

Goal 8. Develop Global Partnership for Development

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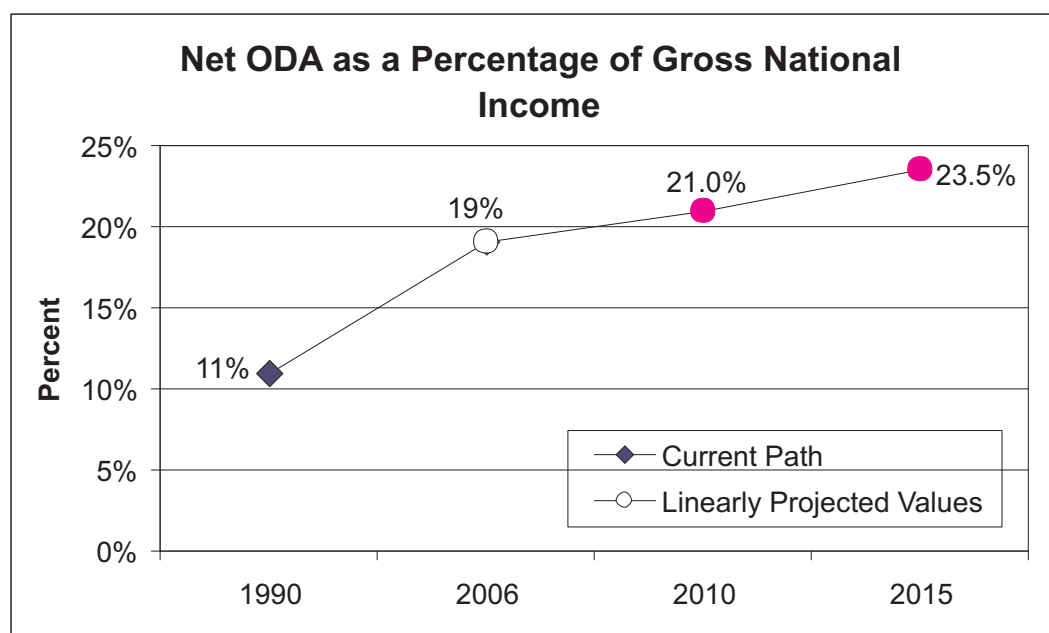
Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Malawi has been and remain a highly aid dependent country since attaining independence in July, 1964, which is being used to finance about 80 percent of development budget and about 20 percent of the a recurrent budget. The budget is being financed through grants and concessional loans from external creditors and donors.

Trends in Aid Flows to Malawi

The trends in ODA indicate that most of the foreign Aid to Malawi is provided towards social development activities such as health, education and nutrition. The proportion of ODA to basic social services was 21 percent in 2006 while the ODA funding for the transport sector was 7.61 percent.

Chart 29: Net ODA as a Percentage of Gross National Income



Source: Ministry of Finance

Chart 29 shows above Net Official Development Assistance to Malawi from 1990 to 2006. Net Official Development Assistance has increased from 11 percent of Gross National Income in 1990 to 19 percent in 2006. In nominal terms Net Official Development Assistance has increased from US\$ 216 million in 1990 to US\$ 409 million in 2006. If this rate of improvement continues, Net Official Development Assistance will increase to about 24 percent by 2015.

Challenges and priorities on aid flows

Although aid flows to Malawi have increased significantly since the early 1990s, there are some challenges which have to be addressed in order to make aid more effective. One of the major concerns for Government is on the level of alignment of donor support towards Government processes. For aid to be effective, it must be aligned with national development strategies and plans. However, a significant proportion of the donor aid by-passes the Government's budgeting process. A survey conducted in 2006 indicated that only 55 percent of the ODA makes use of

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Malawi's budget, financial reporting and auditing systems.

Progress on Debt Relief in Malawi (Indicators 41, 42, 43, 44)

Debt relief was recognised by the international community as one of the avenues for providing resources to HIPC's such as Malawi in order to meet the Millennium Development Goals. Malawi attained the Completion Point under the Enhanced HIPC Initiative in August 2006 having reaching the Decision Point December 2000.

