



GOVERNMENT OF THE REPUBLIC OF MALAWI MINISTRY OF FINANCE

A Country Evaluation of the Paris Declaration for Malawi



FINAL REPORT

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Acronyms

AAA	Accra Agenda for Action
ADF	African Development Fund
AfDB	African Development Bank
AMP	Aid Management Platform
BADEA	Arab Bank for Economic Development in Africa
CABS	Common Approaches to Budget Support
CONGOMA	Council for Non-Governmental Organisations
CP	Cooperating Partner
CSO	Civil Society Organisation
CSCQBE	Civil Society Coalition for Quality Basic Education
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DACU	Development Assistance Coordination Unit
DaO	Delivering As One
DAD	Debt and Aid Management Division
DAS	Development Assistance Strategy
DfID	Department for International Development
DOD	Disbursed Outstanding Debt Stock
DPP	Democratic Progressive Party
EC	European Commission
ECAM	Economics Association of Malawi
EU	European Union
FAO	Food and Agriculture Organisation
FICA	Flemish International Cooperation Agency
FTI	Fast Track Initiative
FY	Financial Year
GBS	General Budget Support
GDC	German Development Corporation
GDI	Gender and Development Index
GDP	Gross Domestic Product
GoM	Government of Malawi
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HLF	High Level Forum
ICEIDA	Iceland International Development Assistance
ICT	Information, Communication and Technology
IDA	International Development Agency
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IOD	International Organisation Development
IRG	International Reference Group
JICA	Japan International Cooperation Agency
JPYEE	Joint Programme on Youth Employment and Empowerment

KfW	Kreditanstalt für Wiederaufbau
MARDEF	Malawi Rural Development Fund
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
M&E	Monitoring and Evaluation
MDPC	Ministry of Development Planning and Cooperation
MHEN	Malawi Health Equity Network
MGDS	Malawi Growth and Development Strategy
MMR	Maternal Mortality Rate
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NAC	National Aids Commission
NDF	Nordic Development Fund
NGO	Non-Governmental Organisation
NSO	National Statistical Office
OECD	Organisation for Economic Co-operation and Development
OPEC	Fund Organisation of Petroleum Exporting Countries Fund
OVOP	One Village One Product Project
PAC	Public Accounts Committee
PAF	Performance Assessment Framework
PBA	Programme Based Approach
PD	Paris Declaration
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PIU	Project Implementation Unit
POW	Programme of Work
PRGF	Poverty Reduction Growth Facility
PSIP	Public Sector Investment Programme
RBM	Reserve Bank of Malawi
SBS	Sector Budget Support
SMP	Staff Monitored Programme
SWAp	Sector Wide Approach
SWG	Sector Working Group
TOR	Terms of Reference
U5MR	Under-five Mortality Rate
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WFP	World Food Programme
WPS	Women's Programme Scoreboard
WHO	World Health Organisation

1. Executive Summary

Over 120 countries and over 30 international organisations endorsed the **Paris Declaration (PD) on Aid Effectiveness** in March 2005. The Declaration has five key principles of aid effectiveness, including Ownership, Alignment, Harmonisation, Management for Development Results and Mutual Accountability with the aim to improve the quality of aid and its impact on development. Malawi fully embraced and utilised the PD to strengthen its relationships with development partners and improve aid effectiveness. The PD principles were essential and relevant in strengthening aid management and effectiveness in order to achieve economic growth and attain poverty reduction.

This report presents the results of the **Phase 2 Evaluation** of the implementation of the Paris Declaration in Malawi. This is consistent with the comprehensive evaluation strategy developed by OECD-DAC to understand the Declaration's achievements for aid effectiveness. The evaluation assesses the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately development effectiveness, including poverty reduction in Malawi.

A standard Evaluation Matrix developed by the International Reference Group (IRG) formed the centrepiece of the **evaluation methodology**, involving desk review and semi-structured interviews with stakeholders in government, civil society, donor community and the private sector. Interview guides and questionnaires were used to gather relevant information for responding to three common evaluation questions related to the context of the PD, process and intermediate outcomes and development results. **The structure of the report** also follows the country matrix.

The evaluation did not proceed without **limitations** that must be taken into account when using this report. First, slow response from respondents and scheduling conflicts with interviewees resulted in limited number of interviews and questionnaires administered. Second, national and sector statistics presented challenges in terms of data availability and consistence over pre- and post-PD period. Finally, there is evidence of other developments apart from the PD that can explain development results and intermediate outcomes in Malawi. Thus, the assessment of development results is limited to possible linkages and contributions of the PD without following the attribution route.

PD principles were introduced in Malawi within the **context** of good domestic policies and strong economic and political leadership in 2004 following the election of a new President. The implementation of PD-related measures under the IMF program before 2005 and the formal adoption of PD principles in 2005 strengthened Malawi's relationships with development partners and improved aid effectiveness. ODA increased steadily after 2005 due, in part, to the strengthened relations and increased donor trust in the country's economic management and governance. Further, the status of some of the **development outcomes** after 2005 represents an improvement over those recorded in earlier years. The proportion of the population categorised as poor reduced from 52% in 2004 to 40% in 2010. Similarly, the proportion of the population categorised as ultra-poor reduced from 22% to 15% in the same period. Further, although

Malawi's life expectancy is below the global average, it increased to 54.1 years in 2010 and compares favourably in the region. Furthermore, Malawi is on course to achieving five of the eight MDGs, including eradicating extreme poverty (Goal 1), reducing infant mortality (Goal 4), combating HIV and AIDS, malaria and other diseases (Goal 6), ensuring environmental sustainability (Goal 7) and developing global partnership for development (Goal 8). Moderate progress in some of the aid effectiveness indicators explains, in part, the improvements in these development indicators. However, progress in some development outcomes has been slow, including the three MDGs. Specifically, in the health sector, achievement of outcomes targets in 2015 is doubtful for such indicators as Infant Mortality Rate (IMR), Under Five Mortality Rate (U5MR) and Maternal Mortality Rate (MMR). The slow progress in some of the aid effectiveness indicators explain, in part, the slow progress in these development indicators.

Malawi's implementation of the PD principle on **ownership** has been moderate. With an operational national strategy, the Malawi Growth and Development Strategy (MGDS), which is consistent with the long-term vision for the country as stipulated in the Vision 2020, Malawi has exercised effective leadership over its development policies and strategies and received a rating of C in 2006 and 2008. However, although progress has been made towards addressing issues identified in both the 2006 and 2008 PD monitoring surveys, elements of compromised and weakened ownership exist, and the country requires substantive action in order to get the 2010 target rating of B. Donors must show preparedness and flexibility to increasingly invest in the national priorities and programmes. In addition, knowledge and awareness about PD among Civil Society Organisations (CSOs) should be increased in line with AAA's emphasis on ownership beyond national public institutions to include Parliament and civil society.

Malawi has made some progress towards establishing and strengthening national systems as well as encouraging the use of these systems such that implementation of the PD principle on **alignment** has, to-date, been low to moderate. Three key important pieces of legislation were adopted in 2003, including the Public Finance Management Act, the Public Procurement Act, and the Public Audit Act. Government has also implemented the Integrated Financial Management Information System (IFMIS) to track and record public expenditure in line with international standards. Progress has been made to improve procurement systems and capacity, including linking procurement plans to budgets and training of staff in largest spending procuring entities. The proportion of aid flows reported in the budget and coordinated support to strengthen capacity have been increasing. The proportion of aid flows using government PFM systems was above the global average in both 2006 and 2008 and number of PIUs has been reducing steadily during the same period. GoM compiled and now has information on 48 Project Implementation Units (PIUs) from 12 donors operating in Malawi and plans to phase out 27 parallel PIUs by 2011. Progress is also being made with all budget support donors disbursing over 80% of what they committed and the PAF 2010 reported significant improvement in the predictability of GBS in the period 2004-2009. However, implementation of the PFM reforms has been slow. There are still capacity problems being experienced in the use of the IFMIS and procurement systems. A significant proportion of Malawi's aid is not reported in the budget, operational Technical Cooperation Policy and Sector Capacity Building Strategies are lacking in all sectors except health, still many donors are either not using or partially using the country systems, and that aid predictability among CABS donors is affected by conditionality and other related factors.

Malawi's implementation of the PD principle on **harmonization** has been moderate. Malawi is making progress in increasing the number of joint missions and analytical work. For example, the AfDB Country Office undertook joint analytical work with the World Bank, DFID and the Millennium Challenge Fund of Malawi on the 2009 Country Economic Memorandum of Malawi. Further joint analytical work is anticipated between the AfDB, UNDP and World Bank in preparation of their Country Strategy Plans. Furthermore, there is increasing trend in the use of PBAs. However, the total number of activities under joint reviews increased between 2006 and 2008 and the dominance of direct project support in Malawi limits alignment and harmonization. For instance, despite a well organised and functioning SWAP in the health sector, there are more than 100 projects from more than 20 donors who are providing funding to the sector outside the SWAP arrangement. This type of situation is greatly compromising the strides and the benefits of the SWAP arrangement made by Government and places a large burden on the Ministry of Health and other government systems to efficiently manage the donor input into the sector. It is also noteworthy that some major donors like USAID do not subscribe to the PD arrangements and have their own ways of channeling funds to the development projects in Malawi.

Malawi's implementation of the PD principle on **managing for results** has been low to moderate. Malawi is making efforts to improve the national result based M&E framework. While M&E capacity has been limited in public institutions, the Ministry of Development Planning and Cooperation has in recent years made efforts to build M&E capacities for monitoring and evaluating the MGDS at sector level. Four annual reviews have been done for the MGDS since fiscal year 2006/07. However, most M&E systems are still weak, coupled with lack of quality data and access to such data by stakeholders.

The Joint analytical work among donors has strengthened **mutual accountability**. A good example is the "Common Approach to Budget Support March 2010 Review and Aide Memoire" chaired and co-chaired by the AfDB and Ministry of Finance, respectively. The GoM coordinates its PFM strengthening measures through the Group on Financial and Economic Management (GFM). However, challenges still exist. The Mutual Accountability case study suggests that there are power imbalance between GoM and the donors. On one hand, the power of donors is that of the purse-strings whereby accountability conditions are enforced over the GoM by delaying disbursement of funds or reducing aid commitments. On the other, the GoM has no realistic enforcement mechanisms to hold the donors to account. Nonetheless, there is evidence that progress, though limited, is being made on both sides.

The sector studies reinforce the findings on the extent of contribution of PD implementation to development outcomes. Progress towards development results in the **health sector** has been mixed and slow. While there has been some progress in IMR, U5MR and MMR, achievement of 2011 targets for these indicators is uncertain. This is due, in part, to varying and mixed progress in some of the aid effectiveness indicators.

Positively, the health sector in Malawi can be described as a "donor darling", having been more organised and to some extent "donor led". The sector appreciated the significance of

aid effectiveness earlier than the signing of the PD in 2005, with four National Health Plans¹ (NHPs) preceding the current Health SWAp Program of Work (2004-2011)² which was developed before the signing of the PD. The Ministry of Health (MOH) and its Cooperating Partners (CPs) also signed a Memorandum of Understanding (MOU) concerning the Health SWAp in Malawi in October 2004 to ensure transparency and accountability during implementation. Due to its good organisation under a SWAp arrangement, the health sector has attracted larger donor support than any other sector. The sector received higher proportion of pooled funding (averaging 95% of total donor funding over the past three years) than discrete funding (averaging 5%) under the Health SWAp POW. This is consistent with the “very satisfactory” rating of the alignment indicator of the PD in recent MGDS Annual Reviews. The assessment of aid effectiveness in the health sector is done through the monitoring of eleven PD indicators³ in the MGDS Annual Reviews. According to the reviews, most of the PD indicators depict very satisfactory performance, mainly reflecting the SWAp arrangements that exist in the health sector.

However, slow progress in development outcomes is due to slow progress towards targets in institutional deliveries and ARV prophylaxis, disappointing progress in the malaria programme (as measured by POW indicators) as well as gaps in service coverage due to inadequate geographical distribution of services, especially affecting women, children and the poor. Other challenges include inadequate work force, lack of participatory planning processes at the local level, limited functionality of the Health Management Information System (HMIS), irregularities in procurement of medicines and medical supplies at the central level. There have been variances between the funds pledged and disbursed by donors for both recurrent and development budgets, thereby raising concerns on predictability of aid and complicating planning and presenting barriers to achievement of targets. Predictability and delivery of aid has varied over the recent years among pooled and discrete partners, thereby casting doubt on the productive nature of the structured dialogue under the POW in terms of its focus on PD principles, such as predictability of aid.

Achievement of results in other sectors in selected priority areas of the MGDS is also mixed. Common sector issues include use of separate partner financial, management and procurement rules due to little trust for government systems as well as unpredictable aid due to lack of disclosure by donors on actual contribution. This is explained by the lack of PD-related arrangements like SWAps in these sectors. Thus, PD implementation contributed, in part, to achievement of development results.

The report draws several **key lessons and recommendations**. The major lesson in Malawi is that strong economic and political leadership to reform is critical to ensuring smooth adoption of PD principles especially national ownership. The adoption of PD principles in Malawi was done within this context. Second, donors need to be confident in the budget process and national systems in order to support Malawi’s development process using local systems. Third, General Budget Support will not have its expected impact if the government

¹ The last NHP covered the period 1999-2004

² The current POW has been extended by a year

³ These include operational sector strategy, aid flow alignment to national strategy, coordinated support for capacity building, use of country procurement systems, use of country PFM systems, number of parallel implementation structure, predictability of aid, use of common arrangements or procedures, shared analysis, joint field missions and results based frameworks.

lacks budget discipline and fails to reform its macroeconomic policies. GBS donors demand this and are often interested in making sure that the government's pro-poor expenditures increase and support improved service delivery. Finally, lack of support to gender issues in economic sectors results in pro poor misalignment of aid.

Finally, the report presents **key implications beyond the planned PD-term**. First, country-level strategies for implementing the PD and AAA must be developed. The Aid Effectiveness agenda needs a more focused approach to implementation. At present, beyond the monitoring survey, there is no systematic attempt to ensure that each country is pushing the agenda forward. With support from donors, each country can develop an implementation plan to speed up the process. Capacity development is central to this. Stronger capacity to measure, analyse and report on aid flows is required, but more importantly, leadership skills among senior civil servants in developing countries need strengthening to ensure that the development agenda is not set by donors, as is often the case.

Second, incentives on both sides of the aid relationship must be examined in greater depth to assist understanding of why progress against the PD is slow. To understand the barriers to improved performance on aid effectiveness commitments, there is need for a closer understanding of the incentive structures governing donors and Governments. All donors are accountable to their electorates, member-states or boards, who influence the modalities and direction of their spending. Similarly, Governments are subject to electoral pressures, with preferences for expenditure in certain sectors. The incentives created by these channels of accountability make some PD commitments more difficult to meet than others. To address poor performance on these commitments, we need a far more detailed understanding of these incentives, to enable both Governments and donors to address the root causes of poor performance.

Third, a system of knowledge management and learning on aid effectiveness needs to be created. Currently, there is a great deal of research on aid effectiveness, including global studies and country-specific analyses. A single repository for this information should be created to facilitate dissemination of good practice and learning across countries. We should encourage universities and the Malawi Institute of Management to offer modules on aid effectiveness in courses in development. Currently, many such courses focus on the actual economic impact of aid rather than the issue of how to make aid as effective as possible.

Fourth, the dominance and significance of project support requires re-thinking and flexibility among donors and partner countries to devise new mechanism for introducing and implementing PD-related principles.

2. Introduction

2.1 The Paris Declaration and Accra Agenda of Action

The Paris Declaration (PD) on Aid Effectiveness is a joint international statement aimed to improve the quality of aid and its impact on development. Endorsed in 2005, the PD currently has over 120 countries and 30 international organisations as signatories, thereby committing themselves to the five norms of the Declaration, including ownership, harmonisation, alignment, managing for results and mutual accountability. The Declaration provides a practical roadmap for improving aid effectiveness, with an agreed set of monitorable actions and indicator targets to be met by 2010. Malawi signed the Declaration in 2005 and fully embraced and utilised the Declaration to strengthen its relationships with the development partners.

In order to understand what the Declaration has achieved for aid effectiveness, the OECD-DAC developed a comprehensive evaluation strategy. Phase 1 of the strategy focused on inputs, outputs and ways of improving the implementation of the Declaration. Eight countries participated in Country Evaluations and eleven Donor and Agencies conducted Headquarter studies. Phase 1 findings were presented at the High Level Forum (HLF) on Aid Effectiveness in Accra in September 2008. Phase 2 of the evaluation began in September 2009 and is being undertaken by a multinational team from International Organisation Development (IOD) Ltd., with focus on intermediate outcomes and development results. The findings of the evaluation will be presented at the HLF on Aid Effectiveness to be held in Seoul in 2011.

2.2 The Purpose and Scope of the Second Phase of PD Evaluation

This report presents the results of the second independent evaluation of the Implementation of the Paris Declaration in Malawi. The purpose of the Phase 2 evaluation is to assess the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately development effectiveness, including poverty reduction in Malawi. The evaluation design acknowledges the importance of country-specific differences including differences in policy, history, and resources both among donors and aid recipients. The evaluation is therefore expected to analyse results in context, taking into account preconditions or enabling conditions that may lead to or inhibit positive development results supported by aid. According to the Terms of Reference (ToRs), the specific objectives for the Malawi Evaluation included:

- i. To document the results achieved by implementing the Paris Declaration in Malawi;
- ii. To enable country-based “partnerships, partner countries and donor/agencies to clarify, improve and strengthen policies and practices with the Paris Declaration in the pursuit of aid effectiveness and development effectiveness;
- iii. To highlight barriers and difficulties that may limit effectiveness of the Paris Declaration and the effects and impacts – and how these barriers and difficulties may be overcome;
- iv. To strengthen the knowledge base as to the ways in which development partnerships can most effectively and efficiently help maximise development results through aid in different development contexts – including various degrees of “fragility”; and

- v. To enable sharing and exchange of experience amongst stakeholders, countries and partnerships to facilitate reflection, lesson –learning and policy improvement.

2.3 Approach, Methodology and Limitations

2.3.1 Conceptual and Analytical Framework

The evaluation is a participatory qualitative assessment of three main aspects: a) the contextual relevance of the PD in Malawi and factors that positively or negatively affected the process of the implementation of the PD principles; b) the impact of the PD on efficiency of aid management, and c) the contribution of the PD to the achievement of sustainable development results.

The main focus of evidence gathering is on the behaviour changes within government and among development partners that have occurred (or are supposed to occur) and are expected to underpin subsequent improvements in aid effectiveness and the delivery of outcomes and impacts for Malawi. To break down the issues to be analysed and hypotheses to be tested into a series of questions to be asked when collecting information, the evaluation followed the specific questions in the ToRs and the Draft Operational Matrix for Country Evaluation provided by the Core Evaluation Team to guide country case studies during the Second Phase Evaluation of the Implementation of the Paris Declaration (Annex 3).

The qualitative assessment concerns the relevance of the operating environment of the PD in Malawi, the nature of behaviour change that has occurred among development partners and the development results that have been enabled or supported by this behavioural change. Generic approaches to qualitative data analysis was adopted in line with the qualitative nature of this evaluation. The generic approach provided ways of discerning, examining, comparing and contrasting as well as interpreting meaningful patterns or themes. The analysis was organised in three steps: (i) data reduction; (b) data display and (c) conclusion drawing and verification. The evaluation used multiple descriptors and sources of evidence to allow sufficient rigor and triangulation of emerging issues before drawing conclusions and recommendations. Throughout the course of qualitative analysis, the following questions were continuously asked by the Evaluators:

- What patterns and common themes emerge in responses dealing with specific items? How do these patterns (or lack thereof) help to illuminate the broader study question(s)?
- Are there any deviations from these patterns? If yes, are there any factors that might explain these atypical responses?
- What interesting trends/stories emerge from the responses? How can these stories help to illuminate the broader study question(s)?
- Do any of these patterns or findings suggest that additional data may need to be collected? Do any of the study questions need to be revised? and

- Do the patterns that emerge corroborate the findings of any corresponding qualitative analyses that have been conducted before? If not, what might explain these discrepancies in the context of Malawi?

2.3.2 Sampling

A purposive sampling frame was adopted to ensure representation of all stakeholders in the sample. A sample size of 60 was adopted from government ministries and departments, development partners/donors, Non-Governmental Organisations (NGOs) and academic institutions. Because Malawi does not have many donors, an attempt was made to interview all donors.

The evaluators planned to carry out detailed analysis within two sectors of Health and Roads (Transport and Public Infrastructure). The two sectors chosen for the Malawi study were to provide a cross-sectional view of what is happening or has happened in sectors with a varied mix of donors and financing modalities. The sectors were chosen for case studies rather than as a representative sample of sectors in Malawi. While health has been the first sector to adopt a Sector Wide Approach (SWAp) arrangement, the choice of the road transport sector was in view of the substantive resources that are being channelled to the sector by “new and non-traditional donors. Consistently, donors working in these two sectors and the relevant arms of government executing programmes in these sectors were automatically selected for key informant interviews. Since a small number of donors operate in Malawi, all donors were interviewed. The United Nations Agencies⁴ were also included as they have made efforts towards achieving principles similar to the PD as part of the UN reform agenda. Given the tight timetable and likelihood of unavailability of some key informants within the donor group, the sampling frame remained wide to ensure that as many donors were available were included for interviews. A small sample of non-state sectors, mainly umbrella bodies of NGOs (CONGOMA) and the private sector (sampled through the Malawi Chamber of Commerce) was included to solicit views and perceptions of civil society and private sector in the broader sense of the PD itself and the associated behaviour changes in government or the development partners. Thus, the comprehensive list of interviewees in Annex 4 allowed the evaluators to broaden the spectrum of views and perceptions.

The sample included such donors as the African Development Bank (AfDB), World Bank, European Commission, Norwegian Aid, Department of International Development (DfID), Flemish International Cooperation Agency (FICA), Germany Development Corporation (GDC), Iceland International Development Assistance (ICEIDA), Irish Aid, Japan International Cooperation Agency (JICA), United States Agency for International Development (USAID), United Nations Development Programme (UNDP), Food Agriculture Organisation (FAO) and the International Monetary Fund (IMF). Further, the sample included such government ministries and departments as Ministry of Finance, Ministry of Development Planning and Cooperation, Ministry of Agriculture and Food Security, Ministry of Health Ministry of Irrigation and Water Development, Ministry of Education, Science and Technology, Ministry of Transport and Public Infrastructure, Office of the Director of Public Procurement, Ministry of Gender, Women and

⁴ UNDP, UNICEF, UNFPA, WFP, WHO, FAO, UNHCR, and UNAIDS

Child Development, Ministry of Energy and Mines, Anti-Corruption Bureau, Roads Authority, Road Fund Administration, Accountant General and Auditor General. Finally, NGOs and private sector organisations were also included in the sample such as the Malawi Economic Justice Network (MEJN), World Vision International, Action Aid, Economic Association of Malawi (ECAMA), Malawi AIDS Network (MANET), Malawi Health Equity Network, CISANET, Gender Network, Centre for Human Rights and Rehabilitation, and Plan International. A full list of the institution and people interviewed is presented in Annex 4.

2.3.3 Data Collection

The evaluation used both qualitative and quantitative data collection procedures, including review of existing literature and secondary data (desk research), face-to-face semi-structured interviews as well as self and administered structured questionnaires.

Documentation reviews were undertaken to assist in the analysis of the Malawian context in relation to the implementation of the PD principles. The primary source of the literature review was the MoF, which provided the initial data on aid disbursement, public finance statistics, reports from government and donors and sector programmes.

Key Informant face-to-face interviews were undertaken with major stakeholders, which included developing partners, government ministries and departments, civil society, the media and private sector.

Finally, in order to carry out the data collection exercise in a timely and more focused manner, a number of structured questionnaires and interview guides were developed. In addition, self-administered questionnaires were e-mailed to about 20 organisations. Two interview guides were used in interviewing government and development partners on one hand, and the civil society, private sector and the press on the other. These tools are presented in Annex 3.

2.3.4 Limitations

The main challenge faced during the data collection phase is the slow response from respondents and the tendency by stakeholders to schedule appointments in their own time. The data collection exercise was undertaken during September when most of the officials of the development partner agencies were away on annual summer vacation.

A number of self-administered questionnaires were not answered. Out of twenty questionnaires that were sent out only six were returned. The institutions that did not send back the structured questionnaires were followed up with telephone and face-to-face interviews. However, only 10 out of the 14 that did not return the questionnaires were interviewed. Nonetheless, this does not significantly affect the quality of data.

National and sector statistics presented challenges in terms of data availability and consistence over pre- and post-PD period. Finally, there is evidence of other developments apart from the PD that can explain development results and intermediate outcomes in Malawi. Thus, the

assessment of development results is limited to possible linkages and contributions of the PD without following the route of attribution.

2.4 Report Outline

The outline of the report is consistent with the template defined by the International Reference Group (IRG). While the executive summary (Chapter 1) precedes this introduction (Chapter 2), the country findings on the common evaluation questions (Chapter 3) follow the introduction. The later Chapter presents the context of the PD, process and intermediate outcomes, development outcomes and a separate section on conclusions. Finally, the report presents key lessons and recommendations (Chapter 4) and possible key implications (Chapter 5).

3. Country Findings on the Common Evaluation Questions

3.1 The Paris Declaration Context

3.1.1 Key Characteristics of the Country That Have Been Most Relevant to the Implementation of the Paris Declaration (Question 1a)

Despite over four decades of development assistance since independence, Malawi remains among the poorest countries in the world measured on almost any scale. With a per capita income of US\$280 in 2009 (WB), 40% and 15% of Malawi's 13.7 million people are categorised as poor and ultra-poor, respectively (Malawi MDG Report, 2009). Most social indicators also remain quite low, and in 2010, Malawi was ranked in 153rd position out of 169 countries in the United Nation Development Programme's (UNDP's) Human Development Index (HDI) with a value of 0.385. Finally, in 2010, Malawi's life expectancy of 54.1 years is below the global average of 70 years but compares favourably in the region⁵. The status of development outcomes in 2010, nonetheless, represents an improvement over those recorded in earlier years. For instance, in 2004, the proportion of Malawi's population categorised as poor and ultra-poor was 52% and 22%, respectively. Further, between 1980 and 2010, Malawi's HDI rose by 1.3% annually from 0.258 to 0.385.

Malawi is on course to achieving five out of the eight Millennium Development Goals (MDGs). These include eradicating extreme poverty (Goal 1), reducing infant mortality (Goal 4), combating HIV and AIDS, malaria and other diseases (Goal 6), ensuring environmental sustainability (Goal 7) and developing global partnership for development (Goal 8). On Goal 7, evidence from discussion with stakeholders shows that Malawi has made significant efforts to plant trees that could contribute to the mitigation of the impacts of climate change. However, the rate of deforestation is increasing at an alarming rate, with increasing cutting down of trees for charcoal production.⁶ Malawi needs to put more efforts in order to achieve the goals of reduced child mortality (MDG 4) and the fight against HIV/AIDS, malaria and other diseases (MDG 6). Dropouts during primary school education are still too high in Malawi to ensure universal access to primary education (MDG 2). While Malawi has a high female representation in parliament in comparison with other countries within the region, it is still below the goal of promoting gender equality (MDG 3). Improved maternal health (MDG 5) will probably not be realised since the actual number of 807 per 100,000 live births in 2010 remains very high.

Self-reliance in the context of MDGs can be traced to Goal 8, which unlike the other seven goals, takes a financing position. The 2009 Malawi MDG Report shows that there were no targets on all the indicators on Goal 8. Thus, although it is reported that Malawi is likely to meet the goal, the basis is not known and the current achievement is rather low. Notwithstanding this, it must be appreciated that for the past five years, Malawi has been able to meet national food self-sufficiency. The main concern is that Malawian agriculture almost entirely depends on rainfall

⁵ 2010 HDI Report gives life expectancy of 52 years in Uganda and RSA

⁶ The high levels of poverty, limited income earning alternatives, limited low coverage of electricity and weak legislation exacerbate the charcoal business in Malawi.

and is therefore vulnerable to vagaries of weather especially drought. In addition, there is a very low level of mechanisation, thereby limiting the area under cultivation and the productivity of labour and land. Table 1 below summarises the progress made by Malawi towards achieving the MDGs.

