

Evaluation of the Implementation of the Paris Declaration

Country Evaluation

MALAWI

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 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 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 substantial 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 the number of PIUs has been reducing steadily during the same period. GoM compiled 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 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, many donors are either not using or partially using the country systems, and aid predictability among CABS (Common Approach to Budget Support) donors is affected by conditionality and other related factors.

Malawi's implementation of the PD principle on **harmonisation** 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 an 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 harmonisation. 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; they 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 capacities 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 the 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 accountable. 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 the 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 forces, lack of participatory planning processes at the local level, limited functionality of the Health Management Information System, 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

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.

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 in government systems as well as unpredictable aid due to lack of disclosure by donors on actual contributions. 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 took place 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 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 in understanding of why progress against following the PD is slow. To understand the barriers to improved performance on aid effectiveness commitments, there is a 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 other sectors. The incentives created by these channels of accounta-

bility 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 on 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.