
MALAWI

INTRODUCTION

MALAWI is a low-income country with a gross national income (GNI) of USD 242 per capita in 2009 (WDI, 2011). The country's population was 15 million in 2010 and 52% of the population lived under the national poverty line in 2004 (WDI, 2011).

Net official development assistance (ODA) to Malawi in 2009 totalled USD 770 million (OECD, 2011a). Since 2005, net ODA has averaged 21% of GNI (WDI, 2011). The top five donors contributed 60% of Malawi's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. Out of 12 indicators with applicable targets in 2010, Malawi met 5 (operational development strategies, alignment of aid flows to national priorities, strengthened capacity building through co-ordinated support, predictability of aid, and mutual accountability). Since 2005, of the remaining indicators, four have made progress, three have been set back and three remained static. Performance on alignment has generally been good, while progress on harmonisation has been limited, with no targets met.

ABOUT THE SURVEY

This chapter is based on the quantitative indicators provided by the Paris Declaration Monitoring Survey, the World Bank and the OECD Development Assistance Committee. In addition it draws upon qualitative evidence submitted to the OECD by the country government which incorporates feedback from donor partners and other country stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken in analysing the trends shown by some of the indicators. Malawi has previously participated in both the 2006 and 2008 surveys. Malawi also participated in the optional modules for the survey on inclusive ownership and gender equality. The 2011 survey responses cover 13 donors. ■

TABLE 1:
Baselines and targets
for 2010

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	B	'B' or 'A'
2a	Reliable public financial management (PFM) systems	3.0	3.0	3.0	3.5
2b	Reliable procurement systems	Not available	C	Not available	No Target
3	Aid flows are aligned on national priorities	54%	64%	90%	85%
4	Strengthen capacity by co-ordinated support	47%	52%	66%	50%
5a	Use of country PFM systems	55%	50%	66%	No Target
5b	Use of country procurement systems	35%	35%	62%	No Target
6	Strengthen capacity by avoiding parallel PIUs	69	51	26	23
7	Aid is more predictable	58%	58%	96%	79%
8	Aid is untied	97%	88%	88%	More than 97%
9	Use of common arrangements or procedures	32%	42%	51%	66%
10a	Joint missions	24%	22%	22%	40%
10b	Joint country analytic work	60%	61%	51%	66%
11	Results-oriented frameworks	C	C	C	'B' or 'A'
12	Mutual accountability	Y	Y	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Achievement: The link between the Malawi Growth and Development Strategy and sectoral planning and budgeting has been enhanced, although room for improvement remains.	Lesson: The linkage of the MDGs to sector planning and budgeting have been further enhanced through the establishment of 16 sector working groups headed by principal secretaries with donors acting as co-chairs, although there is a need to increase their operationality.
Alignment	Achievement: Regular fora are held between government and donors to ensure the budget is implemented in a controlled and predictable manner.	Lesson: Development and implementation of capacity building strategies across sectors at every level of government.
Harmonisation	Challenge: Limited participation of major donors in programme-based approaches.	Priority action: Full operationality of sector working groups will help to increase donor participation in programme-based approaches (PBAs) and reduce aid fragmentation. Building trust among donors can enhance harmonisation.
Managing for results	Challenge: Data does not have the quality and reliability to meet M&E requirements, and routine data collection and analysis are not yet institutionalised at sector levels. As a result there are data gaps due to lack of skills, and funding for M&E.	Priority action: Fill capacity gaps in sector ministries and increase monitoring system connectivity to improve co-ordination and responsiveness.
Mutual accountability	Achievement: Presence of several formalised institutional arrangements between government, donors, private sector and civil society for fostering mutual accountability.	Lesson: Development co-operation between government, donors and civil society leads to the adaptation of collaborative approaches to address development issues.

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

Malawi achieved a B rating in 2010 (an improvement over the C rating in 2007) on the operability of its national development strategy (NDS) (the Malawi Growth and Development Strategy 2006-11). The NDS is underpinned by the long-term vision (Malawi Vision 2020), formulated and linked to sectoral and sub-sectoral strategies where they exist. It serves as a point of reference for policy and sector planning, has prioritised targets and is linked to the Millennium Development Goals and other cross-cutting issues. The NDS is costed and a medium-term expenditure framework (MTEF) links NDS priorities to the budgeting process.

