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For English

Wood Pelletes

Situation

Malawi is ranked globally among the least economically developed countries according to the Human Development Index (HDI). The HDI is used alongside the gross national income (GNI) per capita as an indicator of economic growth. Malawi's GNI per capita is one of the lowest in the world and has stagnated since independence and that is the case with the HDI system. That takes into account life expectancy, health, literacy, education and infrastructure.

Malawi's HDI value in 2019 was 0.483. The country's ranking dropped from 168 to 174 in the last two years. Comparably, Although the HDI shows an improvement compared to 1990 (0.335), but with that the country still belongs to the countries with low human development. The new tranche the result of the revised poverty reduction and a minimal improvement in the base element of living.

Lake Malawi

Counted by gross domestic product (GDP), the country had a public debt of 37% in 2019, which had steadily increased to 70% in 2020 without proper coverage. As a result, the previously forgiven debts of the HIPC initiative, which had been cancelled in the past, are now being taken over by the country, but then regularly greatly developed. The weak, non-exchangeable currency therefore directly affects households.

Malawi is one of the top recipients of development aid from the sub-Saharan regions in Africa. Although the country has been receiving development aid since its independence, it still ranks among more than 52 other countries and after Liechyten, that is increasingly being paid directly to donors as a loan. Malawi's GDP is also heavily dependent on agriculture, which is highly vulnerable and especially compared to other African developing countries.

Malawi regularly faces natural disasters, such as hurricanes, floods and droughts, which always affect agricultural production as the main source of income. Poverty is widespread, especially in rural areas, where 80% of the population lives. The country's economy is characterized by low levels of human and economic changes. In 2021, gross domestic product (GDP) per capita was US$ per year. This put the country in 159th place out of 180 involved countries. Due to the high interest rates due to the high inflation rate, the government's domestic debt has increased significantly. The government's domestic debt has increased significantly in recent decades, which has increased the country's vulnerability to fluctuations in the global economy. Similarly, prospects for a sustainable recovery are also at risk, which is mainly due to the effects of the Covid-19 pandemic, which have had a negative impact on the country's economic prospects

JCE=completed secondary education 2-year

MSCE=completed secondary education 4-year

Higher education=Teaching, technical and university education

It can be deduced from the overview 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 be employed 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 workers are 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 the active illiterate are farmers. This fact underlines the importance of education because it appears that only 5% of active illiterates have a regular job, while that proportion among higher educated people is 77%. Literacy students and schoolchildren with a diploma 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 completed secondary education. After all, it turns out that they are more often unemployed than illiterate. In addition, there are more graduates with a diploma than the market can accept. 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.

Unemployment and income

The sale of agricultural products on the market is important for self-sufficient farmers' households as a supplement to their livelihoods. Every year, at the beginning of the sowing period, the food requirement is estimated. The supply to the markets is therefore surplus in relation to what they keep for their own use. Due to the self-sufficient nature of farmers' households, white corn is the most common as a national food product and is predominantly present. However, most poor peasant households have too little arable land to survive and too little yield to provide for their basic needs. In many cases, free arable land is available but the means to cultivate, fertilize, sow and keep it weed-free are missing. More and more Malawian farming families are becoming aware that the intensive processing in relation to the yields is unprofitable and it is becoming more difficult to live on their own agricultural production. Gradually, residents are therefore looking for paid work in the region, although crop production remains crucial for their lives. Consequently, the poor performance of the agricultural market will eventually have an impact on the well-being of Malawian households. The general assumption that agriculture is central to the livelihoods of rural households in Malawi should therefore be adjusted.

There are three main sources of employment outside the farm: temporary work, wage labor and domestic work.

Due to the lack of employment in agriculture, especially during the dry season, there are few opportunities for job seekers from farm households. In any case, they must accept any form of temporary work as a source of income. As a result of the demand for labor during the sowing preparation of fields, several members of farming families have temporary work outside the farm for a minimum wage. The income from it makes up the largest part of the income of most peasant households; three-quarters of farming families earn more than half of their annual income from sources outside the farm. Some find permanent employment in agricultural production, processing and sales for about $2.50 a day. For most poor peasant households, it is unlikely that agricultural income, including the sill-income, will get them out of poverty because these forms of labor are usually poorly paid.

In the cities in Malawi, too, there is the need to look for some form of income in order to survive and that dominates the entire urban society. Job seekers look forward to paid work or are busy starting a sole proprietorship, especially at the beginning of their working life.

The average annual net income per capita of the population performing non-agricultural work is about four times higher than the income of a farming family including additional earnings, although this is difficult to compare.

