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Country Brief

Malawi

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The present country brief was prepared by the UNDP Ethiopia, as a part of efforts to further build up the repository of evidence and good practices on the implementation of the effective development cooperation principles at the country level and facilitate the mutual learning under the umbrella of the Global Partnership for Effective Development Cooperation (GPEDC).

Highlights for Malawi (LIC)

- 1. Aid-dependent country: significant improvement in the way Government and DPs relate and interact with each other.**
- 2. Sector Working Groups (SWGs) facilitate donor coordination**
- 3. Inclusive multi-stakeholder co-designing processes in developing Development Cooperation Strategy for Malawi for 2014-2018.**
- 4. Establishment of Aid Management Platform (AMP): greatly improved aid monitoring and reporting in Malawi**
- 5. Reduction in use of country systems is a major concern and GoM's measure to counter mistrust of DPs in its PFM systems.**

A. Country Context

Located in Southern Africa, Malawi is a landlocked country. With GDP of \$1.9 billion in 2013¹, Malawi remains a low-income country (LIC). Malawi's 2013 HDI of 0.414 is below average of 0.493 for countries in the low human development group and below the average of 0.502 for countries in Sub-Saharan Africa. Despite some progress made in reducing incidence of poverty, the measure of poverty head count declined by a mere 3.2 per cent from 2000 baseline of 53.9 per cent to 50.7 per cent in 2011². Malawi is on course to achieve MDGs 4, 6, 7 and 8; while the MDGs 1, 2, 3 and 5 lag behind. Still, progress has been made considering that country started from much lower base compared to other countries³.

The economy of Malawi is based primarily on agriculture, which accounts for about 30 per cent of GDP. The economy's major exports which account for about 85 per cent of domestic exports are tobacco, tea and sugar. About 40 per cent of national budget is currently financed by development partners, while this figure may not adequately reflect the ongoing trend of significant increase in off-budget aid. ODA to Malawi between 2008 and 2012 amounted to USD4.59 million⁴. In the same period, net ODA averaged 21.1 per cent of real GDP⁵.

¹ 2014 Annual Economic Report

² Integrated Household Survey 2010

³ Government 2014 MDG report

⁴ Data from Malawi Aid Management Platform

⁵ 2014 Malawi Millennium Development Goals Report



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In 2005-2013, ODA to Malawi has been fluctuating due to changes in economic policies on which DPs base their support (esp. General Budget Support) resulting from changes in political Governments. Fluctuations have not only been in volume but also among different aid modalities. During 2005-2013, Malawi received significant amount of direct project support (62.5% of total support), seconded by general budget support (14.8%) and funding to Health SWAp (6.3%) and support to HIV/AIDS National Response (6.1%). Other aid modalities remaining 10.3%. Most direct project support is provided off-budget and does not use country systems.

Malawi is actively involved in development effectiveness agenda internationally and currently co-chairs the Global Partnership for Effective Development Cooperation (GPEDC). In 2010, Malawi co-chaired the International Reference Group of the Evaluation of the Paris Declaration - Phase II.

B. Development cooperation and partnership framework

For almost one and a half decades, Malawi has been implementing medium term strategies called Malawi Growth and Development Strategy (MGDS), whose objective is to reduce poverty through sustainable economic growth and infrastructure development. The Development Assistance Strategy (DAS, 2006–2011) provided the first national framework for alignment with country's overarching development agenda and localized Paris Declaration principles. The review of the DAS in 2012, among other things, concluded that:

- a. There was significant improvement in the way Government and Development Partners (DPs) relate and interact with each other.
- b. There was improved Government leadership development process ownership and involvement of DPs in the development programming process.
- c. A number of programme-based approaches were adopted, and
- d. The establishment of Aid Management Systems within the Ministry of Finance greatly improved aid monitoring and reporting in Malawi.

The DAS review also highlighted some key challenges which include but are not limited to DP alignment with national systems and procedures including *the use of country systems by development partners*; harmonization of development partner procedures and division of labour; predictability of donor flows, involvement of non-state actors; functionality of Sector Working Groups; mutual accountability for results; and weak and fragmented Monitoring and Evaluation (M&E) systems.

The Development Cooperation Strategy for Malawi for 2014-2018 promises to revitalize the development cooperation / partnership framework and architecture in the country. The Strategy is a successor to the DAS. The new Strategy was developed under the leadership of the Ministry of Finance, Economic Planning and Development (MoFEPD) following a consultative approach. The process was guided by high level Task Force at decision-making level chaired by Secretary to the Treasury and comprising Principal Secretaries from the Ministries of Finance, Economic Planning



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and Development and Health, representatives from Development Partners Heads of Cooperation Group, civil society, academia and the private sector. Key stakeholder groups were consulted for

inputs into Strategy. At district level, consultations included District Executive Committees, Members of Parliament (MPs) and traditional authorities. The Strategy was endorsed with overwhelming support by all stakeholders in final validation meeting in August 2014. The implementation of the strategy is well underway with highly successful conclusion of recent High Level Forum on Development Effectiveness entitled, “Towards a Transformed and Self-Reliant Malawi” (July, 2015), which linked up the country progress with the global dialogue informing Malawi’s key messages to both the third Financing for Development (FfD) Conference and the 8th GPEDC Steering Committee meeting in Mexico.

