

PRSPs, a Positive Development from the Debt Cancellation Campaign? - *Malawi's perspective 'Under the Microscope'...*

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This paper gives a comparative Malawian perspective on the debate on the impact of PRSP processes in the region, especially their intended objectives and impact. In particular it maps out a civil society perspective on the way forward in the face of growing and worsening levels of poverty. It draws heavily on recent history to underline two simple facts. First, every country's political culture draws heavily on its past and second, in Malawi we have a laudable history of resistance.

The paper provides a brief overview of some of the experiences and general attitudes of stakeholders in Malawi. It includes an overview of the political environment in the country, and hints at the possibility of civil society advocating and influencing some positive changes through shifts in the policy environment within requisite sectors. It also provides an overview of some more technical issues considered in various tracking efforts, and of the feedback process needed to ensure that the work has impact on future budget allocations and policy decisions.

1.0 The Political Context

Instability can partially be explained by our inability to institute fiscal discipline and reduce public expenditure. We have domestic debt that is clearly unsustainable and is eating through our resources thereby inhibiting growth. In order to get out of this poverty trap, we need to reduce public expenditure and domestic borrowing...."

(President Bingu wa Mutharika, 24th May 2004 – Inauguration)

The recent elections¹ in May 2004, which were riddled with more controversy than ever before, saw the ruling UDF² party retaining power in the face of a strong challenge from the opposition parties. In his inaugural speech President Bingu wa Mutharika highlighted Malawi's difficult economic situation and emphasised the importance of improved expenditure management. The new Minister of Finance has also emphasised that strengthened expenditure management will be his highest priority. Donors seem to have welcomed this commitment to improved economic management from the new government. However, it is generally felt that the public and many others in government are unaware of the full extent of the economic problems facing the new government, let alone the challenge confronting it and civil society in overcoming the crisis.

¹ The National Assembly for the first time in Malawi history has a majority of the 193 seats won by the Opposition (93), with another significant number of seats won by Independent Members (40) while the ruling party alliance (UDF & Alliance for Democracy, AFORD) who are a minority have (49 + 6) in the house with the rest shared among the other small parties.

² The United Democratic Front has been in power since the multiparty political dispensation from 1994 (ruled for ten years under the tutelage of Dr Bakili Muluzi after the defeat of Dr Hastings Kamuzu Banda the Life President of the dictatorial one party regime of Malawi Congress Party, MCP)

After 30 years of oppressive rule and brutal political governance the 1993 referendum marked the formal commencement of the first multiparty system of government in Malawi. 'The referendum not only led to a shift in politics but I believe it redeemed our self-respect. It revealed that under the pall of silence that the authoritarian regime had imposed, there were smouldering embers of the quest for freedom....'³

The first multiparty elections in 1994 transformed Malawi into a multiparty democracy, which has seen Malawians claiming and defending their human and/or economic rights. Malawians are now ready to fight any attempt to re-instate an oppressive, autocratic regime.

This change was consolidated in the second elections held in 1999, which saw the incumbent United Democratic Front (UDF) and President Bakili Muluzi retaining power. Despite some reservations and criticisms of the electoral process, the country is considered to be moving towards a more representative and open form of politics.⁴ The ongoing vibrancy of Malawian civil society and the churches has reinforced the fight against any future abuse of powers and of the constitution. Cases in point were the failure of the Open Term and Third Term bills⁵ in Parliament, as well as the drafting of the Civil Society Manifesto⁶ by civil society. The manifesto calls for competing parties and/or any government to strictly adhere to and respect the concerns and expectations of the people, and serves as a benchmark for monitoring the performance of the government until the next general elections in 2009.

2.0 The Economic Context

In economic terms Malawi remains agriculturally dependent and is one of the world's least developed countries.⁷ Despite numerous efforts to diversify the economy, agriculture accounts for almost 40 per cent of gross domestic product (GDP), up from 25 per cent in 1994. The economy's narrow base limits Malawi's revenue generating capacity. As a result locally generated revenue barely covers public expenditure. Grants assist in narrowing the gap between expenditure and revenue although the picture has become bleaker over the past few years with GDP per capita declining as low as US\$132 per annum. For more than ten years now⁸ the government has been spending significantly more than its revenue. In 2003/04 for example, government revenue was equivalent to 20.2% of GDP, quite high by regional standards, however, expenditure (excluding donor funded projects) that year amounted to 32.9% of GDP. Support from the international community has been crucial in preventing this from becoming a serious problem.

