

General Budget Support and Sector Program Assistance

Malawi Country Case Study

PPC EVALUATION WORKING PAPER NO. 19



Bureau for Policy and Program Coordination
November 2004



PN-ADA-999

General Budget Support and Sector Program Assistance

Malawi Country Case Study

Evaluation Team Members

Joseph Lieberman, Economist and Team Leader, Bureau for Policy and Program Coordination, Evaluation Office, USAID

Diane Ray, Economist, Academy for Educational Development

Brian Frantz, Economist, Bureau for Africa, Office of Development Planning, USAID

November 2004

Contents

Acronyms iv

Introduction 1

Malawi Country Overview 3

Alternative Assistance Approaches 9

USAID's Approach to Sector Program Assistance 15

Malawi's Development Management and Financial Mismanagement 19

Lessons Learned 25

Annex 1: Where Are the NATURE Funds? 27

Annex 2: Interview List 29

Bibliography 31

Acronyms

AFORD	Alliance for Democracy
ASAP	Agriculture Sector Assistance Program
CABS	Common Approach to Budget Support
CCAS	Credit Ceiling Allocation System
CFAA	Country Financial and Accountability Assessment
CIDA	Canadian International Development Agency
CISANET	Civil Society Agriculture Network
DFID	Department for International Development (U.K.)
FIMTAP	Financial Management Transparency and Accountability Project
GABLE	Girls' Attainment in Basic Literacy and Education
GBS	General Budget Support
GFEM	Group on Financial and Economic Management
GNI	gross national income
IFMIS	Integrated Financial Management Information System
MCP	Malawi Congress Party
MEET	Malawi Environmental Endowment Trust
MEJN	Malawi Economic Justice Network
MFAAP	Malawi Financial Accountability Action Plan
MTEF	Medium-Term Expenditure Framework
NAC	National AIDS Commission
NAG	National Action Group
NATURE	Natural Resources Management and Environmental Support Program
NORAD	Norwegian Agency for Development
PAF	Performance Assessment Framework
PER	Public Expenditure Review
PPE	pro-poor expenditure
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SIDA	Swedish International Development Agency
SPA	Sector Program Assistance
SWAp	Sector-Wide Approach
UDF	United Democratic Front

Introduction

What Is General Budget Support?

General Budget Support (GBS) has attracted the interest of many aid donors. GBS donors provide aid funds to the government, which spends the money on its own development projects, using its own procurement and accounting systems. GBS donor funds are not earmarked for specific uses, but support the government's overall development effort.

GBS donors argue that if a developing country has a logical poverty reduction plan, a sound budget system, and the ability to implement development projects, it makes sense to provide GBS. Those donors see GBS as an effective way to build government commitment and ownership. They note that if development is to be successful and self-sustaining, the developing country must “own” the process. They say that donors should first reach agreement with the government on development policies and budget priorities. Then donors should provide aid funds to the government as GBS, and the government uses its own and donor funds for its own development programs. GBS donors are enthusiastic about their new aid approach, and feel it should be used in most developing countries. Others note that GBS might work well in some countries but not in others: country conditions matter.

About This Evaluation

This study is part of the Evaluation Office's field effort to analyze conditions needed for successful GBS. Field studies have been completed in Tanzania, Mozambique, and Nicaragua, where each country had some successes and some problems with GBS. This evaluation uses Malawi as a case

study to identify conditions needed to make GBS successful and pitfalls and problems to avoid. This case study, based on a March 2004 field evaluation, broadens the analysis beyond GBS to examine the role of Sector Program Assistance (SPA) and Sector-Wide Approaches (SWAs).

Malawi had successful sector policy reform programs in the mid-1990s. But there have been serious problems with GBS and—to a lesser extent—with SPA in recent years. This working paper looks at

- alternative assistance strategies and their strengths and weaknesses
- country conditions in Malawi and how they affect donor assistance
- USAID's approach to SPA
- management and financial issues that affect development in Malawi

The analysis developed nine key findings related to macroeconomic and sector policy reforms, budget discipline and sound financial systems, and the need for governments to manage and own the development process.

This, of course, is an evaluation; it assesses performance and results, not hoped-for future results. In Malawi, results have been disappointing. The Millennium Challenge Account (MCA) assesses performance. In early 2004, Malawi failed six MCA indicators, the most troubling being those dealing with corruption and fiscal policy. With the election of a reform-minded government in mid-2004, the indicators have improved, and Malawi is now an MCA threshold country.

Malawi Country Overview

Malawi is located in southeastern Africa. It is a landlocked country bordered by Mozambique, Tanzania, and Zambia. It is approximately the size of the state of Pennsylvania, with more than 15 percent of it covered by Lake Malawi, the eleventh largest lake in the world. Located in the Rift Valley, Malawi has beautiful mountains and lakes and several national parks and game reserves.

Malawi's 10.5 million people mostly live in rural areas. Fifteen percent of the population is urban. This portion has been growing between 4 and 5 percent a year over the past 10 years. Growth in rural areas has been around 1–2 percent a year. Malawi's largest city, Blantyre, is in the southern and most populous region. The capital, Lilongwe, is located in the central region. The largest city in the northern region is Mzuzu.

Political History

In 1964, the British colony of Nyasaland gained its independence and was renamed Malawi. The following 30 years were dominated by a dictator, Hastings Kamuzu Banda, and one-party rule by the Malawi Congress Party (MCP). In 1994, Banda was forced to hold open elections, and Bakili Muluzi of the United Democratic Front (UDF) became Malawi's first democratically elected president. He served two five-year terms, the limit set by the constitution. Approximately 30 political parties exist in Malawi. The UDF, MCP, and the Alliance for Democracy (AFORD) are the leading parties.

Malawi is a democratic republic with three branches of government: the executive, parliament, and the judiciary. The executive branch dominates, but a balance between branches is improving. Parliament is strengthening its role, and its committees review legislation before it comes to the floor. Members of parliament serve five-year terms. The judiciary

remains weak, but is improving. Parliament and the executive branch are located in Lilongwe.

Civil society is strengthening in Malawi, but is still considered weak. A culture of not speaking out against the government was ingrained during Banda's rule. Many civil society organizations and networks educate the public on their rights and responsibilities and how to interact with government. These organizations also play an important role in monitoring government activity and making the government accountable to its citizens.

All views are expressed in Malawi's printed press. Both independent and government newspapers are available every day. There are several independent radio stations and access to radio stations from other countries. The single Malawian television station is government-owned. There is limited access to cable television.

Economic Situation

Malawi's GDP in 2002 was \$1.9 billion. The growth rate was 1.8 percent, up from –4.2 percent in 2001. Services led the economy in 2002, contributing 49 percent of GDP. Agriculture was next with 36 percent, and industry contributed 15 percent of GDP. Services are the fastest growing sector, with a growth rate of 4.3 percent in 2002. That year, agriculture grew 2.7 percent and industry contracted by 7.4 percent.

The value of the kwacha, Malawi's currency, has been steadily decreasing against the U.S. dollar. In 1994, the official exchange rate was 8.7 to the dollar. In 2001, it was 72 kwacha to the dollar and 114 to the dollar in March 2004. Consumer prices rose 14.9 percent in 2002, down from a 27.2 percent increase in 2001. The real interest rate was 24 percent in 2001, a steep climb from 8 percent in 1999.

The government's recent cycle of overspending and domestic borrowing has caused it to miss IMF fiscal and monetary targets. According to an August 2003 review by GBS donors, government expenditures were 7.9 billion kwacha higher than originally budgeted. Domestic revenues were higher than planned, but there was a shortfall of donor balance-of-payments grants of 5.3 billion kwacha. This resulted in a deficit of 11.1 billion kwacha, 8.9 billion higher than expected. Purchases of maize were not recorded in the budget, at a cost of approximately 7 billion kwacha. Debt service for 2002–03 was 27 percent of domestic revenues. This was funded by the government's domestic borrowing, in violation of an IMF agreement.

In 2002, Malawi's exports of goods and services totaled \$421 million, down from \$441 million in 2001. Total imports were valued at \$746 million in 2002, an increase from \$566 million in 2001. Malawi's balance of payments for all goods and services was a negative \$429 million in 2002, or 23 percent of GDP.

Malawi's primary exports are tobacco, tea, sugar, and clothing. In 2002, the country was heavily reliant on one export, tobacco, which accounted for 58 percent of its exports. Malawi's exports mostly go to the European Union, the United States, Japan, and South Africa. In 1990–2000, Malawi's exports to developed countries decreased from 68 to 58 percent of total exports. This reflected both the changing demand for tobacco and the increasing importance of trade with southern and eastern African countries under the SADC and COMESA trade agreements.¹

Leading imports for Malawi are vehicles and vehicle parts, petroleum fuels, machinery, fertilizer, wheat flour, pharmaceuticals, iron, and steel. Malawi's share of imports from industrialized countries declined from 50 percent in 1990 to 38 percent in 1999. South Africa is Malawi's primary regional trading partner. Imports have remained stable at one-third of total imports.

¹ SADC is the Southern African Development Community; COMESA is Common Market for Eastern and Southern Africa.

The World Bank's report, *Doing Business in 2003*, found that entrepreneurs starting a business in Malawi can expect to go through 11 procedures over 45 days, at a cost equal to 125 percent of the gross national income (GNI) per capita. But Malawi is not worse than neighboring countries; the number of procedures is equal to the regional average. Malawi performs better than the regional average in terms of starting a business. Its labor regulations and laws are comparable to those of the rest of the region. Malawi does not have a public credit registry or a private credit bureau. The country performs better than the regional average and the OECD average on the strength of creditor rights in insolvency. Malawi's system of resolving insolvencies is more efficient than the regional average.

The Ministry for Economic Planning and Development released *A Growth Strategy for Malawi: Strengthening Cooperation between Public and Private Sectors* in April 2003. Both the government and the private sector identified the need for the strategy, which focuses on stimulating private-sector growth and ensuring that the poor participate in and benefit from such growth. The strategy's overall objectives are to: 1) create and maintain over the long-term an overall macroeconomic environment conducive to broad-based growth of at least 6 percent a year, and 2) ensure wide participation and a sharing of the benefits from higher economic growth. Domestic and international trade and domestic and foreign investment are seen as the key mechanisms for achieving growth. The strategy also acknowledges the essential contribution of political will and leadership.

