming rate among SADC member countries for which data were available.

**Financial integration and macroeconomic policy:** poor score (fifteenth in SADC, sixteenth in COMESA). The country's inflation rate of about 28.3 per cent was the highest inflation rate in SADC and the second-highest inflation rate in COMESA.

Overall, Malawi has performed moderately to poorly in the area of infrastructure, free movement of persons, trade integration, productive integration, and performs weakly in financial integration and macroeconomic policy. Regarding specific policy measures that could boost its performance are concerned, Malawi may consider adopting other macroeconomic policies, such as reducing inflation rate, ratifying the SADC and COMESA instruments on free movement of persons and allowing visa-free entry for the nationals of a greater number of countries within the region, and looking into other measures to boost intraregional trade in goods and services.

## Economic performance

### 3.1 Economic growth and sectoral performance

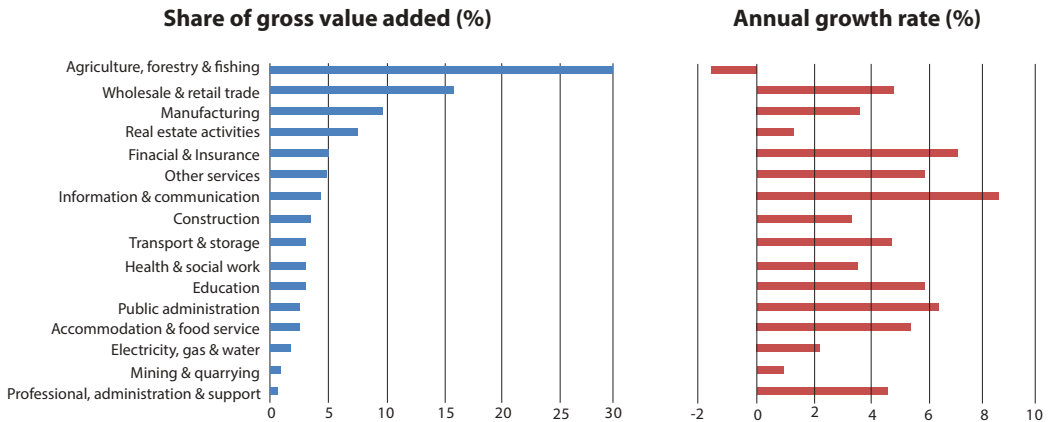
As indicated earlier, the economy of Malawi underperformed significantly in 2015, as its GDP growth declined sharply to 3.1 per cent from 6.2 per cent in the previous year (figure 1). The rapid slowdown resulted mainly from negative growth of the agriculture sector, the backbone of the country's economy. The adverse effects of the *El Niño* phenomenon, which were related to unfavourable weather and climatic conditions, such as delayed rains, dry spells and floods in January 2015, culminated in a 1.6 per cent overall reduction in agricultural production. Notable, however, the production of tobacco, the country's principal cash crop and export earner, did not decline. Other factors behind the slowing growth were very high inflation and interest rates, unstable exchange rates, and suspended donor funding of the budget, as a result of the "cashgate" scandal of 2013 (Ministry of Finance, Economic Planning and Development, 2015).

The agriculture sector, comprising crops, livestock, forestry and fisheries subsectors, accounts for about 30 per cent of GDP (figure 2). The projected growth in the sector of 3.2 and 6.9 per cent, respectively, in 2016 and 2017 is also expected to spur rising GDP growth rates of 5.1 and 7.0 per cent, respectively in the corresponding periods (Ministry of Finance, Economic Planning and Development, 2016b).

The services sector, which contributes about 56 per cent to GDP, increased marginally, by 1.2 per cent in 2015. Wholesale and retail trade activities accounted for 16 per cent of GDP in 2015, followed closely by real estate activities, financial and insurance services, and information and communication, which accounted for 7.7 per cent, 5.2 per cent, and 4.3 per cent of GDP, respectively.

Industry, composed of the manufacturing, mining and quarrying, gas, electricity and water supply, and construction subsectors, accounted for the remaining 14 per cent of GDP in 2015. With a share of 9.6 per cent of gross value added, the manufacturing subsector grew by 3.8 per cent in 2015, down from 6.3 per cent in 2014. It is projected to ease to 3.4 per cent in 2016, before climbing to 5.4 per cent in 2017 (Ministry of Finance, Economic Planning and Development, 2015).

Figure 2: Sector share and growth (2015)

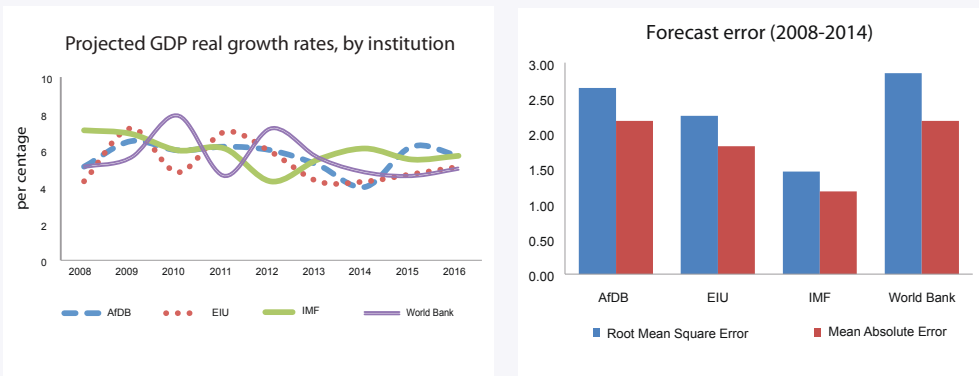


Source: Ministry of Finance, Economic Planning and Development (2016).

**Box 2: Comparing economic forecasts for Malawi**

Economic forecasts provide essential information for decision-makers in the public and private sectors. Reliable economic forecasts inform and support a reliable decision-making process. A number of organizations produce forecasts on economic growth in Malawi. Among others, are: the African Development Bank, the Economist Intelligence Unit, the International Monetary Fund (IMF) and the World Bank. For the period 2008-2016, the forecasts produced by these organizations at times matched each other and, at other times, diverged from each other, by as high as 3.1 percentage points (see the figure A). IMF provided the most optimistic forecasts for growth, averaging 5.9 per cent over the period 2008-2016. The most optimistic growth rate forecasts for 2016 were from IMF and the African Development Bank (5.7 per cent), followed by the Economic Intelligence Unit (5.1 per cent) and the World Bank (5 per cent).

The degree of accuracy of these forecasts is an important issue. Hence, ECA has conducted an analysis to assess the reliability of forecasts, using the root mean square error and the mean absolute error, which are common measures used to evaluate forecasts. Generally, the higher the value of these errors, the less accurate the forecasts. ECA analysis of forecasts\* over the period 2008-2014 indicates that the IMF forecasts are relatively more accurate followed by those from Economic Intelligence Unit and the African Development Bank, while the projections from the World Bank had relatively high forecast errors (see figure B).



\* For more information on these terms and the ECA approach to evaluating the accuracy of forecasts, see ECA (2015).

### 3.2 Fiscal policy

The fiscal policy regime in 2015 in Malawi continued to be tight in order to promote the country's enhanced public financial management system, instil fiscal discipline and control the budget, and provide efficient service delivery to the public. The significant progress accomplished in that regard, contributed to improved macroeconomic stability and the Government's resumed participation in the Enhanced Credit Facility programme of IMF.

Government revenue and expenditure for 2015 faced some constraints associated with the depreciation of the kwacha, which resulted in increased costs of imports for essential goods, such as fertilizer and drugs, the need to respond to humanitarian tragedies, and difficulty in financing critical service delivery and capital projects. The Government cut domestic borrowing from 3.38 per cent of GDP in 2014 to 0.7 per cent of GDP in 2015. This, in turn, resulted in a reduction in the domestic debt stock. During the year, a marginal increase in revenue and grants was recorded – amounting to a 22.1 per cent share of the total GDP compared to that of 21.9 per cent in 2014 (figure 3). This can be attributed in part to grants extended by the African Development Bank, and to sound public finance management measures put in check.

