



**Global
Partnership**
for Effective Development
Co-operation

Country brief

MALAWI

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A. Country Context

Located in Southern Africa, Malawi is a landlocked country bordering Zambia, Tanzania and Mozambique. It has Lake Malawi which is the tenth largest freshwater lake in the world. With a population of 13.1 million (2008 census) and a Gross Domestic Product (GDP) of \$1.9 billion in 2013 (2014 Annual Economic Report), Malawi remains a low-income country. Malawi's 2013 Human Development Index of 0.414 is below the 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. Although some progress has taken place in reducing the incidence of poverty in Malawi, the measure of the poverty head count has declined by a mere 3.2 per cent from the 2000 baseline of 53.9 per cent to 50.7 per cent in 2012. Malawi is on course to achieve MDGs 4, 6, 7 and 8; while the MDGs 1, 2, 3 and 5 continue to lag behind. Still, progress has been made considering that the country started from a much lower base compared to other countries (Government 2014 MDG report).

The economy of Malawi is based primarily on agriculture, which accounts for about 30 percent of GDP. The economy's major exports which account for about 85 percent of domestic exports are tobacco, tea and sugar. About 60 percent of national budget is financed domestically while about 40 percent of the budget is financed by development partners. Official Development Assistance (ODA) to Malawi between 2008 and 2012 amounted to US\$4.59million (data from Malawi Aid Management Platform). In the same period, net ODA averaged 21.1% of real Gross Domestic Product (GDP) (2014 Malawi Millennium Development Goals Report).

Between 2005 and 2013, ODA to Malawi has been fluctuating due to, among other things, changes in economic policies on which DPs base their support (especially General Budget Support) resulting from changes in political Governments. The fluctuations have not only been in volume but also among different modalities of aid delivery, as illustrated in Table 1 below.

Table 1: Development Support by Modality (2005 to 2013)

AID MODALITY	Funding (Million US\$)									TOTAL	% of Total
	2005	2006	2007	2008	2009	2010	2011	2012	2013		
General Budget Support	128.5	56.6	86.4	143.6	34.0	158.2	123.5	178.8	71.6	981.2	14.8%
2014 Election Trust Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.1	15.1	0.2%
Agriculture SWAp -Pool	0.0	0.0	0.2	0.2	0.0	6.9	10.8	6.2	41.9	66.1	1.0%
Agriculture SWAp-Discrete	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.9	1.4	4.3	0.1%
Education SWAp - Discrete	4.6	7.3	2.5	1.8	6.9	9.3	7.0	2.6	1.3	43.4	0.7%
Education SWAp - Pooled	0.0	0.0	0.0	0.0	0.0	15.9	50.1	56.7	45.2	168.0	2.5%
Farm Input Subsidy Program - Discrete	5.5	0.5	1.2	12.8	13.7	17.6	4.3	0.5	21.4	77.4	1.2%
Farm Input Subsidy Program - Pooled	34.2	41.7	1.8	4.1	4.8	29.3	52.3	19.4	6.5	194.0	2.9%
Food Security - Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7	4.9	10.5	0.2%
Health SWAp - Discrete	0.0	0.6	0.1	4.3	6.4	4.0	48.6	6.5	9.3	79.7	1.2%
Health SWAp - Pooled	23.6	30.1	16.0	103.4	49.0	53.7	54.8	61.9	28.7	421.2	6.3%
PFEM RP - Discrete Support	0.0	0.0	0.0	0.0	0.5	1.8	0.0	3.5	1.8	7.7	0.1%
PFEM RP -Trust Fund Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	0.0%
Road Sector-Pooled	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.1	0.0	15.1	0.2%
Sector Support - HIV/AIDS National Response	16.3	15.8	10.9	53.4	71.1	57.6	67.8	86.9	26.3	406.0	6.1%
Direct Project Support	211.6	210.8	174.9	406.5	521.6	529.4	864.5	533.8	703.0	4,156.0	62.5%
TOTAL	424.3	363.4	294.0	730.0	708.0	885.6	1,283.7	978.5	980.4	6,647.8	100%

During this period (2005-2013), Malawi received significant amount of direct project support (62.5% of total support for the period), seconded by general budget support (14.8%) and funding to the Health SWAp (6.3%) and support to HIV/AIDS National Response (6.1%). The rest of the aid modalities received the remaining 10.3%. Most direct project support is provided off-budget and does not use country systems.

Malawi is actively involved in the development effectiveness agenda internationally and currently co-chairs the Global Partnership for Effective Development Cooperation representing recipients of development cooperation. 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 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 the country's overarching development agenda and localised the Paris Declaration principles in Malawi. A comprehensive review of its implementation was commissioned and the key findings were that during the DAS implementation period:

- a. There was significantly 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.
- d. The establishment of Aid Management Systems within the Ministry of Finance greatly improved aid monitoring and reporting in Malawi.

The review 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 key challenges are also reflected in the results for Malawi from the 2006, 2008 and 2011 Paris Declaration Monitoring Surveys, 2010 Paris Declaration Evaluation, and the 2013 Global Busan Monitoring.

The new Development Cooperation Strategy for Malawi for 2014-2018 promises to revitalize the development cooperation and partnership framework and architecture in the country. The Strategy is a successor to the DAS. The new Strategy was developed over a period of 18 months under the leadership of the Ministry of Finance, Economic Planning and Development (MoFEPD) following a consultative approach. The process was guided by a high level Task Force at decision making level chaired by the Secretary to the Treasury and comprising Principal Secretaries from the Ministries of Finance, Economic Planning and Development and Health, representatives from the Development Partners Heads of Cooperation Group, civil society, academia and the private sector. Key stakeholder groups were consulted for inputs into the Strategy. At the district level the consultations included MPs and traditional authorities. The Strategy was endorsed with overwhelming support by all stakeholders in a final validation meeting in August 2014.

