Distribution Equity in Malawi: Towards Poverty Reduction and Sustainable Natural Resources Management

Research Report
(Final)

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List of Acronyms

BVC	Beach Village Committee
CBO	Community Based Organizations
CEO	Chief executive Officer
DDF	District Development Fund
DDP	District Development Plan
DEAP	District Environmental Action Plan
DESC	District Environmental Sub-Committee
DNPW	Department of National Parks and Wildlife
DOF	Department of Forestry
DREA	Department of Research and Environmental Affairs
DSEOR	District State of the Environment Reports
EAD	Environmental Affairs Department
EAP	Environmental Action Plan
EDOs	Environmental District Officers
EMA	Environment Management Act
ENRM	Environment and Natural Resources Management
FMA	Fisheries Management Association
FRIM	Forestry Research Institute of Malawi
GDP	Gross Domestic Production
GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
IHS	Integrated Household Survey
LGA	Local Government Act
MASAF	Malawi Social Action Fund
MCFW	Malawi College of Forestry and Wildlife
MDGs	Millennium Development Goals
MEGDS	Malawi Economic Growth and Development Strategy
MEPD	Ministry of Economic Planning and Development
MoREA	Ministry of Research and environmental Affairs
MPRS	Malawi Poverty Reduction Strategy
NDP	National Decentralization Program
NEAP	National Environmental Action Plan
NEP	National Environmental Policy
NEPAD	New Partnership for Africans Development
NFP	National Forest Policy
NGOs	Non Governmental Organizations
NLFC	National
NLGFC	National Local Government Finance Committee
NRM	National Resource Management
NSO	National Statistical Office
NSSD	National Strategy for Sustainable Development
ORT	Other Recurrent Transaction
PIC	Project Implementation Committee
PRSP	Poverty Reduction Strategy Paper
SOER	State of the Environment Report

USAID	United States Agency for International Development
VDC	Village Development Committee
WEHAB	Water, Environment, Health and Biodiversity
WESM	Wildlife and Environment Society of Malawi
WMA	Wildlife Management Authority
WMS	Welfare Monitoring Survey
WRI	World Resources Institute
WSSD	World Summit for Sustainable Development

Executive Summary

Distribution equity in this study seeks to address inequalities in access to resources. In Malawi natural resources are the bedrock of national wealth and the only means for achieving poverty reduction and its eventual elimination. The national Environmental Policy clearly stipulates that continuing inequity in access to natural resources has a direct bearing on sustainable management of resources. Malawi therefore cannot achieve sustainable development without internalizing distribution equity in environment and natural resources management.

This study has considered a number of policy instruments. General development policies such as Vision 2020, the MPRSP, the MDGS, the MEGS, the NSSD and others have been examined with reference to how they address poverty reduction in general and use of natural resources for this purpose. We have also considered sector specific policies in ENRM with specific references to the manner in which they guide access to the specific resources and the extent to which those guidelines would increase equity in access to resources. We have then narrowed our focus to distribution equity in the context of decentralization as a tool for democratizing decision making in local resources allocation.

In general the study finds that the various policy instruments make varying attempts to ensure that access to resources is equitable and address poverty. Many of these policy statements are however general and lack specific commitments that can provide clear and enforceable guidelines to address poverty reduction. The MPRSP, the NEP and the NSSD have clear stipulations on promoting equity to access to natural resources as key component of dealing with poverty and promoting sustainable development. Other instruments such as the MGDS or MEGS seek to promote economic growth as a basis for addressing poverty but lack specificity on promoting equitable access to resources. These differences may affect implementation of distribution equity stipulations since emphasis in decision-making will be influenced by reference to a particular policy instrument.

Assemblies have been operational since enactment of new local government policy and legislation at the end of 1998. Devolution plans are currently being implemented to give Assemblies, sector responsibilities. Hence the major source of fuming for assemblies continues to be central government grants, rather than locally generated revenues. This affects autonomy and capacity of Assemblies to address local problems since they must depend on central government. For as long as devolution delays and Assemblies have limited base for revenue collection, they will face numerous challenges to influence distribution equity at local level.

We have made a number of observations and recommendations to promote distribution equity. Clearly an attempt must be made to directly link policy with budget. This will ensure that policy directly receive budgetary support rather than relying on donor funding. Secondly, implementing instruments with details of definitive equity guidelines must be prepared. These would be in form of rules, sample agreements, management plans and other instruments which provide claimants enforceable legal rights. These in turn will motivate policy makers to incorporate these claims in their annual plans rather than wait for donor conditionalities to spur action. Thirdly Assemblies seem eager to access new sources of

revenue through devolution without showing resource management commitments or capacity. A clear strategy should be developed to ensure that Assembly grants and revenue collections are spelt out in some instrument that can make them accountable to the electorate.

Finally, more of the policy instruments considered addresses the need to allocate more funding to areas with high resources endowments in that it would promote capacity and motivation for government staff but also provide incentives for local people to take care of their areas natural resources.

Chapter 1

Introduction

1.1 Malawi Geographical and Socio-economic Overview

Malawi has a total area of 118,484 sq. km with Lake Malawi covering about 20% of total area; the terraine comprises plateaus, highlands and valleys. The climate is predominately subtropical. Malawi has exploitable mineral resources; these include limestone, uranium, coal, bauxite, phosphates, graphite, granite, black granite, vermilite, aquamarine, tourmaline, rubies, sapphires and rare earths. The country's population was estimated at 11828 000 in the year 2002 with the population density estimated at 95 persons per square kilometer.

Malawi is landlocked with an economy that is heavily dependent on agriculture. Its two most important export crops are tobacco and tea. Traditionally Malawi has been self-sufficient in its staple food, maize. During the 1980s the country was able to export substantial quantities of maize produce to its neighbors but of late she has experienced food insecurity arising from droughts, floods and bad governance. Agriculture represents 38.6% of the GDP, accounts for over 84.5 % of the labor force, and provides 82.5 per cent of foreign exchange earnings[1]. The country has nearly 90% of the population engaged in subsistence farming. Smallholder farmers produce a variety of crops, including maize, beans, rice, cassava, tobacco, and groundnuts. The agricultural sector contributes about 63.7% of total income for the rural population, 65% of manufacturing sector's raw materials, and approximately 87% of total employment. Fishing is another economic opportunity for Malawians but is mainly concentrated along the lakeshore areas. As such it is a scarcely an adequate alternative means of earning a living as even the few fishermen also have to supplement such activity with small scale agriculture. The industrial sector contributes about 16% of GDP.

The country's GDP in the year 2005 was estimated at $1.87 billion. The annual real GDP growth rate in 2004 was 4.6% while in 2005 it was estimated at 2.1%. Per capita GNI in 2005 was estimated at approximately $150.90. The average inflation rate in 2004 was estimated at 11.5% and it increased to 14.5% in 2005[2]. Beside the fact the country was affected with hunger there is a demonstration that the economic performance of the country has not been impressive. It is clear that more effort is required across all sectors of the economy to move away from the current economic situation.

1.2 Distribution Equity Concept

1.2.1 Concept Defined

Literal consideration of the terms distribution and equity tend to refer to the way in which something is shared or exists over a particular area or among a particular group and a

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[1] See Government of Malawi of (2004). Malawi Economic Growth Strategy Main Report, .Ministry of Economic Planning and Development. Lilongwe pg 1

[2] See Malawi Government (2005). Ministry of Economic Planning and Development. Annual Economic Report 2005. Lilongwe. Malawi.

situation in which everyone is treated equally respectively[3]. Equity has been described and discussed in relation to different issues such as social justice, income, economy and other resources sharing issues which include natural resources. Mahanty et al (2006) argues that equity is not a new concept, but there has been surprisingly little detailed discussion on the meaning of equity in natural resources management (NRM)[4]. It is further argued that that the lack of clarity in definition of equity has influenced analyses of equity in different disciplines where the expectation to promote equity generally carries implicit but unexamined notions of what equity is, the extent of equity that should be promoted or achieved and the best means of doing this.

Others have argued on the difference equity and equality as these are closely associated with fairness. According to Fisher (1989) equity in contrast to equality involves getting a *fair share*, not necessarily an equal share. But what is regarded as a *fair share* varies according to different situations and different cultures. Mahanty et al (2006) considers the definition by Fisher (1989), to bring two related issues. First, the implication is that although there may be differences in the levels of resources or benefits received by different stakeholders, for instance according to their effort or role in a resource management system, if this rate of distribution is perceived as 'fair' then it may be regarded as an equitable arrangement. Second, it suggests that the 'benchmark' for measuring equity needs to be situationally determined to account for social contexts, norms and values.

In terms of economic and political considerations the two concepts are defined in terms of the substance or outcome of a policy or resources management system, and the process by which actions and decisions are formulated and implemented. The outcome refers to the allocation of costs and benefits amongst stakeholders as a result of policy or resource management decisions. This has been called economic equity and also allocative or distributional equity. It has been argued in literature further that the processes by which various stakeholders make their voices heard by decision makers have equity implications in terms of access to decision-making and the ability of stakeholders to have their ideas and concerns expressed and heard and this has been referred to as procedural equity or political equity[5].

In our case, we examine the concept of equity and some of its related meanings in line with natural resources management, income and poverty reduction. The purpose is that the various dimensions of equity and inequity may be understood so as to suggest policy initiatives in natural resources management systems and decision making to promote equity. In this regard our approach is to consider distribution equity as the fairness of the process of distribution of resources including costs and benefits among persons guided by particular decisions at different levels.

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[3] See Oxford Advanced Learners Dictionary(2000) 6th edition

[4] Mahanty S., Fox J., Nurse M., Stephen P. and McLees L. (ed) (20006) Hanging in the Balance: Equity in Community-Based Natural Resource Management in Asia RECOFTC and East-West Center . Bangkok.

[5] See Mahanty S et al

1.2.2 Distribution Equity in Malawi's Context

The equitable sharing of environmental costs and benefits is appropriate both for the sustainable environment and natural resources management and economic growth. Fair distribution of environmental costs and benefits has potential to reduce poverty and narrow income disparities. Poverty has particularly had devastating effect on the environment and natural resources in Malawi. This is because most livelihood survival mechanisms are dependent on environment and natural resources either through direct resource harvesting for consumption and trade or indirectly through agriculture. Often the poor are the culprits of and are more vulnerable to environmental degradation and are usually severely affected by loss of access to natural resources. The principles of national policy in the Constitution of the Republic of Malawi specifically require Government 'to achieve a sensible balance between the creation and distribution of wealth through the nurturing of a market economy and long term investment in health, education, economic and social development programmes[6]. It follows therefore that distribution equity is a principle of Malawi national policy. It is however important to consider the extent to which this constitutional mandate is complied with by looking at certain policy instruments that relate to poverty reduction and natural resources management.

Several government policy processes require attention to distributional equity analysis in Malawi. One such policy is the decentralization process. This could be seen at two levels. At one level, the National Decentralization Policy and the Local Government Act give mandate to local authorities to undertake certain activities that were previously carried out by central government institutions. Local authorities generate their own internal revenues and decide their development priorities; central government also provides grants to assemblies to enable them fulfill their mandates. Certain instruments have been or are being developed to guide these allocations but the extent to which these allocations respond to distributional equity has not been analyzed.

The next level is where sector central government institutions devolve their environment and natural resources powers to local level institutions such as community based natural resources management institutions. This devolution either requires co-management agreements between local institutions and a central government institution (the case of forestry and wildlife reserves) or formation of local institutions to be responsible for managing a resource (the case of communal forests or fisheries). While the enabling instruments are broad enough to accommodate distributional equity issues to be addressed, there is hardly any direct policy attention to distributional equity.

Other government policy processes requiring distributional equity analysis are those that address poverty reduction and economic growth. Malawi implemented a PRSP from 2002 to 2005 which was subsequently subsumed into the MEGS. These instruments set priorities for poverty reduction and also provide direction for enhancing economic growth. There is however no policy analysis to promote distribution equity of environmental costs and benefits in these instruments. A thorough review and analysis of those policy instruments in the context of distribution equity will assist in designing new policy thrusts to be advocated to Government. Other policies, legislation and strategies worth considering include the

[6] Section 13 of the Constitution

National Environmental Policy (NEP), the National Aquaculture and Fisheries Policy, Forestry Policy, the National Parks and Wildlife Policy and the Mining Policy.

1.3 Poverty and the Economy

Malawi has a predominantly agricultural economy and, according to the 1998 Malawi Population and Housing Census, about 87 percent live in the rural areas. The country's main export commodities are tobacco, tea and sugar (NSO, 2005). Agriculture is characterized by a dual structure consisting of commercial estates that grow cash crops and a large smallholder sub-sector that is mainly engaged in mixed subsistence farming. Maize, the staple food, accounts for 80 per cent of cultivated land in the smallholder sub-sector (MEPD, 2004).

1.3.1 Defining Poverty

Poverty is the condition in which the basic needs of a household (or individual) are not met[7]. In Malawi a household is considered poor if its total annual per capita consumption expenditure is below a threshold, or the poverty line. The poverty line is a subsistence minimum expressed in Malawi Kwacha based on the cost of-basic-needs methodology. It has two parts: minimum food expenditure based on the food requirements of individual and critical non-food consumption. Food needs are tied to the recommended daily calorie requirement. Non-food needs are estimated based on the expenditure patterns of households whose total expenditure is close to the minimum food expenditure. Individuals in households with consumption lower than the poverty line are labeled poor. Using the minimum food expenditure as an additional measure, the ultra poor households are identified; their total consumption per capita on food and nonfood items is lower than the minimum food expenditure[8].

According to the second integrated survey, because the Welfare Monitoring Survey[9] (WMS) does not measure expenditures, poverty is estimated by using a statistical model based on a set of variables which are highly correlated with consumption expenditures. Using this model it is possible to predict the probability of being poor, or ultra poor for each household and individual[10].

1.3.2 Poverty Lines

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[7] See National Economic Council (2002) Poverty Monitoring System Profile of poverty in Malawi, 1998, Poverty analysis of the Malawi Integrated Household Survey, 1997-98

[8] See Second Integrated Household Survey 2005 An extract of findings by the Ministry of Economic Planning and Development, National Statistical Office & The World Bank The World Bank

[9] A welfare monitoring survey is designed to provide quick results of welfare levels of the country and is less comprehensive relative to the integrated household survey.

[10] See Malawi Government (2005) National Statistical Office integrated household survey 2004-2005

Using the methodology outlined above, the poverty lines for identifying the poor and ultra poor in Malawi are presented in Table 1.

Table 1: Poverty line in Malawi Kwacha per person per year

	Poverty line (MK per person per year)
Poor	MK 16, 165
Ultra Poor	MK 10, 029

Source: Second Integrated Household Survey in Malawi (NSO, 2005)

Using the poverty lines in Table 1, it was found that 52.4 percent of the population in Malawi is poor and that 22 percent of the population is ultra poor. That is, about one in every five people lives in dire poverty such that they cannot even afford to meet the minimum standard for daily-recommended food requirement (MEPD, NSO and World Bank, 2005)

1.3.3 Poverty Location and Income Inequality

It has been observed that there are variations in poverty rates across the regions in the country. The southern region has the highest poverty rate (60%), the northern region has the second highest proportion of poor people (54%) while the central region has the lowest proportion (44%) of the poor. There are also differences in poverty rates between urban and rural areas. About 25 percent of the population in urban areas is living in poverty, compared to 56 percent of the rural population. The proportion of ultra-poor people is high in the southern region, followed by the northern region and then finally the central region. Fig 1 shows the distribution of poverty across the country.

It has been noted however that although poverty rates indicate the share of the population below a minimum income level (the poverty line) they don’t reveal any information about the distribution of income above the threshold. Inequality measures, instead, consider the entire distribution, although they don’t reveal anything regarding the level of absolute poverty. According to the findings in the second integrated house hold survey income inequality persists in the country. This corresponds to what was presented in the Malawi Poverty Reduction Strategy Paper (MPRSP) of 2002 which stated the richest 20 percent of the population consumed 46.3 percent while the poorest 20 percent consumed only 6.3 percent of total reported consumption of goods and services. In urban areas, the richest 20 percent consumed 58.4 percent while the poorest 20 percent consumed only 4.5 percent. Consumption was also more unequally distributed within urban areas where the Gini coefficient[11] was 0.52 as opposed to 0.37 in rural areas (see Table 2).

[11] The Gini coefficient is a measure of inequality of a distribution, defined as the ratio of area between the Lorenz curve (was developed by Max O. Lorenz in 1905 for representing income distribution) of the distribution and the curve of the uniform distribution, to the area under the uniform distribution. It is often used to measure income inequality. It is a number between 0 and 1, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income). It was developed by the Italian statistician Corrado Gini and published in

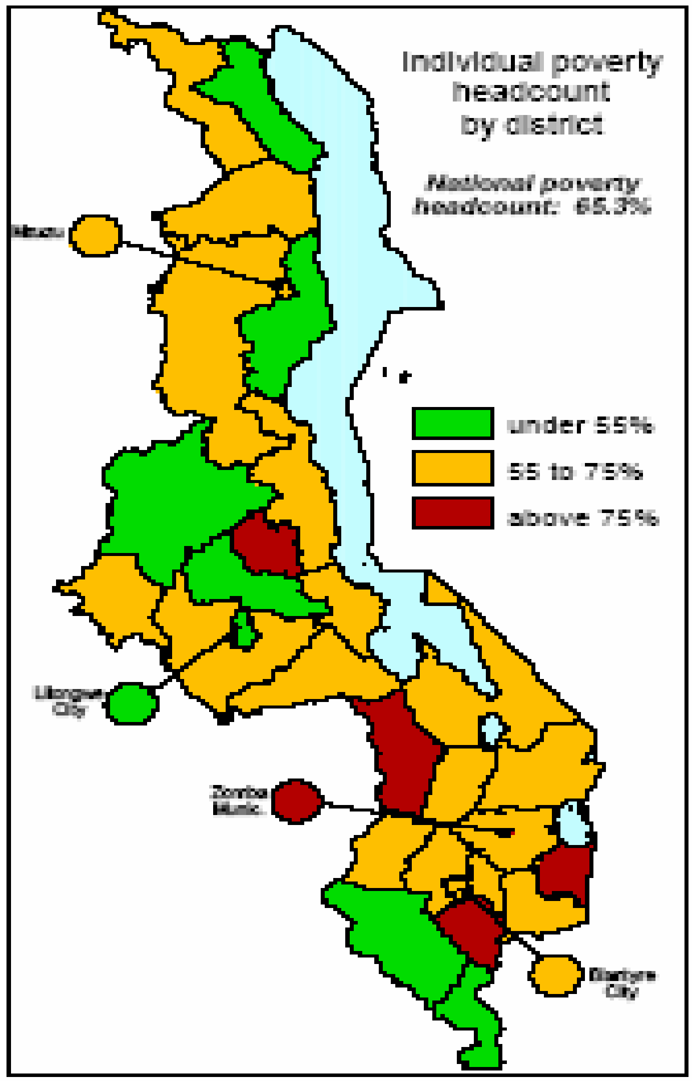

Figure 1: District map of poverty head count

Source: Profile of poverty in Malawi (National Economic Council, 2000)

his 1912 paper "Variabilità e mutabilità" ("Variability and Mutability"). The Gini coefficient is equal to half of the relative mean difference. The Gini index is the Gini coefficient expressed as a percentage, and is equal to the Gini coefficient multiplied by 100.

Table 2 Gini Coefficients in Malawi

	Gini Coefficient	Consumption of Group as percentage of Total Consumption of Population	
		Poorest 20%	Wealthiest 20%
National	0.40	6.7	46.8
Rural	0.37	6.3	44.3
Urban	0.57	4.5	58.4

Adapted from the Malawi Poverty Reduction Strategy Paper, 2002

1.4 GDP Growth in Malawi

According to the Ministry of Economic Planning and Development (MEPD), the country's economic performance in 2001 in was weak. The real GDP growth contracted by 4.1 per cent mainly due to the drop in maize production following the drought. Inflation and interest rates remained high at 27.2 per cent and over 40 per cent, respectively. The fiscal deficit including grants widened to 7.7 per cent of GDP in the 2001/02 fiscal year in contrast to 2.0 per cent in 2000/01. In the external sector, while the current account deficit excluding official transfers remained stable at 10.4 per cent of GDP, gross official reserves declined to the equivalent of 3.7 months of imports of goods and nonfactor services[12], reflecting the impact of suspension of balance of payments support by donors.

Table 3: Gross Domestic Product Growth Rates by Sector (2000-2005)

Sector	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Agriculture	5.3	-6.0	2.7	5.9	2.7	-9.1
Small-Scale	1.6	-4.8	-0.4	12.4	-1.4	-11.6
Large-Scale	21.0	-10.3	14.2	-15.4	20.5	-0.2
Mining and Quarrying	10.8	7.5	-38.7	18.6	-11.6	52.1
Manufacturing	-3.0	-14.2	-0.1	3.2	6.9	11.9
Electricity and Water	10.2	-7.0	5.8	2.4	7.5	6.0
Construction	-2.2	-4.7	14.1	13.3	10.9	14.7
Distribution	-0.3	1.1	1.6	-0.8	6.9	8.8
Transport and Communication	-4.2	-0.6	17.5	8.3	7.2	13.6
Financial and Professional Services	2.0	-3.0	6.7	6.1	7.3	6.1
Ownership of Dwellings	2.6	2.8	2.8	2.8	2.8	2.8
Private, Social and Community Services	2.7	2.9	2.9	2.9	2.9	2.8
Producer of Government Services	-9.9	0.8	-0.5	1.7	2.3	1.6
Unallocable Finance Charges	2.4	-0.3	13.5	9.6	7.5	16.1
Real GDP Growth at Factor Cost	0.8	-4.1	2.1	3.9	4.6	1.9

Source: Malawi Economic Report 2005

[12] Nonfactor services comprise shipment, passenger and other transport services, and travel, as well as current account transactions not separately reported (e.g., not classified as merchandise, nonfactor services, or transfers). These include transactions with nonresidents by government agencies and their personnel abroad, and also transactions by private residents with foreign governments and government personnel stationed in the reporting country.

An economic programme for the 2002/03 fiscal year focused on the need to continue pursuing the country's medium-term development strategy which seeks to reduce poverty through increased access to basic social services, accelerating growth, improving productivity in agriculture and the manufacturing sectors, enhanced internal security and ensuring existence of a stable macroeconomic environment. Table 3 shows the levels of GDP growth by sector from 2000-2005.

Consistent with these objectives, the programme aimed at achieving real GDP growth of around 2.0 per cent in 2002 and 4.5 per cent in 2003; and an average inflation of 9.4 per cent in 2002 and 5.0 per cent in 2003. The growth in real GDP for 2004 was estimated at 4.6 per cent while it was at 3.9 in the previous year. Sector gross domestic product growth indicates variations over a period of time as indicated by the Table 3 above.

1.5 An Overview of Natural Resources Management in Malawi

Early efforts of natural resources management in Malawi are symbolized by the establishment of protected areas alongside several policy and legal frameworks for sector specific natural resources. Continued natural resources degradation prompted the government in 1991 to establish the Department of Research and Environmental Affairs (DREA), which was mandated to coordinate research and sustainable use of the environment and natural resources. The department was later elevated to a full ministry (Ministry of Research and Environmental Affairs, MoREA) in 1994. After several restructuring in the years that followed there is now the Environmental Affairs Department (EAD) as the coordinating institution for environment and natural resources management.

After the Earth Summit in 1992, the government developed the National Environmental Action Plan (NEAP in 1994 through a consultative process. The NEAP described the existing environmental situation in the country and outlined environmental strategies, measures and programmes necessary for promoting the conservation, management and sustainable utilization of Malawi's natural resources. Among the key environmental issues NEAP cited soil erosion; deforestation; water resources degradation and depletion; threat to biodiversity; human habitat degradation; high population growth; air pollution and climate change. In 1996, a cross cutting environmental policy, the National Environmental Policy (NEP) was adopted followed by the Environmental Management Act (EMA) in the same year. Sectoral policies and legislation covering forestry, fisheries, wildlife, among others were adopted. The country however continues to face numerous challenges to implement these instruments. Among these, the participation of local communities is considered but is poorly implemented. In particular many local communities are still not able to see the benefits of participating in environment and natural resources management.

This paper therefore analyses Government policies, plans and strategies pertaining to the distribution of costs and benefits of natural resources management and how these affect and relate to the poverty profile in the country. The research covered the following terms of reference:

- ✓ Review and analyze national policies, strategies and legislation, economic instruments to determine the extent to which they respond to distribution equity in environmental costs and benefits;

- ✓ Review on local government revenues and budgets, assess links of local and central financial appropriations to poverty reduction and sustainable environment and natural resources management;

- ✓ Review national poverty laws, plans and strategies and make recommendations on how these can address equitable fiscal decentralization;

- ✓ Collect data on the full set of transfers or grants from central government to all level of local government in Malawi for the past three to five years which would be utilized to prepare "transfer" or distribution maps for Malawi;

- ✓ Collect recent poverty data for Malawi for all levels of local government which receive transfers or grants from central government to locate where the poor are in Malawi;

- ✓ Establish local governments in Malawi which are richly endowed with natural resources and conduct a systematically assessment linking the environmental endowment or wealth of each local government and poverty rating of such and prepare "environmental wealth" maps of Malawi;

- ✓ Make policy recommendations and prepare policy briefs for advocating policy changes.