Table 1: Progress towards Achieving the MGDs

Goal	Indicator	Current Status	2015 Target	Feasibility Of Achieving Goal
Eradicating Extreme Poverty and Hunger	Proportion of population living below US\$1.00 per person per day	40%	27%	<i>Likely to be met by 2015</i>
	Poverty Gap Ratio	17.8%	0%	
	Poverty Quintile Share in National Consumption	10.1%	20%	
	Prevalence of population below minimum level of dietary energy consumption	15%	11.8%	
Achieve Universal Primary Education	Net Enrolment in Primary	79%	100%	<i>Unlikely to be met by 2015</i>
	Proportion of Pupils starting Grade 1 reaching Grade 3	75.7%	100%	
	Literacy Rate (15 – 24 yrs)	82%	100%	
Promote Gender Equality and Empower Women	Ratio of Girls to Boys in Primary Education	0.99	1	<i>Unlikely to be met by 2015</i>
	Ratio of Girls to Boys in Secondary Education	0.77	1	
	Ratio of Literate Women to Men 15 – 24 Years Old	0.94	1	
	Share of Women in wage Employment in non-Agriculture Sector	15%	50%	
	Proportion of Seats Held by Women in Parliament	22%	50%	
Reduce Child Mortality	Under-five mortality rate	122 per 1,000	78 per 1,000	<i>Likely to be met by 2015</i>
	Infant Mortality Rate	72 per 1,000	44.7 per 1,000	
	Proportion of 1 Year children immunised against measles	84%	100%	
Improve Maternal Health	Maternal Mortality Rate	807 per 100,000	155 per 100,000	<i>Unlikely to be met by 2015</i>
	Proportion of births attended by skilled health personnel	58%	100%	
Combat HIV and AIDS, Malaria and other diseases	HIV prevalence among 15 – 24 year old pregnant women	12.3%	0%	<i>Likely to be met by 2015</i>
	Ratio of orphans to non-orphans in school	0.14	-	
	Death rates associated with malaria	4%	-	
	Access to Malaria treatment	21%	-	
	Proportion of Households with at least ITN	37.8%	-	
	Death rates associated with Tuberculosis	9%	-	
	Proportion of TB cases under DOTS	83%	100%	

Ensure Environmental Sustainability	Proportion of land covered by forest	36.2%	50%	<i>Likely to be met by 2015</i>
	Proportion of area protected to maintain bio-diversity	0.16%	0.18%	
	Proportion of population using solid fuel	98.7%	0%	
	Proportion of population with sustainable access to an improved water source	80%	74%	
	Proportion of population with access to improved sanitation	94%	86%	
	Slum population as percentage of urban population	64.4%	-	
Develop Global Partnership for Development	Net ODA as percentage of Real Gross Domestic Product	21%	-	<i>Likely to be met by 2015</i>
	Unemployment of 15 – 24 year old (urban)	9.4%	-	
	Telephone lines subscribers per 100 population	0.82%	-	
	Cellular subscribers per 100 population	11.1%	-	
	Internet users per 1,000 population	0.70	-	

‘-‘means no target was set for the indicator

Source: Malawi Millennium Development Goals Report (2009); Ministry of Health, Malawi Health Sector-Wide Approach Programme of Work: Progress made on SWAp Indicator matrix (2010).

Malawi’s political history is characterised by the pre-independence period under British rule until 1964, the post-independence single party era under Dr. Hastings Kamuzu Banda until 1994, and the current period of multiparty democracy. Under the multiparty democratic era since 1994, Malawi held four general elections to elect President⁷ Bakili Muluzi in the first two elections in 1994 and 1999 and President Bingu wa Mutharika in the subsequent two elections in 2004 and 2009. As opposed to the government-opposition tenuous Parliament between 2004 and 2009, the fourth multiparty general elections in 2009 gave President Bingu wa Mutharika’s Democratic Progressive Party (DPP) the majority seats in Parliament. Women won 21% of the seats, thereby increasing their representation by 50% from the 2004 to 2009 Parliament.

Malawi’s economic performance and aid relations during the multi-party era mirror political developments, with significant improvements since 2004 following several years of weak policy implementation. Economic and aid relations during pre-PD era between 2000 and 2004 in Malawi are characterized by major concerns by the IMF and other donors on ever-increasing economic mismanagement, coupled with lack of political will to reform, massive fiscal policy slippages, corruption and mismanagement of public resources⁸. The Poverty Reduction Growth Facility (PRGF) with the IMF was suspended and other donors followed suit and suspended aid during the period. The election of President Bingu wa Mutharika in May 2004 brought a U-turn

⁷ The president of the Republic of Malawi is both the chief of state and head of government. Although theoretically a Republic with separation of powers, in practice the executive predominates.

⁸ The prosecution of several high-profile corruption cases (APEX, SECUCOM, the Petroleum Control Commission cases) had stalled during the period. Senior officials in parastatals such as the Malawi Telecommunications Limited were implicated in corruption in 2001 and other senior Government officials in 2002 were implicated in allegations that maize sales out of the strategic grain reserve were made in 2000/01 to politically-connected people at below-market prices.

to economic mismanagement, adopting a policy of zero tolerance on corruption and insisting on the rule of law, thereby setting the stage for a new era of sound governance and prudent economic policies that won back the support and confidence of donors. Malawi successfully implemented an IMF Staff Monitored Programme (SMP) between July 2004 to June 2005, resulting in Malawi's new PRGF arrangement with the IMF in August 2005, and successful arrival to HIPC completion point in August 2006. At this point, most donors and creditors were poised to give President Mutharika credit for the significant achievements he made in relation to his predecessor through financial support. Thus, good domestic policies and strong economic and political leadership were the context in which the PD principles were introduced in Malawi. Malawi also made a significant policy shift from social consumption to sustainable economic growth and infrastructure development by adopting the Malawi Growth and Development Strategy (MGDS) as a successor strategy to the Malawi Poverty Reduction Strategy in the same year. Malawi got approval for relief under the Heavily Indebted Poor Countries (HIPC) program in 2006. Further, the US granted Malawi eligibility status to receive financial support within the Millennium Challenge Corporation (MCC) initiative in December 2007.

Economic growth averaged 6.5% between 2004 and 2008, compared to an average of 3.3% over the period from 1996 – 2005. This improvement is a result of the change in the Government's agricultural policy, favourable weather conditions for the agricultural sector, strict Government expenditure controls, buoyant domestic revenues and the attainment of HIPC Completion Point in August 2006. The economy grew by 9.7 percent in real terms in 2008 compared to the 7.9 percent growth recorded in the previous year and 6.0 percent target in the Malawi Development and Growth Strategy. Estimated at 7%, growth in 2009 remained robust although slower than the 9.7% achieved in 2008. Strong performance in agriculture was largely driven by good weather and the government's fertiliser subsidy for the smallholder farmers who contribute 70% of agricultural GDP. In addition, the rate of annual average inflation stood at 8.7%, sustaining single digit levels that were attained in 2007. Inflation has been declining since 2005, reflecting moderation in food and fuel prices and restrained credit growth. Inflation rate is estimated at 8.1 percent by end of 2010. Lower inflation levels resulted in reduction in interest rates from as high as 35 percent in 2003 to 15 percent currently. Domestic debt that had accumulated to 25 percent of Gross Domestic Product (GDP) at the beginning of 2004 was reduced to 7.7 percent of GDP at the close of 2008/09 fiscal year.⁹

The Malawi economy, which is significantly dominated by agriculture - accounting for more than one-third of GDP and 90% of export revenues - successfully weathered the impact of the global economic crisis relatively well. The country's relatively low integration in world and financial markets prevented significant impact of the crisis. Strong maize and tobacco harvests, and the start of the uranium production helped anchor the economy's resilience. Many CSO, however, claimed during interviews that the global financial crisis has had the effect of reducing transfers through civil society organisations (e.g., NGOs, faith based organisations and international organisations) whilst grants to the government have not contracted. No data was made available to verify this.

Despite the impressive economic performance over the recent years, Malawi is very vulnerable to external shocks, especially in terms of oil prices, due to its geographical location and high

⁹ Annual Economic Report 2010, Ministry of Development Planning and Cooperation

volumes of imports. Being a primarily agricultural economy, the poverty level can rise immediately after a weak harvest. The government faces many other challenges, including developing a market economy, improving educational facilities, facing up to environmental problems, dealing with the rapidly growing problem of HIV/AIDS, and satisfying foreign donors that fiscal discipline is being tightened.

The multi-party era since 1994 is characterised by the adoption of a written democratic constitution in 1995, and ever since, peaceful progress has been made towards democracy, decentralization, fighting of corruption and the establishment of civil and human rights throughout the country, where constitutional government and the rule of law prevail. Specifically, Government has provided some space for non-state actors, including civil society that plays a watchdog role and is consulted during policy formulating. Overall, Malawi was ranked as an average country in international governance indicators in 2009, generally denoting some degree of improvement over 2008. Malawi was ranked 89th out of 180 countries on Transparency International's 2009 Corruption Perceptions Index, representing a significant improvement compared to the 115th position in 2008. Similarly, the 2009 Mo Ibrahim Index of African Governance shows a somewhat improving score of 53 for Malawi (out of 100) compared to 51 in 2005.

Finally, Malawi produced its first Gender and Development Index (GDI) to measure gender equality and women empowerment in 2010. The 2010 GDI for Malawi shows that the overall Gender Status Index (GSI) is at 0.639 while the Women's Progress Scoreboard (WPS) is at 67.1 percent. The GSI value implies that Malawi is doing fairly well in gender equality performance. The results show that the country is doing very well in the social power (0.926) followed by economic power (0.724) and finally the political power (0.266). The WPS overall average score of 67.1% is high compared to a number of countries that have piloted the GDI¹⁰. According to the MGDS Annual Reviews, the Gender Development Index increased from 0.374 in 2005 to 0.600 in 2008/09.

However, the stakeholders consulted, especially the development partners, were concerned that despite the improvements in governance, further improvements are required in addressing fiduciary risks, particularly as regards within-sector variance of budget forecasts and outturns, external audit quality and follow-up, and procurement capacity challenges. These issues are discussed in relevant chapters in this report.

Further, the Constitution provides for local assemblies, necessitating the elections of councillors. Consistently, the first local government elections were held in November 2000, representing the first step towards more accountability of elected vis-à-vis appointed local leaders in the district assemblies. The second local government elections scheduled for 2004, have not been held up to now, resulting in Malawi having no counsellors since 2005. This implies that community participation in the development process may have been compromised. Furthermore, the oversight and scrutiny of government business afforded by checks and balances to the system may be compromised now that the government has a strong majority in Parliament. For instance, the easy passing of the 2009/10 national budget and several financial bills carried over from the previous

¹⁰ See African Women's Report 2009 (UNECA)

fragile Parliament was applauded by the public. However, the further passing of some bills¹¹ by the DPP-led government in November 2009 raised concerns among civil society groups.

3.1.2 National and International events that affected implementation of the Paris Declaration and the Accra Agenda of Action Priorities (Question 1b)

Internal events outweigh external events in affecting the implementation of the PD and AAA in Malawi. The suspension of the IMF program in 2004 and suspension of general budget support in 2002/03 brought a re-thinking that things ought to be done differently to improve aid management. The formal introduction of PD principles in 2005 just added momentum to the need to improve aid effectiveness and management. As already noted, donor support in the period up to 2004 was increasingly linked to concerns regarding the management of public resources, a situation that led to the adoption of several pieces of legislation in this area in 2003, including the Public Finance Management Act, the Public Procurement Act, and the Public Audit Act.

The new government in 2004 had a direct impact on the formal introduction of the PD arrangement among the CABS group. The good leadership made it possible to rebuild the aid relationship and implement plans to base it on the PD. The initiatives taken by the Office of the President and Cabinet to launch the establishment of the Sector Working Groups (SWGs) in 2008 supports the continued existence of strong political and economic leadership. The Ministry of Finance (MoF) and the Ministry of Development Planning and Cooperation (MDPC) prepared for the formal introduction of the SWGs that were launched by the OPC. At the same time, the very tense relations between the ruling party and the opposition in Parliament affected negatively the delivery of aid between 2004 and 2009 through strong opposition to financial bills and the annual budgets.

The global economic crisis was the likely international event to affect the implementation of the PD through reduced flow of donor aid. However, the country's relatively low integration in world and financial markets assisted in preventing this. If anything, only CSOs claim the reduced resource flows by donors affected them, but this is difficult to ascertain given the lack of data, knowledge and awareness about PD among the CSOs. The interviews with the donors confirmed that Aid was not reduced due to the crisis.

3.1.3 The Place of Aid subject to PD principles pre and post Paris Declaration (Question 1c)

Malawi's heavy dependence on aid pre-dates PD implementation as back as since its independence in 1964. Most of the development budget has been made up of external resources, averaging 40% of the total development resources.¹² Foreign aid continues to constitute a significant proportion of total public expenditure. For instance, in 2008/09, 44.3% of the revised national budget, estimated at US\$1.8 billion, was funded by international aid grants (35.2%) and

¹¹ These include the bills that give the president power to decide when to hold the local elections and power to fire the Vice President.

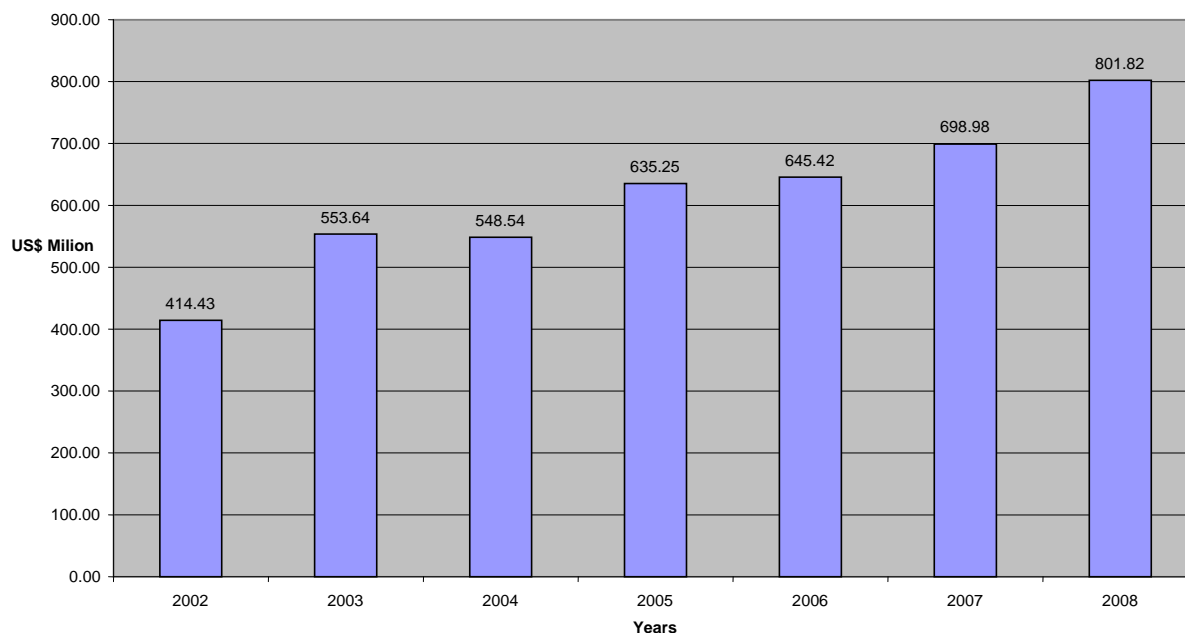
¹² The proportions were 44% and 42% in 2004/5 and 2006/7, respectively.

loans (9.2%). Donor aid was generally above 40% of the government budget in the period 2004 – 2008¹³. Donor aid is also significant in augmenting Malawi’s limited capacity to generate foreign exchange earnings. As such, aid predictability is important for both Malawi’s budget and import financing.

Active dialogue between Government and CABS donors began as early as 2000/01, leading to the brief suspension of budget support in 2002/03. The climax results were the failure to draw the balance of SDR 32.23 million under the Poverty Reduction Growth Facility (PRGF) with the IMF between 2000 and 2003 and subsequent suspension of the IMF PRGF programme in April 2004. Other donors also suspended aid during the period. For instance, while actual disbursements under the Common Approach to Budget Support (CABS) arrangement began in 2000/01, non-compliance with PRGF conditions led to their brief suspension in 2002/03. Although disbursements were restored in 2003/04, two of the original donors (Denmark and later, Sweden) effectively withdrew. The suspension of disbursements and withdrawal of some members reflect the unproductive nature of the pre-PD dialogue.

However, the post-PD dialogue has been significant for behaviour change from both sides such that the dialogue depicts productive elements in most cases. For instance, as Figure 1 below shows, ODA increased steadily after 2005.

Figure 1: Total ODA to Malawi (excl. debt action) for 2002 - 2008

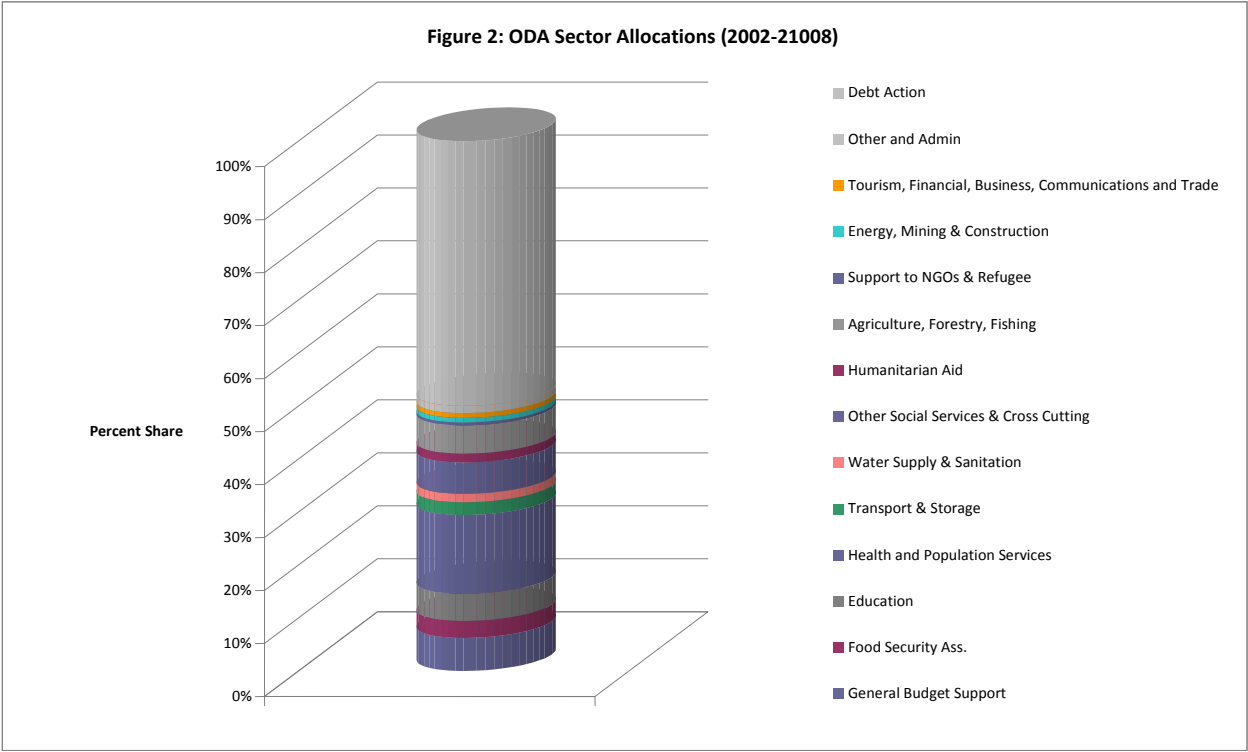


Source: OECD DAC CRS Database (2010)

With productive dialogue, aid should be used in sectors with poor MDG statuses. Likewise, sectors with larger aid allocation should provide better MDG statuses over time. Figure 2 below shows ODA allocation by sector between 2002 and 2008. The mixed MDG results in the health

¹³ It was about 47% in FY 2009/10

sector (see section 3.1.1) are consistent with the largest share of sector allocation (excluding general budget support), reflecting continued efforts to address maternal mortality issues on one hand and positive progress in reducing child mortality rate on the other. Further, other social services and cross-cutting and education sectors received second and fourth largest sector shares of ODA. This is also consistent with the need for continued efforts to meet MDG 3 and MDG 2. Nonetheless, the continued poor statuses of MDGs in the two sectors are not consistent with the large ODA allocations to the two sectors. This brings back to the fore the unproductive nature of the dialogue during the PD-era.



Source: OECD DAC CRS Database (2010)

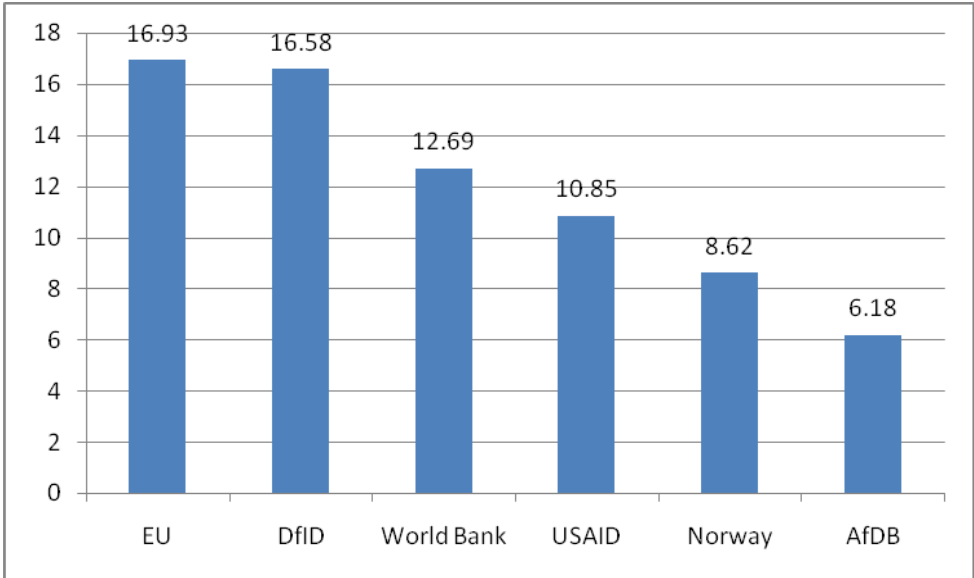
3.1.4 Key actors in the country with respect to aid and the influence of PD and AAA commitments (Question 1d)

The Ministry of Finance holds the main responsibility for the overall coordination of aid and its effectiveness. The responsibility is carried out in close collaboration with the Ministry of Development Planning and Cooperation. The Debt and Aid Management Division (DAD) was established in 1997 following a functional review process. Prior to that, the Ministry of Finance had what used to be called an External Aid Section, which was divided into Bilateral and Multilateral Sections as the arms of Government dealing with aid coordination. Apart from this, the ministry also had a Disbursement Section, which was responsible for making all payments both to projects, in the case of loan/grant disbursements and to creditor institutions, in case of debt servicing.

The creation of DAD brought under one umbrella all the debt and aid management functions, which were previously performed by various Government Departments and agencies such as the Accountant General, Ministry of Economic Planning and Development, Ministry of Finance, Ministry of Foreign Affairs and the Reserve Bank of Malawi. Malawi’s legal and institutional framework for debt management clearly defines roles and responsibilities for public finance management. The mandate of DAD is to mobilize external resources to finance shortfalls in the Government budget, ensure its effectiveness and manage the public debt portfolio.

Figure 3 shows that the major donors are European Commission, DfID, World Bank, USAID, Norway and the African Development Bank. A number of bilateral development partners give constant support to Malawi, but it is difficult to identify “traditional” donors, since Malawi has fewer development partners than neighbouring countries like Zambia, Mozambique and Tanzania. The donor community in Malawi often fluctuates, with some donors entering and some exiting, and others increasing and decreasing aid flows very significantly in relatively short time frames.

Figure 3: Percentage of Aid Disbursement by donor 2007/8 – 2009/10 Financial Years



Source: DAD, Ministry of Finance, 2010.

Most of the government officials interviewed showed some knowledge of the PD and AAA. This was particularly so in central ministries, but less so at the sector ministry and district levels. However, there is a general understanding of the PD principles among sectors that are implementing or moving towards formalising SWApS, including agriculture, education, health and water.

Most interviewees made reference to the Common Approach to Budget Support (CABS) as an effective aid coordination framework and mechanism with influential donor actors. This is not surprising given that most of Malawi’s general budget support is channeled through this group, accounting for up to 29% of total aid and close to 13% of total government expenditure in FY

2009/10. The rationale for the establishment of the CABS Group was to increase donor coordination and harmonization of conditions necessary for disbursement, to enhance interface and dialogue between donors and the government at various levels, and to reduce transactions costs through alignment with GoM processes and through the impact of harmonization. The original CABS group in the early 2000s comprised Denmark, the United Kingdom's Department for International Development (DfID), the European Commission (EC), Norway and Sweden. In 2005, a Joint Framework (JF) was signed between the CABS Group and the government, being an instrument to govern the relationship. The original signatories of the JF from the donor side were DfID, the EC, Sweden and Norway, but Sweden eventually withdrew from the group, and the current group consists of African Development Bank (AfDB), Department for International Development (DFID), European Commission (EC), Germany, Norway, and the World Bank (WB). The IMF and UNDP participate as observers.

The frequent reference to the CABS group is also in view of its wide-encompassing fundamental principles, including commitment to poverty reduction, respect for human rights, democratic principles, sound macroeconomic management, and good governance. The JF also seeks to promote harmonization amongst development partners, alignment of aid to the country's national strategy and its budgetary and accountability system, joint reviews and funding predictability. Most importantly, the JF has a common Performance Assessment Framework (PAF) to assess the performance of government and Cooperating Partners (CPs) on set targets within predetermined indicators across sectors. The indicators for assessing the performance of CPs are, however, so limited that the focus of the PAF appears to be on Government performance. Two joint budget support reviews are conducted each year, one in February/March and another in August/September. Of these, the former is the main review and forms the basis upon which the CABS partners make decisions on whether to disburse budget support and what levels of funding to provide.

The United Nations launched the "Delivering as One" (DaO) pilot initiative in 2007 to respond to the challenges of a changing world and test how the UN family can provide development assistance in a more coordinated manner. Malawi is among the eight pilot countries on the UN DaO and other countries include Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Viet Nam. The countries agreed to work with the UN system to capitalise on the strengths and comparative advantages of the different agencies of the UN family. The broad objective is to increase the UN system's impact through more coherent programmes, reduced transaction costs for governments and lower overhead costs for the UN system. The initiatives under DaO include the Joint Program on Youth Employment and Empowerment (JPYEE), which is a partnership between five UN agencies (UNDP, ILO, WFP, UNICEF and FAO) and Malawi Government through the Ministry of Youth Development and Sports. While programme reviews are conducted jointly, it is noteworthy that use of Government systems is currently remote as all UN agencies separately administer funds under the Program.

Malawi has had no aid management policy describing the desired characteristics of development partners that disburse foreign aid in support of Malawi as well as the broad hierarchy of aid modalities until 2009. In the absence of this policy, Malawi relied on the Development Assistance Strategy (DAS) published in 2007 to discuss aid management issues and articulate GoM preferred aid modalities. The Aid Management Policy of 2009 states that the Government

prefers that most aid should be delivered in the form of General Budget Support (GBS) or Sector Budget Support (SBS). While GBS offers flexibility in the use of aid from year to year and among priority recurrent or development activities of the economy, it is conditional on addressing broader policy issues and hence, subject to cancellation risk when conditions are unmet. As such, it has a ceiling of 30% of total external development financing. Given the cumbersome nature of separate reports and reviews under direct project support, which currently dominates aid modalities in Malawi, the Aid Management Policy stipulates Government preference to administer project support through its own financial and procurement systems and be used as part of a SWAP. According to the policy, no project support will be encouraged by the end of the 2009/10 financial year unless it is more than \$5 million in value, is part of a SWAP and will use Government systems.

The policy has come at an opportune time given the number of non-traditional donors operating in Malawi, including China. Although OECD notes that China adheres to the Paris Declaration, it is unclear how much influence the PD is having on their development efforts in Malawi. A challenge with respect to assessing the effect that these emerging donors are having is the absence of publicly available data. The evaluation tried to obtain such material but was unable to do so. Interviews with other development partners and stakeholders observed tendency among emerging donors to stress south - south cooperation, local stability and strategic economic interests as the primary rationale for their development investments. China's focus in Malawi appears to be on infrastructure, thereby benefiting Malawi's emphasis on infrastructure development as a priority area with an additional source of finance beyond traditional ODA. The ultimate impact of the changing aid context on the aid effectiveness agenda, as represented by the PD/AAA, is however, still unclear. There are also Vertical Funds operating in the country, including the Global Fund for Aids, TB and Malaria, the Clinton Foundation, the Fast Track Initiative (FTI) and the Millennium Challenge Account. Such organizations responsible for Public Financial Management (PFM) as the Auditor General, Accountant General and the Office of the Director of Public Procurement (ODPP) have impact on how aid relationships evolve. As such, the extent of implementation of the PD principles such as alignment depends on the performance of these organisations.