The National Action Group (NAG) is a high-level forum for discussion and resolution of private-sector issues. NAG brings together representatives of the private sector, government, and donors every two months, either in Lilongwe or Blantyre. The tone of the meetings is businesslike but informal. Discussions are blunt, and members are held to their commitments. Current issues for the group include the effects on the private sector of electric utility problems and recent meetings between the government and the IMF.

Poverty

Two-thirds of Malawians are below the national poverty line and 29 percent are considered extremely poor. In 2002, per capita GNI was \$160. Most people try to make a living through agriculture. Twenty-two percent of Malawi's land is arable. Almost 70 percent of agricultural produce comes from smallholder farms. However, land distribution is unequal. More than 40 percent of smallholder households cultivate less than 0.5 acres, which is too small to support a family.

Malawi has a high fertility rate—6.2 births per woman—but also has low life expectancy and high infant and mortality rates. Life expectancy dropped from 45 in 1990 to 38 in 2001, largely due to HIV/AIDS. In 2001, the infant mortality rate was 114 per 1,000 live births and the child mortality rate was 183 per 1,000 live births. Only 55 percent of births were attended by skilled health workers.

The health of Malawians is poor. Fifteen percent of adults are HIV-positive. AIDS, tuberculosis, and malaria take a huge toll on the population and workforce productivity. In 2003, Malawi was informed that it would receive \$196 million from the Global Fund to Fight AIDS, Tuberculosis and Malaria, the largest award to date. The Government of Malawi has formed a National AIDS Commission to manage its AIDS programs through the Ministry of Health.

Immunization rates are excellent: in 2001, 90 percent of children under 12 months received the DPT vaccine and 82 percent received the measles vaccine. Twenty-five percent of children under 5 were malnourished in 2000. This was prior to the food crisis of 2001–03, when donors provided over 150,000 metric tons of food aid to relieve the suffering of about 3.3 million people. According to year 2000 data, 57 percent of Malawians have access to improved water sources and 76 percent have access to improved sanitation facilities.

The 2001 adult literacy rate for Malawi was 61 percent. In 1994, President Muluzi instituted free primary education for all and increased funding for primary education. Boys and girls now have nearly

equal primary school attendance rates: girls accounted for 48 percent of enrollments in 2000.

Gross primary enrollment in 2000 was 139 percent for boys and 135 percent for girls. The totals are more than 100 percent because students repeat grades and older students return to school. The large influx of students has put enormous pressure on the education system. Now the most pressing need is to improve educational quality and educational facilities. More teachers must be trained, additional classrooms need to be built, and students need supplies such as chalk and books.

In April 2002, the Government of Malawi launched the Malawi Poverty Reduction Strategy Paper (PRSP). Writing it was a consultative process between the government, civil society, and donors. Parliament was only marginally involved. The overall goal of the PRSP is to achieve “sustainable poverty reduction through empowerment of the poor.” The PRSP identifies the key causes of poverty as limited access to land, low education levels, poor health status, limited off-farm employment, and a lack of access to credit. The strategy is built around four pillars: sustainable pro-poor growth, human capital development, improving the quality of life of the most vulnerable, and good governance. The PRSP also mainstreams key crosscutting issues such as HIV/AIDS, gender, environment, and science and technology.

Poverty Monitoring and Evaluation

The Ministry of Economic Planning and Development produced a monitoring and evaluation master plan to monitor the PRSP. The plan was developed through a participatory process with government, civil society, and donors. The ministry is receiving technical assistance to carry out the plan through the European Commission's Capacity Building Project for Economic Management and Policy Coordination. The ministry's goal is to build a monitoring and evaluation system with free information flow to and from stakeholders. The objective is for information to move from local communities through districts to ministries. Likewise, informa-

tion on budget priorities and actual expenditures is to be shared with districts and local communities by central ministries.

A lot of data related to poverty have already been collected in Malawi. The primary objective of the PRSP monitoring and evaluation master plan is to harmonize existing data within the national monitoring framework. Data collection will also involve communities in the effort to build the system from the ground up. The master plan has five components: 1) poverty reduction strategy implementation monitoring; 2) poverty, vulnerability, and inequality monitoring; 3) impact assessment and policy analysis; 4) a poverty monitoring information system; and 5) communication and advocacy. The government wants to use civil society organizations and the media to communicate results to stakeholders.

A public expenditure tracking survey is being carried out through the PRSP monitoring and evaluation master plan. It started in the education sector, using four districts for a pilot study. The pilot is examining decentralization and how money is being spent. Once the pilot is complete, the U.K. Department for International Development (DFID) wants to implement the tracking survey countrywide. The Ministry of Economic Planning and Development would also like to expand the survey to other sectors, including agriculture, health, and water.

Civil society groups monitor the government's budget and pro-poor expenditures (PPEs). The Civil Society Agriculture Network (CISANET) includes about 50 organizations that monitor three PPEs: agricultural inputs, agricultural extension, and small-scale irrigation. CISANET wants monitoring and evaluation systems implemented in communities so information will be available to district and central offices of the agriculture ministry. CISANET also participated in monitoring the 2002 budget with the Malawi Economic Justice Network (MEJN). This network of approximately 100 organizations tracks implementation of the PRSP, trains civil society organizations on budget issues, and educates the public on economic justice. To track the PRSP, 250 villagers were trained to gather data in their communities about service

delivery. MEJN published the results, and has been involved with the second review of the PRSP. This was an improvement over the first review, which did not include civil society. MEJN is now beginning to monitor local budgets, and will run a pilot in nine districts that already have systems in place.

Donor Assistance

Malawi is highly dependent on foreign assistance. In 2001, aid was 23 percent of GNI. Approximately 80 percent of the development budget and 40 percent of the recurrent budget is donor-funded. Both bilateral and multilateral donors use a mix of mechanisms, such as GBS, sector budget support, and projects.

GBS donors include the European Commission, Norway, Sweden, and the United Kingdom. They have formed a donor group called the Common Approach to Budget Support (CABS), though participants provide only a small share of their aid through GBS. The Norwegian Agency for Development (NORAD) participates in the HIV/AIDS SWAp and plans to join the health SWAp. NORAD also funds projects that are managed by the Government of Malawi. The Swedish International Development Agency (SIDA) does not have a presence in Malawi, but provides project support through NORAD. SIDA's contribution to GBS is provided directly to the Government of Malawi from Stockholm. Both DFID and the European Commission provide project support, participate in the HIV/AIDS SWAp, and are considering joining the health SWAp. For its democracy and governance activities, DFID gives money to USAID to support programs instead of doing its own separate activities. This unusual relationship is a credit to USAID/Malawi's excellent track record.

Some donors do not provide GBS. The Canadian International Development Agency (CIDA) provides a combination of projects and SWAps. All of CIDA's support for HIV/AIDS is through the SWAp basket fund, and the agency plans to join the health SWAp. The World Bank provides balance-of-payment support through a structural adjustment credit, is a member of the HIV/AIDS SWAp, and provides project support. USAID does projects,

although it has provided Sector Program Assistance to Malawi in agriculture, education, and the environment. USAID currently provides technical assistance through the HIV/AIDS SWAp. The Agency will join the health SWAp, but does not plan to contribute to the basket funding.

One final example of donor coordination is the donor Group on Financial and Economic Management (GFEM). Members include country economists from bilateral and multilateral organizations. One issue the group was examining in early 2004 was the effort to implement the Financial Management Transparency and Accountability Project (FIMTAP), which is funded by the government and the World Bank.

Alternative Assistance Approaches

Projects, Sector Program Assistance, and Sector-Wide Approaches

Depending on the type of development problem and the country situation, there are a number of different ways to deliver aid. In Malawi, donors have used project assistance, Sector Program Assistance, the Sector-Wide Approach, and General Budget Support. It is important to understand these different approaches and how they can help solve development problems.

Projects can provide technical assistance, training, and commodities to solve a few key problems or deliver services, often in a geographic region or as a pilot approach to introduce new ideas and techniques. In situations where government management and financial accountability are weak, USAID often manages its own projects rather than giving money to the government to run them. USAID contractors or NGOs usually do the actual implementation. Projects may also address development needs in sectors where the government lacks interest or needed skills, such as private enterprise promotion or democracy and governance. But projects have their limitations. They have limited scope, and Sector Program Assistance may be the better choice if there are broader sector problems and policy issues.

Sector Program Assistance uses a set of economic activities unified by a common output, one narrow enough to have an analytical identity and broad enough to include significant investment and policy issues. SPA usually covers a broad area such as agriculture, education, or health, and concentrates on sector constraints to sustainable growth. It supports policy reforms and other actions to reduce those constraints. USAID/Malawi's experience with SPA includes NATURE (Natural Resources

Management and Environmental Support Program), ASAP (Agriculture Sector Assistance Program) and GABLE (Girls' Attainment in Basic Literacy and Education). All these programs were conditionality-based. USAID disbursements were made following the implementation of policy reforms. The USAID funds were not earmarked for any specific task, and USAID did not track their use. The Agency's key interest was that Malawi adopt critical sector policy reforms.

Some donors have sought to back away from a conditionality-based approach in favor of a model that emphasizes partnership with governments and other donors. Ideally, governments should take the lead in developing sector or national development strategies, in collaboration with donors. Thus, governments and donors can agree in advance on the direction of change, which limits the need for stringent conditionality. Attention can then be shifted to the manner in which funds are spent and whether they support the objectives of agreed strategies. It is within this context that Sector-Wide Approaches and General Budget Support have emerged. This trend is evident in Malawi, though it is less advanced than in some other African countries.

A Sector-Wide Approach coordinates all donor assistance in support of a common set of reforms and a sector expenditure program. In practice, however, a SWAp can be many things. SWAp financing may include donor-managed project aid and technical assistance. SWAp donors may also pool their funds in a "basket" outside the government's budget. In other cases, donors may provide cash transfers that are disbursed through the government's own budget process. The defining characteristic of a SWAp is that donor funding for a sector supports a set of sector policy reforms and a single expenditure program. Individual donors usually negotiate their own sector agreements. The government provides the leadership,

and donors coordinate a common approach to support the government's effort.