The Malawi Growth and Development Strategy (MGDS) serves as the medium-term instrument for achieving the aspirations of the long-term Malawi Vision 2020. It is used by policy makers and line ministries as a reference document which guides sector planning, budgeting and monitoring and evaluation for all development initiatives. At the level of policy making, the national development strategy serves as a guide for setting the priorities and strategies for the implementation and achievement of economic growth and poverty reduction, as well as for providing a framework for donor support. The government is currently developing a successor development strategy with an expanded list of priority areas. The MGDS has prioritised targets, which are implemented via investments in priority areas, annual action plans, and annual budgets, with a sequenced approval and implementation process. All MDGs are included in the strategy tailored to Malawi to reflect the situation in the country in terms of progress on the indicators. The MGDS also links to cross-cutting issues, which are mainstreamed into the strategy, and which have earmarked funding floors to ensure their implementation.

In 2010, the link between the NDS and sectoral planning and budgeting has been enhanced with the establishment of 16 sector working groups headed at the highest official level by principal secretaries with donors acting as co-chairs. Consultative meetings and trainings are held to ensure that the priority areas are fully operationalised. Malawi does not have a medium-term fiscal framework (MTFF), but does have a medium-term expenditure framework (MTEF) (formulated in 2010) covering the period 2010-13. The NDS is costed, taking into account recurrent costs, capital costs, and human resources costs. The MTEF links sectoral priorities to the budget via prioritisation of budget allocations. At present, Malawi's budget/MTEF processes do not have a performance orientation.

In 2011 Malawi participated in the optional modules on gender equality and inclusive ownership. Regarding the latter, some of the key stakeholders are involved in the formulation, implementation, monitoring and evaluation of the national development strategy. However, Malawi needs to properly assess the quality of participation since the overall level of participation does not necessarily mean a positive contribution to the process of the national development strategy.

INDICATOR 1

Do countries have operational development strategies?

Gender is one of the most important cross-cutting themes in the national development strategy. According to the Malawi Growth and Development Strategy, gender has been mainstreamed in all sectors of the economy. Special emphasis is on improvement of health for women and children, socio-economic empowerment of youth and women, and education of the girl child. There are also visible linkages between the objectives of the national development strategy and gender equality (women's empowerment). However there is lack of clarity on the specific strategies and objectives at the sector level to address gender equality and there is no exercise of gender inclusive budgeting. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

Malawi achieved mixed results on the alignment indicators. Three of the alignment indicators (alignment of aid flows to national priorities, capacity strengthening by co-ordinated support, and predictability of aid) have exceeded the 2010 target. The country's performance on the use of PFM and procurement systems and avoiding parallel PIU indicators have improved since 2007, but were below the target. However, the reliability of PFM systems and untied aid remain unchanged since 2007. The main factors contributing to the achievements on alignment indicators were reforms that had taken place in the country since the previous surveys. These reforms include the Development Assistance Strategy, the Malawi Growth and Development Strategy and Annual Reviews, the Public Financial and Expenditure Management Action Plans and the implementation of sector-wide approaches. In addition most donors preferred to give aid to Malawi through direct budget support or joint support programmes.

INDICATOR 2 Building reliable country systems

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

INDICATOR 2a How reliable are country public financial management systems?

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. 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).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

Malawi has not made any notable progress on the reliability of its public financial management (PFM) systems since 2005, maintaining a score of 3.0. This score falls short of the 3.5 target. However, the government reports that its PFM systems have moderately improved since 2008. A forum chaired by the Secretary to the Treasury is organised regularly to expedite reforms that will ensure that the annual budget of Malawi is implemented in a controlled and predictable manner. In addition, other reforms have assured the timely delivery of audit reports to the government, and strengthening medium-term expenditure and fiscal frameworks.

