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MALAWI Economy
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Economy, an introduction

Until the 70s, there was plenty of food in Malawi such as corn, rice, beans and cassava. Surpluses were exported to neighboring countries. Due to the exhaustion of the fields, natural disasters and the increase in the number of inhabitants, food scarcity gradually arose. Partly as a result of an unbalanced balance of payments, development aid was first paid by the World Bank in 1980 that covered 7.8% of the gross domestic product. In fact, over the years that followed, foreign aid increased to 31.7% of GDP. After the millennium, annual benefits fell to 9.4% in 2021. Despite that support, economic growth did not persist and indicators that predict better prospects are missing. Meanwhile, Malawi has remained a continuous grand- recipient of development aid for decades. This raises the question worldwide whether this is effective and fair because the path to economic and financial independence does not seem urgent and development funds have become part of the government budget.

Market Blantyre

Situation

Malawi is ranked among the least economically developed countries worldwide based on the *Human Development Index* (HDI). The HDI is used in addition to gross national income (GNI) per capita as an indicator of progress. In the BNI system, economic growth is not automatically recognized in human development and that is the case with the HDI system. That index includes nutrition, health care, education and employment, among others.

Malawi's HDI value in 2019 was 0.483. The country's global position was then 174 of the 189 indexed countries. Although the HDI shows an improvement compared to 1990 (0.333), the country remained in the category with low human development. That was mainly the result of the lact reduction in poverty and a minimal improvement in the basic standard of living.

In the cont of gross domestic product (GDP), the country had a national debt of 32% in 2013, which had risen steadily to 55% until 2020 without a solid coverage. As a result, the previously forgiven debts had increased again. As a result, a higher interest rate had arisen and the Kwacha, the national currency, was regularly heavily devalued. The weak, non-exchangeable currency therefore directly affects the investments.

Malawi is among the top recipients of development aid from the sub-Saharan areas in Africa. According to the Organization for Economic Cooperation and Development (OECD), Malawi receives more than $1 billion annually and that is increasingly being paid directly by the donors as aid to projects after *Cashgate*. Due to the direct lack of income, Malawi has a high financial dependency ratio; especially compared to other African developing countries.

Malawi regularly deals with natural disasters, such as hurricanes, floods and droughts that always have an impact on agricultural production as the main source of income. Poverty is widespread, especially in rural areas, where over 60% of households live below the international poverty line and are vulnerable to sudden social and economic changes. In 2021, gross domestic product (GDP) per capita was $328 per year. This placed the country in 176th place among the 180 indexed countries. Due to the high interest rates due to the high public debt and the unbalanced balance of payments on the one hand and the fluctuating, sometimes extremely high food prices on the other hand, there is a constantly declining entrepreneurial and consumer confidence. Due to the lack of inclusive economic growth, prosperity is therefore not in sight. On the availability of food, housing and health care, the population spoke out in 2021:

	Food security		Housing		Healthcare	
Rating:	insufficient	adequate	insufficient	adequate	insufficient	adequate
In %	63.5	36.5	52.1	47,9	52.3	47.7

In terms of sectoral financial distribution, the transport and social sectors have the largest size in GDP, each accounting for 29%, followed by the agricultural sector by 20% and the water and sanitation sector by 16%. Malawi's economy is therefore based on services and agriculture and has a low level of industrialization. There is even de-industrialization. Employment in industry has therefore decreased accordingly in recent decades, while that of services has increased. In order to prevent job losses, infrastructure improvements have been proposed on the advice of the International Monetary Fund. It has also been urged to increase productivity in agriculture in order to be able to take over the freed labour from industry. The 2013 economic recovery plan aimed to improve infrastructure and macroeconomic stability by:

-to invest in infrastructure, especially in the energy and transport sector and to expand it in a market-oriented manner.

-invest in economic transformation by developing agriculture, broadening crop diversity, processing agro-products and improving water infrastructure.

The service sectors should make the biggest contribution to growth, with agriculture remaining the key sector for employment.