³ Thandika Mkandawire (2004) provides a comparative African perspective. **Freedom to empowerment: Challenges to Democracy to Africa**. United Nations Research Institute for Social Development, Geneva, Switzerland.

⁴ Jenkins and Tsoka (2002) provide an overview of some of the criticisms of the procedures involved in the second election and the subsequent complaints from some opposition leaders that the *government has distributed a disproportionate share of the benefits of development policy to the southern region, the ruling UDF's political base*

⁵ In 2003 there was a lot of political tension from the enormous pressure exerted on Parliament to amend the constitution arbitrarily in the interests of the ruling party and the few top politicians including the President, giving him *unlimited* Terms of Office (at first) which later changed to pushing for the President's *third* Term of Office after the latter's flop.

⁶ MEJN Civil Society Manifesto (March 2004). For pro-poor elections fostering people's informed choices) www.mejn.org

⁷ The UNDP Human Development Report ranks it as 162nd out of 175 countries on a composite index that incorporates indicators of health, education and income. This in fact represents a slight worsening of Malawi's position, in 2001 it was 151st out of 162 countries. Source – UNDP (2003) Human Development Report 2003, UNDP, New York.

⁸ Whitworth A (11th August 2004) Malawi's Fiscal Crisis: A Donor Perspective, DFID Economic Advisor

Poverty is a major issue in Malawi, with an estimated 65.3 per cent of the population living below the basic poverty line. Poverty is more prevalent in rural areas,⁹ where it is estimated that 66.5 per cent of the population live in poverty compared to 54.9 per cent in urban areas. Although poverty in Malawi is not caused by war, a brief survey of the socio-economic indicators paints a bleak picture. Poverty¹⁰ is deep, severe and widespread, with smallholder farmers, female- and child-headed households, estate workers and the disabled being the worst affected.

Social indicators are also weak with an estimated 25 per cent of males aged over 15 classified as illiterate and the figure for females considerably higher at 52.4 per cent. Only 11.2 per cent of adults have completed Standard 8. For women the figure is even lower at 6.2 per cent. Over the five-year period from 1996-2000 life expectancy at birth has dropped from 43 years to 39 years mainly due to the HIV/AIDS pandemic. Other health indicators, such as infant and under-five mortality rates (estimated at 104 and 189 deaths per 1 000 live births respectively), are also exceptionally poor. The maternal mortality rate is 1 120 deaths per 100 000 live births¹¹, up from 620 in previous years.

3.0 The Advent of the Poverty Reduction Concept

The International Monetary Fund's (IMF) Independent Evaluation Office has defined a category of countries as 'prolonged users' of IMF loans. These are countries engaged in IMF supported programmes for at least seven years out of any ten. During 1971-2000, 51 countries met the definition with Malawi one of the 16 most prolonged users. For 17 years in this 30-year period it was under IMF arrangements. This must be seen in the context of the intention that the IMF should only provide temporary balance of payment support to countries.

Despite the government's poor track record throughout the 1990s, following promises of improved fiscal discipline, the IMF agreed to a Poverty Reduction and Growth Facility (PRGF) for Malawi in December 2000. At that time Malawi also reached the 'decision point' under the Heavily Indebted Poor Countries (HIPC) debt relief facility. This means that the international community commits to forgiving a significant proportion of Malawi's external debt – on the clear understanding that Malawi maintains sound macroeconomic policies and redirects the funds that would have been spent on debt servicing to propoor uses. The UK, the EU, Norway, Denmark and Sweden also agreed around this time to provide substantial budget support¹² to Malawi in support of the PRGF¹³.

The growth in debt in Malawi, just as with several other sub-Saharan African countries, has continued to be so rapid that the government is now in danger of falling into a 'debt trap', a the situation where it cannot prevent the debt/GDP ratio from continuing to increase until default or rescheduling becomes inevitable.