C. Progress in Effective Development Cooperation

The 2013 Busan Monitoring Results for Malawi confirm trends from previous monitoring. Annual predictability is relatively high at 84 % but medium – term predictability remained a challenge at 52 % and only 59 % and 6 % for the two outer years respectively. In 2013 Malawi registered 50% use of country Public Financial Management (PFM) and procurement systems of funding provided to the government sector against 65 % in 2010. As a result, aid on budget also reduced from 62 % to 49 % in 2013.

The reduction in Use of Country Systems is a major concern. For the last decade, Malawi has implemented a PFM reforms process and made significant strides in promoting sound macro-economic management and governance.

However, in September 2013 concerns on PFM led to suspension of general budget support and dedicated support to health, education and transport sectors by bilateral DPs.

To restore confidence in its PFM systems, the GoM responded by formulating an Action Plan to Improve Public Financial Management System, commissioning a Forensic Audit, agreeing an Extra-Ordinary Performance Assessment Framework (E-PAF) with Budget Support Group of Partners, and engaging independent consultants to strengthen internal controls in the Accountant General’s Department. An independent evaluation team was engaged to assess progress against targets specified in the Action Plan. Evaluation concluded that significant progress was being made in terms of implementing reforms as specified in Action Plan despite the challenging environment of financial / capacity constraints. There is, thus, strong Government leadership / commitment to accelerate the pace of reforms in public financial management and restore confidence in country systems.

Another challenge is to increase synergies among partners through closer collaboration and reduce overlaps and aid fragmentation. In November 2008 Government of Malawi issued guidelines for institutionalizing Sector Working Groups (SWGs) as a means for sector dialogue with a broad range of stakeholders and to facilitate donor coordination. However, only a few out of the 16 SWGs are working well while others hardly meet. The SWGs in the Health, Education, Agriculture, and Trade and Industry sectors have provided important fora for the exchange of views and the establishment of cooperation between members– governmental, civil society and private sector. They have been able to influence development partners to speaking with one voice rather than having to negotiate with a multiplicity of agencies and institutions.



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Given the importance of SWGs, Government is currently reviewing them with a view to improving their functionality. While the review is still ongoing, on the basis of the information garnered so far,

several factors appear to have contributed to a productive SWG: (i) access to funding; (ii) the arrangements that have been made to provide secretariat services; and (iii) the type of leadership that has been available to drive the Group forward. In particular, in cases where a Ministry has access to a SWAp funding mechanism, securing funds to cover the cost of SWG and TWG meetings, and, beyond that, financing the development action, is much less of a problem than in other cases. The additional personnel that become available as a result of basket funding mechanisms or project support also makes it easier to assign individuals to provide secretariat services for the SWG and TWGs. This has in turn increased the level of interest in the SWG concept at the highest levels in the coordinating Ministry and among all other key stakeholders whose decision making has an impact on the sector. Malawi has adopted new SWG Planning and Management Guidelines and recently undertook a mutual learning exchange with Rwanda and other countries which share the common concerns regarding SWG.

The experiences discussed above are indicative of the kind of interconnections between the various measures of country level progress in effective development cooperation. SWGs are very important in the Division of Labour Agenda, which is of particular importance to a country such as Malawi that has seen increased fragmentation due to growing off-budget and project-based aid.

When SWG arrangements are sound, meetings are rewarding and generate continuity in attendance and visible enthusiasm for the benefits to be obtained by working through this mechanism. This in turn leads to enhanced stakeholder cooperation and collaboration in the delivery of development outcomes. Without enhanced coordination and collaboration among various stakeholders, Malawi's socio-economic development would remain slow, fragmented and probably non-inclusive.

D. Development Effectiveness Agenda

The Development Cooperation Strategy (DCS) comes at a critical juncture between the current sMGDS 2011 - 2016 and the successor national development strategy. Overlapping with both, it aims to improve the quality and effectiveness of development cooperation and ensure that DPs' and other stakeholders support is coordinated, harmonized, focused on results and aligned to national priorities, institutions and systems. Specific objectives are:

- a. Provide an operational framework for development cooperation for the attainment of national development strategy development results;
- b. Define a country-specific results framework with a set of clear and measurable actions;
- c. Improve dialogue and information sharing among all development cooperation actors;
- d. Improve domestic resource mobilization to enable Government finance its development needs and move towards reduced aid dependency;
- e. Ensure capacity building for effective and accountable institutions.