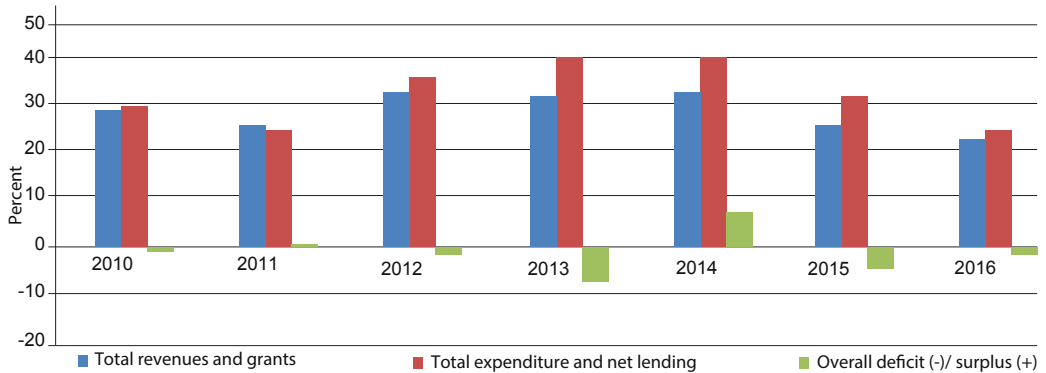
Despite the implementation of improved revenue collection reforms by the Malawi Revenue Authority in 2015, taxes on goods and services declined slightly to 16.5 per cent of GDP from 16.8 per cent in the previous year. On the other hand, the tight fiscal policy regime contributed to a slight improvement in the budget deficit, from 5.8 per cent in 2014 to 3.9 per cent in 2015 (Ministry of Finance, Economic Planning and Development, 2016).

Given the current challenges, consideration should be given to broadening the domestic revenue base for the objectives of macroeconomic stabilization are to be achieved.

**Table 1 : Fiscal indicators (percentage of gross domestic product, 2011-2016)**

	2012	2013	2014	2015	2016
Total revenues and grants	28.2	23.7	21.9	22.1	22.2
Tax revenue	16.5	18	17	16.8	16.5
Non-tax revenue	1.7	2.4	2.4	2	1.5
Grants	10.5	3.5	3.5	3.7	4.4
Total expenditures and net lending	29.9	22.95	27.7	25.9	26.2
Current expenditure	23.7	24.96	22.3	19.5	18.8
Capital expenditure	6.2	4.59	5.4	6.3	7.3
Fiscal balance	-1.7	-5.83	-5.8	-3.9	-3.9

**Sources:** Ministry of Finance, Economic Planning and Development (2014; 2015; 2016b).

**Figure 3: Overall fiscal balance as percentage of gross domestic product**

Sources: Ministry of Finance, Economic Planning and Development (2014; 2015; 2016b).

### 3.3 Monetary policy

As part of the effort towards achieving sustainable growth and employment, the Reserve Bank of Malawi implemented a tight monetary policy regime in 2015, with the objective to achieve: low and stable inflation and prices; build adequate foreign exchange reserves; and encourage investment (Reserve Bank of Malawi, 2016b).

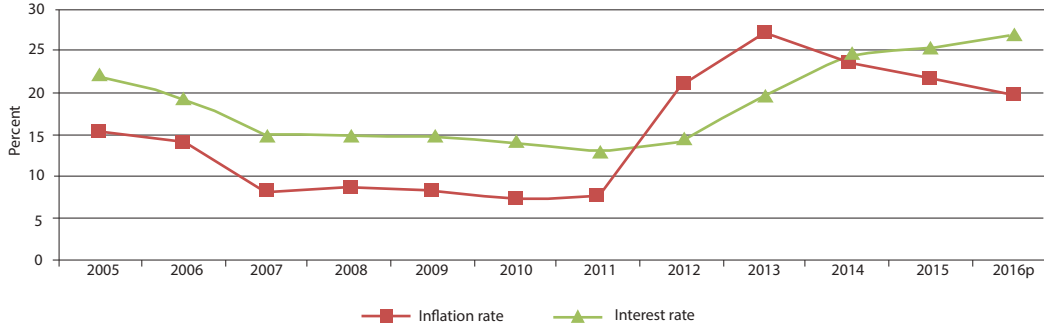
#### Inflation

Average annual inflation in the periods 2007 to 2011 surged to very high rates of 21.3 and 27 per cent in 2012 and 2013, respectively. It eased to 23.8 per cent in 2014 and then slid further to 21.8 per cent in 2015. It remained at 21.8 per cent in 2014.

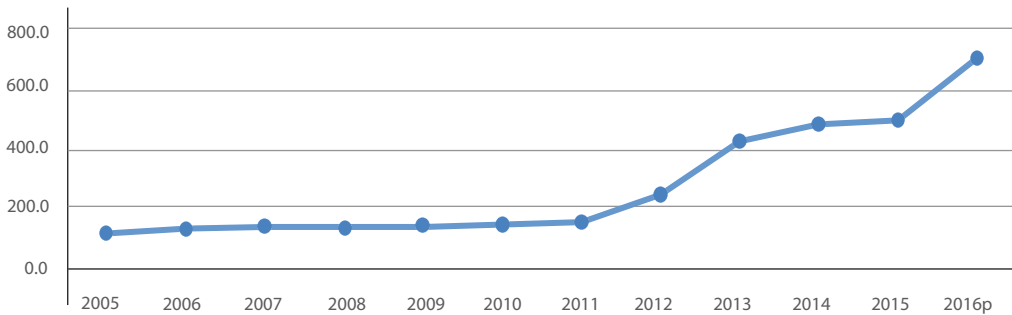
As indicated in the previous paragraph, inflation rates remained persistently high in Malawi. They ranged from 21 to 27 per cent from 2012 to 2015 (figure 4), and significantly topped the SADC and African averages of 7.8 and 6.5 per cent, respectively. The high rates were the result of high food and non-food inflation rates and the depreciation of the kwanza. As high inflation rates have adverse effects on growth, poverty and investment, government authorities took measures to significantly lower the rate. As a result, inflation fell from 23.8 per cent in 2014 to 21.8 in 2015, 19.8 per cent in 2016, and is expected to fall to a single digit in 2017.

#### Exchange rates

Malawi has been implementing a flexible exchange rate regime, bolstered by tight monetary policy measures to rein in price increases and ensure stability. This notwithstanding, the kwacha has depreciated from MK118.40 to the U.S. dollar in 2005 to MK499.6 in 2015 (figure 5). Several factors are behind the steep deceleration, including: seasonality; the trade balance; commodity prices; and grant/aid inflows to the budget (Reserve Bank of Malawi, 2015).

**Figure 4: Inflation and interest rates (2005-2016)**

Source: Reserve Bank of Malawi (2016c).

**Figure 5 Exchange rate (US dollars)**

Source: Reserve Bank of Malawi (2016c).

The kwacha was expected to have stabilized and maybe even appreciated slightly in 2016, supported by lower fuel prices, improved agricultural production, the resumption of donor budgetary support, government control of expenditure and decreased borrowing. This is expected to have significantly improved the country's competitiveness and attracted private investment.

The Reserve Bank of Malawi made use of a combination of instruments, such as bank rate, liquidity reserve requirements, open market operations, policy rate and sales and purchases of foreign exchange, to achieve the objectives of the monetary policy.

