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Malawi

Policy coherence to reduce poverty through environmental and natural resource sustainability

Key Messages

- Diverse policy and legal frameworks are available for governing Malawi's different ENR sectors. This notwithstanding, investments in the ENR sectors are insufficient, institutional collaboration for policy, legislation and implementation is limited and commitment to enforce the existing policy and legal frameworks is compromised.
- Some policy measures outlined in the frameworks such as the use of fiscal measures, e.g., taxes and fees to promote investments in the ENR sectors, have not been adequately implemented. If better implemented, such measures would contribute to the achievement of sustainable ENR management.
- All ENR policy frameworks recognize the need for evidenced-based decision-making. However, there is limited application of the principle; for example, national or sectoral growth rate or poverty reduction implications of ENR investments are not considered. This may explain the limited stakeholder commitment to invest in sustainable ENR.

Introduction

Malawi's economy is heavily dependent on environment and natural resources (ENR), particularly the agriculture sector, which accounts for 30 percent of the gross domestic product (GDP) (Government of Malawi (GoM), Annual Economic Report, 2014). The country's ENR-based economy is faced with two linked challenges, namely: persistent high poverty levels and high ENR degradation rates. With respect to poverty rates, the 2010 poverty headcount ratio, at the national poverty line, was 50.7 percent, while the more inclusive Multidimensional Poverty Index indicates a poverty rate of 66.7 percent for the same year (Oxford Poverty and Human Development Initiative, 2013).

ENR degradation is a major challenge. The State of Environment Report (2010) indicates that the country is facing unabated deforestation rates, estimated between 1.0 percent and 2.8 percent per annum. One of the major drivers of the high deforestation rates is the high dependence on solid fuels (fuel wood and charcoal) to meet energy needs, estimated to be at 98.7 percent. As a result, Malawi's forest cover decreased from 41 percent in 1990 to 35 percent in 2008, which is the highest rate in the Southern Africa region (Ministry of Natural Resources, Energy and Environment, 2010; Ministry of Economic Planning and Development, 2011). Malawi is highly vulnerable to the impacts of ENR degradation, including climate change effects such as floods and prolonged dry spells. These factors have a combined effect of aggravating stress on the natural resource base and negatively affecting the performance of water, agriculture and energy subsectors.

The GoM has for a long time recognized the importance of sustainable ENR management in the attainment of the country's social and economic aspirations. This is reflected in national policy and legal frameworks. These national frameworks include the Malawi



Constitution, the Malawi Growth and Development Strategy II (MGDS II, 2011-16), the Malawi Vision 2020 and the National Environmental Policy (2004). The broad policy objectives outlined in the national frameworks are further elaborated in different sectoral frameworks. These include: the Agriculture Sector-Wide Approach (ASWAp), the Forestry Policy, the National Water Policy, the Fisheries and Aquaculture Policy and Strategic Plan, the Wildlife Policy, the National Energy Policy and the National Land Policy.

Review of Poverty-Environment linkages

Given the above background, the Ministry of Finance and Economic Planning, with the support of the UNDP-UNEP Poverty Environment Initiative (PEI), commissioned a study in 2015 to quantify the linkages between poverty and environment and to identify policy options to reduce poverty through sustainable ENR management.

The review of Malawi's policy landscape in the study seeks to identify policy options to accelerate poverty reduction by examining the current policy landscape and institutional arrangements for pro-poor sustainable natural resource and climate management. Thus, the review seeks to identify the coherence of various policy and institutional arrangements



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with the national development and poverty reduction strategies and policies and to identify policy and institutional gaps for improvement. The analysis is undertaken to relate what is being planned with implementation and to outline barriers to improved inclusion and/or implementation of poverty-environment objectives and impact assessment tools.