The DCS has 9 guiding principles that underpin all development cooperation in Malawi, these are:

1. Inclusive Partnerships



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2. Country Leadership and Ownership of Development Priorities

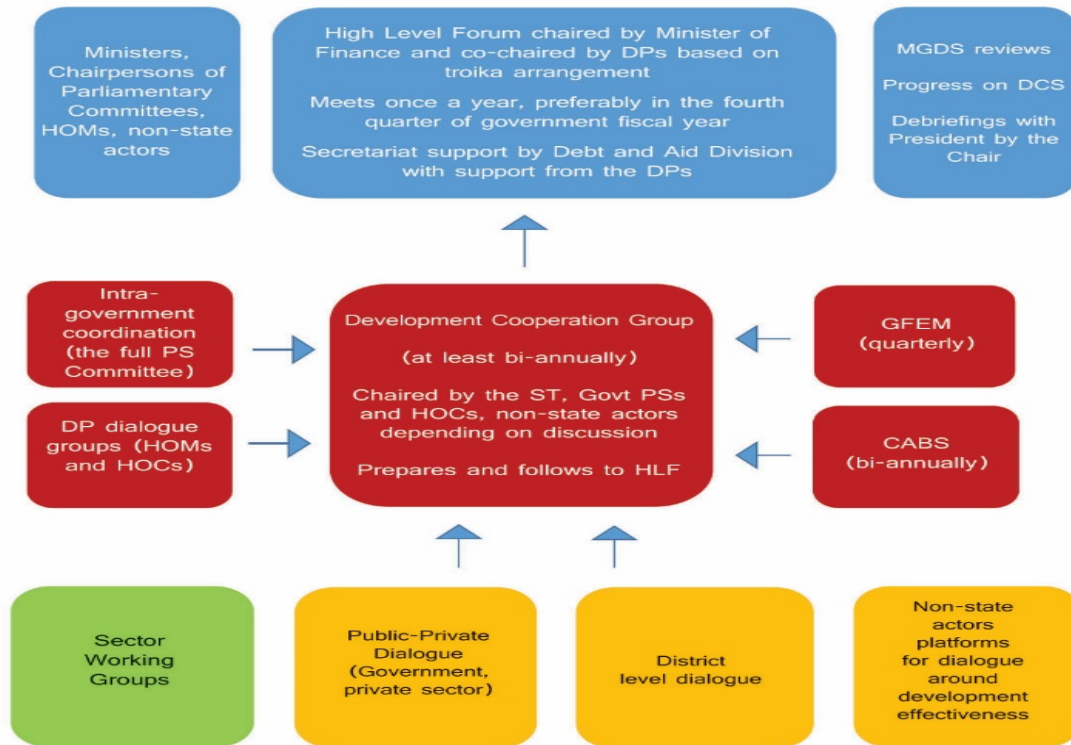
3. Alignment to National Systems and Priorities
4. Focus on Development Results
5. Mutual and Domestic Accountability
6. Transparency and Responsible Cooperation
7. Harmonization and Simplification of Procedures
8. Private Sector and Development, and
9. Domestic Resource Mobilisation.

Strategy also addresses four cross-cutting areas: (i) Climate change financing, (ii) Combating Corruption / Illicit Financial Flows, (iii) Gender Equality/Women Empowerment and (iv) HIV and AIDS. Thus the DCS recognizes the need for creditable and inclusive processes of dialogue and joint efforts and investments in addressing the development challenges facing the country. While acknowledging the importance of traditional sources of funding, the DCS calls for all partners to take action and facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive development, including taxation and domestic resource mobilisation, South-South and triangular cooperation, private investment, aid for trade, , non-concessional public funding and climate change finance.

An integral part of the Strategy is a results framework with two types of indicators. The strategic development results indicators are a sub-set from the current MGDS 2011-2016 result framework and will form the basis for joint review of progress in the annual High Level Forum and the by-annual Development Cooperation Group meetings. They are complemented by a prioritized set of development effectiveness indicators along the lines of the global Busan monitoring indicators.

The country's Aid Management Platform (AMP) is an important instrument to actualize the commitments made in the DCS. All Development Partners are required to report their funding on the AMP which features an online module so that partners can remotely log in and enter the data themselves. A public portal on the AMP provides real time access to all stakeholders on all reported aid activities and allows for analysis through data visualization in an interactive dashboard and a map that displays project locations. The public portal can be accessed at malawiaid.finance.gov.mw. Guidelines for reporting on the AMP are included in an annex to the DCS. Other annexes comprise of a detailed Work Plan, a Development Cooperation Calendar, a Division of Labour Matrix, and detailed definitions for the development effectiveness indicators in the results framework.

