

### BASIC SOCIO-ECONOMIC INDICATORS

Income group - **LOW INCOME** Local currency - **MALAWIAN KWACHA (MWK)**

#### POPULATION AND GEOGRAPHY

AREA: **118 484** km<sup>2</sup>

POPULATION: **16.695** million inhabitants (2014),  
an increase of 3.1% per year (2010-14)

DENSITY: **141** inhabitants/km<sup>2</sup>

URBAN POPULATION: **16.37%** of national population

CAPITAL CITY: **Lilongwe** (5.2% of national population)

Sources: World Bank, UNDP-HDR, ILO

#### ECONOMIC DATA

GDP: **13.7** billion (current PPP international dollars)  
i.e. 821 dollars per inhabitant (2014)

REAL GDP GROWTH: **5.7%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6.6%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **716** (BoP, current USD  
millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **15.4%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.445** (low), rank **173**

### TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>35</b> COUNCILS AVERAGE MUNICIPAL SIZE: 477 000 INHABITANTS	-	-	<b>35</b>

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** Malawi is a unitary country with a single-tier structure of decentralized governance. The decentralization process is enshrined by the Constitution of 1995, and the local government system comprises 28 district councils, 4 city councils, 2 municipal councils and one town-council. All these councils have elected local bodies, among whom their executive, called mayor, is appointed. According to the type of council, the composition of the elected body may differ and include traditional authority leaders. The constitution doesn't provide for a subsidiarity principle, and there is no hierarchy between the different types of local governments. The decentralization framework in Malawi has been provided for by the 1995 constitution in the first place, with a specific chapter (XIV) dedicated to local government. Three years later in 1998, the Local Government Act reinforced the constitutional provisions and set legal status, functions and competences of local governments. This Act were further amended in 2010 with the Amendment to the Local Government Act.

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** Urban and rural councils have the same competences, however, local authorities have the possibility to adapt these functions to the reality of their territory, and to jointly discharge a competence that couldn't be implemented due to a local government specificity. Local governments have been assigned with education, science and technology (primary school, kindergartens, etc.); health and population ; transport and public works (maintenance of roads, driver's license, etc.); land and planning; agriculture and irrigation ; water development (provision and distribution); gender, youth and community services (cultural affairs, community development, etc.); natural resources and environmental affairs; commerce and industry.

### SUBNATIONAL GOVERNMENT FINANCE

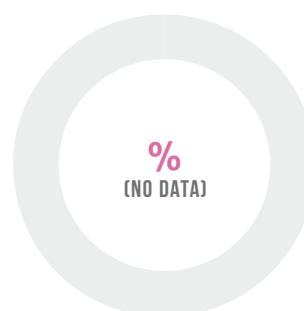
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
<b>TOTAL EXPENDITURE (2013)</b>	<b>1.1%</b>	<b>4.8%</b>	<b>100%</b>
<b>CURRENT EXPENDITURE</b>	1.0%	-	90.0%
<b>STAFF EXPENDITURE</b>	0.1%	2.6%	11.5%
<b>INVESTMENT</b>	0.1%	2.2%	10.5%

While the Local Governments Act mandates that 5% of general government discretionary spending should be directed through councils, in 2012, local governments were responsible for 4.8% of total government expenditures. However it should be noted that recent financial reports has shown an increasing trend of local expenditures level.

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Evidence from studies and surveys have shown that local councils are facing difficulties to spend due to a lack of material, human and financial means. In some extent, it explains the heavy part taken by operating expenditures in LGs budget, as they are expected to pay for the running costs of district offices, and the weakness of local investment in other sectors. Yet 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.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2012)	1.4%	7.7%	100%
TAX REVENUE	0.1%	0.8%	7.7%
GRANTS AND SUBSIDIES	1.2%	-	83.2%
OTHER REVENUES	0.1%	-	9.1%

Due to the weakness of local fiscal bases, local councils are highly relying on intergovernmental transfers to fund their competences. However, this situation should evolve with the development of the country's economy. In total, local governments revenue barely represent 1,38% of GDP, and are made of grants and subsidies from national and international funds up to 83%.

**TAX REVENUE.** Malawi accountability framework has a comprehensive definition of tax revenues covering for „locally generated revenue“. Thus tax revenue includes property and ground taxes, fees and licenses, and commercial undertakings and services charges. Yet the reliance of local governments on tax revenues is very limited given the low performance in local tax collection.

**GRANTS AND SUBSIDIES.** The two existing types of grant transfers from central government account for the largest part of LGs revenue (83%). The main grant consists in an unconditional grant based on a share of 5% of national net revenue. A second conditional grant can be allocated for specific projects in health and education. Under the Local Government Act of 1998, as amended in 2010, the distribution of grants to the local government assemblies is carried out by the Minister for Local Government on the recommendation of the National Local Government Finance Committee, based on a formula approved by the National Assembly. In total, 90,8% of grants were current grants, and 6,9% were capital grants.

**OTHER REVENUES.** The central government collect a number of fees and charges on behalf of the local governments : toll fees, gambling and casino fees, fuel and road levies. These resources are then distributed on the base of a formula approved by the government.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

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.

A joint- study of:



**Sources:** Ministry of Finance and IMF-GFS • Malawi Country Profile, Local Government Service Commission – LGSC • A. Chiweza (2010), A review of the Malawi decentralization process: lessons from selected districts • O'Neil, Cammack, Kanyongolo, Mkandawire, Mwalyambwire, Welham, Wild (2014), Fragmented governance and local service delivery in Malawi, Overseas Development Institute (ODI) • N.Jagero, H.H.Kwandayi, A.Longwe (2014), Challenges of decentralization in Malawi, International journal of management sciences, vol.2, No.7