At the Completion Point, Malawi's outstanding debt stock was reduced significantly from US\$2.97 billion as of end-2005 to US\$488.00 million as of end-2006. Multilateral creditors provided US\$2.1 billion while bilateral creditors provided US\$292 million. Most of the bilateral debt relief was provided by the Paris Club creditors through 100 percent cancellation of the bilateral debt stock as of end-2006. With 84 percent of the external debt stock cancelled, Malawi's annual debt service has been reduced from about US\$125 million to US\$15 million, thereby saving an average of US\$110 million for spending on priority programmes for meeting the MDGs.

Malawi's external debt is expected to be highly sustainable after receiving all the debt relief from its creditors under the HIPC and Multilateral Debt Relief Initiative (MDRI). The results of the Debt Sustainability Analysis (DSA) conducted in March 2007 indicated that the ratio of the Net Present Value (NPV) of external debt to exports of goods and services was significantly reduced from an unsustainable position of 229.0 percent as of end-2005 to 34.5 percent as of end-2006, which is below the HIPC acceptable threshold of 150 percent. The ratio of debt service to exports was also reduced from an unsustainable position of 24 percent as of end-2005 to 8.9 percent as of end-2006 and remains below the acceptable level of 15 percent beyond 2015 provided that new loans are contracted on highly concessional terms.

Major challenges and priorities on debt sustainability

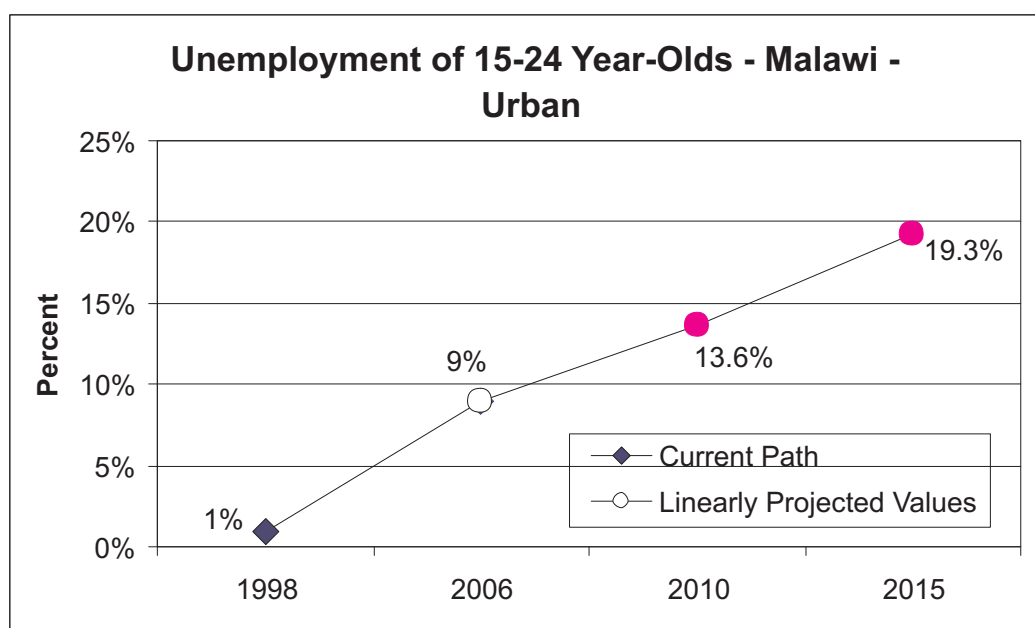
The Multilateral Debt Relief Initiative (MDRI) presents an opportunity for post-completion point HIPC's such as Malawi to attain long-term debt sustainability since it will lead to significant reductions in the external debt stock. However, although Malawi's debt will remain sustainable after Completion Point to the year 2015, she risks reverting back to state of indebtedness should she continue contracting loans to unsustainable levels. Additionally narrow export base, lack of market access and other trade barriers as well periodic shocks to the economy may affect debt sustainability levels.

Long term debt sustainability in post HIPC's such as Malawi can be attained if the international community goes beyond provision of debt relief and address critical issues of trade access to ensure there is no new accumulation of a heavy debt burden. On its part, the Government will address local constraints to debt management by building debt management capacity, contracting loans on highly concessional terms, sustained policy reforms and insulating the economy from periodic shocks.