Progress on development cooperation and partnership efforts will be reviewed in annual High Level Forum dialogue and by-annual Development Cooperation Group meetings. Regular annual MGDS Reviews and Aid Atlas reports will feed into this dialogue. The Strategy recognizes the importance of other fora for dialogue as well and looks at improving the links and complementarities between all these structures. The figure below describes the dialogue architecture under the DCS:



Reviews of SWGs and M&E architecture in the country will provide further inputs into operationalizing the principles of the new Strategy. As a result of discussions with stakeholders on all levels the Study of M&E is shaping a Vision for an M&E system for Malawi based on an integrated information system of web-based flow of quality data, drawing on front-line registers and community reports, with automatically generated reports openly accessible to central and sector ministries, Parliament, Local Councils, the media, academia, CSOs and communities for analysis for policy / programme design, resourcing, implementation, monitoring and correction and evaluation of organizational performance. While significant investments have been made to improve the design and functionality of AMP, the issue of data quality still remains a major challenge. Government is currently carrying out a massive project portfolio and data cleaning exercise to improve the quality of the data in the AMP. As part of this process Government is encouraging online reporting by DPs data focal agents and is sharing regular status reports with DPs. These investments are expected to set in motion consistent and timely reporting to MoFEPD using the AMP which will in turn result in more reliable set of data on development assistance in Malawi. In an effort to get more complete picture of different financing flows, Malawi is taking steps to integrate AMP with the Government integrated financial management information system (IFMIS).

E. Global Partnership and its contribution to development effectiveness agenda at country level



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Malawi currently co-chairs the GPEDC Steering Committee. This has broadened the scope / focus of efforts at country level from aid to development effectiveness. There is greater emphasis on the inclusiveness of dialogue at country level and on development results. This has **directly influenced the key principles and priorities behind the new DCS**. The discussions in the High Level Forum and the DCG are inclusive of all key stakeholders and focus on what it takes for development cooperation to be 'fit for purpose' and produce real development impacts.. Global monitoring process is an important mechanism for fostering mutual accountability at country level in light of Paris, Accra and Busan commitments. The 2013 Busan monitoring results for Malawi were taken as baselines for the development effectiveness indicators under the DCS results framework. The global methodology for monitoring informed the definitions of country-level development effectiveness indicators.

F. Conclusions and recommendations

The Development Cooperation Strategy developed in the aftermath of the Busan and Mexico High Level meetings will guide development cooperation in Malawi for the next five years. There are already changes in the way key development stakeholders in country work together since the Busan HLF. There is greater emphasis on the inclusiveness of the dialogue at country level and more focus on results as exemplified by the decision to include in the new Development Cooperation Strategy a joint results framework whose progress will be jointly reviewed. A Study of M&E is shaping a Vision for an M&E system around increased Integration, Digitization, Access and Analysis. A review of Sector Working Groups will help Government improve the role of SWGs in achieving accountability for results and better development value from all available resources.

The data reported on the AMP plays a critical role in the GoM budgeting process as well as in the MFEPD's efforts to monitor and analyse DP behaviour across all sectors of the economy. The public portal on AMP underscores the commitment to aid transparency. It allows all stakeholders to access, understand and use development information for public benefit. Development partners should adhere to AMP reporting commitments. While AMP allows access to very powerful tools for analyzing development assistance inflows to Malawi, including custom report generation and data visualization, the quality of the data has limited the usefulness of these tools. Government has started a massive project portfolio and data cleaning exercise in collaboration with DPs data focal agents. Experience from Malawi indicates that while some partners have shown initiative to improve their data, others have not allocated sufficient time and effort to complete this important work. Institutionalizing the use of AMP information in country-led coordination mechanisms would facilitate Government leadership in improving compliance with aid data reporting requirements and better harmonization of the use of development resources.

The new DCS is a living document. Its success will largely depend on the continuing input and feedback from all stakeholders and the commitment to work together to implement key actions set out in the Strategy. Through the dialogue structures, DCS has energized development cooperation dialogue at country level. This has provided effective space for policy dialogue in the spirit of mutual accountability to make development cooperation work better for results.

The shift to development effectiveness requires cooperation on a wider range of policies and with wider number of actors. This calls for new ways of working at country level - a change that is still to take place both within Government and donor offices alike, but also within other stakeholders like



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civil society and private sector. Countries need to be supported to maintain and strengthen this momentum for more effective development cooperation going beyond 'traditional aid'.

G. References

Development Cooperation Strategy for Malawi 2014-2018
2014 Malawi Millennium Development Goals Report, Government of Malawi

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