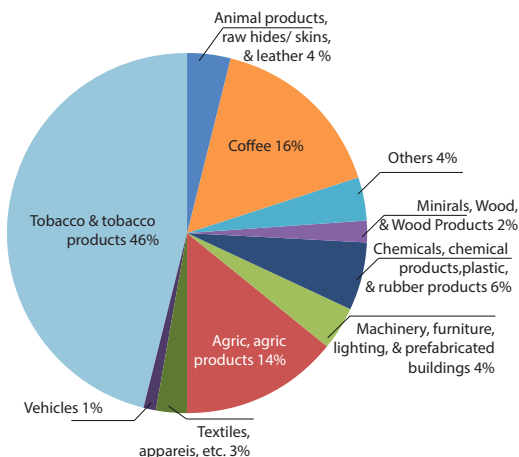
### 3.4 Current account

The current account balance has been in deficit over the last decade. A shortfall of \$1.137 billion recorded in 2011 decreased by 34.5 per cent to \$744.7 million in 2012. It, however, increased significantly by 67 per cent to \$1.248 billion in 2013 before decreasing slightly to \$1.079 billion in 2014. The 2015 deficit of \$936.7 million, representing a 13.2 per cent decrease in 2014, was projected to have decreased further by 2.2 per cent to \$916.3 million in 2016 (Ministry of Finance, Economic Planning and Development, 2016).

Malawi's exports are dominated by agricultural products, with tobacco comprising about 46 per cent of total exports as of 2015 (figure 6). In 2012, exports from Malawi totalled \$1.183 billion compared to \$1.425 billion in 2011. The 17 per cent reduction in exports was caused by a significant decline in the shipment of sugar and sugar confectionary, which was partially offset by an increase in tobacco exports. In later years, the export of tobacco decreased significantly, but was counterbalanced by a substantial increase in sugar and sugar confectionary exports, which resulted in a 2.1 per cent increase in 2013. There was a slight increase in 2014 of tobacco exports due to favourable market prices for the commodity. The increase was complemented by a jump in machinery net exports from \$1.208 billion in 2013 to \$1.342 million in 2014. Net exports for that year increased by 11 per cent from the previous year. However, in the following year, net exports fell by 19.5 per cent to \$1.080 billion, as a substantial reduction in tobacco exports eclipsed a one-off increase in machinery exports.

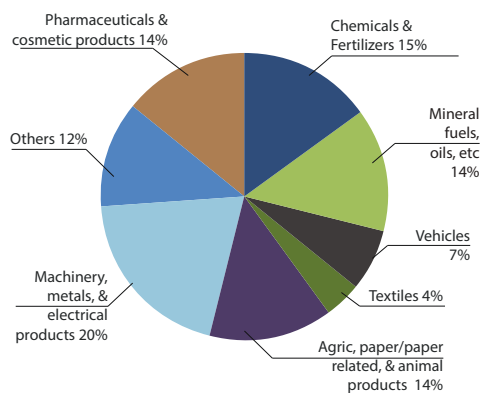
The country's imports, as shown in Figure 7, are mainly comprised of machinery, metals and electrical products, fertilizers mineral fuels and pharmaceutical products. Malawi recorded total imports of \$2.173 billion in 2010. In the following year, total imports increased by 11 per cent to \$2.428, partly due to a significant increase in pharmaceutical and textiles imports. Total imports fell by 4 per cent in 2012 to \$2.330 billion, and increased significantly in 2013, by 22 per cent, as a result of substantial increases in the shipments of fertilizers and mineral fuels to Malawi. In 2014 and 2015, total imports fell by 2.5 and 16 per cent, respectively, to \$2.774 billion for 2014 and \$2.312 billion for 2015 (figure 7), as a result of a reduction in fertilizer imports and mineral fuels and oil products.

**Figure 6: Composition of exports 2015**  
\$1.08 billion



Source: National Statistical Office (2015).

**Figure 7: Composition of imports 2015**  
\$2.312 billion



Source: National Statistical Office (2015).

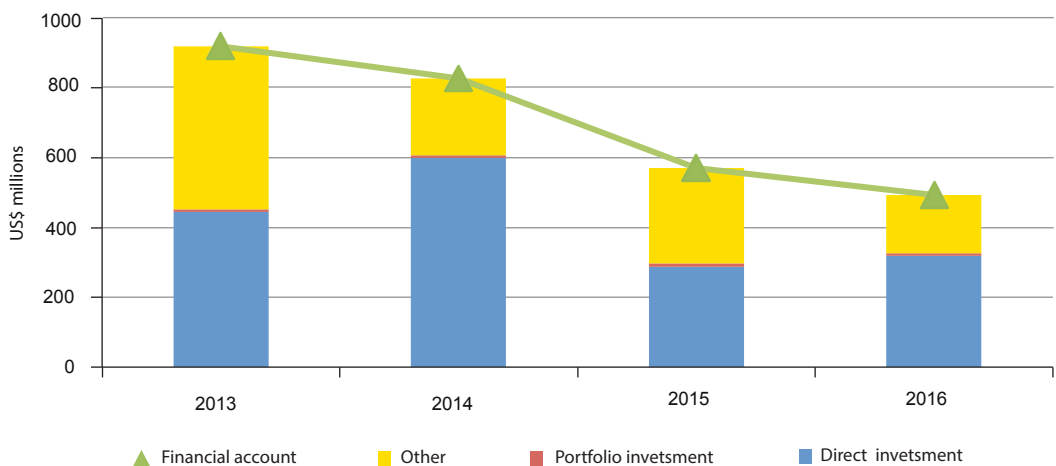


Malawi ranks sixth among SADC members, as of 2015, in terms of value of items it exports to other COMESA member States. COMESA is one of the country's major trading partners. In 2015, the country's exports to COMESA increased by 23 per cent and its imports rose by 25 per cent. As for the European Union, Malawi has been recording a trade surplus, but imports from the trade bloc increased by 1.5 per cent in 2015. As for SADC, net exports decreased significantly from 2014 to 2015, by 23 per cent. Trade in Malawi has been facilitated by a number of policies and trade agreements, such as the National Export Strategy, which is aimed at reducing current account deficits. The National Export Strategy is being complemented by other policies, such as the National Industrial Policy which aims to increase the share of manufacturing in the overall national gross value added and, ultimately, result in increased exports and reduced dependency on imports. The SADC-EAC-COMESA Tripartite Free Trade Area (TFTA), launched in 2015, embodies great potential and a rich enabling environment for trade with Malawi (Ministry of Finance, Economic Planning and Development, 2016b).

### 3.5 Capital and financial accounts

Since 2013, the net financial account balance has been declining steadily. It fell from a net of \$918.6 million to a net of \$828.3 million the following year, and further to a net of \$570.0 million in 2015. As for 2016, it is expected to have been a net of \$493.1 million (figure 8). The declines for the past years can be traced to decreasing global FDI inflows which started to decline significantly in 2014. As a result of the fragile global economy, policy uncertainty for investors and elevated geopolitical risks global. FDI fell by 16 per cent during that year. This had an adverse spillover effect on most developing economies FDI inflows, including those of Malawi (UNCTAD, 2016). The country's financial account has mostly consists of FDI followed by other investments, while portfolio investment comprises a negligible share of the account.

**Figure 8: Financial account balance (2013-2016)**



Source: National Statistical Office (2015).

The investment policies of the Government of Malawi are principally dedicated to trade liberalization, promotion and facilitation, with a few investment conditions, so as to reduce restrictions and promote sector-specific liberalization.

Investment restrictions are placed on areas that can pose a threat to national security, such as energy and defence. Most of FDI has been directed to the energy sector followed by the manufacturing and mining sectors. Over the past five years, the leading sources of FDI are from Australia, China, India, the Republic of Korea, South Africa, the United Arab Emirates, the United Kingdom of Great Britain and Northern Ireland and South Africa (Ministry of Finance, Planning and Economic Development, 2016b).