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Indicator: Unemployment of 15-24 Year olds

Chart 30: Unemployment of 15-24 Year Old (Urban)



Source: 1998 Malawi Population & Housing Census and 2006 WMS

Chart 30 shows that urban unemployment of 15-24 year old has increased from 1 percent in 1998 to 9 percent in 2006. The projection shows that by 2015, urban unemployment rate will be about 19 percent. The reason for the increase in unemployment could be as a result of closure and downsizing of companies, increase in rural-urban migration, which is currently estimated at 6.3 percent as well as restructuring of the civil service, which resulted in some employees losing their jobs.

Policy framework and strategies

Government is addressing problems of unemployment through a number of programmes some of which include the following:

- Establishing Rural Growth Centres, which will help make rural areas attractive thereby reducing rural-urban migration;
- Introduced fertilizer subsidy targeting smallholder farmers which has in turn resulted in increased agriculture productivity and more income for the rural people through sales of their agriculture produce;
- Established and rehabilitated abandoned irrigation schemes, which have made it possible for the rural people to engage in agriculture production throughout the year which will in the long run help curb problems of rural-urban migration as a result of increased income;
- Maintaining a stable macroeconomic framework with low inflation, low interest rates and stable exchange rates thereby making it possible for the business community to access loans for expanding their businesses with an aim of creating more employment;
- Established loan schemes such as Malawi Rural Development Fund which has provided capital to rural people to engage in gainful employment;
- Implemented the One Village One Product programme which is promoting value adding processes thereby creating employment;
- Implemented the Public Works Programme, which is creating employment.

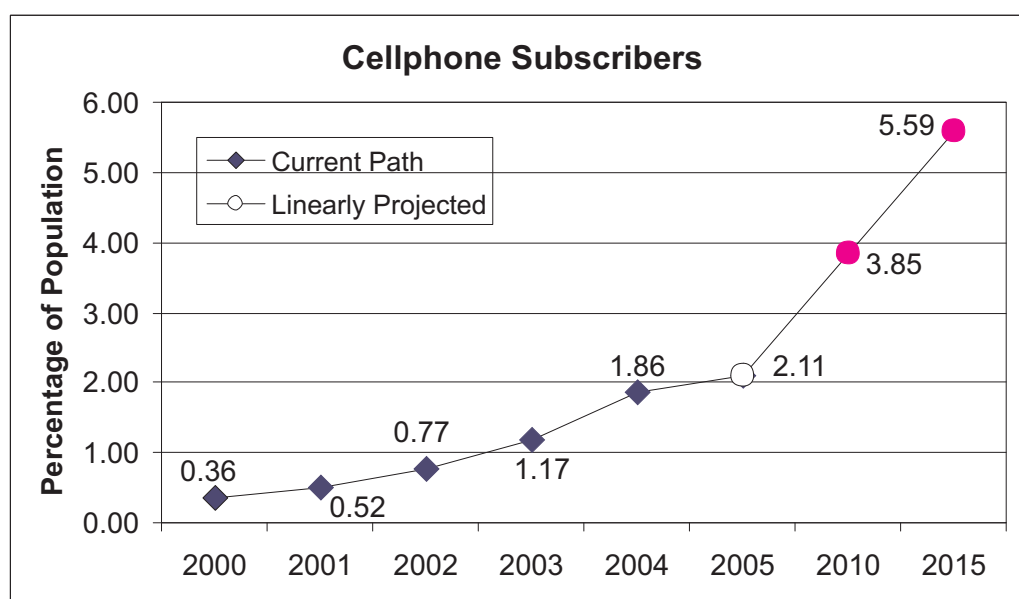
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Indicator: Telephone Lines and Cellular Subscribers per 100 Population

Malawi faces a great challenge in achieving goal 8, which focuses on developing a global partnership for development. However, significant progress has been achieved especially in the area of telecommunication, which plays a vital role in economic development and poverty reduction.