The first chapter provides an overview of the geographical and socio-economic status of the country. It also introduces the distribution equity concept and describes the poverty situation in Malawi in relation to current economic performance. It lays out a brief background of natural resources management practices, the research methodology, and constraints and limitations.

Chapter two discusses national development and poverty reduction strategies. This analyses inter alia, of the Malawi Poverty Reduction Strategy, the National strategy for Sustainable Development and the Malawi Economic Growth and Development Strategy. There is also an analysis of how natural resources policies in Malawi address issues national development, poverty reduction and distribution equity.

Chapter 3 considers fiscal management, poverty reduction and natural resources management with focus on government revenues and expenditures and particularly how central government allocations to various sectors are made in relation to what these sectors generate in terms of revenue. Effort has been made to determine revenues from natural resources and to provide poverty distribution in the country.

Chapter 4 discusses local governance and decentralization. The focus is on local government revenues and expenditures detailing local governments self generated revenues and government transfers to local governments. Fiscal decentralization and legal and policy perspectives of decentralization in Malawi have also been considered.

Chapter 5 seeks to provide an insight of existing inequalities and how equity can be applied across key natural resources sectors. It considers various natural resources products and their distribution and provides various policy recommendations to maximize attainment of benefits from such resources.

Chapter 6 provides general conclusion regarding issues of poverty, natural resources management, economic growth and distribution equity while Chapter 7 lays out specific recommendations to improve resource distribution equity in the country.

1.6 Methodology

Preliminary stakeholder consultations were done to identify key issues relating to the research work before actual data collection and stakeholder consultations commenced. These were mainly by telephone interview and desk review of general population, poverty and local governance information for Malawi.

A detailed desk study and literature review was then conducted on poverty, the economy, natural resources management and analysis of policies, legislation, economic instruments and other literature relating to the distributional equity concept to provide framework for developing indicators of distributional equity in national context. Detailed research and key stakeholder consultations on the same were then conducted. Resource centers and libraries of key government ministries and department were utilized in the research and interviews with officials from these institutions were carried out.

A draft report was prepared and circulated to stakeholders for comments. A policy dialogue was organized where the research findings were presented to members of parliament, representatives from various government institutions, various civil society representatives and the media. This enabled wide stakeholder input to the research report.

1.7 Research limits and constraints

According to the terms of reference for the distribution equity research in Malawi most of the required aspects have been analyzed except for one aspect relating to environmental endowment of various local governments in the country. It was envisaged that we would collect information which would assist in identifying the most and least environmentally endowed local governments and that such information would assist in the preparation of environmental wealth maps for Malawi. However it has been found that there has never been any comprehensive environmental resource valuation[13] in the country and that the only

[13] We found one valuation report relating to resources on Mulanje Mountain. This report was sponsored by the United States Agency for International Development. See Joy Hecht (2006) 'Valuing Resources of Mulanje Mountain: Current and Projected Use under Alternative Management Scenarios (Occasional paper No. 14, COMPASS, www.joyhecht.net).

data available is in the form of state and district environmental reports that only provide qualitatively descriptions of the kinds of resources available. The absence of natural resource and environmental valuation information has limited in-depth analysis of natural resources generated revenues in line with how much is invested for resource conservation and management.

One further constraint relates to the fragmented government authority within and across the ministries which made it difficult for the researchers to find detailed and comprehensive information relating to the issues under investigation. As such various pieces of information regarding a similar issue were solicited from different institutions which indicate a lower level of information organization in most of the government departments which would affect the results presented herein.

Chapter 2

National Development Strategies and Poverty Reduction

Government has the responsibility to provide essential social services for its people and the necessary infrastructure to enable the population attain a better life. Recognizing that national development is achieved with time broad aggregate considerations of the economy are essential to ensure plans are in place to guide attainment of long term economic growth and development. Such plans identify economic activities and processes and set targets for sector wide partners towards measurable progress of economic and fiscal performance over time in order to strategize proper interventions. The objective of such efforts in developing countries like Malawi is to reduce poverty. National development approaches are also derived from international development goals which provide benchmarks for the quality of life globally. From such international goals national governments develop their own broad strategies and visions that guide national programmes. The Millennium Development Goals are key in this respect.

2.1 Malawi Vision 2020

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

The vision contains aspirations and strategies that are essential to the eradication of poverty and achieving sustainable development in Malawi. Of particular concern are those relating achieving sustainable economic growth and development and fair and equitable distribution of income[14]. In terms of sustainable economic growth the vision clearly set out strategic challenges to be addressed in order for Malawi to develop. These include promoting of resource-based industries; ensuring conformity of products to international standards; undertaking marketing functions; creating a conducive environment for the growth of small and medium scale enterprises (SME's) and maintaining an appropriate macro-economic environment among others. In relation to fair and equitable distribution of income the vision recognizes that incomes in Malawi are very low and unevenly distributed in comparison to other African countries. Trends in income indicate a worsening of income distribution in the country evidenced by the Gini coefficient deterioration from 0.45 in 1968 to 0.62 in 1995. It then lays strategies like to reduction of unemployment; promoting enterprise development; improving productivity of smallholder farmers; addressing tenancy issues; continuing with

[14] See chapter 3 and chapter 9 of the Malawi Vision 2020 available at http://www.malex.org.mw/~esaias/ettah/vision-2020

the liberalization of markets of agricultural produce; improving access to land by the landless; reducing gender inequality; addressing disability issues; and allocating social expenditures equitably between rural and urban areas.

Although the target period for fulfilling the vision promises is not yet over most commentators have often argued that the Vision lacked monitoring mechanisms. It suffices to note however that the vision is an essential tool in development planning for stakeholders. It embraces principles of equity in resource use and sharing. It further integrates environment and natural resources management in national vision in that "Malawians aspire to have sustainably managed natural resources and the environment. This will be achieved through: ensuring well conserved and managed land; zero percent deforestation; availability of adequate and clean water resources; restored and well conserved biodiversity and ecosystems; low population growth; preventing air and noise pollution from becoming serious problems; contributing to global efforts to managing climate change and other global environmental issues; incorporating environmental considerations at all stages, and enhancing the participation of the public in the planning and implementation of natural resources and environmental programmes"[15]

2.2 Millennium Development Goals

The MDGs are a blueprint agreed to by all the countries and leading international development institutions. The MDGs centre on eight key areas and these include: -

1. Eradicate poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

These goals have assisted Malawi in its attempts to develop more focused and measurable national development strategies. These have also assisted in having critical development related information to be organized. For example attempts to estimate the poverty incidence have been more pronounced now than ever before. In terms of poverty reduction the Malawi MDG target for 2015 is a poverty incidence of 32.7 percent[16]. The MDGs beyond guiding government development initiatives also motivate sector implementation activities. They are also a means by which national governments are held accountable to the international community in terms of effective governance and implementation of international commitments.

2.3 Malawi Poverty Reduction Strategy

[15] See chapter 10 of the Malawi Vision 2020
[16] Millennium Development Goals Malawi 2002 Report Prepared by Tsoka et al

The Malawi Poverty Reduction Strategy (MPRS) was formulated in 2002 as an instrument to reduce poverty through economic growth and empowerment of the poor. The strategy was implemented in a three-year period starting from 2002/03 to 2004/05 financial year[17]. The MPRSP was built around four strategic pillars, the first was the promotion of sustainable pro-poor growth. This focused on economically empowering the poor by ensuring macroeconomic stability, access to credit and markets, skills development and employment generation. Second was human capital development - ensuring the poor have the health status and education to lift themselves out of poverty. Third was improving the quality of life for the most vulnerable by providing sustainable safety nets for those who are unable to benefit from the first two pillars. The last pillar was good governance intended to ensure that public and civil society institutions and systems protect and benefit the poor. In addition to these pillars HIV/AIDS, Gender, Environment, and Science and Technology were targeted as crosscutting issues.

The sources of growth in the MPRSP under the first pillar reflected that the Malawi economy banks its hope on natural resources. It laid out sub-goals which included agriculture, natural resources, tourism, fisheries, forestry and wildlife. The MPRSP recognized complex relationship between poverty, environment and natural resources. It recognized high population growth, high illiteracy and poverty as factors contributing to environmental degradation by forcing the poor to rely on natural resources for survival. This is especially the case with fuel wood energy, agriculture, water, fisheries and wildlife. These lead to unsustainable levels of usage and finally economic losses.

The impact of the MPRSP as a development strategy has been of much debate to different interest groups. However it is important to note that there were improvements in various sectors over the three period attributed to this strategy alongside enormous implementation challenges. The current Malawi Economic Growth and Development Strategy for example observes that many stakeholders including the private sector considered that the policies to fulfill the MPRSP objectives were insufficient to achieve a sustained annual economic growth of at least 6 per cent required to reduce poverty by half by the year 2015.[18]

Consultations with various government departments also revealed that the development and evaluation of most of the government development strategies largely involve the ministries of finance and economic planning. Other ministries and departments though consulted often feel sidelined. Another observation is that there was high dependence on donor funds for the implementation of most targets envisaged in the strategy. Where donor funding is limited or some donors have pulled out or funds are not forth coming there are serious implementation challenges. The private sector are labeled as the engine of economic development but often work in isolation either because they are not fully aware of what the strategy is all about because they were not consulted or not fully integrated in the strategy or they are often too busy to consider such issues. However many government officials recognized the contribution of Non Government Organizations (NGOs) in the

[17] See the Annual Review Report of the MPRSP, Ministry of Economic Planning and Development (MEPD) 2005

[18] See the MEPD, Malawi Economic Growth strategy, Volume II Main Report 2004,)

implementation of the MPRSP through various interventions which were designed based on the laid out strategies especially programmes and activities directly assisting communities.

2.4 Malawi Economic Growth Strategy

The Malawi Economic Growth Strategy (MEGS) replaced the MPRSP. This strategy came from a realization by Government and the private sector that the economy has been registering low or negative growth hence the need to reverse the trend. It is believed that economic growth and diversification is necessary to reduce poverty. It is also hoped that rapid broad-based growth will expand sectoral sources of growth. The MEGS recognizes that the current economic situation is characterized by the existence of low per capita income and high inequality; as such future economic growth strategies should be complemented by equity policies (MEPD, 2004).

In formulating the MEGS, the Ministry of Economic Planning and Development (MEPD) made a deliberate effort to work closely with the private sector to ensure that that investment and trade are integrated in the MEGS to enhance economic growth. MEGS focuses on strategies and actions that do not require substantial additional spending by Government, but can be achieved through refocusing existing resources and by developing a more conducive set of policies that will stimulate the private sector investment and trade in the immediate future. However, in the medium term, donor organisations will have a key role to play in creating the conducive environment for economic growth by supporting policy reforms and providing resources to support government during the transitional period. (MEPD, 2004)

The MEGS are intended to be implemented over a period of six years (2004-2008) and have sector specific strategies which are rather narrower than those in the MPRSP. The strategy include trade, the agriculture sector, the tobacco sector, the tea sector, the sugar sector, the cotton sector, the mining sector, the manufacturing sector, textiles and garments, the agro-processing sub-sector, the tourism sub-sector, refocusing of public sector institutions and the private sector investment strategies.

Although MEGS is relatively new the consultations in this research have indicated that most of the stakeholders are not sure what these are all about and in fact a few of the stakeholders indicated that they were not aware that the MPRSP was replaced by the MEGS. Others indicated that MEGS are private sector biased and that most government institutions would rather continue using strategies stipulated in the MPRSP. It has also been noted that environment and natural resources management and pro-poor investment are not fully reflected in the MEGS. This suggests that the MEGS should rather be considered as a tool for economic development and not sustainable development because the latter is built on the integration of economic, environment and social considerations which is not the case in the MEGS.

2.5 The Malawi Growth and Development Strategy

The Malawi Growth and Development Strategy (MDGS) represent a broader and crosscutting tool for national development in Malawi. The overriding philosophy of the MGDS is poverty reduction through economic growth and development. The MGDS identifies five broad strategic themes that define the direction the country intends to go in the next five years. Priority in the medium-term will be on the achievement of sustainable economic growth, social protection of the vulnerable people, social development, infrastructure development and rehabilitation and provision of good governance[19].

The MGDS is the overarching strategy for Malawi for the next five years from 2006/07 to 2010/2011 fiscal years. It presents a policy framework that articulates issues related to both economic growth and development. The policy mix of the MGDS is aimed at achieving the medium-term development objectives for the country. The purpose of the MGDS is to serve as a single reference document for policy makers in Government, the Private Sector, Non Governmental Organizations and Cooperating Partners on Government's socio-economic development priorities.

It seems to suggest that the MGDS was developed through a consultative and participatory process that identified specific strategies and focus actions that will be pursued and implemented in the medium-term in order to attain the aspiration of the nation. The strategies have been developed based on the past lessons and experiences of the MPRS implementation while taking into consideration of the current political, economic and social developments in the country. The strategy provides links to other development plans and strategies such the Malawi Vision 2020, MPRSP, MEGS and the MDGs. The MGDS has also been aligned with existing key sectoral strategies and policies from both private and public stakeholder institutions.

It is envisaged that government will spearhead the implementation of the MGDS, but all stakeholders have varying responsibilities in the implementation process to ensure the attainment of the set goals. The core thrust of MGDS is the rise in per capita income for the Malawi population as a means for poverty reduction. It particularly demonstrates dependency of the economy on natural resources in the proposed strategies on agriculture, mining, tourism and fisheries. It further highlights reduction of environmental degradation as key and calls for increased investment in land development and productivity alongside ensuring equitable access to land for various uses including agricultural production and settlement. While the MGDS are a vital tool for development planning the extent to which these have been popularized among relevant stakeholders is still doubtful according to the consultations.

2.6 National Strategy for Sustainable Development

[19] Malawi Government (2005) Malawi Growth and Development Strategy Main Report Volume1November 2005

The National Strategy for Sustainable Development (NSSD) is Malawi's response to the commitments made at the World Summit for Sustainable WSSD in 2002. It sets out an agenda of actions the nation needs to take in a period of 10-15 years to attain sustainable development. The NSSD is meant to be the basis for Malawi's sustainable development framework for action to implement the WSSD recommendations. The NSSD was developed to guide government and development partners and to be the basis for monitoring and evaluation of Malawi's progress in implementing the WSSD commitments.

The NSSD clearly embraces the principle of sustainable development[20]which encompasses those processes and activities that are directed at the economic, socio-political, environmental, and health well-being to improve and maintain the quality of life. The NSSD addresses poverty reduction and lays out the WSSD and Malawi goals for poverty reduction.

The NSSD goal is to manage the environment responsibly, prevent degradation, provide a health life for all, protect the rights of future generations and conserve and enhance biological diversity. It has links of national development to international commitments well articulated for instance in the WSSD Goals, WEHAB Framework, NEPAD and International Environmental Conventions and Protocols to which Malawi is signatory.

The NSSD represents a well focused sustainable development tool that has potential to facilitate rapid economic growth and development. But the extent to which this has been implemented is not yet known. The consultations indicate that it has assisted government institutions especially the Ministry of Energy, Mines and Environmental Affairs and civil society institutions in project development and implementation.

2.7 How Natural Resources Policies Address National Development and Poverty Issues

Beside the national development and poverty reduction strategies discussed above there are framework and sector policies that address environment and natural resources and have links to poverty reduction and mainstreaming environmental management into national development. Implementation of project activities is mostly guided by sector policies rather than the broad based development goals and strategies. This further indicates that sector policies that are in conflict or inconsistent with national development goals and strategies would limit the sector contribution to the national goals and strategies hence the need for the harmonization of these. Since the Malawi population is predominantly rural and that these survive through the dependence on natural resources it is important to consider some of the sector policies particularly those in the natural resources sector.

2.7.1 The National Environmental Policy

The overall policy goal of the National Environmental Policy (NEP) reflects principles of sustainable development and poverty reduction. The NEP seeks to promote sustainable

[20] Sustainable development recognizes that current development practices should allow us to meet our needs without destroying the base upon which future development depends

social and economic development through the sound management of the environment and natural resources. It also seeks to secure an environment suitable for health and well being of the people of Malawi[21].

In line with national economic development and poverty reduction, the NEP's objective is to improve human welfare and sustainable environment and natural resources management. It recognizes that natural resources and the environment are the bedrock of the country's wealth, livelihood and prosperity and that unless sustainably managed and equitably and fairly distributed, they can be sources of conflicts, resentment and consequently environmental degradation and unsustainable utilization of natural resources. The NEP also recognizes that poverty is one of the root causes of environmental degradation in Malawi and its alleviation is critical to natural resources conservation, protection and sustainable utilization. The policy further seeks to ensure that individuals and economic entities are given appropriate incentives for sustainable resources use, conservation and environmental management.[22]

2.7.2 The National Forest Policy of Malawi

The goal National Forest Policy (NFP) is to sustain the contribution of the national forest resources to the upliftment of the quality of life by conserving the resources for the benefit of the nation[23]. It makes particular mention of satisfying the needs of the rural people and the disadvantaged. One of the strategies in the NFP deals with the contribution towards improving the quality of life in the rural communities and providing a stable local economy, in order to reduce the degenerative impact on the environment that often accompanies poverty.[24]

The NFP further seeks to promote local community participation in forest protection and management through education, equitable sharing of benefits, provision of adequate tenure rights and security, rural infrastructure, and ensuring that their requirements are considered[25]. There is also deliberate consideration in the policy of the role of women in forestry and measures to develop strong partnership with local people, NGOs and private sector in forest management and establishment of incentives to promote the involvement of local communities on the same. In general the NFP is clear and expansive in its objectives and promises and responds to equity concerns.

2.7.3 The Mines and Minerals Policy for Malawi

The draft Mines and Minerals Policy of 2004 does not provide specifically for poverty reduction serve for the generic objective which is to contribute to economic growth and development. The draft policy however recognizes the limited role played by artisanal and

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[21] See the National Environmental policy overall policy goal 2.1 and policy goal 2.2.1
[22] See NEP(2004) guiding principles for Goal 3.1 and the objective under goal 3.2
[23] See the National Forestry(NFP) policy objectives policy goal 2.1
[24] See the NFP strategy 2.2.2
[25] See NFP strategy 2.3.5.1

small-scale mining in poverty reduction. It recognizes the need to compensate owners of land and communities affected by mining as an important issue.

The draft Mines and Minerals Policy should have focused provisions relating to the contribution of mining to poverty reduction. Such provisions should be accompanied with well articulated strategies that would guide implementation including sharing benefits with local communities. Lack of such specific provisions and strategies would limit implementation of poverty reduction strategies[26].

2.7.4 The National Fisheries and Aquaculture Policy (NFAP)

The fisheries and aquaculture policy was adopted in 2001 to improve the efficiency of all aspects of the national fisheries industry, the production and supply of existing fisheries products, as well as development of new products to satisfy local demands and potential export markets. The policy seeks to control and monitor fishing activities to enhance quality of life for fishing communities.

The policy subscribes to the principle of participatory fisheries management which is based on establishing affective local fishing community institutions that will work jointly with government in fish resource management. The policy however does not clearly make provision for poverty reduction which is a key cross cutting issue to all natural resources sectors. Equity concerns could be reflected through participatory fisheries management arrangements although this is not clearly articulated.

2.7.6 The National Wildlife Policy

The National Wildlife Policy (NWP) was adopted in 2000. Its main goal is to ensure proper conservation and management of wildlife resources in order to provide for sustainable utilization and equitable access to the resources and fair sharing of the benefits from the resources for both present and future generations of Malawi. The policy seeks to, among other things, adequately protect representative ecosystems and their biological diversity by adopting sustainable management practices, encourage wildlife–based enterprises and raise public awareness and appreciation of the importance of wildlife conservation and management.

2.7.7 The National Water Policy

The overall goal for the National Water Policy is sustainable management and utilization of water resources, in order to provide water of acceptable quantity in sufficient quantities, and ensure availability of efficient and effective water and sanitation services that satisfy the basic requirements of Malawians. The policy is guided by inclusion, decentralization, equity and accountability principles. One such principle states that that water resources will be

[26] See the Draft Mines and Minerals Policy for Malawi 2004

optimally, equitably and rationally allocated and regulated in a transparent and accountable manner to ensure sustainable optimal economic returns and social enhancement[27]. The policy further seeks to achieve sustainable and integrated water management and development that make water equitably accessible to and used by all Malawians in pursuit of their human development and socio-economic advancements.

2.7.8 The Malawi National Land Policy

The Malawi Land Policy Goal is to ensure tenure security and equitable access to land, to facilitate the attainment of social harmony and broad based social and economic development through optimum and ecologically balanced use of land and land based resources. Specifically it seeks to achieve the following objectives: -

- ✓ Promote tenure reforms that guarantee security and instil confidence and fairness in all land transactions;
- ✓ Promote decentralized and transparent land administration;
- ✓ Extend land use planning strategies to all urban and rural areas;
- ✓ Establish a modern land registration system for delivering land services to all;
- ✓ Enhance conservation and community management of local resources; and
- ✓ Promote research and capacity building in land surveying and land management[28].

The policy demonstrates equity consideration in access to land: it has provisions for facilitating equitable access to land by citizens and non-citizens. It recognizes that Malawians regard access to land as a fundamental right and people's demand for land is for uses like farming, residential and investment purposes. It further recognizes that demographic and economic pressures as well as the capacity to mobilize capital or access credit to develop land affect demand. The policy provides for security of tenure on equitable basis to all citizens in accordance with the stipulated principles among which is that any citizen or group of citizens of Malawi can have access to land in any part of Malawi provided that: -

- ✓ Land is available for disposal in that part of the country where access is being sought.
- ✓ The person agrees with the landowner to adhere to the covenants, customs and practices legally enforceable under the laws governing the disposal of the land.

[27] See Malawi Government (2004). Ministry of Water Development, National Water Policy, Lilongwe.
[28] See Malawi Government (2002). Ministry of Lands, Physical Planning and Surveys, Malawi National Land Policy, Lilongwe. Section 1.4

- ✓ The person undertakes to utilize the land in accordance with land use plans, environmental regulations and community land management duties and obligations applicable to all such lands in the area.[29]

Regarding facilitating access for non-citizens, the policy states that under the present land law, any person, a citizen or foreigner, can apply and be allocated land for any permissible use ranging from residential, industrial, agricultural and ranching. The policy recognizes intergenerational and gender related inequalities in land. Section 5.71 provides that to avoid the inequities often associated with property inheritance, and to confer equal rights to men and women, this policy will promote the registration of individual and family title to customary land as a policy priority. It further provides that to facilitate the transfer of land ownership through market allocation mechanisms, and to facilitate the transfer of property acquired by parents directly to children, this policy dictates that all children inherit land and real property belonging to parents equally.

The policy has particular provisions relating to environmental management recognizing this as a key issue in land. The policy make specific provisions on urban management of solid and liquid wastes, protection of sensitive areas, agricultural resource conservation and land use and water resources and wetlands among others. The policy reflects that it was developed through wide consultations and that it will be a vital tool for poverty reduction and the empowerment of rural communities.

2.8 National Legislation and Distribution Equity

2.8.1 The Environment Management Act (EMA)

EMA is the framework legislation governing environment and natural resources management in Malawi. the Act imposes a the duty of every person to take necessary and appropriate measures to protect and manage the environment and to conserve natural resources and to promote sustainable utilization of natural resources in accordance with the Act and any other written law relating to the protection and management of the environment or the conservation and sustainable utilization of natural resources.

Among the many measures to promote sustainable environment and natural resources management the Act empowers the Minister responsible for the environment in consultation with the Minister of Finance to determine fiscal incentives as are necessary for promoting the protection and management of the environment and the conservation and sustainable utilization of natural resources. It also gives power to the Director[30] to declare any area of Malawi, other than an area declared to be a wild reserve, forest reserve, game reserve, national park or monument under any written law, to be an environmental protection area. Of interest is that in the event that an area is being considered for environmental protection there is consideration of representations made by any person who has sufficient interest in the area and the interests of the local communities in or around the area among other things.

[29] See Malawi Government (2002). Ministry of Lands, Physical Planning and Surveys, Malawi National Land Policy, Lilongwe. Section 4.11

[30] The director of the Environmental Affairs Department

2.8.2 The Forestry Act

The Act, which followed the adoption of the National Forestry Policy (NFP) in 1996, seeks, among other things, to increase community participation in forestry management including opening up access to forestry resources to local communities and the private sector. It provides for participatory forestry, forest management, forestry research, forestry education, forestry industries, protection and rehabilitation of environmentally fragile areas and international cooperation in forestry. The Act has provisions relating to co-management of forest areas such that local communities can assist in the implementation of a mutually acceptable management plan.