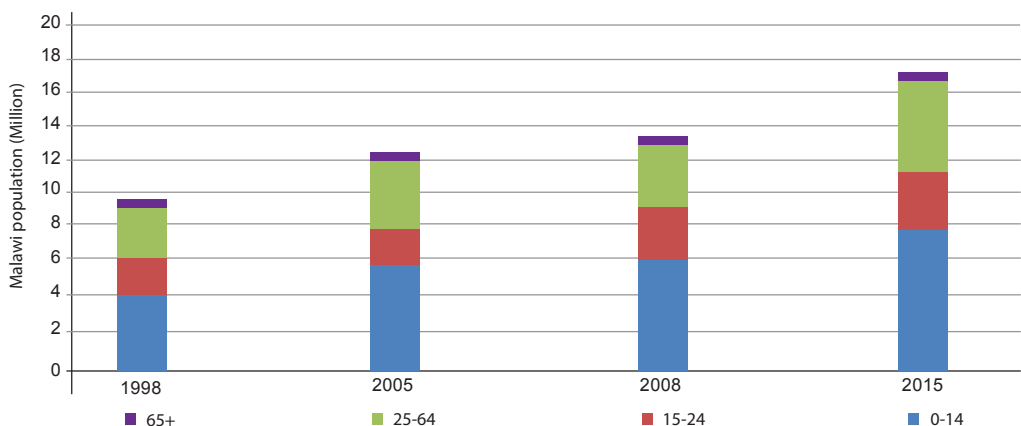
## Social developments

### 4.1 Demography

The population of Malawi in 2014 was estimated at 15.8 million (National Statistical Office, 2015), up from 13.1 million in the 2008 census. The female population was 8.1 million and about 16.4 per cent of the population resides in the urban areas. The population is young as youth comprise almost half of the total. The population growth rate was 2015. Based on that, the number of people living in Malawi is expected to double by 2040. Life expectancy at birth, estimated at 56.8 year in 2015, has been rising, as a result of increased government expenditure on basic health infrastructure, facilities, services, personnel, and cooperating partners' support to the health sector. Malawi has a very high population dependency ratio of about 94, indicating very high pressure on the working population (National Statistical Office, 2009).

As can be seen in figure 9, the young population of Malawi has been rapidly, contributing to a growing youth bulge. This will naturally expand the 15-64 age-group comprising the country's workforce, and serve as a potential for future employment, productivity growth and socioeconomic development. These positive demographic trends may be negated, if the high growth rate, as a result of the high fertility rate, does not ease. Therefore, to strike a balance between population growth and socioeconomic development, the Government has developed comprehensive population management policies and strategies (MGDS 2011-2016).

**Figure 9** Malawi population 1998-2015



*Source:* National Statistical Office (2015).

## 4.2 Poverty and employment

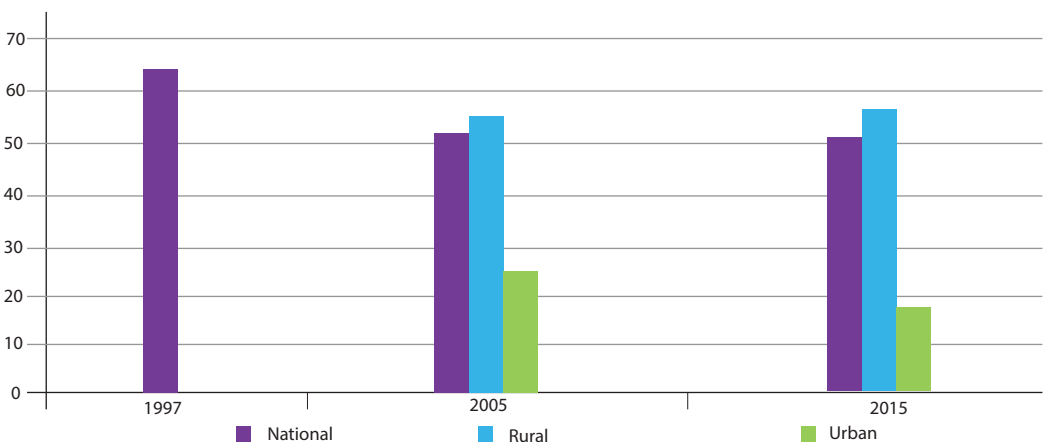
Although Malawi has recorded robust economic growth rates since the mid-2000s, the country's poverty levels have remained persistently high, improving only slightly. This is one of the country's development challenges. In the 2015 *Human Development Report*, the Human Development Index for Malawi improved minimally to 0.445 in 2014 from 0.439 in 2013. Its ranking also improved slightly from 174th to 173rd out of 188 countries. Of note, it is below the averages of 0.493 and 0.502 for countries in the low human development group and in Africa (UNDP, 2013).

The results of the most recent Integrated Household Survey, conducted in 2012, showed that the poverty levels of Malawi, namely the per cent of the population classified as poor (with income below the poverty line of 1.25), was 50.7 per cent, over half of the population. The number dropped by 3.24 and 19.75 from poverty levels of 52.2 per cent in 2004, and 65.3 per cent in 1997, respectively (figure 10).

The survey also showed that poverty levels are higher in the rural area, at 55.9 per cent in 2005 and 56.6 per cent in 2012, compared to the urban area levels of 25.4 and 17.3 per cent, over the same reference periods. Poverty levels were highest (63.3 per cent in 2012) in the Southern region, followed by the Northern region (59.9 per cent) and Central region (48.7 per cent). Despite the gains in alleviating poverty, it is of great concern that while national and urban poverty levels are falling, rural poverty levels are rising, mainly due to the high rural population, limited income generation activities associated with the largely subsistence agricultural sector, and unavailability of basic public services.

Inequality in Malawi, unlike poverty, has worsened between 2004/05 and 2011/12. Nationally, the Gini coefficient increased from 0.390 in 2004/05 to 0.452 in 2011/12. Although higher

**Figure 10: Malawi Poverty Levels % of Population**



Source: National Statistical Office (2015).

in urban area as compared to rural areas, it worsened more in rural areas, from 0.339 to 0.375, against 0.484 to 0.491 in urban areas, during the same period. Inequality in Malawi is mostly driven by disparities in asset ownership and access to services, such as education, health care and housing, which contribute to income inequality, and discriminatory property, marriage, and inheritance laws, which foster gender-based inequality.

Given these uneven growth outcomes, the Government is implementing a number of initiatives and programmes to address the distortions and ensure that citizens benefit equitably from high economic growth. These include the Social Cash Transfer Programme, the Farm Input Subsidy Programme; the Public Works Programme, the Village Savings and Loans and microfinance. Together with increased efforts and spending on agriculture, health and education, as well as on industrialization and small and medium-sized enterprises (SMEs), the Millennium Development Goal objective of reducing poverty by half was expected to be achieved early in the Post-2015/Sustainable Development Goals implementation phase (Ministry of Finance, Planning and Economic Development, 2015).

According to the latest Labour Market Survey in 2013, the working population of Malawi is estimated at 7.8 million, out of which 5.5 million are employed, resulting in an overall employment rate of 80 per cent. The unemployment rate is 21 per cent, or 1.4 million are out of work. The majority, 64 per cent of the employed, work in agriculture, comprising crops, fisheries, forestry and livestock; vis-à-vis about 80 per cent of the economically active population in the sector. Industry and manufacturing, and services employ about 7 and 21 per cent of the working population, respectively. The results of the survey also indicate that 55 per cent of the employed are self-employed, and 89 per cent of the working population hold jobs in the informal sector (Ministry of Finance, Economic Planning and Development, 2015). According to the Malawi youth age criterion of 15-30 years, the youth employment rate is estimated at 77 per cent (National Statistical Office, 2013).