According to 2004-2005 Integrated Household Survey (IHS), more households in Malawi have mobile phones than landlines representing 3 percent of households with mobile phones and only less than 1 percent with landline telephones.

Chart 31: Cell phone Subscribers



Source: Malawi Communication Regulation Authority and NSO's Projected Population

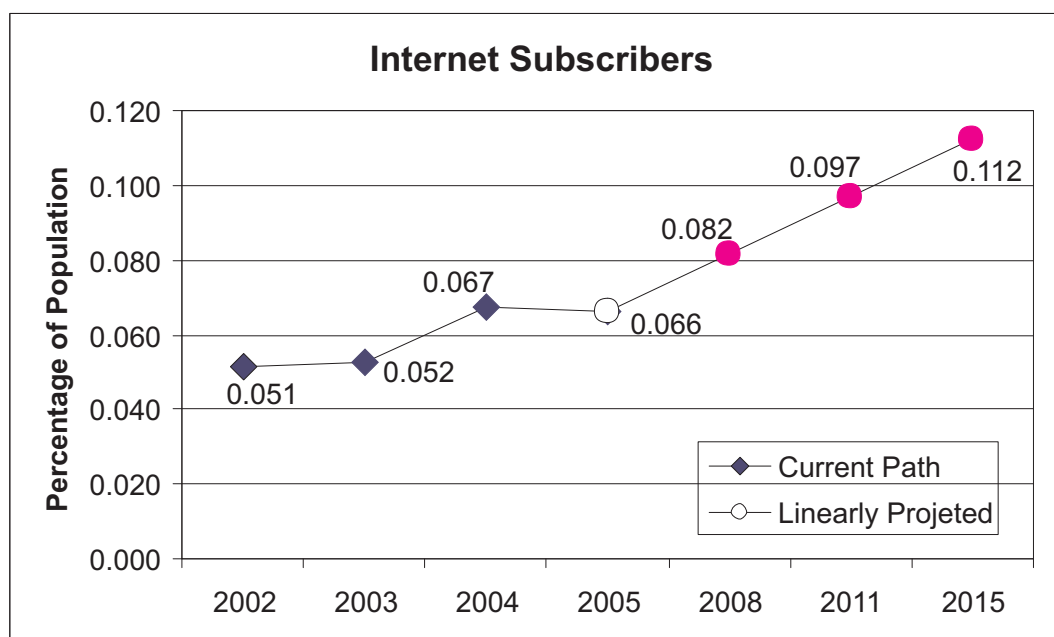
The trend of progress shown in Chart 31 above indicates that there has been an increase in the number of subscribers from about 0.4 percent in 2000 to about 2 percent in 2005. The increase in the number of subscribers can be attributed to availability of cheaper cell phone handsets and improved telecommunication.



Cellphone Users

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Chart 32: Landline Subscribers



Source: Malawi Communication Regulation Authority and NSO's Projected Population

Chart 32 shows there has been an increase in the number of subscribers for the fixed landlines from about 0.4 percent in 2000 to about 0.6 percent in 2005. It must be noted however, that with the coming of cell phones it appears more people are subscribing to mobile phones than landlines implying that mobile phones have taken the lion's share of the telecommunication industry.

Challenges

Malawi government's policy regarding telecommunication is to ensure universal access to connectivity and affordable information and communications technology. However, the country faces a challenging uphill in meeting this MDG indicator. Some of the major constraints include the following;

- Lack of technical know how in respect to Information Communication and Technology (ICT);
- Underdeveloped regulatory framework in the telecommunication sector;
- High tariff rates;
- Inadequate distribution of ICT services and infrastructure;
- Slow adaptation to global regulatory challenges;
- Lack of competition.

Policy Framework and Strategies

The Malawi Growth and Development Strategy (MGDS) recognizes that the creation of a conducive environment to attract investment in telecommunication will accelerate the process of attaining the Millennium Development Goals and enhance economic growth and poverty reduction through economic and social development. The policy framework also aims at enhancing the capacity of the regulatory body, Malawi Communications Regulatory Authority (MACRA), to act as a competent referee in order to level the playing field. Further, developing, monitoring and periodically receiving regulations would play a vital role in ensuring that the standard of better telecommunication services are achieved.