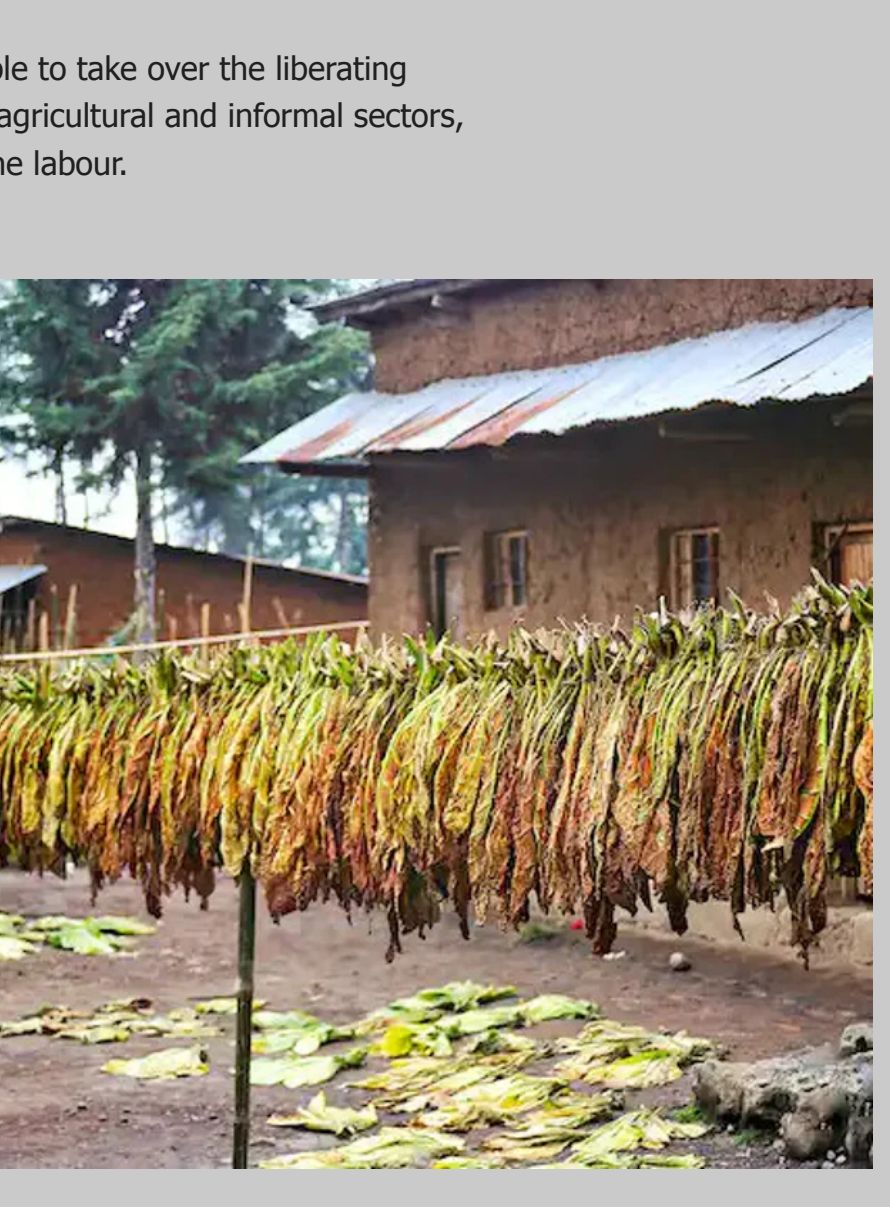
Whether the service sector, which normally requires more skill, is able to take over the liberating labor from the industrial sector, is incomestable. It is likely that the agricultural and informal sectors, where most of the unskilled workforce are, will take over some of the labour.

Agricultural activities

Agriculture

The agricultural sector is the mainstay of the country's economy, but is so conservative that growth is not to be expected in the length of years. The sector accounts for a third of national production, employed more than 80% of the workforce in 2019 and contributed 90% to export earnings. The sector is dominated by small self-sufficient farmers with relatively more women than men. The high number of farmers indicates low productivity due to lack of resources and opportunities. Agriculture remains vulnerable to weather-related disasters, despite the potential of irrigable areas. The sector is dominated by corn as the main food crop and tobacco, tea and sugar as a market crop.

There are several important factors that negatively affect the agricultural sector including the low yields due to a shortage of fertilizers and water, poor access to agricultural finance, unbalanced land ownership, lack of knowledge, lack of mechanization, little crop diversity, weak links to the markets, high transport costs, little and weak farming organizations, poor quality control and lack of information.

