



2006 Survey on Monitoring The Paris Declaration

Country Chapters

MALAWI

The 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

www.oecd.org/dac/effectiveness/monitoring

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

MALAWI HAS A POPULATION OF 11 MILLION, who subsist on an average annual income of just USD 170 (gross national income per capita, 2004). According to the latest survey, conducted in 2004-05, more than half of the population lives below the poverty line, with more than one in five people unable to meet their basic daily food needs.

In 2004, net official development assistance (ODA) to Malawi was USD 476 million, a volume of aid which amounts to almost 27% of gross national income (GNI). In a country where aid makes such a contribution to national income – and where there is a medium-term prospect of accessing Millennium Challenge Account funds – enhancing aid effectiveness is of the utmost importance. Nine donors responded to the baseline survey; together they provide at least 76% of aid to Malawi.

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Human resource and institutional capacity constraints affect planning and implementation.	Address capacity issues and staff shortages in the Ministry of Economic Planning and Development, and Ministry of Finance.
Alignment	Low	Weak public financial management, procurement and aid reporting systems.	Implement the Public Financial and Economic Management Action Plan reforms.
Harmonisation	Moderate	Lack of a mechanism or strategy for ensuring enhanced harmonisation.	Implement the new Development Assistance Strategy and monitor the targets set on harmonisation, including the establishment of new aid co-ordination dialogue fora.
Managing for results	Moderate	Need to ensure robustness of monitoring and evaluation systems.	Ensure that the Joint Country Programme Review and Malawi Growth and Development Strategy (JCPR/MGDS) Annual Review meets the monitoring and evaluation needs of stakeholders.
Mutual accountability	Low	No well-established mechanism for mutual assessment of progress against aid effectiveness commitments.	Implement framework and indicators for mutual assessment set out in the Development Assistance Strategy, through the JCPR/MGDS Annual Review.

OVERVIEW
Box 18.1
Challenges
and priority
actions

OWNERSHIP

Ownership is crucial to aid effectiveness and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on the extent to which a country has an operational development strategy, with which donors can align their development assistance.

INDICATOR 1

OPERATIONALISING DEVELOPMENT STRATEGIES

Along with 58% of the countries assessed as part of the World Bank's 2005 Comprehensive Development Framework review, Malawi receives a rating of C for its development strategy. This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation. The World Bank's Aid Effectiveness Review provides the qualitative information upon which the assessment is based.

The long-term vision for Malawi is set out in Vision 2020: National Long-Term Development Perspective for Malawi, a plan that was developed in 1999. This plan informs the medium-term strategy, the Malawi Growth and Development Strategy (MGDS), which was completed in late 2006. The MGDS also incorporates the Malawi Poverty Reduction Strategy Paper and the Malawi Economic Growth Strategy, as well as some sector strategies (such as HIV/AIDS and Health) and policies. It will provide a unified framework for the government's efforts to tackle poverty and achieve economic growth.

Ministries are in the process of preparing Sector Devolution Plans and associated budgets, in order to implement the MGDS. However, the wider agenda of decentralisation may slow the adoption of Sector Devolution Plans in some ministries. Local development plans are yet to be established, as a result of changes to the organisation of local government.

The MGDS is regarded as a significant improvement over its forerunner, the Malawi Poverty Reduction Strategy. It is more comprehensive, focused on results, better sequenced and balanced, and does a better job of prioritising. The government, according to the World Bank's Aid Effectiveness Review, remains focused on the achievement of Malawi-specific Millennium Development Goals.

The government is costing the MGDS, and linking it to the budget and the Medium-Term Expenditure Framework. Some progress has been made in reallocating resources towards priority pro-poor activities. However, Malawi faces capacity constraints in human resources (as a result of HIV/AIDS and emigration), and in institutional capacity for planning and implementation. Such constraints are felt most acutely at the local level. For Malawi to receive a rating of B by 2010 for its development strategy, donors will have to work closely with government to address these constraints and to get the process of decentralisation back on track.