The act does not define some terms such as 'local community' and 'the management plan', yet these terms are essential to implement the Act. There is provision relating to co-management arrangement between the Director of forestry and a community. Presumably such an arrangement can stipulate a resource sharing mechanism close to achieve equity; but the Act does not provide any guidance on this.

2.8.3 The Fisheries Conservation and Management Act (FCMA)

The Fisheries Conservation and Management Act (FCMA) 1997, is the principal legislation governing fisheries in Malawi. It seeks to strengthen institutional capacity by involving various other stakeholders in the management of fisheries, including the private sector, local communities and non-governmental organizations. The Act promotes community participation in the protection of fish and provides for the establishment and operation of aquaculture, which is an important option to reduce pressure on natural fisheries. Co-management of fisheries resources is being implemented through Beach Village Committees (BVCs) and in recent times, co-management agreements have been promoted.

An evaluation of a sample draft agreement of the Department of Fisheries shows that the agreement will seek to transfer to the local fisheries management authorities (the associations) the specific rights of use and management of the aquatic environment and other aquatic resources within the Lake Malombe for the duration of the agreement. This would seem to create exclusive user rights in favour of the association and would therefore curtail rights of other Malawians from outside the membership of the association. Every Malawian has a right to economic activity everywhere in the country (section 29 of the Constitution) and therefore to have access to economic resources including fish such a clause may not be effective. The reason for creating exclusive rights and duties in favour of community institutions is to improve fisheries management and not necessarily to exclude others from access. The transfer can improve accountability among fisheries communities through the association.

2.8.4 The National Parks and Wildlife Act

The National Parks and Wildlife Act of 1992, repealed the Game Act, the Crocodile Act, the Wild Birds Protection Act and the National Parks Act. The Act provides for wildlife management, including identification of species which should be designated for protection. It confers power on the responsible minister to declare any area of land or water within Malawi as a national park or wildlife reserve. The Act has now been amended to take into account changes brought about by the Wildlife Policy. In particular, the amendment Act among other things seeks to promote community and private sector participation in the management of wildlife resource, promote equitable sharing of benefits and promote general stakeholders participation.

The amended Act seeks to provide, *inter alia*, for collaborative management of wildlife between the Department of National Parks and Wildlife (DNPW) and local communities and the private sector. Part IIIA specifically deals with community participation and private sector involvement in conservation and management of wildlife. Section 22B gives power to the Director of National Parks to enter into agreements with Wildlife Management Authorities (WMAs). A WMA is defined as any local community or private organization established to promote local community participation in wildlife conservation and management. The agreement may provide, *inter alia*, for preparation of a management plan, rights and duties of the WMA and the assistance the DNPW may provide. The Director is further empowered to enter into concession agreements for purposes of managing or investing in such protected areas.

2.8.5 Public Finance Management Act

The Public Finance Management Act seeks to foster and enhance effective and responsible economic and financial management by government. It demonstrates adherence to accountability objectives which, among others, requires governments' compliance to stipulated accountability arrangements, produce statements of proposed budget policy including economic and fiscal statements and adherence to fiscal discipline.

Section 12 of the Act deals with economic, fiscal and financial policy. It particularly states that government will pursue its policy objectives in accordance with principles of responsible fiscal management. The principles according to the Act include managing total public debt at prudent levels so as to provide a buffer against factors that may impact adversely on the level of total public debt in the future; ensuring that within any borrowing programme the total overall expenditure of the state in each financial year is in the public interest and designed to achieve long-term fiscal stability; and pursing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

The Act furthers stipulates that public money is the property of the state and as such can only be used as provided by the Constitution or the Act. It clearly demonstrates principles of transparency and accountability in public finance management. The Act is uses quite technical especially in relation to the economy and finance matters; very few laymen can fully comprehend its provisions.

2.8.6 Energy Regulation Act 2004

The Energy regulation Act among things establishes an Energy Regulatory Authority to regulate the energy sector, to define the functions and powers of the Energy Regulatory Authority and to provide for licensing of energy undertakings. The Act provides the Energy Regulatory Authority with powers to receive and process applications for energy undertakings, approve tarrifs, and prices of energy sales and services and develop and enforce performance and safety standards for energy exploitation, production, transportation and distribution among others[31].

The Act requires the Energy Regulatory Authority to promote the interests of consumers of energy with respect to energy process and charges and the continuity and quality of energy supply. It further requires the Authority to promote the integrity and sustainability of energy undertakings, whilst providing efficient service and to formulate measures to minimize the environmental impact of the exploitation, production, transportation, storage, supply and use of energy[32].

The Act establishes a rural electrification levy in order to promote and fund rural electrification. The levy obtains funds from tariffs or prices of energy payable by energy consumers. This implies that the cost of bringing electricity to the poor is passed on to energy consumers; hence assisting in distributing benefits to the poor who have in most cases have forego access to natural resources so as to increase energy supply.

2.8.7 The Rural Electrification Act

The Rural Electrification Act was developed to make provision for the promotion, funding, management and regulation of rural electrification. The Act establishes a Rural Electrification Management Committee whose objectives are to: -

- ✓ ensure that the majority of the Malawian population in peri-urban and rural communities have access to efficient, sustainable and affordable energy for their social economic development through grid extension and off-grid electricity supply, including solar home system technologies;

- ✓ raise funds and receive and administer the Fund[33] for the benefit of rural electrification in Malawi; and

- ✓ promote rural electrification and act as a source of technical, commercial and institutional advice in rural electrification matters[34].

The Act requires that all projects in the rural electrification programme to be assessed for technical, financial, economic, environmental and social feasibility before they are provided

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[31] See Energy Regulation Act Section 9
[32] See section 9(2) (a) and (h) of the Energy Regulation Act 2004
[33] Section 12 of the Act establishes the Malawi Rural Electrification Fund
[34] See Rural Electrification Act, Malawi. Section 5

funding from the Fund[35]. It further requires the Rural Electrification Management Committee to develop and promote strategies aimed at ensuring sustainability of rural electrification in Malawi. The Act also requires that the committee develops and promotes strategies aimed at increasing access to energy sources by the majority of the peri-urban and rural population in Malawi and raise their living standards and empower women as key players in energy matters at household level[36].

The Act is very critical to addressing issues of access to energy especially for the rural population in the country. It embraces principles of equity to some extent alongside gender considerations.

[35] See section 35(1) of the Rural Electrification Act

[36] Refer to section 36 (g) and (i) of Rural Electrification Act

2.9 Distribution Equity Issues in International Instruments

Malawi is signatory to various international instruments. Most of these instruments provide policy direction for the government and have influenced many of the national policies and legislation discussed above. Based on the fact that livelihood in Malawi is largely dependent on natural resources below is an analysis of some of the international instruments that relate to natural resources and have aspects linked to distribution equity concept.

2.9.1 The Convention on Biological Diversity (CBD)

The Convention on Biological Diversity (CBD) was one of the international environmental instruments that came out of the Earth Summit held in Rio de Janeiro, Brazil in 1992. The Earth Summit emphasized community participation in environment and natural resources management for empowering the poor who are often the custodians of natural resources and often affected by decision making in natural resources management.

The CBD has three main objectives: conservation of biodiversity, the sustainable use of its components and the sharing of benefits arising from utilization of genetic resources. These objectives demonstrate resource equity concerns. The CBD further provides guidance to member states on equitable sharing of benefits from genetic resources. The CBD provides the basis on which national governments can develop appropriate policies and legislation to ensure controlled access to biological resources for people in particular area and to the nation at large.

The CBD has assisted greatly in the setting up of various national instruments for governing biodiversity issues in Malawi. Recognition and protection of interests of local farmers and local communities is key aspect relating to equity in resource use that the CBD promotes.

2.9.2 The Rio Declaration

The declaration came out of the United Nations Conference on Environment and Development which was held in 1992. It lays out fundamental principles which are key to achieving sustainable development. Principle 1 of the declaration recognizes people as the centre of concerns for sustainable development and that they are entitled to a healthy and productive life in harmony with nature[37].

The declaration presents a fundamental equity principle in development as articulated in principle 3 which states that the right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations. The declaration considers issues of public participation in Principle 10 where it states that environmental issues are best handled with participation of all concerned citizens, at the

[37] See United Nations Environment Programme, Rio Declaration on Environment and Development, Principle 1, available on line from http://www.unep.org/Documents.multilingual/Default.asp

relevant level. At the national level, each individual shall have appropriate access to information concerning the environment that is held by public authorities, including information on hazardous materials and activities in their communities, and the opportunity to participate in decision-making processes. States shall facilitate and encourage public awareness and participation by making information widely available. Effective access to judicial and administrative proceedings, including redress and remedy, shall be provided[38].

The Rio declaration is obviously a very important tool that provides guidance to states in pursuing sustainable development. This declaration is the first to comprehensively detail sustainable development which most states subscribed to and as such presents widely accepted principles applicable to the concept of distribution equity

2.9.3 The World Summit for Sustainable Development

The World Summit on Sustainable Development (WSSD) held in Johannesburg in 2002 extended the concept of sustainable development, emphasizing on livelihoods and enhancing quality of living as an essential part of sustainable development. The primary Summit outcomes were the Johannesburg Declaration on Sustainable Development which is the official declaration made by Heads of State and Government; the Johannesburg Plan of Implementation, negotiated by governments and detailing the actions that need to be taken in specific areas and the Type2 Partnership Initiatives, which are commitments by governments and other stakeholders to a broad range of partnership activities and initiatives, adhering to the Guiding Principles, that will implement sustainable development at the national, regional and international level

The Johannesburg Plan of Implementation lays out key themes and spells out the commitments, targets and timeframes as agreed at the WSSD under each theme of the plan. Theme 1 deals with poverty reduction through: improved access to safe drinking water and sanitation facilities, affordable energy, promotion of sustainable agriculture and livelihoods, and improved health systems, housing/settlements, rural and agricultural development, education, disaster management and industrial development.

The WSSD has specific strategies for sustainable development initiatives for Africa and Small Island Developing States. The WSSD outcomes are critical to allow the less developed countries like Malawi achieve meaningful development.

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[38] See Principle 3 and 10 of the Rio Declaration

Chapter 3

Fiscal Management, Poverty Reduction and Natural Resources Management

Prudent public finance management is critical for economic growth and development. Effective fiscal and economic policies ought to consider poverty reduction as a primary issue to deal with as the poor are often not able to effectively participate in national development programmes. Considering that most poor people depend on natural resources fiscal and economic policies need to fully factor the environment.

3.1 Government Revenues and Expenditure

The revenue used by the Malawi government is generated through tax, seconded by grants and then non tax revenue. Tax revenue comprise taxes on income, profits and capital assets; domestic taxes on goods and services; taxes on international trade and transactions; tax refund and other miscellaneous duties.

Table 4: Budget Framework (Revenue, Grants and Expenditure)

(K' million)

	2002/03 Revised	2003/04 Revised	2004/05 Estimate
Total Revenue and Grants	39,468	65,366	81,083
Revenue	30,509	42,754	51,771
Tax Revenue	26,089	36, 902	44,636
Non Tax Revenue	4,420	5,852	7,135
External Inflows	8.959	22,612	25,212
BOP Related Grants	1,329	6,573	5,418
Project Grants	4,398	9,635	13,799
HIPC	3,232	5,261	5,995
Japanese Debt Relief		490	0
Donor Contributions to General Elections		653	0
Total Expenditure	53,944	79,638	89,888
Current Expenditure	40,812	59,126	65,937
Wages and Salaries	10,633	12,302	15,300
Pensions and Gratuities	1,533	1578	2,106
Interest Payment	10,879	20,024	19,280
Domestic	8,873	17,253	16,715
Foreign	2,006	2,771	2,565
Other Recurrent Expenditure	17,767	25,222	29,251
General Elections			
Development Expenditure	13,132	20,512	23,863
Domestically financed	2,208	3,281,	3,517
Foreign Financed	21,848	17,231	20,346
Surplus/(Deficit)	-14,476,600	-14,272	-8,23

Non tax revenues comprise administrative fees, administrative charges, sale proceeds from departments, interest on government lending, miscellaneous receipts, returns on finance and reimbursements. Table 4 above illustrates government revenues and expenditures from 2002/03 financial year.

The key expenditure areas for government are mainly Personal Emoluments, Other Recurrent Transaction (ORT), Public debt, statutory and development expenditures. A brief consideration of Malawi's expenditure by sector in relation to the MPRSP reports indicate that general administration is usually the largest recipient of government funding getting 29.7 percent of the total expenditure in the 2004/5 financial year. Other areas that involve substantial government expenditure include economic services and social services, and debt repayment. For instance in the 2004/5 economic year the economic services received the second largest share of total expenditure accounting for 25.6 percent of the total expenditure. The social and community services, which together with general administration used to receive the largest share in the last two years, was the third largest recipient accounting for 23.6 percent of the total expenditure, which was less than the planned MPRS, and the 2004/05 budget targets of 40.8 percent and 25.9 percent respectively. This was followed by debt repayment at 20.4 percent which was one percent less than what was projected in 2004/05 budget. Table 5 below outlines funding levels for various sectors for the years 2004 and 2005.

Table 5: Functional Classification of Central Government Budget (MK' mn)

	2004/05 MPRS	2004/05 Approved	2004/05 Revised
General Public Services	**14,705.56**	**24,193.48**	**27,314.65**
General Administration	12,291.66	18,418.32	21,110.01
Other General Public Services (Defence and Public Order and Safety Affairs)	2,413.90	5,775.16	6,204.64
Social and Community Services	**19,496.22**	**21,235.46**	**21,602.58**
Education Affairs and Services	11,350.10	9,714.74	10,411.54
Health Affairs and Services	5,838.16	6,033.57	6,412.16
Social Security and Welfare Affairs and Services	890.04	3,973.46	3,241.40
Other Social Services	1,417.92	1,513.69	1,537.48
Economic Services	**12,067.82**	**25,177.54**	**23,491.00**
Energy and Mining	33.38	779.50	105.23
Agriculture and Natural Resources	3,105.40	8,543.40	7,552.28
Tourism Affairs and Services	172.50	0.00	0.00
Other Economic Services	8,756.54	15,854.64	15,833.49
Unallocable Services	**4,000.00**	**0.00**	**677.28**
Debt Amortization		**19,280.00**	**18,752.00**
Total Expenditure	**50,269.60**	**89,886.48**	**91,837.51**
GDP at Current Market Prices	**188,279.00**	**221,073.00**	**221,073.00**
As a percentage of Total Expenditure			
General Administration	29.3	26.9	29.7
Social and Community Services	38.8	23.6	23.5
Economic Services	24.0	28.0	25.6
Unallocable Services	8.0	0	0.7
Debt Amortization	0.0	21.4	20.4

Source: Economic Report (2004)

3.2 Central government allocations to sectors versus generated revenue

Consultations with government departments[39] indicate that often what is requested per financial year is not fully provided for by treasury and that this affects implementation of new initiatives in the departments. Before the final budget is developed the ministry of finance allows for various government institutions to present their budgets. This involves meetings where various departmental and institutional heads are allowed to justify their proposed budgets. Often what are approved without difficulties are personal emoluments and recurrent expenditures and development expenditures are often reduced or cut off completely.

Education, health and agriculture receive more central government allocations than any other sector. Natural Resources and Environmental Affairs, Lands, Physical Planning and surveys and Tourism Parks and Wildlife are examples of those that receive the least funding. The research indicates that central government allocation are driven by short term priorities of the government in power, for instance a proposed project for environmental rehabilitation would be shot down while revising sector budgets for an increase to the health sector for more drugs would be approved because the short impacts of absence of drugs in the hospital would paint a very bad picture of the government's effort to assist its people than long term environmental degradation. This has led to insufficient resources for natural resources management and increased degradation of the environment. The impacts of environmental degradation have been felt and continue to do so across several sectors. ESCOM failure to generate enough power to due Shire river siltation being a typical example of the impacts of environmental degradation on the economy.

Currently there is no linkage between the amount of revenue allocated by central government to a particular sector institution, department or ministry with the level of revenue generated. For instance the Ministry of Education which was allocated around MK9 billion in the 2003/04 financial year only generated revenue amounting to around MK 20 million. On the hand the Ministry of Natural Resources and Environmental Affairs which was allocated around MK 1 billion generated revenues above MK 36 million. It has to be made clear however that the argument under consideration is not proposing that sector generated funds should sorely be used for purposes of that sector alone. This is because there are other government institutions that do not generate any revenue to sustain their operations and as such do require central government allocations which in essence use resources mobilized by others. But if sector generated funds should to contribute to central government resources then this should not compromise commitment of resources for the efficient running and sustainability of the particular sector. Others who were consulted in this research proposed the idea that central government resource allocations to sectors could be done proportionate to revenues they generated. On the other hand others propose that allocations to institutions that are not able to generate revenues to fully support their activities should sorely be drawn from general government revenues such as taxes collected by the Malawi Revenue Authority.

[39] Appendix 8 provides the full list of stakeholders who were consulted

Donors contribute substantial amounts of financial resources used by most sectors for projects and programmes. Most ministries use financial resources beyond what they are able to generate. This is well illustrated in the Table in Appendix I

3.3 Revenue generated from Natural Resources

It is very difficult to isolate revenues generated from natural resources from most of the economic reports as these are often embedded taxes and non tax revenues. Most natural resources based revenues are under the category of non tax revenues and are usually not clearly specified. Most are put under administrative fees, licences and sale proceeds from departments[40].

Table 6: Forms of revenues from some various ENRM sector

	Means of Generating Revenues	
SECTOR	Natural Resources based Revenue	Other Revenues
Tourism, Parks and Wildlife	Game licences Park entrance Sale of firewood Sale of Trophies Sale of game meat	Hire of guards
Natural Resources and Environmental Affairs	Fisheries: -Crocodile and fishing licences -Sale of fish Forestry: -Licence -fees Royalties on Forestry produce -Concessions -Sale of firewood -Log sale Geological Survey -Sale of mineral and mineral products	Domestic Electricity and water Rent-Government houses
Lands, Housing, Physical Planning and Surveys	Land valuation fees	Plan submission fees
	Land registration	Surveying services
	Land Miscellaneous	Sale of map and plans
	Conveyance and Document preparation fees	
	House, Public and customary land lease	

In brief some of the natural resources revenue from land resources sector include fees and charges from physical planning, surveying services, deeds registry, valuation, land registry, housing and leases fees. Those under the fisheries sector include crocodile and fishing licences, fish export levy, sale of fish. While in forestry revenue sources include licence fees, concessions, royalties on forestry produce and sale of firewood among others. In tourism and wildlife, game licences, park entrance, game meat just to mention a few.

[40] Very detailed information on most of the revenues is is supposed to be provided by the responsible ministry or department but sourcing this information proved very difficult.

It is important however to note that not all revenue collected by the ENRM [41] sector is all from natural resources. For instance the revenue collected by the Department of Parks and Wildlife includes revenue generated through hiring out guards. Further details on revenues generated from various natural resources sectors has been provided in chapter 5 but Table 6 above briefly describe some revenue forms from natural resources for some ENRM related sectors.

3.4 Poverty Distribution in Malawi

According to the 1998 Profile of Poverty in Malawi[42], it is estimated that 66,5% of the rural population live in poverty as compared to 54.9% in urban areas. However as many as 90% of the population in Malawi live in rural areas, 91.3% of the total population that is poor in the country live in the rural area and 91.5% of the ultra poor also live in rural areas. The Southern Region has the highest proportion of poor households compared to the other two regions (partly because of the small size of cropland holdings per capita estimated at 0.176 hectares. However, areas with the highest poverty head count are, among others, Ntcheu (84.0%) in the Central Region and Thyolo (76.8%) in the Southern Region.

An analysis of poverty distribution shows that the rate of natural resource depletion is alarming particularly in districts with higher poverty prevalence. The NEAP (1994) observed that there is a direct correlation between poverty and environmental degradation. The majority of the priority issues which the NEAP considers as major threats to the environment and resource base of Malawi, have a direct linkage to small scale farmers: environmental threat, soil erosion, deforestation, water resource degradation and depletion, and depletion of fish stocks. Soil loss rates are reportedly reaching worrying levels (20-50t/ha) in some areas, and soil structure and soil fertility is declining, with adverse impact on household income and food security. As cultivated areas expand, land clearance expands and tree cover declines. According to the NEAP's analyses, the costs of the degradation of major natural resources have been estimated at over 10% of the GDP.

The poverty measures for Malawi when the ultra-poverty line is used are presented in Table 7 above. The national ultra-poverty headcount is 28.7 percent. By region, the Southern region has a disproportionate number of the ultra-poor. Rural areas have more ultra-poor as a proportion of the population than do the urban centers. The ultra-poverty gap and ultra-poverty severity indices reflect this pattern as well

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[41] Environment and natural Resources Management

[42] See Malawi government (2000) National Economic Council, Poverty Monitoring System, (revised) Profile of poverty in Malawi, 1998 Poverty analysis of the Malawi Integrated Household Survey, 1997-98

Table 7: Poverty Line and ultra poverty line in Malawi

Poverty line and ultra-poverty line at July 2000 prices (daily per capita consumption (MK)), by poverty line region.

	Poverty line	Ultra-poverty line
Southern rural	14.42	8.65
Central rural	17.22	10.33
Northern rural	20.74	12.44
Urban	47.18	28.31
National weighted average poverty line	19.47	-

Adjusted using the national total price index.
July 2000: MK 55.00 = US$ 1.00

Source: Government of Malawi (2000) Revised detailed tables for a poverty profile of Malawi from the poverty analysis of the Malawi Integrated Household Survey, 1997-98 Poverty Monitoring System

Table 8 below shows individual poverty estimates and mean consumption per region and for rural and urban areas. The national poverty headcount[43] in Malawi was estimated at 59.6% with the central region having a slightly lower poverty headcount of 56.8% compared to 61.8% and 61.5% for the southern and northern regions respectively. Table 8 further presents the poverty gap index, the poverty severity index and the absolute number of poor people in Malawi. The poverty gap index measures the depth of poverty and provides information as to how far off households are from the poverty line. Poverty gap index is computed by adding up all the shortfalls of the poor and dividing this sum by the population. The Poverty severity index, is an indicator of the severity of poverty. Its measure takes into account inequality among the poor and assigns more weight to those households who are further away from the poverty line. This index is obtained by squaring the poverty gap index.

According to the National Economic Council (2000), there is inequality in consumption in Malawi and there are variations in this within the regions and between urban and rural areas. These indices of inequality in consumption as revealed by the Gini coefficients and related statistics are presented in Table 9. In spite of the lower incidence of poverty in the urban centers, the level of inequality in consumption is considerably higher in the urban centers than in the rural areas. The richest 20 percent of the population in the rural areas account for 44 percent of total consumption, whereas in the cities the richest 20 percent account for 58 percent of total consumption. The degree of inequality in consumption is also highest in the Southern region. This may be a result of the somewhat larger urban population in the South,

[43] The poverty headcount ratio is the proportion of the national population whose incomes are below the official threshold (or thresholds) set by the national government which are the poverty lines. Where there are no official poverty lines, they may be defined as the level of income required to have only sufficient food or food plus other necessities for survival.

rather than any consistently higher level of inequality across the population of the South as a whole.

Table 8: Individual poverty estimates and mean consumption by region and rural/urban,

	Weighted IHS population share (%)	Mean consumption (MK / person / day) *	Median consumption (MK / person / day) *	Poverty headcount (% of population)	Poverty gap index	Poverty severity index	Absolute number of poor persons	Percent of Malawi's poor in area
MALAWI	**100.0**	**12.05** *(0.52)*	**8.93**	**59.6** *(2.55)*	**0.23** *(0.02)*	**0.12** *(0.01)*	**5,834,800**	**100.0**
Southern Region	47.5	11.94 *(0.89)*	8.52	61.8 *(3.98)*	0.25 *(0.03)*	0.13 *(0.02)*	2,872,243	49.2
Central Region	41.6	12.35 *(0.69)*	9.40	56.6 *(3.80)*	0.21 *(0.02)*	0.10 *(0.01)*	2,307,630	39.5
Northern Region	10.9	11.38 *(0.89)*	8.70	61.5 *(5.02)*	0.23 *(0.02)*	0.11 *(0.01)*	654,928	11.2
Rural	89.8	11.30 *(0.53)*	8.76	60.6 *(2.81)*	0.24 *(0.02)*	0.12 *(0.01)*	5,326,743	91.3
Urban	10.2	18.66 *(1.91)*	10.38	50.8 *(3.85)*	0.19 *(0.02)*	0.10 *(0.01)*	508,057	8.7

* Mean and median consumption values are calculated from temporally (April 1998) and spatially deflated kwacha values.