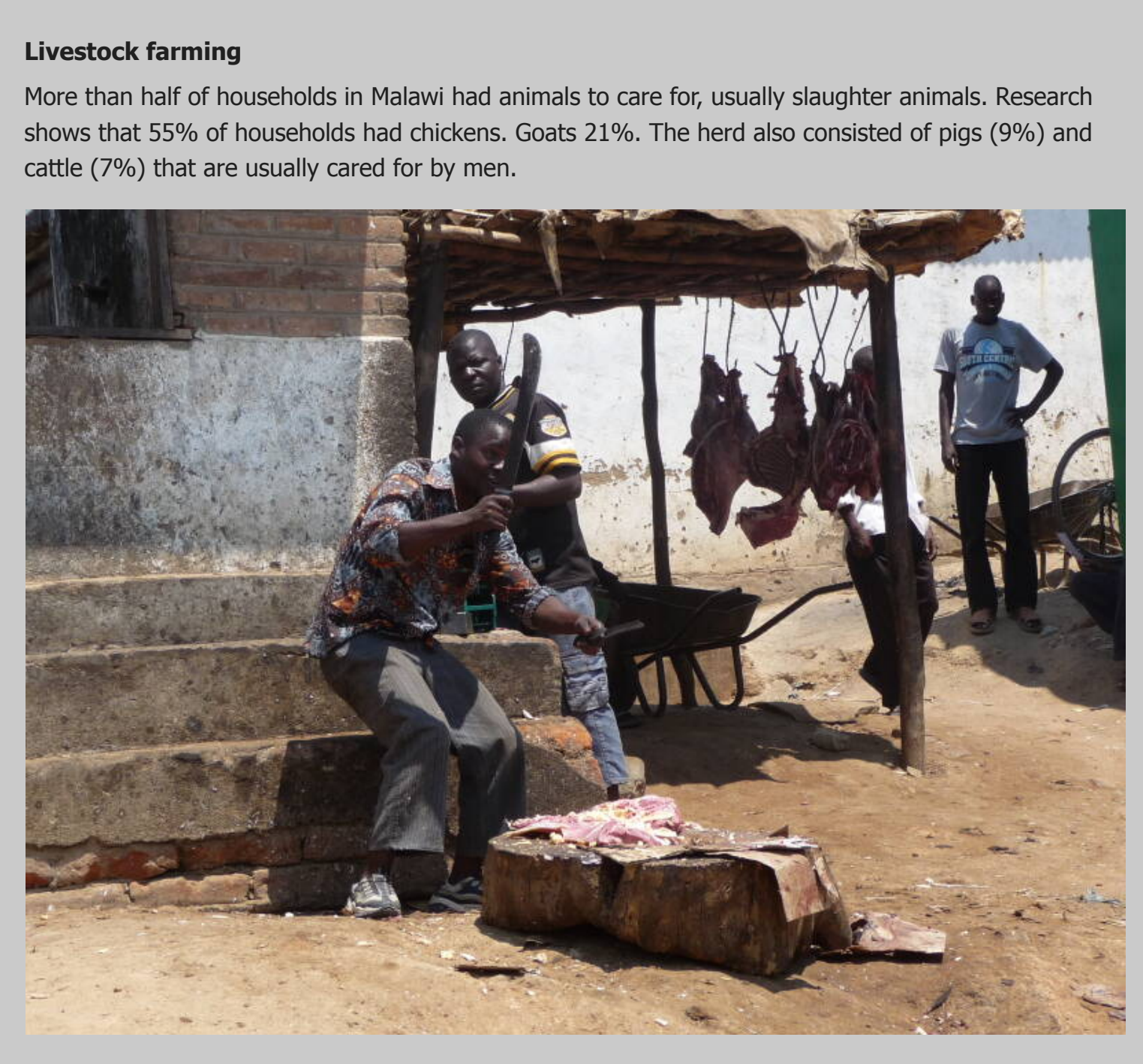


Tobacco

As shown under 'poverty', a ½ ha of corn, apart from operating costs, will yield no more than $100 net, while multiples are spent on labor. In that reasoning, it is justified to tell farmers that they should see their business as unprofitable: too small to exist despite long working days. It is to be considered to use the arable land to make the crop offer more diverse and buy corn as a staple when the corn price is low. New and colonial-era crops will yield more through marketing such as high-calorie millet and soy. Or sweet potatoes and dove peas that are also a bottom cover. Vetivergrass takes roots deeply and can be used for multiple purposes. At the same time, the fields will recover after the decades-long monoculture. Especially sowing or planting of moths will contribute to the quality of the fields. In addition, irrigation agriculture allows the fields to yield substantially much more with intermediate and alternating cultivation with less labor costs.

Livestock farming

More than half of households in Malawi had animals to care for, usually slaughter animals. Research shows that 55% of households had chickens. Goats 21%. The herd also consisted of pigs (9%) and cattle (7%) that are usually cared for by men.



Butcher in Nkhata Bay

Horticulture

A 2016 International Labour Organisation analysis of the horticultural sector in Malawi showed that it is largely underdeveloped, with almost all companies serving the domestic market. Productivity was low and product quality poor. Due to weak logistics in the transport chain, farmers were excluded from lucrative markets, including in the processing of crops and exports

For all agricultural sectors, it appeared that government interventions, such as expert education, versatile agricultural research and loans for agricultural purposes were not carried out. Also, there is a lack of initiatives in relation to the manufacturing industry and an open market that can contribute synergistically to strengthening the sector.

Migration

Due to the low agricultural yields and the rapidly growing population, food insecurity and poverty have existed in Malawi for decades. For many rural households, that was a forced reason to look for cash for side earnings outside the farm. Male absence in the age group of 14 to 35 years during the period between 1921 and 1966 was estimated at 20% at the time. Locally sometimes 75%. Due to the migration, two forms of income temporarily existed; one based on the lagging agricultural household managed from the family relationships, the other based on income during the migration period. Migrants who stayed in Malawi usually worked on the large tea, tobacco, cotton and sugar plantations or on food exporting farms. Migrants who found work in mining in South Africa earned significantly more there.

In the later period, after a notorious plane crash in April 1974, work was mainly done in Malawi and cash was taken home as savings. The male absence concerned the entire population and not exclusively the rural population. The popular movements of male migrants from the cities had to deal with the low economic opportunities and lack of money.

The steady migration of unskilled people from the countryside to the city is estimated at 14,000 today. There they end up in the suburbs with minimal facilities and without regular means of existence. Due to the lack of education, knowledge, low employment compared to the large labour supply, they have no opportunity to participate while they are now dependent on others for their livelihood resulting in mutual tensions. In order to reduce crime and nuisance in the cities, the government of Malawi has the policy to discourage migration from rural to urban areas. Research has been done on the motives for migration. From 651 randomly selected households, it was found that at least one young person had immigrated to an urban area in 263 households. The main reason was the uncertain agriculture mentioned and pointed out to floods, prolonged dry periods, pests and diseases. Also the availability of water. Not so much as drinking water, but because of the difficult way to irrigate the country. It was also striking that debts with rural households were reason to encourage members of the household to migrate in order to be able to repay the outstanding debts. The chance that at least one young person from the rural family left for an urban area increased to a decreasing extent if an older family member needed more physical or mental help. During the study, it was also recognized that young people from a household with more obligations such as keeping livestock are less likely to migrate. Finally, it turned out that social contacts among young people had a strong impact on migration because one could fall back on helping rural friends find income and housing.

In the current migration pattern, it is almost exclusively about young men. Their absence causes a demographic imbalance in rural communities in which children, women and older people are dominant due to age, gender and socio-economic conditions. During their absence, the families from one bloodline, from a certain degree of flexibility, take over the work of the migrants by re-spaling labor and by extending the working hours. Although there is a suggestion that the migration of young adult men would have a major effect on the workforce in agriculture, the social family structure prevents society from being disrupted. However, migration in some areas is so great that there are not enough men to maintain the fields and to repair huts, grain storage and fences. Sometimes collective work in the villages is stopped due to lack of manpower.

Agricultural yields in traditional agriculture remain unchanged, but the combination of free land and joint family work enables families to maintain themselves in a self-sufficiency. However, given the high number of working hours, the economic benefit is very low.

Research has also been done into the consequences of the migration, in particular on the corn yield in the absence of the migrants and the poverty status. Corn yield was calculated according to the amount of corn harvested per hectare (kg/ha). It turned out that households with migrants produced less corn per hectare compared to a household with a non-migrant and that is explained by the loss of labor.

Poverty status was determined by the poverty rate ratio using total per capita household expenditure. A household was considered poor if the total daily income was less than $1.90 per family member, which is used by the World Bank as a measure of poverty. During the study, there were no significant differences between the two categories of households in terms of poverty.