The Parliament is also putting measures in place to guarantee timely feedback from the government. Finally, the Parliament is pushing for changes in the constitution regarding the mandate of the Ministry of Finance on audit reports.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

Malawi has not been assessed on the reliability of its procurement systems since 2005, and no target is applicable. Nevertheless, the government has taken steps to efficiently implement the Public Procurement Act. The Office of the Director of Public Procurement has introduced a degree programme at the University of Malawi, and as a result, graduates have been recruited into government departments as procurement officers. In addition, decentralised procurement arrangements have been put in place on approval of the Office of the Director of Public Procurement. In order to improve procurement control, the government has also introduced procurement planning for its ministries and departments as part of the annual budgeting cycle. However, the 2010 Corruption Perception Index (Transparency International, 2010) indicates that general perceptions on weak rule enforcement in the country persist.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

In 2010, 90% of aid was reported in the Malawi national budget, exceeding the 2010 target and a substantial increase from 2005 and 2007. The highest performing major donors to Malawi were the World Bank (100%), United Kingdom (95%) and EU Institutions (94%), while the United Nations and the African Development Bank¹ scored significantly lower. The process of capturing aid through the Ministry of Finance's Aid Management Platform (AMP) has enhanced Malawi's tracking of aid and government's ability to accurately record donor contributions to the budget. The government has also formulated the Malawi Development Assistance Strategy to guide donor interventions and improve reporting. However, the government faces challenges in ensuring aid administered directly by donors reflect priorities set out in the national development strategy. Some donors have doubts about prioritising MGDS targets due to perceived weaknesses in formulating the MGDS in a consultative manner. As such, project-based support is seen as a safeguard for activities for groups that are not – or are poorly – consulted.

INDICATOR 2b

How reliable are country procurement systems?

INDICATOR 3

Aligning aid flows on national priorities

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010*		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%) c = a / b c = b / a		
African Dev. Bank	63	39	59%			87%		63%	0
BADEA	--	--	0%			44%	--	--	0
Canada	--	--	--		31%		--	--	0
EU Institutions	149	158	85%		88%		94%	--	2
GAVI Alliance	0	0	--		--		--	--	0
Germany	17	25	16%		48%		71%	--	0
Global Fund	29	29	--		6%		100%	--	0
Iceland	--	--	--		--		--	--	0
IFAD	4	5	0%			23%	89%	--	0
IMF	--	--	--				--	--	0
Ireland	8	6	--		--		71%	--	3
Japan	0	25	4%		47%		0%	--	0
Kuwait	--	--	--		--		--	--	0
Norway	48	43	69%			100%		90%	6
OFID	--	--	0%		--		--	--	0
Sweden	--	--	--		99%		--	--	0
United Kingdom	93	88	74%		65%		95%	--	1
United Nations	16	60	33%		21%		27%	--	5
United States	1	10	15%		0%		9%	--	0
World Bank	130	130	47%			100%		100%	0
Average donor ratio			34%		54%		67%		
Total	559	618	54%		64%		90%		17

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

INDICATOR 7
Providing more predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

Malawi has exceeded the 2010 target for aid predictability, with the proportion of aid accurately recorded in public accounts improving drastically from 58% in 2007 to 96% in 2010. Among major donors in this regard, the United Kingdom and African Development Bank scored highest at 86% and 83% respectively, followed by Norway (74%). The Global Fund registered 51%, while the United Nations scored substantially lower at 27%. Relatively low scores among major donors therefore indicate that the total figure of 95% gives a misleading impression of progress in this area. This is corroborated by the government, who report difficulties in their ability to predict aid.

	Disbursements recorded by government in 2010	Aid scheduled by donors for disbursement in 2010	2005		2007		2010 *		For reference: Aid disbursed by donors for government sector in 2010	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010 **	
	(USD m)	(USD m)	(for reference)		(for reference)		(%)		(USD m)	(%)	
	a	b					c = a / b	c = b / a	d	e = d / b	e = b / d
African Dev. Bank	42	36	6%		95%			86%	41		88%
BADEA	--	--	--		--		--		--	--	
Canada	--	--	--		--		--		--	--	
EU Institutions	193	127	85%		79%			66%	194		66%
GAVI Alliance	0	12	--		--		0%		0	0%	
Germany	23	36	24%		54%		62%		33	91%	
Global Fund	39	77	--		--		51%		50	65%	
Iceland	--	--	--		--		--		--	--	
IFAD	4	0	0%		--			0%	6		0%
IMF	--	--	--		--		--		--	--	
Ireland	4	3	--		--			69%	4		79%
Japan	0	37	4%		78%		0%		37	100%	
Kuwait	--	--	--		--		--		--	--	
Norway	43	31	95%		66%		74%		34		91%
OFID	--	--	--		--		--		--	--	
Sweden	--	--	--		--		--		--	--	
United Kingdom	132	109	86%		55%		83%		124		88%
United Nations	23	84	7%		46%		27%		68	81%	
United States	1	33	3%		0%		2%		30	91%	
World Bank	148	92	96%		71%		62%		131		70%
Average donor ratio			41%		60%		45%			70%	
Total	651	678	58%		58%		96%		752		90%