Table 9: Indices of welfare indicator inequality (total daily per capita consumption), by region

	Gini coefficient *	Poorest quintile's percent of total consumption	Richest quintile's percent of total consumption	Poorest decile's percent of total consumption	Richest decile's percent of total consumption
MALAWI	0.368	7.7	45.1	3.1	30.6
Southern region	0.380	7.5	46.2	3.0	31.9
Central region	0.360	7.9	44.4	3.2	29.9
Northern region	0.340	8.1	42.7	3.4	27.9
Rural	0.334	8.2	42.1	3.3	27.3
Urban	0.515	4.9	58.3	2.0	43.2

Source: Government of Malawi (2000) Revised detailed tables for a poverty profile of Malawi from the poverty analysis of the Malawi Integrated Household Survey, 1997-98 Poverty Monitoring System

Note: The Gini coefficient provides an indication of how equitable the distribution is across the population. A Gini coefficient of zero results if all households have the exact same level of consumption and expenditure – perfect equity. A coefficient of one results from a situation where all except one member of the population have no consumption and expenditure.

3.5 Fiscal and Economic Policy in Malawi

The core objective of fiscal and policy is to share and inform stakeholders in the economy on how government revenues and expenditure are distributed. Key issues in such policies may include the reduction of budget deficits to defined levels, setting targets in terms of revenues from taxes and other sector non tax activities, foreign or domestic borrowing. Based on the existing national development strategies or plans fiscal policies may set targets based on such plans. For instance the MPRSP was used to guide fiscal policy targets on poverty reduction.

Most fiscal policies are meant to guide national budget over a defined short or medium term. Fiscal policy for the past three years has in a broader sense centered around financing essential services and maintenance of taxes that promote economic growth. Other specific focus areas include domestic debt, civil service wage reform, food Security, HIV/AIDS and private sector development.

Although fiscal policy is determined by economic environment it is important that such policy address government commitment to environment and natural resources management particularly investment to enhance product improvements from natural resources and conservation. Currently fiscal policies highlight HIV/AIDS, decentralization and good governance but largely ignore natural resources as the bedrock of the economy. Fiscal policy is more inclined to facilitate economic growth but there can be no sustainable economic growth without addressing environment and natural resources issues in the fiscal policy. Government needs to impose pollution taxes and improve revenue collection from the non tax fees and charges which reflect economic values of natural resources.

One the other hand external borrowing needs to be managed with due regard to inter-generational and intra-generational equity concerns. Government tends to borrow a lot to implement short term programmes and in turn the burden for such debt is passed on to the future generation. Funds from international lending institutions and developed countries should be utilized to promote sustainable development efforts that would also benefit future generations.

There is need for government to carry out economic valuation of the country's natural resources to better translate and incorporate such values in fiscal and economic analyses. Natural resources capital protection is currently not a priority in government programmes; but this can undermine sustainable development.

Chapter 4

Local Governance and Decentralization

Governance and provision of essential services in Malawi has been the responsibility of central government and only a few administrative functions were being done by chiefs. The credibility of traditional leaders has however declined for various reasons including political manipulation, corruption and changing social-economic patterns in the country. Considering the weaknesses in the traditional governance structure decentralization was envisaged to facilitate improvement of administrative governance to local levels. Malawi developed a National Decentralization Program as a resource mobilization tool and also to guide the decentralization process. The National Decentralization Program addressed seven components including legal framework, building of a democratic culture, institutional development, fiscal decentralization, local development planning and financing mechanisms, devolution of functions, and accounting and financial management. Decentralization is essential to create democratic institutions and enhance the participation of locals in development.

4.1 Legal and Policy perspectives of decentralization in Malawi

The National Decentralization Policy (NDP)

The objectives of the National Decentralization Policy (NDP) are to: -

- ✓ Create a democratic environment and institutions in Malawi for governance and development at the local level which facilitates the participation of the grassroots in decision making;

- ✓ Eliminate dual administration (field administration and local government) at the district level with the aim of making the Public Service more efficient, more economical and cost effective;

- ✓ Promote accountability and good governance at the local level in order to help government reduce poverty; and

- ✓ Mobilize the masses for socio economic development at the local level[44].

Sector devolution is one of the important aspects in decentralization where central government institutions are urged to pass functions and responsibilities that can easily and effectively be performed by Assemblies. The policy direction calls for careful planning of the devolution process, which among others involves production of a sector devolution plans by the responsible sector while Assemblies develop integration strategies and a review of the institutional arrangements is made by the Local Government Department[45]

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[44] See the National Decentralization Policy, Ministry of Local Government and Rural Development

[45] See Sector Devolution plans, Summary report (2002)

The Local Government Act (LGA)

The decentralization process required legal anchorage to strengthen implementation and hence the Local Government Act (LGA) was enacted 1998. The LGA enshrines key elements of the NDP including structure of government with focus on Assemblies, their composition, powers, functions, and financing. However the Act does not fully reflect some of the NDP provisions. For instance while the policy describes roles and responsibilities of sectors or line ministries in relation to the assemblies, these relationships have not been clearly enacted in the LGA.

The decentralization programme has facilitated a bottom up approach of addressing these issues. It has facilitated establishment of a district development planning system which is essential for equitable distribution of resources and development within the district. Through the district profiles and the district development plans, Assemblies are able to identify problems affecting them and propose means to develop and implement various interventions to address the problems through projects.

There are several institutional structures created within decentralization. These include those within the Assembly and community institutions**.** The Village Development Committees (VDC) and Area Development Committees facilitate development planning and implementation at these levels. The problem currently is that development to many local people is physical infrastructure. Environment and natural resources management issues are not considered as worth their attention. Government has however initiated environmental micro projects through decentralization to motivate communities to start prioritizing environmental related projects.

Within the district there are Environmental District Officers (EDOs) who coordinate environment and natural resources management related work within the Assemblies. Through the EDOs Assemblies prepare District State of the Environment Reports (DSEOR) and District Environmental Action Plans. The action plans guide the implementation of environmental micro projects. Resources for micro projects are usually drawn from the District Development Fund and Environment Fund.

4.2 Fiscal Decentralization in Malawi

It is recognized that for Assemblies to translate the power and competence given to them by the NDP, a sound local government mechanism was required[46]. Fiscal decentralization considers sectors not ministries to avoid misunderstandings that arise as ministries are restructured. This implies that all functions relating to environment and natural resources are inclusively considered within one component. For instance wildlife and national parks which is under Ministry of Information at central government is considered under natural resources sector at Assembly level. This arose from a functional review which recommended that sector arrangements from central government should not be replicated.

[46] See Section 10.1 of the National Decentralization Policy

Fiscal decentralization is implemented in phases in line with the functions stipulated in the sector devolution plan. The ministries whose functions have fully been devolved include health, agriculture and education and the process for these was completed in the 2005/2006 financial. The target for the 2006/07 financial year is to devolve ministries of gender and community services, water, trade and housing. The connotation here is that for sectors whose functions (particularly fiscal devolution) have not been fully devolved then revenues generated under these are still collected by central government. Likewise staff salaries of such sector and other expenditures are met by their ministry headquarters. For instance Mines, Natural Resources and Environmental Affairs have not yet fully devolved, hence money collected by the Ministry are channeled to the central government.

4.3 Local government Revenues and Expenditures

The Assemblies have four main sources of revenue, namely, locally generated revenues, central government transfers or grants, ceded revenues and donor funds[47]. Assemblies prepare budgets and these are consolidated by the National Local Government Finance Committee (NLGFC) and Treasury. Assemblies are advised to use output based budgeting or activity based budgeting and they include locally generated revenue and transfers from central government in their budgets. Now that Assemblies are votes within the National Budget the funds are sent directly to the particular Assembly via the NLGFC.

4.3.1 Central Government Grants

Unconditional Grants

The central government transfers according to the NDP are meant to be at least 5% of national revenues, excluding grants to be used for the development of districts. The policy also provides that the distribution of these grants will be done by the National Local Government Finance Committee[48] (NLGFC) in accordance with a formula approved by Parliament[49]. Within central government transfers there are unconditional funds which comprise the general resource and conditional funds which comprise funds for specific functions that have been devolved from central government such as irrigation. Currently central government transfers are in form of the General Resources Fund, Sector Funds, Chiefs honoraria and salary subsidy.

The General Resource fund is a type of grant remitted by central government to local authorities. It is allocated based of a formula approved by Parliament which uses population and poverty indicators. The level of funding for the General Resource Fund is based on the recurrent expenditure needs of local governments to engage in minor local government activities (for which no sectoral grants are given) plus 20 % overhead on all sectoral expenditures for the general operating cost of the local government level. The amount is reduced by the aggregate level of locally generated resources that is available to local governments.

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[47] Other sources consider ceded revenues as part of central government grants, and others do not include donor funds and hence often usually three main sources of revenue are reported
[48] The NLFC plays an advisory role to government on local Assemblies financing
[49] The formula for resources distribution to Assemblies was approved by Parliament 2002

The Central Government in line with the Decentralisation Policy and the Local Government Act, 1998 is supposed to make available to the Local Assemblies at least 5% of the national revenues, excluding grants for the development of districts in form of a block grant (GRF) to be used by local governments, following their own priorities within the rules of planning, budgeting and budget approval.

The General Resource Fund (GRF) is the unconditional government grant for decentralised services, for recurrent expenditure. Its principal functions are to provide resources for general administrative needs of local governments; and a number of "minor" local government activities. The GRF was first known as an 'Equalisation Grant' and more recently as a Resource Supplement Grant (RSG). In 2002, the RSG became the GRF. NLGFC is responsible for determining the GRF allocations using an allocation formula approved by Parliament in October 2002, which should be reviewed every three years. 80% of the total is based on population and 20% based on poverty factors.

The 20% poverty related allocation is based on:

- 40% based on head count of persons below the poverty line;
- 25% based on infant mortality rates;
- 20% based on illiteracy rates; and
- 15% based on consideration of access to clean and safe water.

The GRF transfer is determined by actual national revenue collected within a fiscal year and is not budget-driven. From 2005, the GRF is available to both urban and rural local governments, using the same formula. The funds are not earmarked for specific purposes. However, Local governments are advised that 25% of the GRF should be used for development activities, but local governments are unable to allocate these to development activities due to inadequate resources for recurrent and administrative costs.

During consultations with various stakeholders, it became apparent that there was no economic basis on which the 5% allocation from the national revenues was derived since the percentage allocation cannot be justified by a corresponding income base to support the allocations to the Local Assemblies. Consequently, Central Government has not been able to fully make available the 5% grant to the Local Assemblies.

Box 1: Analysis of the Government Grants to Assemblies

Source: Government of Malawi (2006). Study for the Development of a System for Ceded Revenue Collection & Distribution and Administration of User Charges

The Resource Supplementary Grant (RSG) was used as a guide in determining the formula for the General Resource Fund (GRF) and modifications were made to the RSG formula[50]. Based on the Malawi Intergovernmental Fiscal Transfers Study the initial design of the distribution of central government grants to Assemblies was based on factors such as population, land, area etc) which were assigned relate weights based on the importance of each factor in the final allocation. It seems there have changes to the approach and that currently 80% of the total is based population and 20% based on poverty[51]. Box 1 provides a situation analysis of Government Grants as report by the report on the development of a System for Ceded Revenue Collection & Distribution and Administration of User Charges

Conditional Grants
Sector funds are the major type of conditional grants transferred to Local Governments. Effective from the 2005/2006 financial year, Assemblies started appearing as distinct votes in the national budget in line with the fiscal decentralization reform processes. The sector funds that appear under Assembly votes are in respect of recurrent transactions and not the development budget. The sector development budgets have not yet been devolved by Central Government.

The allocation of resources under each of the sectors was based on the sector expenditure requirements prioritized in line with the Output/Activity Based Budgeting method. However, efforts are being made, through the National Local Government Finance Committee working with the individual sector line Ministries, to come up with allocation formulas that take into account relevant indicators and variables under each sector.

The size of Local Government's sector funds ORT budget relative to the overall line Ministries' budget in the 2006/2007 budget is as follows:

Health	57%
Agriculture	4%
Education	13%
Gender	26%
Rural Housing	2%
Water	7%
Trade	2%

Other Grants
The 2006/2007 budget introduced another type of Central Government transfer to the Local Authorities in the form of the Constituency Development Fund (CDF). This is a Fund that is available to Local Governments through their respective Members of Parliament to address immediate short term community interventions. Environmental micro projects

[50] See Government of Malawi and UNDP Capital Development Fund (2001) Malawi Intergovernmental Fiscal Transfers Study, Lilongwe and Atlanta.
[51] The source of data for the variables used in the formula is National Statistics Office. Arising from the indicators and variables used in the formula, it is apparent that Assemblies with large poor populations receive larger transfers from Central Government. In this context, rural Assemblies receive a higher funding allocation relative to the urban Assemblies.

qualify for funding under the CDF. Currently, each Constituency has been allocated an annual provision of MK2 million.

Note that in the context of capturing grants that are incorporated in the national budget under Local Governments votes in line with the fiscal decentralization process, the relevant grants to be quoted would therefore have to be the General Resource Fund and Sector Funds. The General Resource Fund and Sector Funds are the two types of grants often referred to as unconditional and conditional respectively, that would finance service delivery by the Local Governments unlike the Chiefs Honoraria and Salary Subsidy that are more of a personal emolument in the national budget.

4.3.2 Locally Generated Revenue

Locally generated revenues comprise property rates[52], ground rents, fees and licenses, commercial undertakings and service charges. These funds are what are considered as traditional funds for the assemblies and the central government grants and other funds supplement these. There is high likelihood for resource rich districts to raise more funds under this category when fiscal decentralization is fully in operation. Other fees and charges are revenues that include fees from marriage registration, passport processing, business licences, income from disposal of obsolete stocks, septic tank emptying fees, etc. Local Authorities budget for fees and charges at the rates revised by the Ministry of Trade and Private Sector Development. A detailed description of locally generated revenues is provided in Box 2 below.

4.3.3 Donor Funds

These relate to funds transferred by donors directly to Local Assemblies for various programmes. They include funds under the MASAF programme, HIPC funds, the Environment Fund, the African Development Fund, the United Nations Capital Development Fund, and funds from the European Union.

4.3.4 Ceded Revenues

These are non-tax revenues collected by various Government agencies on behalf of the Central Government. As a policy these ceded revenues collected by the Central Government are redistributed to the Local Assemblies using a formula approved by the Cabinet. Ceded revenues are provided for in the National Decentralisation Policy and, Local Government Act. The National Decentralisation Policy identifies toll fees, gambling and casino fees, fuel levy/fee (Road maintenance levy), motor vehicle registration fees; and industrial registration fees as non-tax revenues to be ceded to the Local Assemblies.

According to a Malawi Government report on the development of a system for ceded revenue collection and distribution, out of the five earmarked non-tax revenues, Central Government only collects fuel levy and motor vehicle registration fees. The other three

[52] Property rates are currently by Town, Municipal and City Assemblies.

sources are either non existent or not passed on to Central Government thereby making it difficult for Central Government to cede what it has not collected. As it stands now local assemblies derive direct benefit only from the fuel levy much as it is administered by NRA. It could be argued that the motor vehicle registration fees are by implication transferred to the Local Assemblies through the GRF. However, this means that the motor vehicle registration fees are not ceded in full in accordance with the Decentralisation Policy. Lack of transparency on the amounts of the two earmarked non-tax revenues collected annually complicate the situation further thereby making it difficult for the local assemblies to know how much is due to them.

Property Rates

The Local Government Act (1998) provides for property rates, also known as property tax, as one of the sources of revenue for the Assemblies. The Act empowers the Minister to designate by notice in the Gazette any area as rateable area. The rateable areas were originally confined to the City, Municipal and Town Assemblies for administrative purposes. However, the property rating has now been extended to all District Assemblies giving the rural District Assemblies the right to collect property rates in compliance with Section 63 of the Local Government Act.

Ground Rent

The ground rent is governed by the provisions in the Land Act. This is a flat tax on land that is under lease from Government. This ground rent is payable on all leased land irrespective of use. Ground rent is mostly collected from agricultural estates. Central Government collects ground rent from tobacco estates on behalf of Local Assemblies, whereas Local Assemblies are supposed to collect ground rent from other agricultural estates. In practice, the Ministry of Lands administers this ground rent through a network of Regional Offices, which undertake surveys and make the collections within the districts.

Fees and Service Charges

Local Assemblies levy fees for services rendered to the local populace in line with individual Assembly's By-Laws. However these fees and service charges differ from Assembly to Assembly based on a number of factors including locality, income base of the citizenry, Assembly's budgetary considerations, among others. These fees and service charges include Market fees, Marriage certificates fees, Ferry fees, Slaughter house fees, Bus depot fees, Motor vehicle hire charges, Building plan fees/plan scrutiny fees, Certificate of occupation fees, Change of ownership fees, Application fees (Birth certificate, affidavits, passport), House rent, Car park fees, Clinic fees, Sale of firewood, Plot development fees, Water charges, Garbage collection, Solid waste collection, Sewer charge, Fire brigade, Hire of halls, Billboards and banners. Some of the above sources of revenue are only applicable to city and town assemblies e.g. billboards and banners, car park fees, building plan /plan scrutiny fees, and change of ownership fees.

Market fees constitute a significant source of locally generated revenues for District Assemblies. For City and Town Assemblies, other than market fees, building plans/scrutiny fees, the revenues generated from these sources are insignificant to have a material effect on the revenue generated at assembly level as the main source remains property rates.

Business and occupational licenses

Business and occupational licenses relate to licenses issued by Local Assemblies to users of Assemblies' facilities carrying on small businesses. Normally, such businesses will be conducted within established market places, for example, barber/salon shops, shoe repairs, canteen, and tailoring, among others.

Business licenses

The business licensing is governed by the Business Licensing Act (1971). The Local Assemblies are empowered to regulate and mobilize revenue from businesses operating within the jurisdiction of the Assemblies. There are eight types of trading licenses: wholesalers, travelling wholesalers, retailers, commercial travellers, agents, travel agents, auctioneers and forwarding agents. The Local Assemblies collect these licenses from Malawian owned businesses. The foreign owned business licenses are collected by the Central Government through the Ministry of Trade and Private Sector Development. In a bid to

Box 2: Detailed analysis of locally generated revenues

Source: Government of Malawi (2006). Study for the Development of a System for Ceded Revenue Collection & Distribution and Administration of User Charges

There are observation also that there appears to be a different understanding between Central Government and Local Government regarding the definition of ceded revenue and what constitutes ceded revenues. Government of Malawi (2006) reports that the Ministry of Finance views the whole process of transferring financial resources from the Centre to Local Governments as ceding revenues. Therefore Central Government has not drawn a distinction between ceded revenues and central government transfers since it is argued that both emanate from the same resource envelope available to Central Government. However, the Decentralisation Policy specifically identifies locally generated revenues and central government transfers as the two main sources of revenues for local assemblies. According to the Policy, Central Government Transfers comprise ceded revenues and government grants. The Third Schedule of the Local Government Act, 1998, support this by indicating that Government Grants in accordance with the Policy constitutes 5% of national revenues, excluding grants for the development of districts.

Hence there is need for Central Government to view Central Government Transfers to constitute ceded revenues and government grants. In this respect, Central Government should put in place a transparent mechanism of ensuring that earmarked non-tax revenues are ring-fenced for onward transfer to the local assemblies separate from government grants.

4.4 Comparative Analysis Local Authorities Revenues

A comparative analysis done based on the local authorities budgets from the 2003/04 to the 2006/07 financial years indicate that there has been an increase in central government transfers made to Local Authorities. Table 10 below and Figure 2 below indicate that there is an increase in the amount of transfers made to local authorise over time. This is evidence that more functions are being devolved to the local authorities.

4.5 Equalization Grants

As previously indicated different districts are endowed differently in terms of natural resources and the poverty rates across the regions and districts in the country differ. Since the overall goal of national development and poverty reduction are inclusive and subscribe to equity concerns, there is need to make deliberate efforts to ensure that development is occurring evenly across local governments. The equalization concept relates to how fiscal policies are organized to foster economic improvements of economically disadvantaged areas.

Fiscal decentralization is intended to address economic inequalities across local governments. Equalization grants have therefore been recommended by the NLGFC especially for districts in the southern region. From the consultations and indeed from Government financial statements, recent years are characterized by budget deficits; hence equalization grants have not been provided to any local government. One approach would be to lobby for donors to assist with funding for equalization grants but the extent to which such an approach would be sustainable is questionable. Hence measures have to be initiated that that the equalization grants should be taken from government revenues.

Table 10: Malawi Local Authorities Revenue Summary

REVENUE DETAILS	ACTUALS 2004/05	APPROVED 2005/2006	REVISED 2005/2006	ESTIMATES 2006/2007
	MK	MK	MK	MK
REVENUE				
1.0 Government Transfers				
1.1 General resource fund	275,814,233	425,000,006	400,000,006	420,938,373
1.2 Sector funds	130,713,133	4,697,088,466	2,323,633,938	6,253,961,470
1.3 Chiefs honorarium fund	48,415,613	81,450,000	78,569,400	78,705,500
1.4 Constituency Development Fund	0	0	0	386,000,000
1.5 Salary subsidy	88,570,974	104,915,769	118,691,049	143,715,644
Sub total	**543,513,953**	**5,308,454,241**	**2,920,894,393**	**7,283,320,987**
2.0 Locally Generated Revenue				
2.1 Central Government Property Rates	181,764	201,236,981	25,000,000	95,000,000
2.2 Other Property Rates	979,440,432	1,421,050,581	1,220,151,007	1,621,068,193
2.3 Income from Market Establishments	181,162,434	274,450,994	219,806,857	334,664,950
2.4 Income from commercial undertakings	50,744,536	97,731,700	79,319,270	120,098,099
2.5 Other fees, income & charges	291,009,348	508,601,757	340,739,120	501,547,892
Sub total	**1,502,538,514**	**2,503,072,013**	**1,885,016,254**	**2,672,379,134**
3.0 Donor Funds	1,011,682,409	4,866,839,550	3,229,928,186	519,183,121
Sub total	**1,011,682,409**	**4,866,839,550**	**3,229,928,186**	**519,183,121**
Total Revenue	**3,057,734,876**	**12,678,365,804**	**8,035,838,833**	**10,474,883,242**

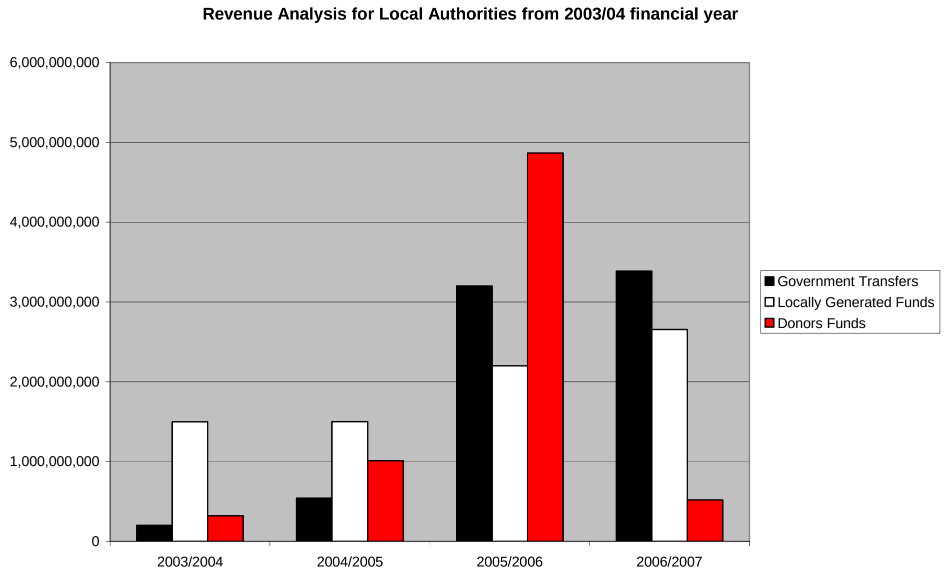

Figure 2: Revenue Analysis for Local Authorities in Malawi

Equalization is an essential approach to ensuring resource equity. Equalization grants would be provided with revenues from environment and natural resources. Resource valuation is critical for determining the economic value of natural resources and how much should be ploughed back for conservation and management and how much could be utilized for equalization grants.

4.6 The Environmental Fund

The Environmental Fund was established in terms under section 53 of EMA. The objective of the Fund is for the protection and management of environment and the conservation and sustainable utilization of natural resources[53]. This is the Fund where fees and fines raised by Environmental Affairs Department (E.A.D) are allocated for designated use. This is also the part of the Environment Fund where levies from all petroleum product sales, ESCOM sales, Water Board sales, mineral sales, tobacco auction floor sales and industrial forest sales will be put. It shall also act as the clearing-house fund for all central allocations from the Environment Endowment Fund[54].

The usage of the Fund is provided for in section 57 of EMA and includes the following: -

- ✓ research and training which is calculated to promote the protection and management of the environment and the conservation and sustainable utilization of natural resources;
- ✓ the acquisition of land, equipment, materials and other assets and the construction of buildings in order to promote the objects of the Fund;

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[53] See EMA Section 56

[54] See Malawi Government (2004) Environmental Affairs Department, Guidelines for a Sustainable funding mechanism for central, district and community level action in environment and natural resource management.