⁹ According to the National Statistics Office (NSO) Population & Housing Census (1998) the 85% of the population is rural-based while about 15% is urban-based.

¹⁰ According to the PRSP, the poor are defined as people who by 1998 could only afford to spend MK10.47 (US0.10) or less per day on food and non-food needs, The Integrated Household Survey (HIS 1998) noted that 65.3% of Malawians were poor, 75% of whom were women....

¹¹ Source – Malawi Government (2000) Malawi Demographic and Health Survey 2000

¹² Budget support is a grant direct to the government-consolidated fund. Unlike traditional project aid, it is used to finance the budget in general rather than specific activities. (Whitworth, A. 2004. *Malawi's Fiscal Crisis: A Donor Perspective*)

¹³ Note that the UK, EU and Swedish agreements specified that budget support was conditional upon Malawi remaining 'on track' with the IMF.

To sum up, as a result of various gross failures to control expenditure, Malawi rapidly accumulated a dangerously large stock of domestic debt. This threatens macroeconomic and financial stability and is crowding out investment and bringing the inherent *debt and poverty* link to the fore. Perhaps most seriously, with over 30 per cent of government expenditure eaten up by interest payments, there are insufficient resources remaining to provide for basic but key poverty fighting services.

What is the ideal Way forward? Do we need the PRSP?

The domestic debt, unfortunately, is now the dominant feature of the Malawian economy. Addressing it is the immediate preoccupation of the new government with the other stakeholders, including civil society, in the wings. Any solution to the fiscal crisis must involve tight expenditure management and substantial retirement of the domestic debt stock. Fiscal prudence should be a self-imposed virtue. Fiscal prudence will also produce surpluses that will allow the state to take the lead in planning long-term projects. Fiscal autonomy enhances democracy and, for a democracy, such prudence not only reflects respect for taxpayers and voters, but will also gradually reduce the endless interference by aid donors in the affairs of the nation. *Just as there can be no representation without taxation so tax payers need to be respected and served truthfully without being taken advantage of or being taken for granted as being 'ignorant'...*

The bottom line is government's commitment to relocating funds in line with the Priority Poverty Expenditures (PPEs) identified and fast tracked in the Malawi Poverty Reduction Strategy Paper (MPRSP). This has to be in line with the overarching requirement subscribed to in the HIPC debt relief programme¹⁴, namely that countries receiving debt forgiveness pledge (no matter how minute the percentages might be) to apply the funds freed by HIPC for activities stipulated in the national PRSP plan, without reducing the amount of funding that previously went to those activities from the recipient government's own revenues.

Realising that all this talk will remain a dream without dedicated collective effort, civil society and other stakeholders have taken up the responsibility of seeing to the PRSP's successful implementation and monitoring. Through various civil society efforts and initiatives, the government of Malawi is being held accountable for its public finance management with a view to influencing pro-poor allocations of funds in the national budget. Various ills have been exposed through these efforts such as the diversion of funds meant for PPEs to non-priority areas. This is potentially a threat to the re-establishment of donor aid flows, which, as we have seen, constitute a major component of the national budget.

Various civil society surveys have noted¹⁵ that although overall resources available to key sectors (health, education and agriculture) have increased, government's own allocations to pro-poor expenditures have declined since HIPC related allocations became available.¹⁶

¹⁴ In MEJN's view, the issue of HIPC Debt Relief Programme was one of the positive attributes of the Debt Relief Campaign (Jubilee 2000 Campaign) because of the pressure on the IFIs, a stance that needs to be strengthened and maximised through whatever means possible by fighting from within through the maximum utilisation of the space provided for Civil Society in decision-making and inputting processes.

¹⁵ Service Delivery Satisfaction survey (MEJN PRSP/Budget Monitoring Programme, 2003) & Budget Monitoring 2002/03 (Civil Society Coalition for Quality Basic Education, CSCQBE; Malawi Health Equity Network, MHEN & Civil Society Agriculture Network, CISANET)

¹⁶ World Bank Operations' Evaluation Department report, 2003, *Debt Relief for the Poorest – An OECD Review of the HIPC initiative*, pp84.

