

MALAWI

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOW INCOME

LOCAL CURRENCY: MALAWI KWACHA (MWK)

POPULATION AND GEOGRAPHY

Area: 118 480 km² (2017)
Population: 18.622 million inhabitants (2017), an increase of 2.9 % per year (2010-2015)
Density: 157 inhabitants / km² (2017)
Urban population: 16.6% of national population (2017)
Urban population growth: 4.1% (2017 vs 2016)
Capital city: Lilongwe (5.2% of national population (2015))

ECONOMIC DATA

GDP: 22.4 billion (current PPP international dollars), i.e. 1 202 dollars per inhabitant (2017)
Real GDP growth: 4.1% (2017 vs 2016)
Unemployment rate: 5.8% (2017)
Foreign direct investment, net inflows (FDI): 227 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 13.4% of GDP (2017)
HDI: 0.477 (Low), rank 171 (2017)
Poverty rate: 70.3% (2016)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Malawi is a unitary state under a presidential democratic political system with a single tier of decentralised governance. The National Assembly members and the president, who is both the head of state and government, are elected every five years by direct universal suffrage. Following a national referendum, Malawi adopted a multi-party political system in 1993 that, together with the adoption of the 1995 Constitution, marked the beginning of the country's decentralization process. As a result of the referendum, multi-party general elections were celebrated in May 1995 and have continued to be held every five years (upcoming elections May 2019). Since the adoption of the new political system, local councils were to be elected every 5 years, although local elections were actually held in 2000 and 2014.

Local government is enshrined in Chapter XIV of the Constitution, which states that "Parliament shall, where possible, provide that issues of local policy and administration be decided on at the local level under the supervision of local government authorities" (Art. 146(3)). In 1998, Malawi reinforced the decentralization framework by adopting the National Decentralization Policy and enacting the Local Government Act (amended in 2010). The Act states the objectives of local government and sets out the effective framework for decentralization, establishing that local governance shall be articulated by the councils and providing for their composition, powers, functions and financing.

The National Government has the responsibility of supporting local governments with policy guidance, financial and technical assistance. Policy issues are channeled through the Ministry of Local Government and Rural Development (MLGRD). The Ministry is required to provide primary guidance and support to local governments and in this regard acts as a link between National Government and local governments. The National Cabinet has appointed a cabinet committee on local government and rural transformation to elaborate policy directives on local governance and local development.

The latest steps towards decentralization were the 2016 amendment to the Land Acquisition Act, the 2016 Land Act and the 2017 amendment to the Local Government Act, which was meant to contemplate the previous changes in land matters. The amendment to the Local Government Act entailed replacing the wording "Local Authority" with "Local Government Authority" wherever the Act regards the disposal of land, the designation of an area as a ratable area or the valuation of property. These instruments ushered in a new local governance regime with more democratic decision making powers and processes at the local level. Since 2012, the Malawi government has been developing a National Urban Policy that promotes investment at the local level as the basis for achieving sustainable urban development.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Councils			
	Average municipal size: 531 429 inhabitants			
	35			35

OVERALL DESCRIPTION. As per the Local Government (Amendment) Act, 2010, Malawi has a single tier of local government made up of 35 councils. They comprise 4 city councils, two municipal councils, 28 district councils (predominately rural) and 1 town council, which was created as the result of a presidential decree in 2012 following Constitutional provisions. They are all in the same level with no subsidiary or hierarchical link. The Act amended the First Schedule by merging Town Councils with their respective District Councils in order to reduce expenditure on administration of Councils. The legislation does not distinguish between urban and rural councils and their responsibilities, although their capacity to fulfil their functions is indeed influenced by their urban or rural characteristics and based on them, councils are allowed to request exemptions from functions specified in the legislation.

MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION. Malawi's local government level is further divided into 462 local government councillors. Councillors represent one ward each, and are elected for five-year terms. Every local government area has a council consisting of: (a) one member elected from each ward within the local government area; (b) Traditional Authorities from the local government area as non-voting members, ex-officio; (c) Members of Parliament from the constituencies that fall within the local government area as voting members, ex officio (Amendment of 2010); and (d) five persons as non-voting members to be appointed by the elected members to cater for the interests of such special interest groups as the council may determine.

The Malawi Local Government Association (MALGA) is the body coordinating decentralized cooperation and training of local authorities. The MALGA is recognized by the government.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The Constitution assigns local governments responsibilities over the promotion of infrastructural, educational and economic development, local development plans, the promotion of local democratic institutions, civil registry functions and delivery of local services as mandated by Acts of Parliament, which decides what issues are to be regulated at the local level.