OTHER ASPECTS OF OWNERSHIP

As the World Bank's 2006 Aid Effectiveness Review notes, while a number of committees and groups involving donors and government exist, external development assistance need to be better co-ordinated. Civil society and the private sector have contributed to strategy formulation and implementation. The Malawi Growth and Development Strategy has been discussed in Parliament, and – of particular note – the Malawi Economic Justice Network is supporting Parliament's Budget Committee through independent budget analysis.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment. In Malawi, the government should strengthen systems for recording external development assistance, and concentrate on the roll-out of the development assistance database. Great strides have been made in the capturing of donor expenditure on the budget, despite the difficulty in calculating support that is directly administered by donors and not by audited public institutions. This support is now captured in a Summary of Extra-Budgetary Support to Malawi, the first edition of which was produced for the 2006/07 budget. Beyond recording aid flows, further progress will be needed in terms of building reliable country systems, if donors are to be persuaded to make use of them.

BUILDING RELIABLE COUNTRY SYSTEMS

Malawi's public financial management (PFM) systems receive a score of 3 under the World Bank's Country Policy and Institutional Assessment (CPIA), marginally below the average for all International Development Association borrowers. The Aid Effectiveness Review for 2006 notes that capacity for financial management is "a major challenge", and hampered the implementation of the Malawi Poverty Reduction Strategy. Reforms are being slowly implemented. The government is also diligently strengthening its procurement systems. The new government has made tackling corruption – perceived as widespread in Malawi – one of its priorities. The Anti-Corruption Bureau is developing a National Anti-Corruption Strategy, due for completion in late 2006.

Overall, the government will need to ensure that reforms are implemented steadily, if it is to achieve a CPIA rating of 3.5 by 2010.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Aid is likely to be more effective if it is aligned with national priorities. One way of assessing the degree of alignment is to measure the extent to which aid flows are reported on budget. For Malawi, 54% of aid is reported in the national budget.

Support that is directly administered by donors and not by audited public institutions cannot be captured in the budget (an audited document) as the Auditor General does not have jurisdiction to audit donor organisations. To overcome this, the government has designed and launched a Summary of Extra-Budgetary Support to Malawi, the first edition of which was produced for the 2006/07 budget.

INDICATOR 2

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* c=a/b (%) c=b/a
African Dev. Bank	11	18	59%
BADEA	0	1	0%
European Commission	64	75	85%
Germany	4	24	16%
Global Fund	--	24	
Iceland	--	2	
IFAD	0	2	0%
Japan	1	17	4%
Kuwait	--	5	
Norway	21	30	69%
OPEC Fund	0	2	0%
Sweden	--	10	
United Kingdom	96	130	74%
United Nations	5	16	33%
United States	1	7	15%
World Bank	61	130	47%
Total	264	493	54%

* Baseline ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

INDICATOR 3 Table 18.1

The table above provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Malawi is 54%. Achieving the target agreed in Paris of 85% (halving the gap) for this indicator will require concerted efforts by donors and government. (Note: In the table, UN assistance includes UNDP, WFP and FAO only.)

The World Bank's Aid Effectiveness Review for 2006 reports that donors are aligning their development assistance with national priorities as set out in the Malawi Growth and Development

Strategy. The MGDS has a list of projects that require funding, but most donors' alignment is not to the extent that their activities are taken from the MGDS, except some of those donors in the health sector-wide approach. They are therefore aligned to the structure and aims of the MGDS but not necessarily the detail.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

In order to help Malawi overcome capacity constraints in human resources and institutional capacity, it is absolutely imperative that donors provide technical co-operation in a manner that is co-ordinated and will strengthen the country's capacities for aid effectiveness and development.

According to the figures, fully 47% of technical assistance is co-ordinated with country programmes. This comes close to the 2010 target of 50%, and suggests that donors have responded well to the country's urgent need for co-ordinated technical assistance that strengthens capacity.

INDICATOR 4
Table 18.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Development Bank	0	0	--
BADEA	0	0	0%
European Commission	0	8	0%
Germany	8	11	74%
Global Fund	0	0	--
Iceland	0	1	0%
IFAD	1	1	100%
Japan	7	14	53%
Kuwait	0	0	--
Norway	0	1	25%
OPEC Fund	0	0	--
Sweden	0	0	100%
United Kingdom	4	19	21%
United Nations	13	16	80%
United States	0	2	0%
World Bank	--	--	--
Total	34	73	47%

How much aid for the government sectors uses country systems?