3.1.5 To what extent and where have the PD Principles been Implemented (Question 1e)

Malawi has relatively stronger national strategies and development programs. The Government is now given more room to make decisions on where to allocate donor funding and align the funding to its priorities. It is also observed that there is less interference by the donors on government policy processes, which has given the government more space to come up with the policies that are in line with national interests and development priorities.

The GoM shows strong commitment with the implementation of the PD, and the AAA. Over the past five years, improving capacities and strong leadership at the MoF has led to a strong institutional and policy setup for aid and development effectiveness. The key element of consistent coordination and alignment of aid to national priorities is the Development Assistance Strategy (DAS) 2006 – 2011, which includes an action plan and a set of 26 targets around the PD principles. PD principles and the AAA are now an integral part of policy dialogue between government and development partners. All the five PD principles have been implemented with

varying degree of success, and several challenges remain as development partners still show varying degrees of readiness to use country systems, focus on parallel project modalities and face insufficient coordination in technical assistance and missions in the country. The Table below gives Malawi's progress on PD indicators.

Table 2: Progress in the Implementation of the PD Principles

PD Indicator	2006	2008	Comments	Target 2010
Ownership	Moderate	Low - Moderate	Moderate	
1. Operational Development Strategy	C	C	On-going efforts to address capacity issues; MGDS ends in 2011 and MGDS II under preparation	B
Alignment	Low	Low - Moderate	Low - Moderate	
2A. Public Financial Management	3	3	A prioritized PFEM Action Plan (PAP) and capacity strengthening of PFEM Secretariat.	3.5
2B. Procurement	N/A	C	Procurement plans linked to budgets in 5 of the 10 largest spending procuring entities; a consultant was engaged to conduct training in the 10 largest spending procuring entities to ensure improved procurement specifications and better evaluation reports.	B
3. % Aid flows reported in the budget	54%	64%	CPs increased pledges and met their commitments by disbursing their pledged resources in 2009/10	85%
4. % Coordinated TA	47%	52%	Marked improvement in most donors' provision of coordinated technical cooperation (2008 survey)	50%
5A. % Aid flows using government PFM systems	55%	50%	Above global average of 40%	N/A

5B. % Aid flows using government procurement	35%	35%	Procurement plans linked to budgets in 5 of the 10 largest spending procuring entities; a consultant was engaged to conduct training in the 10 largest spending procuring entities to ensure improved procurement specifications and better evaluation reports.	N/A
6. Number of Project Implementation Units	69	51	Unlikely	23
7. % of aid disbursed within the fiscal year for which it was scheduled	58%	58%	Significant improvement in the predictability of GBS in the period 2004-2009 but predictability is affected by conditionality and the other related factors	79%
8. % untied bilateral aid	97%	91%	All multilateral agencies and some bilateral provide untied aid	>97%
Harmonization	Moderate	Moderate	Moderate	
9. % aid provided in the form of PBAs	32%	42%	unlikely as most SWAPs not operational yet	66%
10A. % joint missions	24%	26%	Ambitious	40%
10B. % joint analytical work	60%	61%	Not available	66%
Managing for results	Moderate	Low - Moderate	Low - Moderate	
11. Transparent and monitorable PAFs to assess progress against (a) the national development strategies and (b) sector programmes	C	C	unlikely	B
Mutual Accountability	Low	Moderate	Moderate	
12. Mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in the Declaration	yes	yes	Exists	yes

Source: 2006 and 2008 Monitoring Surveys

Ownership

Malawi's implementation of the PD principle on ownership has been moderate. Malawi has exercised effective leadership over its development policies and strategies and coordinates the efforts of various development actors working in the country. Beyond the Vision 2020, which presents the long-term vision for the country, Malawi has an operational national strategy, the Malawi Growth and Development Strategy (MGDS) for the period 2006-2011. The MGDS, which was formulated through a consultative process involving various stakeholders -- including Cooperating Partners, private sector and civil society -- clearly outlines the national priorities and has indicators for monitoring progress.

The GoM, in consultation with its development partners, has also developed a Development Assistance Strategy (DAS)¹⁴ to enhance the effectiveness of the development efforts of Government, donors and other stakeholders in reducing poverty and spurring economic growth as stipulated in the MGDS as well as achieve the MDGs. The DAS provides a framework for promoting development assistance effectiveness by ensuring national ownership and government leadership in accordance with the principles of the Paris Declaration. Thus, while the MGDS provides a nationally-owned, results-oriented medium term framework for promoting economic growth as a means to reducing poverty, aid dependency and the achievement of the MDGs, the DAS provides the basic framework for national ownership, coordination and alignment of development assistance to the MGDS. The DAS is complemented by the Aid Management Policy of 2009, which describes the GoM's desired characteristics of development partners that disburse foreign aid in support of Malawi as well as the broad hierarchy of aid modalities. The provisions of the policy reflect positive direction towards full Government ownership. The insistence of GoM that no development projects should be funded unless they are appraised and approved by the Ministry of Development Planning and Cooperation under the Public Sector Investment Programme (PSIP) is another example of Government efforts to ensure ownership.

Thus, Malawi has an operational development strategy in place and received a rating of C in 2006 and 2008 Surveys on Monitoring PD. Stakeholder interviews indicated progress towards addressing issues identified in both the 2006 and 2008 Surveys. For instance, MDPC has been addressing capacity issues by recruiting, deploying and training sector economist/planners to Ministries under the Joint Support Programme on Monitoring and Evaluation supported by UNDP. In addition, there is positive movement towards adoption of Programmes of Work (POW) within the sectors, including agriculture and health. **However, elements of compromised and weakened ownership exist, thereby requiring substantive action in order to get the 2010 target rating of B.** First, ownership requires donors to show preparedness and flexibility to invest in the national priorities and programmes but some donors sometimes act against GoM stated priorities and policies. This is evidenced by the limited extent to which Government has been able to mobilise donor support for some of its priority areas and programmes. For instance, the success of the targeted farm inputs subsidy programme has only been reflected as a recurrent expenditure program in the pursuit of national food security, according to the 2009 Malawi Country Economic Memorandum. In addition, donors have apparently been slow to fund utilities and transport infrastructure. The 2009 Malawi Country Economic Memorandum states that paved road network in Malawi is currently in good or very

¹⁴ See Malawi Development Assistance Strategy-2006-2011: Making Development Assistance More Effective, Ministry Of Finance, Lilongwe, September 2007.

good condition but maintenance funding has been inadequate with an annual budgetary shortfall of approximately US\$50 million. Second, although GoM is making strides towards building capacity for coordination in central government agencies, matching GoM and donor capacity has continued to remain a challenge. Third, the AAA emphasized ownership beyond national public institutions to include Parliament and civil society. The involvement of the latter is increasing as evidenced by increasing analysis of national budgets, tracking of sector expenditures and involvement in policy/programme formulation through the Sector Working Groups. However, the limited knowledge and awareness about PD among CSOs cast doubt on the extent of ownership among CSOs.

Alignment

Under the Paris Declaration, the principle of alignment refers to two important changes to aid practice. The first is that donors should base their support on the partner country's development priorities, policies and strategies ('policy alignment'). The second is that aid should be delivered as far as possible using country systems for managing development activities, rather than through stand-alone project structures ('systems alignment'). Alignment therefore depends on the existence of a national development strategy and the trust by donors in national systems.

Malawi has made progress to establish and strengthen national systems as well as encourage the use of these systems. Malawi's implementation of the PD principle on alignment has been low to moderate. As already noted, donor concerns regarding the management of public resources in the period up to 2004 resulted in the adoption of several pieces of legislation in 2003, including the Public Finance Management Act, the Public Procurement Act, and the Public Audit Act. First, Malawi has implemented PFM reforms in order to establish, develop and strengthen PFM systems. As such, the country received a rating of three on the target of having reliable PFM systems in 2006 and 2008. There has also been progress towards addressing issues identified in both the 2006 and 2008 Surveys on Monitoring the PD. For instance, the 2010 Performance Assessment Framework (PAF) for the CABS group acknowledges that a prioritized Public Financial and Economic Management (PFEM) Action Plan (PAP) was developed to ensure more effective implementation of PFEM reforms and capacity of PFEM Secretariat was strengthened. These actions will improve PFM systems in Malawi and ensure donor confidence in these systems. Government has also implemented the Integrated Financial Management Information System (IFMIS) to track and record public expenditure in line with international standards. **However, implementation of the PFM reforms has been slow¹⁵ such that meeting the 2010 target rating of 3.5 is questionable.**

Second, Malawi received a rating of C on the target of having reliable procurement systems in 2008. Progress has been made to improve procurement systems and capacity. For instance, on linking procurement plans to budgets, the 2010 PAF states that 5 out of the 10 largest spending procuring entities namely Roads Authority, ministries of Health, Education, Agriculture, and Irrigation and Water Development had their procurement plans linked to their budgets by the time the budget was approved by Parliament. In addition, with funding from Millennium Challenge Account, a consultant was engaged to conduct training in the 10 largest spending procuring entities. This training was aimed at ensuring improved procurement specifications and better evaluation reports. It is therefore, envisaged that the procurement specifications and

¹⁵ 2010 PAF only talks of development of an action plan as opposed to its implementation

reports to be received from these trained entities will be up to the required standards. However, interviews with major stakeholders such as the Accountant General and DPs showed that there are still capacity problems being experienced in the use of the IFMIS and procurement systems. In addition, the issues identified during the 2008 survey on monitoring the PD are yet to be addressed, including exclusion of decentralised procurement arrangements and asset management and disposal. The first Procurement Audit was done in 2008 and no audit has been done since then due to lack of funds¹⁶. **It is therefore unlikely that the 2010 target of B will be met.**

Third, the proportion of aid flows reported in the budget increased from 54% in 2006 to 64% in 2008. Further progress is being made to improve channeling and reporting of aid in the budget as supported by the Minister of Finance who stated in his 2010/11 budget statement that “*What is most pleasing,is that not only did our cooperating partners pledge to increase their financial support to the Government of Malawi in the 2009/10 financial year, they also met their commitments by disbursing their pledged resources. This underscores the confidence that our cooperating partners have in this Government and its Administration.....*”¹⁷. **However achieving the 2010 target of 85% remains a challenge given that a significant proportion of Malawi’s aid is not channeled through the budget**¹⁸.

Fourth, **the proportion of coordinated support to strengthen capacity increased from 47% in 2006 to 52% in 2008, thereby surpassing the global average of 40%**. Progress continues to be made, with several donors showing a marked improvement in their provision of TA. However, the absence of an operational Technical Cooperation Policy and Sector Capacity Building Strategies in all sectors except health is of great concern as this may facilitate isolated TA interventions as noted by the Aid Effectiveness Report (World Bank).

Fifth, **the proportion of aid flows using government PFM systems was above the global average in both 2006 and 2008 and progress continues to be made in using local systems.** For instance, four UN agencies¹⁹ in Malawi effected the Harmonized Approach to Cash Transfers (HACT) in January 2008 as a new way of managing the process of transferring resources from the UN system to local systems. The innovative elements of HACT include continuous assessment of risk with the local systems with the view to addressing them. Despite the encouraging development, there are still many donors that are either not using or partially using the country systems. These include USAID, CDC, WHO, Japan²⁰, UNIDO, FICA and UNAIDS.

Sixth, progress was made in the reduction of Project Implementing Units (PIUs) from 69 in 2006 to 51 in 2008. **Further progress is being made** such that while the GoM had no explicit plans to phase out PIUs in the 2008 survey, the government has now issued a statement to phase out all parallel PIUs by 2011. Furthermore, for the first time, GoM compiled and now has information

¹⁶ ODPP

¹⁷ Para 67 of the 2010 Budget Statement.

¹⁸ It was 58% according to the 2008 Survey

¹⁹ UNICEF, UNFPA, UNDP and WFP

²⁰ Japan (including JICA) uses its own country system for disbursing most of the time but respects and utilises existing government structures and does not establish PIUs

on 48 PIUs from 12 donors operating in within the country (See Table 3 below)²¹. As the table shows, the EU, World Bank, UNDP and the AfDB have the largest PIUs accounting for about 63% of all the PIUs. The AfDB has made commitments to reduce these to 3 by end of next year, and the GoM has a target of phasing out all the parallel PIUs by 2011.

Table 3: Project Implementing Units by Donor (2009/10 FY)

Donor	Embedded PIU	Parallel PIU	Total
EU	9	1	10
World Bank	-	9	9
AfDB	3	3	6
UNDP	1	4	5
CDC	-	3	3
ICEIDA	-	3	3
DfID	2	-	2
UNAIDS	2	-	2
UNESCO	2	-	2
UNHCR	2	-	2
USAID	-	2	2
BADEA	-	2	2
Total	21	27	48

Source: Malawi Aid Atlas 2009/10 FY

Finally, the proportion of aid disbursed within the fiscal year for which it was scheduled stagnated at 58% in 2006 and 2008. Progress is being made to meet commitments, with overall aid disbursement remaining stable²² in 2009/10 FY and all budget support donors disbursing over 80% of what they committed.²³ The PAF 2010 reports significant improvement in the predictability of GBS in the period 2004-2009 but that recent evidence shows that predictability is affected by conditionality and the other related factors. Specifically, most donors except for Norway did not release GBS in the first half of 2009/10FY as programmed due to conditionality related to implementation of the economic programme with IMF. Capacity of GoM has to improve to adequately record scheduled and disbursed data. All multilateral agencies and some bilateral donors provide untied aid.

Harmonisation

Harmonisation refers to cooperation among donors to improve the efficiency of aid delivery. Donors are aware that multiple initiatives by different donors, each with their rules and procedures, can be very draining for developing country administrations. To reduce the transaction costs of aid, donors have been developing a range of new approaches, including programme-based approaches, pooled funding arrangements, joint country plans and other common arrangements. The Paris Declaration focuses on two dimensions of aid as a proxy for

²¹ Malawi Aid Atlas 2009/10FY

²² GOM recorded \$792 million in donor disbursements during 2009/10 FY, representing a small 1% decline from FY 2008/09 donor disbursement recorded at \$803 million

²³ Malawi Aid Atlas 2009/10

assessing overall harmonisation. These include use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

Malawi's implementation of the PD principle on harmonization has been moderate.

Although the total number of activities is reported to have increased from 35 to 99 between 2006 and 2008 Surveys, Malawi is making progress in increasing the number of joint missions and analytical work and overall donor harmonisation is progressing well in Malawi. For example, the AfDB Country Office undertook joint analytical work with the World Bank, DFID and the Millennium Challenge Fund of Malawi on the 2009 Malawi Country Economic Memorandum. Further, joint analytical work is anticipated between the AfDB, UNDP and World Bank in preparation of their Country Strategy Plans. Furthermore, there is increasing trend in the use of PBAs. Government feels that the DaO is having a positive impact on aid coordination as all agencies are rallying around aligning and harmonizing their activities to the MGDS. While alignment is yet to be achieved as all UN agencies separately administer funds under the Program, the Joint Programme on Employment and Empowerment (JPYEE), a partnership among five UN agencies (UNDP, ILO, WFP, UNICEF and FAO) is a good example of harmonisation as programme reviews are conducted jointly.

Despite progress in harmonization, there is, however, a feeling that the coming up of five thematic areas, nine priority areas and sixteen sector groups by the GoM could present both a challenge and an opportunity to DaO in terms of aid coordination. The challenge could arise from the fact that donors have an inherent tendency to have their presence felt in all key areas and with sixteen sectors they could find themselves spread out too thinly, leading to overlaps and duplication. On the other hand, this could provide them an opportunity to rationalize their involvement in the various sectors and decide who will participate in which sector (in line with their mandates and comparative advantages), allowing for a situation whereby some agencies would request others to represent their interests in some sectors while focusing their attention in a few specific areas. It is hoped that the latter scenario would prevail, an aspect that would reduce the apparent competition among the agencies, thereby enhancing DaO.

The CABS group represents a good case of achieving harmonisation in Malawi. Most importantly, the common Performance Assessment Framework (PAF) and the two joint budget support bi-annual reviews under the CABS have reduced transaction costs in dealing with the donors involved. It is suggested that the government could further reduce the transactions costs of different reviews by proposing harmonization of the timing of the IMF reviews with the CABS annual reviews.

Some donors argue that the PD does not exclude any aid modality and claim that they are free to choose and design appropriate modalities in line with the national development strategy so as to ensure effectiveness. However, while some aid modalities and approaches such as General Budget Support (GBS) and Sector Wide Approaches (SWAs) are more likely to facilitate achievement of PD, the evaluation team believes that the dominance of direct project support in Malawi limits alignment and harmonization. This is because donor priorities have in most cases had an upper hand. For instance, despite a well organised and functioning SWAP in the health sector, there are more than 100 projects from more than 20 donors who are providing funding to

the sector outside the SWAP arrangement. Direct project support funds under SWAp arrangements may be used in a much more coordinated manner in line with the Ministry of Health's expenditure plans but the myriad projects greatly compromise the strides and the benefits of the SWAP arrangement made by Government and places a large burden on the Ministry of Health and other government systems to efficiently manage the donor input into the sector. It is also noteworthy that some major donors like USAID do not subscribe to the PD arrangements and have their own ways of channeling funds to the development projects in Malawi. According to Quarterly Aid Disbursements Sector Report (July– September 2009), the health sector received \$62.4 million in donor disbursements during first quarter of 2009/10FY where USAID made the largest contribution, disbursing \$21.5 million across 21 activities which accounted for 34% of total funding and most of this funding went to specific activities mostly outside SWAP. Other major donors to the sector were Norway which disbursed \$18 million. Of this funding, \$12 million was disbursed to the Health SWAp, \$2.3 million to the pooled NAC Funding initiative and \$3.7 million to 5 other health projects.

Managing for results

Malawi's implementation of the PD principle on managing for results has been low to moderate. Malawi received a rating of C on the target of having transparent and monitorable PAFs in the 2006 and 2008 Surveys. This suggests that significant action to further strengthen or implement existing systems has not taken place in relation to all three criteria for managing results. Malawi is making efforts to improve the national result based M&E framework. While M&E capacity has been limited in public institutions, the Ministry of Development Planning and Cooperation has in recent years made efforts to build M&E capacities for monitoring and evaluating the MGDS at sector level. Four annual reviews have been done for the MGDS since fiscal year 2006/07. Other arrangements also exist in Malawi to measure progress towards desired results. For instance, the CABS group has a common Performance Assessment Framework (PAF) to assess performance against set targets within predetermined indicators across five broad areas of public financial management, alignment and mutual accountability, economic growth, social sector, and governance. However, most M&E systems are still weak, coupled with lack of quality data and access to such data by stakeholders. **Given these constraints it is unlikely that Malawi will achieve the 2010 target of B.**

Mutual Accountability

The Paris Declaration recognizes that aid is more effective when both donors and partner country governments are accountable to their respective publics and to each other in the use of resources and management of development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

The Mutual Accountability case study suggests that there are power imbalance between GoM and the donors. On one hand, the power of donors is that of the purse-strings whereby accountability conditions are enforced over the GoM by delaying disbursement of funds or reducing aid commitments. On the other, the GoM has no realistic enforcement mechanisms to hold the donors to account. **Nonetheless, there is evidence that progress, though limited, is being made on both sides.**

The joint analytical work among donors has strengthened mutual accountability. A good example is the “Common Approach to Budget Support March 2010 Review and Aide Memoire” chaired and co-chaired by the AfDB and Ministry of Finance, respectively. Donor accountability is evidenced by kudos expressed by MoF in its Annual Debt and Aid Report to Norway, Ireland, USAID, GDC, the World Bank, Japan, DfID and African Development Bank for submitting disbursement data to the Ministry every month of the past financial year.

The GoM coordinates its PFM strengthening measures through the Group on Financial and Economic Management (GFEM). Government has made some progress towards improving accountability, including reduction of the backlog of audit reports. However, challenges still exist. The quality of audits requires improvement and Government requires to improve performance on its governance indicator targets given that most external audits financed by donors²⁴ give very negative findings. Further, the Auditor General’s reports are not comprehensive²⁵ as they omit statutory authorities and cover Local Government (sometimes referred to as Local Assemblies) sparsely. Furthermore, Auditor General’s reports are not widely available and are not published on the web.

The Evaluation Team was told that some stakeholders believe that some elements of Government have a vested interest in ensuring that reporting by the Auditor General remains weak. Such fiduciary concerns are widespread amongst DPs and are widely acknowledged to hinder the process of alignment, as envisaged under the PD. They can only be addressed through sustained engagement with Government by all DPs, with a general consensus that the speed at which alignment occurs must be linked to GoM capacity.

It is noteworthy that the general elections of May 2009, considered free and credible by most local and international observers, effectively closed the chapter of government-opposition tension, because of the landslide victory attained by the Democratic Progressive Party (DPP). As its downside, there is concern that the resultant majority government may severely lead to a compromise on the oversight and scrutiny of government business, and reduce government’s obligation to be responsive to public opinion. Thus, it is possible to suspect that donors may no longer have the incentive to be less stringent with the government in the process of aid delivery, as was arguably the case prior to May 2009 (2009 JF Evaluation).

3.1.6 Conclusions on the Paris Declaration in Context

Most stakeholders in Malawi have taken the PD and AAA agenda as the framework for re-thinking, increasing discussion and negotiating measures for improving aid effectiveness. Some PD-related reforms in Malawi pre-date the formal introduction of PD principles such that the formal introduction and endorsement of the PD principles in 2005 was not a starting point but only cemented and added momentum to earlier reforms. Thus, changes in aid effectiveness brought by the implementation of PD principles will merely contribute and not attribute to improvements in development outcomes.

²⁴ e.g. DfID with the Local Assemblies and the EC in the transport sector

²⁵ The 2007/08 Auditor General’s report was only 35 pages long.

Malawi has implemented all the five PD principles but at varying degrees of success and challenges still exist. Elements of compromised and weakened **ownership** exist as some donors sometimes act against GoM stated priorities and policies. This is the reason why the GoM has not succeeded to persuade donor support in all its priority areas. Further, although GoM is making strides towards building capacity for coordination in central government agencies, matching GoM and donor capacity will continue to remain a challenge. Furthermore, knowledge and awareness about PD principles among CSOs requires intensification.

Malawi is making progress in increasing the number of joint missions and analytical work such that overall donor harmonisation is progressing well. It is, however, feared that the coming up of five thematic areas, nine priority areas and sixteen sector groups by the GoM could present a challenge from the fact that donors have an inherent tendency to have their presence felt in all key areas and may end up spreading their resources too thinly. Greater harmonization can be achieved through harmonization of the timing of the IMF reviews with the CABS annual reviews.

The dominance of direct project support in Malawi limits **alignment and harmonization**. This is because donor priorities have in most cases had an upper hand. This requires innovative approaches within PD principles to ensure that project support is also subjected to these principles.

Malawi is making efforts to improve the effectiveness of **results** through capacity building at sector level. However, most M&E systems are still weak, coupled with lack of quality data and access to such data by stakeholders.

While the **Mutual Accountability** case study suggests that there are power imbalance between GoM and the donors, there is evidence that progress, though limited, is being made on both donors and GoM sides. The Joint analytical work among donors has strengthened mutual accountability and increasing number of donors are submitting disbursements data to the Government. On its part, the Government has made modest progress towards improving accountability, including reduction of the backlog of audit reports. However, challenges also exist. The quality of audits requires improvement and should be made available widely. There are widespread fiduciary concerns that some elements of Government have a vested interest in ensuring that reporting by the Auditor General remains weak. Such concerns can hinder the process of alignment and should be addressed through sustained engagement with Government by all DPs, with a general consensus that the speed at which alignment occurs must be linked to GoM capacity. Further, Government should ensure a delicate balance between its majority in Parliament and the need to avoid compromise on the oversight and scrutiny of government business to increase its obligatory responsiveness to public opinion. Finally, while there is no evidence of aid effectiveness fatigue, the aid climate is tougher for many donors. There seems to be a growing tension between donors on issues of accountability as donors continue to insist on zero tolerance on corruption and other human rights issues on one hand, and the government requiring that most of the aid be delivered through SWAPs and/or general budget support on the other. During interviews, donors expressed concerns about anti-donor rhetoric at political level, which they fear does not help in policy dialogue. There is significant need for both sides to appreciate the pressures that each side faces on mutual accountability.

3.2 Process and intermediate outcomes

This section presents the process and intermediate outcomes that have led to improvements in the efficiency of aid delivery, the management of aid and better partnerships. This is done by, among other things, assessing the effect of PD implementation on strengthening national strategies and frameworks, increasing alignment of aid with national priorities, systems and procedures, increasing rationalisation of donor activities, increasing simplification of donor policies and procedures as well as increasing predictability of donor aid.

3.2.1 Are national strategies and frameworks stronger? (Question Ai)

Malawi's main development strategies and policies pre-date PD and evidence shows that the subsequent medium term strategies have been strengthened, to some extent, through the implementation of PD. The medium term strategies have evolved throughout the implementation of PD, thereby becoming more focussed with clearer priorities for donors to align to.

In the late 1990s, Malawi developed the Vision 2020, which was launched in 2000. This policy framework sets out a long-term development perspective for Malawi, emphasizing long term strategic thinking, shared vision and visionary leadership, participation by the population, strategic management and national learning. The Vision 2020 states that *“by the year 2020 Malawi as a God fearing nation, will be secure, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technologically driven middle-income economy”*. To operationalise the vision, the government formulated medium term development strategies that were annualised through national budgets.

The Malawi Poverty Reduction Strategy (MPRS), launched in May 2002, presented the first attempt to translate long-term strategy of Malawi Vision 2020 into medium term focused action plans. The MPRS aimed to achieve “sustainable poverty reduction through empowerment of the poor.” It had four strategic pillars, including sustainable pro-poor Growth, human capital development, improving the quality of life of the most Vulnerable, and governance. In addition, it had four key cross cutting issues, including HIV and AIDS, gender, environment, science and technology. The implementation period for the MPRS was three years and it ended in the 2004/05 FY.

Both the Vision 2020 and the MPRS were formulated through a consultative process. However, the substantive nature and focus of the consultations became strengthened with the implementation of the PD. Following the “Comprehensive Review of the MPRS 2005” in the second half of 2005, lessons were drawn from its implementation to inform the strategic direction and formulation of subsequent strategies. For instance, while poverty levels declined from 54.1 percent to 52.4 percent and Ministries and Departments tried to implement their activities in line with the MPRS framework, some short falls existed, including failure by Ministries and Departments to translate the activities into the budget, slow implementation of the devolution process, and that funding was not based on pillars. Under the first pillar of the MPRS, sustainable pro-poor growth, stakeholders noted that the strategies and actions were insufficient to achieve sustained annual economic growth of at least 6 percent. Further, housing

and land policy issues, among others, were not well articulated to contribute effectively to broad based growth. While the MPRS identified certain sectors in terms of their growth potential, it neither focused on eliminating obstacles to growth on an economy-wide basis, nor did it sufficiently articulate the role of the private sector.

The Government of Malawi developed in July 2004, the Malawi Economic Growth Strategy (MEGS) in close collaboration and focussed consultations with the private sector, not as an alternative to the MPRS, but rather as a complement to strengthen pillar one through investments that would directly impact on economic growth. The MEGS was indeed a joint realisation by Government and the private sector that the Malawi economy had been registering negative growth and that something had to be done in order to reverse the trend. The MEGS identified and prioritised key potential sectors that could generate growth in addition to the core agricultural sectors of tobacco, sugar and tea, including tourism, mining, manufacturing with particular emphasis to agro-processing, cotton, textiles and garments. The MEGS also emphasized the need for the creation of favourable environment for private sector participation as it envisaged that the private sector was the engine of growth in the modern liberalised and globalised world.

The MEGS focused on strategies and actions that did not require substantial additional spending by Government and instead could be achieved through refocusing of existing resources and by developing a more conducive set of policies that would stimulate private sector investment and trade in the immediate future. It was envisaged, in the medium term, that donor organisations would have a key role to play in creating a conducive environment for economic growth by supporting policy reforms and providing resources to support Government during the transitional period.

The formulation process of the Malawi Growth and Development Strategy (MGDS) deepened the substantive nature and focus of consultations, involving a Steering Committee set up by the Cabinet to translate the Government's vision for Malawi into an operational strategy for the medium term, a Technical Working Group (TWG) to lead the formulation process, with two phases of consultation process for preparing the MGDS. The first phase involved internal Government discussions in order to develop a framework for further consultations with all stakeholders to seek their input in the strategy through several consultative meetings and workshops. The second phase of the consultations involved the interface between the TWG with the MPRS Review Team. In addition, the MGDS incorporated inputs from national surveys and assessments as well as consultations that were held with other stakeholders, including Government, Parliament, Judiciary, private sector, civil society, donors and co-operating partners and the general public.