The migration of the vital men to work in the wage economy for a short period of time therefore has no influence as a supplement to family income. Their absence even has a negative downside. After all, they form an important part of the rural community and their absence affects agricultural production, village life and the local economy. In other words, while migration could be expected to have a higher standard of living, rural development decreased as migration increased due to a reduced level of consumption. Due to the lack of alternatives, migration is nevertheless still seen as a perspective to raise the standard of living of households. In that case, migration is only possible if their families want to take over their work.

Regarding migration, it is concluded that despite the two income models within one household, there appears to be no income gap compared to households without a migrant. Apparently they are unable to make their efforts elsewhere to compensate for the loss of family labor in the fields. This can be explained by the high, competitive labour supply, the limited employment and, as a result, the low remuneration, which means that paid employment in Malawi is not a good source of income.

In the choice of either living in rural poverty in Malawi, or working on plantations on low wages, or a hopeless existence in urban slums, a migrant flow to South Africa has existed for years. There, young men in particular find it relatively easy to work in the household and other work with richer families. Without an employment contract, the illegals near the family make very long working days. Despite the freedoms and loneliness, the migrants are generally satisfied with their circumstances, because they can count on food and accommodation and a wage that is unprecedentedly high in Malawi.

Industry

According to the World Bank, Malawi has to deal with

-too great dependence on climate-sensitive agricultural production systems

-animal and plant diseases that lead to large losses in crops and livestock

-volatility of corn, fertilizer and tobacco prices

-the state of health of the population and the financial consequences

From that view, the government of Malawi, together with the World Bank, has developed *Malawi's Growth and Development Strategy III (MGDS-III)*. The intention is to transform Malawi into a comprehensive prosperous and self-sufficient industrialized country in 2063. The plan is intended to invest in areas that can stimulate growth in connection with the other sectors of the economy, including an agro-processing area in Zalewa and to develop industrial parks in Blantyre, Lilongwe, Chinthenche, Chigumula and Nkhata Bay. This is seen as feasible if agricultural productivity is increased and commercialized by industrialization and urbanization.

For a country like Malawi, the plan is extremely ambitious. Unless there is talk of exporting minerals or oil, only a few economies in history have successfully moved from 'poor and agricultural' to 'non-poor and industrial'. The few exceptions were countries that for decades were led by a strong and inventive government in combination with a motivated and hard-working population. Promoting industrial growth at the expense of other sectors is also debatable, because the financial resources are lacking for this. This is only possible if industrial production is caused by increased foreign demand for processed agricultural and non-agricultural goods. However, because Malawi has few industrial products due to low family incomes, that reasoning is not real for the time being. The reality is that currently more than 80% of industrial activities consist of the production of textiles, clothing and footwear, the processing of traditional agricultural crops such as tobacco, tea, coffee, sugar, soy, groundnut products and macadamia nuts and the production of building and construction materials including cement.

The inherently gloomy performance of the industrial sector is also reflected in the distribution of total employment in the country. After all, the share of employment in industry has fallen sharply in 30 years, while the employment share of the services sector has increased by 5% in the same period. Future-oriented, according to that plan, more than one million additional jobs must be created to make the plan succeed and that is not self-evident.

Trade

The national export strategy in the Millennium Development Goals III (MDGS III) addresses the development of Malawi as an agricultural exporter. Harnessing this potential is seen as a way to increase employment and boost economic growth. The reality is that domestic agricultural production is mainly offered in local markets and consumers can benefit from low competitive market prices. Export products, on the other hand, are expensive. Because the value of the import of products is about twice as high as the export, this has a negative impact on the balance of payments. The deficit is closed with money from development aid and by loans that put the economy under permanent pressure.

In the pursuit of an open market policy, consumer goods will become much more expensive, which can have serious consequences for Malawi's market position. Consequently, it is not to be predicted that growth in agriculture and employment in industry will lead to more prosperity.

The mechanization and trade of agricultural products are not on its own. In addition to agriculture as a company and institute, transport, quality control, the processing of the products, commercialization and export are also of decisive importance. It is a chain. That means that agro-ecological areas are important to grow more specific crops and breed animals. In that case, it is necessary that knowledge and skills must be present to get the products on the table along each value chain of the farm through the market. In addition, the local farmers, the original corn farmers, have to form those chains. In order to prevent exploitation, a strong cooperative is of great importance in forming value chains for transport and storage, quality assurance mechanisms, research institutes and other expertise. It is also necessary to structure market trading by introducing competing wholesalers and market sellers.

Of the non-agricultural households, 61% are active in wholesale, retail, housing and food services, followed by productive enterprises with 15%. Transport, information and communication collectively accounted for 9%. Manufacturing production and trade was 15%, construction activities 1% and mining and quarries together 0.6%. The remaining service activities collectively 6.5%.

The sum of wholesale and retail activities was higher in urban areas than in rural areas. Also at the service companies, because of the nature of their business.

About a third of non-agricultural companies were active in the traditional markets. Measured by working hours, an average of 35 hours per week was spent on wage, salary and commission activities and 14 hours on separate work, which would mean that a working week consists of 49 hours.

In 2017, the country's main export products were tobacco (59.8%), tea (8.5%), food residues (7.2%), oilseeds (4.7%) and sugar (3.9%). Imports included fuel (9.8%), machinery (9.6%), electrical equipment (9.1%), books (8.0%) and medicines (6.8%). The main export trade partners were Belgium 22%, South Africa 8%, Tanzania 8%, Germany 6% and Egypt 6%. The import trade partners were South Africa 18%, China 15%, India 11%, Zambia 7% and the United Kingdom with 5%.