The policy review process involved a critical examination of the background information defining the policy context, including the theoretical and empirical foundations that guided its development, specific objectives, expected outcomes and scope of implementation arrangements. Five national policies and eight sectoral policies were reviewed. This identified concrete gaps or weaknesses that need the attention of the GoM, including those relating to the extent of gender mainstreaming.

Key Findings

Malawi's policy landscape governing ENR sectors is characterized by a elaborate and diverse set of sectoral policies, legal instruments and institutional arrangements.¹

The sectoral policies have been developed at different time periods, with some dating 20 years back, while others have been developed during the past two years. Several of the older sectoral policies, together with their accompanying legal provisions, are currently under review to make them more responsive to current social, economic and institutional conditions. The policy review processes are expected to benefit from recent empirical investigations into the poverty impacts of the ENR sectors.

The cross-sectoral nature of ENRs is recognized in national and sectoral frameworks, as are climate change, poverty, gender, HIV and AIDS, human rights and good governance. The fact that Malawi's agro-based economy is largely dependent on the ENRs is well recognized in all policy frameworks. This notwithstanding, information on immediate and long-term quantifiable sectoral benefits of sustainable ENRs management is not readily available in the policy frameworks. This compromises the commitment of sectoral policymakers to promote sustainable ENR management.

The need to address gender issues and to promote gender equality is well recognized in almost all policy frameworks, though with different levels of detail. In most frameworks, gender issues are presented in separate 'gender mainstreaming' sections, which contradict the principle of mainstreaming. The consequence of this approach is that gender issues and gender equality objectives often are forgotten when it comes to developing and implementing annual action plans.

¹ The environment and natural resources sector covers environment and climate change, land, agriculture, forestry, fisheries, water and wildlife.



While almost all sectors have national policy frameworks that define their operations, some key sectors such as agriculture are yet to have a concise national operational policy in place. The absence of a National Agricultural Policy leads to that resource allocations in the agriculture sector is a subjective process. Inter- and intra-sectoral collaboration is compromised, policy inconsistencies along the commodity value chains abound and are not effectively handled, and collaboration between the government and NGOs suffers. These gaps contribute to low agricultural productivity and low agricultural incomes, leading to high poverty levels.

There are apparent inconsistencies between what is stipulated in policy frameworks and what is happening on the ground. For instance, despite the existence of the National Environmental Policy and Environmental Management Act, some government interventions such as FISP are rarely subjected to EIAs although they are a national investment priority. In addition, on the market aspect, current agricultural marketing policies are not in line with the call by the National Environmental Policy for an economic environment in which market prices provide appropriate incentives for sustainable natural resource use and environmental protection. Government policy actions in the agricultural sector, such as unpredictable and discretionary market policy actions that include export bans and the setting of minimum prices and market purchases, keep farmers in subsistence conditions. Such policy actions reduce agriculture incomes and hence reduce demand for improved farming practices such as crop diversification and more effective use of fertilizers; this, in turn, results in continued unsustainable use of land and soil resources. In the long run, this perpetuates poverty, thus defeating government poverty reduction and sustained economic growth policies and programmes. The resulting price volatility conditions also stifle private sector operations.



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In the same vein, while institutional arrangements for coordinating implementation of the given policy and legal framework recognize the need for multi-sectoral collaboration, practical institutional coordination remains a challenge. Further, fiscal policy measures as already proposed in the National Environmental Policy could encourage investments in sustainable ENR management, but will require strong implementation mechanisms. These could be in the form of taxes and subsidies on ENR products such as charcoal and fuelwood. Depending upon how the measures are applied, they could promote the conservation of natural trees while promoting planting and utilization of exotic species. A good starting point for Malawi, in order to promote sustainable ENR utilization, would be to implement these existing policies and possibly to evaluate their efficacy to identify gaps and shortcomings before new ones are proposed.

