

3.2.2 For the years 2001 onwards, the precise uses and amounts need not be exactly as agreed last year. The Committee cites these amounts in various places in this report to provide information on what the multilateral donore and Government had in mind for uses of HIPC funds. The actual uses will be for priorities identified in the PRSP Findings to Date and the final PRSP. In most cases more will be required for the Priority Poverty Expenditures than will be available from HIPC resources. The Committee has asked for the amount of HIPC funds disbursed during the current year, and uses of these funds, but has not yet received this information.

3.2.3 To facilitate monitoring of HIPC funds, quarterly reports with the following information will be needed:

- Amounts and uses of all funds freed by HIPC debt relief for the previous reporting period and year to date, and projections for the next reporting period and the balance of the year
- Explanations of all variances from estimates for uses of HIPC funds in the approved budget, and measures to be taken to guarantee spending as budgeted by the end of the year

Recommendation 8: Include in the budget a complete accounting of all uses of HIPC funds for 2000/2001, and commit to use HIPC funds exclusively for designated Priority Poverty Expenditures. Commit to provide quarterly reports on uses of HIPC funds as outlined in Section 3.2.3.

4. The Poverty Reduction Strategy Paper (PRSP)

4.1 Important Features of the PRSP Process

4.1.1 Government is expected to choose the programmes that are likely to have the greatest impact on poverty based on broad consultations with stakeholders. Stakeholders expect to be partners with Government in selecting the programmes. The programmes designated as Priority Poverty Expenditures will be noted in the final PRSP. Progress on the poverty reduction strategy will be reviewed annually, and the PRSP itself will be updated every three years, based on comprehensive review and consultations.

4.1.2 Government is leading the process for preparing the PRSP through a National Steering Committee of Principal Secretaries and a Ministerial Committee chaired by the Minister of Finance and Economic Planning. A Technical Committee currently made up of civil servants is responsible for compiling input from all sources in a single PRSP document. Government convened about twenty thematic working groups to consult among themselves and with others, prioritise and cost programmes in various categories, and report findings to Government. The working groups include government officials and other stakeholders. Consultations have also been held in all districts.

4.2 The PRSP Process to Date

4.2.1 Consultations on the PRSP have stimulated healthy dialogue on the poverty reduction strategy among Government, civil society, and some MPs, and raised great expectations among stakeholders that their input will be taken seriously.

4.2.2 Stakeholders have raised serious concerns about uncontrolled public spending which prejudices reducing poverty. Other concerns are as follows:

- Need to vigorously investigate and prosecute corruption, and take effective steps to prevent it
- Need to insulate development programmes from partisan political agendas
- Need to decentralise authority so that stakeholders at the district level can determine local priorities for poverty reduction.

4.2.3 The Committee is also interested in the budgets proposed for accountability agencies including the Office of the Ombudsman, the Anti-Corruption Bureau, and the Auditor General, and will investigate the adequacy of these budgets during the coming year.

4.2.4 The Committee believes that if Priority Poverty Expenditures cited in the Findings to Date, as it went to Cabinet, are designated as such in the budget, the budget will reflect priorities expressed by most stakeholders.

4.2.5 The Committee believes that Government will be able to count on Parliament and civil society to support the poverty reduction strategy if enough time is allowed to debate the budget, and if Government guarantees protection for Priority Poverty Expenditures and provides the baseline and monitoring information requested in this report.

4.2.6 There have been some difficulties with the process. Initially, Government planned to complete the final PRSP in April 2001, and include funds for all priority programmes in the budget for 2001/2002. This proved unworkable, principally because civic organisations were dissatisfied with the level of consultation with them. Government responded by deciding to deal with the budget for 2001/2002 based on Findings to Date as of the end of May.

4.2.7 While considerable effort was made to reach stakeholders at the national, regional, and district level, so far Government has been the dominant actor. The majority of working group members are civil servants, and civil servants were heavily represented in district consultations. Neither senior government officials nor civil servants made a systematic effort to ensure participation by Parliamentarians. Few MPs participated in working groups, and many never received notices of the consultations in their districts. Some groups had little or no representation from grassroots organisations experienced in front-line service delivery. Many members of working groups attended only one or two meetings because meetings were held on very short notice or because of lack of co-ordination. Participation by women in the district consultations was thin.

4.2.8 Working groups did not have enough time to draft solid reports on their findings. Many did not set clear priorities. Most did not cost priorities well. The fact that working groups did not have indicative ceilings for total costs for programmes within their sectors made prioritisation and costing difficult. Failure to complete rigorous prioritisation and costing left it up to Government to choose priorities for its first draft of Findings to Date.

4.2.9 Much to the credit of Government, stakeholders asked for and were given a strong voice in refining the draft. As a result, Government agreed to designate a limited number of specific programmes as Priority Poverty Expenditures. The Chairman of the Budget and Finance Committee and the Committee's consultant participated in the negotiations, and the Committee's consultant was included on the Technical Committee that refined the draft for submission to Principal Secretaries and Cabinet. The consultations on the PRSP are the first of their kind, and the most comprehensive effort to date. The shortcomings mentioned above should therefore be seen in a more positive light. Government needs to be encouraged to do even better, and has demonstrated a willingness and a capacity to reach out.

Recommendation 9: Increase membership of PRSP working groups and participation in district consultations to ensure participation by poor Malawians, women, people with front-line service delivery experience, and MPs. Increase administrative and technical support to ensure adequate notice of meetings and assistance as needed. Include representatives from the Budget and Finance Committee and civil society on the Technical Committee for the PRSP. Take the trouble to have MPs actively participate.

4.2.10 The programmes selected as Priority Poverty Expenditures in the Findings to Date are substantially the same as recommended by the Committee in Sections 6 to 10 below. This is a direct result of the Committee's close attention to stakeholders during the PRSP process.

4.2.11 The Committee has not been able to recommend specific amounts for the budgets for these programmes. Like the working groups, the Committee has not yet been able to get enough information on baseline budgets, current unit costs, and results that can be expected from different levels of spending. At least some of this information should be in the budget documents.

4.2.12 Government is trying to obtain good data on donor funds that are not included in the national budget. Meanwhile the Committee and other stakeholders will have to evaluate Government spending through the budget as if it were the only source of funding for Priority Poverty Expenditures.

5. Poverty Analysis

5.0.1 Government has undertaken an extensive exercise to shed more light on the nature and causes of poverty in Malawi. A nation-wide household survey on poverty was completed in 1998, and follow-up investigations are underway. Just a few of the principal findings from the survey are highlighted below. Unless otherwise noted, findings reflect the situation in Malawi in 1998.

5.1 The Extent of Poverty

5.1.1 According to the definition of poverty used in the survey, 65.3% of Malawi's people are poor, i.e., they do not have enough in cash or goods to meet their basic needs. The "poverty line" is the minimum level of consumption that distinguishes the poor from the non-poor. It is expressed in