

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**MALAWI**

**RESULTS BASED COUNTRY STRATEGY PAPER: 2005-2009**

**MID-TERM REVIEW REPORT**

**ORSB DEPARTMENT  
MALAWI FIELD OFFICE**

**April, 2008**

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## **ACRONYMS AND ABBREVIATIONS**

ACB	Anti-Corruption Bureau
ADB	African Development Bank
ADF	African Development Fund
ADP	Agriculture Development Program
AIDS	Acquired Immuno-Deficiency Syndrome
BEmOC	Basic Emergency Obstetric Care
BEmONC	Basic Emergency Obstetric and New-born Care
CABS	Common Approach to Budget Support
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CPRR	Country Portfolio Review Report
DAS	Development Assistance Strategy
DFID	British Department for International Development
DPP	Democratic Progressive Party
EHP	Essential Health Package
EU	European Union
GDP	Gross Domestic Product
GFEM	Group on Finance and Economic Management
GoM	Government of Malawi
GTZ	German Technical Cooperation
HIV	Human Immuno-deficiency Virus
HIPC	Highly Indebted Poor Countries
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LRR	Liquidity Reserve Ratio
MCP	Malawi Congress Party
MDG	Millennium Development Goals
MDF	Malawi Development Fund
MDRI	Multilateral Debt Relief Initiative
MEC	Malawi Electoral Commission
MGDS	Malawi Growth and Development Strategy
MMR	Maternal Mortality Rate
MTR	Medium Term Review
MWFO	Malawi Field Office
M&E	Monitoring and Evaluation
NAO	National Audit Office
SCGs	Sector Coordinating Groups
SHIP	Small Holder Irrigation Project
SME	Small and Medium Enterprise
NESP	National Education Sector Plan
NWDP	National Water Development Program
PAF	Performance Assessment Framework
PBA	Performance Based Allocation
PD	Paris Declaration
PEFA	Public Economic and Financial Assessment
PER	Public Expenditure Review
PFM	Public Finance Management
PFEM	Public Finance and Economic Management
PIU	Project Implementation Unit

PRGF	Poverty Reduction Growth Facility
RBCSP	Results-Based Country Strategy Paper
SWAp	Sector Wide Approach
UDF	United Democratic Front

### **CURRENCY EQUIVALENTS**

(End-December, 2007)

UA1	=	US\$1.590
UA1	=	MK214.08
US\$1	=	MK138.74

### **FISCAL YEAR**

1 July to 30 June

### **WEIGHTS AND MEASURES**

Metric Systems

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## **I. INTRODUCTION**

1.1 The Boards of Directors considered the Results-Based Country Strategy Paper (RBCSP) for Malawi (ADB/BD/WP/2005/103 – ADF/BD/WP/2008/115), on 24 November 2005. The 2005-2009 RBCSP is anchored on the country's second-generation Medium Term Poverty Reduction Strategy, the Malawi Growth and Development Strategy (MGDS). During consideration of the RBCSP, the Board noted with concern that real GDP growth rates, domestic resource mobilization and social expenditure remain inadequate to reduce poverty in Malawi. They expressed satisfaction that the MGDS provides the basis for a balanced poverty reduction program, to help address the challenges facing Malawi. The Board urged Government to improve the environment for private-sector led growth by deepening reforms aimed at strengthening financial management, public enterprises and civil service. The Board further encouraged Government to pursue improvements in governance, capacity building for enhanced service delivery and donor harmonization. The sustained real GDP growth rate and pro-poor expenditure increases highlighted in section 2 show that the Boards concerns are being addressed.

1.2 The RBCSP was designed to respond to Malawi's key development challenges of rampant poverty, food insecurity, unemployment, limited export growth and capacity and skills gap as articulated in the MGDS. It seeks to assist Government and the private sector in addressing these development challenges by focusing on two mutually reinforcing strategic pillars: *(i) Expanding rural infrastructure- by increasing the level of irrigation infrastructure and electricity supply water and sanitation, and telecommunications to support agricultural, rural development and promoting private sector participation and (ii) : Developing human capital and institutional capacity – by helping enhance skills and knowledge through better education , improved health service delivery to the population, strengthened institutional capacity and good governance.*

1.3 The RBCSP Mid-Term Review (MTR) was conducted from 11-21 February, 2008 to assess progress in implementing the Bank's Strategy and to draw lessons for the Bank's continued intervention in Malawi. The Review confirmed the RBCSP's alignment to the national strategy but recommends more focus on selected activities within the pillars to enhance the Bank's response to government's priorities. It recommends that the RBCSP pillars remain the same for the remaining period with a deepened focus on transport, irrigation and water infrastructure, tertiary education and budget support. The Review recommends heightened focus on private sector development to respond to government's desire to cement macroeconomic stability and sustain economic growth and poverty reduction. In the health sector where the Bank participates with other development partners, interventions through the Health SWAp will continue until the program officially closes. In the education sector support will continue to be on secondary education under the on-going Education IV and V projects, with attention increasingly being paid to skills enhancement through tertiary education.