Limited application of poverty impact assessments. With respect to the inclusion of poverty impact assessments in the implementation plans, the analysis shows that there is minimal practical use of poverty impact assessments as the basis for national and sectoral policy, programme and project developments and reviews. For instance, in the agriculture and natural resources sectors, some investment initiatives that could have significant poverty impacts are being implemented, yet there is no clear reference to the anticipated poverty reduction targets of such investments. These are deficiencies in the culture of evidence-based decision-making processes, which need to be addressed and fully mainstreamed into the national decision-making machinery.

Conclusions

Malawi's economy is heavily dependent on ENR sectors, hence the need for a supportive policy environment that enables the different ENR sectors to contribute to poverty reduction through sustainable pathways. The various ENR sectoral policy and legal frameworks are in line with the overarching national frameworks such as the Malawi Constitution, the Malawi Growth and Development Strategy II and the Malawi Vision 2020.

The major common features of the sectoral frameworks include: recognition of the socio-economic importance of ENRs to the economy, poverty and gender equality; recognition of the importance of multi-sectoral collaboration; and the importance of evidenced-based policymaking processes. However, there is a divergence between what is stated in the policy documents and the practical policy pronouncements from the government, which leads to discrepancies between implementation and the policy objectives.

The analysis shows that ENR policy and legal frameworks have a crucial role in guiding investments and managing ENRs in



Malawi. Some of the older frameworks are under review, though the process is progressing at a slow pace with the process stuck at different levels. The updated frameworks are more likely to be effective in improving intra- and intersectoral collaboration, generating the desired stakeholder commitment to addressing ENR challenges and, ultimately, attaining desirable poverty outcomes if the recommendations contained in this brief are adhered to.

Policy Recommendations

The following policy prescriptions emerge from the policy analysis of the PEI commissioned study to quantify the linkages between poverty and environment and to identify policy options to reduce poverty through sustainable ENR management:

There is need for institutionalization of poverty impact evaluation culture for ENR interventions.

- 1) **GoM should consider institutionalization of effective mechanisms for poverty impact evaluations of ENR interventions.** National policy decisions relating to identification of sustainable poverty reduction pathways through ENRs can significantly benefit from institutionalized impact evaluations of all ENR interventions at the national level as well as from international empirical studies. Institutionalized poverty impact evaluations can build on the findings of this study that show linkages between income poverty and ENRs, food security and ENRs, productivity and ENRs, health outcomes and ENRs and access to water and ENRs.

Policy and regulatory framework implementation and review could be improved

- 2) **The GoM should consider reviewing all outdated sectoral policy, legal and strategic plans** to address their shortcomings in terms of mainstreaming of ENR management. For those frameworks for which the review process has already started, there is a need to complete the outstanding work with active engagement of all policy stakeholders and local communities who are the targeted beneficiaries. In the process of frameworks reviews, the GoM might realign the lifecycles of all sectoral frameworks with that of MGDS, the country's overarching policy and strategic framework. This would help ensure that ENR sectoral policies and legal frameworks are regularly reviewed to take into account the ever-changing social and economic dynamics and that sectoral frameworks really respond to the overarching national framework of the day.

There is a need to strengthen and institutionalize partnerships for ENR investments and to address policy gaps and inconsistencies.

- 3) **The GoM should consider exploring more opportunities for PPPs in the ENR sector, particularly forestry management, fisheries and wildlife.** This would leverage private sector competencies in mobilizing finance, technical expertise and development of markets in areas such as promoting planting and harvesting of early maturing exotic trees.
- 4) **The GoM is advised to create a predictable and consistent policy environment in order to make it easier and cheaper to do business.** Policy inconsistencies in form of divergence between what is stated in official policy documents and what is actually implemented send mixed signals to economic operators. In spite of the GoM's commitment to implementation of market-led agricultural pricing that provides appropriate ENR investment incentives, practical agricultural marketing policies relating to maize and other commodities run counter to the policy. Consequently, there have been distortions in the market due to export bans

and discretionary minimum selling prices and market purchases that are largely unpredictable.

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