### 4.3 Health

The health status of the Malawi population continues to register progress in several key fronts. Life expectancy at birth, estimated at 63.9 years (African Development Bank, African Union Commission and ECA, 2016), has improved from 53.4 years in 2011 (SADC Secretariat, 2015b). Progress has been impressive in other health-related areas, including, among others, combating HIV/AIDS, in which the infection rate declined from 24.1 per cent in 1998 to 3.6 per cent in 2010, for 15-24 year-old pregnant women; Malarial-related deaths, which declined from 4.7 per cent in 2006 to 3.3 per cent in 2014; Tuberculosis-related deaths, which decreased from 22 per cent in 1998 to 8 per cent in 2013.

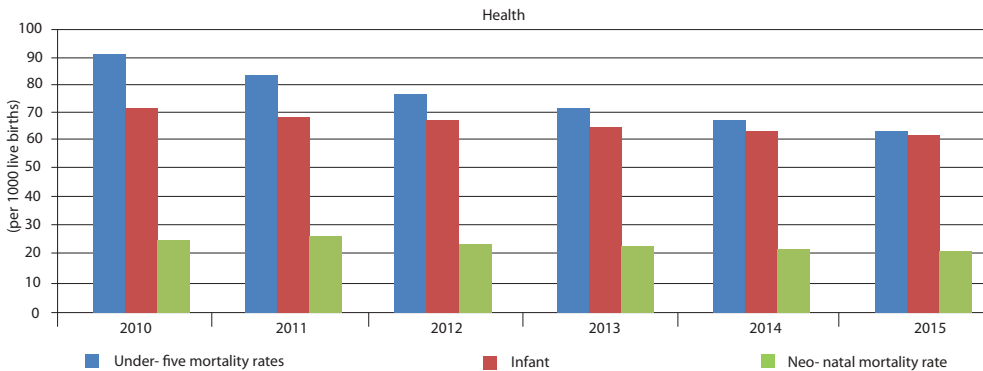
The health status of children and women was reflected in the results of interventions aimed at reducing child mortality and improving maternal health, corresponding to Millennium Development Goals 4 and 5, respectively. As shown in figure 11, the three key indicators of

child health status recorded improvements: under-five mortality rates declined from 112 per 1000 live births in 2010 to 85 in 2014; infant mortality declined 71.05 to 53 per 1000 live births; and neo-natal mortality declined from 25.7 to 21.8 during the same period. Malawi, therefore, met Millennium Development Goal 4.

On the other hand, maternal mortality, in figure 12, declined from 675 per 100,000 live births in 2010 to 574 in 2014. Millennium Development Goal 5 was therefore not met.

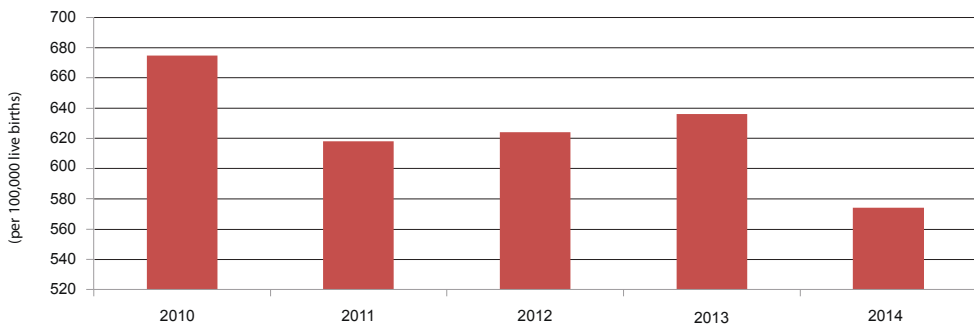
Regarding the nutritional health status of children, Malawi did not meet the related Millennium Development Goal 1 indicator of reducing the prevalence of underweight children below five years. The Demographic and Health Survey, 2015-2016 shows that 48 per cent of children-under 5 years fall under the stunted and severely stunted category, 3 per cent are wasting, and 15 per cent fall under the underweight and severely underweight category.

**Figure 11: Child health status**



Source: National Statistical Office (2015).

**Figure 12: Maternal mortality**



Source: Ministry of Finance, Economic Planning and Development (2015).

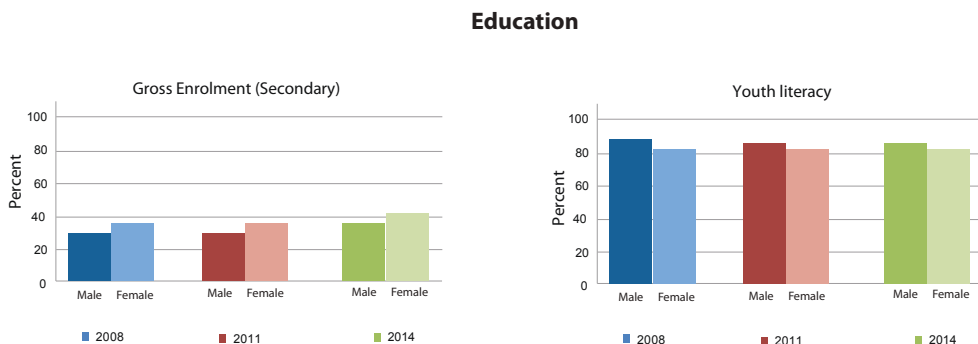
## 4.4 Education

The national literacy rate of Malawi was 71.3 per cent in 2013 (African Development Bank, African Union Commission and ECA, 2016), while the estimated adult literacy rate for the same year was estimated at 61.3 per cent, disaggregated into 70.0 per cent for females and 74.3 per cent for males (UNDP, 2015). These figures represent significant improvement since the 2008 census, which recorded the national literacy rate at 63 per cent, disaggregated into 69 and 58 per cent for males and females, respectively (National Statistical Office, 2009). They also highlight the significant progress and achievements made by the Government in reducing the education gender gaps and enhancing the human resource stock of the country. However, the gaps have been wider at higher levels of the education ladder. Literacy rates of youths (15-24 years-old) have stabilized at a very high level of about 86 per cent from 2008 to 2014 for males, compared to about 81 per cent for females (figure 13).

The Malawi Millennium Development Goals Endline report of 2014 shows improvement in the following: (a) the net primary school enrolment rate to 85 per cent in 2014 from 78 per cent in 2000; (b) primary school retention rates from 69 per cent in 2000 to 87.8 per cent in 2014; (c) the pupil to qualified teacher ratio from 78:1 in 2014 to 68.1 in 2016; the student to qualified teacher ratio from 53:1 in 2011 to 50:1 in 2015; and (d) secondary gross enrolment rates for both males and females from 2008 to 2014 (figure 13). Public expenditures (recurrent and development) in education, have increased progressively, amounting to MK191,656,400 in 2016, compared to MK107,042,980, MK130,582,400, and MK162,817,500 in 2013, 2014 and 2015, respectively (National Statistical Office, 2014).

The above-mentioned progress and achievements can be attributed to the implementation of policies and strategies, including, among others, (a) the Universal Primary Education initiative of 1994, (b) the Free Primary Education Policy; and (c) the National Education Sector Plan.

**Figure 13 : Gross enrolment (secondary) and youth literacy rates**



Source: National Statistical Office (2015).

## 4.5 Gender

The status of gender equality and female empowerment is measured in several sectors, shown in box 3. These are key sectors in determining the improvement of women's living conditions as well as their contribution to the shared sustainable growth of Africa.

In order to evaluate the scale of gender inequality and to measure the level of parity and empowerment of women in Africa, the Economic Commission for Africa developed a monitoring tool, the African gender and development index. The Index helps political decision makers to evaluate their own performance in implementing policies and programmes designed to put an end to the marginalization of women.

Calculation of scores is based on the gender status index, one of the components of the African gender and development index. For each key indicator, the score calculated is an unweighted arithmetical average: the male/female ratio of the indicator values is multiplied by 10 and the result is rounded to the nearest number. A score of zero represents the highest level of inequality, a score of five represents an average level of parity and a score of 10 represents full parity. Parity levels higher than 10 represent situations where women have outstripped men, regardless of the level of development of the sector concerned.