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 remains a challenge. It is currently at 52 % and only 59 % and 6 % for the two outer years. In 2013 Malawi registered 50% use of country 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 Public Financial Management Reforms Process and made significant strides in promoting sound macro-economic management and governance.

However, in September 2013 revelations of fiscal indiscipline and misappropriation of public funds, commonly referred to as the “Cashgate” scandal, led to mistrust of the Public Finance Management (PFM) systems of the Government of Malawi (Government of Malawi) by all concerned parties, and the immediate suspension of general budget support and dedicated support to the health, education and transport sectors by the bilateral DPs.

In order 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 the 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. The evaluation concluded that significant progress was being made in terms of implementing reforms as specified in the Action Plan despite the challenging environment of financial and capacity constraints. There is, thus, strong Government leadership and commitment to accelerate the pace of reforms in public financial management and restore confidence in the 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 institutionalising Sector Working Groups (SWGs) as a means for sector dialogue with a broad range of stakeholders and to facilitate donor coordination. However only some of the 16 SWGs are working well while others had hardly ever met. 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 donor partners speaking with one voice rather than having to negotiate with a multiplicity of agencies and institutions.

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.

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. 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 the 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 Second Malawi Growth and Development Strategy (MGDS II) and the successor national development strategy. Overlapping with both, it aims to improve the quality and effectiveness of development cooperation in the country and ensure that DPs' and other stakeholders support is coordinated, harmonized, focused on results and aligned to national priorities, institutions and systems. The specific objectives are to:

- 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, measurable and monitorable 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
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.

In addition, the Strategy addresses four cross cutting areas, namely (i) Climate change financing, (ii) Combating Corruption and Illicit Financial Flows, (iii) Gender Equality and Women Empowerment and (iv) HIV and AIDS.

Thus the DCS recognizes the need for credible 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, philanthropy, non-concessional public funding and climate change finance.

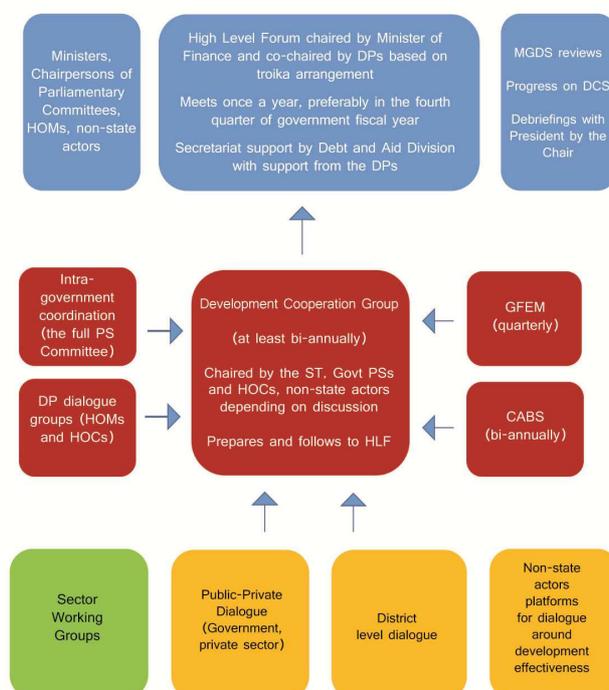
An integral part of the Strategy is a results framework with two types of indicators. The strategic development results indicators are a sub-set from the current MGDS II result framework and will form the basis for joint review of progress in the annual High Level Forum and the by-annual Development 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 new Strategy. 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:

Figure: Dialogue Structures



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, civil society and communities for analysis for policy and programme design, resourcing, implementation, monitoring and correction and evaluation of organizational performance.

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

The Global Partnership has broadened the scope and focus of efforts at country level from aid to development effectiveness. Since the Fourth High Level Forum, there is greater emphasis on the inclusiveness of the dialogue at country level and a strong focus on development results. This has directly influenced the key principles and priorities behind the new DCS. The 2013 Busan monitoring process presented Government with an opportunity for promoting dialogue on mutual accountability during the formulation of the new country Development Cooperation Strategy. The 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 the country-level development effectiveness indicators. The global monitoring process is, therefore, seen as important mechanism to foster mutual accountability at country level in light of Paris, Accra and Busan commitments.

In his recent address to the UN General Assembly His Excellency Prof. Arthur Mutharika President of the Republic of Malawi urged that the Post-2015 development Agenda should prioritize the development challenges facing Malawi and the continent. These priorities are clear through the Common African Position on the Post-2015 Development Agenda and through the African Union Agenda 2063 which aspired for a prosperous, peaceful and integrated Africa. In this vein, the Malawi President called for “adherence to the Global Partnership principles by all stakeholders in implementing and delivering on a transformative Post-2015 Development Agenda. Malawi will use its position as Co-Chair of the Global Partnership for Effective Development Cooperation to help realize this cause”.

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 the country work together since the Busan High Level Forum. 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.

At the same time a public portal on Malawi’s Aid Management Platform underscores the commitment to aid transparency. It allows all the stakeholders to access, understand, and use development information for public benefit. Development partners should therefore adhere to AMP reporting commitments. Institutionalizing the use of the AMP information in country-led

coordination mechanisms would facilitate Government leadership in harmonizing 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 development stakeholders and the commitment to work together to implement the key actions set out in the Strategy. The Strategy comes at a critical juncture as development partners, for domestic and bilateral reasons (reinforced by the recent Cashgate corruption scandal) have withdrawn from earlier stronger positions in line with the Paris-Accra-Busan Aid Effectiveness principles on use of government systems. Through the dialogue structures the DCS is expected to energize development cooperation dialogue at country level. This means providing effective and efficient 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 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