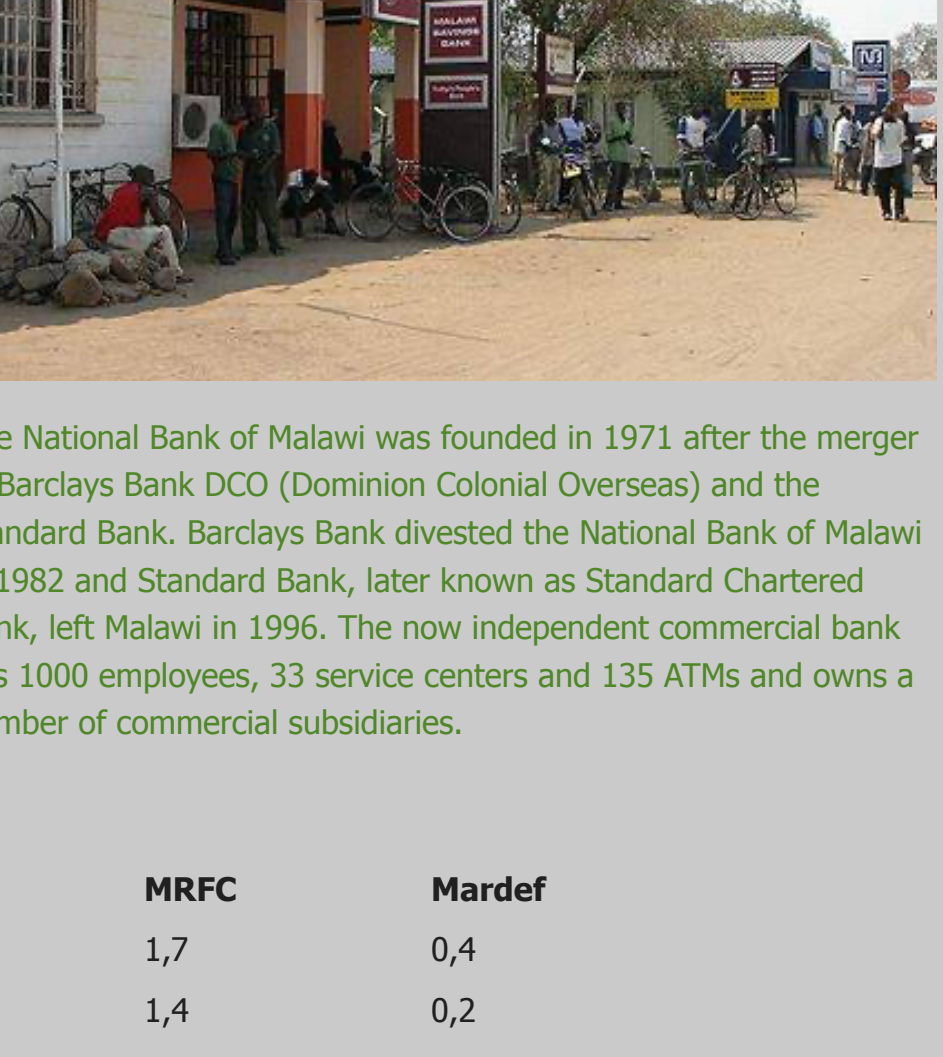
The *World Economic Forum Malawi* finds that corruption is an obstacle to doing business in Malawi; generally understood as abusing a public office for personal gain. It also mentioned access to finance, tax rates, inflation, inadequate supply of infrastructure, inefficient government bureaucracy, policy instability, insufficiently skilled labour, poor work ethos, crime and theft. Especially the regulations on currency policy.

The government of Malawi does not seem able to formulate a sound policy for the socio-economic development of the country and to shape it. Several factors can be noted for this, including insufficient financial resources, weak coordination of programs and projects, natural disasters and an unstable macroeconomic environment characterized by high inflation and high interest rates. Supervision is always limited and ineffective, compliance is low and the structures needed are missing.