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

** Ratio is $e=d/b$ except where disbursements recorded by donors are greater than aid scheduled for disbursement ($e=b/d$).

Lack of aid predictability is partly due to the fact that most donors set periodic (e.g. quarterly) administrative conditions for disbursements which may not be consistently met by implementing authorities. Additionally, the failure to meet conditions regarding the achievement of specific results reduces the predictability of disbursements. The Malawian government may therefore need to build the capacity needed for honouring and reporting on administrative and other conditions, or find another solution with donors. If the government is able to gain the confidence of donors regarding its ability to control budget resources, a shift from short term disbursement plans to longer term agreements may be possible, thus increasing predictability.

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

TABLE 4:
Are disbursements on schedule and recorded by government?

INDICATOR 4
Co-ordinating support to strengthen capacity

TABLE 5:
How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
	a	b			
African Dev. Bank	5	5	--	19%	100%
BADEA	--	--	0%	0%	--
Canada	--	--	--	100%	--
EU Institutions	0	7	0%	52%	0%
GAVI Alliance	0	0	--	--	--
Germany	9	9	74%	93%	100%
Global Fund	0	0	--	--	--
Iceland	--	--	0%	--	--
IFAD	0	0	100%	100%	--
IMF	--	--	--	0%	--
Ireland	5	7	--	--	66%
Japan	11	12	53%	10%	92%
Kuwait	--	--	--	--	--
Norway	2	5	25%	0%	29%
OFID	--	--	--	--	--
Sweden	--	--	100%	0%	--
United Kingdom	2	3	21%	78%	47%
United Nations	27	39	80%	10%	70%
United States	6	13	0%	66%	43%
World Bank	7	10	--	100%	76%
Total	74	112	47%	52%	66%

The co-ordination of technical co-operation with country programmes has steadily increased from 47% in 2005 to 66% in 2010. Among major donors in this regard, Germany and the African Development Bank co-ordinated all their activities, followed by Japan at 92% and the World Bank and United Nations at approximately 70%. Efforts have been made by the government in the area of strengthening capacity by co-ordinating support. The adoption of sector-wide approaches in health, education and agriculture has enhanced progress in this area. However, there are instances where isolated technical support works closely with the intention of building the skills of the local staff. The Ministries of Finance, Development Planning and Co-operation have put in place arrangements between donors and themselves to ensure that local skills are further developed when technical co-operation is co-ordinated with the country's programmes. The Government of Malawi is yet to develop a national technical co-operation policy and sector capacity building strategies. Retaining a core minimum of competent professionals in the public sector is one of the major challenges facing the country.

INDICATOR 5
Using country systems

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

INDICATOR 5a
Use of country public financial management systems

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on Indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

	Aid disbursed by donors for government sector (USD m) a	Public financial management						Procurement			
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) avg(b,c,d)/a	Proc. systems (USD m) e	2005 (for reference)	2007 (for reference)	2010 (%) e / a
		African Dev. Bank	41	18	18	18	0%	33%	43%	18	0%
BADEA	--	--	--	--	0%	0%	--	--	0%	0%	--
Canada	--	--	--	--	--	0%	--	--	--	54%	--
EU Institutions	194	148	148	148	48%	26%	76%	148	48%	26%	76%
GAVI Alliance	0	0	0	0	--	--	--	0	--	--	--
Germany	33	24	25	24	31%	0%	73%	24	36%	0%	72%
Global Fund	50	50	50	50	67%	100%	100%	0	0%	74%	0%
Iceland	--	--	--	--	0%	--	--	--	0%	--	--
IFAD	6	6	6	6	100%	86%	100%	6	100%	86%	100%
IMF	--	--	--	--	--	--	--	--	--	--	--
Ireland	4	3	3	3	--	--	79%	3	--	--	79%
Japan	37	25	25	25	0%	0%	67%	25	0%	0%	67%
Kuwait	--	--	--	--	0%	--	--	--	0%	--	--
Norway	34	31	31	20	88%	99%	79%	32	69%	65%	94%
OFID	--	--	--	--	0%	--	--	--	0%	--	--
Sweden	--	--	--	--	100%	100%	--	--	46%	37%	--
United Kingdom	124	112	112	74	48%	65%	80%	112	35%	44%	90%
United Nations	68	5	27	1	32%	11%	16%	0	0%	8%	0%
United States	30	0	0	0	0%	0%	0%	0	0%	0%	0%
World Bank	131	99	99	70	80%	61%	68%	96	42%	46%	73%
Total	752	519	542	437	55%	50%	66%	463	35%	35%	62%