The MGDS represents an over-arching national development strategy, which various development partners have accepted as the main framework for supporting Malawi's poverty reduction and growth efforts. As such, Country Strategy Plans (CSP) of various development partners are based on the MGDS. Centered on achieving strong and sustainable economic growth and building a healthy and educated human resource base, protecting and empowering the most vulnerable in the medium-term, the preparation of the MGDS was country led and owned, thereby ensuring local ownership. The MGDS was well conceptualised and has fared

well in terms of balancing economic growth and social spending. Consistent with the PD, the MGDS strength draws from the recognition that its successful implementation depended on good governance environment within which there is a sound economic environment, high quality service delivery, effective institutions and rule of law, an efficient and effective public sector, and reduction in corruption. The MGDS clearly articulated these issues as well the national priorities in five thematic strategy areas with detailed matrices that show the relationship between the longer term goals for Malawi, the expected medium term outcomes that should result from the priority actions and move the country closer to realizing the longer term goals, the constraints to achieving the expected medium term outcomes, and the proposed strategies and actions to address the constraints.

Thus, evolving through PD implementation, the MGDS represents a stronger strategy than the previous ones, and its implementation has led to positive development results. As each of the five pillars specifies medium-term outcomes and strategies to achieve them, progress has helped improve poverty indicators. In particular, food security has improved as a result of the fertilizer subsidy program. While the extra-budgetary outlays on fertilizers have created significant budgetary difficulties, the program itself has helped Malawi turn around food insecurity since 2007 to the point of exporting excess grain within the region and donating maize to the World Food Programme. In 2009, the fertilizer subsidies were increasingly targeted to smallholder food crops rather than cash crops, generating particular benefits on gender as vulnerable small-scale producers of food crops are mainly women. Nevertheless, challenges still remain especially in better targeting the subsidy, with civil society concerned that the subsidy has not gone far enough in targeting women as the poorest small-scale producers.

The GoM, in consultation with its development partners, also developed the Malawi Development Assistance Strategy (DAS) for the 2006-2011 period to enhance the effectiveness of the development efforts of Government, donors and other stakeholders in reducing poverty and spurring economic growth as stipulated in the MGDS as well as achieve the MDGs. The DAS provides a framework for promoting development assistance effectiveness by ensuring national ownership and government leadership in accordance with the principles of the Paris Declaration. Thus, while the MGDS provides a nationally-owned, results-oriented medium term framework for promoting economic growth as a means to reducing poverty, aid dependency and the achievement of the MDGs, the DAS provides the basic framework for national ownership, coordination and alignment of development assistance to the MGDS. The DAS is complemented by the Aid Management Policy of 2009 which describes the GoM's desired characteristics of development partners that disburse foreign aid in support of Malawi as well as the broad hierarchy of aid modalities. The provisions of the policy reflect positive direction towards full Government ownership. The insistence of GoM that no development projects should be funded unless they are appraised and approved by the Ministry of Development Planning and Cooperation under the Public Sector Investment Programme (PSIP) is another example of Government efforts to ensure ownership.

Broad and effective government ownership has three components, including strong effective leadership at sector ministry level, commitment to the process at senior level, and the active involvement of the Ministry of Finance. Without all these three, the process is likely to remain donor-led and/or to run in parallel to established government planning and budget systems. The

DPs have been taking government ownership seriously, both in the design of its own programs and in the dialogue at sector level. This has been assisted by improved leadership by the GoM, current and planned SWAPs in several sectors and strengthened aid management and monitoring given the commitment in 2008 of GoM and DPs to a system of monthly reporting under the Aid Management Platform (AMP). Improved consultation with government partners has supported a move towards demand-led identification of projects.

PD implementation in Malawi also strengthened earlier initiatives such as the Common Approach to Budget Support (CABS) which date back to 2002 before GoM signed the PD. Under the CABS arrangement, the Government has the flexibility to allocate the funding to its priority programs according to the MGDS, with a close supervision of the donors concerned. The CABS arrangement has facilitated closer cooperation among the donors as is evident in the fact that there are joint assistance strategies and plans at both the national and sector level that have been agreed by both the donors and the government. The other progress is the development of several SWAPs in several sectors. SWAPs are attempts made by Government to harmonise activities and donor funding to the sectors. Among others, these SWAP arrangements have been developed in sectors like health, education and agriculture, and have also helped in harmonising donor funds and aligning them to priority areas.

Government feels that the DaO is having a positive impact on aid coordination as all agencies are rallying around and aligning their activities to the MGDS. However, there is a feeling that since Government has come up with five thematic areas, nine priority areas and is now moving towards sixteen sector groups, this could present both a challenge and an opportunity in terms of aid coordination. The challenge could arise from the fact that donors have an inherent tendency to have their presence felt in all key areas and with sixteen sectors they could find themselves spread out too thinly, leading to overlaps and duplication. On the other hand, this could provide them an opportunity to rationalize their involvement in the various sectors and decide who will participate in which sector allowing for a situation whereby some agencies would request others to represent their interests in some sectors while focusing their attention in a few specific areas. It is hoped that the latter scenario would prevail, an aspect that would reduce the apparent competition among the agencies, thereby enhancing harmonisation. Therefore, DPs ought to consider Division of labour seriously.

Many donors interviewed felt that Government has of late retrogressed a bit on its leadership role because of movements of senior and key staff, especially in the central ministries. Such movements, it was felt, while inevitable, could be better managed through more consultations with stakeholders and being approached in a phased manner. Overall, the evaluation team's comment is that implementation of strategies to ensure ownership has been moderate to-date.

3.2.2 Is there an increase in alignment of aid with Malawi's priorities, systems and procedures? Have Malawi's capacities been strengthened? (Question A ii)

The DAS clearly stipulates the mechanisms for aligning development partners to the MGDS through prioritization and costing of activities, specification of resource envelope and coordination with donors on financing priorities. The DAS also clearly sets out the roles of the various central and sectoral ministries in terms of their dealings with development partners. For

example, DAS stipulates that MoF leads all negotiations for funding with development partners and establish guidelines on how various sources and modalities of funding should be utilized, while MPDC participation is mandatory in the planning of all projects requiring donor funding. At the same time, strong coordination is encouraged between MoF and MPDC to ensure consistency and prioritization of MGDS activities.

Almost all donors interviewed expressed their commitment to phasing out of PIUs and using government systems as a means of delivering aid such that most donors now align their country programmes to the national development strategy. Despite this apparent commitment, a number of donors who are subject to strict accountability for the use of their aid to their headquarters still use their own system. These include USAID, Japan, Germany, and the majority of the UN Agencies. Use of HACT by some UN agencies, however, is increasing the use of local systems among the UN agencies.

Steps have been taken by GoM to strengthen country systems, but these continue to remain relatively weak, and the donor community as a whole is not increasing use of such systems as expected. Some progress, though, has been made in the use of local systems. For instance, budget support and sector support increased from 33% of total disbursement in 2007/08 FY to 45% of total disbursement in 2009/10 FY. However, aid disbursement outside GoM structures remains large with a large proportion of direct project support being delivered outside GoM structures²⁶.

Further progress in the alignment and predictability of aid is dependent on donors providing timely information and on the government ensuring that this is used to inform the budget²⁷. Furthermore, effective alignment with national priorities requires donor preparedness and flexibility to invest in those sectors in which there are resource gaps, rather than only in those sectors in which donors have a particular (corporate/country) commitment and interest. Donor partners significantly improved their reporting behaviour in 2009/10 FY, according to the Malawi Aid Atlas 2009/10 FY. Three new donor partners were incorporated into the Aid Management Platform (AMP) during the same fiscal year. Further, bilateral and multilateral agencies continued to uphold their commitment to aid transparency reporting in a regular and timely fashion to MoF throughout the year. However, the Malawi Aid Atlas 2009/10 FY reveals that aid continues to be concentrated in a small number of sectors, with the five largest recipient sectors receiving 82% of total annual disbursement. The sectors include Economic Governance, Health, Agriculture, Education and Water and Sanitation. In addition, while overall predictability was high in 2009/10 FY, several donors undermined predictability, including AfDB and DfID that downgraded their support during the fiscal year and disbursed 82% and 86% of their original commitments, respectively.

Good progress is being made in the provision of coordinated support for capacity development. Several donors are showing a marked improvement in their provision of TA. However, the absence of an operational Technical Cooperation Policy and Sector Capacity Building Strategies in all sectors except health is of great concern as this may facilitate isolated TA interventions as

²⁶ 24% of total disbursement of direct project support was delivered through NGOs.

²⁷ 2006, Survey on Monitoring the Paris Declaration.

noted by the Aid Effectiveness Report (World Bank). The overall comment of the evaluation team is that implementation of strategies to ensure alignment has been low to moderate to-date.

3.2.3 Defined Measures and Standards of Performance and Accountability for Country Systems (Question A iii)

This section discusses measures and standards of performance and accountability for country systems in public financial management, procurement, fiduciary standards and environmental assessments in line with broadly accepted good practices, and whether their application is widespread.

The PD assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems.²⁸ Paramount to Malawi's recent reform efforts has been the adoption of a Public Financial and Economic Management Action Plan (2006) and its implementation under the leadership of the Secretary to the Treasury. Malawi has also put in place an Integrated Financial Management Information System (IFMIS) and is in the process of rolling out to local government. Despite these measures, Malawi's CPIA score remained at 3.0 in the 2008 Survey.

Malawi has taken steps to strengthen its public procurement system. A Public Procurement Act (PPA) was adopted in 2003 and an Office of the Director of Public Procurement (ODPP) was created in 2004. The PPA is generally recognised to be in line with international standards, though it does not adequately address some issues, such as decentralized procurement arrangements and asset management and disposal. Slow implementation of the PPA and weak rule enforcement mean that misprocurements remain common and donors continue to have concerns about using the government procurement system.

Implementation of the PPA is severely hampered by insufficient human and technical capacity, particularly within the ODPP and at District Assembly level. According to responses from the interviewees, this situation is exacerbated by donors training civil servants to use donor procurement systems, thereby fostering "parallel" capacity. ODPP applies international standards but many donors expressed concerns in lack of procurement capacity, lack of resources for procurement training and capacity development and inadequate ICT capacity for record management. Finally, the issues identified during the 2008 survey on monitoring the PD are yet to be addressed, including exclusion of decentralised procurement arrangements and asset management and disposal. Further, the first Procurement Audit was done in 2008 and no audit has been done since then due to lack of funds²⁹. It is therefore unlikely that the 2010 target of B will be met.

3.2.4 Is there less duplication of effort and donors' activities rationalized and more cost-effective? (Question B iv)

²⁸ The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments.

²⁹ ODPP

Malawi has made efforts to reduce duplication of effort and rationalize donor activities. As already stated, the DAS provides the basic framework for national ownership, coordination, harmonisation and alignment of development assistance to the MGDS. The key instruments used are the establishment and use of Sector Working Groups, led by the government but chaired jointly with the development partners. In principle, these groups should identify essential entry points for national division of labour. These working groups contribute to an improved alignment to MGDS and government priorities in general but also constitute an important tool for rationalizing donor activities and ensuring more cost-effectiveness through joint planning, reviews and analytical work. Although the total number of activities is reported to have increased from 35 to 99 between 2006 and 2008 Surveys, Malawi is making progress in increasing the number of joint missions and analytical work and overall donor harmonisation is progressing well in Malawi. For example, the AfDB Country Office undertook joint analytical work with the World Bank, DFID and the Millennium Challenge Fund of Malawi on the 2009 Malawi Country Economic Memorandum. Further, joint analytical work is anticipated between the AfDB, UNDP and World Bank in preparation of their Country Strategy Plans.

However, the Malawi Aid Atlas 2009/10 acknowledges high and increasing fragmentation within priority sectors. For instance, aid fragmentation by sector shows that the health sector had the highest number of projects (105) with 20 donors, followed by Agriculture (72) with 14 donors, Economic Governance (39) with 11 donors and Education (33) and Democratic Governance (33) with 14 and 9 donors, respectively. Aid fragmentation by donor shows that the One UN has the largest number of projects (117) in 13 sectors, followed by USAID (55) in 10 sectors, DfID (36) and Norway (36) in 9 and 7 sectors, respectively, and EU (32) in 7 sectors. Optimal number of projects and sectors per donor will vary according to the size of the donor budget and donor expertise. However, government feels that donors are currently not fully recognizing their comparative advantages or working together to fully utilize the potential gains of streamlining their activities.

For its part, international division of labour has affected Malawi on several occasions over the past years. The donor community has fluctuated, with some exiting and others entering. Donor exits have profound differences in terms of operationalisation and impact. For instance, the Nordic Plus group in Malawi has lost three of its members in recent years. In 2002 and following a diplomatic incident, Denmark pulled out in a timeframe of five months, causing important damages in the agriculture sector (van der Meer et al 2008). Further, the Netherlands, in view of a possible impact on sustainability of its efforts, dedicated 5 years (1999–2004) to a more cautious phasing-out process (idem). Furthermore, in 2009, while Sweden's exit was already underway, Canada announced its withdrawal and is currently negotiating a phase-out plan.

On the other hand, donors such as Iceland, Ireland and the Flanders have entered the country with an advanced degree of concentration in their funding. Meanwhile, Norway has changed its policy on budget support. Norway will continue to provide budget support up to the next three years after which the country will go global and channel its resources through multinationals (AfDB, Global Funds, World Bank etc) in climate change and clean energy initiatives.

Among emerging donors, China is a major player after announcing a USD 6 billion aid programme to Africa and establishing diplomatic relations with Malawi in late 2007. However,

the GoM still lacks capacities to timely assess the impact as well as actively orient the processes of redeployment. In addition, national representatives are increasingly concerned over aid fragmentation in the country and believe that development partners exclusively rely on their own national priorities to decide whether to withdraw or increase development funding to Malawi.

The harmonisation and alignment of donor funds to government priorities has to some extent led to less duplication of efforts and rationalised more cost-effective donor activities. This is evident in the Health sector, where prior to the creation of the SWAp, which is the main instrument for alignment, donors increasingly funded exclusive vertical interventions for specific conditions and in specific geographical locations, thereby making coordination of the health spending extremely difficult. Although the challenges still remain with the increasing number of discrete donors in the sector, the SWAp has brought in some level of sanity in terms of coordination. The CABS has also generally led to a reduction in transaction costs that donors and the government used to incur when each donor was dealing with Government separately.

It has also been observed that donors are not driving or putting undue influence on the policies and programmes that government is implementing and this has made the government to be more focused on its priorities areas as set in the MGDS. Regrettably, it has been observed that there has been an increase in discrete donors and donations to programs that are outside the SWAPs arrangements. This has been a challenge and a setback to the progress already made in several sectors. Donors have in most cases justified this type of set up, among other, to the fact that there is inadequate capacity in government to ensure proper management and also due to lack of checks and balances in government systems to check corruption. However, government officials interviewed insisted that where the DPs have used country systems, there has been improvements in fiduciary risks as efforts are made by government to address such risks.

3.2.5 Have donor policies and procedures been reformed and simplified? Is there more collaborative behaviour? (Question v)

Donor policies and procedures have somewhat been reformed and simplified, but the dominance of direct project support continues to weaken collaboration. The level of budget support and the number of common approaches have increased over the past three years. In addition, because of the variety of aid modalities being used by the donors, there is a tendency for the donors to collaborate. As already pointed out, the formation of the CABS, which has facilitated the collaboration of donors in aid delivery, has largely reduced the relational complexities that the Government had with the donors. This arrangement has lessened the strain that the government machinery had especially in meeting the demands of individual donors. Under these arrangements, government is not supposed to produce a multiplicity of reports with different reporting formats as demanded by each individual donor. This simplification and reformation of donor procedures and policies has contributed to the quality and timeliness of government reporting on aid disbursement and reporting. Further, four UN agencies³⁰ in Malawi effected the Harmonized Approach to Cash Transfers (HACT) in January 2008 as a new way of managing the process of transferring resources from the UN system to local systems. The innovative elements of HACT include continuous assessment of risk with the local systems with the view to addressing them. The joint programming among UN agencies through such programmes as the

³⁰ UNICEF, UNFPA, UNDP and WFP

Joint Programme on Employment and Empowerment (JPYEE), a partnership among five UN agencies (UNDP, ILO, WFP, UNICEF and FAO) has to some extent assisted harmonisation and simplification of procedures through joint programme reviews and reporting. However, despite such collaboration, the bulk of aid is still being delivered through direct project support and many donors could not give examples of simplification of specific procedures that are often made at headquarters. While budget support increased from 21% in 2008/09 FY to 30% in 2009/10 FY, the proportion of aid received as Pooled and Sector Budget Support declined from 24% in 2008/09 FY to 17% in 2009/10 FY, with Direct Project support remaining constant at 55%.

3.2.6 Are donor commitments more predictable and more multi-year? Have conditionalities changed to reflect the commitment of the AAA increasing ownership? Has the untying of aid progressed? (Question B vi)

Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of GoM to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the PD calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

The 2008 Survey reports that the proportion of aid disbursed within the fiscal year for which it was scheduled stagnated at 58% in 2006 and 2008. Progress is being made to meet commitments, with overall aid disbursement remaining stable³¹ in 2009/10 FY and all budget support donors disbursing over 80% of what they committed.³² The PAF 2010 reports significant improvement in the predictability of GBS in the period 2004-2009 but that recent evidence shows that predictability is affected by conditionality and the other related factors. Specifically, most donors except for Norway did not release GBS in the first half of 2009/10FY as programmed due to conditionality related to implementation of the economic programme with IMF.

Much of the improvement in predictability of aid flows can be attributed to PD implementation as a result of several factors, including (a) increased peer pressure within the CABS for the members to meet their commitments, leading to a more coherent joint responsibility among the CABS members, (b) the pooling of donor money under the CABS and also the simplification of reporting procedures under the PD³³, thereby enabling government to submit most of its reports in time and ensuring a more steady and predictable flow of funds, and (c) reduced multiplicity of reports, reporting procedures and formats under PD.

Overall predictability was high in 2009/10 FY, but several donors undermined predictability, including AfDB and DfID that downgraded their support during the fiscal year and disbursed

³¹ GOM recorded \$792 million in donor disbursements during 2009/10 FY, representing a small 1% decline from FY 2008/09 donor disbursement recorded at \$803 million

³² Malawi Aid Atlas 2009/10

³³ In the past, one of the major challenge that caused the delay in the flow of funds were the delays that government used to make to liquidate donor's money and to submit reports and funding requests to the donors

82% and 86% of their original commitments, respectively. The Health SWAP received 60% of its expected funding with the shortfall due primarily to an 11% disbursement rate by the Global Fund, as well as under-funding by GDC and the AfDB. Likewise, the NAC received just 50% of its expected donor funding due to a 37% disbursement rate from Global fund. A lack of disbursement by Norway to the Farm Input Subsidy Programme was due primarily to delays in the finalisation of an audit report for the programme from previous years. Donors cited several factors that adversely affect the performance of donors in predictability and disbursement of aid, including low absorbing capacity of government institutions, the macroeconomic and portfolio performance of the country, the impact of recent economic and financial crisis within a donor country and governance issues.

Over the past five years, Government has shown much prudence in financial management and in collecting general aid management information. Malawi has developed an information system that tracks the aid flow into the country – the Aid Management Platform (AMP). The system, which also tracks aid providers as well as government’s progress in meeting aid effectiveness targets, is fully accessible to the civil society, providers of aid and government agencies, with plans to roll it out to parliamentarians. The system tracks comprehensive information on current aid disbursement by sectors and thematic function, for both off and on budget flows, based on firm commitment and pledges and/or indications for the future. The AMP is updated quarterly and is mainly used for budget preparation, macro-economic planning and for monitoring and evaluation of programmes and projects.

3.2.7 Is there now sufficient delegation of authority to donors’ field staff? Have incentives been adjusted to promote effective partnerships between donors and partner countries? (Question B vii)

The amount and type of delegation from donor headquarters to country office varies significantly among donors, and is generally determined by the headquarters themselves. Except for very few donors such as Norway and DFID, virtually all donors’ decisions come from their headquarters, with very limited delegation to Country Offices. Delegation of authority and decision-making was cited as one of the major challenges facing the local offices of some donor agencies that in most cases are required to consult their head offices on most policy changes. For instance, they have to consult head offices when funding exceeds certain limits and threshold. However, such challenges differ from donor to donor.

Some donors also exercise flexibility within the local offices. For instance, the European Union has given the government some authority and autonomy to authorise payments and provide some ‘audit’ to EU funded project in government through the National Authorising Office (NAO) in the Ministry of Finance. This has re-enforced the partnership and mutual responsibility in as far as the use of donor funds is concerned. Despite this improvement, Government is also concerned about the huge sums that the EU continues to spend in paying private auditors. There is also need to increase the capacity of staff in country offices, in terms of numbers and the capacity to understand issues and to manage the increased levels of delegation. Some interviewees especially from within Government raised concerns about low levels of capacity to understand concepts even among Technical Assistants who are assigned to the various ministries by the

donors. There is need for them to take an effort to understand the context of Malawi on a number of issues before being assigned to policy influencing positions.

The evaluation team noted that AfDB and the Nordic Donors are more decentralised than such donors as USAID, Germany and Japan. The decentralisation policy in donors such as AfDB has increased momentum within the bank to monitor and evaluate the PD.

3.2.8 Is there now sufficient integration of global programmes and initiatives into the national development agenda? (Question Bviii)

Both GoM and the donors state that global programmes and initiatives are not sufficiently integrated into the national strategy or national systems, and tend to take a top-down approach, requiring additional conditionalities and reporting. For example, in the MoH, high transaction costs have been reported in the implementation of vertical funded programmes.

However, Malawi has in the past ten years seen an increased integration into the international policy arena through alignment of the local development strategies to some international development strategies. The evaluation found out that there is some integration of international development policies and initiatives into the local context but that the integration is insufficient. The Malawi government has localised most of the international development policies onto the local context. For example, the MGDS, which is a local medium term growth strategy for Malawi, has aligned itself to achieve the MDGs. Further, the Agriculture Development Program (ADP), which has been transformed into an Agriculture SWAP, has its pillars designed to respond to the recommendations of the Comprehensive African Agriculture Development Program (CAADP). In most cases, all development partners in Malawi are required also to align their programs to these local development strategies if they are to respond to the needs of the GoM. Another initiative that has been integrated in the international arena is the Global Fund for HIV/AIDS.

3.2.9 Does Malawi now have stronger capacities to develop and implement a results-driven national strategy? (Question B ix)

The understanding and application of the PD and the Accra Agenda for Action principles has been weak across most stakeholders. Most officials in the central Government, local Government and NGOs indicated that they have either not heard of the PD or the PD has never been applicable to their work.

The PD calls donors and partner countries to make a joint commitment to manage resources according to desired development results. This implies defining desired results and measuring progress toward them as well as using information on results to improve decision making and performance. It also implies strengthening capacity for managing and helping to increase the demand for a results-based monitoring framework. Malawi's implementation of the PD principle on managing for results has been low to moderate. Malawi received a rating of C on the target of having transparent and monitorable PAFs in the 2006 and 2008 Surveys. Malawi is making efforts to improve the national results-based M&E framework. While M&E capacity has been limited in public institutions, the Ministry of Development Planning and Cooperation has in recent years made efforts to build M&E capacities for monitoring and evaluating the MGDS at sector level. Four annual reviews have been done for the MGDS since fiscal year 2006/07. Other arrangements also exist in Malawi to measure progress towards desired results. For instance, the

CABS group has a common Performance Assessment Framework (PAF) to assess performance against set targets within predetermined indicators across five broad areas of public financial management, alignment and mutual accountability, economic growth, social sector, and governance.

Weak capacity is a key issue that needs to be addressed across all sectors, including the NGO community. Staff turnover is very high in almost all government sectors. While data on the vacancy rate in the government is not very reliable, conservative estimates from stakeholder interviews show an average as high as 40% across government ministries. Another major cause of low capacities in government and the private sector is the impact and attrition brought about by the HIV and AIDS pandemic on the workforce. There is also slow transfer of staff from the central government to the district level. In addition, well-qualified people prefer to work in international organisations or international NGOs than in government where salaries and incentives are considered low. Weakened institutional capacities within the government continue to overshadow and marginalise the well meaning commitments to PD principles. As a result, development partners continue to channel their aid through a number of modalities and in a very fragmented manner, causing complexities and high transactional costs associated with having to deal with many bilateral agreements in addition to multilateral arrangements.

Some donors have tried to assist government in building national capacities. The AfDB is working with other development partners in the context of the OECD/DAC joint venture on procurement towards developing a common methodology and tools for benchmarking and assessing country procurement and public financial management systems. In 2008, the Bank conducted an assessment on the procurement system for Malawi as part of its Economic and Sector Works (ESWs). The ESW is expected to be finalized in the fourth quarter of 2010 and findings of the assessment are expected to contribute towards strengthening the procurement system. In addition, the budget support operation to Malawi, which is financed by a number of development partners, including AfDB, aims to, among other activities, improve the public financial management and procurement systems. In November 2008, the Bank's procurement rules were revised to allow greater flexibility to the recipient country in using the country procurement systems for national competitive bidding method. The rule further encourages more post review mechanism through agreed threshold during project appraisal.

Another example is training on Management for Development Result organized by the Ministry of Development Planning and Cooperation, GTZ and Irish Aid in April 2010. The training aimed at enhancing the capacity of government staff involved in the formulation of the upcoming MGDS II. Staff from donor agencies also participated in the training.

Several efforts have been made by donors to develop capacity in most sectors. For instance, all the SWAPs have component of capacity development where several government officials have been sponsored for postgraduate studies and short courses that have helped to develop the capacity. There are also a number of capacity development programmes that exist especially in the central government. For example, the UNDP supports the Debt and Aid Division of the Ministry of Finance to establish a Development Assistance Coordination Unit.

The Agreement on Technical support for the Poverty Reduction Budget Support Second Phase (PRBS 2) aimed at developing and strengthening the capacity of the Government structures

responsible for Public Financial and Economic Management (PFEM). It is also aimed at, among other things, improving dialogue among the government departments and partner organisations.

The Strengthening of the national procurement systems in the Office of the Director of Public Procurements (ODPP) has been supported by UNDP, resulting in the development of the three major documents, including the Public Procurement Act, the Desk Instructions for Public Procurement and the Code of Conduct for Public Procurement. It was noted that some donors like EU, World Bank, AfDB are now using some of the local procurement procedures. Challenges remain as most donors still use their own procurers even in situations where the aid is not tied. It was found that procurements are made primarily from the donor country, or elsewhere abroad. This is due to practices in advertising or requirements for submitting tenders³⁴. In some cases, donor procurement procedures lead to costs that are significantly higher than those incurred by philanthropic organisations and private companies. This inefficiency means fewer resources are actually used in support of development activities.

3.2.10 Is the Government and are donors more accountable to citizens and parliaments? What activities, behaviour and relationships have changed? (Question C x)

To ensure transparency and accountability in aid management, several structures and institutions have been initiated to help in aid management and scrutiny of the national budgets. For instance, the Public Accounts Committee (PAC) of Parliament ensures the parliamentary participation beyond debates and passing of budgets to budget formulation and monitoring processes. Although this has not been directly because of PD, it has helped in making the Government more accountable to the people who are the ultimate beneficiaries of the donor money given under the PD. The civil society organisations like the Malawi Economic Justice Network (MEJN), the Economics Association of Malawi (ECAMA), Civil Society Coalition for Quality Basic Education (CSCQBE), Malawi Health Equity Network (MHEN) and others have also taken an important role in ensuring accountability of the government in aid and public funds management. However, these organisations pointed out that their role can be improved further if they are also involved in PAC budget review meetings, especially when the PAC is meeting with the controlling officers in the ministries. These could help them have some inside information and a better understanding of the government machinery and on how the funds have been utilised in Government ministries and departments. There has also been an outcry from the civil society that the outcomes from these PAC meetings are not made public. In addition, the government conducts audits for its departments and in most cases, no stringent actions are taken when fraud has been uncovered. The other concern is that the office of the Auditor General had been vacant from 2004 to 2009 during which period no audit report was filed, implying that the executive could not be held accountable for the correct executing of the national budget. Similarly, failure to hold the second local government elections scheduled for 2004 up to now implies that community participation in the development process may have been compromised in the absence of counsellors since 2005. There are also fears that the oversight and scrutiny of government business afforded by checks and balances to the system may be compromised now that the government has a

³⁴ GoM (2008) Key Messages from Malawi to the Accra High Level Forum

strong majority in Parliament. For instance, the easy passing of the 2009/10 national budget and several financial bills carried over from the previous fragile Parliament was applauded by the public. However, the further passing of some bills³⁵ by the DPP-led government in November 2009 raised concerns among civil society groups.

The civil society networks have been conducting the Public Expenditure Tracking Surveys (PETS) in several sectors like health, education and agriculture. These have provided a basis for civil society budget lobby and hold the government accountable on its program and priorities. Of late, the government, through the MDPC has also been conducting its own PETS that have to some extent complimented, but sometimes contradicted the PETS done by the civil society.