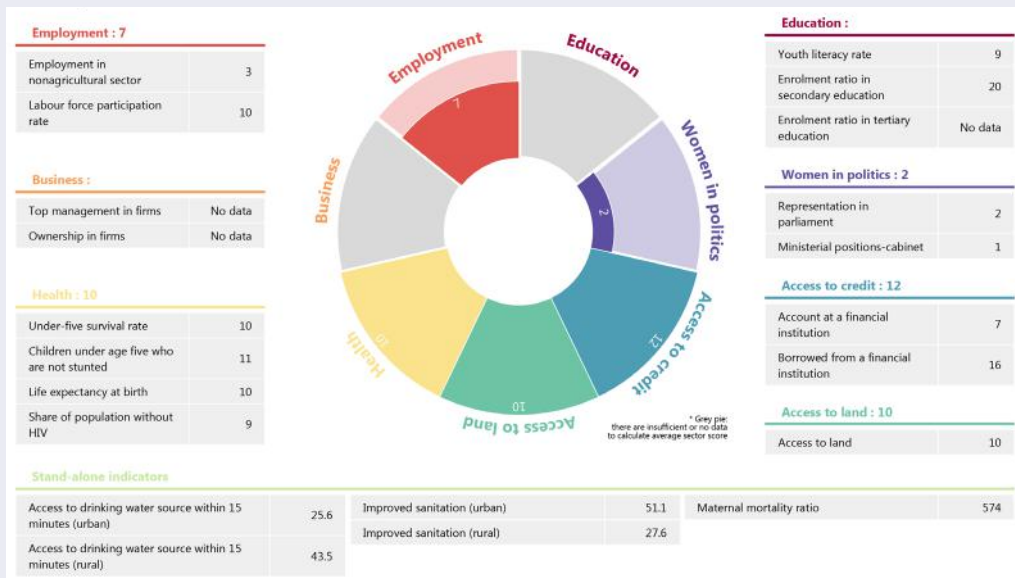
Most of the data used to calculate the scores are drawn from the latest nationally available data sources. However, in the case of a few indicators for which national disaggregated data are not available, international data sources are used.

Gender development in Malawi is centred on the overarching goal of promoting gender equality and empowerment. To this end, the Government has committed to implementing key international, continental, subregional and national development frameworks, policies and initiatives.



### Box 3: Gender equality and women’s empowerment – Malawi

Even though women constitute about 51 per cent of the population, they continue to face significant disadvantages and disparities in access to and distribution of socioeconomic resources and services, and restrictions to political and leadership positions. The Gender Inequality Index value for Malawi of 0.611 in 2014 worsened slightly from the 2013 value of 0.591, while the country’s ranking improved from 174 in 2013 to 173 in 2014 (UNDP, 2013; 2014; 2015). In 2014, the Gender Equality Index empowerment dimension – female seats in parliament was 16.7 per cent, down from 22.3 per cent in 2013. A stark disparity is that of the “population with at least secondary education”, was 11.1 per cent for females compared to 21.6 per cent for males. Gender inequality in Malawi is attributed to deep-seated cultural, socioeconomic, and poverty conditions, encouraged by weak enforcement of legal frameworks and policies, contrary to the provisions of the constitution.



Source : African Union Commission and ECA, 2015.

In some key areas, including access to finance and secondary school enrolment, women have outperformed men. The percentage of women who have borrowed from financial institutions was 7.3 per cent compared to 4.7 per cent for men, with a parity score of 16. Similarly, in relation to secondary school, the 2014 Malawi Millennium Development Goal Endline Survey shows an above parity level for adjusted net attendance ratio (NAR), indicating that girls attend secondary school at a higher rate than boys (National Statistical Office, 2014).

Data for health-related indicators indicate that there is equality between the genders (with a parity score of 10) for children under-5 in terms of survival rate and life expectancy at birth (National Statistical Office, 2016; World Bank 2014). The percentage of under-5 girl children who were not stunted was marginally higher than the under-5 boy children, resulting in a parity score of 11 (National Statistical Office, 2016). The share of women population between 15-24 years old without HIV was 87.1 compared to 91.9 for men, resulting in a parity score of 9.

In the economic sector, the Labour Force Market Survey for 2013 indicates that there is gender equality in labour force participation. For women, it is 88.1 per cent as compared to 90.9 per cent for men. Gender equality is also observed in relation to access to land. The proportion of females with ownership/title/99 years lease in agricultural land (35.1 per cent) was slightly higher than that of males (34.6 per cent), resulting in a parity score of 10 (National Statistical Office, 2013).

Despite significant progress made in some sectors, there are some areas of concern. Gender inequality is observed in the political sector, in particular women's representation in Parliament and in the ministerial positions. According to 2016 statistics compiled by the Inter-Parliamentary Union, only 11.1 per cent of ministerial positions are held by women compared to 88.9 per cent for men. In addition, only 16.7 per cent of the members of Parliament are women. Inequality is also observed in relation to women in wage employment in the non-agricultural sector. Data indicate that there is a higher proportion of men (30.6 per cent) in wage employment in the non-agriculture sector than women (10.7 per cent) (National Statistical Office, 2013) Finally, the demographic and health survey (reveals that the maternal mortality ratio declined significantly from 675 to 574 per 100,000 live births from 2010 to 2014 (figure 12) (Ministry of Finance, Economic Planning and Development,(2015). In the current demographic and health survey (2015/16) of Malawi, this figure seems to have lessened. As the results for maternal mortality rate had not been released yet, it couldn't be included in this report.

## 4.6 The African Social Development Index for Malawi

The African Social Development Index is a policy tool developed by ECA to measure the extent of human exclusion and inequality, resulting from or affecting development efforts to ensure sustainable economic growth and inclusive development, in member States. The index aims to provide reliable estimates of the depth of exclusion in six key dimensions of well-being, focusing on: health; education; employment; means of subsistence; and decent life, by gender and location. The results obtained are used to identify responsive policy measures to ensure inclusive development and track progress in addressing exclusion.

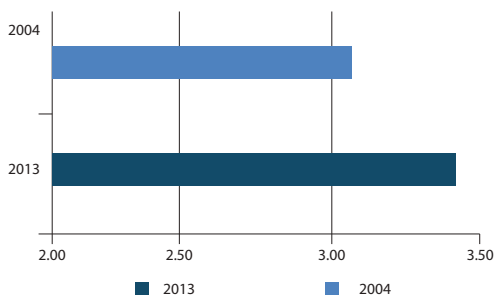
The overall social performance in Malawi is reflected to a large extent in human exclusion, estimated at 3.42 in 2013, as compared to 3.18 in 2004 (figure 14). The increase in exclusion over time has been more significant in urban areas than in rural areas, although the level in the latter remains particularly high (figure 15).

Gender disparities in the extent of human exclusion remain large, although comparatively, the conditions have deteriorated more significantly among men – hence the gender gap has narrowed from a ratio of 0.33 to about 0.05 (figure 16).

### Policy considerations

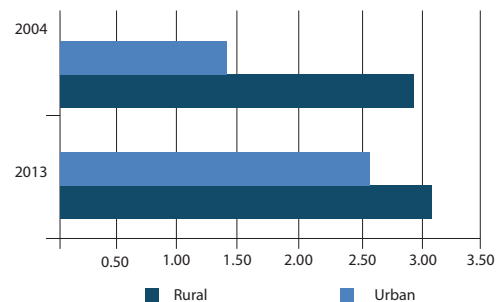
The Government of Malawi has put forth the Second Growth and Development Strategy, underpinning its long-term Vision 2020. The strategy, which constitutes has a medium-term timeframe, revolves around a number of key priorities and strategic areas, including social protection, social development, and sustainable economic growth. The successful implementation of this strategy is expected to move Malawi out of poverty.