Joint responsibilities between the councils and the national government include welfare services, hospitals, housing and town planning, rural and urban roads, environmental protection and the promotion of economic activities (agriculture, trade and industry and tourism). There currently exists duplication of functions across the levels of governments where local governments have limited capacity to efficiently fulfil their mandates.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

LOCAL LEVEL	
1. General public services	Administrative services (civil status register); Public buildings and facilities (town houses, etc.)
2. Public order and safety	Ambulance Services; Fire Services; Disasters (until they are declared national disasters); Establishment and management of police services; Regulation and control of municipal traffic
3. Economic affairs/transport	The construction, rehabilitation and maintenance of roads not under Central Government (district, township and city roads); Promotion of local business; Tourism; Forest management; Livestock control; Construction; Rehabilitation of small dams
4. Environmental protection	Burial Services; Refuse disposal; Sewerage management; Environmental reclamation; Environmental education Botanical Gardens; Nature sanctuaries; Zoos and parks other than Game Reserves and National Parks
5. Housing and community amenities	Office space for commercial purposes; Housing; Property valuation and land management; Provision and maintenance of water supplies
6. Health	Health centers, dispensaries, maternity clinics and health post; Control of communicable diseases; Health education; Environmental sanitation Primary health care (health centres); public health promotion and hygiene
7. Recreation, culture & religion	Sports stadiums; Community halls; Recreational parks; Public conveniences; Youth Affairs; Cultural Affairs
8. Education	Pre-school; Primary Schools; Distance Education Centers
9. Social protection	Community Development; Children and women welfare; District Information Services; Probation and welfare

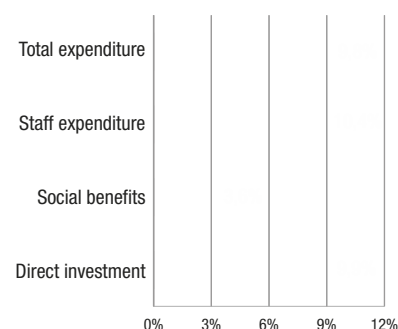
SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: councils.	Ministry of Finance, Annual Economic Report 2016/2017	Availability of fiscal data: Medium	Quality/reliability of fiscal data : Medium
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GENERAL INTRODUCTION. The Constitution establishes the National Local Government Finance Committee (Art. 149). The Controlling Officer of the committee is the Secretary for Local Government and Rural Development who is an employee of the Ministry of Local Government and Rural Development (MLGRD). The responsibility for local government finance lies within this ministry, which is given extensive powers in relation to financial management and performance of local governments by the Local Government Act.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016/2017	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure				
Incl. current expenditure	7	0.6%	100%	
Staff expenditure	1	0.1%	15.6%	
Intermediate consumption	5	0.4%	67.8%	
Social expenditure				
Subsidies and current transfers	1	0.1%	15.9%	
Financial charges				
Others				
Incl. capital expenditure				
Capital transfers				
Direct investment (or GFCF)				



EXPENDITURE. In FY 2016/17, subnational current expenditure accounts for less than 4% of national current expenditure and less than 1% of the country's GDP. Although specific data are unavailable, current expenditure levels in Malawi are generally high, ranging from 70 to 100% of total expenditure budget. At the municipal level, capital expenditure is estimated to represent less than 10% of total expenditure. Although the Local Government Act mandates that 5% of general government discretionary spending should be directed through councils, a lack of capacity to manage resources at the council level often limits their overall spending.

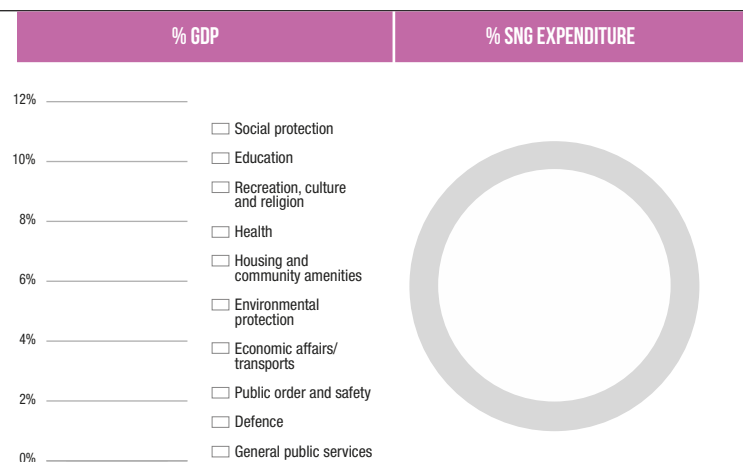
DIRECT INVESTMENT. Although, exact levels of direct investment are currently unknown, generally low capital investment are made by council as budgets are spent largely on recurrent costs.