3.2.11 Have the general commitments of paragraph 50 of the PD and the specific mutual commitments of paragraph 24 of the Accra Agenda for Action been met regarding transparency, mutual accountability for development results, information, and parliamentary oversight? (C xi)

Availability of information is a key driver of accountability and paragraph 24 of the Accra Agenda for Action (AAA) calls for public disclosure of revenues, budgets, expenditures, procurement and audits. The 2006 monitoring survey highlighted the need for better dissemination of Government strategies, budgets and policies and the 2008 survey subsequently recorded progress on these issues. Progress continued in 2010 with the Public Information Bureau disseminating new legislation and public policies and the national press being utilised to make similar announcements. Documents such as the Medium-Term Expenditure Framework have been published, and the websites of the MDPC, MoF and the National Statistics Office (NSO) provide a large amount of information covering national economic and social indicators as well as Government and donor performance.

The government and the DPs are increasingly working towards mutual respect, open dialogue and trust. These are observed in a number of sectoral working groups. For example, the March 2010 Common Approach to Budget Support (CABS) Review discussed openly a number of critical issues with mutual respect among participants (government, DPs, parliamentarians, civil society organizations, academia and media). In addition, budget presentation at Parliament is open to the public through various mass media. Although with limited circulation, the Government publishes the Annual Malawi Aid Atlas, the Public Sector Investment Program Reports and Quarterly Aid Disbursement Sector Report which provide information on aid flows and use. Most development partners also announce approved projects/programs in the form of press releases and/or project/program signing ceremonies. The latter are often covered by the media. The Aid Management Platform established in 2008, which is a web-based application, enables governments to better manage and coordinate development assistance³⁶.

Although there have been attempts to improve on mutual accountability of aid funds between donors and government, this area remains generally weak. For example, the GoM High Level Forum on Aid Coordination (HLFAC) which was held and chaired by the government in 2007

³⁵ These include the bills that give the president power to decide when to hold the local elections and power to fire the Vice President.

³⁶ http://www.developmentgateway.org/dg_uploads/pdfs/cs_amp_malawi_en.pdf

was not particularly successful and has not been held again ever since. The forum has potential to draw active participation from parliamentarians, local government representatives, the private sector, the civil society organizations, trade unions and some women organizations to comprehensively review aid management issues.

However the major point of weakness in the area of mutual accountability is power imbalances between GoM and the donors as recorded by the Mutual Accountability case study. On one hand, the power of donors is that of the purse-strings whereby accountability conditions are enforced over the GoM by delaying disbursement of funds or reducing aid commitments. On the other, the GoM has no realistic enforcement mechanisms to hold the donors to account. Further, donor country offices prioritise the accountability to the stakeholders in their countries over the accountability to the Government of Malawi. In some cases the pressure exerted on the Ministry of Finance by the CABS members on one hand and the local political pressure on its allocation and spending decisions on the other, has put the GoM in an awkward position to satisfy donors and local stakeholders. As such, aid relations become tenuous when the GoM prioritises domestic concerns over the requirement of the donors. This makes the prospects of a balanced mutual accountability to be limited and to be very much dependent on external political processes and institutions.³⁷

The AAA emphasized ownership beyond national public institutions to include Parliament and civil society. The involvement of the latter is increasing as evidenced by increasing analysis of national budgets, tracking of sector expenditures and involvement in policy/programme formulation through the Sector Working Groups. However, the limited knowledge and awareness about PD among CSOs cast doubt on the extent of ownership among CSOs.

The Parliament is instrumental in enhancing accountability of the government to the electorate. However, the current dynamics in Parliament with the ruling party in majority is feared to compromise the quality of debates on the budget. There are fears that government majority in Parliament guarantees the GoM to pass every bill from its side or any bills in its favour. For instance, the public applauded the easy passing of the 2009/10 national budget and several financial bills carried over from the previous fragile Parliament. However, the further passing of some bills³⁸ by the DPP-led government in November 2009 raised concerns among civil society groups. National budgets for the past two years have been passed without much debate and scrutiny, and this is feared to result in Government being less accountable to the Parliament on how it used the resources in the previous budget.

3.2.12 Is there less corruption and more transparency? Has this led to more public support for Government and to more effective resource mobilisation and allocation? (Question Cxi)

Aid has an important role in improving government systems (e.g. procurement, public financial management, audit and budgeting) for better accountability and transparency in using public

³⁷ Whitty. B (...) Domestic and Mutual Accountability for Aid. Building Stronger synergies. Case Study Report, prepared for the Commonwealth Secretariat

³⁸ These include the bills that give the president power to decide when to hold the local elections and power to fire the Vice President.

resources. Government and donors collectively are taking increased measures to fight corruption through the current budget support operation which provides resources to strengthen public financial management and procurement systems. In addition, Anti Corruption Bureau is partly funded by donors. The performance assessment of the CABS has two indicators to measure corruption and these are assessed as part of the review of the operation. In addition, selected donors, including AfDB, DfID EC, Norway, EC and USAID conduct quarterly meetings with the Anti Corruption Bureau to assess progress.

There is political will to tackle corruption, resulting in high level arrests in connection with corruption by the Anti-Corruption bureau (ACB) over the past five years. The current statistics of Transparency International place Malawi on position 85, representing an improvement from position 89 among the most corrupt countries in the world. The improvement is attributed to improved scores on the perception index from 3.3 to 3.4. The evaluation team is of the view that this improvement is inadequate for a country that is trying to win more donor confidence.

Challenges still remain in terms of funding to the ACB. The bureau has been donor funded since its inception and this puts a question on the commitment of the government on the work of the bureau. The other area of concern especially from the CABS on financial governance has been the issues of local elections. This is seen by the CABS as an important signal of GoM's commitment to good political governance. The uncertainty surrounding the local elections and the decentralization process also affects financial management and the legitimacy of district authorities.³⁹

3.2.13 Have there been unintended consequences of the Paris Declaration? Is there evidence of better ways to make aid more effective?

There have been both negative and positive unintended effects following the implementation of PD in Malawi as follows:

Negative

1. Cartelising Aid, by following one approach to delivering aid, we may lose out from learning other things. For example, a number of non-PD donors have demonstrated speed in the way they deliver their aid. Government prefers budget support as the best mode of aid delivery; however, this may crowd out other potentially beneficial modalities and restricting new innovative approaches while promoting dependency, increasing risk and decreasing predictability.
2. The implementation of PD looks simple on paper, but does exert very high administrative burden on the part of government and donors (such as meetings, technical working groups etc) that may not justify the results achieved. As the volume of aid increases, there is an overstretch of human resource and there is need to increase the human resources in government.

³⁹www.norad.no/en/_attachment/106162/binary/5750?download

3. PD tends to make aid even more conditionality bound, although in principle, it says the opposite. For example, the implementation of PD requires conforming to various PFM standards that were not required during the use of PIUs as the PIUs were used to mitigate the impacts of weak PFM systems. There is now a move by government to increasingly turn to non-traditional donors, such as China and India, for loans and grants. These new donors do not have explicit economic and political conditions placed on their aid; although they may have their own unfavourable aid delivery methods or agendas.
4. Mutual Accountability case study suggests that there is an asymmetrical relationship between government and DPs, which belies the partnership. This is easily seen when there is no effective sanction for donors who do not meet their commitments. While donors have failed to undertake simple administrative fixes such as coordinating their analysis and missions, huge and complex changes have been demanded from Government in areas such as public financial management, governance, etc.

Positive:

1. Emphasis on building capacity for good PFM, macro economic management. anticorruption, is good as this also attracts Foreign Direct Investments (FDI). In addition, the focus of PD on pro-poor results is good for human development.
2. PD has led the GoM to start understanding the limits of aid, since even with good intentions of PD, there is no improvement in aid relations. The government is now renewing efforts to expand its horizon in development financing; exports; FDI, local taxes, and to seriously manage aid and start moving towards aid exit strategy⁴⁰.

⁴⁰ See DAS

3.3 Development outcomes

3.3.1 Has the implementation of the PD strengthened the contribution of aid to sustainable development in Malawi (Question 3)

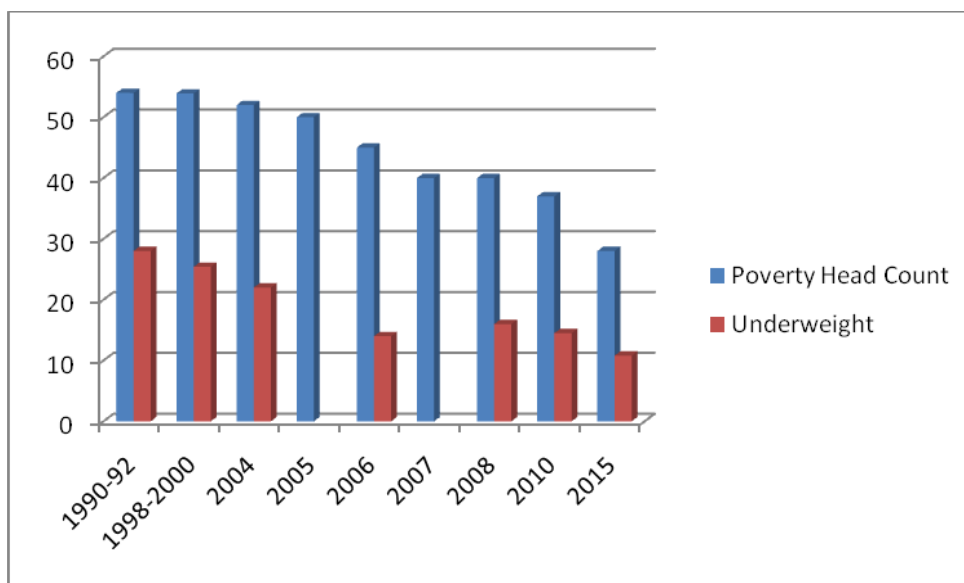
Developments in Malawi before and immediately after 2005 complicate the causal relationship between achievements in aid effectiveness under the Paris Declaration and achievements in development outcomes. Some PD-related reforms were undertaken in Malawi before the formal introduction of PD principles in 2005. As stated in section 3.1.1, good domestic policies and strong economic and political leadership accompanied the formal introduction of PD principles in Malawi. During this period, aid relations between GoM and donors improved because of GoM's significant achievements in sound governance and prudent economic policies, thereby winning back the support and confidence of donors. Malawi also made a significant policy shift from social consumption to sustainable economic growth and infrastructure development by adopting the Malawi Growth and Development Strategy (MGDS) as a successor strategy to the Malawi Poverty Reduction Strategy in the same year. Thus, although the post-PD status of development outcomes in Malawi represents an improvement over those recorded in earlier years, changes in aid effectiveness brought by the implementation of PD principles will merely contribute and not explain fully the improvements in development outcomes.

The suspension of the IMF PRGF programme in April 2004 and subsequent suspension of budget support by other donors, as may be related to lack of compliance with PD-related principles, explain the lower and stagnating ODA in the pre-PD era in Figure 1 in section 3.1.3 above. It is more likely that the restoration of the IMF PRGF led to increase in donor funding rather than the implementation of the PD. Thus, the evaluation team is of the view that there are other factors that may explain the causal relationship between achievements in aid effectiveness under the Paris Declaration implementation period and achievements in development outcomes. Nonetheless, plausible contributions can be traced through the implementation of the PD to development outcomes in such sectors as health.

The implementation of the PD Principles in such sectors as health strengthened aid relations and allowed donors to increase resources into these sectors. As stated in section 3.1.3 above, the implementation of PD principles influenced the determination of where aid should be used in line with the status of the MDGs. The increased resources have to a large extent led to better development outcomes. SWAps, by their nature, require detailed planning which are linked to the budget. The coordinated planning has contributed to better development outcomes, as can be exemplified in the achievements of some of the MDGs below:

Goal 1: Eradication of Poverty

Figure 4: Poverty Head Count and Prevalence of underweight (under 5 yrs)



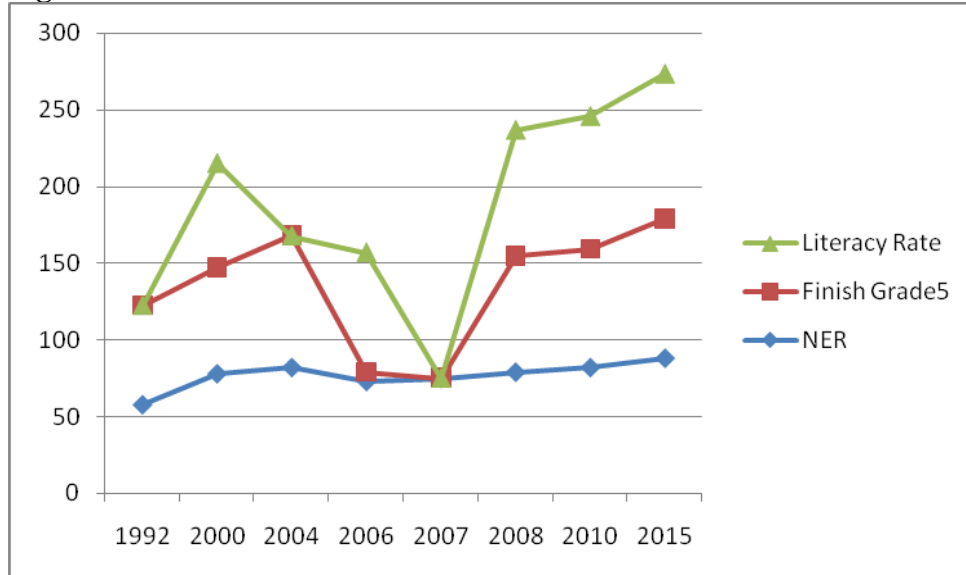
Source: Malawi Millennium Development Goals Report, 2009

The figure 4 above shows that poverty in Malawi has declined from 54% in 1998 to about 40% in 2008. If this trend continues, then the MDG target of 27 percent by 2015 will be achieved. In order to achieve these goals, the GoM is implementing various programmes such as the targeted farm input subsidy program. Similarly, Malawi has made major efforts in curbing the problem of prevalence of underweight children (under-five), declining from 28% in 1992 to 14% in 2008. It is projected to reduce to 10.85 by 2015.

Goal 2: Achieve Universal Primary Education

Achievement of universal primary education is unlikely to be attained. Net enrolment rate stands at 79% and the proportion of pupils starting grade one who reach grade 5 without repeating a grade has declined from 86% in 2006 to 75.7% in 2008. The youth literacy rate is currently at about 82%.

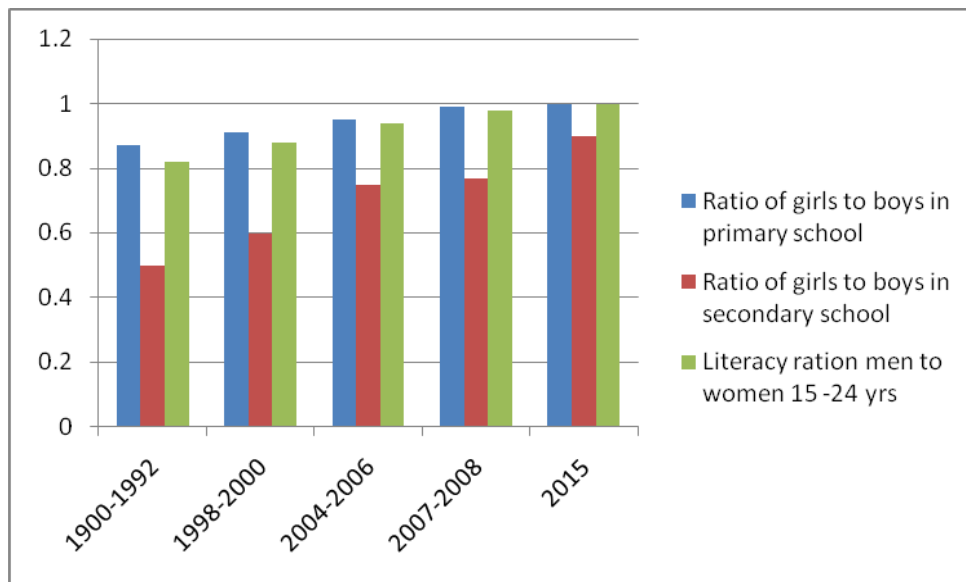
Figure 5: Education Indicators



Source: Malawi Millennium Development Goals Report, 2009

Goal 3: Promote Gender Equality

Figure 6: Gender Equality Indicators



Source: Malawi Millennium Development Goals Report, 2009

Gender inequalities exist in accessing productive resources, development opportunities and decision-making. Currently, the ratio of girls to boys in primary school is 0.99 and with this

progress, a ratio of 1:1 would be achieved by 2015. The ratio of girls to boys in secondary school is at 0.77. The trends show that gender inequality, in aggregate terms, may be achieved at primary education level but not at secondary level, which in turn, affects the ratio of girls at the tertiary level.

Goal 4: Reduce Infant Mortality

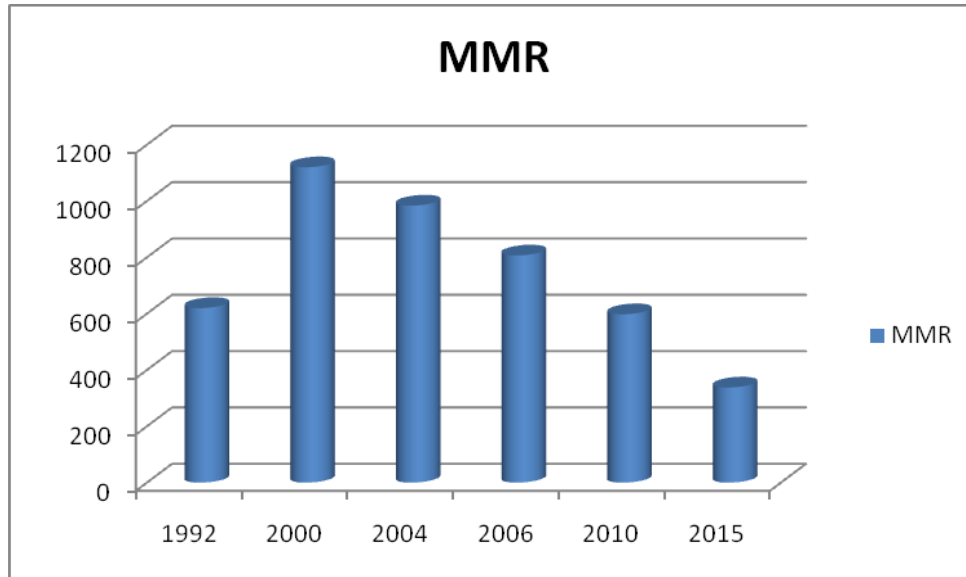
Figure 7: Infant and Under Five Morality Rates

Source: Malawi Millennium Development Goals Report, 2009

Although reducing child mortality is a major challenge, GoM is committed to reduce the problem by, among many other things, increasing the budget allocation to the health sector with the aim of intensifying investments in essential health care services, human resources development and retention. Implementation of the Health SWAp Programme of Work in 2004 – 2010 provides an opportunity for improved collaboration between Ministry of Health, development partners and non-state actors.

Goal 5: Improve Maternal Health

Figure 8: Maternal Mortality Rate



Source: Malawi Millennium Development Goals Report, 2009

The figure 8 above shows that the maternal mortality rate declined from 1,120 deaths per 100,000 live births in 2000 to 807 in 2006. Despite this improvement, Malawi is unlikely to achieve the desired target as the projections show that MMR will be 338 deaths per 100,000 live births by 2015.

Goal 6: Combat HIV and AIDS, Malaria and Other Diseases

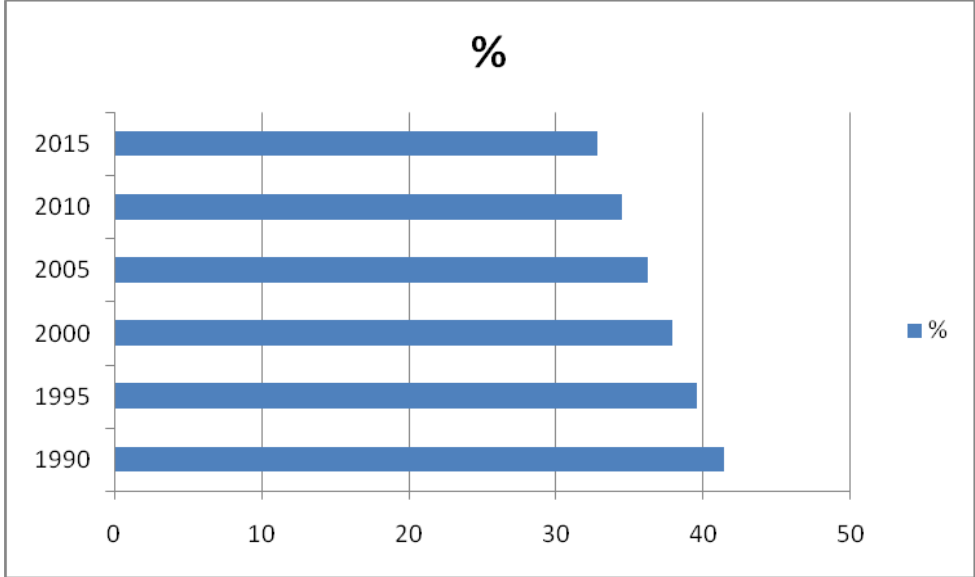
Malawi is committed to reduce the spread of HIV and AIDS pandemic through a coordinated national response among others. Although the impact continues to be devastating, the country is making good progress towards reducing the HIV prevalence as can be seen in Figure 8 below. The national HIV prevalence rate among pregnant women aged 15 to 24 has declined from 24.1 percent in 1998 to 12 percent in 2006. The decline is attributed to the success of the increased awareness programmes on HIV prevention and behavioural change. It is projected that by 2015, HIV prevalence rate is likely to be reduced to 2.9 percent. (Malawi Millennium Development Goals, 2009).

Figure 9: HIV Prevalence Among 15 - 24 Years Old Pregnant Women

Source: Malawi Millennium Development Goals Report, 2009

Goal 7: Ensure Environmental Sustainability

Figure 10: Proportion of Land Covered by Forest

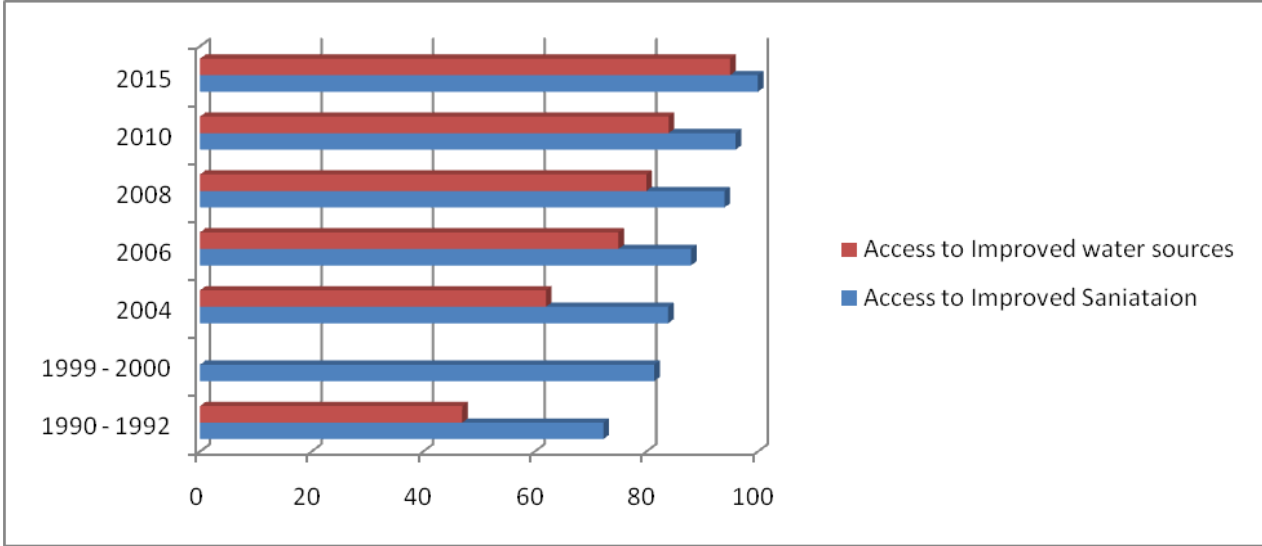


Source: Malawi Millennium Development Goals Report, 2009

Figure 10 above shows that the proportion of area covered by forest declined from 41.4 percent in 1990 to 32.2 percent in 2005. If this trend continues, Malawi is unlikely to achieve the target of having 50% of its land covered by forest by 2015.

Figure 11 below shows proportion of households with sustainable access to safe water and improved sanitation. The projections show that Malawi is on track to achieve access to improved water sources and improved sanitation.

Figure 11: Proportion (%) of households with sustainable access to improved water sources and sanitation



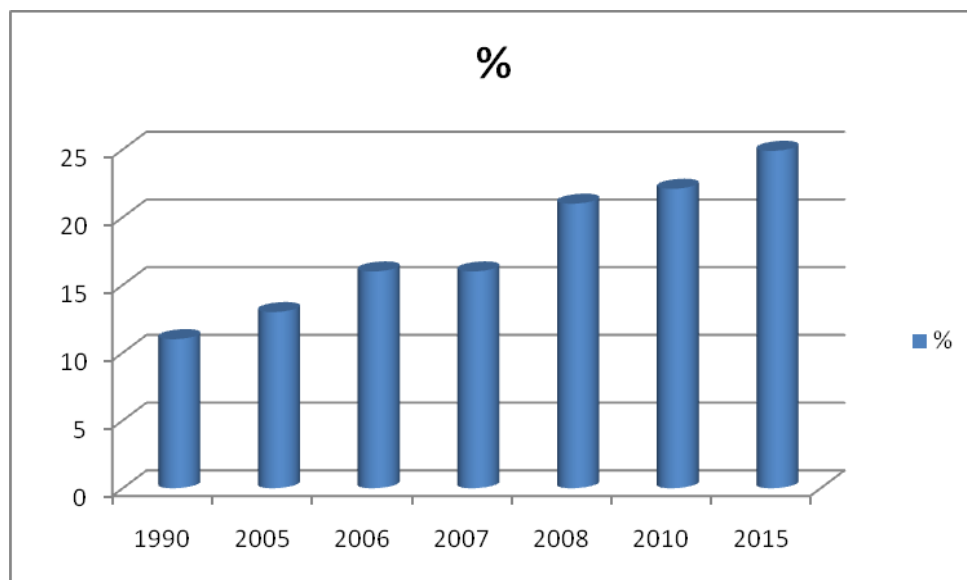
Source: Malawi Millennium Development Goals Report, 2009

Goal 8: Develop Global partnership for development

Self-reliance in the context of MDGs can be traced to Goal 8, which unlike the other seven goals, takes a financing position. The 2009 Malawi MDGs Report shows that there were no targets on all the indicators on Goal 8. Thus, although the report shows that Malawi is likely to meet the goal, the basis is not known and the current achievement is rather low. Notwithstanding this, it must be appreciated that for the past five years, Malawi has been able to meet national food self-sufficiency. The main concern is that Malawian agriculture almost entirely depends of rainfall and is therefore vulnerable to vagaries of weather especially drought. In addition, there is a very low level of mechanisation, thereby limiting the area under cultivation and productivity of land. As mentioned earlier, Malawi still heavily relies on external aid in form of loans and grants.

Because of the implementation of a number of structural reforms, there is improved confidence in the economy, and as a result, there is also an improved flow of ODA and foreign direct investment in the Malawian economy. The Figure 12 below shows that net ODA as a percentage of GDP has increased from 23 percent in 2005 to 21 percent in 2008. In is very likely that in the medium term aid will increase further.

Figure 12: Net ODA as a percentage of real GDP



Source: Malawi Millennium Development Goals Report, 2009

3.3.2 Were results in specific sectors enhanced through the application of the PD Principles in Malawi (Question 3a)

Under the direction of the Government, the evaluation team in Malawi included two sectors, namely the health and public infrastructure sectors. In the latter sector, the direction from Government was to specifically focus on the road transport in view of the substantial resources that are being channelled to the sub-sector. However, the road transport⁴¹ sub-sector is just beginning to institute a framework for a PD arrangement. As such, the assessment of the extent to which the application of the PD principles in Malawi has enhanced results in specific sectors in this section is limited to the health sector.

The health sector of Malawi can be described as a “donor darling”. Historically, many donors have supported the sector with many resources. For example, from 2007/08, 2008/09 FY and 2009/10 FY the sector received \$150 million, \$250 million, and \$200 million accounting for over 30% of the total aid.⁴² The sector was more organised and “donor led”. It is difficult to imagine how the sector would have developed without this massive support from the donors.