**Figure 14 : The African Social Development Index, Malawi**



Source: ECA computations based on national statistics.

**Figure 15: Human exclusion by location**



Source: ECA computations based on national statistics.

Yet, despite these strategic frameworks, there is a general sense that national development policies in Malawi are often well-designed, but fail to be articulated into concrete plans of action that can effectively tackle the high levels of poverty and exclusion in the country.

Poverty and malnutrition remain two critical factors behind human exclusion in Malawi. Child malnutrition, in particular, has cumulative and irreversible effects on the individual physical and cognitive development. It adversely affects child mortality and progress in school. Its effects translates into an overall loss of 9.3 per cent in GDP, which represents an important cost for the individuals and the society as a whole (African Union, African Development Bank and ECA, 2015).

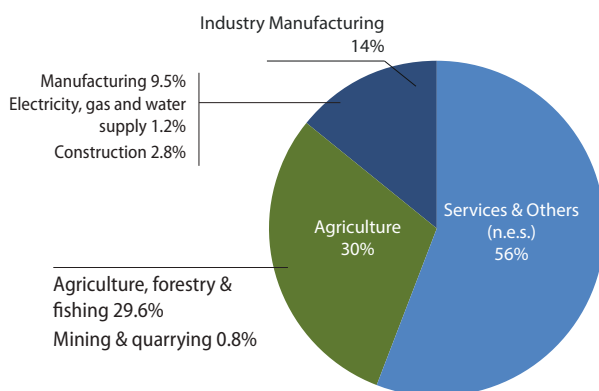
Under the just phased-out Second Growth and Development Strategy, the Government has, starting in May 2014, put in place a number of key public reforms. Strong political will surrounding the reforms represents a real opportunity for Malawi to make a significant dent in poverty reduction, if well implemented. The reforms involve major changes in sectoral policies, including, among others, education, energy and mining, health, finance and local government.

## Thematic analysis: Agricultural diversification for economic transformation and inclusive development

### 5.1 A case for agricultural diversification in Malawi

The robust economic growth rates of Malawi have not translated into significant inclusive growth and sustainable development. The country continues to face several key development structural and systemic challenges. These include: high poverty levels; rapid population growth; a highly undiversified productive base; corruption; a weak public financial management system; inadequate human capacity; and overdependence on donor assistance (averaging 33 per cent of the government budget). Also, with a per capita GDP of \$386 (the lowest in the subregion), the country is one of the poorest least developing countries. Its income is largely derived from the agriculture, fisheries and forestry sector, which accounted for about 30 per cent of GDP in 2015. Mining and quarrying contributed about 1 per cent of GDP. Industry/manufacturing contributed almost 10 per cent of GDP, while electricity, gas and water, and construction add about

**Figure 17: Malawi sectoral shares (per cent of GDP)**



Source: Ministry of Finance, Economic Planning and Development, (2015).

4 per cent. Services, including wholesale and retail trade, transportation, information and communications technology, finance, real estate, public administration and social services make up the remaining 56 per cent (figure 17).

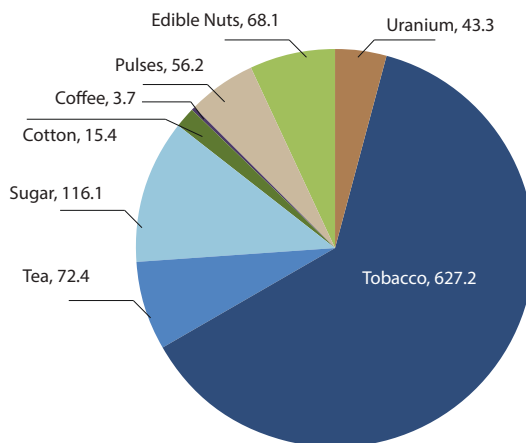
The productive base produces a very narrow range of primary commodities. These commodities, tobacco, tea, sugar, cotton, pulses, edible nuts, coffee, and uranium, are also the country’s major exports, with tobacco, account for more than 60 per cent of the total export value. The value of uranium exports declined significantly in 2014. In 2015 and 2016, no uranium was exported from Malawi because of sharp drops in prices in the world market (figure 18). This limited list of seven export commodities is far below the average for African countries of 34 export commodities (African Development Bank and others, 2012).

The economic performance of Malawi is highly dependent on tobacco production and export. This poses a critical challenge for socioeconomic transformation and sustainable development, given the attendant risks of volatility and variability in tobacco prices in the world market.

It is, therefore, essential that the Government of Malawi embark on a well-formulated, comprehensive and efficient diversification programme, as a matter of urgency.

This reality was acknowledged by President Mutharika in December, 2014, when he said that “... government will [place] emphasis on diversification of agricultural exports in order to increase the economy’s resilience to the impact of unstable prices in the global economy”. The

**Figure 18: Export values of traditional commodities (\$ million)**



Source: Ministry of Finance, Economic Planning and Development, 2015; 2016b).

decisive implementation of policy actions and strategies to diversify the productive base, and broaden and deepen economic activities will enable Malawi to:

Increase economic output and productivity across all economic sectors beyond the traditional agriculture sector and subsectors into the services and manufacturing/industry, as well as boost productivity growth through the acquisition of new skills and improved technology and production.

Create new employment opportunities and generate increased income, particularly for the unemployed youth and women in the urban and rural areas, as well as in the informal sector, through entrepreneurship. For this, access to finance through the banking system is critical.

Reduce poverty and improve well-being through the provision of public works, infrastructure, housing and community projects together with input support programmes and social protection to empower them and build their capacity for gainful economic activities.

Stimulate domestic demand and enhance economic transformation from a primary and unprocessed commodity production-based economy through industrialization and manufacturing of high-value products to satisfy the domestic market.

Promote value-addition and value-chain activities through setting up of agro- and cluster-industries, and light-scale manufacturing factories to enhance the processing of local products and increase local content. Increase export trade and improve the trade balance through increased production of high-value, processed commodities and development of the tourism sector, among others, supported by increased competitiveness and reduced cost of doing business.

Enhance private sector participation of SMEs and public-private-partnerships through development of sound macroeconomic and governance policies aimed at developing a conducive and enabling environment complemented by adequate productive infrastructure (energy, roads and markets), and efficient public services.

Promote regional integration through the domestication, harmonization and implementation of adopted treaties, protocols and frameworks such as TFTA and CFTA, to enhance free movements of people, goods, services and capital; market access, and boosting intraregional and inter-African and international trade.

## 5.2 Diversification opportunities

The diversification drive should prioritize high-value sectors and commodities over the short- to medium-term timeframe of one to three years. Under the short-term, key efforts should focus on improving and expanding the agricultural productive base and upgrading production technologies. In the immediate future, improving the processing technology of existing products needs to be given precedence even if the ambition to jump into the high value sector should be pursued in the long run. There are vast opportunities for increased production and value-addition in the following areas:

- The crops/cereals subsector covering the traditional tobacco, maize and cotton, and the non-traditional groundnuts, rice, cassava, wheat, and horticulture/floriculture, among others;
- The Forestry and agroforestry subsector including pharmaceuticals, cosmetics, and furniture;
- The fisheries subsector to include fish farming and processing, for increased domestic consumption and export; livestock subsector development covering small ruminants and poultry production;
- Tourism and eco-tourism development at national and subregional levels;
- Small-scale artisanal mining development to provide opportunities employment and income-generating activities for youth and women in the informal mining sector.

The Government has articulated a number of initiatives and frameworks aimed at promoting and enhancing diversification opportunities in the above sectors, but implementation has, been a major challenge. Other challenges include: lack of well-prepared and viable projects; lack of commitment; and inability to obtain financing.

## 5.3 Policy frameworks and strategies

As a way forward, the Government, in collaboration with the private sector, other non-State actors, and development partners, should convene a national consultative forum to deliberate on the imperatives of a diversification agenda, strategy and programme for Malawi.