- ✓ the cost of any scheme which the Minister considers to be in the interest of the protection and management of the environment and the conservation and sustainable utilization of natural resources;
- ✓ meeting any expenses arising from the establishment and maintenance of the Fund; and
- ✓ any purpose which the Minister considers to be in the interest of the objects of the Fund.

According to the EAD (2004) The Environment Fund is made up of 3 parts, namely the Environment Fund (ORT), the Environment Fund (Endowment) and the Environment Fund (EAD). Details for these parts are provided below[55].

The Environment Fund (ORT): Considering that allocation of the national budget to ENRM sectors has been minimal, a plan was drawn which targeted 3 years, starting from July 2004, so that the portion of national budgets allocated to ENRM sectors for central and district ORT is increased from 2.8 to 5 %. This ORT is meant to be divided equally between central level and Assembly level. The Assembly allocation passes through the Environment Window[56] of the DDF and the use by sector for operations (ORT) as per approved work plans agreed in dialogue with the line ministry.

The Environment Fund (Endowment): This describes ENRM levies included on all petroleum product sales, ESCOM sales, water board sales, mineral sales, tobacco auction floor sales and industrial forest sales. The revenue thus generated is allocated to National and district levels. Donors, NGOs, Trusts and private sector are encouraged to add to this fund. The Endowment is meant to be managed by a professional Fund Manager. It is expected that 30 % of the fund should be allocated to central level and 70% to the Environment Window in the DDF. Allocations by sector to central and district levels are supposed to be made in accordance with predetermined ENRM sector formulae and approved work plans.

The Environment Fund (EAD): This is a Fund managed by EAD as part of the Environment Management Act (EMA). This Fund is from revenue from fees and fines accumulated as per the Act (ie. from EIA certification, environment protection orders, etc). EAD manages use of this Fund for specific functions. In addition, this Fund is the clearing-house fund for central level allocations of the Endowment. Allocations by sector are as per pre-determined formulae of the EAD. Box 3 outlines the formula.

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[55]See the guidelines for a Sustainable funding mechanism for central, district and community level action in environment and natural resource management for details.

[56] Environment Window is that part of the District Development Fund (DDF) whose resources are specifically earmarked for the implementation of the District Environmental Action Plan (DEAP)

Establishment of the Environment Fund:

The **"Environment Fund"** shall be established as the basis for district implementation of the devolved functions of the Ministry of Natural Resources and Environmental Affairs (MoNREA).

This Fund shall be a conditional funding mechanism for Assemblies **to implement District Environmental Action Plans** (DEAPs). Specifically targeted as community action to mitigate environmental degradation, an estimated 90 % of this Fund at district level shall be for community micro-projects and 10 % shall be for Assembly operations to support community action.

The Assemblies shall create the **"Environment Window"** in the District Development Fund (DDF). The Environment Fund shall be allocated to this Window for the implementation of the DEAPs through community ENRM micro-projects.

In accordance with the Environment Management Act, the Assemblies shall prepare DEAPs every 3-5 years as an integral part of the District Development Plans (DDP). DEAPs shall be in conformity with the NEAP and therefore shall be first vetted by the Ministry of Natural Resources and Environmental Affairs to ensure that they are in line with national policy before the Assembly approves the DEAPs. An **iterative dialogue** shall be maintained between sector at central level and the Assembly.

The Environment Fund shall be established in accordance with the **Environment Management Act (EMA)**. The District Environment Window of the DDF shall be an extension of this Fund.

The **Environment Endowment Fund** shall be an investment, as per EMA, of that part of the Fund not immediately required. It shall be established as a "non-consumptive fund" and each year, only the interest earned shall be a allocated as per the above formula to the Environment Fund/Window for action central and local level.

The Environment Fund shall have **predetermined formulae** and criteria for fund allocation. The % allocation by Assembly and % allocation by environment and natural resource management sector shall be based on the following criteria determined by the indicators in the State of the Environment Report.

The % allocation by sector for Assemblies shall be apportioned as per priority sectors, with scope to grow based on the potential of increasing importance. Funds for each sector shall be based on the following % allocation by sector of all revenues to the Environment Fund:

- **Forestry** shall receive 25 %, for re-forestation, community woodlots, integrated watershed management, etc. District allocation shall be based on the following indicators: 40 % forest cover and 60 % based on degree of deforestation.

- **Fisheries** shall receive 10 %, for implementing fisheries activities at district level, community enforcement, establishment of BVCs, etc. District allocation shall be based on the following indicators: 50 % for capture fisheries and 50 % for aquaculture.

- **Energy** shall receive 10 % to support energy activities at district level, alternative energy sources, energy efficient stoves, etc. District allocation shall be based on the following indicators: 50% based on population distribution, 20 % on degree of electrification and 30 % on fuelwood per capita consumption.

- **Mines and Geological Surveys** shall receive 10 % to promote sustainable mining operations at district level and for rehabilitation work. District allocation shall be based on the following indicators: 30 % based on the number of small scale miners, 30 % on outputs per miner and 40 % based on large scale miners.

- **Environmental Affairs** shall receive 15 % for institutional support to EDOs and DESCs, environmental education, SOER and EAP preparation, etc. District allocation shall be based on the following indicators: 30 % evenly distributed over all districts, 20 % based on population, 30 % on state of environment degradation and 20 % land area.

- **The "brown" environment**, sectors not specified above, shall be allocated 20 % for abatement of soil erosion, sanitation, water supply, waste treatment, loss in biodiversity, the Save Chambo Campaign, etc. District allocation shall be based on the following formula: 5 % for Local Government Action, 5 % for aquaculture and wildlife, 5 % for water resources and 5 % for land husbandry.

- **Research**, through the National Research Council of Malawi shall receive 10 % to promote district level research in sustainable ENRM (ie. alternative livelihood strategies, alternative energy, alternatives to brick firing, charcoal, firewood, income generating activities, etc) in line with the PRSP.

There shall be one set of "operational guidelines" for the Fund. This shall be the **"Community Environmental Micro-Project Guidelines**" as approved by the NCE in 2000. This shall be the prescriptive and legal basis for the application, implementation and M&E of community ENRM micro-projects.

Box 3: Establishment and Allocation of the Environment Management Fund

Source: E.A.D (2004) Guidelines for a Sustainable funding mechanism for central, district and community level action in environment and natural resource management.

There is an observation that most stakeholders get confused regarding the difference between the environment fund and environment sector fund. The implementation of projects under the environment Fund is through Local Governments. The Fund supports implementation of environmental programmes and micro projects at community level. Such programmes are designed to help communities reduce their vulnerability to continued environmental degradation and thus provide sustainable development at the community level.

The environment sector funds would represent a transfer from Central Government to Local Governments in respect of devolved environment sector budget (not yet devolved as of now). Environment sector funds would purely represent a recurrent funds transfer and in this respect is not the same as the Environment Fund which is a development fund for Environmental micro projects.

The allocation of the Environment Fund to Assemblies is based on a formula that takes into account relevant factors and indicators within the Natural Resource sector (Mining, Fisheries, Forestry, etc) At the Fund's Steering Committee meeting of 23rd April, 2005, it was noted that the Forestry sector needed to clarify on whether more funds should be allocated to Assemblies that had more or less forest cover in the context of proper forest management. This is an area that is being worked on by the sector.

In 2004/2005 a sum of MK11.9 million was transferred to the Assemblies to assist them in the preparation of a District State of the Environment Report (DSOER). A further total sum of MK90 million was transferred to the Assemblies in 2004/2005 and 2005/2006. Details of these transfers are presented in Table 11 below.

Table 11: Allocations from the Environment Fund

		ENVIRONMENT FUND		**DSOER FUNDS**
	ASSEMBLY	**2004/2005 Allocations**	**2005/2006 Allocations**	**2004/2005 Allocations**
1	Chitipa	1,951,717	1,887,566	433,796
2	Karonga	1,675,077	1,666,077	515,834
3	Karonga Town	1,234,578	1,198,425	-
4	Rumphi	2,271,678	2,179,286	433,796
5	Nkhata Bay	2,109,415	2,101,415	515,834
6	Likoma	434,357	472,257	-
7	M'mbelwa	1,738,327	1,738,327	515,834
8	Mzuzu City	435,091	521,570	-
9	Kasungu	1,747,892	1,754,963	515,834
10	Kasungu Town	478,259	549,321	-
11	Nkhotakota	1,567,925	1,568,009	433,796
12	Ntchisi	922,341	922,341	433,796
13	Dowa	1,092,455	1,068,189	433,796
14	Salima	1,038,372	1,038,372	433,796

15	Salima Town	435,765	448,654	-
16	Lilongwe Rural	1,506,237	1,481,222	515,834
17	Lilongwe City	580,123	711,176	-
18	Mchinji	1,478,486	1,462,491	433,796
19	Dedza	1,454,585	1,382,616	433,796
20	Dedza Town	474,454	452,034	-
21	Ntcheu	1,322,898	1,252,643	433,796
22	Mangochi	1,469,340	1,504,093	515,834
23	Mangochi Town	491,424	513,305	-
24	Machinga	1,091,109	1,091,109	433,796
25	Liwonde Town	462,640	462,640	-
26	Balaka Town	455,287	438,938	-
27	Balaka	705,848	705,848	433,796
28	Zomba Rural	918,028	890,010	433,796
29	Zomba Municipality	487,100	602,589	-
30	Chiradzulu	1,010,745	945,934	433,796
31	Blantyre Rural	1,302,765	1,302,765	515,834
32	Blantyre City	508,434	508,434	-
33	Neno	1,838,250	1,858,122	-
34	Mwanza	1,124,156	1,124,156	433,796
35	Thyolo	875,326	818,223	433,796
36	Luchenza Town	761,630	498,830	-
37	Mulanje	1,171,819	1,171,819	515,834
38	Phalombe	1,111,212	1,163,789	433,796
39	Chikwawa	1,302,765	1,374,339	433,796
40	Nsanje	2,166,341	2,168,103	433,796
	Sum	**45,204,251**	**45,000,000**	**11,935,000**

Note: DSOER Funds were transferred to District Assemblies

With the advent of decentralization the need for new partnerships for natural resource management especially co-management has been critical. Key in this system is the community participation in planning and development processes. At Assembly level, the District Environment Sub-Committee (DESC) is the focal point for community action to mitigate environment and natural resource management issues and also acts as an advisory body to the Assembly and local leaders. The concept behind having a sustainable funding mechanism for environment and natural resources seeks to offer people alternative livelihood opportunities so as to take pressure off the dependency by the poor for survival on the use of natural resources. This is spearheaded through Environmental Action Plans in the Assemblies, which are in essence tools for addressing environmental problems. Through community environmental micro-projects communities are encouraged to sustainably manage their natural resources. Hence the Environment Fund ought to be a sustainable funding mechanism for local action. Box 2 illustrated how allocations from the fund are made to various uses[57].

4.7 Case studies of Local Authority Budget Performance

Central Government Domestic Revenues

It is important to consider the performance of Central Government domestic revenues before considering how Assemblies have performed based on the sources of revenue described above. The performance of Central Government domestic revenues for both tax revenues and non-tax revenues for the period 2000/2001 to 2006/2007 fiscal years are indicated in Table 12 below. It is clear from this table the amounts transferred to the local governments are not in accordance with those provided for by the Decentralisation Policy hence there are deficits in every year.

Table 12: Performance of Central Government Domestic Revenues 2000/2001 – 2006/2007

(MK, million)

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Tax Revenue:						
Tax on Income, Profit and Capital Assets	10054	12206	12707	21823	25294	30629
Domestic Taxes on Goods and Services	9353	12170	12160	21854	25763	28768
Taxes on International Trade	3493	3308	3766	7063	7868	9392
Other Miscellaneous Duties	698	258	76	113	867	790
Tax Refunds	556	508	840	942	1473	1721
Total Tax Revenue	**22757**	**27934**	**29397**	**51569**	**59531**	**69720**
Non Tax Revenue						
Administrative Fees	1132	865	634	1428	2899	2785
Administrative Charges	961	735	539	1212	2461	2365
Sale of Proceeds from Departments	0	1973	1897	1227	0	1226
Miscellaneous Receipts (PIL)		1724	1804	3143	3397	2826
Returns on Finance	0	0	0	0	0	
Reimbursements	27	0	0	0	0	
Total Non Tax Revenue	**2120**	**5297**	**4874**	**7010**	**8757**	**9203**
Total Domestic Revenue	**24877**	**33231**	**34271**	**58579**	**68288**	**78923**
Statutory Expenditures	**9554**	**14718**	**19962**	**22003**	**21348**	**22020**
The Presidency	1	4	7	9	12	12
Refunds and Repayments	30	48	237	608	1500	1600
Pensions and Gratuities	1515	1431	1578	2106	3208	4763
Public Debt Charges	8008	13234	18140	19280	16628	15645
NET DOMESTIC REVENUE	**15323**	**18513**	**14309**	**36576**	**46940**	**56903**
General Resource Fund (5%)	**766**	**926**	**715**	**1829**	**2347**	**2845**

[57] This an extract from the Guidelines for a Sustainable funding mechanism for central, district and community level action in environment and natural resource management also referred to as the Environmental Hand Book.

Actual GRF transferred	**96**	**139**	**99**	**574**	**425**	**425**
Deficit	**670**	**787**	**616**	**1255**	**1922**	**2420**
GRF Transferred as a % of Net National Revenues	**1%**	**1%**	**1%**	**2%**	**1%**	**1%**

Adapted from Government of Malawi (2006). Study for the Development of a System for Ceded Revenue Collection & Distribution and Administration of User Charges

2004/2005 Local Authorities' Budget Performance

REVENUE PERFORMANCE

Central Government Transfers

Out of an approved 2004/2005 General Resource Fund allocation of MK 292 Million, Central Government disbursed an allocation of MK 276 Million (95% of budget) compared to MK 98 Million (66% of budget) disbursed in the 2003/2004 financial year.

The Chief's Honoraria Fund was allocated MK 48 Million out of a budget provision of MK 36 Million. The increased funding allocation arose because of the upward revision of Chief's Honorarium rates during the financial year.

The Chiefs operational grant however, was not transferred to the Local Authorities and consequently the Local Authorities paid for administrative expenses related to the Chiefs' Honoraria Funds scheme from their own resources.

Sector funds for devolved functions were budgeted for under specific Ministry votes in 2004/2005. Actual funding for the devolved activities was however made direct to the Local Authorities. A total of MK 131 Million was transferred to the Local Authorities as sector funds. The Sectors for which the funds were transferred to the Local Authorities included Agriculture, Trade, Community Services and Health.

The salary subsidy transfer to the Local Authorities during the year in respect of employees on Government payroll was MK 89 Million, MK 6 Million more than the budget provision. The increased transfer is attributed to the upward revision of staff salaries in respect of Government paid employees during the financial year.

Locally Generated Revenue

Locally generated revenue amounted to MK 1. 5 Billion (75% of budget). Property rates formed a significant component of revenue for the rating authorities. A total of MK 979 Million (before Government property rates) was collected (83% of budget) during the year compared to MK 787 Million (66% of budget) collected in 2003/2004. The Quinqueannial Valuation Rolls (QVR's) being used as a basis for levying property rates in most of the rating authorities are due for updating. Central Government however did not pay its property rates obligations to the Assemblies that have a rating authority.

Donor Funds

A total of MK 1 Billion (65% of budget) was reported as Donor Funds transferred to the Local Authorities compared to MK 322 Million (72% of budget) reported in 2003/2004. The increased Donor Funds inflow in absolute terms seems to indicate that Donors are gaining confidence in the Local Authorities.

Some of the Donors that channeled funds through the Local Authorities financial reporting system included MASAF, National Aids Commission, African Development Fund, USAID Environmental Funds, the United Nations Capital Development Fund, etc.

EXPENDITURE

Total spending on recurrent expenditure was MK 1. 8 Billion (90% of budget) compared to MK 1.2 Billion (63% of budget) in 2003/2004. Personnel emoluments formed significant component of the recurrent expenditure arising from the upward salary revisions during the year.

Local Authorities also spent quite significantly on the running of postal agencies as well as the administrative expenses related to Chiefs Honoraria and Deceased Estates Funds. However, these functions are managed on an agency basis by the Local Authorities and Local Authorities were ideally supposed to get administrative funds for these functions from Central Government in form of operational grants.

The total spending on Capital projects was MK 1.2 Billion (60% of budget) compared to MK 420 Million (52% of budget) in 2003/2004.

Source: NLGFC 2005

Box 4: Analysis of 2004/2005 Local Authorities' Budget Performance

2005/2006 Local Authorities' Budget Performance

REVENUE

CENTRAL GOVERNMENT TRANSFERS

The General Resource Fund

The provision for the General Resource Fund in the 2005/2006 budget is MK 400 Million, representing a 37% increase over the 2004/2005 budget provision and 0.93% of net national revenue (as compared to the stipulated 5%).

Sector Funds

Effective from the 2005/2006 fiscal year, District Commissioners and Chief Executives are Controlling Officers of the Assemblies. This is a significant stride that Central Government has taken in the Fiscal Decentralization process and really takes recognition of the fact that District Commissioners and Chief Executives are indeed in charge of all funds transferred to Local Authorities.

Funds for devolved activities have therefore been incorporated in the Local Authorities budgets as compared to the prior budget when these were budgeted for under respective Ministry votes.

A total of MK 2.6 Billion has been included in the 2005/2006 budget estimates as Sector Funds. The sectors that have been included in the 2005/2006 budget include Agriculture, Health, Education, Water, Trade, Gender and Social Welfare, Transport and Public Works, Housing, Forestry, Environment and Fisheries.

Chiefs Honoraria Funds and Salary Subsidy

Chiefs Honoraria Funds have been budgeted at MK 81 Million while the salary subsidy in respect of Government paid employees has been budgeted for at MK 105 Million.

Locally Generated Revenue

A total provision of MK 2.2 Billion has been made for locally generated revenue. The provisions for District, Town, Municipal and City Assemblies are MK 256 Million, MK 137 Million and MK 1. 8 Billion respectively.

Donor Funds

Donor Funds have been estimated at MK 5 Billion in the 2005/2006 budget. Some of the Donor Funds included in the budget relate to MASAF, National Aids Commission, HIPC Fund, the USAID financed Environmental Fund, African Development Fund, United Nations Capital Development Fund and the Road Fund.

Specific fund details relating to the respective Donor capital funds are provided for in the Capital Projects Annex.

EXPENDITURE

A total recurrent expenditure provision amounting to MK 5. 3 Billion was made in the 2005/2006 budget. The total Capital budget provision in the 2005/2006 budget was MK 5. 0 Billion.

Source: NLGFC 2006

Box 5: Analysis of the 2005/2006 Local Authorities' Budget Performance

Considering how important decentralization is in terms promoting good and accountable governance for sustainable resource management and poverty reduction there is need wide stakeholder involvement in lobbying for increased allocation to Assemblies. Policy makers would the right target in this case particularly on raising the percentage allocation from 5 to a reasonable amount which can ably sustain functionality of Assemblies but also to put in place a mechanism to monitor the actual amounts are transferred from Central government.

According to the NLGFC, Local Authorities budgets from 2004/05 reflect that much of the fiscal reforms have been implemented following decentralization. Box 4 and Box 5 above provide illustrated case studies of summarized budget performances of Local Authorities 2004/5 and 2005/6 financial years respectively. Refer to Appendices 2, 3 and 4 for detailed budgets for Malawi Local Authorities, District Assemblies and Town Assemblies respectively.

Chapter 5

Equity in Natural Resources Management in Malawi

The goal of the NEP focuses on the promotion of sustainable social and economic development through sound management of the environment and natural resources[58]. There is recognition also that Malawi's economy is highly dependent on natural resources and that if these are depleted or degraded, long term food security and sustainable economic growth will be seriously affected[59]. There is however in general less public understanding of environment issues; many people can not link natural resources to their economic and social welfare. Beyond the common Malawian, government officials and even the legislature reflect in their decision limited understanding of the importance of natural resources. For instance according to the report the allocation of the national budget to ENRM sectors has been averaging 2.8 % of all revenues [60]. Although long term impacts of past poor natural resources management are evident, there is still negligence and reluctance to consider environment and natural resources management as a critical issue.

Although most economic analyses do not clearly indicate that natural resources are the driving factor of the economy; the sector contributions reflected through agriculture, fisheries, tourism, mining etc are all the natural resources based. The sector considerations are essential for effective planning and strategizing; however the sectors are often considered as if they are not natural resources related. For instance agriculture which is practiced on land and uses forest and water is often viewed as sector not related to natural resources and yet it is very evident that in natural resources degraded area agricultural productivity is very low. An ecosystems management approach is important to ensure all natural resources are accorded equal importance in protection. This should be complimented by sector specific efforts to allow for maximized benefits within and across sectors.

Equity in natural resources use is essential both in terms of benefit sharing and resource use between generations[61]. It is unfair for future generations to suffer the long-term environmental impacts of current resources utilization patterns. Long-term poverty reduction strategies by investing in natural resources management is another approach to ensure that people especially in the rural areas have sustainable access to natural resource benefits for their livelihoods. Environment wealth mapping would be an important tool to guide equity concerns in natural resources management. There is need to conduct a valuation of all natural resources in Malawi. This information will assist sectors and districts in planning and implementation of various projects. Often economic valuation of natural

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[58] See NEP Overall Policy goal

[59] See NEP guiding principle (g)

[60] See Malawi Government (2004) Environmental Affairs Department, Guidelines for a Sustainable funding mechanism for central, district and community level action in environment and natural resource management. Often the sector is allocated less resources which are further trimmed by Parliament when there is need to extend an allocation to a particular vote such as purchase of maize in years of drought in 2005/06 financial year.

[61] Sustainable development seeks to promote inter generation equity in natural resources. Sen defined sustainable development means 'development that promotes the capabilities of people in the present without compromising the capabilities of future generations'.

resources has been considered difficult and expensive but this would be an important management tool for both economic and social programmes design and implementation[62].

5.1 Forestry

5.1.1 Introduction

The contribution of the forest sector to Malawi's gross domestic product (GDP) is not well known. However, the livelihoods of most Malawians are supported by forest products. Forests supply about 93 percent of the country's energy needs, provide timber and poles for construction and industrial use, supply non-timber forest products (NTFPs), such as mushrooms and edible wild fruits, for food security and income, support wildlife and biodiversity, and provide environmental and recreational services. Eco-tourism is thriving in Mulanje, Zomba, Dedza (Chongoni area), Dzalanyama, Senga Bay, Ntchisi and Luwawa in South Viphya Forest Reserves. In urban and rural areas, carpentry and joinery is a growing enterprise producing doors and doorframes, chairs, tables, beds, coffins etc.[63]

Malawi has a lot of forest resources. However studies indicate that forest cover in country has been changing over time. In 1975, 47 percent of Malawi was classified as forest According to NEAP 1994, Malawi's forests were estimated to be occupying 3.6 million hectares or 38% of the country's land area. Indigenous forests were covering 97% of this area, while the balance consisted of plantations. In 2000 only 28 percent was classified as forest of which 21 percent was forest reserves, national parks and wildlife reserves, and 7 percent was customary land. Studies have shown that forest resources were considerably reduced from 4.4 million hectares in 1972 to around 1.9 million in 1992. See Appendix 5 for forest areas within Malawi the protected areas.

Agricultural expansion, increased wood fuel demands, and forest fires have been identified as major causes of deforestation and general degradation of the environment in Malawi. Around the 1980s it was estimated that the rate of deforestation was 3.5 percent per annum the rate of deforestation later declined to 1.6 percent probably because of lack of more arable land to be deforested (DREA, 1994). Current estimates based on the recent State of the Environment Report indicate the deforestation at 2.8 percent per year. Table 13 below presents the detailed distribution o forest resources by region and national.

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[62] According to environmental economists that were consulted, they disagree with this statement. They indicated that economic valuation is the same as the surveys conducted by many NGOs and consultants and even the Government. They feel what is lacking is the technical expertise on resource valuation. There are fewer people that have the capacity and know-how to economically valuate natural resources and that there in need for Government and other stakeholders commitment to resources valuation.

[63] See Kasulo V. (2005) Forest resource accounting for improved national income accounts of Malawi, A Presentation at the First Technical Training and Research Workshop on Environmental Accounting under Phase III of the Natural Resource Accounting in Eastern and Southern Africa Project, Maputo, Mozambique, 12 – 16 June, 2005. (Available on line from www.ceepa.co.za/nraesa_workshop/day4/malawi_forestry_nra.doc

Table 13: Forest Distribution in Malawi

Region	Indigenous	Plantations	Regional	Forest cover Regional area	National area	% of Population
Northern	1,375, 500	75, 600	1, 451, 100	54	15	11
(%)	(39)	(68)	(40)			
Central	1, 065, 000	25, 150	1, 099, 520	30	11	39
(%)	(30)	(2)	(30)			
Southern	1, 065,000	10, 900	1, 075, 900	35	11	50
(%)	(30)	(10)	(30)			
Malawi	3, 514, 870	111, 650	3, 626, 520	-	38	100
(%)	(100)	(100)	(100)			

Source: National Environmental Action Plan (1994)

Based on the information provided by the Forestry department it is possible to further categorize forest in relation to those owned by government and the private sector. Table 14 below provides this categorization.