INDICATOR 5
Table 18.3

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e / a
African Dev. Bank	18	0	0	0	0%	0	0%
BADEA	1	0	0	0	0%	0	0%
European Commission	75	36	36	36	48%	36	48%
Germany	24	9	6	9	31%	9	36%
Global Fund	24	24	24	0	67%	0	0%
Iceland	2	0	0	0	0%	0	0%
IFAD	2	2	2	2	100%	2	100%
Japan	17	0	0	0	0%	0	0%
Kuwait	5	0	0	0	0%	0	0%
Norway	30	27	27	27	88%	21	69%
OPEC Fund	2	0	0	0	0%	0	0%
Sweden	10	10	10	10	100%	5	46%
United Kingdom	130	62	62	64	48%	46	35%
United Nations	16	6	3	7	32%	0	0%
United States	7	0	0	0	0%	0	0%
World Bank	130	75	105	130	80%	55	42%
Total	493	250	275	284	55%	173	35%

USING COUNTRY SYSTEMS

Donors are committed, under the Paris Declaration, to making increased use of country systems. Indicator 5 measures donor use of partner countries' public financial management and procurement systems.

According to the data provided, 55% of aid on average makes use of Malawi's budget, financial reporting and audit systems. Only 35% of aid makes use of the country's procurement systems. If progress is to be made against this baseline, the government will have to do more to improve its procurement systems and bring them in line with international standards.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

Under the Paris Declaration, donors are committed to avoiding, to the maximum extent possible, creating dedicated structures for day-to-day management of aid-financed projects and programmes. In Malawi, donors have established 69 parallel project implementation units (PIUs), almost half of these set up by one donor.

How many PIUs are parallel to country structures?

INDICATOR 6
Table 18.4

	Parallel PIUs (units)
African Dev. Bank	11
BADEA	0
European Commission	5
Germany	0
Global Fund	0
Iceland	4
IFAD	2
Japan	0
Kuwait	0
Norway	0
OPEC Fund	0
Sweden	0
United Kingdom	2
United Nations	6
United States	30
World Bank	9
Total	69

INDICATOR 7
Table 18.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b c=b/a
African Dev. Bank	1	14	18	6%
BADEA	--	0	1	
European Commission	64	75	75	85%
Germany	4	16	24	24%
Global Fund	--	31	24	
Iceland	--	2	2	
IFAD	0	2	2	0%
Japan	1	17	17	4%
Kuwait	--	4	5	
Norway	21	22	30	95%
OPEC Fund	--	2	2	
Sweden	--	10	10	
United Kingdom	96	112	130	86%
United Nations	5	76	16	7%
United States	1	37	7	3%
World Bank	124	130	130	96%
Total	317	550	493	58%

* Baseline ratio is $c = a / b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c = b / a$).

The number of parallel PIUs will have to be reduced to 23 if Malawi is to meet its 2010 target. The World Bank's Aid Effectiveness Review for Malawi suggests that efforts are being made to phase out parallel PIUs, with a number of external partners using PIUs that are integrated within government ministries or agencies.

PROVIDING MORE PREDICTABLE AID

Governments are able to make more effective use of aid if it is delivered in a predictable manner. Indicator 7 tries to assess the in-year predictability of aid, measuring the proportion of aid scheduled by donors for disbursement, which was actually recorded by the government as being disbursed. Significant disparities can be due to substantial amounts of unplanned humanitarian support, or the poor quality (or even absence) of projections given to the Ministry of Finance.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Malawi, donors scheduled USD 550 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 493 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Malawi, government systems recorded USD 317 million out of the USD 493 million notified as disbursed by donors (64%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Malawi, this combined predictability gap amounts to USD 233 million (42% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. Actions might include efforts in improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

According to OECD data covering 70% of 2004 commitments, 97% of aid to Malawi is untied – a very impressive figure.

INDICATOR 8

HARMONISATION

USING COMMON ARRANGEMENTS

How much aid is programme based?

INDICATOR 9
Table 18.6

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	0	0	0	18	0%
BADEA	0	0	0	1	0%
European Commission	36	0	36	80	45%
Germany	0	0	0	25	0%
Global Fund	0	24	24	24	100%
Iceland	0	0	0	2	0%
IFAD	0	2	2	2	100%
Japan	0	0	0	17	0%
Kuwait	0	0	0	5	0%
Norway	9	7	16	49	32%
OPEC Fund	0	0	0	2	0%
Sweden	0	7	7	10	68%
United Kingdom	44	18	62	137	45%
United Nations	0	0	0	65	0%
United States	0	0	0	39	0%
World Bank	25	21	45	130	35%
Total	113	79	192	605	32%