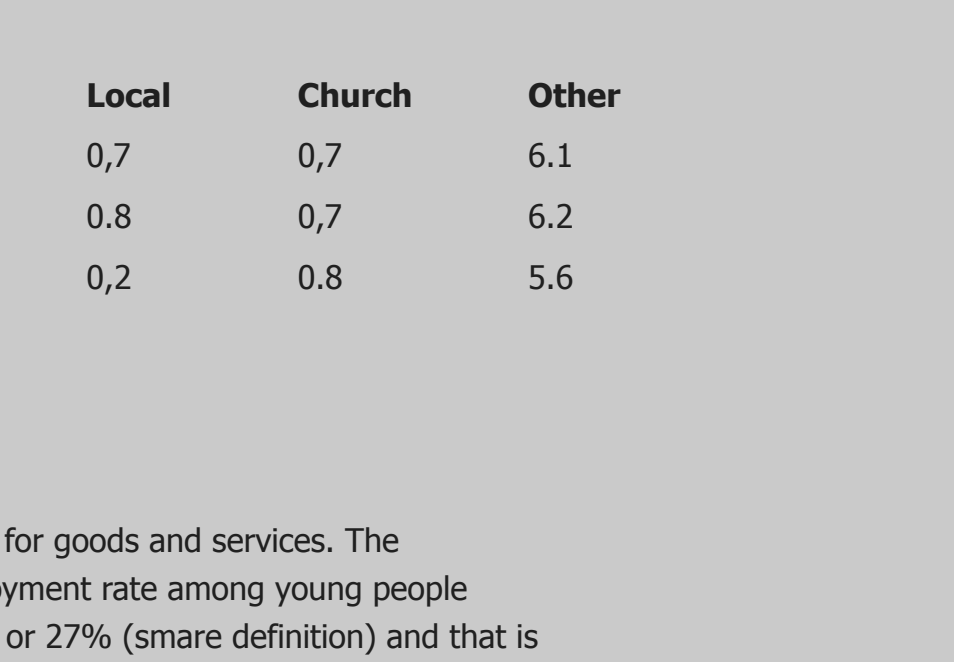
Banking

In general, the existence of a healthy financial sector is essential to the development of existing economies. The concentrated banking sector in Malawi is apparently struggling to contribute to this. Many companies cannot get credit because the sector sometimes demands collateral that represents more than double the loan value. The integrated system of banks, credit institutions and capital markets is therefore by no means an engine to ener the industrial processes. Not even the authority to help new and existing companies with start-ups. This suggests that the Malawian banking world is less solvent than they prevent it. The small deposits of individuals and the percentage of adults with a bank account is very low and that can be the reason that less capital is available. Research from 2019 found that 18% of households had received a credit or loan for business or agricultural purposes. These were mainly intended to finance companies (53%) and to buy agricultural raw materials for food crops (30%). The share for land purchase was 1.4%. In general, a credit was more often provided in urban areas to set up a business. In rural areas, more was borrowed to buy agricultural commodities, with women being given credit as heads of a household remarkably more often than men.

According to the annual statements, the banks' profit margin is remarkably high due to government loans. Measured by international cash flows, there is constant impoverishment.



€1 = 1097 Kwacha



The National Bank of Malawi was founded in 1971 after the merger of Barclays Bank DCO (Dominion Colonial Overseas) and the Standard Bank. Barclays Bank divested the National Bank of Malawi in 1982 and Standard Bank, later known as Standard Chartered Bank, left Malawi in 1996. The now independent commercial bank has 1000 employees, 33 service centers and 135 ATMs and owns a number of commercial subsidiaries.

Loans closed in 2020 per agency (percent)

Bank loans	Bank	Village bank	Money lender	Sacco	MRFC	Mardef
All of Malawi in %	1,5	42,1	9,0	1,8	1,7	0,4
National in %	1.0	42,9	9.6	1,5	1,4	0,2
Urban in %	3,7	37,9	5.8	3,7	3.1	1,3

Private loans	Family	Neighbors	NGO	Employer	Local	Church	Other
All of Malawi in %	15,1	13,7	6.1	1.0	0,7	0,7	6.1
National in %	16,3	12,5	6,0	0,7	0.8	0,7	6.2
Urban in %	8,9	19,8	6,4	2,8	0,2	0.8	5.6

Employment

From the age of 15 young people are expected to provide work for goods and services. The International Labour Organization (ILO) states that the unemployment rate among young people (officially the age group 15-29 years) is 7.55% (strict definition) or 27% (smare definition) and that is much lower than the actual circumstances. Youth unemployment also has a gender face because young women are more often unemployed than men. According to ILO estimates, the number will increase as more and more students will enter the labor market; now about 300,000 young people a year, while only 35,000 new jobs become available per year. Finding a job is therefore a tough battle, because two out of five economically active young people in Malawi are already permanently unemployed and aid programs for the unemployed do not exist. In those circumstances, there is also forced to accept work below the education level. Unemployment therefore seems to be low, but that is artificial because the need to survive forces everyone to do something. It is therefore customary to share available work and the income from it and also the reason that there are many sole proprietorships that offer little employment by nature. That is also the main reason why growth is not forthcoming. On the other hand, it appears that self-employment is effective ways to tackle poverty and reduce unemployment among young people. Still, the private sector is recognized as an important part of the economy.

Unemployment

Unemployment, the lack of employment and economically subordinate work are a major challenge for Malawi's development. The most recent survey shows that 21% of young people aged 15-24 have no jobs and do not follow education or training. Women are extra disadvantaged because of the lower wages compared to men. Retraining is impossible because there are no possibilities for that.

At the interpersonal level, unemployment and/or undervalued work has a direct impact on the quality of life. About 50% of households in Malawi live on less than $2 a day and experience poor quality of life

The impact of unemployment also extends to the society in which the unemployed live. Although one unemployed person has no significant impact, high unemployment rates often lead to higher cumulative poverty rates. Malawi has fertile agricultural land and a lot of water, but its exploitation is not used. There is a need for an educational program for entrepreneurship. It is also important to create an open domestic market where young people are given a chance to produce and market.

In addition to effects at the individual and social level, unemployment also has direct consequences for the economy. The unemployed consume much less than workers, which excludes economic growth. The reduced purchasing power also affects people who make products that are difficult to sell, causing the economy to fall short

The unemployed who have no other source of income find it difficult to meet their own necessities and also affect the state of health. Malawi tragically loses many of its energetic young people who are crucial to the development of the national future. The majority of young unemployed are poor and cannot afford to pay for skill training. Young people migrate from city to city in search of work, because poverty plagues them and drags them into a downward spiral of unemployment, homelessness, drugs, alcohol, prostitution and crime. The factors that fuel unemployment are:

-the high population growth;

-the lack of capital

-the poor education

Unemployment and population growth

Statistically, population growth is increasing at a rapid pace, putting even more pressure on natural resources and ecological sustainability in Malawi. These implications have a major impact on the provision of social services, including education, health care, environmental care, natural resource management and poverty fighting. Studies have shown that high population growth in an environment with very low GDP growth leads to more youth unemployment. Ideally, youth unemployment should have risen for several years, but that is not the case. That can be explained by creating an informal existence to survive.

The government of Malawi is aware that population growth will lead to further poverty. In the meantime, information campaigns have had a significant impact on reducing the number of births per fertile woman that fell from 5.2 in 2008 to 4.2 in 2018. The decline in the number of births is attributed to the increasing use of modern contraceptives. Still, the decline is too slow to contain population growth. Overall, rural women have far more children than their urban countrymen, due to the importance of more children to provide for livelihood and age security. As a result, more than half of the population is under the age of 20 that could allow the country to benefit from the demographic dividend to human capital. However, Malawi has one of the lowest labour productivity indices in the world because the labour supply does not meet the need due to a lack of quality education and skills. In addition, the private sector has a limited role in investment and the creation of formal jobs. It is therefore not surprising that the country's standard of living is very low, as evidenced by the low gross national income (GNI).