1.4 The RBCSP MTR report has benefited from the RBCSP MTR mission dialogue with government and other stakeholders, the draft 2008 Country Portfolio Review Report (CPRR), the draft MGDS Annual Review, the Common Approach to Budget Support (CABS) Reviews, the fourth and fifth Poverty Reduction and Growth Facility (PRGF) Reviews by the IMF and the Bank's on-going project supervision reports. After the Introduction, this report covers four main sections (ii) recent developments in Malawi (iii) RBCSP implementation progress (iv) the Bank Group Strategy for the remaining period and (v) conclusion and recommendations.

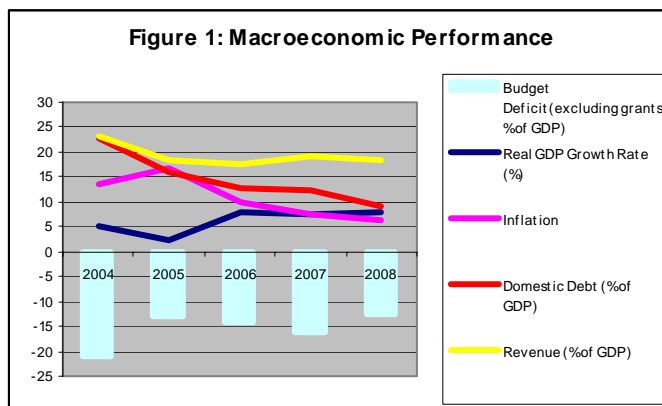
## II. RECENT DEVELOPMENTS IN MALAWI

### 2.1 Political Developments

2.1.1 The political climate in Malawi remains tenuous following President Mutharika's decision in 2005 to break away from the United Democratic Front (UDF) the party that sponsored him in the elections of 2004. As a result the President is running a minority government through the Democratic Progressive Party (DPP) which he formed in 2005. A number of Members of Parliament from the two major Opposition Parties, the Malawi Congress Party (MCP) and UDF have crossed over to join DPP and government. In response, the UDF and the MCP have asked the Speaker of Parliament to invoke Section 65 of the Constitution<sup>1</sup>. The Constitutional Court ruling that Section 65 should be enforced appears to have put pressure on government as reflected by its reluctance to convene Parliament. A number of key bills including the Bank funded Poverty Reduction Support Loan, the World Bank funded Malawi-Mozambique Inter-connector Loan, and the National Registration Bill seen as crucial for general elections awaits Parliamentary approval.

2.1.2 The political impasse resulting from unresolved issues surrounding Section 65 potentially threatens the country's young democracy and government's successful economic program. The 2007/08 budget was approved more than two months into the new financial year following a lengthy impasse. The Opposition has challenged and refused to confirm all major appointments made by the President including that of the Auditor General, the Anti-Corruption Bureau (ACB) Director, and the Malawi Electoral Commission (MEC) members. The ACB Director and the MEC Commissioners have since started work following a court ruling after more than a year of disagreements. Confirmation of the Auditor General is outstanding thereby delaying submission of the 2004/05 audit report to Parliament<sup>2</sup> and threatening the credibility of Malawi's PFM and accountability system.

### 2.2 Macro-economic developments



2.2.1 Macroeconomic performance has shown a steady progress over the period under review. Real GDP grew from 2.1 percent in 2005 to 7.4 percent in 2007 and is projected at 7.5 percent in 2008 and 7.9 percent in 2009. A strong recovery in the agriculture sector particularly smallholder crop production following two successive bumper yields, strict adherence to policy reforms and favorable donor support have contributed to the GDP rebound. In 2007, proceeds from tobacco, Malawi's main export exceeded US300mn for the first time in ten

years<sup>3</sup>. Short to mid-term economic prospects remain positive strengthened by an opportunity to expand beyond the agriculture sector. GoM and IMF estimate that uranium exports would start in 2009 at a value

<sup>1</sup> Section 65(1) provides that the Speaker shall declare vacant the seat of any member of the National Assembly who was, at the time of his or her election, a member of one political party represented in the National Assembly, other than by that member alone but who has voluntarily ceased to be a member of that party or has joined another political party represented in the National Assembly, or has joined any other political party, or association or organisation whose objectives or activities are political in nature

<sup>2</sup> According to the Public Audit Act, it is only the substantive Auditor General who can submit an audit report to parliament