Table 14: Forest types and sizes and their ownership

	Industrial Plantations (ha)	Fuel wood And poles (ha)	Forest Reserves (ha)	Game Reserves (ha)	National Parks (ha)	Nature Sanctuaries (ha)
Government	74 000	2000	918 451	698 200	392 600	4 800
Private	26 000	13 000				

5.1.2 Forestry resources and revenues

There a wide level utilization of forest product by individuals, government and even the private sector. Wood forest products most importantly contribute to revenue that government collects from use of the country's forest resources. Most of the revenue is collected from forest plantations from sale of logs and firewood and other miscellaneous fees (e.g. licenses, residing fees, etc.). The other cost centers like Regional Forestry Offices (South, Centre and North), Malawi College of Forestry and Wildlife (MCFW) and Forestry Research Institute of Malawi (FRIM) also remit revenue to central government. The department prepares budgets based on requirements but receives very little to implement its activities as shown in the above table. The resources in the plantations are declining and replacement is at a very insignificant level.

The funds received from central government as indicated above exclude salaries and wages. In the 2005/06 budget the operational budget was almost 17% of the total budget (ORT and personal emoluments), which means that there are people receiving salaries but have no resources to carry out operations. The table below provides a comparison of revenues collected and the funds released from central government for operations ORT in the Department of Forestry (DoF) for the period 2000-2006.

Table 15: Comparison of Revenue collected and the funds released from central government for operations DoF for 2000-2006[64].

YEAR	Revenue Collected by Department Of Forestry (MK)	Funds Approved from Central Government for Operations (MK)	Remarks
2000/2001	36,677,441	47,000,000	Not all the approved funds are available to the department at the end of the financial year.
2001/2002	59,062,449	45,004,311	
2002/2003	52,071,873	37,391,436	The department received MK 26,557,610 for operations
2003/2004	84,100,111	38,427,805	
2004/2005	164,329,636	53,865,000	Only MK34,782,186 was received by the department for operations
2005/2006	120,786,332	48,230,875	The figure for revenue might slightly increase as the returns for June are not included.

5.1.3 Resources management and Equity in Forestry

It is clear that forests are vital for livelihood improvement economic growth. Equitable sharing of forest resources including the revenues generated from them is important to encourage sustainable management of the resource. There are several approaches already being used to ensure that there is an equitable resource sharing in community and government managed forests under co-management agreements. Equity in forestry would be achieved through proper access and benefit sharing arrangements in which monetary and non monetary benefits are spelt out including conditions for accessing these.

Civil society institutions can facilitate benefit sharing in forest resources. For instances a rural livelihood improvement project implemented by Wildlife and Environmental Society of Malawi (WESM) in Kammwamba (Neno district) has done a lot to support conservation, sustainable resources harvesting, market access and product improvement. In this area, the communities have been assisted to develop bylaws for resource management and benefits are being shared between Government and community with 75% to VDC and 25% to Government[65]. There are several non -wood forest products in Malawi which are essential for livelihood support such as bush meat, honey, caterpillars, termites, mushrooms and

[64] Table complied by William Mitembe, Assistant Director (Planning), Dept of Forestry, Lilongwe.
[65] The basis for such distribution could relate to the fact that the community receive extension services from forestry and so they need to support forestry office otherwise forestry is a sector not devolved to Assemblies and so all revenue was supposed to be sent to Cent

fruits. Communities need to be encouraged to utilise these apart from sorely depending on the wood products whose harvesting processes often leads to deforestation.

Equity in forest resources could also be looked at from the perspective of central government allocation to the DoF. Currently although a lot of revenue is generated by the department but very little is allocated to it for forestry management. There are also equity concerns regarding privately managed forests the government leased out to companies. Concession and licence fees from plantations only benefit Government yet they occupy a lot of the land in the districts depriving local communities of access to land and forest products. The profits from the sales are not shared with the Assembly or the communities save for employment offered.

5.1.4 Policy Recommendations

It is very essential for stakeholders in forestry sector to uphold the National Forestry Policy (NFP) 1996, objective to increase community participation in forestry management including opening up access to forestry resources to local communities and the private sector. The policy further seeks to satisfy the people's changing and diverse needs especially those in the rural areas who are most disadvantaged and promises citizens to have regulated and monitored access to some forest products.

The Act has provisions relating to co-management of forest areas such that local communities can assist in the implementation of a mutually acceptable management plan. However there is need to define some terms such as 'local community' and 'the management plan', and ensure these facilities benefit sharing. The provisions relating to co-management arrangements between the Director of forestry and a community can stipulate access and benefit sharing of resources. The Forest Act should therefore reflect procedures for access and benefit sharing of forest resources across various interest groups in the country. There should procedures reflecting revenue sharing between central government and Assemblies and more particularly the DoF and treasury in the Act and other legislations like the Local Government Act.

It is clear from Table 13 above that the forestry sector generates resources sufficient to sustain its operations and the potential to increase revenue is evident. There has to be a mechanism to ensure that sufficient resources are allocated for the management of forestry resources both at central government and Assembly level. Efforts ought to be made to ensure implementation of resource sharing from the Environment Fund as stipulated in the fund's hand book[66].

Forest resources readily available to most local people are often those under customary land, unfortunately due to overdependence and poor ownership regimes these have been depleted in most parts of the country. While opening up government managed forests to co-management arrangement with communities, efforts have to be made to facilitate restoration

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[66] Assemblies are supposed to receive 25 %, for re-forestation, community woodlots, integrated watershed management, etc. District allocations are meant to be based on 40 % forest cover and 60 % based on degree of deforestation.

of forests at local level. On the other hand concession agreements with to private sector institutions should include strict management requirements alongside enforcement mechanisms to ensure that unsustainable forest loss is checked.

To reduce the ever increasing demand of forestry products it is important for government to invest in cheaper sources of energy even through subsidies like solar which has very high initial cost but very low running cost, .lower that forest. If the initial costs are subsidized then more people can venture into this source of energy. Government ought to put in place a mechanism where benefits from forest use and other collections from the sector could be channeled to investments in alternative energy sources and hence reduce the pressure on forest use.

5.2 Mining

5.2.1 Introduction

Mining in Malawi is currently estimated to contribute 1% to the country`s GDP. There is speculation that the contribution will increase by approximately 5% when the heavy mineral sands pilot mining and processing project for titanium minerals and zircon begin to export these mineral raw materials There is widespread optimism with regards to the contribution of mining to revenue generation, job opportunities creation, import substitution, earning of foreign exchange and poverty reduction in the rural communities. Currently exploited minerals comprise industrial minerals, coal, gemstones and ornamental stones. In terms of size, the mining operations are classified as medium, small-scale and artisanal. Recently Government and Paladin Resources of Australia embarked on discussions in preparation for negotiating a State Agreement for mining the Kayelekera uranium deposit in Karonga[67]. Bauxite mining on Mulanje Mountain is also being actively considered.

While mining is perceived to be a viable economic endeavor to government and private sector institutions in that it provides an important source of jobs and income, sometimes the biggest losers of all are isolated rural communities in the vicinity of mining projects, where too-rapid social and environmental change can tear at the fabric of tradition and daily life[68]. Often those who benefit from mining operations never even have a feeling of what it takes to live in a degraded environment. State authorities that offer mining licenses and are supposed to ensure that operations are safe to the people's health and the environment have little understanding and interest in the plight of local communities..

5.2.2 Mining Resources and Revenues

According to the 2005 mining economic report the minerals mined and processed in the 2004/05 year had a total market value of about K576 million which represented an increase of 37% over the 2003/04 year. This comprised of quarrystone, lime, ceramics and

[67] See Malawi Government (2006). Department of Mines, Mining Economic Report 2005, Lilongwe.
[68] World Resources Institute (2003). Mining and Critical Ecosystems, Mapping the Risks. Washington. USA.

cement/limestone sub-sectors. The coal, quarry stones and agricultural lime subsectors accounted for 90% of the income generated.

Companies involved in mining comprised Mchenga Coal Mines Ltd, and Kaziwiziwi Mining Company for Coal, while Terrastone, Martins and Noronha, Shire Construction and Rocksizer Mining Contractors are the major operators in quarrystone. Zalco, Limeco and Fluoride Cement Company are producers of agricultural and building lime. Shayona Cement Corporation is the sole producer of indigenous clinker for Portland cement. In general coal production remained steady, while quarry stone registered an 8% increase, lime 18% and cement limestone 12%. Production of gemstones declined substantially by about 30% although the income earned increased by some 70%. The demand for ornamental stones which experienced a boom in the previous year completely evaporated experiencing a heavy decline in exports[69]. Currently only Central Government benefit from resources from mining thorough licences and loyalties. Table 16 below gives a summary of minerals and mineral products produced with corresponding incomes generated.

Table 16 Mineral Production, Value and employment

No	Mineral	Production	Value Mk	No of workers	Total Wages Salaries
1	Coal	44 850	206 860 353	598	68 879 118
2	Q.Aggregate	101 012m^3	209 401 437	174	19 416 355
3	Cement Limestone	24 538	122 685	54	2 367 176
4	Agri.Lime	23 760	105 385 504	192	7 091 338
5	Arrt Aggregate	9 610m^3	12 280 040	50	2 714 725
6	Terrazo	1 080m^3	3 586 630	240	1 481 206
7	Gemstone/Mineral Specimen	1 620kg	3 729 418	250	8 065 000
8	Pottery/Ceramics	300 000pcs	26 978 906	178	8 939 970
9	Ornamental stones	22.7	1 131 402	75	2 419 500
10	Slaked lime	2 135	6 241 000	148	358 500
			575 717 375	**2 417**	**121 724 888**

Source: Department of Mines (2005 Economic Report0

Note: **All quantities in tonnes unless otherwise stated**

Kg = Kilogramme

m³ = cubic metre

Q.Agg = aggregate (quarry stone) produced by companies from formal quarries

5.2.3 Resources Management and Equity in Mining

[69] See 2005 Mining economic Report

The most critical issues in mining relate to environmental and social aspects of mining operations to local communities surrounding the mines. Although E.I.As are conducted before commencement of mining operations often the there is less compliance to set standards and guidelines on managing the social or environmental impacts arising from operations. Unfortunately enforcement mechanisms for most environmental related legislation are weak in the country and worse still the communities affected don't have capacity to make their voices heard.

A sustainable approach to mining is required where social and environmental concerns aspects of mining could be considered equally important as the economic ones. Sustainable mining should address equitable distribution of environmental benefits and costs and lead to stakeholders' justification especially local communities.

Remuneration packages for workers in the mining industry are too little compared to long term health risks associated to their service. Most of companies involved in mining pay through taxes, loyalties and licenses go to central government while the environmental and social costs accumulate in the district where the mining is taking place. There is no policy to plough any profits from mining back to affected communities. Beyond the fact that benefit sharing mechanisms are not clearly spelt in the mining policy the main reason why communities local governments do not receive revenue from mining is because the ENRM sector under which mining is has not been devolved to Assemblies.[70]

5.2.4 Policy Recommendations

The draft mines and mineral policy recognizes that it is impossible to extract minerals from the earth and process them without impacting, in various degrees, on the air, land water, as well as plant life[71]. This provision however along side those in the NEP and EMA amount to nothing if enforcement is not prioritized. There is need assist the inspectorate section of the department of mines and the EAD to improve inspections and enforcement measures. There is need to develop a new legislation to regulate mining as the current is very old and is inconsistent with ENRM frame policy and legislation.

Local communities need to be empowered to effectively participate in the EIA process. Although the EIA process provides for public consultation often the local communities do not fully understand most of the social and environmental costs associated with most developments particularly mining. This is the case because the consultants carrying out the EIA fail to disclose sufficient information that would enable them to make an informed decision or the communities lack capacity to make meaningful input to the process. Considering that most EIAs are carried out by consultants hired by the developer himself there would need to ensure best practices are followed during EIAs instead of depending on the review done by the Technical Committee on the Environment (TCE) only.

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[70] Revenue collection is among the stipulated functions to be devolved by the Ministry of Natural Resources and Environmental Affairs according to the sector devolution plan hence this would promote benefit sharing opportunities.

[71] see Government of Malawi (2004). Ministry of Mines, natural Resources and the Environment, Draft Mines and Minerals Policy for Malawi.

EAD should work hand in hand with the EIA association which is about to be made operation. EAD will have to ensure the list of EIA consultants it has is approved by the association and all EIA reports submitted to the department reflect the approved consultants to reduce poor quality EIAs and hence promote environmental management.

There is need to define benefit sharing arrangement in terms of proportions between central government, the Assembly and the community where mining is taking place. Policy and legislation should provide for deliberate allocation of mining financial benefits to develop the area where the mine is located. Malawi government will have to learn from fellow countries like Uganda, Kenya nad Tanzania on how resources from mining are shared among various stakeholders. Similarly artisanal and small-scale mining operators need to be encouraged to pay taxes and participate in environmental rehabilitation activities where they carry out their activities. Policy ad legislation should move in to regulate the activities of these operators.

5.3 Fisheries

5.3.1 Introduction

The fisheries sector plays a vital role in the economy; its contribution to the GDP is currently at 4 percent[72]. It is a source of employment, food, rural income, export, import substitution and biodiversity. The fisheries sector directly employs about 57,854 fishers and indirectly employs about 300 000 in fish processing, marketing, boat building and engine repair. Nearly 1.6 million people in lakeshore communities (about 10% of Malawi's population) are supported by the the fishing industry. Fish provide 60 percent of the total dietary animal protein consumed by Malawians and fish supply 40 % of the total protein including vitamins, minerals, and micronutrients consumed in the rural areas[73].

Fish resources in Malawi have been exploited since people first settled areas adjacent to lakes, rivers and other water bodies and applied traditional methods. Government attention to fisheries as an important natural resource sector however, started with the advent of the colonial era: 1891-1963. Research or recording of fisheries started in 1938 but fisheries activities were carried out more systematically as a Section in the Department of Game, Fish and Tsetse Control from 1947. A fully-fledged Fisheries Department (FD) was established by an Act of Parliament in 1971 to manage fisheries in the country. In spite of the long Government involvement, the majority of the fishers, who are artisanal, continued to be guided by traditional knowledge. This covered all steps of fish resource production including harvesting, processing, marketing or distribution and consumption.[74].

[72] See Annual review for the MPRSP in the 2003/04 financial year

[73] See Malawi Government (2005) Annual Economic report 2005, Ministry of Economic Planning and Development. Government Printer, Lilongwe, Malawi.

[74]See Nsiku (1999) The Use Of Fishers' Knowledge In The Management Of Fish Resources In Malawi, Putting Fishers' Knowledge To Work: Conference Proceedings, Page 148

The influence and impact of the Government policies on fisheries development has been varied over time with recent policy direction moving towards local community involvement in the management of fish resources. One key aspect which is currently being focused is the promotion of fish farming. Community integration in fisheries management is being seen as a sustainable approach to benefiting from the resource and reducing conflicts within communities and between fishing communities and other stakeholders in the sector.

5.3.2 Fisheries Resources and Revenues

The fisheries sector is divided is into three sub-sectors: the small-scale commercial sub-sector (often called the traditional or the artisanal sub-sector), the semi-industrial sub-sector, and the industrial sector. The total national catches for all these sectoral subdivisions are currently estimated at 50.000 tonnes per year with 81.3 % percent of this originating from Lake Malawi[75]. There are considerable variations in terms of catches for almost all water bodies in Malawi over time.

The Department of Fisheries collects some revenues from the sector although most locally generated revenues are hard to account for. The main revenue types are fishing licences for small scale and commercial fishing. The collected revenues go to central government[76]. The Act provides for districts to get revenues but this has not been implemented. Current resources committed for the management of fish resources are much higher than revenues generated. In pursuit of increasing benefits catches are increasing almost every year causing threats of harvesting levels beyond maximum sustainable levels hence causing depletion. Table 17 below shows fish catches (in tones) by water body and their corresponding landed value.

Table 17: Fish Catch by Water Body and Landed Value

Year	Lake Malawi Artisanal	Lake Malawi Commercial	Total Lake. Malawi	Lake Malombe	Lake Chilwa	Lake chiuta	Lower and Middle Shire	Total	Landed Value (MK Million)
1998	28,381	1,370	29,751	4,789	4,973	3,250	1,756	44,519	1,023.94
1999	29,051	3,674	32,725	3,717	4,742	1,519	2,146	44,849	1,123.92
2000	37,686	3,698	41,384	620	14,945	1,575	4,618	63,1421	1,814.07
2001	33,318	4,928	38,246	512	7,912	1,058	2,140	49,868	1,517,484
2002	23,408	3,767	27,175	693	6,288	1,273	2,173	37,602	1,175,85
2005	40,045	5,600	45,645	553	6,772	1,313	1,837	56,120	2,661,210

Source Fisheries Department (Adapted from the Annual Economic Report 2005)

[75]See 2005 Annual Economic Report

[76] Fisheries management in Malawi being under ENRM sector has not been devolved and hence no Assembly get any revenue from resources from the sector unless through co-management agreements which have mainly been implemented on pilot basis and have targeted smaller water bodies i.e L. Malombe and L. chilwa.

5.3.3 Resources Management and Equity in Fisheries

Previously fish resources were considered as communal to the extent that exploitation was freely guaranteed to all with the ability to do so. After several interventions in regulating fish resources policy and legislation considers fish as a community resource and promoted co-management regimes. The key stakeholders include the Director of Fisheries on the part of government, the community through the Beach Village Committee (BVC) or Fisheries Management Associations (FMA) and the District Assembly.

While co-management seem to be getting established in fisheries, in particular cases at Lake Chilwa and Lake Malombe, there are issues which need to be addressed to allow maximizing and ensuring fair distribution of benefits from fish resources. Some of the concerns relate to how the money collected for instance through licences gets back to community. An approach currently being focused on is that of social projects mostly water points and schools. While these are a primary focus, investing in resources conservation initiatives such as fish restocking or purchase of patrolling equipments was highlighted as critical.

Among the lessons learnt from the co-management arrangements being implemented Assembly capacity issues have been highlighted. The consultations revealed some fishing communities have the perception that Assemblies interfere in their activities. Assembly-community relationships have in other instances gone so sour that there is hardly any cooperation between these two. Often fishing communities accuse the Assembly of being more interested in revenue generation and not resource management. Assembly officials will visit the BVC or FMA on issues of revenue only while fish conservation issues are often addressed by other external organizations. Fish resources management agreements usually involve the community, government and the Assembly while monetary benefits accrue to the other two stakeholders with none provided to communities and yet these are the direct resources users and custodians.

Current interventions in the fishery sector should target at increasing sustainable utilization of fishery resources so as to increase the contribution of the sector to the country's economy. Considering the current pressure on fish resources in our water bodies there is need to encourage fish farming at local levels. Currently access to fish especially fresh fish for most inland districts is very minimal due to low supplies and very exorbitant prices and for such places fish farming can be a good alternative. In this regard fish farmers need to be provided with appropriate training and technology in resource management. Essential aspects in promoting fish farming include setting up of credit schemes which among other provide the farmers with business and credit management skills. Fisheries extension is also important to ensure that appropriate technologies and methods are being utilized.

Another key issue that pertains to sustainable fish resource utilization especially to ensure inter-generational equity is that of resources restoration. Efforts have been made through various projects especially on Chambo restoration. Such projects involve research initiatives relevant to the management of the fish. If such initiatives would be implemented for several species future generations would not lose existing fish species.

5.4 Policy Recommendations

Although policy and legal instruments are in place for the fisheries sector, there is need to strengthen these. Critical in this case is the roles of various stakeholders in co-management arrangements and equitable benefits sharing arrangements for these stakeholders. There is need to match benefit sharing with resource management responsibilities, especially with regard to Assemblies, BVCs or FMAs.

There is recognition that fish resources are dwindling; this calls for urgency in the conservation and sustainable management of the resource. Policy requirements to strengthen user institution capacity for fisheries resources management especially at local level need to be implemented. Within this an approach to facilitate the identification, protection and management of key sites of unique biodiversity, breeding sites, migratory routes and sanctuary sites for fish has been proposed.

Effort has to be made to facilitate the enforcement of laws, rules and regulations in the sector so that fisheries resources are managed in accordance with appropriate management procedures. One key aspect in terms of enforcement is resource monitoring during closed seasons which requires sufficient capacity of the BVC.

5.4 Wildlife and National Parks

5.4.1 Introduction

According to NEAP 1994, Malawi is endowed with diverse flora, fauna and microbiota, ranging from low-lying rift valley woodlands to montane forest grasslands and water bodies with at least 3,500, 4,000 and 1,000 species of plants, animals and microorganisms. As of 1994 Malawi had 163 mammals, 92 reptiles, 54 amphibians, 538 species of fish and 620 species of birds which had been described. The distribution of animals in Malawi is mainly affected by the topography, vegetation types, and human activities. Government established five National Parks and four Wildlife Reserves which account for 11.6% of the country's land as a measure to protect wildlife resources. (See appendix 5 which provides details for National Parks and Wildlife Reserves in Malawi)

The actual and potential benefits of wildlife to mankind are many and include: aesthetic, scientific, cultural and recreational values. Protection and management of wildlife is important as a source of genetic diversity, food, trophies. timber and of tourist attraction (EAD, 1994). Table 18 below provides Malawi's National Parks and Wildlife Reserves and Fig 6 shows all the protected areas in Malawi including Forest Reserves.

Table 18: Malawi's National Parks and Wildlife Resources

Name of Area	Area (ha)
National Parks	
Kasungu	231,600
Lake Malawi	8,700
Lengwe	88,700
Liwonde	53,800
Nyika	313,000
Wildlife Resources	
Majete	69,100
Mwabvi	13,500
Nkhotakota	180,200
Vwaza March	98,600

Adapted from NEAP (1994)

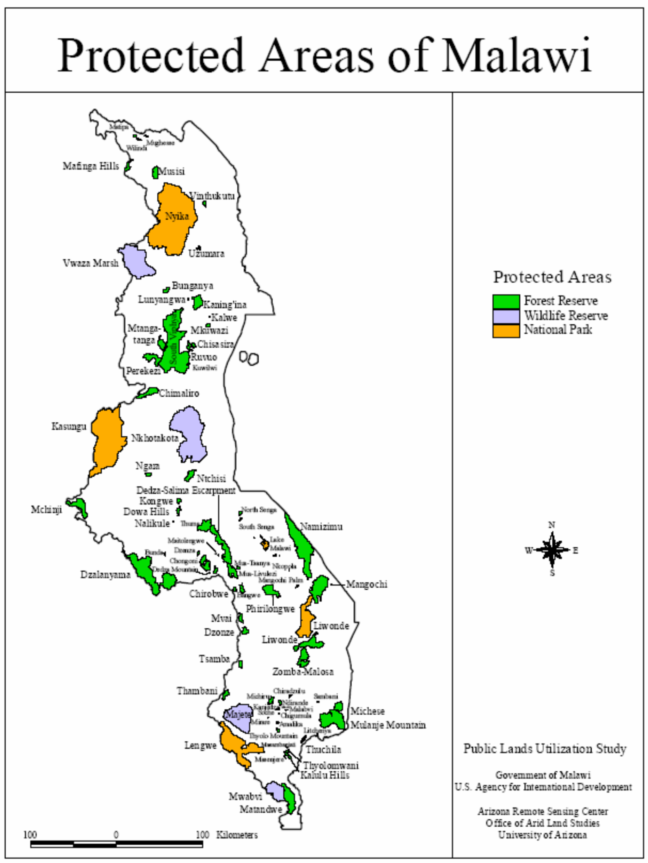

Figure 3: Protected Ares of Malawi (Source: Government of Malawi, Public Lands Utilization Study)

5.4.2 Wildlife Resources and Revenues

The management and collection of income from wildlife resources is coordinated by the Department of National Parks and Wildlife (DPNW) in the Ministry of Information and Tourism. Major sources of income in the wildlife sector are categorized into non-consumptive and consumptive uses of natural resources[77]. Non consumptive uses include all tourism activities i.e visitors entering protected areas who pay park entry fees and accommodation facilities run by private operators who pay concessions to DPNW among others. Consumptive use includes trophies from hippo teeth, sale of ivory, sale of timber and confiscated charcoal and sale of game meat from animals killed on crop protection exercises. Tables 19 and 21 below show revenues collected from non-consumptive and consumptive uses of natural resources from protected areas.