TABLE 6:
How much aid for the
government sector uses
country systems?

Since 2005 the use of Malawi's country systems by donors has improved substantially, despite setbacks between 2005 and 2007. As Malawi scored below 3.5 on indicator 2a, no target was established for indicator 5a. Among major donors in this regard, the Global Fund scored highest (100%), followed by the United Kingdom (80%) and Norway (79%). The United Nations, United States and African Development Bank all scored considerably lower. Most donors increasingly prefer to give aid to Malawi through direct budget support or joint support programmes. The public financial management system in Malawi has undergone reforms resulting in the improvement of budget execution, finance reporting, auditing and the timeliness of audit reports. The government is in the process of rolling out the Integrated Financial Management and Information Systems to government institutions to improve financial reporting.

Notably the significant increase in the use of country systems by donors reflects, almost entirely, the increasing use of general budget support and the pooled sector support (health SWAp, education SWAp, and farm input subsidy) programmes created by government since 2005. A further nuance is that for direct project support there has been no improvement in the use of country systems, with a small fraction of it passing through the reserve bank. The lesson for recipient governments may be that in order to encourage a greater use of country systems, recipients must create the institutional structures and accountability mechanisms necessary for donors to feel comfortable depositing funds into government's central payment systems.

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to Indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

Use of Malawi's public procurement system has almost doubled since 2005. In 2010 62% of donors were using country procurement systems, against 35% in 2005 and 2007. Among major donors in this regard, Norway and the United Kingdom scored highest at approximately 90%, followed by EU Institutions and the

INDICATOR 5b
Use of country
procurement systems

INDICATOR 6
Avoiding parallel
implementation
structures

World Bank at approximately 75%. The United States, United Nations and Global Fund did not make any use of country procurement systems. As noted under indicator 2, a number of efforts to improve procurement capacity have taken place in recent years, although more visible and quick action by government on findings in audit reports would further motivate donors to use country systems.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

TABLE 7:
How many PIUs are
parallel to country
structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
African Dev. Bank	11	9	3
BADEA	0	0	--
Canada	--	4	--
EU Institutions	5	7	1
GAVI Alliance	--	--	0
Germany	0	0	0
Global Fund	0	0	0
Iceland	4	--	--
IFAD	2	2	3
IMF	--	0	--
Ireland	--	--	0
Japan	0	0	0
Kuwait	0	--	--
Norway	0	0	0
OFID	0	--	--
Sweden	0	0	--
United Kingdom	2	2	0
United Nations	6	4	8
United States	30	20	5
World Bank	9	3	6
Total	69	51	26

Malawi has made substantial progress since 2005 in strengthening capacity through avoiding parallel PIUs, although it fell slightly short of the 2010 target of 23. The number of parallel project implementation units in 2010 (26) was roughly half that recorded for 2007 (51). The majority of units are operated by the World Bank, United Nations and United States, although the latter has made substantial reductions since 2005. Most notably the government in 2010 issued a directive for all parallel project implementation units to be phased out, and it is expected that this will be achieved by the end of 2011. Donors, however, are sceptical about the government’s ability to build better alternative capacity for delivery. Even though PIUs distort salaries and undermine accountability, they tend to deliver their programme outcomes much faster than the government-owned institutional arrangements. The Malawian government has therefore commissioned a study which proposes ways of bridging the capacity gap in this regard.