The diversification agenda for Malawi will be facilitated by the concerted implementation of mainly existing policy and strategy frameworks, including, among others:

- Malawi Growth and Development Strategy (and its successor);
- National Export Strategy;
- National Industrialisation Policy;
- National Agricultural Policy;
- National Irrigation Policy and Development Strategy;
- Crops Production Policy;
- Livestock Policy;
- Private Sector and public-private partnerships.



Implementation of the diversification initiative will be pursued through the urgent development of a unified diversification framework that will establish coherence, consistency, and interlinkages among existing policies and strategies. The framework should also have a complementary action plan, resource schedule, and an implementation, monitoring and evaluation framework.

# 6. National data quality evaluation

**Methodological note:** The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is “good”; yellow, “satisfactory” and red, “needs improvement”.

The evaluation focused on the transparency and accessibility of the national data sources, while taking into consideration of the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the database to the general public, the format of the data and the ease in which the data can be downloaded and shared. Data citations together with references to primary or secondary sources, was also assessed. Finally, the evaluation checked the completeness of metadata for data release and the clarity of documentation and notes.

Demography	Value	Evaluation
Population (millions)	15.8 (2014)	1
Child (0-14 years)	n/a	n/a
Adult (15-64 years)	n/a	n/a
Aged (65+ years)	n/a	n/a
Urban population (%)	16.4 (2014)	1
Growth rate (%)	3.1 (2015)	1
Total fertility rate	4.4 (2015)	5
Life expectancy at birth (years)	57 (2005)	1
Crude death rate (deaths per 1000 population)	11.7 (2012)	7
Crude birth rate (births per 1000 population)	40.1 (2012)	7

Key Macroeconomic and Sectoral Performance	Value	Evaluation
Real GDP growth rate (%)	2.7 (2016)	1
GDP, current prices (Billion USD)	5.5 (2016)	1
Inflation rate (%)	19.8 (2016)	2
Current account balance (Billion USD)	0.9 (2016)	3

Economic trends and Performance Indicators	Value	Evaluation
Inward flows of foreign direct investment (Million USD)	493 (2016)	1
Total Exports (Million USD)	1,080 (2015)	1
Exports of manufactured products	n/a	n/a
Total Imports (Million USD)	2,312 (2015)	1

## Data Sources Code Index

1. National Statistical Office [www.nsomalawi.mw/](http://www.nsomalawi.mw/)
2. Reserve Bank of Malawi <https://www.rbm.mw/>
3. Ministry of Finance, Economic Planning and Development [www.finance.gov.mw](http://www.finance.gov.mw)
4. Malawi Labour Market Survey [www.nsomalawi.mw/index.php?option=com\\_content&view=article&id=123&Itemid=123](http://www.nsomalawi.mw/index.php?option=com_content&view=article&id=123&Itemid=123)

Education and employment	Value	Evaluation
Literacy rate (15-24) (%)	86 (2014)	1
Net enrolment rate in Primary (%)	85 (2014)	1
Proportion of pupils starting grade 1 who reach last grade of primary	87.8 (2014)	1
Ratios of girls to boys in primary	1.01 (2014)	6
Ratios of girls to boys in secondary	0.89 (2014)	6
Employment to population ratio total (%)	80 (2013)	4
Population below national poverty line (%)	50.7 (2011)	4
Unemployment rate (%)	20 (2013)	4
Youth unemployment rate (%)	27.5 (2013)	4

Health	Value	Evaluation
Under 5 mortality rate (per 1,000)	33 (2014)	1
Maternal mortality ratio per 100,000 live births	574 (2015)	1
Prevalence of underweight children under-five years of age (%)	12.8 (2010)	5
Infant mortality rate per (per 1,000 live births)	53 (2014)	1
Proportion of births attended by skilled health personnel	71.4 (2010)	5
Contraceptive prevalence rate	42.2 (2010)	1
HIV prevalence among population aged 15-24 years	3.6 (2010)	5
Incidence and death rates associated with malaria (%)	3.3 (2014)	5

## 5. Demographic and Health Survey

<https://dhsprogram.com/pubs/pdf/&> <https://dhsprogram.com/pubs/pdf/MIS18/MIS18.pdf>

6. Annual Economic Report [www.finance.gov.mw](http://www.finance.gov.mw)

7. UNICEF

[https://www.unicef.org/infobycountry/malawi\\_statistics.html#undefined](https://www.unicef.org/infobycountry/malawi_statistics.html#undefined). xiqq

## References

African Development Bank, African Union Commission and Economic Commission for Africa (ECA) (2016). *African Statistical Yearbook*.

African Development Bank and others, (2012). *African Economic Outlook*. Paris: OECD.

African Development Bank, Organization for Economic Cooperation and Development (OECD) and United Nations Development Programme (UNDP). (2016). *African Economic Outlook*. Paris: OECD.

African Union, African Development Bank and Economic Commission for Africa (ECA) (2016). *Africa Regional Integration Index Report*.

Economic Commission for Africa (ECA) (2015). *Approaches to evaluating forecast performance: technical review - August 2015*. Addis Ababa: ECA.

Gondwe, Goodall. (2016) *2016/2017 Budget Speech*, The Parliament Building Lilongwe.

Malawi, Ministry of Finance, Economic Planning and Development (2014). *Annual Economic Report*.

\_\_\_\_\_ (2015). *Annual Economic Report*.

\_\_\_\_\_ (2016a) *Economic and Fiscal Policy Statement 2016*

\_\_\_\_\_ (2016b). *Annual Economic Report*.

Malawi, National Statistical Office (2009). *Malawi in Figures*

\_\_\_\_\_ (2009). *Population projections thematic report*

\_\_\_\_\_ (2013). *Malawi Labour Force Survey 2013*. Zomba, Malawi: National Statistical Office.

\_\_\_\_\_ (2014). *MDG Endline Survey 2014*. Zomba, Malawi: National Statistical Office.

\_\_\_\_\_ (2015a). *Malawi in figures*. Available from [http://www.nsomalawi.mw/images/stories/data\\_on\\_line/general/malawi\\_in\\_figures/Malawi%20in%20Figures%202015.pdf](http://www.nsomalawi.mw/images/stories/data_on_line/general/malawi_in_figures/Malawi%20in%20Figures%202015.pdf).

\_\_\_\_\_ (2015b). *Statistical Year Book*. Zomba, Malawi, National Statistical Office

\_\_\_\_\_ (2016). *Malawi Demographic and Health Survey 2015-16*. Zomba, Malawi, National Statistical Office.

Mutharika, A. (2014) *Upgrade Project For JTI Leaf Malawi LTD*, December, JTI Leaf Malawi LTD.

Researve Bank of Malawi. (2016a). *Monetary Policy Committee Meeting*.

\_\_\_\_\_ (2016b). Monetary policy statement #4. Available from <https://www.rbm.mw/MonetaryPolicy/>.

\_\_\_\_\_ (2016C). *Financial and Economic Review*

SADC Secretariat (2015a) Integrated paper on recent economic developments in SADC

\_\_\_\_\_ (2015b) *SADC Selected Economic and Social Indicators*

United Nations Conference on Trade and Development (UNCTAD) (2016). *World Investment Report*. Sales No. E.II.D.4..

United Nations Development Programme (UNDP) (2013) *Human Development Report, The Rise of the South: Human Progress in a Diverse World*. New York: UNDP.

\_\_\_\_\_ (2014). *Human Development Report, Sustaining Human Progress: Reducing Vulnerabilites and Building Resilience*. New York: UNDP.

\_\_\_\_\_ (2015). *Human Development Report, Work for Human Development*. New York: UNDP.









**UNECA.ORG**

*Printed in Addis Ababa, Ethiopia by the ECA Printing and Publishing Unit.  
ISO 14001:2004 certified. Printed on chlorine free paper.*

ISBN 978-99944-70-27-3



9 789994 470273