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SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

In general local governments have higher levels of expenditures in health and education, which are mainly funded through sector budget support grants from international donors.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016/2017	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	10	0.8%	3.7%	
Tax revenue	1	0.1%	0.6%	13.1%
Grants and subsidies	7	0.6%		71.2%
Tariffs and fees	2	0.1%		15.1%
Property income				0.0%
Other revenues	0	0%		0.6%

OVERALL DESCRIPTION. In FY 2016/2017, total SNG revenue represented around 4% of the total national government revenue and less than 1% of the GDP. According to the available data, 71.2% of local governments' revenues are derived from grants and transfers, while 13.1% comes from locally raised taxes (mainly property tax) and 15.1% from local tariffs and fees. Councils (especially districts) tend to be extremely dependent on transfers from the central government.

TAX REVENUE. Councils are responsible for raising and collecting local taxes and user fees and charges. Tax revenue includes property and ground taxes, fees and licenses, commercial undertakings and services charges. According to the World Bank Malawi Economic Monitor, property tax is the largest revenue contribution at the local level. Yet the reliance of local governments on tax revenues is very limited given the low performance in local tax collection. Modernizing payment systems to facilitate the collection process, to reduce leakage and to encourage tax-payers to settle property rates; implementing more sensitization and awareness campaigns for tax-payers; and providing Council revenue officials with training and modern taxation tools (such as GIS systems) are solutions listed in the latest World Bank Report that would help local governments, and city councils in particular, to raise their efficiency in raising tax revenue.

GRANTS AND SUBSIDIES. The two existing types of grant transfers from central government account for more than 70% of SNG revenue. The main grant consists in an unconditional grant based on a share of 5% of National Net Revenue (NNR). The second transfer is the result of a parliamentary decision that 9% and 15% of NNR are allocated for specific projects in health and education. A total of 29% of NNR should be devolved to local government. Following Constitutional mandates, the government is required to ensure that adequate resources are provided for the effective local delivery of devolved functions.

OTHER REVENUES. The central government collects various fees and charges on behalf of the local governments such as toll fees, gambling and casino fees, fuel and road levies. These funds are then distributed on the basis of a formula approved by the government. The National Decentralisation Policy and Local Government Act state the circumstances in which councils can charge or collect fees and levy rates. However, it is the MLGRD, in consultation with relevant sectors of government depending on the services provided, who offers guidance on how these can be determined.

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. Under the Local Government Act 1998, the accounts of the councils are submitted to the national Local Government Finance Committee (LGFC), in charge of conducting audits. The Committee receives estimates of revenue and all projected budgets of all local government authorities; supervises and audits accounts of local government authorities; makes recommendations related to the distribution of funds allocated to local government authorities. The Committee may vary the amount payable on a discretionary basis and according to economic, geographic and demographic variables. Before the start of each FY, the Committee must prepare a consolidated budget and estimates for all local government authorities after consultation with the Treasury, to be presented by the Minister for Local Government to the National Assembly.

All local governments are required by Section 51 of the Local Government Act to prepare and submit detailed estimates of their revenue and expenditure for each financial year to the Local Government Finance Committee. The Committee may either approve the estimates as submitted or disallow such estimates in whole or in part or refer such estimates back to the Council for further consideration. Local Governments are prohibited from incurring any expenditure not included in the approved estimates except with exceptional approval of the Committee. Any reallocation of sums contained in the approved estimates can only be done with the approval of the Committee. Grants from National Government to local governments are distributed only in accordance with the formula recommended by the Finance Committee and as approved by the National Assembly. The Committee has therefore been assigned extensive veto powers over local governments in matters of finance.

DEBT. In accordance with the Local Government Act, the local councils are allowed to borrow. There is however a scarcity of data on the reality of local debt, with no comprehensive consolidated reporting on the debt stock.



Lead responsible: UCLG
Last update: 02/ 2019

www.sng-wofi.org

Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: IMF Government Finance Statistics – Malawi // Ministry of Finance, Economic Planning and Development. Department of Economic Planning and Development. Annual Economic Report 2016/17 // UCLCA (2016) The State of Local Economic Development in Malawi // World Bank (2016) Malawi Economic Monitor Harnessing the Urban Economy.

Other sources of information: Cities Alliance and UCLGA (2018) Assessing the institutional environment of local governments in Africa // United Nations Malawi (2018) Sustainable Development Goals: Localisation, Opportunities and Challenges for Malawi // Malawi Electoral Commission // Commonwealth Local Government Forum. The Local Government System in Malawi. Country Profile 2017 // Yasin Maoni (2013) Decentralization and Local Development In Malawi: Demerits of The Public-Private Partnership Act, 2011 // Dr. Asiyati Chiweza (2010) A Review of the Malawi Decentralization Process: Lessons from Selected Districts: A joint study of the ministry of local government and rural development and concern universal.