Unemployment and capital

Delays in capital accumulation have been linked to the rise in unemployment. As large companies increasingly use technology and consequently divest jobs, small and medium-sized businesses that account for about 78% of the total of formal jobs are struggling to grow. That has to do with protectionism in the search for a market, the difficulty being able to obtain capital to make it possible, the search for qualified personnel and the great competition to survive. Consequently, a decline and job loss can be observed by itself

Unemployment and education

Global Unemployment Trends for Youth 2013 shows that just over 66% of young people who have completed secondary education cannot make a successful transition to stable or decent work in Malawi where the lack of work experience is one of the biggest obstacles to getting a job. Fifty percent of young people are under- or over-skilled. Sixty percent of them receive a below-average salary.

In 2010, research was done into the relationship between education and work. Statistical data from 2004 have been used for this

The table below is a summary and consists of two parts. The first part is a percentage list of the labour supply in relation to the completed school education. The second part is broken down by work without distinguishing between men and women.

Training	Inactive	Active	100%	Unknown	Farmer	Self-employed	Loose labor	Wage service
Illiterate	10.53%	89.47%		0.42%	77,77%	8.95%	7,51%	5.34%
Letterated	13.66%	86.35%		0.37%	69,.97%	14.01%	6.88%	8.77%
PSLC	20.87%	79.12%		0.83%	65.32%	16.28%	4.78%	12.79%
JCE	24,08%	75.92%		3,99%	50.96%	15.24%	3.70%	26,11%
MSCE	18,85%	81.15%		4,95%	18.11%	16.12%	2.29%	58.52%
Higher education	6.69%	93.30%		3.14%	10.01%	7.81%	1.65%	77.38%
Total/average	14.25%	85.75%		0.87%	68.78%	12.43%	6.48%	11.43%

PSLC=completed primary education

JCE=completed secondary 2-year education

MSCE=completed secondary 4-year education

Higher education=Teachers-, technical- and university education

From the overview it can be deduced that the higher the level of education, the greater the chance of a regular job and the lower the chance of working in agriculture. More specifically, graduates with a university degree are more likely to work on a paid salary than if they were illiterate. Unemployment apparently has a relationship with the level of education. This may be partly due to the nature of the sectors where skilled labour is needed. On the other hand, it appears that unemployment can also be inversely proportional to the level of education as an undesirable side effect. 78 percent of active illiterates are farmers. This fact underlines the importance of education because it appears that only 5% of active illiterates have a regular job, while that share among the higher educated is 77%. Literate and students with a degree are more likely to run a non-agricultural business than if they were illiterate or higher educated.

Malawi has not created the jobs needed for young people who have passed secondary education. After all, it turns out that they are more often unemployed than illiterate people. In addition, there are more graduates with a degree than the market can take. Such a mismatch between the education system and what the labor market demands causes frustration among young people and is a neglect on the demand side of labor.

Inflation

If you have to believe the media headlines in Malawi, the country is doing well economically. This raises questions because the income per head of household is currently statistically lower than in the seventies. The reality is that there is a contraction due to the strong population growth, the national debt position, the unbalanced balance of payments and the shortage of foreign exchange reserves. The observations must therefore be relative because Malawi is still one of the poorest countries in the world and the number of extremely poor has increased.

Under the eye of the world, Malawi has become a major recipient of development aid from 1980. The systematic money transfers of wealthy countries, respectively the World Bank, consist of loans and grants. In the first case, it concerns money loaned under favorable conditions such as low interest rates and often also for a longer period than is usual in commercial markets.

The grants are intended to fund earmarked projects. The existing mindset about these cash flows is that loans must be repaid in the future and subsidies are seen as free resources. In practice, subsidies are often used for other purposes because reimbursement is not necessary and is less sensitive in budgetary terms.

Despite the favorable loan conditions and the many remissions, repaying loans by incompetent management is a debacle. The repayment even has a decisive influence on the government's balance of payments because the money in foreign currency is not there. Usually the loans are repaid after special taxes and by devaluing the Kwacha at the expense of the residents. Due to the high inflation as a result, about 30% annually, a lot of capital evaporates without the population having been able to benefit from the transitions because they are included in the government budget. The devaluation of money inhibits the development of the country, suppresses the community and prevents the pursuit of economic independence. As a result, the government is also the direct cause of the impoverishment in this case.

Growth and Development Strategy MGDS III

On March 13, 2018, the Government of Malawi published its *Growth and Development Strategy MGDS III 2017-2022*. It formulated policy to gradually achieve a productive, competitive and resilient Malawi. The ambition was based on the United Nations Millennium Development Goals, the *United Nations Millennium Declaration*. The MGDS III was an adjustment, because it had been shown that measures against extreme poverty and hunger, the quality of primary education, gender equality and the care of mothers had received insufficient attention in this for a long time.