Table 19: Revenues from non-consumptive uses of Natural Resources from Protected Areas

	2003/04 (MK million)	2004/05 (MK million)
Concession Fees	3.074	4.3
Park Fees	5.5	3.4
Hire of Guards	0.43	0.15
Bar/Tuckshop	0.036	0.022
Accommodation/Bush camp	0.061	0.006
Other	0.015	0.002
Total	**9.116**	**7.880**

Source: Annual Economic report 2005

Table 21: Revenues from consumptive uses of Natural Resources from Protected Areas

	2003/04 (MK million)	2004/05 (MK million)
Sale of trophies	-	0.05
Timber, charcoal, firewood	0.16	0.0.42
Game meat	0.46	0.12
Licences	0.08	0.07
Total	**0.70**	**0.66**

Source: Annual Economic report 2005

[77] Malawi Government (2005). Annual Economic Report 2005, Ministry of Economic Planning and Development. Lilongwe. Malawi. pg 63

5.4.3 Equity in Wildlife Resources Management

As indicated above protected areas cover large parts of land in the districts where they are located. As such these deprive communities of access to land for other economic activities particularly framing. Beside the issues of land, wildlife from protected areas do attack humans and destroy crops for communities living close to these areas.

The National Parks and Wildlife Act was amended in 2004 to provide, inter alia, for collaborative management of wildlife between the Department of National Parks and Wildlife (DNPW) and local communities and the private sector. It is interesting to note that the amended Act repealed a provision that vested ownership and control of wildlife in the President for the benefit of the people of Malawi[78].

The Wildlife Policy, 2000 declared collaborative management a key philosophy of the DNPW which hitherto concentrated on command and control measures and made protected areas 'no go' areas for local communities. In keeping with this framework the DPNW is mandated to allow sustainable use of natural resources in order to contribute to national development in general and to rural development in particular. In this respect the DNPW is expected to determine the consumptive and non-consumptive use to be permitted in each protected area and agree on benefits and beneficiaries in collaboration with local communities, NGOs and the private sector. It is within such a framework where local communities could benefit from wildlife resources in the country[79].

Part IIIA of the National Parks and Wildlife Act specifically deals with community participation and private sector involvement in conservation and management of wildlife. Section 22B gives power to the Director of National Parks to enter into agreements with Wildlife Management Authorities (WMAs). A WMA is defined as any local community or private organization[80] established to promote local community participation in wildlife conservation and management. The agreement may provide, inter alia, for preparation of a management plan, rights and duties of the WMA and the assistance the DNPW may provide. The Director is further empowered to enter into concession agreements for purposes of managing or investing in such protected areas. The Act envisages that there will be regulations to operationalize some of these principles. Hence the Minister has power to make rules for management of community conservation areas (defined as areas in which authority and responsibility to manage and utilize certain wildlife resources is vested in the local community); payment of grants and bonuses out of public funds to facilitate wildlife management and to prescribe mechanisms for costs and benefit sharing between DNPW and WMAs.

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[78] Section 207 states that Subject to the provisions of this Constitution, all lands and territories of Malawi are vested in the Republic.
[79] See Malawi Government (2006) Policy, Legislation and Mechanisms for Access and Benefit Sharing of Genetic Resources, Environmental Affairs Department.
[80] A 'local community' is defined as including 'corporate and incorporate persons and non governmental organizations'. This definition does not reflect the every day usage of the word 'local community' and in literature; it also suggests that corporate entities, village communities, business people and international organizations of whatever form have similar interests, rights, obligations and responsibilities.

However the consultations revealed that most function of the DPNW have not been fully devolved as most of co-management arrangements are facilitated through central government. One of the reasons cited for not devolving these functions is that most protected areas cut across several districts and it has been difficult to devolve functions to a particular Assembly. Co-management arrangements currently use registered Community Based Organisations (CBOs) which operate under associations. Another reason cited is that these are not found in every district so the agreement involve Assemblies that are part of the protected area and the Assembly representatives are ex-officio to the management associations.

5.4.4 Policy Recommendations

Implementation of the policy and legislative provisions in the wildlife sector seem to be on track with pilot areas under collaborative management designated in various protected areas such as Nyika/Vwaza, Lengwe, Liwonde and Kasungu. In these areas some progress has been made to create and facilitate Natural Resources Committees, some of which were incorporated as trusts under the Trustees Incorporation Act. The most well known and perhaps most active is the Nyika/Vwaza Association. In addition, the DNPW has entered into a concession agreement with Africa Parks (Majete) Limited[81] for the management of Majete Wildlife Reserve in the Lower Shire of southern Malawi. Further local communities have been allowed to harvest certain wildlife products such as mushrooms, thatch grass, caterpillars, medicinal plants, reeds, and other products mainly for domestic use. Finally, Treasury agreed as a matter of policy to share resource earnings from protected areas with local communities on a 50-50 basis; but no payments have started up to now[82] (Environmental Affairs Department, 2006).

It is noteworthy that almost all these initiatives: the pilot benefit schemes, the resource sharing arrangements as well as the establishment of associations are associated in one way or another with projects funded by external donors. For example, the Nyika/Vwaza Natural Resources Association is a baby of the Border Zone Development Project funded by GTZ; while the resource sharing mechanisms agreed to by Treasury was as a result of donor conditionality under the USAID funded NATURE program. The sustainability of these schemes and continued government commitment to them may therefore be in doubt over the long term. Already Treasury is not implementing the 50-50 resource-sharing scheme. This underscores the need for rules/regulations under the amended National Parks and Wildlife (Amendment) Act 2004 to ensure that the commitments are protected and that local communities can lawfully demand these entitlements and, in default, take necessary action to enforce such entitlements.

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[81] The company is foreign owned but has Malawian local directors. In addition to strengthening management of the game reserve, the company is restocking animals to replenish the numbers that had gone down completely as a result of massive poaching. The company is also improving facilities in the protected area to improve access to tourists: personal communication from a director of the company, Hon R A Banda, SC.

[82] Regardless to the fact that policy implementation is a general problem in Malawi, enforcement co-management in wildlife is particularly difficult due to the fact that national Parks and Wildlife for under the Ministry of Information and Tourism while benefit sharing arrangements are understood and advocated by those from the environment sector.

There is need for detailed consultations between these in the ENRM sector particularly CSOs to lobby for implementation of co-management agreements. Within such considerations there is to justify to both the Ministry of Information and Tourism and the Ministry of finance the critical role of equitable benefit sharing arrangements in sustainable wildlife management and promotion of tourism in Malawi. It will be vital also to lobby for devolution of function under the Ministry of Information and Tourism to Assemblies which will enable district sharing protected area to collect revenues and mainstream conservation and development work in areas[83].

5.5 Land Resources

5.5.1 Introduction

Land is the most basic of all resources available for social and economic development in Malawi. When considered in combination with water, it produces other resources including arable soils, forest, pasture, wildlife habitat and marine ecosystems valuable to people. Through the forces of nature and prior actions of many generations, these resources are spatially distributed in differing quantities in differing locations throughout Malawi. This distribution of land related resources is, however, not static; people have the ability to alter the mix. They can conserve or deplete existing resources or they can invest time and effort to improve the stock of certain land resources by improving accessibility[84]. There are three legally recognized types of land tenure in Malawi: customary[85], private and public[86] but with 2002 National Land Policy proposed to change this.

The country's land area occupies 118,324 square kilometers of land and water, of which 53,070 is considered suitable for cultivation. There are more than 105 inhabitants per square kilometer of arable land. Malawi has one of the highest population densities in Africa and this has contributed to land degradation and accelerated deterioration of natural resources. The assessment of overall land availability, given in Table 19 below, indicates that Malawi has a total of 11.8 million hectares of which 9.8 million is land. Agricultural estates occupy 1.2 million hectares and the area potentially available for agriculture by small farmers is approximately 4.5 million hectares after adjusting for wetlands, steep slopes and traditional protected areas.

[83] The 2002 sector devolution plans report did not include nay function from this ministry, its not known when another sector devolution will be developed.

[84] See Malawi Government (2002) The Malawi National Land Policy, Ministry of Lands, Physical Planning and Surveys. Lilongwe.

[85] Customary land is all land falling within the jurisdiction of a recognized Traditional Authority, which has been granted to a person or group and used under customary law

[86] Public land is land held in trust and managed by the Government or Traditional Authorities and openly used or accessible to the public at large. This category of land includes land gazetted for use as national parks, recreation areas, forest reserves, conservation areas, historic and cultural sites, etc.

Agricultural production is one of the main uses of land in Malawi. At National level, only 31% of the country's total land area is suitable for rain-fed agriculture at traditional level of management; another 31% is marginal land[87]. By 1994 cultivated land exceeded the suitable land for rain fed agriculture at traditional level of management. By 1990, 49% of the country's land resources was under cultivation, yet only 31% of the country's is suitable for rain-fed agriculture; an indication that 18% under cultivation came from marginal land (NEAP, 1994).

Table 22: Overall Land Availability in Malawi

	Million ha	*%*	*% of Total*
Total Land Area of Malawi	9.4	-	100
Less national Parks, Forest and Game Reserves	-1.7	-	18
Land Available for Agriculture	7.7	-	82
Land Available for Smallholder Agriculture and Estates	7.7	100	82
Estimated land Under Estates	1.2	16	13
Land Available for Smallholders	6.5	84	69

Source: Malawi National Land Policy (2002)

It is evident that there is land pressure in the country in terms of demand for the population and also conflicting uses leading to degradation. The problems of land pressure have been exacerbated by the progressive alienation of land from the customary sector into private land (freehold and leasehold estates) and public land (mainly protected areas: National Parks, Wildlife and Forest Reserves). Thus, while the rural population has been increasing, the amount of land available to them has been declining. In economic terms, competitive interactions are most intense between smallholders and the estate sector, since both demand land of high agricultural potential. But increasingly there is competition between both the smallholder and estate sectors and the protected areas, particularly where the latter adjoin areas of high rural population density[88].

5.5.2 Land Resources and Revenues

A lot of revenue is collected from land resources particularly by the Ministry of Lands Physical Planning and Surveys. Some of the means for revenue generation in the land sector include registration and consent fees, plan submission fees, survey fees, plan and map sales and house, customary public land lease among others. For example the Department of Lands in the 2002/2003 financial year collected K11, 012 835 from ground and land rent

[87] Land which, in its natural state, is not well suited for a particular purpose, such as raising crops. Other define it as Land which for one or more reasons is incapable of producing much income given the costs that would be incurred to produce the income

[88] See Inter-Agency Working Group On Protected Areas 1: Protected Areas: Their Role and Future in Malawi's Land Budget, A Memorandum Submitted to the Presidential Commission of Inquiry on Land Policy Reform, Lilongwe, August 1997. Available online from http://ag.arizona.edu/OALS/malawi/Papers

and other departmental receipts. All revenue collected from the above various means goes to central government. Other revenues generated from the land sector are accounted for by Assemblies and these include property rates and ground rents[89].

5.5.3Resources Management and Equity in Land sector

According to the National Statistic Office (NSO), 55% of smallholder farmers have less than 1 hectare of cultivable land, which does not meet their basic food needs. As a result, more than half of the population lives below the poverty line of US$140 per capita income annually. In absolute terms, the poverty of the country is predominantly rural and is reflected in the below average social indicators. Hence the need to improve land productivity particularly for rural populations is vital to ensure eradication of poverty.

Access to land by poor people is essential if they are to contribute to and benefit from economic growth. In this regard, equitable distribution of assets, especially land, promotes higher productivity and rates of economic growth. Secure, safe and affordable land is a necessary, but not always sufficient condition for reducing poverty. Improved access to services such as health, education, skills, finance, transport and knowledge is a pre-requisite to poverty reduction. The many initiatives of land reform have not adequately addressed these support services. It has assumed that other sectors will address these requisite support services. The result is that support to land reform is lacking[90].

There are a number of Assemblies with numerous estates depriving local communities of land for settlement and agricultural production yet lease fees are paid to central government. No mechanism currently exists to share revenues from land resources with the Assemblies. Consultation with stakeholders from Ministry of Lands revealed that they have numerous capacity constraints in terms of staff and finances as such their revenues collection mechanism is ineffective and land conservation and management is very rudimentary.

One of the major equity concerns in land relate to the demand by the Department of Lands of MK1000 per ha for all leased land regardless to profitability of the land in question. It could be appropriate if profitability of the land should determine the lease fees. In most cases there has been no follow ups on leased land in terms of size, use nad ownership. Currently most land that was previously leased and meant for tobacco has been subdivided and is being used for maize production. However tax is still demanded from such field which means that the government is taxing growing of food crops particularly maize.

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[89] Ground rent is a flat tax on land that is under lease from Government, it is governed by the provisions in the Land Act and is payable on all leased land irrespective of use. It is mostly collected from agricultural estates. Central Government collects ground rent from tobacco estates on behalf of Local Assemblies and Local Assemblies are supposed to collect ground rent from other agricultural estates. The Ministry of Lands administers this ground rent through a network of Regional Offices, which undertake surveys and make the collections within the districts.

[90] Centre for Environmental Policy and Advocacy (2006) Report of Land and Agrarian Reform in Malawi, Report submitted to: Community Technology Development Trust (CTDT). Available Online From http://www.cepa.org.mw/landreformproject.htm

A progressive tax could be of much help in that those poor household with little land or smaller estates will pay little which bigger estates will pay more on the extra ha of land. This will also encourage selling out of excess land that is not productive because the tax will be so high and yet the land is not productive.

There are several gender imbalances in land in Malawi where culturally women especially in the northern part of Malawi do not have fair access to land as their male counter parts. The need to tackle gender issues in land and property rights is now widely recognized in the debates for land reform. Land is one of the most important factors of production for agriculture in Sub Saharan Africa. Access to land and control over it are essential aspect of its utilization and productivity. Given the central role women play in agricultural production, it is without doubt that lack of protection of their rights on land and secure access to land has direct implications for investment in agriculture and efforts to promote land reform for agricultural productivity. In Malawi, 52% of the population comprise of women of whom 93 % live in rural areas. Of these approximately 85% are primarily involved in subsistence agriculture[91]. They play a very important role in food production and management and are critical to food security in the rural areas. In a number of cases, however, women are marginalized in decision making pertaining to land resources. Their knowledge and experience is not utilized in land use and management yet they are critical stewards of land resources.

Almost all sectors of the economy have stake in land as such planning and strategizing on land should be inclusive. Likewise investment in conservation of land resources should be a crosscutting responsibility for all stakeholders.

5.5.4 Policy Recommendations

The revenue generated from the land resources are not well known to most stakeholders except for government financial reports. There is need for deliberate efforts to be made by government to inform stakeholder on the revenues that are generated from various resources in the sector. This is essential to enable most stakeholders attach the right value to land especially that held under customary regime. There has to be mechanisms put in place to reflect decentralization principles in the land sector and incorporate revenue sharing arrangements between Assemblies and central government.

It is necessary to implement land policy provisions that address equitable access to land and explore more areas where inequality issues can be addressed in addition to already proposed measures as such preventing land concentration in a few hands through land ceilings. Reducing the number of years one can hold land may make land more accessible but there must be guidelines that address access to land for various uses and gender equity. In particular, legislation needs to take positive steps to recognize the critical role that women

[91] Margaret Rugadya (2004) Land and Tenure Security and Linkages with Poverty: Dimensions of Land Rights (Associate for Development, Uganda)

play in rural development and that it is important that in allocating land, the relevant authorities must pay specific attention to the needs of women including their marginalization.

Chapter 6

Conclusions

Distribution Equity has been considered in Malawi, through other sector studies arrangements such as access and benefit sharing of biological resources which embraces its principles. However the has not been fully defined and applied as a recognized approach for resource sharing using based on fairness. In Malawi, equity concerns are very essential in the natural resource sector considering that livelihoods largely depend on natural resources. The aim of applying distribution equity concept is to ensure sustainable utilization and management of natural resources while addressing key livelihood issues for the people and poverty reduction issues.

It is clear from the various statistics presented herein that a majority of the people in Malawi are poor and that poverty rates for the past decade have not significantly changed. Poverty rates in the country vary according to regions and districts. In districts with higher poverty rates, there is a corresponding high rate of environmental degradation. There are income inequalities arising from differences in access to income which are partially contributed by differences in natural resource endowment and population. The greatest income inequalities exist in the urban areas in Malawi but the rural areas have higher poverty rates.

The country's economic growth is dependent on natural resources although this is sometimes not clearly expressed. The need to achieve increased economic growth is a top priority for the Government and in many instances it has led Government to solely focus on economic issues sidelining other essential aspects of sustainable development particularly the environment.

National Development Strategies and Poverty Reduction

Since the late 1990's to date, Malawi has used a development approach guided by visions, strategies and plans. Among these tools some comprehensively address sustainable development in its right context while others are rather tools to promote sector interests. The vision 2020 is one such comprehensive and inclusive tool that provides the country with ambitious and relevant goals.

The MPRSP which just phased out provided a useful guide to national development regardless of the implementation challenges it faced. Most commentators on development issues argued that it sidelined the private sector and that some of its targets were not met. However the MPRS managed to facilitate some reforms and provided a basis for priority setting across various sectors. Its main contribution to development policy is the focus on pro-poor empowerment as a priority including facilitating access to productive resources.

Other broader global goals such as the MDGs are constantly influencing short term and long term development planning in the country. MDGs are also known to assist donor support mobilization for sector programmes. Other development tools such as the MEGS currently being implemented are rather more biased to economic growth and more appropriate as a sector tool rather than a cross cutting tool for development. There is absolutely nothing wrong for government development planning to focus on increasing economic growth but where social and environment concerns have not been reflected then what takes place is no longer development.

Other well-focused development tools such as the MDGs and NSSD have unfortunately not been popularized. These fully embrace key principles of sustainable development. They contain strategies and targets on development with the environment as an integral component.

Various natural resources policies and legislation in Malawi subscribe to key equity concerns i.e. poverty reduction and sustainable natural resources management. The NEP and EMA are examples of such well-articulated tools where equity concerns are addressed. However, most sector specific policies and legislation need to factor poverty reduction as a key policies objective. This is critical because until now poverty has remained a key culprit of unsustainable resource use in the country. More importantly natural resources management becomes meaningful and sustainable if it addresses the people's needs; one such need is poverty reduction in the case of Malawi.

Beyond policies and legislation factoring issues of fair resource use, poverty reduction and development, there is an urgent need for policy and legislation implementation in the country. Some implementation challenges relate to resource constraints but lack of political commitment is key. It is important to recognize that having very explicit policies and legislation that are not implemented is as well as not having any at all.

International instruments do facilitate and shape national policy and legal frameworks. The CBD, the Rio Declaration and the WSSD are some of the key international instruments that streamline sustainable development issues for national Governments. These have been domesticated to some level but more effort is still required.

Fiscal Management, Poverty Reduction and Natural Resources Management

Government generates revenues from various sources, most of domestic sources being from the natural resources related sectors. There is continued dependence on donor funds in each financial year because locally generated resources are insufficient to fully finance the budgetary operations.

Most Government revenues are collected by central government except for a few stipulated revenue sources that are particularly provided for local assemblies. Central government makes allocation to various sectors which are approved through the National Assembly.

Currently education, health and agriculture are the sectors that receive most of the central government allocations. The natural resources sector is among the least funded. This is particularly so because natural resources issues or problems are long-term hence not as urgent as health or agriculture. However considerable amount of revenues are generated for natural resources either directly through taxes, resources use and other ENRM services or indirectly through supporting other sector such as agriculture.

Fiscal and economy policies are inclined to facilitate economic growth. Often these have not clearly highlighted environment and natural resources as key aspects. Until natural resources and the environment are clearly reflected in these policies we will not have meaningful sustainable development.

Local Governance and Decentralization

It is close to a decade not since Malawi embarked on decentralization. Sector devolution has been taking place towards the promotion of good governance and local community empowerment. There is a policy and legal framework in place that supports the decentralization. However decentralization has not fully been operational due to the fact that sector devolution is occurring in phases and the ENRM sector has not been fully devolved as of now.

Fiscal decentralization is a focus area in decentralization where Assemblies are being empowered financially to successfully implement the devolved functions. Central government provides resources to Assembly using an approved format that is guided by population and poverty factors; these resources increase with corresponding functions that have been devolved. Currently 5% of all total national revenues are meant for Assemblies. Besides central government transfers Assembly's locally generate revenue through property rents, ground rents and other fees and licences. Donors also provide funds for activities within the Assemblies. An analysis of local government revenues indicated that there has been an increase in the central Government transfers made to the Assemblies. This illustrates increased devolution of sector activities.

There is recognition that other districts are poorer than the others and do require equalization grants. The NCGFC has made known recommendations for equalization grants but these have not been implemented due to insufficient resources in each financial year. It is not known when such grants will be made considering the levels of economic growth.

There is an Environment Fund which was established for the protection and management of the environment and the conservation and sustainable utilization of natural resources. The fund has legal backing in EMA and was approved by Parliament. Several communities have benefited from the funds through environmental micro-projects. The fund however is faced with sustainability problems because most of resources which have been used so far were contributed by donors.

Equity in Natural Resources Management in Malawi

Investing in sustainable natural resources management is key to ensuring continued maximum benefits from natural resources. This is however not fully subscribed to by Government as reflected by less resources committed for the management of natural resources and the environment in relation to other sectors. Within the natural resource sectors, other entities particularly forestry do generate more revenue than is allocated by central government for operations.

There are unique features in each natural resource sector hence the application of equity principles may vary across sectors. But general equity principles ought to be reflected in policy and legal tools for each sector. For instance in mining essential aspects relate to initiation of equitable sharing of environmental costs and benefits of mining operations while in fisheries and wildlife critical equity issues relate to how stakeholders in existing co-management arranges can improve resources sharing arrangements. Focus in this paper has been limited to forestry, mining, fisheries, wildlife and land but this does not entail that these are the only natural resources related sectors worth embracing the distribution equity issues. It is necessary to consider agriculture, tourism, water and other sectors as well, but this was not possible due time and resource constraints.

Policy recommendations have been made under each of the discussed sectors but these may not be exhaustive. The main aim is to set a premise for stakeholders awareness on existing inequalities. This can in turn facilitate debate on these issues. Reforms would assist in the sustainable resource management and fair sharing of benefits and costs from resource use regimes across sector and contribute to poverty reduction. Detailed sector analysis of distribution equity issues would facilitate more in-depth and exhaustive evaluation of the existing inequalities and the policy responses to address these.

Chapter 7

General Recommendations

The distribution equity concept as defined and applied in this paper has particularly focused on public resources where government controls resource use through policy and legal frameworks. Private sector issues have been considered in brief hence there is a need to scrutinize how equity issues are handled in private sector institutions involved in natural resources utilization. Within this line of thought there can be sector specific and institution distributional equity analyses.

National development planning through government plans and strategies is essential to achieving sustainable development. However these should always integrate economic, social and environment considerations. There must be efforts by Government to ensure that these tools are developed with the participation of all relevant stakeholders. National development tools should be well understood by stakeholders as such awareness programmes should be developed to ensure stakeholders fully understand these tools to be able to effectively participate in implementation processes.

Poverty reduction should continue to be the main theme in development planning in Malawi. Natural resources are key to poverty reduction and livelihood; hence sustainable and equitable utilization of these should be clearly reflected in the development plans, strategies and policies.

ENRM policies and legal frameworks should not be viewed as final products or tools to guide resource utilization and management forever. These ought to be viewed as a process and should be subject to change for purposes of incorporating or responding to current resource use changes and the needs of the people. Most sector policies were developed to address sector specific interests and these need to be revised to reflect national priorities particularly poverty reduction and fair and equitable benefit sharing of resources. In addition, there appears a disconnect between policy and legislation on one hand and the budgetary process on the other hand. Hence numerous policies remain unimplemented because they are not considered in the national budget. Donor funds become the main source of funding for these instruments.

Government should facilitate the domestication and implementation of provisions laid out by relevant international instruments particularly the Rio and WSSD agreements. In the same vein government should refrain from exploitative international or bilateral agreements for purposes of safeguarding the welfare of its people.

Government should intensify mechanisms to collect revenues from natural resources. There is need to intensify application of economic incentives through taxes and levies for the industries sector with environmental aspects in their operations. Government should commit sufficient resources for the management of natural resources in the country. Fiscal and economic policies should promote investment in natural resources conservation and sustainable utilization alongside natural resources product improvement.

Environmental governance at local level should be promoted through facilitating devolution of more ENRM functions to the Assemblies. This should be done alongside increasing funding levels to the Assemblies to enable them carry out the devolved functions effectively. The Environment Fund should be sustained both by government revenue through central government allocations or taxes and levies and donor support.

For districts with higher poverty rates especially in southern region equalization grants should be provided. Government should show commitment by providing equalization grants using the minimal resources it has because this can attract other donor to commit resources to this. Resources provided through equalization would be utilized for social services while the rest for environmental conservation in these districts.

Government should develop a formula which will be guiding allocations it makes to various sectors at central government level. The formula should use factors such as revenues collected by the sector among others to encourage sectors to mobilize a lot of revenues. The aim will be to promote revenue generation and encourage sustainable resources use.

Most of the existing policies and legislations in the ENRM sectors such as forestry, land, mines and minerals, fisheries and wildlife need to be harmonized. These need to reflect the provision of the overall policy and legal framework the NEP and EMA respectively. These policies and legislation should clearly demonstrate commitment to address poverty reduction and equitable access to resource use.