These diversions occurred at the same time as other areas of spending, unrelated to PRSP priorities, increased rapidly. For example, foreign travel by the president nearly tripled in the 2002/3 budget, while allocations to social service ministries and key institutions of justice and public accountability declined. Such changes mean that government spent a smaller proportion of funds on protected programmes than prior to HIPC relief, which is the exact opposite of what the programme intends.

4.0 Good Governance and Need for an Organised Civil Society

We have come a long way and can proudly say that the prospects of our democracy surviving are much better than in many other African countries. Already we have passed one major test by valiantly defending our constitution from attempts to rewrite it in the interests of one person. We have demonstrated once again a capacity for self-organisation to defend our republican institutions. In the current debates good governance and empowerment of the people must entail enhancing the capacity of elected governments to play a developmental role using a wider range of instruments than are available now. It must mean giving democracy more choices and allowing governments to pursue policies that enhance people's sense of citizenship and that minimise social alienation and conflict. Good governance is not simply a question of rules and institutions but also of content and purpose. Nor does good governance mean that 'good people' govern, rather it means that elected people govern with due respect for the rules of the game and accountability to their voters

As alluded to earlier, an organised and developed civil society in Malawi has been evolving since the introduction of the multiparty system. However, this was given a major boost by the process of formulating the poverty reduction strategy. The emergence of the umbrella grouping, the Malawi Economic Justice Network (MEJN), can be traced back to a November 2000 meeting of 27 civil society organisations in Mangochi in southern Malawi. This event produced a statement of principles to govern the process of formulating the PRSP. It criticised the preparation of the road map for the interim PRSP as non-inclusive, and stated that the timetable for preparing the full PRSP needed to be redesigned as it was unrealistic.

In the aftermath of this declaration the MEJN was officially constituted as a secretariat sanctioned to act as a coordinating link/body. The group committed itself to creating a taskforce that would focus on advocacy in relation to economic issues, and on organising as much civil society involvement as soon as possible in the PRSP formulation process. It was also agreed to focus on developing the capacity of civil society organisations (CSOs) to contribute to the process and to scrutinise and analyse the implementation of the PRS.

This marked the start of MEJN's mission. Following negotiations between MEJN and key members of the PRSP Technical Committee and the National Steering Committee the process of formulating the PRSP began to open up to those outside the ranks of government and donors. The Technical Committee and MEJN drew up separate lists of potential civil society representatives for the TWGs, with MEJN assuming the role of chief link with the government on the design of civil society's involvement in the PRSP process.

5.0 Conclusion

5.1 Overview

Looking at an overview of the national policy environment, and the more specific sectoral environment that civil society operates in, observers will agree that while Malawi has adopted policies – such as the Statement of Development Policies (1971-1980) – to combat poverty, disease and ignorance since independence, the reality and implementation have not matched the rhetoric.

The situation changed considerably following the country's shift to a democratic multiparty system in 1994. This coincided with the adoption of a Poverty Alleviation Programme (PAP) as the 'operative development philosophy in the country'. This was subsequently complimented by the longer term Malawi Vision 2020, allegedly drawn up after 'extensive' public consultations. However, neither of these initiatives were operationalised with fundable action plans. And then, more recently, the country has moved down the road of adopting a poverty reduction strategy (PRS).

There are some big questions still outstanding that will definitely assist us to define a way forward (which is a MUST). They are:

- When will our country be freed from extreme poverty, economic and financial mismanagement, bad governance and foreign influence?
- Why are we still languishing in poverty in spite of all the policies and strategies that have been formulated?
- Should we reject everything and continue to live in poverty because the IMF and World Bank, amongst others, are not giving us clear criteria for assessing whether PRSPs have been successfully implemented so that we can get the 100% debt relief we all crave?
- Do PRSPs have positive elements that we can try to maximise as we strive for a win-win solution to the crises of poverty and hunger afflicting our countries?
- Are the PRSPs the right tools for Debt Relief for the poor and struggling countries like Malawi? (If *not* what should be changed or improved and if *yes* why are we still talking of worsening levels of poverty and economic outlook several years down the line after PRSP implementation?)