The Government of Malawi has stated its opinion that whilst the recorded progress made in reducing parallel PIUs by the EU, AfDB and the World Bank is reliable, the significant drop in the number of parallel PIUs of the United States is inaccurate and does not reflect any fundamental change in behaviour. Rather it is as a result of internal re-classification of what is deemed to be a PIU – where projects implemented via NGOs are no longer counted as parallel to government. In practise, projects implemented via NGOs are likely to be worse for strengthening country systems because they make no effort to liaise with government, whereas parallel PIUs are at least notionally involved at the sector planning phase. This definitional issue has yet to be resolved with USAID, but nevertheless the large recorded aggregate reduction in PIUs is potentially misleading.

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

INDICATOR 8

Untying aid

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	4.1	4.1	0%	100%	100%
Austria	0.3	0.3	86%	100%	100%
Belgium	4.8	4.8	100%	100%	100%
Canada	0.6	0.6	100%	96%	100%
Denmark	2.7	2.7	100%	100%	100%
Finland	0.5	0.5	100%	--	100%
France	0.1	0.1	100%	100%	100%
Germany	23.3	23.2	83%	100%	100%
Greece	0.0	0.0	100%	0%	100%
Ireland	17.9	17.9	100%	100%	100%
Italy	1.5	0.1	0%	0%	4%
Japan	14.3	14.3	100%	100%	100%
Korea	0.0	0.0	--	0%	100%
Luxembourg	0.1	0.1	100%	100%	100%
Netherlands	0.6	0.5	100%	--	82%
New Zealand	0.1	0.1	100%	100%	100%
Norway	50.5	50.5	100%	100%	100%
Spain	1.1	0.1	95%	27%	5%
Sweden	0.4	0.4	100%	100%	100%
Switzerland	0.1	0.0	0%	7%	0%
United Kingdom	38.4	38.4	100%	100%	100%
United States	128.0	96.8	5%	68%	76%
Total	289	255	97%	88%	88%

TABLE 8:
How much bilateral aid is untied?

Source: OECD Creditor Reporting System.

The percentage of untied aid from donors to Malawi has remained static since 2007. According to the 2010 data, 88% of total bilateral aid to Malawi in 2009 was untied, slightly below the target for 2010. With the exception of the Netherlands (82%), United States (76%), Spain (5%) and Italy (4%), all other aid to Malawi was untied. However, the country stakeholders’ report noted that a few donors not included in the survey such as China, India and other non-DAC donors continue to tie part of their aid through stipulating that

goods and services are purchased from suppliers based in their home countries. The government also considers that reporting of aid untying to the OECD/DAC does not correspond to the reality observed at the country level for some donors (*e.g.* Japan, USA) whose technical co-operation remains predominantly tied. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

INDICATOR 9 Using common arrangements

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

TABLE 9:
How much aid is
programme-based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
African Dev. Bank	18	11	28	41	0%	2%	69%
BADEA	--	--	--	--	0%	0%	--
Canada	--	--	--	--	--	30%	--
EU Institutions	0	0	0	204	45%	25%	0%
GAVI Alliance	0	0	0	6	--	--	0%
Germany	17	17	33	33	0%	0%	100%
Global Fund	5	44	50	50	100%	100%	100%
Iceland	--	--	--	--	0%	--	--
IFAD	0	0	0	6	100%	0%	0%
IMF	--	--	--	--	--	0%	--
Ireland	0	2	2	9	--	--	26%
Japan	0	36	36	40	0%	0%	91%
Kuwait	--	--	--	--	0%	--	--
Norway	12	16	28	50	32%	42%	55%
OFID	--	--	--	--	0%	--	--
Sweden	--	--	--	--	68%	72%	--
United Kingdom	89	7	95	133	45%	60%	72%
United Nations	0	87	87	98	0%	26%	89%
United States	0	19	19	141	0%	5%	13%
World Bank	53	51	103	131	35%	68%	79%
Total	193	289	482	942	32%	42%	51%

Progress has been made in the use of programme-based approaches since 2005, increasing from 42% in 2007 to 51% in 2010, but below the 66% target. The use of common arrangements between the government and donors is high among Germany, the Global Fund, Japan and the United Nations. However, the two largest donors to Malawi in this regard – EU Institutions and the United States – made very little use of PBAs.