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Appendices

Appendix 1: Table: Comparative analysis of sector expenditure (mostly based on central government allocations) versus sector generated revenue

(Based on aggregate Recurrent Budget (ORT[92] and PE[93]) and Development budget)

	2002/03		2003/04	
Ministry/Department	**Revenue**	**Allocation**	**Revenue**	**Allocation**
Lands, Physical Planning and Surveys	36,055,000	92,307,365	43,680,000	196,773,922
Natural Resources and Environmental affairs	46.714,501	577,826,359	36,017,745	1,199,510
Tourism, Parks and Wildlife	3,690,265	145,013,408	1,210,000	152,229,920

[92] Other Recurrent Transactions
[93] Personal Emoluments

Appendix 2: Consolidated Budget by Revenue/Expenditure Classification (Malawi Local Authorities Budget Summary)

LOCATION & DETAILS	ACTUALS 2004/05	APPROVED 2005/2006	REVISED 2005/2006	ESTIMATES 2006/2007
	MK	MK	MK	MK
REVENUE				
1.0 Government Transfers				
1.1 General resource fund	275,814,233	425,000,006	400,000,006	420,938,373
1.2 Sector funds	130,713,133	4,697,088,466	2,323,633,938	6,253,961,470
1.3 Chiefs honorarium fund	48,415,613	81,450,000	78,569,400	78,705,500
1.4 Constituency Development Fund	0	0	0	386,000,000
1.5 Salary subsidy	88,570,974	104,915,769	118,691,049	143,715,644
Sub total	**543,513,953**	**5,308,454,241**	**2,920,894,393**	**7,283,320,987**
2.0 Locally Generated Revenue				
2.1 Central Government Property Rates	181,764	201,236,981	25,000,000	95,000,000
2.2 Other Property Rates	979,440,432	1,421,050,581	1,220,151,007	1,621,068,193
2.3 Income from Market Establishments	181,162,434	274,450,994	219,806,857	334,664,950
2.4 Income from commercial undertakings	50,744,536	97,731,700	79,319,270	120,098,099
2.5 Other fees, income & charges	291,009,348	508,601,757	340,739,120	501,547,892
Sub total	**1,502,538,514**	**2,503,072,013**	**1,885,016,254**	**2,672,379,134**
3.0 Donor Funds	1,011,682,409	4,866,839,550	3,229,928,186	519,183,121
Sub total	**1,011,682,409**	**4,866,839,550**	**3,229,928,186**	**519,183,121**
Total Revenue	**3,057,734,876**	**12,678,365,804**	**8,035,838,833**	**10,474,883,242**

EXPENDITURE				
1.0 Personal Emoluments				
1.1 Direct Staff (commercial undertakings)	10,129,739	32,398,216	32,255,421	35,298,477
1.2 Direct Staff (other departments)	527,836,965	822,359,356	675,777,748	940,499,555
1.3 Government Paid Staff	88,570,974	104,915,769	118,691,049	143,715,642
Sub total	**626,537,679**	**959,673,341**	**826,724,218**	**1,119,513,674**
2.0 Other Recurrent Transactions				
2.1 Chiefs emoluments	47,829,323	81,495,000	78,569,400	78,705,500
2.2 Chiefs expenses	3,879,708	7,567,692	8,815,375	12,620,658
2.3 Assembly & functions	68,710,708	110,777,068	13,859,209	95,124,346
2.4 Premises & utilities	165,016,596	186,559,647	192,701,928	270,802,633
2.5 Supplies & services	238,249,478	336,214,577	269,469,890	422,212,217
2.6 Transport & Travel	203,422,920	278,728,105	335,644,078	356,410,093
2.7 HIV/AIDS Intervention	6,720,053	290,698,078	70,822,384	74,107,316
2.8 Debt Servicing	9,902,323	34,637,478	56,465,035	127,366,120
2.9 Operational expenses from commercial undertakings	28,814,731	34,618,313	41,986,873	44,221,685
2.10 Sector ORT	130,713,133	4,697,088,466	2,323,633,938	6,253,961,470
2.11 Other operational expenses	305,371,307	492,746,904	397,431,149	550,449,658
Sub total	**1,208,630,280**	**6,551,131,327**	**3,789,399,258**	**8,285,981,696**
Surplus/(deficit) before capital outlay	**1,222,566,917**	**5,167,561,135**	**3,419,715,357**	**1,069,387,873**
3.0 Capital Outlay				
3.1 Costituency Development Fund	0	0	0	386,000,000
3.2 Own capital contribution	195,700,357	522,242,498	192,303,413	273,466,977
3.3 Donor Funds	1,007,820,750	4,619,140,495	3,188,535,192	409,920,897
Sub total	**1,203,521,107**	**5,141,382,992**	**3,380,838,605**	**1,069,387,874**
Net surplus/(deficit)	**19,045,810**	**26,178,143**	**38,876,752**	**(0)**

Appendix3: Consolidated Budget by Revenue/Expenditure Classification (District Assemblies Budget Summary)

LOCATION & DETAILS	ACTUALS 2004/05	APPROVED 2005/2006	REVISED 2005/2006	ESTIMATES 2006/2007
	MK	MK	MK	MK
REVENUE				
1.0 Government Transfers				
1.1 General resource fund	227,939,148	336,544,849	336,544,849	332,945,007
1.2 Sector funds	122,594,615	4,668,046,907	2,202,666,465	6,218,758,248
1.3 Chiefs honorarium fund	48,415,613	81,450,000	170,495,314	78,705,500
1.4 Constituency Development Fund	0	0	0	386,000,000
1.5 Salary subsidy	79,637,216	93,985,154	108,599,659	130,809,140
Sub total	**478,586,592**	**5,180,026,910**	**2,818,306,287**	**7,147,217,895**
2.0 Locally Generated Revenue				
2.1 Central Government Property Rates	0	0	0	0
2.2 Other Property Rates	0	0	0	0
2.3 Income from Market Establishments	95,309,615	135,721,622	100,886,965	160,643,220
2.4 Income from commercial undertakings	26,387,641	45,412,950	34,939,321	65,282,499
2.5 Other fees, income & charges	44,134,076	74,375,234	58,320,444	85,564,669
Sub total	**165,831,332**	**255,509,806**	**194,146,730**	**311,490,388**
3.0 Donor Funds	934,712,019	4,148,033,686	2,884,161,527	288,482,438
Sub total	**934,712,019**	**4,148,033,686**	**2,884,161,527**	**288,482,438**
Total Revenue	**1,579,129,943**	**9,583,570,402**	**5,896,614,544**	**7,747,190,721**
EXPENDITURE				
1.0 Personal Emoluments				

1.1 Direct Staff (commercial undertakings)	5,992,901	8,285,368	8,798,326	12,537,669
1.2 Direct Staff (other departments)	99,035,949	145,490,247	130,126,712	164,763,182
1.3 Government Paid Staff	79,637,216	93,985,154	108,599,659	130,809,138
Sub total	**184,666,067**	**247,760,769**	**247,524,697**	**308,109,989**
2.0 Other Recurrent Transactions				
2.1 Chiefs emoluments	47,829,323	81,495,000	78,569,400	78,705,500
2.2 Chiefs expenses	3,879,708	7,567,692	8,815,375	12,620,658
2.3 Assembly & functions	29,635,654	45,457,929	3,573,957	21,263,307
2.4 Premises & utilities	28,971,071	43,394,177	44,084,871	52,067,012
2.5 Supplies & services	26,177,754	45,655,605	50,497,710	55,076,262
2.6 Transport & Travel	67,072,155	97,880,891	99,434,538	100,676,746
2.7 HIV/AIDS Intervention	5,802,041	206,909,854	35,365,542	31,693,347
2.8 Debt Servicing	6,140,523	12,717,478	105,735,849	83,853,170
2.9 Operational expenses from commercial undertakings	17,866,112	24,497,801	22,761,943	32,392,168
2.10 Sector ORT	122,594,615	4,668,046,907	2,198,886,465	6,218,758,248
2.11 Other operational expenses	33,265,294	50,715,499	50,011,523	52,610,513
Sub total	**389,234,250**	**5,284,338,832**	**2,697,737,172**	**6,739,716,931**
Surplus/(deficit) before capital outlay	**1,005,229,626**	**4,051,470,800**	**2,951,352,675**	**699,363,802**
3.0 Capital Outlay				
3.1 Constituency Development Fund	0	0	0	386,000,000
3.2 Own capital contribution	55,739,856	100,261,981	45,636,918	49,143,589
3.3 Donor Funds	931,607,032	3,950,434,462	2,873,192,274	264,220,214
Sub total	**987,346,888**	**4,050,696,442**	**2,918,829,191**	**699,363,803**
Net surplus/(deficit)	**17,882,738**	**774,358**	**32,523,484**	**(0)**

Appendix 4: Consolidated Budget by Revenue/Expenditure Classification (Town Assemblies Budget Summary)

LOCATION & DETAILS	ACTUALS 2004/05	APPROVED 2005/2006	REVISED 2005/2006	ESTIMATES 2006/2007
	MK	MK	MK	MK
REVENUE				
1.0 Government Transfers				
1.1 General resource fund	18,066,355	20,620,333	20,620,333	21,445,148
1.2 Sector funds	0	0	0	0
1.3 Chiefs honorarium fund	0	0	0	0
1.4 Constituency Development Fund	0	0	0	0
1.5 Salary subsidy	8,688,758	10,214,615	8,979,602	11,689,176
Sub total	**26,755,113**	**30,834,948**	**29,599,935**	**33,134,324**
2.0 Locally Generated Revenue				
2.1 Central Government Property Rates	181,764	24,534,231	18,000,000	28,100,000
2.2 Other Property Rates	20,503,333	29,752,581	23,499,033	30,986,587
2.3 Income from Market Establishments	25,384,676	33,071,372	29,920,958	40,703,370
2.4 Income from commercial undertakings	6,837,895	11,227,750	9,137,269	5,928,486
2.5 Other fees, income & charges	24,717,671	38,720,646	43,033,412	57,268,957
Sub total	**77,625,339**	**137,306,580**	**123,590,672**	**162,987,400**
3.0 Donor Funds	45,641,620	247,139,454	132,472,981	6,910,937
Sub total	**45,641,620**	**247,139,454**	**132,472,981**	**6,910,937**
Total Revenue	**150,022,072**	**415,280,982**	**285,663,588**	**203,032,661**

EXPENDITURE

1.0 Personal Emoluments				
1.1 Direct Staff (commercial undertakings)	1,551,838	1,637,848	1,750,415	1,330,538
1.2 Direct Staff (other departments)	33,597,948	45,852,881	41,904,149	51,273,135
1.3 Government Paid Staff	8,688,758	10,214,615	8,979,602	11,689,176
Sub total	**43,838,544**	**57,705,344**	**52,634,166**	**64,292,849**
2.0 Other Recurrent Transactions				
2.1 Chiefs emoluments	0	0	0	0
2.2 Chiefs expenses	0	0	0	0
2.3 Assembly & functions	6,298,061	10,018,744	2,996,885	11,324,798
2.4 Premises & utilities	11,109,500	11,997,580	15,724,758	20,362,488
2.5 Supplies & services	11,090,156	21,829,373	15,674,701	20,946,984
2.6 Transport & Travel	19,724,587	24,758,349	24,360,768	29,794,380
2.7 HIV/AIDS Intervention	688,012	28,464,716	2,606,180	2,456,930
2.8 Debt Servicing	801,800	2,420,000	1,752,000	3,312,950
2.9 Operational expenses from commercial undertakings	5,099,619	5,864,512	3,187,956	2,066,940
2.10 Sector ORT	0	0	0	0
2.11 Other operational expenses	4,368,518	8,008,001	12,014,538	16,330,017
Sub total	**59,180,253**	**113,361,275**	**78,317,786**	**106,595,487**
Surplus/(deficit) before capital outlay	**47,003,275**	**244,214,363**	**154,711,636**	**32,144,325**
3.0 Capital Outlay				
3.1 Constituency Development Fund				
3.2 Own capital contribution	5,409,560	24,200,517	15,885,386	25,233,388
3.3 Donor Funds	45,093,948	219,906,131	132,472,981	6,910,937
Sub total	**50,503,508**	**244,106,648**	**148,358,367**	**32,144,325**
Net surplus/(deficit)	**(3,500,233)**	**107,715**	**6,353,269**	**0**

Appendix 5; Central Government Transfers to Municipal and City Assemblies 2004/2005 and 2005/2006

		2004/2005			2005/2006		
	Assembly	**General Resource Fund**	**Sector Funds**	**Total**	**General Resource Fund**	**Sector Funds**	**Total**
	Municipal and City						
1	Blantyre	11,541,861	2,313,791	13,855,652	17,931,531	7,218,938	25,150,469
2	Lilongwe	10,276,172	2,157,635	12,433,807	15,965,146	11,500,000	27,465,146
3	Mzuzu	3,002,697	1,114,092	4,116,789	4,665,015	4,905,330	9,570,345
4	Zomba	4,988,000	2,533,000	7,521,000	5,417,291	5,417,291	10,834,582
	Sub Total	**29,808,730**	**8,118,518**	**37,927,248**	**43,978,983**	**29,041,559**	**73,020,542**
	Town						
1	Balaka	2,247,503		2,247,503	2,484,963		
2	Dedza	1,842,839		1,842,839	2,670,939		
3	Karonga	2,669,975		2,669,975	2,215,602		
4	Kasungu	2,375,583		2,375,583	2,774,296		
5	Liwonde	2,140,898		2,140,898	2,515,074		
6	Luchenza	1,809,882		1,809,882	2,395,195		
7	Mangochi	2,764,902		2,764,902	2,933,897		
8	Salima	2,214,773		2,214,773	2,630,367		
	Sub Total	**18,066,355**	**-**	**18,066,355**	**20,620,333**		
	District						
1	Balaka	6,702,844	4,676,700	11,379,544	9,818,649	65,608,822	75,427,471
2	Blantyre	7,972,304	4,168,142	12,140,446	11,709,598	116,420,514	128,130,112
3	Chikwawa	9,343,848	9,548,294	18,892,142	13,664,073	80,590,329	94,254,402
4	Chiradzulu	6,664,076	3,842,825	10,506,901	9,597,192	73,319,272	82,916,464
5	Chitipa	4,209,122	3,266,815	7,475,937	5,896,561	62,872,172	68,768,733
6	Dedza	12,030,733	5,060,801	17,091,534	17,434,110	96,041,914	113,476,024
7	Dowa	10,520,876	3,850,549	14,371,425	15,215,743	96,902,733	112,118,476
8	Karonga	4,834,841	3,486,128	8,320,969	7,021,295	67,333,041	74,354,336

9	Kasungu	11,273,496	3,894,323	15,167,819	16,453,329	94,427,742	110,881,071
10	Likoma	1,358,384	-	1,358,384	1,926,997	18,424,327	20,351,324
11	Lilongwe	20,083,945	2,162,935	22,246,880	31,202,584	161,343,942	192,546,526
12	Machinga	9,143,609	4,958,217	14,101,826	13,511,216	79,925,586	93,436,802
13	Mangochi	14,355,121	4,376,723	18,731,844	21,031,832	103,864,493	124,896,325
14	Mchinji	8,679,826	4,109,063	12,788,889	12,548,108	74,540,526	87,088,634
15	M'mbelwa	12,755,874	6,216,158	18,972,032	18,737,689	124,405,480	143,143,169
16	Mulanje	10,791,518	3,936,797	14,728,315	15,959,862	93,844,990	109,804,852
17	Mwanza	2,816,754	3,646,650	6,463,404	3,942,639	83,967,693	87,910,332
18	Neno	3,297,423	3,343,880	6,641,303	4,849,636	11,854,467	16,704,103
19	Nkhata Bay	4,922,461	5,423,177	10,345,638	7,009,421	69,789,637	76,799,058
20	Nkhotakota	6,563,297	5,469,799	12,033,096	9,543,104	71,397,041	80,940,145
21	Ntcheu	8,177,000	5,736,687	13,913,687	14,143,286	90,665,815	104,809,101
22	Ntchisi	5,429,374	5,545,290	10,974,664	7,620,384	68,862,145	76,482,529
23	Nsanje	5,595,839	5,889,075	11,484,914	8,379,168	75,232,486	83,611,654
24	Phalombe	6,791,356	-	6,791,356	9,733,513	66,749,016	76,482,529
25	Rumphi	4,188,538	5,317,775	9,506,313	5,826,866	63,691,793	69,518,659
26	Salima	6,341,502	4,918,477	11,259,979	9,392,321	97,401,491	106,793,812
27	Thyolo	11,273,836	4,622,369	15,896,205	16,762,525	93,890,667	110,653,192
28	Zomba	11,821,351	5,126,966	16,948,317	17,613,148	91,224,245	108,837,393
	Sub Total	**227,939,148**	**122,594,615**	**350,533,763**	**336,544,849**	**2,294,592,379**	**2,631,137,228**
	Total	**275,814,233**	**130,713,133**	**406,527,366**	**401,144,165**	**2,323,633,938**	**2,704,157,770**

Appendix 6: MUNICIPAL AND CITY ASSEMBLIES BUDGET SUMMARY

LOCATION & DETAILS	ACTUALS 2004/05	APPROVED 2005/2006	REVISED 2005/2006	ESTIMATES 2006/2007
	MK	MK	MK	MK
REVENUE				
1.0 Government Transfers				
1.1 General resource fund	29,808,730	67,834,824	42,834,824	66,548,218
1.2 Sector funds	8,118,518	29,041,559	29,041,559	35,203,222
1.3 Chiefs honorarium fund	0	0	0	0
1.4 Constituency Development Fund	0	0	0	0
1.5 Salary subsidy	245,000	716,000	1,111,788	1,217,328
Sub total	**38,172,248**	**97,592,383**	**72,988,171**	**102,968,768**
2.0 Locally Generated Revenue				
2.1 Central Government Property Rates	0	176,702,750	7,000,000	66,900,000
2.2 Other Property Rates	958,937,099	1,391,298,000	1,196,651,974	1,590,081,606
2.3 Income from Market Establishments	60,468,143	105,658,000	88,998,934	133,318,360
2.4 Income from commercial undertakings	17,519,000	41,091,000	35,242,680	48,887,114
2.5 Other fees, income & charges	222,157,601	395,505,877	239,385,264	358,714,266
Sub total	**1,259,081,843**	**2,110,255,627**	**1,567,278,852**	**2,197,901,346**
3.0 Donor Funds	31,328,770	471,666,410	213,293,678	223,789,746
Sub total	**31,328,770**	**471,666,410**	**213,293,678**	**223,789,746**
Total Revenue	**1,328,582,861**	**2,679,514,420**	**1,853,560,701**	**2,524,659,860**
EXPENDITURE				
1.0 Personal Emoluments				
1.1 Direct Staff (commercial undertakings)	2,585,000	22,475,000	21,706,680	21,430,270
1.2 Direct Staff (other departments)	395,203,068	631,016,228	503,746,887	724,463,238

1.3 Government Paid Staff	245,000	716,000	1,111,788	1,217,328
Sub total	**398,033,068**	**654,207,228**	**526,565,355**	**747,110,836**
2.0 Other Recurrent Transactions				
2.1 Chiefs emoluments	0	0	0	0
2.2 Chiefs expenses	0	0	0	0
2.3 Assembly & functions	32,776,993	55,300,395	7,288,367	62,536,241
2.4 Premises & utilities	124,936,025	131,167,890	132,892,299	198,373,133
2.5 Supplies & services	200,981,568	268,729,599	203,297,479	346,188,971
2.6 Transport & Travel	116,626,178	156,088,865	211,848,772	225,938,967
2.7 HIV/AIDS Intervention	230,000	55,323,508	32,158,553	39,957,039
2.8 Debt Servicing	2,960,000	19,500,000	44,683,100	40,200,000
2.9 Operational expenses from commercial undertakings	5,849,000	4,256,000	16,729,082	9,762,576
2.10 Sector ORT	8,118,518	29,041,559	29,041,559	35,203,222
2.11 Other operational expenses	267,737,495	434,023,404	335,405,088	481,509,128
Sub total	**760,215,777**	**1,153,431,220**	**1,013,344,300**	**1,439,669,278**
Surplus/(deficit) before capital outlay	**170,334,016**	**871,875,972**	**313,651,046**	**337,879,746**
3.0 Capital Outlay				
Constituency Development Fund	0	0	0	
3.2 Own capital contribution	134,550,941	397,780,000	130,781,109	199,090,000
3.3 Donor Funds	31,119,770	448,799,902	182,869,938	138,789,746
Sub total	**165,670,711**	**846,579,902**	**313,651,047**	**337,879,746**
Net surplus/(deficit)	**4,663,305**	**25,296,070**	**(0)**	**0**

Appendix 7: Protected areas in Malawi

Malawi's Protected Areas

Protected Area Name	Area (ha)	Date Protected	Date Gazetted	Protected Area Name	Area (ha)	Date Protected	Date Gazetted
National Parks				**Forest Reserves**			
Kasungu	228,147	1922	1930	Mangochi Palm 501		1977	1980
Lake Malawi	7,365	1980	1980	Masambanjati 93		1952	1974
Lengwe	100,198	1928	1928	Masenjere 276		1930	1930
Liwonde	54,633	1969	1972	Matandwe 31,053		1931	1931
Nyika	320,078	1952	1966	Matipa 1,055		1948	1948
	710,421			Mchinji 20,885		1924	1924
Wildlife Reserves				Michiru 3,004		1960	1970
				Mirare 59		1943	1949
Majete	77,754	1951	1955	Msitolengwe 98		1968	1974
Mwabvi	35,193	1951	1951	Mtangatanga 8,099		1935	1935
Nkhotakota	178,568	1938	1938	Mua-Livulezi 12,673		1924	1924
Vwaza Marsh	98,214	1956	1956	Mua-Tsanya 933		1924	1924
	389,730			Mudi 39		1922	1922
Forest Reserves				Mughesse 771		1948	1948
				Mulanje-Michese 56,314		1927	1927
Amalika	370	1959	1974	Musisi 7,037		1948	1948
Bangwe	4,205	1930	1948	Mvai 4,140		1924	1924
Bunda	426	1948	1948	Nalikule 57		1948	1948
Bunganya	3,447	1948	1973	Namizimu 88,966		1924	1924
Chigumula	525	1925	1925	Ndirande 1,433		1922	1922
Chimaliro	15,205	1926	1926	Ngara 2,272		1958	1958
Chiradzulu	774	1924	1924	Mkuwazi 1,608		1927	1927
Chirobwe	1,314	1960		Nkopola 86			
Chisasira	2,484	1935	1935	North Senga 1,207		1958	1958
Chongoni	12,353	1924	1924	Ntchisi 8,758		1924	1924
Dedza Mountain	2,917	1926	1926	Perekezi 14,482		1933	1935
Dedza-Salima	30,965	1972	1974	Phirilongwe 16,385		1924	1924

Dowa Hills	3,142	1964	1974	Ruvuo 4,781	1935	1935
Dzalanyama	98,827	1911	1922	Sambani 149	1938	1948
Dzenza	779	1940	1948	Soche 388	1922	1922
Dzonze	4,494	1924	1924	South Senga 532	1958	1958
Kalulu Hills	2,892	1958	1958	South Viphya 156,102	1958	1958
Kalwe	159	1951	1956	Thambani 4,680	1927	1927
Kaning'ina	14,007	1935	1935	Thuchila 1,843	1925	1925
Kanjedza	159	1922	1922	Thuma 15,767	1926	1926
Kongwe	1,948	1926	1926	Thyolo Mountain 1,347	1924	1924
Kuwilwi	134	1934	1935	Thyolomwani 965	1930	1930
Litchenya	316	1948	1948	Tsamba 2,806	1927	1927
Liwonde	27,407	1924	1924	Uzumara 754	1948	1948
Lunyangwa	374	1935	1935	Vinthukutu 1,957	1948	1948
Mafinga Hills	4,734	1976	1976	Wilindi 937	1948	1948
Malabvi	300	1927	1927	Zomba-Malosa 19,018	1913	1913
Mangochi	40,853	1924	1924	*769,822*		
				Grand Total Area: 1,869,974		

Source: Public Lands Utilization Study (online) from http://ag.arizona.edu/OALS/malawi

Appendix 8: List of Stakeholders Consulted

NAME	ORGANISATION
Mr B Botolo	Economic Planning and Development
Mr G. Harawa	Environmental Affairs Department
Mrs. S Mzumara	Environmental Affairs Department
Mr. B. Yassin	Environmental Affairs Department
Mr. S Mbewe	National Local Government Finance Committee
Mr T.M Kaunda	Ministry Of Mines, Energy and Natural Resources
Mr. H. Botha	Ministry of Local Government and Rural Development
Mr. A. Wona	Department of Mines
Mr. A. Lipiya	Department of National Parks and Wildlife
Mr. W. Mitembe	Department of Forestry
Mrs. F Kavalo	Department of Forestry
Mrs B. Banda	Ministry of Finance
Mr M. Kachinjika	Department of Fisheries
Mr E. Matewele	National Statistics Office (LL)