INDICATOR 10a
Table 18.7

How many donor missions are co-ordinated?			
	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	10	30	33%
BADEA	0	0	--
European Commission	2	3	67%
Germany	0	6	0%
Global Fund	0	2	0%
Iceland	0	6	0%
IFAD	5	11	45%
Japan	0	14	0%
Kuwait	0	1	0%
Norway	8	8	100%
OPEC Fund	0	0	--
Sweden	8	8	100%
United Kingdom	7	11	64%
United Nations	18	23	78%
United States	0	0	--
World Bank	8	57	14%
Total (discounted*)	43	180	24%

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline survey shows that 24% of a total of 180 donor missions to Malawi were co-ordinated. Efforts to co-ordinate missions should continue, to reduce still further the burden placed on the government by donor missions.

On country analysis, the picture provided by the baseline survey figures is commendable, as 60% of country analytical work is co-ordinated. This comes close to the 2010 target of 66%. A fine example of co-ordinated country analysis is provided by the Joint Country Programme Review, led by the government in 2006, with external partners including DFID, the European Union, the World Bank, Germany's GTZ and Norway. External partners have posted 19 documents at www.countryanalyticwork.net.

INDICATOR 10b
Table 18.8

How much country analysis is co-ordinated?			
	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	2	100%
BADEA	0	0	--
European Commission	7	7	100%
Germany	2	2	100%
Global Fund	0	0	--
Iceland	0	0	--
IFAD	1	1	100%
Japan	0	1	0%
Kuwait	0	0	--
Norway	1	1	100%
OPEC Fund	0	0	--
Sweden	1	2	50%
United Kingdom	5	8	63%
United Nations	7	7	100%
United States	0	1	0%
World Bank	2	3	67%
Total (discounted*)	21	35	60%

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 examines one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

The assessment, carried out as part of the World Bank's 2005 review of the Comprehensive Development Framework, looks at three aspects of "managing for results": the quality of development information available, the degree to which stakeholders have access to development information, and the extent to which there is a transparent and monitorable performance assessment framework. Malawi, along with 42% of the countries sampled, received a C rating.

The World Bank's Aid Effectiveness Review notes that the quality and availability of poverty-related data have faced a number of challenges, with some years having elapsed following the census (1998) and national household survey (1997-98). However, there was a more recent integrated household survey in 2004-05 (available on the website of the Malawi National Statistics Office). To address the challenges, the government adopted a national statistical development strategy. On stakeholder access to development information, government efforts are complemented by the persistent efforts of civil-society organisations and networks such as the Malawi Economic Justice Network. Finally, the government is strengthening the monitoring and evaluation system which was set up to monitor the Malawi Poverty Reduction Strategy. Progress will be required on all three fronts – quality of data, availability of data, and monitoring and evaluation – if Malawi is reach the 2010 target rating of a B.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION presses donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

There are encouraging signs that Malawi is undertaking mutual assessment. In 2006, development partners and government undertook a Joint Country Programme Review to study progress. This year's Joint Country Programme Review brings together all major partners in Malawi. This review will also look at Paris Declaration issues, especially harmonisation and alignment. The government's draft Development Assistance Strategy (due for completion shortly) also includes a similar baseline.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Malawi. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Malawi under the aegis of the National Co-ordinator (Naomi Ngwira).

Table 18.9
Baselines
and targets

INDICATORS	2005 BASELINE	2010 TARGET
1 Ownership – Operational PRS	C	B or A
2a Quality of PFM systems	3.0	3.5
2b Quality procurement systems	Not available	Not applicable
3 Aid reported on budget	54%	85%
4 Co-ordinated capacity development	47%	50%
5a Use of country PFM systems (aid flows)	55%	No target
5b Use of country procurement systems (aid flows)	35%	Not applicable
6 Parallel PIUs	69	23
7 In-year predictability	58%	79%
8 Untied aid	97%	More than 97%
9 Use of programme-based approaches	32%	66%
10a Co-ordinated missions	24%	40%
10b Co-ordinated country analytical work	60%	66%
11 Sound performance assessment framework	C	B or A
12 Reviews of mutual accountability	Yes	Yes

ACRONYMS

CPIA	Country Policy and Institutional Assessment
GNI	gross national income
JCPR	Joint Country Programme Review
MGDS	Malawi Growth and Development Strategy
ODA	official development assistance
PFM	public financial management
PIU	project implementation unit