The increased use of programmes such as SWAPs, have largely contributed to the overall figure. There are also a number of joint programmes (such as strengthening the national M&E system in Ministry of Development Planning and Co-operation) that are short of SWAPs but bring together a number of donors working together under common procedures. A full operationalisation of sector-working groups will help to increase donor participation in PBAs and reduce aid fragmentation.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
African Dev. Bank	3	17	33%	4%	18%
BADEA	--	--	--	--	--
Canada	--	--	--	6%	--
EU Institutions	0	7	67%	20%	0%
GAVI Alliance	0	0	--	--	--
Germany	3	4	0%	64%	75%
Global Fund	2	4	0%	67%	50%
Iceland	--	--	0%	--	--
IFAD	0	0	45%	100%	--
IMF	--	--	--	0%	--
Ireland	0	1	--	--	0%
Japan	0	14	0%	0%	0%
Kuwait	--	--	0%	--	--
Norway	9	21	100%	0%	43%
OFID	--	--	--	--	--
Sweden	--	--	100%	0%	--
United Kingdom	3	6	64%	70%	50%
United Nations	30	43	78%	38%	70%
United States	5	64	--	0%	8%
World Bank	24	48	14%	44%	50%
Total	51	229	24%	22%	22%

TABLE 10:
How many donor missions are co-ordinated?

*The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 35% is applied.

The percentage of donor missions co-ordinated jointly in Malawi has remained static since 2007, leaving the 2010 target unmet. Only 51 (22%) of the 229 missions were co-ordinated jointly, with Germany and the United Nations accounting for the majority of these. All other donors failed to co-ordinate more than 50% of their missions. In sectors with many individual donors, such as the health, agriculture and education sectors, the demands on government time are quite high. Overall, it can be noted that there are capacity constraints on the government side in general to cope with the demands of increased aid. Government holds the key to progress on this activity and can do so by establishing a calendar for missions and enforcing it.

INDICATOR 10b
Joint country analytic work

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

Joint country analytic work has decreased from 61% in 2007 to 51% in 2010. Among individual donors, the United States and the African Development Bank co-ordinated all their analytic work jointly, while EU Institutions co-ordinated none. In contrast to the above findings, the stakeholders' report indicates an increase in the joint analytic work since 2007. Joint analytic work requires that the Malawian government devotes time and resources to interact with donors and respond to their requests. The demands regarding this indicator can be challenging in ministries like health, agriculture and education which have many individual donors.

TABLE 11:
How much country analytic work is co-ordinated?

	Co-ordinated donor analytic work* (units)	Total donor analytic work (units)	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
	a	b			
African Dev. Bank	2	2	100%	50%	100%
BADEA	--	--	--	--	--
Canada	--	--	--	100%	--
EU Institutions	0	4	100%	100%	0%
GAVI Alliance	0	0	--	--	--
Germany	1	1	100%	80%	100%
Global Fund	1	5	--	0%	20%
Iceland	--	--	--	--	--
IFAD	0	0	100%	--	--
IMF	--	--	--	--	--
Ireland	5	7	--	--	71%
Japan	0	0	0%	100%	--
Kuwait	--	--	--	--	--
Norway	1	1	100%	50%	100%
OFID	--	--	--	--	--
Sweden	--	--	50%	--	--
United Kingdom	5	7	63%	65%	71%
United Nations	12	23	100%	80%	52%
United States	25	25	0%	91%	100%
World Bank	2	4	67%	100%	50%
Total	41	79	60%	61%	51%

*The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 25% is applied.

AID FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries to effectively manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with the German Institute for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)) reveals that aid fragmentation increased from between 2005 and 2009, alongside an increase in country programmable aid (OECD 2011b).