The only functioning SWAp in Malawi is the HIV/AIDS "mini-SWAp." Its development was mainly donor-driven: donors were pressed into action due to the emergency presented by HIV/AIDS. Donors deal with the National AIDS Commission (NAC), the government agency that coordinates the response to HIV/AIDS. The commission is not an implementing agency, but it has developed a government-wide strategy for tackling HIV/AIDS. A basket fund has been developed through which a number of donors channel their support, including the Global Fund to Fight AIDS, Tuberculosis and Malaria. Other donors provide support to the SWAp outside of the basket. For example, USAID has provided technical assistance to NAC for policy development, monitoring, and evaluation.

About \$230 million will be put through the HIV/AIDS basket fund. The Malawi treasury turned over responsibility for managing the funds to the NAC. The funding process closely resembles sector budget support. Basket donors have put a great deal of time and effort into helping the NAC develop the financial management and reporting systems necessary to ensure proper accountability for funds. These systems are different from others found throughout the rest of the government. Since the NAC was a new entity, it offered the opportunity for donors to help develop "ideal" management systems. But the responsibility for project implementation rests entirely with the government.

There are burgeoning SWAps in the health and education sectors. A full-fledged SWAp in the education sector is unlikely to develop in the near future, but the Ministry of Health and donors working in the health sector seem to be further along. It has taken over three years to develop the health SWAp, mainly due to difficulties creating a basket arrangement through which donors can pool their funds. USAID does not expect to be a part of the basket once it is fully developed. Instead, the Agency will support the SWAp through assistance for projects that form part of the agreed sector strategy.

It is not yet clear if the Ministry of Education is committed to developing a strategy around which donor assistance could be effectively coordinated. An agreed sector strategy is the foundation for a SWAp, and USAID has provided technical assistance to help develop one. Until it is completed and agreed upon, however, discussion of the types of financing instruments that might be used to support the SWAp is premature. Nevertheless, it is likely that USAID would not contribute to a basket if one were developed, since USAID has concerns about inadequate government financial systems and budget execution. Donors considering developing a basket are not intending to exclude important contributions to the sector from other forms of aid.

A SWAp is an excellent way to focus donor efforts on sector policies and institutional issues, along with needed technical assistance, training, and supporting projects. A SWAp encourages government sector ownership and direction of the development process and supports government budget discipline and accountability. If a SWAp has these benefits for a sector, it often makes sense to apply a similar approach—GBS—to the country's total development budget.

General Budget Support

GBS is used by donors when they are satisfied with the government's overall development policy environment. GBS encourages implementation of reforms. The main focus is an agenda of reforms and actions to improve public financial management and the effectiveness of the overall budget process.

GBS usually includes an agreement on overall budget priorities, as set out in a medium-term budget expenditure framework. With agreement on the budget as a whole, there is no need to earmark aid flows to specific projects. After donor funds are disbursed to the host government's budget, the government uses its own allocation, procurement, and accounting systems to implement its own development programs. Since support is for the budget as a whole, it is government programs that generate results. Accountability is based on government-audited accounts of its total revenues and expenditures.

The benefits claimed for GBS are improved recipient-government efficiency, effectiveness, and ownership of development activities. From a donor's perspective, GBS improves donor coordination and policy dialogue while firmly fixing responsibility on the government to achieve results. GBS works best in countries that have stable, progressive, and accountable governments with good management skills and recent histories of good macroeconomic policies, strong economic growth, and good working relations with donors. However, development is not helped by providing GBS to a government that lacks skilled staff to run effective projects; has ineffective institutions, inappropriate economic policies, and an inadequate financial management system; or suffers from high levels of corruption. In such situations, donor-managed projects are more appropriate.

Donor Interest in General Budget Support

There are similarities and important differences between these donor approaches. While GBS provides the government with budget support, SWAPs and SPA may or may not provide it. Key characteristics of GBS are the following:

- Above all, GBS is partnership-based and provides untied budgetary resources over the medium or long term.
- GBS focuses explicitly on the PRSP process and supports the government's own poverty reduction strategy.
- GBS gives prominence to institutional development objectives and the requirements for creating accountable, capable governments.
- GBS uses predictable, transparent methods for external budget finance, which minimize transaction costs. It works through government systems and processes.

There is an effort underway to develop a GBS arrangement between four donors and the Government of Malawi. These donors—the European Commission, Norway, Sweden, and the U.K.—make up the Common Approach to Budget Support (CABS) group. These donors have an over-

riding sense that the government is not entirely committed to improving the environment for the effective use of GBS. This suggests the government's policy agenda is not entirely consistent with that of the donors. The CABS arrangement thus currently approximates a series of conditionality-based relationships between donors and the government, rather than a relationship based on the principle of partnership.

CABS donors nevertheless intend to move in the direction of the partnership model. NORAD already disburses budget support against general progress on implementation of the PRSP and maintenance of macroeconomic stability, rather than more specific conditions. Further, CABS donors have developed a partnership framework to guide future disbursements that, once signed with the Ministry of Finance, will set out common objectives for GBS.² According to the framework, "CABS aims to contribute in a predictable way to financing Malawi's poverty reduction program, as described in the Malawi Poverty Reduction Strategy, including support of government efforts to achieve sustainable macroeconomic stability and growth."

The framework will also regularize a review cycle between CABS donors and the government, which will embody the policy dialogue expected to accompany GBS. In practice, the parties have followed the proposed review cycle for the past couple of years. There is an annual meeting in the first part of the calendar year and a budget review soon after parliament approves the government's budget early in Malawi's fiscal year.³

Contrary to current practice, however, the partnership framework foresees the annual meeting being based entirely on the government's annual review of the PRSP. Currently, CABS donors meet with a number of government officials and requisition data to evaluate the pace of PRSP and budget implementation, the macroeconomic situation, the resource mobilization effort, the state of fiscal planning, and

² The version of the partnership framework referenced here is dated 26 November 2003.

³ Malawi's fiscal year begins July 1 and ends June 30.

several accountability and economic governance issues. However, in light of the poor quality of the 2003 annual review of the PRSP, current practice is likely to prevail in the short term. It is hoped that with improvements to the PRSP monitoring system, the PRSP annual review will include all the information needed by CABS donors to make their disbursement decisions.

Until annual reviews of the PRSP are high quality and sufficiently comprehensive, CABS donors intend to use a Performance Assessment Framework (PAF) developed to guide their disbursement decisions.⁴ A joint CABS assessment of progress on the PAF is supposed to determine decisions to disburse GBS, though each CABS member will formally reserve the right to make its own judgments. The PAF includes 20 indicators covering macroeconomic stability; PRSP implementation, particularly its education and health objectives; budget implementation; accounting and audit; and anticorruption efforts. Most indicators are derived from the PRSP and the IMF's program in Malawi. They are a mix of input, output, and outcome indicators; some are more directly under the control of the government than others. The PAF will be updated annually, and it is expected that the number of indicators will be trimmed over time.

Altogether, CABS donors commit approximately \$50 million in GBS to the Government of Malawi each year. Disbursements have been far less than this amount, owing mainly to Malawi's poor performance in meeting performance targets under the IMF's Poverty Reduction and Growth Facility (PRGF). Most CABS donors require that the government remain on track with the PRGF as a condition for the release of GBS funds. The exception is Norway. Rather than conditioning GBS on strict adherence to PRGF targets, Norway prefers to view adherence to PRGF targets as a measure of the success of its budget support operation. In principle, then, Norway might disburse general budget support if the government is off track with the PRGF program. In practice, however, Norway has tended to follow the other CABS donors by withholding

disbursements in the absence of a successful PRGF review. Besides the GBS provided by CABS donors, the World Bank has developed a two-tranche, \$50 million structural adjustment credit.

Aid Management

The management requirements of giving or receiving aid vary according to the assistance approach. Each approach carries inherent startup costs, making the initial management duties more time-consuming than requirements to maintain the activity. It is the ongoing management responsibilities that can be different.

Projects are managed by donors. Donors work closely with the government to identify needs, but most design responsibilities fall to the donor. Contract management is required of donors using contractors or NGOs to implement projects. Project monitoring and evaluation usually fall to the donor or the contractor.

Sector Program Assistance involves a donor working with the government to promote change in a sector. The donor may provide technical assistance, but most of the responsibility falls on the government to make needed policy and institutional reforms. This encourages government ownership and capacity building. Monitoring and evaluation are performed by the donor to make sure the desired sector progress is being achieved.

A Sector-Wide Approach brings donors together to coordinate a comprehensive approach to sector problems. The design process should be led by the government, but donors are often heavily involved. Like a SPA, a SWAp calls for action by the government and increases its ownership of the development process. A SWAp requires monitoring and evaluation by the government and donors.

In contrast, *General Budget Support* places most of the management burden on the government. The government is given funds and must decide how they should be spent. There is usually a high level of donor coordination, which increases the analytical and management responsibilities of donors. Government systems are used to monitor govern-

⁴ The version of the PAF referenced here is dated 24 November 2003.

ment activity. The management burden can vary significantly, depending on how many requirements are linked to GBS.

Donor Assistance Approaches

If institutional and policy reforms are needed, attention focuses on the reforms. Reform conditions are agreed upon by the government and the donor. Funds are provided to the government once the reforms are in place. The donor is concerned about the policies, not the specifics of where the money is spent. This is what USAID did with its Sector Program Assistance in environment and natural resources (NATURE) and agriculture (ASAP).

If policies are in place but policy implementation lags, a donor can provide funds to support implementation of reforms. The concern is to make sure the right amount of money goes to the right programs; expenditure tracking is important. That is what GBS donors want to do to support implementation of Malawi's Poverty Reduction Strategy Paper.

If both policies and implementation are a problem, then a portion of funds are disbursed when policy reforms are achieved while other funds are targeted to specific sector bottlenecks and problems. Both the policies and program expenditures are important. That is the Sector Program Assistance approach USAID followed for Girls' Attainment in Basic Literacy and Education (GABLE).