The contextual framework of Malawi’s health sector shows that the sector appreciated the significance of aid effectiveness earlier than the signing of the PD in 2005. Four National Health Plans⁴³ (NHPs) preceded the current Health SWAp Program of Work (2004-2011)⁴⁴ which was

⁴¹ There has been no formal PD framework in this sector between 2005 and 2010, making it difficult to do a comprehensive PD evaluation for the sub-sector

⁴² Malawi Aid Atlas 2010

⁴³ The last NHP covered the period 1999-2004

⁴⁴ The current POW has been extended by a year

developed before the signing of the PD. The Ministry of Health (MOH) and its Cooperating Partners (CPs) signed a Memorandum of Understanding (MOU) concerning the Health SWAp in Malawi in October 2004 to ensure transparency and accountability during implementation. The MOU reflects some of the PD principles as the two parties, among other things: (a) committed themselves to the “objectives articulated in a number of key policy papers” and documents, (b) noted that there was room for improving the collaboration and co-ordination among all stakeholders and undertook to “support planning, review, monitoring, allocation of resources, coordination and policy development as a joint effort”, (c) noted that the Health SWAp would rationalize scarce resources and maximize the efficient use of those resources, and (d) acknowledged the need for clear leadership by the Government.

The Health SWAp POW, which essentially focuses on delivering an Essential Health Package (EHP) which, in turn, has the potential to deal with more than 90 per cent of the causes of morbidity and mortality in Malawi, constitutes a medium term strategic framework for the sector for the delivery of the EHP based on the SWAp principles of government ownership, stewardship and partnership amongst all stakeholders in health and has six pillars as follows:

- POW Pillar 1. Human Resources
- POW Pillar 2. Pharmaceutical and Medical Supplies
- POW Pillar 3. Essential Basic Equipment
- POW Pillar 4. Infrastructure - Facilities Development
- POW Pillar 5. Routine Operations at Service Delivery Level
- POW Pillar 6. Central Institutions, Policy and Systems Development

The POW has evolved from earlier NHPs, and hence, enhanced by SWAp implementation arrangement. It reflects key Government priorities for the health sector, and its main element (implementation of EHP) conforms to a central sector strategy of the Government. Associated objectives and planning targets are in line with the MGDS and the Millennium Development Goals (MDGs).

The total funds planned for the POW were estimated at US\$ 735 million dollars for six years as follows:

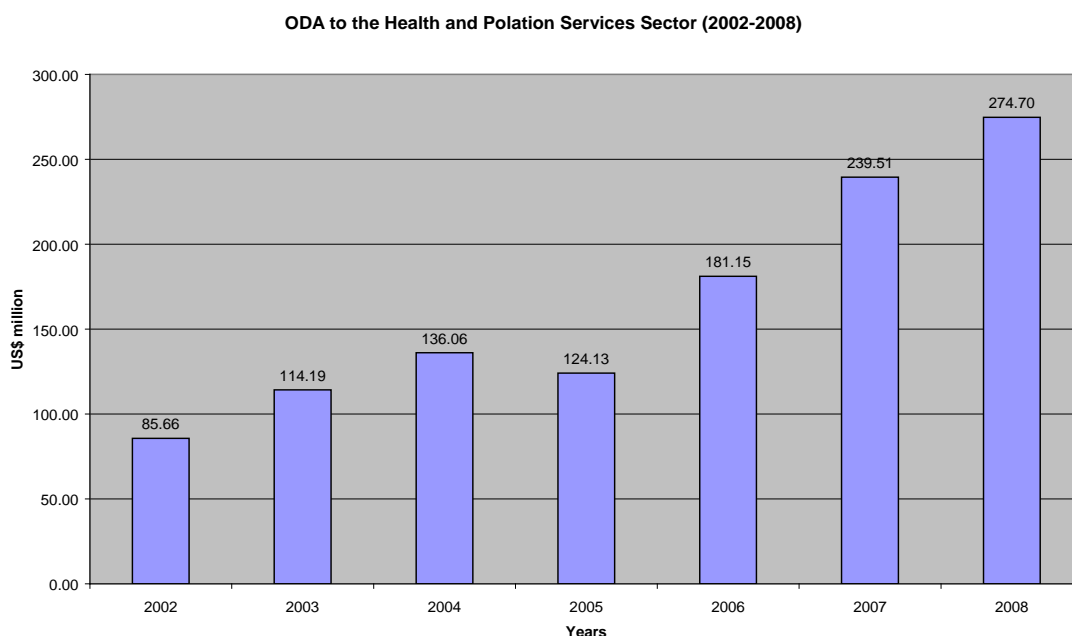
Table 4: Planned Financial resources for POW by year

Planned financial resources for the POW by year (US\$ millions)					
2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
89.45	118.10	119.10	127.70	137.90	147.00

Source: Health SWAp, POW page 98

To assess the contribution of aid to the sector, Figure 13 below presents ODA contribution to the Health and Population Services sector. Although the data include the population sub-sector, the table reflects flow of resources to the health sector before and during implementation of PD principles. As the table shows, scale of aid to the sector has increased steadily up to 2004 and after 2005. Thus, it is difficult to solely attribute the increased flow of aid to PD implementation.

Figure 13: ODA to the Health and Population Services, 2002 - 2008.



Source: Source: OECD DAC CRS Database (2010)

As noted above, the POW under the Health SWAp is jointly financed by GoM and Cooperating Partners who are categorized into pool and discrete partners. The Table below presents scale of disbursement of aid by pooled and discrete donors to the health sector since FY 2007/08. As the table shows, scale of disbursement of aid to the health sector has varied over the recent past, increasing to US\$85 million in FY2008/09 and decreasing to US\$62 million in FY2009/10.

Table 5: Disbursement by Source⁴⁵

Disbursements by Source of Funding			
Source of Funding	2007/08FY	2008/09FY	2009/10FY
Health SWAp - Discrete	\$1,627,621	\$6,298,118	\$3,525,140
Health SWAp - Pooled	\$62,334,614	\$78,388,242	\$58,307,885
Total	\$63,962,235	\$84,686,360	\$61,833,024

Source: Ministry of Finance, Debt and Aid

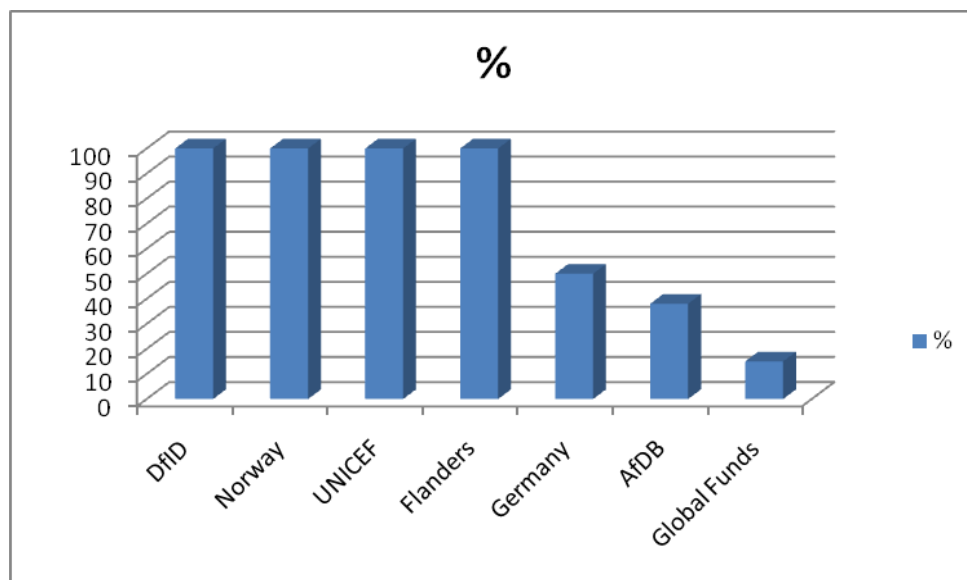
On aid predictability, the sector depicts variances between the funds pledged and disbursed by donors for both recurrent and development budgets. For instance, in 2006/07 FY, out of the US\$104.3 million (MK14.3 billion) pledged by pooled donors, only US\$53.6 million (MK7.46 billion) was disbursed, representing 51% of pledged funds. Total cumulative pooled funding inputs into the Health Sector at the end of 4th quarter were MK23.58 billion, with GoM contributing 68% and donors 32% compared to 44% and 56% respectively the previous year. However, in 2007/08 FY, donor disbursement was 10% above pledge due to increases by WB

⁴⁵ More than 50% of total funds from donors to the health sector are direct project support in the last three years (JICA Malawi)

and the Global Fund. In 2009/10, while disbursement by pooled donors was below pledge by 39%, that of government was similarly 39% below approved budget. Disbursements for discrete donors were worse at 72% below pledge. The POW spent MK28.9 billion compared to MK32.3 billion planned under the POW, representing 88% resource usage. The variations between committed funds and disbursement raise concerns on predictability of aid, thereby complicating planning and presenting barriers to achievement of targets. For example, this has been the case in Pillars related to commodity supplies and availability.

Predictability and delivery of aid has varied over the recent years. While pooled partners finance the POW through a common deposit bank account and do not have to worry about tracking the identity of their funds once deposited, the discrete partners finance specific items in the POW and have individual accounts into which their funds supporting the POW are deposited. For instance, discrete donors disbursed more development budget funding in 2006/07 (51%) and 2007/08 (81.4) than pooled donors (12.4% and 42.4%, respectively). Likewise, expenditures were higher under discretely-funded development project in 2006/07 (46.1%) and 2007/08 (64.9%) than pooled development projects (1.7% and 45.1%, respectively). In 2009/10, however, discrete donors disbursed less development budget funding (21.6%) than pooled donors (96%). Likewise, expenditures were less under discretely-funded development project (21.6%) than pooled development projects (75.4%). These variations cast doubt on the productive nature of the structured dialogue under the POW in terms of its focus on some elements of PD principles, such as predictability of aid.

Figure 14: Health SWAp Predictability by Donor (2009/10FY).



Source: Malawi Aid Atlas, 2010

As can be seen from the figure above, DfID, Norway, UNICEF and the Flanders provided more predictable aid than Germany, AfDB and the Global Funds in FY 2009/10.

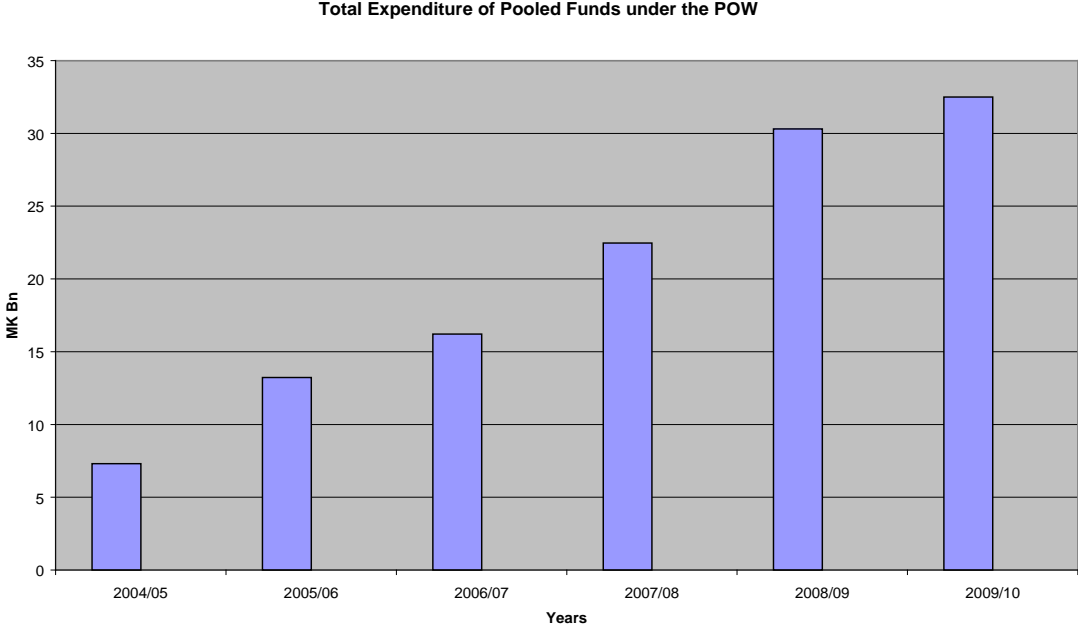
The mechanisms for POW implementation entail high level of active dialogue and direct effects on aid relationship. POW implementation is through Annual Work plans, involving MOH Headquarters, District Health Offices, Christian Hospital Association of Malawi and the Central Hospitals. The MOH has effectively assumed its stewardship role and leads the health sector development. Coordination and follow-up of POW implementation is the responsibility of MOH and performance assessments and general progress monitoring is provided through Annual Joint Reviews using the Health SWAp integrated M&E framework whose indicators are, in part, included in the Performance Assessment Framework for the CABS group. However, the productive nature of the structured dialogue is questionable in terms of its focus on some elements of PD principles, such as predictability of aid.

Figure 15 below presents level of expenditures of pooled funds of the POW since 2004/05⁴⁶. According to the figure, expenditures have been increasing steadily, reflecting the sector's adequate absorptive capacity, improving alignment and aid relationships. The higher proportion of pooled funding (averaging 95% of total donor funding over the past three years) than discrete funding (averaging 5%) under the Health SWAp POW is consistent with the "very satisfactory" rating of the alignment indicator of the PD in recent MGDS Annual Reviews. However, again, differences in funding and expenditures between pooled and discrete partners over the years raise concerns on the productive nature of dialogue and reflect both the failure of GoM to meet donor conditions and the extent to which partners trust local systems. For instance, in 2009/10,

⁴⁶ There is need to get same data on pledges/approvals and disbursements by aid modality over the years

disbursements under pooled donors were withheld due to failure by the GoM to produce the 2008/09 audit report as well as failure by the MOH to meet some grant conditions.

Figure 15: Total Expenditure of Pooled Funds under POW



Source: MOH, Summary of the Annual Report of the Health Sector 2009-2010

The assessment of aid effectiveness in the health sector is done through the monitoring of eleven PD indicators⁴⁷ in the MGDS Annual Reviews. According to the reviews, most of the PD indicators depict very satisfactory performance, mainly reflecting the SWAp arrangements that exist in the health sector. For instance, 75% of the PD performance indicators on aid effectiveness were very satisfactory, 8% were satisfactory and 17% were unsatisfactory in 2006/07 FY. The same proportion of very satisfactory performance indicators obtain in 2007/08 FY. Thus, improved aid effectiveness is likely to contribute to some of the improvements in the outcome indicators in the sector.

To assess the **development results in the sector**, it is important to recap that the long term goal of the health sector in the MGDS is improved health of the population at all levels in a sustainable manner. The medium term outcomes include improved provision of essential health care services, reduced infant mortality rate from 76 to 60 per 1,000 live births, reduced child mortality rate from 133 to 90 per 1000 live births, and reduced maternal mortality rate by 50% from current level of 984 deaths per 100,000 live births. The MGDS Annual Reviews also include such outcomes as reduced incidence of malaria, TB and other major diseases as well as increased life expectancy. Relevant Millennium Development Goals (MDGs) include reduced

⁴⁷ These include operational sector strategy, aid flow alignment to national strategy, coordinated support for capacity building, use of country procurement systems, use of country PFM systems, number of parallel implementation structure, predictability of aid, use of common arrangements or procedures, shared analysis, joint field missions and results based frameworks.

child mortality (MDG 4), improving maternal health (MDG 5) and fight against HIV/AIDS, malaria and other diseases (MDG 6).

Table 6 below presents summary of some of the indicators monitored under the SWAp M&E framework. Assessment of development outcome indicators in the health sector shows that there has been some progress towards some of Malawi's long-term development goals and the MDGs. First, infant mortality rate (IMR) reduced from a baseline of 76 in 2005 to 72 in 2009/10. Second, under-five mortality rate (U5MR) reduced from a baseline of 133 in 2005 to 122 per 1000 live births in 2009/10⁴⁸. Third, the maternal mortality rate (MMR) reduced from a baseline of 984 in 2005 to 807 per 100,000 in 2009/10. Fourth, prevalence of HIV among 15-24 year-old pregnant women attending ANC reduced from a baseline of 14.3% in 2005 to 12.3% in 2009/10. Fifth, HIV prevalence among 15-49 age group reduced from a baseline of 14% in 2005 to 12% in 2008/09⁴⁹. Sixth, life expectancy increased from a baseline of 40 years to 48 for men and 50 for women. Finally, proportion of underweight children reduced from a baseline of 22% in 2005 to 16% in 2009/10. Achievements at objective level explain the modest progress in the outcome indicators, including increased utilisation and effectiveness of EHP and other services as well as increased availability of quality EHP services. There has been improvement in the provision of essential health care services as the EHP coverage⁵⁰ increased from a baseline of 9% in 2005 to 74% in 2008/09.

Several factors explain some of the progress made to-date. The POW has been used as a “key SWAP instrument”, evolving from earlier sector plans throughout the SWAp design and enhanced by SWAp implementation thereafter. As a result, the POW has been far more specific regarding objectives and activities, more detailed with regard to resource implications and costing, and reflects key Government priorities for the health sector. Key challenges in the sector, such as the weak human resource base, have been addressed as priorities. Further, the MOH has effectively assumed its stewardship role and led the health sector development process. Furthermore, a full set of management, monitoring and appraisal instruments accompanied the POW, including joint bi-annual reviews, mid-term and final evaluations, involving extensive stakeholder consultations. Finally, the organisation of the POW into six Pillars facilitated understanding and communication of the health program's logic and made it easy to describe sequencing and phasing, inputs, outputs and outcomes, monitoring frameworks, funding requirements and resources.

⁴⁸ President Mutharika compared the U5MR of 122 deaths per 1,000 in 2009 to 189 deaths per 1,000 in 2000 in his statement at the 65th UN GA in September 2010

⁴⁹ President Mutharika compared the HIV prevalence of 12% in 2009 to 24% in 2000 in his statement at the 65th UN GA in September 2010

⁵⁰ Measured by % of facilities delivering OPD, immunisation, family planning and maternity services)

Table 6: Summary of Health Indicators

Indicator Name	Baseline (2005)	Actual 2006/07	Actual 07/08	Actual 08/09	Actual 09/10	End of prog target (by 2011)
Goal Indicators						
IMR (per 1,000)	76		72	72	72	48
U5MR (per 1,000)	133		122	122	122	76
MMR (per 100,000)	984		807	807	807	560
Life Expectancy at birth (yrs)	40				48 (males), 50 (women)	45
Prevalence of HIV among 15-24 yr old pregnant women attending ANC (%)	14.3	14.3	12.3	12.3	12.3	<12
Underweight children (%)	22	19		16	16	7
Objective 1: Utilisation and effectiveness of EHP and other services						
OPD utilisation per 1000 population	800	1100	1170	1290	1316	>1000
Proportion of 1 yr-olds immunised against measles (%)	82	79	84	88	88	90
Proportion of births attended by skilled personnel (%)	38	41	45	52	58	75
% of pregnant women slept under ITN previous night	14.7		25.6	25.6	50	90
% of U5 yrs slept under ITN previous night	14.8		24.7	24.7	80	90
Objective 2: Availability of quality EHP						
EHP coverage (% facilities delivering OPD, immunisation, family planning and maternity services)	9		74	74		60
TB Cure rate (%)	74	73	79	83	86	87
Population per nurse	4,000	3,653	3,062	2,800	2,643	1,700
Population per doctor	62,000	44,453	53,662	53,662	41,045	31,000
Pillar 1: HR staffing norms at health facilities						
% of health centres with min staff norms -- 2 clinicians (doctor/clinician/MAt), 2 nurse/midwives and 1 env. Health off/HA				29, 40, 26 & 13 composite	27, 45, 45 and ---	25, 55, 35 and 25 composite
Pillar 2: Pharmaceuticals supply chain functioning adequately						
Drug day availability (%)				>92	>89	100
Health financing						
% of Gom budget allocated to health sector				13.6	12.4	15.0
% of rec budget funded and utilised annually				100	99.8, 91.5	100, ---
Per capita allocation				US\$16.2	US\$15.9	US\$17.53

Source: MOH, Various MGDS Review Reports

However, comparison of achievement of outcomes with targets in 2011 cast some doubts that the targets will be met for most indicators, including IMR, U5MR and MMR. The Final Evaluation of the Health Sector programme of Work doubts that targets in institutional deliveries and ARV prophylaxis will be reached and acknowledges that progress in the malaria programme, as measured by POW indicators, is disappointing. Staffing levels are improving but assessed to fall short of targets. Several challenges faced during the implementation of the POW also explain the slow progress towards outcome targets. First, the separate planning, management and performance monitoring by Pillar lost the sector's view of overall development towards a common goal. Examples include separate evaluation of pillars with little coordination of methodology and timing and uneven development and depth of planning across Pillars of the POW in terms of scope of work and detail of activities as well as resources and level of input. Second, while communities and populations are involved in POW implementation in view of the principle to deliver health services through decentralised health care delivery system, participatory planning processes have been lacking. In addition, while instruments for the involvement of NGOs have been developed and introduced, they are yet to be widely applied. Third, while an appropriate set of indicators accompanies the POW, the functionality of the Health Management Information System (HMIS) is still limited and baseline data is unavailable for almost all indicators. Fourth, while geographical distribution of health services has been improving, there are still gaps in service coverage due to inadequate geographical distribution, especially affecting women, children and the poor. Fifth, the critical shortage of human resources for health is a continuing phenomenon. Sixth, the Office of the Director of Public Procurement (ODPP) has highlighted a number of irregularities in procurement of medicines and medical supplies at the central level. On the two procurement audits during the SWAp years, concerns were raised that the Central Medical Stores was not using the International Competitive Bidding (ICB) and that selection criteria were not adhered to.

3.3.3 Did the implementation of the PD help to improve the prioritization of the needs [beyond income poverty] of the poorest people, including women and girls, and reduce social exclusion in Malawi? (Question 3b)

There is evidence of increased recognition of extreme poverty, exclusion, and gender issues within development policy and planning. The Government of Malawi acknowledges in the MGDS the necessity to design and protect the most vulnerable Malawians, including households affected by disasters; households headed by orphaned children, the elderly and single parents (especially female heads); persons with disabilities; under-five children, lactating and pregnant mothers; orphans and unemployed and underemployed, and the land-constrained in rural areas. The long-term goal is to improve the life of the most vulnerable with the expected medium-term outcome of increasing the assets of the poor to enable them to meaningfully engage in sustainable growth and contribute to poverty reduction.

Although the PD is not about how to prioritise agendas for development, the Health SWAp was designed with the intention to address the issues of the poorest people. In fact, the PD has an indirect influence on prioritization of agendas for development. For instance, the opening paragraph of the PD states that it aims to help achieve the MDGs, which include MDG 3 on promotion of gender equality and empowerment of women. Thus, although at varying degrees,

some donors have in practice insisted that the plans they support should show some gender prioritization. Such practice has varied by sector, with such sectors as education⁵¹ and health being favoured. For instance, in line with the MGDS, the Government has implemented various socio-economic programmes targeted at the vulnerable segments of the Malawi society. These programmes include the targeted farm inputs subsidy program, the Public Works Programme, the MK5 billion Malawi Rural Development Fund (MARDEF) to enhance income generating capacity of the poor households, the establishment of the One Village One Product (OVOP) Scheme to encourage people to get into value adding businesses, and the establishment of the MK 3 billion Youth Enterprise Development Fund. Some donors have supported these programmes, thereby improving the prioritisation of the needs of the poorest as well as improving their economic conditions. The decline in poverty headcount by 15% between 2000 and 2009 and the decline in the measure of the ultra poor by 9% in the same period are attributed to these programmes⁵². On the other hand, some donors have been opposed to such programmes as the targeted farm inputs subsidy program on grounds of inflexible policies and approaches based on the Washington consensus. This in effect can hamper the pro-poor alignment of aid.

Women and girls feature highly in the categories of the most vulnerable Malawians cited above. For instance, on the land-constrained category of the most vulnerable in rural areas, Theme III of the MGDS acknowledges that gender inequality in accessing productive resources, development opportunities and decision making affect economic growth and development. The MGDS acknowledges that women are marginalized and cites challenges, including social/cultural factors, limited access to means of production and abuse of human rights being tilted towards women and children.

The implementation of the PD in Malawi depicts evidence of some improvements in the prioritisation of the needs of the poorest people beyond income poverty. First, the focus of the Health SWAp on delivery of EHP takes into account women and children of poor families. Further, the Health SWAp M&E framework has elements of prioritisation of issues related to women and girls. Table 6 above has indicators related to women and girls, including MMR, prevalence of HIV among 15-24 year-old pregnant women attending ANC, proportion of births attended by skilled personnel and percentage of pregnant women slept under ITN. The reporting of progress on life expectancy by gender in the same table shows evidence of increased generation and use of disaggregated data around the poor and excluded groups, including women and girls. The table below presents summary of additional gender-related indicators in the Health SWAp M&E Framework.

⁵¹ Malawi's new PRGF arrangement of August 2005 with IMF had the two triggers in the education sector, including achievement of a yearly enrolment of 6000 students for teacher training and average share of the education budget of at least 30 percent of the overall national budget.

⁵² President Mutharika's Statement on 2010 Malawi MDGs Progress Report at the 65th UN GA

Table 7: Summary of Gender – Related Indicators in the Health SWAp M and E Framework

Indicator	Progress 2008-09	Progress 2009-10	End of prog Target
% of infants born to HIV positive mothers who are infected		38	13
CPR	41%	41%	40%
% of eligible pregnant women receiving at least two doses of intermittent preventive therapy	46.7%	60%	90%
% of pregnant women who received a complete course of ARV Prophylaxis to reduce MTCT	66%	71%	70%
% of pregnant women starting antenatal care during the first trimester	9%	9%	20%
% of sexually active population using condoms at last high-risk sex	40% women and 58% men	40% women and 58% men	40% women and 60% men
% of men who do not know any signs or symptoms of pregnancy complications	64.8%	64.8%	40%
% of nurses with midwifery skills	93%	93%	90%

Source: MOH, 2010

Second, the Performance Assessment Framework (PAF), which assesses government performance on an annual basis for the provision of budget support under the Common Approach to Budget Support (CABS) acknowledges that, as outlined in the Malawi Growth and Development Strategy, ensuring a healthy, educated and gender sensitive population is important for economic growth and development. As such, the PAF also gets track of strides the government is making in human capital development through indicators in the social sector. The 25 indicators /52 targets in the 2010 progress report on the PAF include three gender related indicators. Indicator No. 15 is on survival rate of girls in primary school⁵³ and is aimed at achieving survival rates of 76% and 47.8% for girls in standards 5 and 8, respectively. Indicator No. 20 is on gender and aims to reduce gender disparities between men and women so that both are part of decision making process for issues that affect them. This indicator required government to develop an affirmative action plan on recruitment by March 2010 and undertake a gender audit focusing on recruitment in the civil service by December 2009. Indicator No. 25 is on gender based human rights and aimed to strengthen data collection in relevant criminal and restorative justice systems and to review the proposed amendments to the Prevention of

⁵³ In education the ratio of boys to girls in secondary school increased from 0.60 in 2000 to 0.77 in 2008.

Domestic Violence Act. The database for gender related cases had been developed and was expected to be installed in stations earlier this year. In addition, about 45 data entry clerks, 7 trainers of trainers had been trained and 20 computers had been procured. All this point to the evidence of increased generation and use of disaggregated data around the poor and excluded groups, including women and girls, who are marginalised in most aspects, including employment, access to ownership and control over productive assets, parliamentary representation, education, access to financial resources and exposure to gender based violence.

Third, more effective machinery to comprehensively address extreme poverty exist in sub-sectors such as gender. For instance, the NGO Gender Coordination Network (GCN), has been influential in raising the profile of gender issues in Malawi. Most sub-themes of the MGDS, including Economic empowerment, land and housing, nutrition, education and health and population reflect gender responsive priorities. Despite the policy shift of the MGDS from social sector, the social sectors of health have remained priority sectors in terms of annual budget allocations. However, as already alluded to, the prioritisation has not favoured economic programs. This makes it difficult to attribute the gains in prioritisation of the excluded groups in such sub-sectors as gender to the PD.

3.3.4 Has PD implementation led to sustainable increases in institutional capacities and social capital at all levels to respond to development challenges? Why, how and where, and what are the effects?(Question 3c)

National capacity is a binding constraint on development in Malawi⁵⁴. This is consistent with Government's acknowledgement in the MGDS that various institutions have inadequate human and capital resource requirements and planned to build this capacity with complemented efforts from donors and cooperating partners. The MGDS also recognizes local Governments as key to national development and good governance in order to enhance decision-making and participation of local communities in development planning and implementation. It also recognizes poor implementation structures, inadequate capacity, political interference, transparency and accountability, fraud and corruption as major obstacles.