According to OECD data (2011b), 12 donors provided 90% of the country programmable aid to Malawi while 15 donors provided the remaining 10% of aid in 2009. Average donor provided USD 25 million in 2009. The aid in 2009 was distributed quite evenly among the top six donors (UK, World Bank, EU Institutions, USA, Global Fund and Norway) who provided each between 9-15% of aid and altogether provided 70% of the total country programmable aid to Malawi. There are no large differences from 2004 in terms of the top donors, the share of aid provided by the top donors, or the number of donors that provided 90% of all aid. ■

MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

Since 2005 Malawi has maintained a score of C regarding the status of its results-oriented framework, leaving the 2010 target unmet. The Malawi Growth and Development Strategy (MGDS) includes a monitoring and evaluation (M&E) framework. The lead institution is the Ministry of Finance and Development Planning² which conducts analysis and reporting on performance of the MGDS using data from the national statistical system and sector ministries. Annual consultative meetings are held for all sectors, including the civil society and the private sector. In 2010, a sector-wide results framework was developed as part of the operationalisation of 16 sector working groups.

Development information for the M&E framework has comprehensive sector and geographic coverage. Progress against the MGDS is reported in an annual progress report, and in quarterly sector reports. Data coverage of qualitative and quantitative targets in the MGDS is comprehensive: 81% of quantitative targets have baseline values. The national statistical system includes a population census, household survey, GDP, poverty survey, and demographic health survey at reasonable to low frequencies. The data, however, do not have the quality and reliability to meet M&E requirements, and routine data collection and analysis are not yet institutionalised at sector levels. Hence there are data gaps due to lack of skills, and funding for M&E. Since 2008, a comprehensive programme on strengthening national M&E has been implemented and a national M&E master plan developed to guide all sectoral M&E. More staff have been recruited to cover districts and fill in gaps in sector ministries. A harmonised database is established at district level, which will be linked to a larger web-based database, the Malawi Social Economic Database (MASEDA) – although a major challenge remains in system connectivity to improve co-ordination and responsiveness. Furthermore, a multi-institutional stakeholder forum has also been established by the National Statistical Office to implement a national statistical development strategy. There is also improved publicity and advocacy for the MGDS annual reviews and annual MDG reports that involve all stakeholders in the national development process.

INDICATOR 11
Do countries have results-oriented frameworks?

The MGDS and progress reports are publicly available, in English only, on the internet, electronically, in hard-copy, and also via public meetings. Public expenditure data are also publicly available. The national M&E system tracks input, output and outcome indicators through public expenditure reviews and tracking surveys in key ministries, performance audits, community-based monitoring and evaluation, and MGDS annual reviews. M&E reports are used in national workshops on dissemination of annual development review findings involving all key officials in government, NGOs and donors, principal secretary meetings, during parliamentary debates, public debates and when planning for the following year.

The Malawi Growth and Development Strategy MGDS monitoring and evaluation framework includes gender-related indicators including an assessment/review of the implementation of the gender policies and strategies annually. However, the availability, timing and reliability of some kind of data is sometimes a challenge in Malawi. This also applies at the local level – the collection of gender disaggregated data. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12

Mutual accountability

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue. The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place.

Malawi has consistently met the target of mutual accountability since 2005. In Malawi there are a number of formalised institutional arrangements for fostering mutual accountability in the country. Notable among them are the Common Approach to Budgetary Support, the Government Finance and Economic Management Forum, the Public Finance and Economic Management Forum, the Joint Sector Review, Malawi Growth Development Strategy Annual Reviews and the High Level Forum. Government and donors are highly involved in all these arrangements, as are civil society, the private sector and Parliament, although to a lesser extent.

Joint sector reviews have been institutionalised where there are sector-wide approaches, for example in health and education. These involve CSOs in addition to government departments and donors. The HLF is a broader-based forum involving high-level officials from all stakeholders in the development process, including parliament. As a result of these processes, development co-operation of late has had more emphasis on collaborative approaches than on individualistic approaches. This can be noted in the increasing support to PBAs like SWAps or joint funding arrangements. ■

NOTES

1. The quantitative information presented in this chapter is taken from data provided by the national co-ordinator up to 31 July 2011, following a multi-stakeholder data validation process at the country level. It was not possible to modify or correct any data received after this date. For indicator 3, further adjustments were introduced regarding the African Development Bank after the deadline of 31 July, indicating that government's budget estimates amounted to USD 34 million (instead of USD 63 million) for the fiscal year 2009/10. This would bring the share of aid from the African Development Bank reported in the Malawi national budget from 63% to 92%.

2. In 2011, the Ministry of Finance and the Ministry of Development Planning and Co-operation were merged into a single entity, the Ministry of Finance and Development Planning.

The quantitative information presented in the chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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