A number of donors have been shifting their worldwide aid programs toward GBS. It is useful to look at arguments those donors put forward in its favor. GBS donors note that projects are successful when the donor is implementing them. But once the donor project ends, all too many fail. While a donor runs a project it provides needed resources and deals with policy and institutional problems. But after donor involvement ends, if the host government is not fully committed, the project does not receive needed financial and staff inputs and fails. Country commitment and ownership are critical to successful development. If the government is committed to the project and responsible for its success, development

The "ABCs" of the Three Donor Approaches

A. *If the problem is policies*, concentrate on getting policy reforms adopted. Since the reforms will solve the problems, how aid funds are spent is not as important.

B. *If the problem is policy implementation*, provide aid to help fund the government's budget, but ensure that the funding implements the policy goals and that the funds can be tracked to their final use.

C. *If the problem is policies and implementation*, mix policy conditionality with funding, making sure that the funds are spent to support the policies.

stands a much greater chance of being sustainable. Under GBS, the donors, host government, and other country actors work in close partnership as they reach agreement on program and budget priorities.

GBS donors see Sector Program Assistance or a Sector-Wide Approach as an improvement over projects, but they note that donors still identify the problems, set policy reform conditions, and disburse money only when reforms have been successfully completed. The donors are running the show, not the host government. Additional problems can develop when nonsector issues affect sector progress but cannot be dealt within the context of a SWAp. These can include issues such as the overall public financial management system, civil service policy, decentralization policy, or broader economic growth issues. There can be a well-functioning SWAp in, say, health, but if the government does not pay government workers on time or trade controls prevent the import of essential medicines, it is difficult to achieve good results. GBS donors argue that addressing these more fundamental, government-wide issues is only possible in the context of a GBS arrangement.

But donors disagree on how to determine whether a government has the capability to effectively manage donor funds and, therefore, how rapidly they should shift from projects and SWAps to budget support. In some countries, GBS makes good sense. But low-income developing countries by their very nature have weak institutions and inadequate management and technical skills. Many donors have serious questions about making large cash transfers to countries that lack essential capabilities. Development is not helped by giving money to a government that cannot run effective projects or account for budget expenditures.

A donor's time horizon influences its assistance approach. With projects, a donor gets short-term results that may not be sustainable. With long-term approaches such as General Budget Support, it is possible to create country ownership and sustainable development, but with high fiduciary risk and dif-

ficulty in measuring results. In Malawi, four donors have provided GBS. They are committed to the approach as a way to encourage country ownership of development. They realize that it may take 10–20 years before GBS is fully successful: they have a very long time horizon. They expect the government will make mistakes, but will learn from its experience and gain confidence. With GBS in Malawi, there is a potential for systemic improvement, but there is also the potential for mistakes, poor performance, and a long wait for results.

Donor monitoring and evaluation systems affect the design of assistance programs. A donor may be limited in designing a country assistance approach because of restrictions in the donor's monitoring and evaluation system. It is claimed that USAID's Strategic Objective system forces short-term results instead of long-term sustainability. It encourages projects that can show results in two to five years.

USAID's Approach to Sector Program Assistance (SPA)

USAID has a long history of using Sector Program Assistance to support policy reform in Malawi. SPA was an untied, medium-term development program. The objective was to encourage the government to adopt policy reforms. In the early 1990s, the program improved small-farmer productivity and incomes. In the mid-1990s, policy reform shifted to include primary education. Next came natural resource management and the environment. The policy reforms helped replace state controls with market-based incentives, while opening access for disadvantaged groups. Improvements in investment efficiency, markets, and a reorienting of government development priorities proved more difficult and had mixed results.

USAID funds were disbursed to Malawi's treasury and not earmarked for specific government expenditures. Unlike GBS, however, funding was conditionality-based, and—as is often the case with conditionality-based disbursements—serious delays occurred when the government failed to meet its policy commitments to USAID. The policy reforms were sector-specific, rather than being based on a PRSP or similar national development strategy. The program was not part of a coordinated effort among several donors in support of a common strategy.

The programs eventually met their targets, but there were delays. Generally, the programs met the initial one- and two-year benchmarks, but it was more difficult to meet targeted reforms in later years. The early year targets were well defined and achievable. Conditions changed, and out-year targets often were overtaken by events.

Some call for more flexibility in sector program assistance. While flexibility is essential, a long-term commitment with undefined intermediate steps does not contribute to achieving program expectations. It also results in time-intensive redesign efforts

that take scarce USAID and government staff time away from implementation.

In recent years, a lack of government vision and difficulties in achieving institutional changes limited the benefits of policy reforms. From 2000 to early 2004, inappropriate government fiscal and monetary policies, along with problems in budget management, further dimmed the prospects for additional policy reforms or institutional changes. Given those problems, USAID has stopped using Sector Program Assistance.

Agriculture Sector Assistance Program (ASAP)

Starting in 1991, USAID worked with the government to take state controls and restrictions off the backs of small farmers. Malawian agriculture included highly productive large estates producing cash crops, while the bulk of the population was growing mainly subsistence food crops such as maize on small farms. USAID-supported analysis demonstrated that smallholders growing maize would always live in poverty. They needed higher value cash crops. To “help” small farmers, the government had a number of commodity and trading restrictions, along with price controls and ineffective government parastatals that controlled both input and output markets. USAID's sector program assistance supported government reforms and provided analytical studies and technical assistance. As a result, restrictions on private imports and domestic trading of fertilizer and seeds were lifted, along with price controls on fertilizer and seeds. Parastatals had served as an obstacle to small farmers who wanted to produce and sell cash crops. Their control was eliminated. Farmers have been allowed to grow highly profitable crops that had been reserved for estates. Farmers also started producing new cash crops such as cassava, sweet potatoes, pigeon peas,

and groundnuts. These new crops generated much higher farm income than maize. In addition, the government was able to reduce budget outlays by eliminating money-losing input, crop and marketing parastatals, and inappropriate subsidies.

GABLE, or the Girls' Attainment in Basic Literacy and Education Program

In the early 1990s, fewer than 50 percent of children aged 6–13 were enrolled in school and there was a large enrollment gender gap. In 1994, USAID's GABLE program started working with the government on a number of policy, budget, and organizational problems. In the first few years, it achieved

- increased government budgetary allocations to education and for learning materials
- construction of more schools
- the creation of a privatized and competitive learning materials system that ended a 30-year parastatal monopoly for the supply and distribution of learning materials
- the recruitment of more teachers and training of untrained teachers
- enrollment increases for children aged 6–13 that reached over 85 percent
- increased enrollment of girls at all levels, which has nearly closed the gender gap

GABLE improved access for all children, with particular emphasis on girls and the poor. Government commitment to education became real: the education budget increased every year from 1994 to 2000. Social mobilization efforts changed village attitudes toward school and girl's education while developing a stronger partnership between communities and their schools.

GABLE was successful in the 1990s, though its strategy of pressing for a large number of changes rather than concentrating on a few may have distracted government efforts. Policy and institutional

USAID Sector Policy Reform Programs

- Agriculture had been controlled and managed by the government, to the detriment of farmers, traders, and consumers. Private markets and private traders are now working much more efficiently than they did in the old system, which relied on regulations, controls, and parastatals. Without government subsidies and money-losing parastatals, government revenue has improved. Small farmers, who suffered the most from prior policies, now can grow the crops that yield the highest profit.
- Education policy reform generated increased funding for primary education, improved school access, and made girls' education part of the national agenda. Primary education now receives 50 percent of the total education budget, enrollment rates have increased sharply, the poor attend school in much greater numbers, and girls' enrollment rates are now nearly equal to boys'. With access to school achieved, education quality now needs to be improved. Per pupil expenditure rates are low, and educational attainment is weak. Attention needs to shift to measures to improve educational quality.
- To deal with the large number of interrelated problems, natural resource management policy reforms were comprehensive—possibly too comprehensive. It took nine years to put all the reforms in place. Now the difficult task of implementing them is being

changes improved school access for all children. But, over time, government commitment weakened. Education's share of the budget was only 13 percent in 1991 and peaked at 27 percent in 2000. In 2004 it had slid backward to only 17 percent.

While increasing education access for girls and the poor was the success of the 1990s, the current need

is to improve the quality of education. This needs to be done through teacher training and curriculum development and materials, as well as by dealing with HIV/AIDS-infected teachers, improving the government's accounting for financial flows to the district and school level, and increasing community involvement. USAID is working with donors to develop an education SWAp and help the Ministry of Education develop its sector strategy and plans.

The experience in education policy reform demonstrates that success with policy reforms is not a one-time effort. As new problems develop, there is always a second—and often a third—generation of reforms that must be addressed.

NATURE, or Natural Resources Management and Environmental Support Program

In the mid-1990s, Malawi's natural environment faced increasing pressures from a growing population that lacked economic opportunities. The country's water, soil, fisheries, forests, and national parks were under growing pressure. National institutions needed to be strengthened and sustainable financing sources identified. Government capacity to implement environmental policies needed to be strengthened. The government also needed a performance-based management system for natural resource activities to ensure that government financial allocations were linked to achievement of field-based results. It was important to help communities manage their own resources more effectively and work with neighboring national parks and forests to preserve those resources in collaborative partnerships with government.

While all agreed that action was needed, appropriate solutions were blocked because of the lack of an appropriate governmental policy and legislative framework, weak enforcement capacity, and an inadequate budget. To help create the enabling environment, in 1995 USAID launched the Natural Resources Management and Environmental Support Program. NATURE was designed to help the

government create, in just two years, a policy and legislative environment that would support better natural resource management. Then, over the next three years, USAID would concentrate on training, technical assistance, and other efforts to help with policy implementation.

Reforms were designed to unify policies and legislation affecting forestry, fisheries, water and irrigation, soil conservation, land administration, national parks, and national forests. This meant working with nine separate government agencies to develop and implement a comprehensive policy and institutional reform agenda leading to a unified national policy framework. To make this happen, the nine agencies needed to adopt new policies. This required frequent interministerial negotiations and—even more difficult—legislation and parliamentary approval for some reforms. Designers of the reforms did not fully anticipate the need for these bureaucratic and legislative actions. What was to have been a five-year program stretched out to nearly nine years.