There is evidence that the implementation of the PD contributed to modest increases in institutional and social capital to respond to development challenges. First, Government and CPs undertook in the MOU concerning the Health SWAp in Malawi to progressively implement the Ministry of Health Decentralization Plan in recognition of the value of decentralizing health services, and the consequent need for greater community involvement in health care planning and monitoring through local level structures. The Decentralisation Programme in Malawi is about "power to the people". In fact, the implementation of the POW for the Health SWAp includes district level implementation by district hospitals. Further, the SWAp M&E framework has indicators related to capacities at the local level, including population per Health Surveillance Assistant (HAS). The indicator⁵⁵ shows positive movement towards meeting the program target of 1,000 population per 1 HAS by 2011. Furthermore, the POW includes Pillar 1 on human resources. Second, the 2010 progress report on the PAF includes indicators related to building social capital. Specifically, Indicator No. 22 is on elections, with three targets, including

⁵⁴ UN Malawi Country Assessment Report (2010)

⁵⁵ It was at 1,315 population per HAS in 2008/09

holding parliamentary by-elections as required by the law, ensuring that local government elections are on track and achieving a target of 50 in 2010 for the Freedom House Media annual rating.

The development results are that citizens are able to demand health services and facilities through their political representatives in Parliament. In addition, Civil Society Organizations (CSOs) have established sector networks that increasingly depict administrative capacity to track public expenditures in health. Cooperating Partners are able to network among themselves and effectively define their niches as well as challenge the Government with one voice on requirements for system improvements. The Health SWAp has facilitated Government to also increase institutional capacity and social capital although workforce challenges still continue.

The extent to which the actions of the PD have contributed to institutional capacities and social capital is likely to have been limited due to the implicit assumption behind the PD that implementation at the macro-level would indirectly affect society and local institutions through some “trickle-down” mechanisms. However, while PD is known among Central Government Agencies and international donors, many sector ministry and CSO staff expressed ignorance about the PD. The institutionalization of coordination through the establishment of sixteen sector working groups (SWGs), although many are yet to be effectively functional, will assist in increasing capacities of all stakeholders.

Finally, any increased capacities and social capital require space for implementation and exercise of rights and responsibilities. For instance, both GoM and donors have developed problem-solving networks for active dialogue of issues that affect them in the PD partnerships. However, as the Mutual Accountability case study suggests, there are power imbalances between GoM and the donors. On one hand, the power of donors is that of the purse-strings whereby accountability conditions are enforced over the GoM by delaying disbursement of funds or reducing aid commitments. On the other, the GoM has no realistic enforcement mechanisms to hold the donors to account.

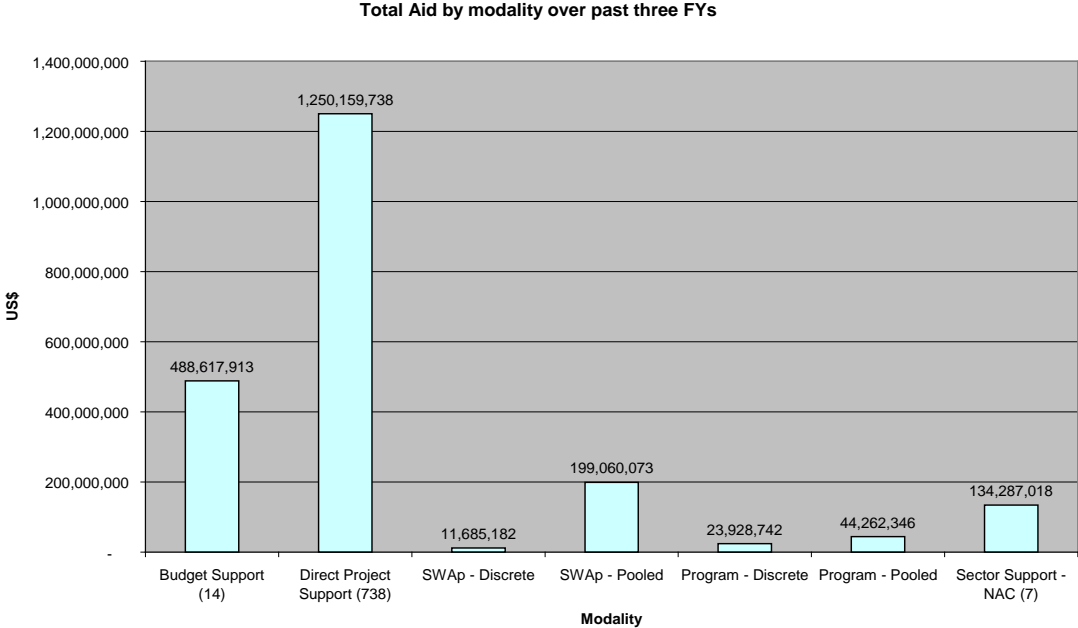
3.3.5 Has and why has the mix of aid modalities (including general or sector-specific budget support) evolved and what have been the development results? (Question 3d)

As noted above, other factors explain the causal relationship between achievements in aid effectiveness under the Paris Declaration and achievements in development outcomes. Likewise, other developments in Malawi before and during PD implementation complicate the analysis of the extent to which PD has shaped aid modalities. For instance, the CABS group started to coordinate budget support in the early 2000s as evidenced by the suspension of aid due to non-compliance with PRGF conditions in 2002/03.

The PD, however, has to some extent shaped aid modalities in Malawi. For the past three fiscal years, overall aid delivered using different aid modalities over during which total aid amounted to US\$2.1 billion, increasing from US\$544.1 million in FY 2007/08 to US\$792.5 million in FY

2009/10⁵⁶. As the figure below shows, the majority of this aid has been delivered through direct project support followed by budget support, pooled funding under SWAp, Sector Support (NAC), pooled funding under programs, discrete funding under programs and discrete funding under SWAp. While direct project support dominates aid modalities, it is noteworthy that aid modalities consistent with PD principles are gaining more ground.

Figure 16: Total Aid by Modality over the past 3 years

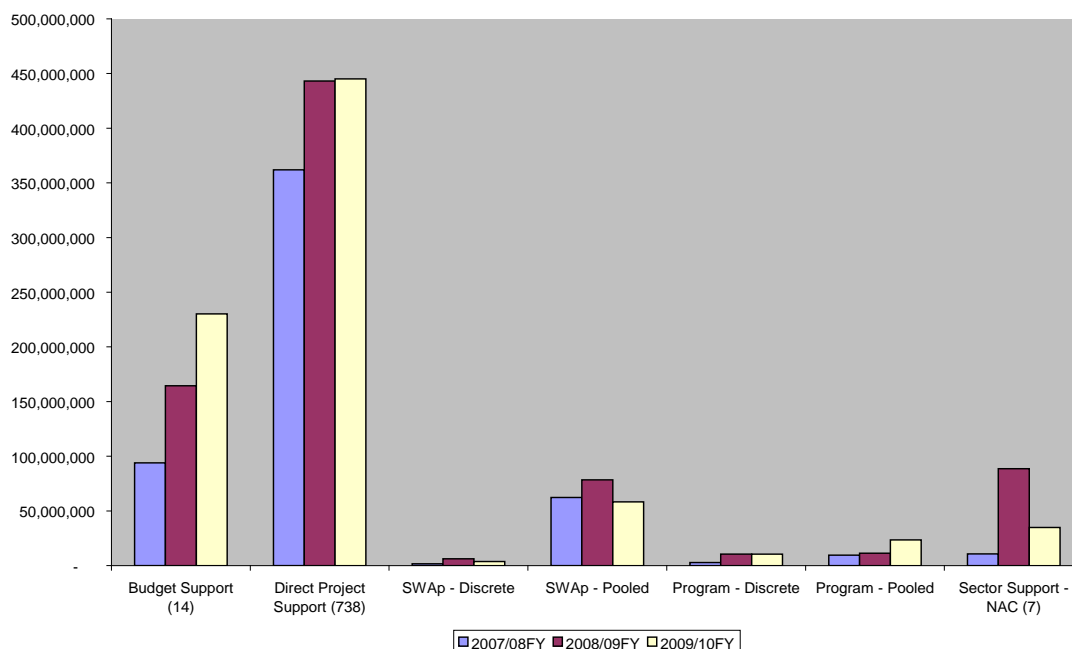


Source: Malawi Aid Atlas 2009/10 FY

To assess the evolution of aid modalities over the recent past in relation to PD implementation, figure 17 presents aid delivery by modality on an annual basis since 2007/08. The chart shows that PD implementation has been influencing combined response towards desired mix of aid modalities in Malawi. First, while direct project support remains dominant and increased between FY 2007/08 and FY 2008/09, it stagnated in 2009/10 at almost FY 2008/09 levels. Second, budget support, the preferred aid modality by Government, has increased steadily on an annual basis⁵⁷. Third, pooled funding under programs has also increased steadily on an annual basis⁵⁸. Finally, although the number of donors providing budget support has fluctuated since 2005, the Government has managed to generate interest in most donors to provide budget support. The original CABS group comprised Denmark, the United Kingdom’s Department for International Development (DfID), the European Commission (EC), Norway and Sweden but Denmark and Sweden effectively withdrew later. Since the signing of a Joint Framework (JF) in 2005, the current group consists of African Development Bank (AfDB), Department for International Development (DFID), European Commission (EC), Germany, Norway, and the World Bank (WB). The IMF and UNDP participate as observers.

⁵⁶ A small 1% decline from the FY 2008/09 figure of \$803.5 million
⁵⁷ Increased by 75% and 40% in 2008/09 and 2009/10; the increase averaged 29% since 2006/07
⁵⁸ Increased by 19% and 8% in 2008/09 and 2009/10

Figure 17: Aid delivery by modality on an annual basis since 2007/08



Source: Malawi Aid Atlas 2009/10 FY

Nonetheless, the influence of PD implementation on the mix of aid modalities in Malawi has been limited as shown by mixed trends in pooled funding under SWAp. This reflects the finding of the study on Domestic and Mutual Accountability for Aid that the GoM faces a power imbalance vis-à-vis the donors, whose power is that of the purse-strings through enforcement of their accountability conditions over the GoM by delaying disbursement of funds or reducing aid commitments. Yet the GoM has no realistic enforcement mechanisms to hold the donors to account.

Progress towards development results has also been mixed and slow. For instance, while there has been some progress in IMR, U5MR and MMR, achievement of 2011 targets is uncertain. There is slow progress towards targets in institutional deliveries and ARV prophylaxis, disappointing progress in the malaria programme (as measured by POW indicators) as well as gaps in service coverage due to inadequate geographical distribution of services, especially affecting women, children and the poor.

Similarly, the course to achieving the MDG targets is also mixed, being on course to meet five of the eight MDGs. These include eradicating extreme poverty (Goal 1), reducing infant mortality (Goal 4), combating HIV and AIDS, malaria and other diseases (Goal 6), ensuring environmental sustainability (Goal 7) and developing global partnership for development (Goal 8). Given Malawi's significant aid dependency, ODA has had some positive impact through alignment to national priorities as well as increased accountability. However, more concerted effort is required

to achieve the other three MDGs. For instance, Government must construct and upgrade health facilities to offer essential health services with particular focus on rural and underserved areas, train health personnel, and increase the availability and accessibility of antenatal services in order to improve maternal mortality. In addition, Government must undertake to implement the 2009 Aid Management Policy to effectively direct CPs into preferred aid modalities to expedite alignment and harmonisation.

The table below isolates indicators for selected key priority areas of the MGDS in order to also assess progress. As the table shows, the results are also mixed within all the three selected priority sectors. Common issues include use of separate partner financial, management and procurement rules due to little trust for government systems as well as unpredictable aid due to lack of disclosure by donors on actual contribution. This is explained by the lack of PD-related arrangements like SWAp in these sectors. In agriculture, it is hoped that the completion of the Agriculture Development Programme, which will follow the Program SWAp arrangement, will address these issues.

Table 8: Summary of Indicators in Selected Areas

Indicator Name	Baseline (2005)	Actual 2006/07	Actual 07/08	Actual 08/09
Agriculture and Food Security				
% of food secure HHs	67	97	99.5	99
Per capita cereal availability (kgs)	170	270	231	285.7
Average maize yield per ha (kgs)	809	2000	1651	2839
per capita meal availability (kgs)	6	8	10.1	11.2
Irrigation and Water Development				
% of population with access to safe portable water	73	74	76	80
% of population with access to improved sanitation	78	88	-47	94
Energy Generation and Supply				
No. of new trading centres connected	45	96	40	
Increased access to electricity	4	6	7.8	8
% of population using solid fuels	94.8	92.5	82	77

Source: MGDS Annual Reviews

3.3.5 Conclusions on development outcomes

Post-PD status of development outcomes in Malawi represents an improvement over those recorded in earlier years. However, apart from PD implementation, other developments in Malawi before and immediately after 2005 also explain the improvement. These include good domestic policies and strong economic and political leadership as well as significant policy shift from social consumption to sustainable economic growth and infrastructure development. Thus, the assessment of development results followed the route of contribution and not attribution.

It is difficult to solely attribute the increased flow of aid in the health sector to PD implementation as scale of aid to the sector increased steadily up to 2004 and after 2005. Further, scale of disbursement of aid to the health sector has varied from year to year in recent years. Coupled with variances between the funds pledged and disbursed by donors for both recurrent and development budgets, there are concerns on predictability that have to be addressed in the sector.

On aid relationship, active dialogue exists at all levels but the productive nature of the structured dialogue is questionable in terms of its focus on elements of PD principles, such as predictability of aid. Although recent MGDS Annual Reviews give a “very satisfactory” rating of the alignment indicator of the PD in recent years, differences in funding and expenditures between pooled and discrete partners over the years raise concerns on the productive nature of dialogue and reflect both the failure of GoM to meet donor conditions and the extent to which partners trust local systems. Disbursements under pooled donors were withheld in 2009/10 due to failure by the GoM to produce the 2008/09 audit report as well as failure by the MOH to meet some grant conditions.

Although development outcome indicators in the health sector show some progress towards some of Malawi’s long term development goals and the MDGs, progress has been slow and achievement of outcome targets in 2011 is doubtful for such indicators as IMR, U5MR and MMR. Challenges include inadequate work force, lack of participatory planning processes at the local level, limited functionality of the Health Management Information System (HMIS), irregularities in procurement of medicines and medical supplies at the central level.

Although the PD is not about how to prioritise agendas for development, its implementation in Malawi increased recognition of extreme poverty, exclusion and gender issues within development policy and planning. The implementation of the PD in Malawi depicts evidence of some improvements in the prioritisation of the needs of the poorest people beyond income poverty. However, this is done at varying degrees according to sector. Social sectors including education and health are favoured as some donors have in practice insisted that the plans they support should show some gender prioritization. On the contrary, most donors do not seem to show interest in supporting gender prioritisation in economic and public employment sectors, resulting in disagreements between the Government and donors in terms of policy approaches to the economic sectors. The result has been that pro-poor alignment of aid is hampered.

The implementation of the PD in Malawi contributed to modest increases in institutional and social capital to respond to development challenges. The development results are that citizens are

able to demand health services and facilities through their political representatives in Parliament. In addition, Civil Society Organizations (CSOs) have established sector networks that increasingly depict administrative capacity to track public expenditures in health. Cooperating Partners are able to network among themselves and effectively define their niches as well as challenge the Government with one voice on requirements for system improvements. The extent of contribution, however, has been limited due to the implicit assumption behind the PD that implementation at the macro-level would indirectly affect society and local institutions through the “trickle-down” mechanisms. Yet, while PD is known among Central Government Agencies and international donors, many sector ministry and CSO staff expressed ignorance about the PD.

Although other developments in Malawi before and during PD implementation complicate the analysis of the extent to which PD has shaped aid modalities, PD implementation has, to some limited extent, shaped aid modalities in Malawi. While direct project support dominates aid modalities, it is noteworthy that aid modalities consistent with PD principles are gaining more ground. In the recent past, budget support, the preferred aid modality by Government, has increased steadily on an annual basis. Similarly, pooled funding under programs has also increased steadily on an annual basis and while the number of donors providing budget support has fluctuated since 2005, the Government has managed to generate interest in most donors to provide budget support.

Progress towards development results has also been mixed and slow. While there has been some progress in IMR, U5MR and MMR, achievement of 2011 targets is uncertain. There is slow progress towards targets in institutional deliveries and ARV prophylaxis, disappointing progress in the malaria programme (as measured by POW indicators) as well as gaps in service coverage due to inadequate geographical distribution of services, especially affecting women, children and the poor. Similarly, the course to achieving the MDG targets is also mixed, being on course to meet five of the eight MDGs. Achievement of results for sectors in selected priority areas of the MGDS is also mixed. Common sector issues include use of separate partner financial, management and procurement rules due to little trust for government systems as well as unpredictable aid due to lack of disclosure by donors on actual contribution. This is explained by the lack of PD-related arrangements like SWAs in these sectors.

3.4 Conclusion

3.4.1 What are the important factors (enablers and the inhibitors) that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results (the Paris Declaration in context)?” (Core Question 1)

The PD principles were essential in Malawi to strengthen aid management and effectiveness in order to achieve economic growth and attain poverty reduction. According to the 2008 National Housing and Population Census, Malawi has a population of 13.7 million, with a growth rate of 2.8, in an area of 118,480 sq. km⁵⁹, making it one of the most densely populated countries.

The Malawian economy is predominately agriculture, accounting for more than one-third of GDP and 90% of export revenues. The performance of the tobacco sector is key to economic growth as it accounts for more than half of export earnings. In 2006, Malawi attained debt relief under the Heavily Indebted Poor Countries (HIPC) program. In December 2007, the US granted Malawi eligibility status to receive financial support within the Millennium Challenge Corporation (MCC) initiative.

Despite these positive trends in macroeconomic developments, the government continues to face many challenges, including developing a market economy, improving educational facilities, facing up to environmental problems, dealing with the rapidly growing problem of HIV/AIDS, and satisfying foreign donors that fiscal discipline is being tightened. However, after several years of weak economic performance, Malawi has improved significantly since 2004.

Inflation has been declining since 2005, reflecting moderation in food and fuel prices and restrained credit growth. In addition, the rate of annual average inflation was recorded at 8.7% sustaining single digit levels that were attained in 2007. It is estimated that by end of 2010 the inflation rate will be 8.1 percent. Interest rates have also declined from as high as 35% in 2003 down to 15 % in 2010. Domestic debt that had accumulated to 25 percent of Gross Domestic Product (GDP) at the beginning of 2004 was reduced to 7.7 percent of GDP at the close of 2008/09 fiscal year.

Malawi has weathered the impact of the global economic crisis relatively well. The country’s relatively low integration in world and financial markets has prevented significant impact of the crisis. Estimated at 7%, growth in 2009 remained robust although slower than the 9.8% achieved in 2008. Strong maize and tobacco harvests, and the start of the uranium production helped anchor the economy’s resilience. The strong agricultural performance was largely driven by good weather and the government’s fertiliser subsidy for the smallholder farmers who contribute 70% of agricultural GDP. However due to its geographical location and high volumes of imports, Malawi is very vulnerable to external shocks, especially in terms of oil prices. Being a primarily agricultural economy, the poverty level can rise immediately after a weak harvest.

⁵⁹ Slightly smaller than Pennsylvania

Many CSO that were interviewed stated that the global financial crisis has had the effect of reducing transfers through civil society organisations (e.g., NGOs, faith based organisations and international organisations) whilst grants to the government have not contracted. This development may impact negatively on the operations of CSOs and thereby weakening their participation in national governance.

Malawi's heavy dependence on aid demands creation of an enabling environment for all stakeholders to ensure inclusive development. PD implementation has assisted the GoM to achieve this and the GoM now closely works with donors, civil society and private sector.

Weak country systems such as Public financial management, procurement and corruption continue to eroded confidence in national systems. This is evidenced by the sustained use of parallel systems in Malawi and off budget resources especially in the Health sector. This is a huge challenge to effectively implement the PD, as cooperating partners continue to deliver aid in a fragmented manner.

Managing for results through Performance assessment frameworks (PAFs) which were introduced as part of the General Budget Support have produced good results by tracking government processes and linking resources to policy objectives. However, the selection and monitoring of indicators should be strengthened in order to track meaningful progress. The failure by government and its cooperating partners to agree on one mode of aid delivery is a huge obstacle in fulfilling PD commitments in Malawi like in many other African countries.

Emerging donors (China, Saudi Fund, and Kuwait Fund) and the surfacing of vertical funds for global and regional initiatives have offered alternative funding but undermine the principles of the PD. This is the case with SWaps in health and agriculture. Further, other players such as huge international NGOs and the UN system also augment coordination challenges for the government.

3.4.2 “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships (process and intermediate outcomes)?” (Core Question 2)

Malawi's main development strategies and policies pre-date PD and evidence shows that the subsequent medium term strategies have been strengthened, to some extent, through the implementation of PD. The medium term strategies have evolved throughout the implementation of PD, thereby becoming more focussed with clearer priorities for donors to align to.

The MGDS represents an over-arching national development strategy, which various development partners have accepted as the main framework for supporting Malawi's poverty reduction and growth efforts. As such, Country Strategy Plans (CSP) of various development partners are based on the MGDS. Evolving through PD implementation, the MGDS represents a stronger strategy than the previous ones, and its implementation has led to positive development results

The development of the DAS during PD allowed implementation of the MGDS in an environment of strengthened national ownership, coordination and alignment of development assistance. The DPs have been taking government ownership seriously, both in the design of its own programs and in the dialogue at sector level.

PD implementation in Malawi also strengthened earlier initiatives such as the Common Approach to Budget Support (CABS), which date back to 2002. The CABS arrangement has facilitated closer cooperation among the donors as is evident in the fact that there are joint assistance strategies and plans at both the national and sector level that have been agreed by both the donors and the government. The other progress is the development of several SWAPs in several sectors to harmonise activities and donor funding to the sectors.

Following PD implementation, donor partners significantly improved their reporting behaviour in the recent past and more donor partners are incorporated into the Aid Management Platform (AMP). Further, bilateral and multilateral agencies continue to uphold their commitment to aid transparency reporting in a regular and timely fashion to MoF throughout the year. Much of the improvement in predictability of aid flows can be attributed to PD implementation as a result of several factors, inter alia, increased peer pressure within the donor community. This has assisted the GoM to plan its operations with increased predictability.

Implementation of PD has assisted in reducing duplication of efforts and rationalising donor activities. The establishment of Sector Working Groups provides essential entry points for national division of labour, improved alignment to MGDS as well as important tools for rationalizing donor activities and ensuring more cost-effectiveness through joint planning, reviews and analytical work. The harmonisation and alignment of donor funds to government priorities has to some extent led to less duplication of efforts and rationalised more cost-effective donor activities. This is evident in the Health sector, where prior to the creation of the SWAp, which is the main instrument for alignment, donors increasingly funded exclusive vertical interventions for specific conditions and in specific geographical locations, thereby making coordination of the health spending extremely difficult.

Donor policies and procedures have somewhat been reformed and simplified, but the dominance of direct project support continues to weaken collaboration. The level of budget support and the number of common approaches have increased over the past three years. In addition, because of the variety of aid modalities being used by the donors, there is a tendency for the donors to collaborate.

PD implementation facilitated the strengthening of public financial and procurement systems in Malawi. Over the past five years, Government has shown much prudence in financial management and in collecting general aid management information. Malawi has developed an information system that tracks the aid flow into the country – the Aid Management Platform (AMP). The system, which also tracks aid providers as well as government’s progress in meeting aid effectiveness targets, is fully accessible to the civil society, providers of aid and government agencies, with plans to roll it out to parliamentarians.

While the amount and type of delegation from donor headquarters to country office varies significantly among donors, the PD implementation has resulted in more decentralized decision making in local offices for such donors as AfDB and the Nordic Donors.

PD implementation has assisted in building national capacities to develop and implement results-driven national and sector strategies. The AfDB is working with other development partners in the context of the OECD/DAC joint venture on procurement. In addition, the budget support operation to Malawi, which is financed by a number of development partners, including AfDB, aims to, among other activities, improve the public financial management and procurement systems. The training on Management for Development Result organized by the Ministry of Development Planning and Cooperation, GTZ and Irish Aid in April 2010 aimed at enhancing the capacity of government staff involved in the formulation of the upcoming MGDS II. Finally, all SWAPs have a component of capacity development where several government officials have been sponsored for postgraduate studies and short courses that have helped to develop the capacity.

PD implementation has also resulted in more transparency and accountability. The civil society organisations have taken an important role in ensuring accountability of the government in aid and public funds management. The civil society networks have been conducting the Public Expenditure Tracking Surveys (PETS) in several sectors like health, education and agriculture. These have provided a basis for civil society budget lobby and hold the government accountable on its program and priorities. Of late, the government, through the MDPC has also been conducting its own PETS that have to some extent complimented, but sometimes contradicted the PETS done by the civil society.

3.4.3 “Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results (development outcomes)? How?” (Core Question 3)

Pre-PD initiatives explain, in part, the improvements in Malawi’s development outcomes. These include good domestic policies and strong economic and political leadership. However, the implementation of PD principles further enhanced achievement of the development outcomes such that post-PD development outcomes represent an improvement over pre-PD ones. For example, the proportion of the poor and ultra-poor reduced from 52% and 22% in 2004 to 40% and 15%, respectively, in 2009. Life expectancy improved significantly to 54 years in 2009.

Implementation of PD principles in the health sector at varying degrees explains the slow and mixed progress towards Malawi’s long-term development goals and the MDGs. While development outcome indicators in the health sector show some progress, achievement of outcome targets in 2011 is doubtful for such indicators as IMR, U5MR and MMR. Challenges include inadequate work force, lack of participatory planning processes at the local level, limited functionality of the Health Management Information System (HMIS), irregularities in procurement of medicines and medical supplies at the central level. More concerted effort is required to achieve the other three MDGs. For instance, Government must construct and upgrade health facilities to offer essential health services with particular focus on rural and underserved areas, train health personnel, and increase the availability and accessibility of antenatal services in order to improve maternal mortality. In addition, Government must undertake to direct CPs into preferred aid modalities to expedite alignment and harmonisation.

Recognition of extreme poverty, exclusion and gender issues within development policy and planning as well as prioritisation of the needs of the poorest people beyond income poverty increased with PD implementation in Malawi. Further, the implementation of the PD in Malawi contributed to modest increases in institutional and social capital to respond to development challenges. The PD is credited for strengthening pro-poor strategies and approaches through active dialoguing with all stakeholders and advocacy, which has increased awareness about the needs of vulnerable groups. Citizens are able to demand health services and facilities through their political representatives in Parliament. In addition, Civil Society Organizations (CSOs) have established sector networks that increasingly depict administrative capacity to track public expenditures in health. Cooperating Partners are able to network among themselves and effectively define their niches as well as challenge the Government with one voice on requirements for system improvements.

PD implementation has, to some limited extent, shaped aid modalities in Malawi, with aid modalities consistent with PD principles gaining more ground. In the recent past, budget support, the preferred aid modality by Government, has increased steadily on an annual basis. Similarly, pooled funding under programs has also increased steadily on an annual basis. The number of donors providing budget support has fluctuated since 2005, but the Government has managed to generate interest in most donors to provide budget support.

The course to achieving the MDG targets is also mixed, being on course to meet five of the eight MDGs. Achievement of results for sectors in selected priority areas of the MGDS is also mixed and common sector issues include use of separate partner financial, management and procurement rules due to little trust in government systems as well as unpredictable aid due to lack of disclosure by donors on actual contribution. This is explained by the lack of PD-related arrangements like SWAps in these sectors.

Government acknowledges in the MGDS that various institutions have inadequate human and capital resource requirements and planned to build this capacity with complemented efforts from donors and cooperating partners. Discussions around the urgency to address capacity needs across sections of government, civil society, and private sector have been championed since the pre- PD era. PD has brought issues of enhanced capacity to the centre of developmental results. Since PD, stronger capacity for development management has been built in a number of line ministries and agencies although this has not been consistent across sectors of government.