In urban areas, there is also employment for domestic work in the broadest sense of the word and for domestic services in private households. The average net income here is also about four times higher than the income of rural farming families.

Inflation

If you have to believe the media heads 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 1970s. The reality is that there is a contraction due to strong population growth, the national debt position, the unbalanced balance of payments and the shortage of foreign exchange reserves. The findings 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 the grand receiver of development aid since 1980. In 2024, India, China, South Africa, the United States of America and the United Kingdom were the largest donors with a total amount of $1.4 billion. The systematic money transfers from rich countries and the World Bank consist of loans and grants. In the first case, it concerns money loaned on favorable terms such as low interest rates and often for a longer period than is usual in commercial markets.

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

Despite the favorable lending conditions, the repayment of loans by incompetent and undermining management is a debacle and that has a decisive impact on the government's balance of payments because the money in foreign currency is not there. Usually loans are repayed after special taxation and by devaluing the Kwacha at the expense of the inhabitants. Also by exporting non-existent agricultural surpluses. Due to the high inflation as a result of the resulting deficits, about 30% per year, a lot of capital evaporates without the population being able to benefit from the transitions because they are included in the government budget. The devaluation of money slows down the development of the country, oppresses the community and prevents the pursuit of economic independence.

Over the past decades, outstanding loans to third-world countries have repeatedly been converted into grants, donations or forgiven. In itself, this form of debt relief can make sense, but that is debatable for Malawi when the debt position is simultaneously increased by taking out new loans elsewhere on less favorable terms. Moreover, the borrowed money in foreign currency is not always spent efficiently. This is done, among other things, through illegal imports and inflationary measures, which cause the population to fall even further below the poverty line and the business community has no opportunity to develop. That "culture" of easy money and maintaining a debt package has created an inflation-dependent economy that is already having major consequences. In fact, it should be about investments instead of waiting for donations. The heads of government see it and know that they have made the country dependent on aid money. They are elected politicians: good orators and protegated by an expanding civil service. As the debts continue to rise, they, the directors, have found a way to be relaxed in it. They really don't care what their understated fellow citizens think. They don't go anywhere, deliver nothing and do not feel responsible for alleged force majeure. Looking for another source of income to replace the aid money is not a priority while society is becoming increasingly poor due to economic laziness and the lack of incentives. There is no plan B. Collecting taxes could be a godsend for developing entrepreneurship, but no one bothers to do so. It stays as it is. In a practical sense, the government and the *National Assembly are* at a distance from society while manufacturers and entrepreneurs fall prey to corruption and shypsy.

Policy

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

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 on because the transformation required a change in mentality, a more effective governance system, improved performance of the public sector, more dynamics from the private sector, development of human capital, better infrastructure and ecological sustainability. However, guidelines, goals and objectives that were needed for implementation were missing. For financial coverage, macroeconomic data were used, including a supposed additional revenue from domestic resources (+23%). Although that intention is a skimming of domestic economic activities, nevertheless a growth of 7% was expected. This was considered possible if foreign donations and subsidies were maintained at 28% of gross domestic product (GDP). Also, a budget overrun of $1.2 billion was held responsible despite the frequent devaluation of the Kwacha and the negative economic indicators.

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

When MGDS III was released, an extensive list of projects was added that donors could choose from to contribute if they wished. 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 implementation. In a financial sense, this had to do, among other things, with the shortage of domestic resources that had been overestimated and the dependence on them. Also, due to insufficient donor support, a number of planned programs could not be implemented and caused a hole in the government budget. Furthermore, there were delays in the implementation. A number were terminated due to lack of knowledge and guidance, insufficient partner support and logistical problems. Due to coordination problems, it gradually turned out to have resulted in large waste within the various ministries and departments, often because the work was at different stages with result-oriented approaches.

The government of Malawi seems unable to shape the country's socio-economic development. There are several factors to mention, including insufficient financial resources, poor coordination of programmes 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 to prevent exploitation are lacking.

Reference is made below to a project from the annex on developing employment for young adults in various cities. This project was given a high priority after the appearance of the *Malawi 2063 Vision* due to the worrying number of young unemployed. As usual, the needs are convincing, but nothing has been determined about the implementation so that the project becomes as a plan corruption. It concerns 17,000 new jobs and 6,000 companies that are not there and due to the absolute lack of domestic demand and training, cannot be created in the long term.

Karonga, Likoma, Mzimba, Nkhata Bay, Rumphi, Kasungu, Mchinji, Chikhwawa, Nsanje, 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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