5.2 POSITIVE OUTLOOK ON PRSP

The Malawi Poverty Reduction Strategy Paper (MPRSP) has been officially adopted as the foundation for championing the country's economic growth and development plan for the foreseeable future. It is based on four pillars, namely:

- Rapid sustainable pro-poor economic growth and structural transformation
- Human capital development
- Improving the quality of life of the most vulnerable and
- Promoting good governance.

It also covers cross-cutting issues such as HIV/AIDS, gender, environment and science and technology.

Recognising that PRSP implementation is the responsibility of all stakeholders serious efforts are being made by civil society (MEJN and others) to maximise and use the space available to contribute to its success through independent partnerships with the monitoring and evaluation co-ordination points in the Ministry of Economic Planning and

Development. Overall monitoring and evaluation of the process has been 'theoretically' designed to take place at the local, district and national levels. This underlines need to partner with civil society structures¹⁷ involving all stakeholders and to be mindful of the common goal and objective of reducing poverty levels.

6.0 Challenges Faced Along the Way

The strategy recognises the growth in civil society activity and its relevance to PRS monitoring and commits itself to 'encouraging the development of other external monitoring systems, for example through civil society institutions'. Government is slowly coming to accept and embrace this role, with growing interactions and lessening suspicions owing to the constructive stance and approach by civil society.

In very specific terms the Malawi PRSP identifies that expenditure tracking, 'will start at the source of funding (the Ministry of Finance) and then move all the way to the actual expenditure point. Expenditure tracking will involve identifying specific propoor programmes or line items in the budget. These will be tagged and expenditure on them will be closely monitored.' It goes on to say that, 'The Ministry of Finance will thus be responsible for collecting, aggregating and disseminating this information.'

The strategy also identifies a very strong role for the involvement of civil society, namely to strengthen monitoring of expenditure and outcomes by beneficiary communities on the basis of the budget and funded activities.

In Malawi, MEJN is working closely with established sector specific sister networks and with local civil society organisations (members) around the country. This enables it to divide the work and maximise the coverage and impact achieved in examining expenditures in relation to outputs and outcomes in health, education, agriculture, gender, and other sectors. The findings have been used to lobby members of parliament (through parliamentary committees), in planning by the various line ministries, and in annual PRSP reviews.¹⁸ This has included making presentations of the results to the Budget and Finance Committee and other committees of parliament, and incorporating the results into newspaper inserts and briefing sheets, panel discussions and debates on radio in order to distribute them.

Identifying the indicators to be tracked is a key element of the exercise. This is not particularly easy, given the way the PRS and traditional budget documents are produced. In the first instance there is no clear chain identifying what outputs each budget line will translate into (there is no output based budgeting, let alone any indication of outcomes and impacts).

In an attempt to address this, civil society fought hard to have a number of clear indicators and PPEs outlined in the budget documents after the formulation of the MPRSP. During the 2001/2 budget a number of civil society groups worked closely with the parliamentary Budget and Finance Committee to clearly identify 12 PPEs in the budget. It proposed ring-

¹⁷ CSOs' strength lies in the structures such as MEJN District /Community level conduits of information called MEJN District Chapters, currently established in all the districts. Programmes like Budget Monitoring, Economic & Budget Literacy are implemented through these to maximise coverage through the Network's members already existent and operating at this level. Through these the Budget Documents, PRSPs and other policy documents have been simplified and translated into vernacular and disseminated across various foras for people to realise and understand their supposed role and responsibilities in successful PRSP implementation for example.

¹⁸ Source <http://www.internationalbudget.org/resources/newsletter18.htm#NewPapers>

fencing expenditures to prevent budget cuts on these items and regular monthly reports on progress in implementing the PPE's.

The PPEs have become so ingrained in the budget process that the letter of intent, forwarded to the IMF and World Bank as part of the MPRSP by the government contains a commitment from the Minister of Finance to protect them should shocks require adjustments to the budget.

However, while government has committed itself to allowing 'external' monitoring by civil society a number of organisations have complained of obstacles being put in their way by specific government institutions when they have tried to fulfil their mandate, suggesting that some of the changes are only on paper.

7.0 References

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