4. Key Lessons and Recommendation

Key Lessons

1. ***If donor funds are to support Malawi's annual development budget, donors need to be confident in the budget process.*** The situation in Malawi is, a budget is developed each year, but it is rarely reflected in actual expenditures. Faced with annual revenue shortages, cuts and reallocations are made throughout the year, though the government does protect pro-poor expenditures. At the end of the budget year, all changes are regularised in the final budget. Budget transparency, execution, and accounting are extremely weak, so it is difficult to track expenditures. Over the years, many donor-supported financial and accounting systems have been launched, but with few results so far. With government plans to decentralise operations to all the districts, it will be even harder to track financial flows and results.
2. ***The PD requires a conducive policy environment.*** To be successfully implemented, the PD requires a conducive political environment, prudent economic management, and strong leadership at all levels of government. For example, GBS will not have their expected impact if the government lacks budget discipline and fails to reform its macroeconomic policies. GBS donors are interested in making sure that the government's pro-poor expenditures increase and support improved service delivery. But if GBS is to be successful, macroeconomic conditions must be sound. In Malawi, monetary and fiscal policies were inappropriate for most of the time from 2000 through 2004. Government domestic debt, interest rates, inflation, and public expenditures increased at an unsustainable pace. This discouraged investment and development.
3. ***If government policies are not reflected in annual budgets, donor assistance to support budget initiatives is not appropriate.*** Malawi has the MGDS that was developed in a consultative fashion with donors, civil society, and NGOs. It provides a good development policy framework. However, Malawi's MGDS is weakly linked to the annual budget, and the disconnect makes it hard to see if development priorities are being implemented. Because multiyear strategies and policies are not linked to annual budget expenditures, GBS donors have a difficult time to align their resources to that of the GoM.
4. ***Effective government ownership requires capacity development within Government and reform by development partners.*** All stakeholders must cultivate leadership and capacity to efficiently and effectively implement and monitor development policies and strategies. Development partners should support a selective programme of capacity development to strengthen leadership. Without this, Governments may not conduct policy formulation processes and produce policies of the quality that donors can confidently align to. Donors must also fully commit to the norm of aligning to Government priorities. This means ensuring that resources are aligned to all aspects of the national strategy so Government is able to implement its vision of development. Donors must also refrain from imposing conditionalities that are not already part of the Government M&E framework, and must respect the processes for engaging with Government.

5. ***Systems of measuring performance of donor headquarters for compliance to the PD and AAA must be developed.*** At present, donor country offices often state that they are unable to align or harmonise due to legal requirements put in place by headquarters that restrict their flexibility at country level, particularly with respect to participation in Programme Based Approaches (PBAs). This must be addressed by reform at HQ level. Procedures for participation in harmonised activities should be published. Without this, use of SWAPs and other PBAs will not increase rapidly enough. PBAs may still involve project support, but will reduce the transactions costs and coordination problems associated with them.
6. ***The PD and AAA focus on the process of delivering aid more than on the results achieved by aid.*** Donors and GoM must resolve to strengthen monitoring and evaluation of development results by creating a robust monitoring systems with effective follow up on recommendations if aid is to have its intended effects. Increased focus on how to ensure that aid makes a tangible difference on the ground is required.
7. ***Accountability of donors to Government must be strengthened.*** In Malawi, accountability is unidirectional, with donors able to hold Government to account through conditionality and assessments of performance explicitly or implicitly tied to current or future funding. The government usually does not have power of sanction over donors for non-performance on international or domestic commitments. There should be an international forum where such issues are discussed and resolved.
8. ***Increased participation of CSOs in the development process must be matched by increased accountability.*** Currently, GoM does not have a complete picture of CSO activities. While CSOs must remain independent of Government, they must report on their activities if they are to have a stronger voice in the development process. Without this, Government cannot effectively coordinate scarce resources in support of the national development strategy effectively. The same standards of managing for results and accountability that Government and donors are held to must be applied to CSOs.

Recommendations for the GoM

1. Government should priorities and enhance its revenue generating capacity in order to reduce aid dependence.
2. The GoM should continuously have a dialogue with the donors to resolve areas that are of a major concern to the donors. Currently such concerns include fiduciary risks, governance, and human rights issues.
3. GoM should strengthen the National Audit Office, which fulfils a vital accountability function. The Office is inadequately funded by government, and relies on donors (notably DfID) to carry out its functions. As a result the office has not been able to adequately audit government expenditures. Incomplete audits limit the ability of the National Audit Office to hold government to account. This further undermines the mutual trust between the GoM and the DPs.

4. The GoM should develop a comprehensive aid exit strategy. While Malawi is likely to depend on aid in the medium and long term, it is important that government develop (and implement) an aid exit strategy. As observed from above, one of the unintended results of the PD is that it has demonstrated to government that PD makes the recipient countries to understand the limits of aid, since even with good intentions of PD, there is very little improvement in aid relations.
5. Governments should put less focus on “all-out” budget support as the best modality for aid delivery. It should recognize that there is no one correct approach and what is required is a mix of modalities to spread risk for both the government and the DPs. In particular, address project planning, implementation, and monitoring of projects in order to enhance the aid effectiveness of projects.

Recommendations for the Donors (Country Offices)

1. Fiduciary risks were reported as a major factor for not using government systems. It is recommended that DPs be encouraged to use government systems. In order to improve trust between GoM and DPs on the government systems, DPs should be encouraged to strengthen the systems so that they meet the required standards demanded by most donors.
2. Donors should build capacity in key government sectors. Donors together with government should take a long-term view in building capacity in key sectors. Capacity building is key to development and should not be implemented in an ad-hoc manner. The example in the Health Sector has demonstrated how donor and government can together address capacity problems.
3. In many Country Offices, there is clear evidence of Commitment to PD in terms of Country Office leadership, information dissemination and policy guidelines. However, in order to provide technical presence and leadership in key sectors, the Country Offices need to deepen their skills and capacities (including more senior staff) at country level. It may also need to earmark additional funds for facilitation of sector dialogue and sector management.
4. Reduce conditions on aid and interference in Government policy making in order to promote real ownership.⁶⁰
5. Employ a range of aid modalities to spread risk, reduce dependency and provide the Government with more choices. However, some stakeholders have called for the avoidance of budget support due to issues of dependency and policy interference.

⁶⁰ However some stakeholders (especially the CBOs) interviewed reported that donors provided a useful political counterbalance in a country like Malawi where the opposition voice is perceived to be very weak.

6. Reduce donor staff turnover in order to make donors more accountable for their results and cut down on the repetition of mistakes and the failures (made by donors) and to take advantage of lessons learned.

Recommendations for Donors (Headquarters)

1. While it is understood that the power lies with control of resources, i.e. it lies with the donor headquarters rather than the GoM, it is important for the headquarters to delegate more authority to country offices since these are more familiar with the political, cultural, institutional, and socioeconomic dynamics in Malawi.
2. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of GoM to manage public finances and undertake realistic planning for development. It is particularly crucial to enable partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the PD calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.
3. Reform donor administration to cut down on bureaucracy and reduce the time taken from planning, disbursement of funds and programme implementation.
4. Sensitisation from donors' headquarters to their country offices regarding the implications of the PD for local work as this was often not recognised. One way would be by investment in capacity for aid effectiveness activities and coordination activities, in both donors and government.
5. Adaptation of policies and procedures by donors' headquarters to actually facilitate the implementation of the Declaration.

5. Possible Key Implications beyond the Planned Term of the Paris Declaration

- 1. Country-level strategies for implementing the PD and AAA must be developed.** The Aid Effectiveness agenda needs a more focused approach to implementation. At present, beyond the monitoring survey, there is no systematic attempt to ensure that each country is pushing the agenda forward. With support from donors, each country can develop an implementation plan to speed up the process. Capacity development is central to this. Stronger capacity to measure, analyse and report on aid flows is required, but more importantly, leadership skills among senior civil servants in developing countries need strengthening to ensure that the development agenda is not set by donors, as is often the case.
- 2. Incentives on both sides of the aid relationship must be examined in greater depth to aid understanding of why progress against the PD is slow.** To understand the barriers to improved performance on aid effectiveness commitments, we need a closer understanding of the incentive structures governing donors and governments. All donors are accountable to their electorates, member-states or boards, who influence the modalities and direction of their spending. Similarly, governments are subject to electoral pressures, with preferences for expenditure in certain sectors. The incentives created by these channels of accountability make some PD commitments more difficult to meet than others. To address poor performance on these commitments, we need a far more detailed understanding of these incentives, to enable both Governments and donors to address the root causes of poor performance.
- 3. A system of knowledge management and learning on aid effectiveness needs to be created.** Currently, there is a great deal of research on aid effectiveness, including global studies and country-specific analyses. A single repository for this information should be created to facilitate dissemination of good practice and learning across countries. We should encourage universities and the Malawi Institute of Management to offer modules on aid effectiveness in courses in development. Currently, many such courses focus on the actual economic impact of aid rather than the issue of how to make aid as effective as possible.

Annexes

Annex 1: Country Terms of Reference

Procurement Reference Number: 270/MOF/PD/03/10

Background

The Paris Declaration was endorsed at the 2nd High Level Forum held in Paris in 2005 by 52 donor and partner countries and 30 other actors in the development cooperation field (UN and other multi-lateral agencies & NGOs). It aims to strengthen ‘partnerships’ between donor and aid recipient countries in order to make aid more effective and to maximise development results. The Declaration consists of 56 ‘Partnership Commitments’ grouped under five overarching ‘principles’:

- **Ownership** by aid-receiving developing countries of their own development strategies and plans
- **Alignment** of donors by using country systems and procedures in support of country plans
- **Harmonisation** of donor actions to minimise administrative burdens and transaction costs on partner countries
- **Managing for Development Results** by partner countries and donors becoming focused on results and using results oriented information to improve decision-making
- **Mutual Accountability**, such that both donors and partner countries take on a joint commitment to achieve development results both to each other and to their own constituents and publics

In response to the Paris Declaration commitment of conducting an independent cross-country evaluation, it was decided to conduct a two-phase evaluation, commissioned and overseen by an International Reference Group, comprising representatives of donors and multilateral agencies (chiefly members of the DAC Evaluation Network), partner countries and representatives of civil society. Day-to-day management of the evaluation is entrusted to a small Management Group supported by an Evaluation Secretariat.

The evaluation complements the monitoring of the implementation of the Paris Declaration, undertaken through the Joint Venture on Monitoring with the objective of providing a more comprehensive and qualitative understanding of how increased aid effectiveness contributes towards improved development effectiveness.

The first phase of the evaluation ran from March 2007 to September 2008. It aimed at providing information on the implementation process of the Paris Declaration. It helped to take stock of the

implementation performance at the 3rd High-Level Forum (HLF) on Aid Effectiveness held in Ghana in September 2008. The emphasis of this phase was on input and output levels, through a series of partner country, development partner headquarters, and thematic evaluations. These evaluations were of a formative nature, capturing the incremental and incidental behavior changes associated with the PD.

The second phase of the evaluation runs from the 3rd High Level Forum in Ghana in 2008 up to the 4th High Level Forum to be held in Seoul, South Korea in 2011. This second phase will examine whether the intended long-term effects of the Paris Declaration are being achieved with an emphasis on outcome and results. The evaluation's primary focus will be at the level of country studies (that assess donors/agencies as well as country stakeholders), with a few supplementary "studies" where essential to ensure adequate coverage of important issues. Twenty-one partner countries including Malawi have expressed strong interest in conducting country-level evaluations. Four donor countries have also indicated that they would undertake a headquarters-level study to complement those conducted in Phase 1 by other eleven donors/agencies.

2.0 Objectives of the Evaluation

The overall aim of the Phase 2 evaluation is to assess the relevance and effectiveness of the Paris Declaration. More specifically, the evaluation will assess the PD's contribution to aid effectiveness, development effectiveness, and poverty reduction.

The evaluation design acknowledges the importance of country-specific differences *including differences in policy, history, and resources* both among donors and aid recipients. The evaluation is therefore expected to analyse results in context, taking into account preconditions or enabling conditions that may lead to or inhibit positive development results supported by aid.

Specific objectives include:

- To document and analyse the results achieved through implementing the Paris Declaration.
- To enable country-based 'partnerships', (partner countries and donors/agencies) to clarify, improve and strengthen policies and practices consistent with the Paris Declaration in pursuit of aid and development effectiveness.
- To highlight barriers that may limit the effectiveness of the Paris Declaration, its effects and impacts and recommend how these barriers may be overcome.
- To strengthen the knowledge base in which development partnerships can effectively and efficiently help to maximise development results through aid in different development contexts.
- To enable sharing and exchange of experience among stakeholders, countries and partnerships to facilitate reflection, lesson-learning and policy improvement.

This evaluation will therefore be summative and formative, allowing judgements to be made about achievements whilst supporting policy development and improvement across different constituencies and stakeholders.

This Phase 2 evaluation should address the concerns of many stakeholders including policy makers in partner and donor governments; Parliaments, other tiers of government, development agencies and International Financial Institutions; civil society including the private sector, NGOs and citizens in both partner and donor countries.

Malawi participated in both the 2006 & 2008 survey on monitoring the Paris Declaration along with 33 other countries in 2006, and 50 other countries in 2008. These were based primarily on data and findings communicated by government and donors to the OECD. The results of the 2006 survey provided the baseline indicators for monitoring the PD whereas the 2008 Survey analysed the progress made thus far, and assessed the likelihood of meeting the 2010 indicators. The results of these two rounds of monitoring have been documented on the OECD website and other publications⁶¹.

In summary, the 2008 results indicated that progress was being made but not fast enough. It is therefore inevitable that this phase 2 evaluation be carried out in-country, to assess how Malawi has implemented the Paris Declaration, and analyse its contributions to aid effectiveness drawing on the lessons learnt from the two surveys. The evaluation should come up with Malawi specific recommendations on the PD implementation and map out a way forward.

Scope of Work

The evaluation team is expected to among other things provide answers to core questions and sub-questions raised by the stakeholders and constituencies. These answers will be used to strengthen policies to improve aid effectiveness and to achieve development results.

The Core Questions:

- A. “What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?” (The Paris Declaration in context)**

- B. “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?” (Process and intermediate outcomes)**

- C. “Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results? How?” (Development outcomes)**

Sub-Questions:

- i. What has been the relevance of the Paris Declaration and the ways it has been implemented to the challenges of aid effectiveness in Malawi? And what have been the limitations of the Paris Declaration in Malawi?

⁶¹ See publications on 2006 & 2008 Monitoring the PD surveys on www.oecd.org

- ii. To what extent has each of the five principles of the Paris Declaration been observed and implemented, and the Accra Agenda priorities reflected in Malawi? Why? Have there been conflicts or trade-offs between them?
- iii. What has the Paris Declaration achieved for aid effectiveness and development results in Malawi? How significant are these contributions? How sustainable? Is there evidence of better ways to make aid more effective and contribute more to development results?
- iv. What effects has the implementation of the Paris Declaration had on the respective burdens of aid management falling on Malawi and its Development Partners, relative to the changing volume and quality of aid and of the aid relationship itself? Are these effects likely to be transitional or long term?
- v. What has been the added value of Paris Declaration-style development cooperation compared with the pre-Paris Declaration situation, and seen alongside other drivers of development in Malawi, other sources of development finance and development cooperation partners beyond those so far endorsing the Declaration?
- vi. What are the key messages for a) national stakeholders, and b) donor countries and agencies?
- vii. What are the key implications for aid effectiveness in the future taking account of new challenges and opportunities (e.g. climate change) and new actors and relationships?
- viii. How has the implementation of the PD attempted to address the issues of capacity constraints in Malawi? And what have been the effects and outcomes?

3.1 Indicative Approach

A mix of suitable methods for this evaluation has been identified including but not limited to:

- Syntheses of existing evidence (e.g. secondary sources), evaluations and research in order to avoid unnecessary duplication of effort.
- Comparative case studies that address common themes and sectors – important because more information may be available for some sectors and comparative findings require a focus on common themes.
- Comparative studies, for example between Paris Declaration and non-Paris Declaration type policies (e.g. different aid modalities, global funds etc.) in order to disentangle the contribution of Paris Declaration related and other strategies.
- Backward tracking to past PD-like initiatives and their results so as to demonstrate effects over longer periods of time.
- ‘Theory based’ (longitudinal) studies that are forward looking (i.e. anticipate development results that are in formation but have not become fully evident) by mapping out the plausible links in the causal chain from aid to development results and measure as far as possible ‘direction of travel’ and ‘distance travelled’. This is especially important

for some of the longer term effects of the Paris Declaration that will not be evident by 2011.

- Focus on the mechanisms of change (i.e. those causal factors that help *explain* results in context) so as to be able to make credible recommendations.

The particular form, focus, methods, and techniques to be used should be proposed and justified in the proposal and as part of the inception report once work has begun.

3.2 Recommended Reference Materials

In addition to other relevant materials to be advised by the Core Evaluation Team the Country Evaluation Team is advised to consult the following reference materials:

- Paris Declaration 2005
- Accra Agenda for action 2008
- Results of the 2006 Survey on Monitoring the Paris Declaration
- 2008 Survey on Monitoring the Paris Declaration, Effective Aid By 2010? What it will take. (Volume 1 & 2).
- Better Aid, 2008 Survey on Monitoring the Paris Declaration, Making Aid More Effective by 2010.
- Approach Paper 2009
- Millennium Development Goals (MDGs)
- Generic Terms of Reference for Country Evaluation
- Malawi Growth and Development Strategy
- Malawi Growth and Development Annual Reviews
- The Malawi Development Assistance Strategy (2006 -2011)
- Debt and Aid Annual Reports (2007/08 FY-2008/09 FY)
- Monitoring Reports for Externally Funded Projects
- Budget Documents
- Malawi Annual Economic Reports
- Common Approach to Budget Support (CABS) Aide Memoirs
- Health Swap Reviews
- PFEM Reports (2005-2008)
- The Key Messages developed for the AAA.
- The OECD official website.

- The Aid Atlas (2007/08 FY & 2008/09 FY)
- Q1 2009/10 FY Quarterly Aid Disbursements Sector Report
- Q2 2009/10 FY Quarterly Aid Disbursements Sector Report
- Sector Working Group Institutionalization Guidelines

Annex 2: Interview Guides

Key Informant Interview Guide
Central Government and Development Partners

I. CONTEXT

1. What are the important factors that have affected the relevance and implementation of the Paris Declaration (PD) and its potential effects on aid effectiveness and development results?

What do you think are the key characteristics of Malawi that have been most relevant to the implementation of the PD?

What is aid subject to PD principles among all sources of development finance and resources?

What have been the trends from early roots to 2005 and since?

Which are the key actors, in Malawi and among its development partners, who can take major decisions on aid? What influence do the Paris Declaration and Accra Agenda for Action (AAA) commitments have on these actors, in relation to their other priorities and incentives?

What do you think are the most important national and international events that have affected the implementation of the Paris Declaration and Accra priorities, and how?

To what extent and where have the PD principles been implemented? Why and how?

II. PROCESS AND INTERMEDIATE OUTCOMES

2. To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?

Country ownership over development

Are national strategies and frameworks stronger now (i.e. after/during the implementation of the PD)?

Is aid more aligned with Malawi's priorities (as reflected in the MDGs), systems and procedures, help to strengthen capacities (to implement the policies)?

Are measures and standards of performance and accountability of Malawi's systems in public financial management, procurement, fiduciary standards and environmental assessments defined, in line with broadly accepted good practices and their quick and widespread application?

Building more inclusive and effective partnerships for development

Is there less duplication of efforts and rationalized, more cost-effective Development Partner activities?

Are the Development Partner policies and procedures reformed and simplified, and is their behaviour more collaborative?

Are the aid flows to Malawi more predictable and are the multi-year commitments firm? Has the nature of conditionalities been changed to support Malawi's ownership in line with the AAA commitment?

Is there sufficient delegation of authority to Development Partners' field staff, and (donors) is there adequate attention to incentives for effective partnerships between Development Partners and Malawi? If yes, what are these incentives, and how can they be strengthened?

Is there sufficient integration of global programmes and initiatives into Malawi's broader development agendas?

Delivering and accounting for development results

Does Malawi have stronger capacities today to develop and implement results-driven national strategies?

Is there enhanced accountability by Malawi (and Development Partners) to citizens and parliaments?

Is there transparency and accountability for development results, including its detailed points on transparency, mutual assessment reviews, and measures to fight corruption by Malawi and its Development Partners?

Is there improvement in the level of corruption and transparency, and strengthening of public support for effective resource mobilization and allocation?

Have there been unintended consequences of the Paris declaration for aid effectiveness? Is there evidence of better ways to make aid more effective?

III: DEVELOPMENT OUTCOMES

3. Has the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results? How?

Were results in specific (especially Health, Road infrastructure) sectors enhanced through the application of the PD principles?"

Did the implementation of the PD help Malawi to improve the prioritization of the needs of the poorest people, including women and girls, and reduce social exclusion?

How and why has the mix of aid modalities (including general or sector-specific budget support) evolved, what effect has the Paris Declaration had on different modalities, and what have been the development results?

Has PD implementation led to sustainable increases in institutional capacities and social capital⁶² at all levels to deliver services and to respond to development challenges? Why, how and where, and what are the effects?

Has the implementation of the PD had unintended consequences for development results, negative or positive? Is there evidence of better ways to make aid contribute more to development results?

⁶² An increase of NGOs/CBOs could be a proxy to social capital. How many NGOs/CBOs have been registered since and during the PD implementation? How many of these were strong/weak?

Has the PD enhanced ODA's impact on achieving the goals of the national development strategy and the MDGs?

Key Informant Interview Guide

Local Government, CSOs and Private Sector, Media, Academia, Private Sector
(Assumption is that they know less about the PD and AAA)

I. CONTEXT

1. What are the important factors that have affected the relevance and implementation of the Paris Declaration (PD) and its potential effects on aid effectiveness and development results?

a. Which are the key actors, in Malawi and among its development partners, who can take major decisions on aid?

II. PROCESS AND INTERMEDIATE OUTCOMES

2. To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?

a. Country ownership over development

Is there evidence that national strategies and frameworks are stronger?

Is aid today more aligned with Malawi's priorities, systems and procedures, help to strengthen capacities?

Are measures and standards of performance and accountability of Malawi's systems in public financial management, procurement, fiduciary standards and environmental assessments defined, in line with broadly accepted good practices and their quick and widespread application?

b. Building more inclusive and effective partnerships for development

Is there evidence of less duplication of efforts and rationalized, more cost-effective Development Partner activities?

Are the Development Partner policies and procedures reformed and simplified, and is there behaviour more collaborative?

Are the aid flows to Malawi more predictable and are the multi-year commitments firm?

Is there sufficient delegation of authority to Development Partners' field staff?

Is there sufficient integration of global programmes and initiatives into Malawi's broader development agendas?

c. Delivering and accounting for development results

Does Malawi have stronger capacities today to develop and implement results-driven national strategies?

Is there an enhanced accountability by Malawi (and Development Partners) to citizens and parliaments?

Is there transparency and accountability for development results, including its detailed points on transparency, mutual assessment reviews, and measures to fight corruption by Malawi and its Development Partners?

Is there improvement in the level of corruption and transparency, strengthening public support and supporting effective resource mobilization and allocation?

d. Are there better ways to make aid more effective?

III: DEVELOPMENT OUTCOMES

3. Has the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results? How?

What results are evident in specific (especially Health, Road infrastructure, Water and Agriculture) sectors over the last ten years since 2000?

Is there improved prioritization of the needs of the poorest people, including women and girls, and reduce social exclusion?

How and why has the mix of aid modalities (including general or sector-specific budget support) evolved, and what have been the development results?

Is there evidence of sustainable increases in institutional capacities and social capital at all levels to deliver services and to respond to development challenges? Why, how and where, and what are the effects?

What is the progress in achieving the goals of the national development strategy and the MDGs?

Second Evaluation of Paris Declaration: Malawi

Self Administered Structured Questionnaire

I. CONTEXT

1. Important factors that have affected the relevance and implementation of the Paris Declaration (PD) and its potential effects on aid effectiveness and development results

a. What are the key characteristics of Malawi that have been most relevant to the implementation of the PD?

Key Characteristics	Reason for Relevance

b. Which are the key actors, in Malawi and among its development partners, who can take major decisions on (allocating and accepting) aid? What influence do the Paris Declaration and Accra Agenda for Action (AAA) commitments have on these actors, in relation to their other priorities and incentives?

Key Actors	Influence of PD and AAA

c. How does this influence work? Explain?

.....

.....

.....

.....

d. What are the most important national and international events that have affected the implementation of the Paris Declaration and Accra priorities, and how?

Important Events	Nature of effect

e. Which of the 5 principles of PD (ownership, alignment, harmonisation, managing for development results, and mutual accountability) have been most prominent in discussion and implementation in Malawi? To what extent and where have the PD principles been implemented? Why and how?

.....

What, if any, were the tensions/tradeoffs between the PD and any such principles?

.....

Is there evidence of “aid effectiveness fatigue” on the part of Donors? Government? Other stakeholders? Explain?

.....

II. PROCESS AND INTERMEDIATE OUTCOMES

2. Ownership and Alignment: Effects of the implementation of the Paris Declaration on the efficiency of aid delivery, the management and use of aid and better partnerships. Country ownership over development

In general, would you say that the Government in fact leads in aid-co-ordination with donors? Explain.

.....

How would you rate the development of the national strategy in terms of being consultative with stakeholders in Malawi? Explain.

.....

Are Malawi’s national strategies and frameworks stronger today? If so, why?

Is aid today more aligned with Malawi’s priorities, systems and procedures, and help to strengthen capacities? Explain.

What measures and standards of performance and accountability of Malawi’s systems in public financial management, procurement, fiduciary standards and environmental assessments exist, are in line with broadly accepted good practices and are quick and widely applied?

System	Measures	Standards of performance	Speed of application
Public Financial Management			
Procurement			
Fiduciary Standards			
Environmental assessments			

Speed of application: 1 – Slow, 2 – Medium, 3- Quick

Can you give reasons for slow rate of application of these measures?

Harmonisation: Building more inclusive and effective partnerships for development

Is there less duplication of efforts and are the Development Partner activities more rationalized and more cost-effective?, Given examples

.....
.....

Does the government lead in allocating responsibilities and setting up Division of Labour among donors? How? Give examples of donors that have reprogrammed their aid according to Division of Labour?

.....
.....
.....

Have the Development Partner policies and procedures been reformed and simplified, and is the Development Partner behaviour more collaborative?

.....
.....

Are aid flows to Malawi a currently more predictable and are multi-year commitments firm?

.....
.....

What factors explain donor performance regarding the predicatability of aid and disbursement of aid according to schedules?

.....
.....
.....

iv. Has the nature of conditionalities been changed to support Malawi’s ownership in line with the AAA commitment?

.....
.....

Is there sufficient delegation of authority to Development Partners’ field staff, and is adequate attention to incentives for effective partnerships between Development Partners and Malawi? Explain

.....
.....
.....

Is there sufficient integration of global programmes e.g. the Global Funds, etc and initiatives into Malawi’s broader development agendas? If yes, explain how.

.....
.....

Mutual Accountability: Delivering and accounting for development results

Does Malawi have stronger capacities today to develop and implement results-driven national strategies? Give examples.

.....
.....

Is there an enhanced accountability by Malawi (and Development Partners) to citizens and parliaments? Explain.

.....
.....

What is the level of transparency and accountability for development results, including its detailed points on transparency, mutual assessment reviews, and measures to fight corruption by Malawi and its Development Partners?

.....
.....

Is there improvement in the level of corruption and transparency, strengthening public support and supporting effective resource mobilization and allocation?

.....
.....

Unintended consequences of the Paris declaration for aid effectiveness

Are there any examples of unintended consequences of the implementation of the PD for aid effectiveness?

.....
.....

What better ways are available to make aid more effective?

.....
.....

III: DEVELOPMENT OUTCOMES

3. The role of the implementation of Paris Declaration in strengthening the contribution of aid to sustainable development results.

Have results in specific (especially Health, Water and Roads) sectors have been enhanced through the application of the PD principles? Explain.

.....
.....

Did the implementation of the PD help Malawi to improve the prioritization of the needs of the poorest people, including women and girls, and reduce social exclusion? How?

.....
.....
How and why has the mix of aid modalities (including general or sector-specific budget support) evolved, what effect has the Paris Declaration had on different modalities, and what have been the development results?
.....
.....

Has PD implementation led to sustainable increases in institutional capacities and social capital at all levels to deliver services and to respond to development challenges? Why, how and where, and what are the effects?
.....
.....

Has the implementation of the PD had unintended consequences for development results, negative or positive? Is there evidence of better ways to make aid contribute more to development results?
.....
.....

Has the PD enhanced Official Development Assistance's impact on achieving the goals of the national development strategy and the MDGs?
.....
.....

Annex 3: Interview List

Name	Organisation	Position	Telephone	E-mail
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Mr Namalinga	Ministry of Energy and Mines			
Mr Chawanje	Ministry of Energy and Mines			
Mr M.T. Chawinga	Accountant General	Assistant Accountant General		
Mr B.Y. Muganga	Accountant General	Project Manager, IMIFS		
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Thomas Munthali	ECAMA	Chairman		
Chandiwira Chisi,	Action Aid	Campaigns Coordinator		
Safari Mbewe	MANET + (MHEN)	Director		
Desden Banda	World Vision International	Program Manager (Grants)		
Benedicto Kondowe	CSCQBE	National Coordinator		
Mavuto Bamusi	HRCC	Director		
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