To encourage better performance, redundant actions were eliminated, and achievement of each policy condition was tied to the release of a funding tranche. In September 2003, USAID disbursed the final \$9 million. The final conditions were satisfied in early 2004. USAID's COMPASS-II project will work with the government to implement the new policies.

NATURE was a policy reform program. Once policy conditionality was met, USAID would disburse funds. When a law was passed or a new government requirement was put in place, conditions were satisfied. There was no legal requirement that the government implement the reforms. But it was important to make sure that policies were actually implemented. USAID used the time leading up to the final disbursement of NATURE funds as an opportunity to discuss development issues with the government and press for action on implementation problems.

As a result of discussions, the government agreed to a number of actions to implement NATURE policy reforms. For example, the government put in

Findings from USAID-Supported Sector Policy Reform Programs

- Effective coordination between the Ministry of Finance and implementing ministries and among the donors is essential.
- USAID programs lasted between five and nine years. Conditions changed, and the original plans became outdated within a few years. Much better would be a relatively short time frame of two to three years, with concrete and tangible results.
- Policy reform programs can change policies and create a needed enabling environment. But to achieve full benefits, there must be accompanying institutional changes to implement new policies. To varying degrees, that was a problem for USAID's three sector policy reform programs.
- There needs to be a common vision and commitment by government leadership and USAID management. Changed USAID and government priorities, along with personnel changes, delayed reform efforts.

place a policy change to decentralize its programs to district levels. But the government failed to fund such efforts. As a result of discussions with USAID, the government provided an initial \$2 million to support district development funds. This will allow localities to make decisions on what they consider to be the most important environmental problems.

To help the government-created Malawi Environmental Endowment Trust (MEET) succeed, USAID provided funding under a cooperative agreement for initial organizational development to build program management capacity. The Agency then urged the government to fund the endowment. The government put \$4.5 million into the trust. A June 2004 evaluation reported that in less than three years MEET evolved into a solidly established organization, with adequate administrative and financial procedures and a professionalism that is appreciated by its stakeholders. Communities receiving assistance are being empowered and are gaining confidence as they adopt new natural resource management practices. Unrelated to NATURE, the government also agreed to complete construction of schools that had been planned but not funded.

Malawi's Development Management and Financial Mismanagement

Management Capacity

A government needs skilled managers if development is to succeed. Often, low-income countries lack qualified people working in the government. That is not a major problem in Malawi. Senior managers are well educated and have the skills to do their jobs. The larger concern is the absence of political will within the government to address difficult development issues. High-level government political appointees are a source of much of the problem.

To address the overarching issue of political will, incentives must be in place to spur government personnel into action. There needs to be a serious commitment at the highest levels of government to develop the country, and that message needs to be communicated to all levels of government and the people. Job performance should be measured in terms of addressing the overall strategy for development. Basic human resource accountability systems could be used to instill a sense of responsibility and produce government action.

However, Malawi is a young democracy. During the Banda years, the will of the leader came before the will of the people. This mentality is hard to change, and it will take time for people and systems to adjust. Government employees need to be empowered to address the needs of the people. Civil society needs to be strengthened so the voice of the people is heard. To improve information flows from the government, the proposed Malawi Freedom of Information Bill needs to become law.

The absence of political will was acknowledged by the government in an issues paper circulated at the start of Malawi's PRSP process. It particularly focused on the need for civil service reform. The PRSP itself addresses political will, mindset prob-

lems, and related issues such as accountability of public institutions and decentralization. The need to institute incentives structures throughout society is considered crucial to the success of the PRSP.

An important management issue Malawi needs to address is retention of skilled government employees. As in other African countries, government employees often leave for better paying jobs with donors or the private sector. While this problem can never be completely solved, it could be addressed through serious civil service reforms. Opportunities for corruption need to be eliminated. Valuable employees should be rewarded through better jobs at higher salaries, and superfluous jobs should be eliminated.

Planning is another part of government management that needs improvement. At high levels, Malawi has a collection of reform agendas and strategies for development, but not all line ministries have their own strategies to address the overall country goals. For example, the Ministry of Education does not have a sector plan. It prefers to receive project support from donors so it does not have to plan and set priorities. Currently USAID and other donors are working with the ministry to develop a plan for the education sector.

The ministries are making progress in decentralizing in terms of management, but not in terms of finances. The Ministry of Finance decides how much money each ministry will receive. The problem is that government priorities constantly change, creating an unpredictable system. Line ministries are frustrated because they do not know what resources they will have for their activities.

Capacity, in terms of the number of personnel at the implementation level, needs immediate improvement. Fortunately, personnel in place

appear to be qualified, but there are not enough to serve everyone. Schools need more teachers and health clinics need more doctors and nurses. Once again, incentives such as good salaries and working conditions need to be in place. Shortages of qualified personnel to deliver services can cause the government's best intentions to fail.

Corruption

As in many parts of sub-Saharan Africa, corruption is a big problem in Malawi. Transparency International's Corruption Perceptions Index reflects perceived levels of corruption in a country. It surveys resident and nonresident business people, academics, and risk analysts about their perception of corruption among politicians and public officials. For 2003, Malawi scored a low 2.8 on a scale of 1–10, with 10 being a system free of corruption. That was one-third lower than Malawi's 2000 score.

There is anecdotal evidence of an increase in corruption since the end of Banda's strict rule. This is referred to by some as the "democratization of corruption," since the opportunity for corruption has spread to a larger group of leaders. There are anecdotal reports of petty corruption related to access to services at local levels. Overall, corruption is too high. Some feel that the problems of corruption take second place to the mismanagement of Malawi's macroeconomic environment. Others say they go hand in hand.

It is difficult to estimate the effect of corruption relative to other factors—such as poor bookkeeping—on the availability of resources for service delivery. However, corruption is clearly visible at the highest levels of government. It includes financial kickbacks and missing commodities, but mainly seems to take the form of political patronage. A report by the Accountant General in 2000 provided evidence of fraudulent contracting in the Ministry of Education and implicated ministers, members of parliament, and senior civil servants. Three ministers were dropped from the cabinet over the case, but prosecution was delayed due to political interference by the director of public prosecutions. In September 2004, a senior government official was to testify. He disappeared and then was found dead. Such unexplained

deaths cast a chill on anticorruption activities.

An amendment to the Corrupt Practices Act, passed in March 2004, did not include a proposal to remove some of the political influence on investigations. This is a disappointment to donors and civil society, and suggests an unwillingness by the government to deal decisively with corruption. Passage of the amendment was one of the conditions for the U.K.'s release of a final tranche of budget support assistance in fiscal year 2003–04. In addition, GBS donors have included the share of investigations brought to court by the Anti-Corruption Bureau as one of the indicators in their Performance Assessment Framework (PAF). The PAF is used in judging government performance and the effectiveness of GBS.

Fiscal Mismanagement

The government's difficulties in staying on track with the IMF program have significant implications for its access to donor aid and ability to implement its own development budget. The IMF's three-year Poverty Reduction Grant Facility (PRGF) was initially approved in December 2000. Shortly thereafter, Malawi fell off track, and the first successful review of the PRGF was only completed in October 2003. At that time, a system of quarterly reviews was devised to allow for more intense surveillance, and the PRGF was extended until December 2004. The first successful review triggered disbursements from several CABS donors, but Malawi had fallen off track again by the end of March 2004. In August 2004, the IMF was not satisfied with Malawi's performance and planned another review for later in the year. Malawi's repeated violations of the IMF program targets resulted primarily from poor fiscal management. Continued recourse to the domestic debt market to finance repeated bailouts of parastatals, sharp increases in interest rates associated with rising domestic public debt, overruns on the wage bill, and overspending in other areas initiated a vicious circle from which the government has yet to fully emerge.

When the government first fell off track with the PRGF, CABS donors suspended their support, but the government continued spending as if nothing

had changed. To make up for the shortfall in donor funds, the government turned again to the domestic debt market, which drove interest rates higher and added to its growing interest bill. The drought during the 2002–03 crop year further weakened the government’s fiscal position, as it mounted a costly operation to import large quantities of maize to avert a food crisis. This too was financed through the domestic debt market.⁵ Such massive public borrowing effectively crowded out private-sector bank credit, which shrank by more than 30 percent in real terms between 2001 and 2002. With the resumption of some donor budget support in late 2003 and annual inflation dropping below 10 percent, interest rates fell from 45 to 35 percent, but interest payments still account for 36 percent of the public budget.

This situation points to a serious coordination problem in Malawi. In an effort to put Malawi in good standing, the IMF has had to make some heroic assumptions, particularly with respect to the amount and speed of disbursements of budget support from CABS donors. The CABS donors, meanwhile, have largely tied their disbursements to the achievement of IMF PRGF targets. The result has been somewhat of a stalemate, which makes GBS disbursements quite unpredictable. At the time of the 2004 CABS annual meeting, CABS donors were awaiting the results of the PRGF review before making their decisions to disburse budget support that had been committed. The IMF was awaiting the outcome of the CABS annual meeting to inform its decision about the government’s efforts to remain on track with the PRGF program. The ensuing delays had the effect of postponing repayment of government debt, thereby further raising the government’s interest bill.

Given what is at stake, there is tremendous pressure on the IMF to conclude a positive review of Malawi’s PRGF. But this can only be done by making unrealistic assumptions about CABS support. One way out of this conundrum would be to delink CABS support from the PRGF, but it would be

⁵ This is not to say the effort was not appropriate in light of circumstances. In recognition, the IMF excluded the maize operation from the fiscal targets for 2002–03.

politically difficult for CABS donors to justify disbursements of budget support when Malawi cannot pass its PRGF review. The longer it takes to find a solution to this problem, the higher the mountain of debt grows, making prudent fiscal management even more difficult and limiting Malawi’s hope to resume economic growth.

Spending on Nonpriority Items

High interest costs place a severe constraint on the government’s ability to implement its poverty reduction program. The government does not have a history of linking the budget to stated policies. Nevertheless, it has tried to protect certain expenditures that are deemed to be pro-poor and, in principle, are derived from the PRSP. In the event of a shortfall in resources, these pro-poor expenditures are supposed to be shielded from expenditure cuts. During FY 2002–03, the government actually ended up allocating more to PPEs than initially budgeted, and it appears to be on track to fully fund the PPEs in FY 2003–04. Further, the amount budgeted for PPEs in FY 2003–04 is 10 percent higher than the amount expended on—and 24 percent higher than the amount budgeted for—PPEs in FY 2002–03, in nominal terms.