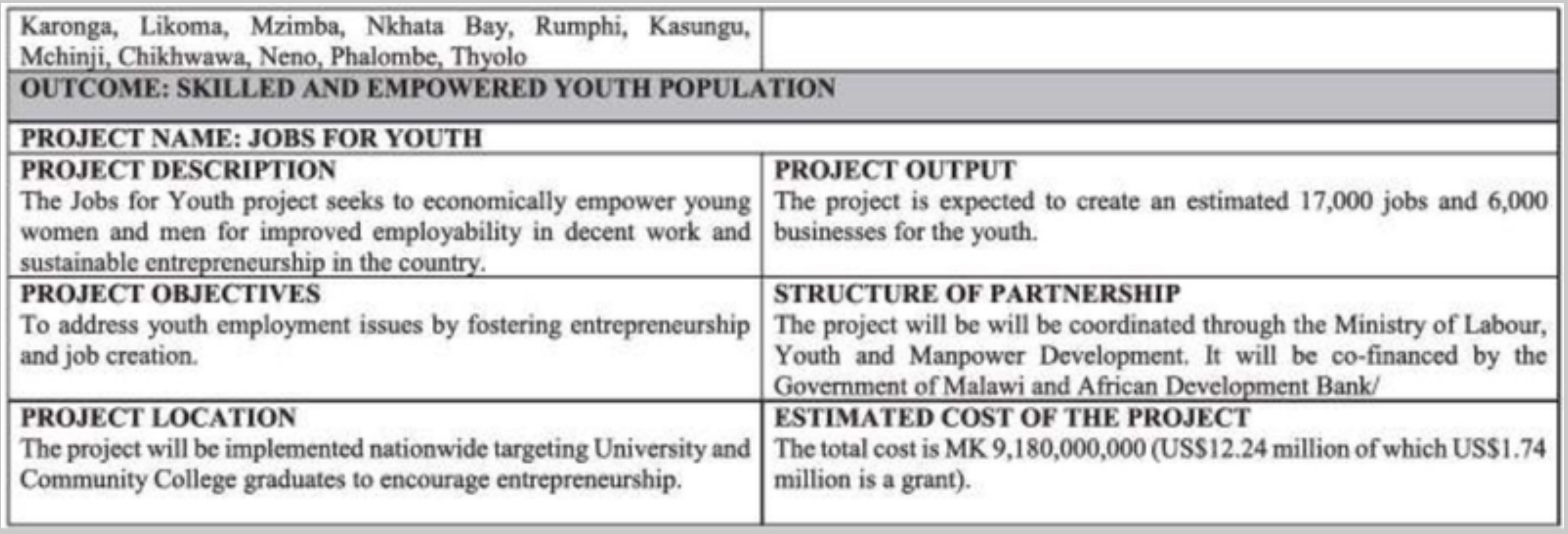
The comprehensive plan also included developing sustainable agriculture and economic growth, including the development of industries, energy supply, infrastructure, water management, climate, environmental management and population challenges. To implement the plan, all Malawians were called upon because the transformation required a change of mentality, a more effective governance system, improved public sector performance, more dynamism from the private sector, development of human capital, better infrastructure and ecological sustainability. However, guidelines, goals and objectives that were necessary in the implementation were missing. For the financial coverage, macroeconomic data had been used including an assumed additional revenue from domestic resources (+23%). Although that intention is a de-saming of domestic economic activities, growth of 7% was nevertheless expected. This was considered possible if foreign donations and subsidies were maintained by 28% of gross domestic product (GDP). Also, a budget overrun of $1.2 billion was held accountable despite the frequent devaluation of the Kwacha and the negative economic indicators.

In January 2021, the government launched an addition to the MGDS III, the *Malawi 2063 Vision* with the aim of *"...as a god-fearing nation, safe, democratically mature, ecologically sustainable, self-reliant with equal opportunities for all, with social services, with vibrant cultural and religious values and with a technologically driven middle-income economy..."* to transform the country into a rich, self-reliable and industrialized country with higher middle incomes. The intention was in fact a form of poverty reduction due to the unbalanced population structure, the lack of prospects and the high youth unemployment. Because in the long run there was fear of an unstable society, the government felt compelled to take measures to offer young people in particular a perspective by offering them a meaningful and productive life in a skilled and healthy manner. The costs for this would be covered by the commercialization of agriculture, industrialization and by urbanization.

When MGDS III was released, an extensive list of projects was added that donors could choose to contribute if desired. Policy and coordination were lacking. The impression is that that list of plans was created by political interference and patronage; not much more than a wish list.

By using measurement data from the past from a macroeconomic instability and combining it with assumptions, a disorder arose immediately during the execution. In a financial sense, this had to do with, among other things, the shortage of domestic resources that were estimated too rosy and its dependence. Also, due to insufficient donor support, a number of planned programs could not be implemented and caused a gap in the government budget. There were also delays in implementation. A number were terminated due to lack of knowledge and leadership, insufficient partner support and logistics problems. Due to coordination problems, it also appeared that large wastes gradually arise within the different ministries and departments, often because the work was at different stages with result-oriented approaches.

Below is a reference to a project from the appendix on developing employment for young adults in various cities. This project was given a high priority after the appearance of the *Malawi 2063 Vision* because of the worrying number of young unemployed. As usual, the needs are convincing, but nothing has been recorded about the implementation so that the project becomes corrupt as a plan. These are 17,000 new jobs and 6,000 companies that are not there and due to the absolute lack of domestic demand and education, cannot be created meaningfully in the long term either.



Karonga, Likoma, Mzimba, Nkhata Bay, Rumphi, Kasungu, Mchinji, Chikhwawa, Neno, Phalombe, Thyolo	
OUTCOME: SKILLED AND EMPOWERED YOUTH POPULATION	
PROJECT NAME: JOBS FOR YOUTH	
PROJECT DESCRIPTION The Jobs for Youth project seeks to economically empower young women and men for improved employability in decent work and sustainable entrepreneurship in the country.	**PROJECT OUTPUT** The project is expected to create an estimated 17,000 jobs and 6,000 businesses for the youth.
PROJECT OBJECTIVES To address youth employment issues by fostering entrepreneurship and job creation.	**STRUCTURE OF PARTNERSHIP** The project will be will be coordinated through the Ministry of Labour, Youth and Manpower Development. It will be co-financed by the Government of Malawi and African Development Bank/
PROJECT LOCATION The project will be implemented nationwide targeting University and Community College graduates to encourage entrepreneurship.	**ESTIMATED COST OF THE PROJECT** The total cost is MK 9,180,000,000 (US$12.24 million of which US$1.74 million is a grant).

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