Whether these increases in absolute amounts allocated to PPEs have resulted in a greater share of the budget being protected for PPEs is less certain, since the number of PPEs has tended to increase over time. Excluding donor-financed projects, it appears that the share of the domestic budget allocated for PPEs has fallen between FYs 2002–03 and 2003–04 from 26 percent—itself not an excessively high figure—to 22 percent.⁶ In light of the large shares of the budget that are effectively precommitted for interest payments and salaries, CABS donors nevertheless found the government’s efforts to fully fund

⁶ Calculations are based on data from MEJN (2004). Considering only the PPEs from the FY 2002–03 budget, it appears the allocation drops to 20 percent in the FY 2003–04 budget. However, the FY 2003–04 budget includes a large sum designated for domestic debt repayment. Excluding this amount, the share of the budget allocated to PPEs jumps to 27 percent and the share using the PPEs from the FY 2002–03 budget appears to be 25 percent, both of which are roughly consistent with the actual share allocated to PPEs in FY 2002–03. The figures would necessarily drop after one accounts for the supplementary budget recently approved (see footnote 7).

PPEs a “significant achievement” and its overall fiscal effort “quite creditable.”

In spite of this seemingly positive achievement, donors and civil society are very much concerned by increased expenditures on low-priority items. While it is the case that non-PPE recurrent transactions were cut significantly between FYs 2002–03 and 2003–04, some of this was offset by increases for “special activities.” There are significant increases in the 2003–04 recurrent budgets for the Office of the President and Cabinet, the National Intelligence Bureau, and the Ministry of Foreign Affairs, when compared with the 2002–03 figures. Overspending in nonpriority areas also remains a problem, as a supplementary budget was needed to cover a number of budget items that had already surpassed their allocated limits halfway through the fiscal year.⁷

Centralization of Public Expenditure and Decentralized Service Delivery

While it seems the government has made an effort to prioritize expenditures to sectors deemed most critical to the implementation of the PRSP, there is less evidence to suggest that funds are making their way to the point where they are most needed to contribute to poverty reduction: in the field, where service delivery takes place. It is common knowledge that a relatively large proportion of funds allocated to line ministries remain at the center rather than being passed on to local authorities. Though the government has plans to decentralize a great deal of decisionmaking and financial authority to local authorities, progress has been slow. The reasons for this may include weaknesses in financial management systems and the sometimes severe capacity constraints to

account for funds at the local level. Another possible explanation is that the central government may simply not be ready to release control of large shares of resources to local authorities.

On the other hand, a recent service delivery satisfaction survey suggests that frontline service delivery workers are trying to do their jobs, as evidenced by the fact that they generally do not demand bribes to provide service. However, there simply are not enough workers, and they do not have the resources and materials to do their jobs effectively. Thus, while there may be difficulties in tracking resources provided to local authorities owing to weaknesses in the financial management system, it appears that the capacity to make effective use of additional resources exists. This presents an unfortunate problem, namely that the capacity for expanding service delivery exists, but getting the necessary resources to the frontline workers is fraught with difficulty.

Leakages in the Flow of Funds

It is widely agreed that there are serious weaknesses throughout the government’s financial management system. Budget execution is weak; there has been a lack of completeness, accuracy, and reliability of government accounting and financial reporting; internal control procedures were found to be ineffective; and external oversight mechanisms either have capacity constraints or lack teeth. Notwithstanding the effort to identify and fully finance pro-poor expenditures, there is poor linkage between stated policies and the budget process, especially in the case of the recurrent budget. This makes it extremely difficult to measure outputs from activities for which resources have been used. Significant expenditures, including those financing parastatal activities, are not generally included in the budget. Extrabudgetary requests that were intended as contingency measures to cope with genuine crises are a standard part of the budget process. Ministries have therefore presented budgets during the normal budget process that exclude critical items such as normal utility costs, knowing they receive resources to cover these items at a later point in the year. In general, there is little enforcement of hard budget constraints, as overspending is often

⁷ By far the largest share of the supplementary budget was needed to cover additional interest payments on domestic debt. According to CABS, the approved 2003–04 budget was based on rather optimistic assumptions, especially with regard to the speed of disbursement of budget support. Delays in completing the first two PRGF reviews led to delays in disbursement of budget support. This largely accounted for the government’s failure to meet the IMF target for government borrowing, which, in turn, resulted in smaller reductions in interest rates than originally anticipated. This is another illustration of the same problem highlighted earlier.

“regularized” in a final or supplementary budget later in the fiscal year.

These problems, particularly the budget’s lack of comprehensiveness, make accurate accounting and financial reporting extremely difficult. Accounting systems are mainly manual and prone to error, and record management is quite weak. Reconciliation of accounts is not comprehensive or timely. The internal audit function suffers from lack of independence and qualified personnel. The external audit function is somewhat stronger, though the National Audit Office also has severe staffing problems and lacks the resources to perform audits of all ministries each year. The reports of the Auditor General are acknowledged to be sound documents. They contain detailed reviews of budget anomalies and have cited a number of instances of fraud, waste, and poor accountability. However, due to delays in the receipt of accounting information, the reports are often submitted quite late, which lessens their usefulness in holding those responsible for irregularities. In any case, such irregularities are rarely followed up.

Similar problems afflict local government units as well, though the World Bank was generally encouraged by an apparently high level of commitment to improve financial management at lower levels of government. The key constraint seems to be weak planning and budgeting capacity. Few local government units have been able to establish internal audit functions, and, with the exception of the larger cities, external audit is quite weak. As government functions are increasingly decentralized, there will be a great need for training in all areas of financial management.

By and large, these problems do not appear to derive from Malawi’s legal and institutional framework for public financial management and accountability. The government has recently passed three bills that are intended to further strengthen the environment for sound public financial management: the Public Finance Bill, the Public Audit Bill, and the Public Procurement Bill. The main challenges seem to be implementation and enforcement of plans and laws already on the books.

The effect of financial management system weaknesses on service delivery can be substantial. For example, it is estimated that about 60 percent of drugs are diverted from the public health system, and similar problems are found in the distribution of school materials. The recent service delivery satisfaction survey revealed the same: not enough resources and materials are reaching the frontline providers on whom service delivery ultimately depends.

Efforts to Manage Threats to Financial Discipline

Thus far, the government and donors have sought to address these weaknesses mainly by introducing new systems to control expenditures, enhance linkages between policy and the budget, and improve financial reporting and transparency. Again, however, implementation and enforcement appear to be the main weaknesses. Efforts to enhance citizen oversight may be helpful in spurring the government into action.

System Reforms

In 1995, a Medium-Term Expenditure Framework (MTEF) was introduced in an effort to better align the budget with policy. The MTEF is widely agreed to have failed; it is irrelevant to the day-to-day work of the Ministry of Finance. The ministry has recently developed a plan for implementing an MTEF Phase II work plan, and donors are hopeful this represents a new commitment to the unrealized aims of the first MTEF.

To address the lack of budget discipline among various elements of government, a cash budget system was introduced in 1996. Under this system, the government is only supposed to spend what it collects, and individual ministries are supposed to spend only what they are provided by the Ministry of Finance. Due to the continued accumulation of arrears by some ministries and the challenges posed by unpredictable cash flows for activity implementation, the system was updated in 2000 with the introduction of a Credit Ceiling Allocation System (CCAS). The CCAS was intended to improve cash flow projections for government agencies and provide for additional oversight by commercial banks

where agencies kept accounts. Commercial banks were informed of agencies' credit ceilings and were not supposed to honor checks presented in excess of the CCAs. In practice, the banks continue to do so, and are generally reimbursed in full by the central bank. Thus, according to World Bank, the cash budget system has "failed to create a shift in attitudes toward an understanding of the need to maintain hard budget constraints."

To provide more timely and accurate financial information and put a halt to budget expenditures for unintended purposes, a project to introduce an Integrated Financial Management Information System (IFMIS) was also initiated in 1996. The World Bank is helping Malawi introduce IFMIS throughout the government, but there is little reason to believe that it will be more successful than the previous effort. Indeed, CABS donors lament the slow pace of implementation of IFMIS. Significant resistance is likely, due to changes in day-to-day procedures and because the system requires the transfer of large amounts of information into electronic form to function effectively.

As a way of improving budget transparency, a Public Expenditure Review (PER) was conducted in 2000. The PER documented many of the problems already mentioned with the government's budget process, and it proposed generally sensible remedial actions and a timetable for implementation. A workshop held to debate the findings of the PER was attended by a large number of government and donor officials, representatives of the private sector, civil society organizations, and the media. A key outcome was a commitment by the minister of finance to undertake annual PERs, which could be part of the regular PRSP review process. However, no PERs have since been undertaken.

A 2001 Country Financial and Accountability Assessment (CFAA) sought to identify the main weaknesses in the government's financial management system. This led to the Malawi Financial Accountability Action Plan (MFAAP), completed in March 2003. The MFAAP is a detailed list of actions that can be undertaken to address many of the weaknesses identified in the CFAA. More than

one year later, the MFAAP had not yet been submitted to the cabinet for endorsement.

Citizen Oversight

There is no shortage of acronyms representing attempts to improve public financial management in Malawi—MTEF, CCAS, IFMIS, PER, CFAA, and MFAAP are the best known. What appears to be missing is government willingness to use such tools to address the aspects of the budget and public financial management systems that need strengthening. What is also needed is greater demand by Malawians for effective use of public resources. According to Kaufmann (2003, 22), this means that "focusing more on parliamentary, NGO, and citizen oversight is crucial, as is the transparent use of new tools such as citizen scorecards; diagnostics based on survey reports from public officials, public service users, and firms; and tools to track public expenditures in detail. Where it has not been captured by monopolistic state or elite vested interests, the media can play a key role in pro-transparency governance reforms."

In Malawi, several promising initiatives in this regard are in the works. Donors and civil society are working to develop parliament's capacity to more effectively play its oversight role. Civil society received a boost through the generally participatory nature of the PRSP development process (Bwalya et al. 2003), though the pre-1994 hesitancy to be outspoken is still evident. Capacity development for civil society organizations to hold the government accountable is therefore still needed. The World Bank is supporting a pilot expenditure tracking survey that examines the flow of resources to schools in four districts. If successful, it might be replicated in other sectors and districts. Such activities should be viewed as complementary investments to the systems reforms that are seen as crucial for GBS provision since, without them, it is unlikely that General Budget Support will translate into improvements in service delivery.

Lessons Learned

Macroeconomic and Sector Policy Reforms

1. Policy reforms are of little use if there is no will to execute them. Malawi has sound strategies to develop the country and qualified personnel to carry out the plans. Donors are ready to help finance the government's efforts to reduce poverty. To get the country's macroeconomic situation back on track, the government needs to follow its plans and not constantly change priorities. To reduce poverty, Malawi needs to take the execution of its Poverty Reduction Strategy Paper seriously and closely monitor its progress.

2. Cash transfers such as General Budget Support will not have their expected impact if the government lacks budget discipline and fails to reform its macroeconomic policies. GBS donors are interested in making sure that the government's pro-poor expenditures increase and support improved service delivery. But if GBS is to be successful, macroeconomic conditions must be sound. In Malawi, monetary and fiscal policies were inappropriate for most of the time from 2000 through 2004. Government domestic debt, interest rates, inflation, and public expenditures increased at an unsustainable pace. This discouraged investment and development.

3. If government policies are not reflected in annual budgets, donor assistance to support budget initiatives is not appropriate. Malawi has a PRSP that was developed in a consultative fashion with donors, civil society, and NGOs. It provides a good development policy framework. But Malawi's PRSP is not linked to the annual budget, and the disconnect makes it hard to see if development priorities are being implemented. Because multiyear strategies and policies are not linked to annual budget expenditures, GBS donors have a difficult time in Malawi.

4. Higher level reforms are of little value by themselves. To maintain momentum, it is important to follow up on reforms with implementation measures to ensure that benefits are realized. For example, USAID's Sector Program Assistance helped create policies and new organizational relationships that should improve Malawi's natural resource management. Policy reform was a success. But there were implementation delays. In the field, in Lengwe and Mwabvi, government officials and local village leaders were concerned that nothing had changed after much preparation for a new comanagement approach to environmental conservation. To deal with such problems, USAID successfully used policy dialogue to urge the government to put funds in place to implement the reforms.

Budget Discipline and Sound Financial Systems

5. If donor funds are to support a country's annual development budget, donors need to be confident in the budget process. In Malawi, a budget is developed each year, but it is rarely reflected in actual expenditures. Faced with annual revenue shortages, cuts and reallocations are made throughout the year, though the government does protect pro-poor expenditures. At the end of the budget year, all changes are regularized in the final budget. Budget transparency, execution, and accounting are extremely weak, so it is difficult to track expenditures. Over the years, many donor-supported financial and accounting systems have been launched, but with few results so far. With government plans to decentralize operations to the 27 districts, it will be even harder to track financial flows and results.

6. The government's financial and accounting systems must ensure that funds are spent for their intended purposes. Governance reforms can improve service delivery and accountability. In Malawi, budget

execution and accounting are extremely weak. The problems are due to inadequate financial systems, inappropriately trained staff, and a lack of political and bureaucratic interest in accountability. The 1996 World Bank-supported Integrated Financial Management Information System had limited success in Malawi. The Bank worked with the government on financial management accountability, an action plan that aimed to improve budget execution and tracking, and a system of audits.

In Malawi, there is no shortage of donor-supported acronyms representing attempts to improve public finance. What appears to be missing is government willingness to use such tools to deal with a dysfunctional financial system. A government must be accountable to its own citizens, not just to donors. Efforts are needed to encourage domestic oversight from parliament, NGOs, media, and civil society for diagnostics based on public services users and tools to track public expenditures.

Government Needs to Manage and Own the Development Process

7. A government's technical and management capabilities are critical to policy and institutional reform. Malawi is a very poor developing country (per capita GDI of \$160). Almost by definition, low-income countries lack skilled manpower. Malawi's senior managers are well trained and highly skilled, compared to those in other African countries. At mid and lower levels, skills are generally good. A loom-

ing problem comes from high HIV/AIDS rates (15 percent of adults), which could be a major threat to government capacity. As in any low-income country, donor efforts can help ensure that the government has the capacity to successfully manage its own development efforts. In the case of Malawi, this includes HIV/AIDS programs.

8. Policy reform must have government ownership. NATURE, USAID's environmental and natural resources policy reform program, worked with the government to develop a set of policy and institutional changes that required governmental actions from several ministries and departments. Rather than working with all the different ministries to get the reforms adopted, USAID left that job to the Department of Environmental Affairs. This added additional time to the process, but the effort was successful and helped the government gain ownership of the reform process.

9. Corruption drains resources from development; budget-support cash transfers are at high risk, and donors may want to avoid such situations. Though corruption in Malawi is not at the level of many other African countries, it is visible at the highest political levels. This sets a bad example for government employees and creates public cynicism. The biggest danger, based on experience in other countries, is that corruption starts small but tends to increase and spread throughout the government. It then creates serious economic distortions and destroys respect for the government.

Annex 1. Where Are the NATURE Funds?

USAID disbursed the final tranche of the eight-year NATURE program in September 2003 and provided \$9 million after 10 government policy reforms were completed. While USAID did not earmark the funds for any particular sector, many expected they would be used to support activities associated with the policy actions. One such action required the negotiation and signing of a collaborative management agreement between the Department of National Parks and Wildlife and the Misamvu, Nangona, and Nkhangani trusts for the comanagement of natural resources in the Mwabvi Wildlife Reserve in the Lower Shire region of Malawi. The three trusts represent the villages surrounding the reserve.

Prior to signing the agreement, villagers and local staff of the Department of National Parks and Wildlife were adversaries. The department's objective was to protect wildlife and keep villagers out of the reserve. The villagers resented the destruction of crops and livestock caused by the wildlife and, as a result, were friendly to poachers. They also depended on some of the reserve's resources for survival. A new national wildlife policy was approved in 2000 that encouraged community participation in the conservation of wildlife. With the new policy in place, local department staff began working with the villages to develop a shared understanding of the value of the resources found in the reserve. The villagers became aware of the importance of conservation, and the department came to understand the importance of wood, grass, and other reserve resources to the livelihoods of the villagers. These efforts culminated in the signing of the collaborative management agreement.

Now that positive working relationships are established, villagers expect to see some immediate benefits. The trusts have identified a number of potential activities that might reduce the stress caused

by surrounding villages on the reserve's resources, but all require some startup capital. The trusts have appealed directly to donors for resources because they have not received any financial assistance from the local government office and believe it will take too long to arrive. There is some concern that if something does not happen soon, the strong relationships that have developed between the villagers and local department staff will erode, jeopardizing conservation efforts.

As part of the NATURE program, a revenue-sharing scheme that would give the trusts a portion of the reserve's tourism concessions and gate collections was supposed to have been introduced. But implementation has been slow. The department believes the reserve's resources need to be further developed to attract visitors before it will be possible to share revenue with the villagers. Although a private tourism operator is considering investing in the reserve, there are currently no tourism concessions. In addition, the reserve generates minimal revenue (\$30) annually from gate fees.

Money from the Department of National Parks and Wildlife (in the Ministry of Tourism, Parks, and Wildlife) received by the local department office is spent on routine administration and little else. Funds for vehicle maintenance are supposed to be included in the budget, but they are not. Road conditions in the Lower Shire region are generally quite poor, and moderate rains can sometimes wash out bridges. All of this makes it difficult for local department staff to cover the two wildlife reserves (Majete and Mwabvi) and the national park (Lengwe) for which they are responsible. Fortunately, a nearby sugar company is able to provide the local department office with free power and water. But it is easy to understand why local staff feels helpless when the trusts approach them for assistance in implementing some of the ideas they developed as a result of the

signing of the collaborative management agreement. Local department staff wonder when the NATURE funds will arrive.

Within the budget of the Ministry of Tourism, Parks, and Wildlife, resources for “conservation and protection of wildlife” and “tourism services” are considered protected PPEs. In the event of a shortfall in resources, PPEs are supposed to be protected from expenditure cuts. This means that slightly more than half of the ministry’s budget is supposed to be guaranteed for the 2003–04 fiscal year. This is a significant benefit, since the budgets of non-PPE ministries are frequently exposed to unexpected cuts and reallocations during the fiscal year. However, resources are still not adequate. The biggest problem faced by the Department of Parks and Wildlife is a lack of sufficient funds to effectively use the skilled manpower that exists in the parks and reserves throughout Malawi. NATURE funds were expected to cushion the department’s resource shortfalls.

Two ministries and several departments within the ministries were responsible for the implementation of the 10 policy actions that triggered the release of NATURE funds. Besides the Department of Parks and Wildlife, these include the departments of Forestry, Fisheries, and Environmental Affairs. Thus, there are a number of actors vying for NATURE funds. The Department of Environmental Affairs, one of the most decentralized units in the

Government of Malawi, was able to increase its number of staff and vehicles due to the release of some NATURE funds. It was also able to purchase additional computers and photocopiers. However, NATURE funds have not yet arrived at the Department of Parks and Wildlife. The Department believes donors should consider providing direct support to the department, perhaps in the context of a SWAp for conservation, rather than channeling funds through the treasury.

Because USAID did not earmark NATURE funds for any particular sector, the funds became part of the government’s overall budget. Allocation of funds thus relied on the government’s normal budget process. Significant cuts and reallocations during the fiscal year—owing to shifting priorities or periodic emergencies—are a regular feature of the government’s budget process. In addition, there are often delays in the release of funds from the treasury to ministries and departments. This makes planning and implementation extremely difficult. While the Department of Parks and Wildlife benefits from having a portion of its budget classified as a PPE, NATURE funds could have been allocated to unrelated activities rather than being added to the department’s budget. This may have occurred, since the PPE for conservation and protection of wildlife fell by 15 percent between FY 2002–03 and FY 2003–04.

Annex 2. Interview List

U.S. Agency for International Development

USAID/Malawi

Sirys Chinangwa, Program Specialist (Economics)
Kathryn English, Democracy and Governance
Strategic Objective Team Leader
Richard Kimball, Private Sector Advisor
Bill Mvalo, Education Strategic Objective Team
Leader
Mexon Nyirongo, Health Strategic Objective Team
Leader
Lawrence Rubey, General Development Officer
Autman Tembo, Program Development Specialist
Roger Yochelson, Mission Director

USAID/Washington

Sean McClure, Former Malawi Desk Officer
Carol Peasley, Counselor to the Administrator and
former Malawi Mission Director

International Donors

Canadian International Development Agency (CIDA)

Grant Hawes, Director

Delegation of the European Commission in the Republic of Malawi

Jerome Pons, Head of Section, Economics and Public
Affairs

Norwegian Agency for Development (NORAD)

Tori Hoven, Country Economist
Kristin Sverdrup, Counselor

United Kingdom, Department for International Development (DFID)

Alan Whitworth, Economic Advisor

The World Bank

Michael Mambo, Senior Education Specialist
Maxwell Mkwezalamba, Economist
Nathan Smith, Consultant

Government of Malawi

Ministry of Economic Planning and Development

Richard Chakhame, Principal Economist, Monitoring
and Evaluation for Program and Policies
John Doughty, Monitoring and Evaluation Adviser,
Capacity Building Project for Economic
Management and Policy Coordination, GoM/EU

Ministry of Finance

Patrick Chilambe, Secretary to the Treasury
Z.T. Soko, Director of Data and Aid Management
Department
Dave Wirima, Assistant Director of Data and Aid
Management Department

Ministry of Natural Resources and Environmental Affairs

Bright Bratso Kumwembe, Deputy Secretary
George Mkondiwa, Principal Secretary
C.V.B. Ndhlovu, Controller of Planning Services

Ministry of Natural Resources and Environmental Affairs, Department of Environmental Affairs

Raphael Kabwaza, Director
Aloysius Kamperewera, Deputy Director

***Ministry of Tourism, Parks and Wildlife,
Department of Parks and Wildlife***

Humphrey Nzima, Deputy Director
Leonard Sefu, Director

***Ministry of Tourism, Parks and Wildlife,
Department of Parks and Wildlife, Lengwe
National Park***

Robert Bitta, Park Officer
Mr. Ndazara, Division Manager

Civil Society Organizations

Civil Society Agriculture Network (CISANET)
Victor Mhone, Coordinator
Malawi Economic Justice Network (MEJN)
Collins Magalasi, National Coordinator

Community-Based Natural Resource Management Trusts

Mwabvi Game Reserve

Nangona Trust, Board Members
Nkhangani Trust, Board Members

Meetings Attended

Group on Financial and Economic Management (GFEM)
Group of donors working on financial and budget issues
National Action Group (NAG)
Group of government officials, donors, and representatives of the private sector who work on issues affecting that sector

Bibliography

- Bellows, Eric, and Sarah Dowswell. 2002. *Malawi's HIV/AIDS "Mini-SWAp": A Case Study of Risk Management and Capacity-Building under the Program Approach*. Ottawa: CIDA. <<http://www.sti.ch/pdfs/swap205.pdf>>
- Bwalya, Edgar, Maxton Tsoka, Lise Rakner, Arne Tostensen, and Lars Svasand. 2003. "Poverty Reduction Strategy Processes in Malawi and Zambia." Draft final report.
- Common Approach to Budget Support (CABS) Group. 2003. "CABS Aide-Memoire, August." Lilongwe.
- Common Approach to Budget Support (CABS) Group. 2004. "Aide-Memoire of the CABS Annual Review, February." Draft II. Lilongwe.
- Durevall, Dick. 2003. "Reform of the Malawian Public Sector: Incentives, Governance and Accountability," in *Reforming Africa's Institutions: Ownership, Incentives, and Capabilities*, ed. Steve Kayizzi-Mugerwa. New York: United Nations University Press.
- Foster, Mick, and Jennifer Leavy. 2001. *The Choice of Financial Aid Instruments*. Working Paper 158. London: Overseas Development Institute, Center for Aid and Public Expenditure. <<http://www.odi.org.uk/publications/wp158.pdf>>
- Fozzard, Adrian, and Chauncy Simwaka. 2002. *How, When and Why Does Poverty Get Budget Priority? Poverty Reduction Strategy and Public Expenditure in Malawi. Case Study 4*. Working Paper 166. London: Overseas Development Institute. <<http://www.odi.org.uk/publications/workingpapers/wp166.pdf>>
- Government of Malawi. 2003. "Malawi Financial Accountability Action Plan, 11 March." Lilongwe.
- Hebert, Paul, William Millsap, and Nagat El-Sanabary. 2002. *Summative Evaluation of USAID/Malawi's Girls' Attainment in Basic Literacy and Education (GABLE)*. Mitchell Group, Inc. Washington, D.C. USAID. PD-ABW-640.
- Integrated Framework Program. 2004. *Volume 1. Malawi: Integrated Framework Diagnostic Trade Integration Study*. <http://www.integratedframework.org/files/Malawi_finaldtis_20Feb04.pdf>
- International Monetary Fund. 2003. *Malawi: First Review Under the Three-Year Arrangement under the Poverty Reduction and Growth Facility*. IMF Country Report No. 03/344. Washington, D.C. IMF. <<http://www.imf.org/external/pubs/ft/scr/2003/cr03344.pdf>>
- Jackson, Donald, Joseph Dorsey, Conrad Fritsch, and Peter Hopcraft. 2003. *Evaluation of USAID/Malawi's Strategic Objective I: Increased Agricultural Incomes on a Per Capita Basis, 1993 to 2001*. Washington, D.C.: USAID and Development Alternatives, Inc. PN-ACR-843.
- Kaufmann, Daniel. 2003. *Rethinking Governance: Empirical Lessons Challenge Orthodoxy*. (11 March.) Discussion Draft. Washington, D.C.: World Bank. <http://www.worldbank.org/wbi/governance/pdf/rethink_gov_stanford.pdf>
- Langa, Joseph. 2004. "Donors Tighten Screws on Corruption Bill." *Nation Online*, 12 February.

- Malawi Economic Justice Network. 2003a. *How Are Services Delivered to the People in Malawi? Results of the Service Delivery Satisfaction Survey*. Lilongwe: MEJN. <<http://www.sarpn.org.za/documents/d0000415/index.php>>
- Malawi Economic Justice Network. 2003b. *Response to Malawi National Draft Budget 2003/04*. Lilongwe: MEJN. <http://www.sarpn.org.za/documents/d0000427/P396_Budget_Analysis_2003.pdf>
- Malawi Economic Justice Network. 2004. *Overview of the 2003/04 Budget Estimates*. Lilongwe: MEJN.
- Malawi Ministry of Economic Planning and Development. 2003. *A Growth Strategy for Malawi: Strengthening Co-operation between Public and Private Sectors*. Executive Summary, Final Draft, April. <http://www.sarpn.org.za/documents/d0000571/P521_Malawi_Growth.pdf>
- Oxford Policy Management and Overseas Development Institute. 2002. *General Budget Support Evaluability Study Phase I: Final Synthesis Report*. Report to U.K. Department for International Development, 30 December. London: OPM and ODI. <<http://www.sti.ch/pdfs/swap284.pdf>>
- Radelet, Steve. 2003. "Which Countries Are Most Likely to Qualify for the MCA? An Update." Washington, D.C.: Center for Global Development. <<http://www.cgdev.org/docs/country%20qualification%20update1.pdf>>
- Transparency International. 2003. *Corruption Perceptions Index 2003*. Berlin: Transparency International. <<http://www.transparency.org/cpi/2003/cpi2003.en.html>>
- USAID. Bureau for Africa. 1996. *Non Project Assistance (NPA) in Africa: Case Studies on Benin, Ghana, Malawi, Uganda and Zimbabwe*. Washington, D.C.: USAID. PN-ACG-444.
- USAID. Bureau for Program and Policy Coordination. 1996. *Program Assistance*. USAID Policy Paper. Washington, D.C.: USAID. PN-ACD-317.
- USAID/Malawi. 1997. "Malawi: Non-Project Sector Assistance Programs." Washington, D.C.: USAID.
- USAID/Malawi. 2000. *USAID/Malawi Country Strategic Plan 2001–2005*. Washington, D.C.: USAID. PD-ABY-822.
- USAID/Malawi. 2003a. *Annual Report FY 2003*. Washington, D.C.: USAID. PD-ABX-839.
- USAID/Malawi. 2003b. *USAID/Malawi Country Strategic Plan (CSP) FY 2001–2005 Triennial Review: Executive Summary*. Washington, D.C.: USAID. PD-ABZ-342.
- World Bank. 2001. "Malawi Public Expenditures: Issues and Options." Report No. 22440 MAI. Washington, D.C.: World Bank.
- World Bank. 2003a. *Doing Business*. Washington, D.C.: World Bank.
- World Bank. 2003b. *Malawi at a Glance*. Washington, D.C.: World Bank. <http://www.worldbank.org/data/countrydata/aag/mwi_aag.pdf>
- World Bank. 2003c. "Malawi Country Financial Accountability Assessment." Report No. 26765-MAI. Washington, D.C.: World Bank.

This Evaluation Working Paper can be ordered from USAID's Development Experience Clearinghouse (DEC). To download or order publications, go to www.dec.org and enter the document identification number in the search box. The DEC may also be contacted at 8403 Colesville Rd, Ste 210, Silver Spring, MD 20910; tel 301-562-0641; fax 301-588-7787; email docorder@dec.cdie.org.

Editorial, design, and production assistance was provided by IBI-International Business Initiatives, Arlington, VA, under contract no. HFM-C-00-01-00143-00. For more information, contact IBI's Publications and Graphics Support Project at 703-525-2277 or pgsp@ibi-usa.com.

For more information, contact
U.S. Agency for International Development
Washington, D.C. 20523-1000
Telephone: 202-712-4810
Internet: www.usaid.gov