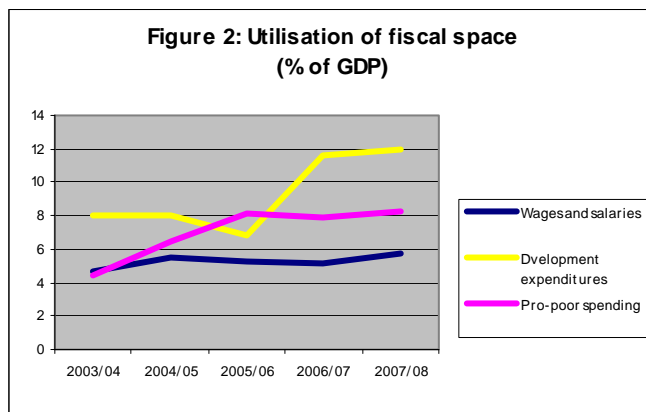
<sup>3</sup> March 2007 CABS Review

of \$170mn contributing to 2.6 percent of GDP. Thereafter it will increase to an average of US\$250mn for period 2010-14<sup>4</sup>. Government's performance has remained within the objectives and targets of the IMF monitored PRGF program, albeit minor slippages on the fiscal front. The three year program ends in 2008. The IMF Mission in March 2008 indicated that the program achieved most of its main objectives on public debt, interest rates and inflation which are down while growth has increased. The IMF and GoM have reached a broad agreement on the policies and objectives that could be supported by a new three-year PRGF arrangement. The main goals of the new arrangement would be to cement macroeconomic stability, reduce vulnerability and continue to set the foundations for sustained growth and poverty reduction.

2.2.2 The authorities have sustained prudent fiscal management. Domestic debt stock has been on the decline reaching 12.5 percent of GDP in 2007 thereby reducing interest payments as a proportion of government expenditure from 27.4 percent in 2003/04 to 13 percent in 2006/07. Revenue collection performance as a proportion of GDP has increased from 18.5 percent in 2005 TO 19.1 percent in 2007.

2.2.3 Annual inflation continued its downward trend reaching an all time low in recent years of 7.1 percent for the month of September, 2007. This has helped reduce the Bank rate from 25 percent in 2006 to 15 percent in 2008. In response, Commercial Banks lending rates have declined from 22.5 percent to 19.6 percent in 2007. Furthermore, the Liquidity Reserve Ratio (LRR) was reduced from 27.5 percent to 20 percent in the first quarter of 2007 which helped untie additional Commercial Bank resources. These developments have fuelled an expansion of the credit to the private sector which increased by 22 percent in 2007. Government's adoption of a more flexible exchange rate in the first quarter of 2006 has helped eliminate private external payment arrears and enhanced external competitiveness. However, in spite of the kwacha's stability over the past two years, the foreign reserve situation remains fragile. At 1.6 months of import cover in 2007 it remained well below the Sub-Sahara average of 6.8 months<sup>5</sup>.

2.2.4 Following the attainment of the Completion Point in 2006, debt relief through the Highly Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) Malawi's



foreign debt stock has been reduced from over US\$2 billion to less than US\$600 million, resulting in increased debt sustainability in the medium term. Along with debt relief and domestic revenue increases, grants as a proportion of GDP have increased from 8.8 percent in 2003/04 to 13.2 percent in 2007/08. The authorities have used the fiscal space created to accommodate the following key expenditures (i) increases in wages and salaries in the public sector, (ii) domestic development expenditure increases (iii) retiring domestic debt and (iv) increasing pro-poor expenditure.

The major beneficiaries of the MK4.7bn public sector wage and salary increases are the education sector with MK2.1bn and the health sector with MK0.9bn. The major beneficiaries of the locally funded development expenditure increase include the transport sector with MK1.0bn and the water sector with MK0.9bn. High grant inflows have compensated for increased domestic expenditures ensuring government stayed within the projected deficit of 1.3 percent of GDP.

<sup>4</sup> Source: IMF, Malawi Government BoP projections (April, 2008)

<sup>5</sup> IMF World Economic and Financial Surveys: Regional Economic Outlook for Sub-Sahara Africa. The average excludes South Africa.

Implementation of the Integrated Financial Management Information System (IFMIS) since 2005 represents one key reform in the area of public finance management. IFMIS has helped government control the build up of domestic arrears and facilitate submission of Government financial accounts within the statutory deadline. Migration to a new budget classification system, GFS 2001 that allows functional and economic classification of the budget will enhance monitoring of the MGDS implementation. A Cash Management Unit has been established in the Accountant General's Department to help improve government cash flow control. Formulation of the Development Assistance Strategy (DAS) and the Debt and Aid Policy which is under preparation are aimed at enhancing efficient and effective debt and aid management to prevent the country from falling into another debt trap. The 2008 PEFA Assessment, the 4<sup>th</sup> and 5<sup>th</sup> PRGF and the March 2008 CABS Review concluded that Malawi has made the most progress in PFM reforms although financial accountability challenges (audit system) remain an issue of concern. *To sustain economic growth, the authorities acknowledge the need to pursue further reforms that will promote value addition and economic diversification by enhancing an enabling environment for private sector development. The World Bank 'Doing Business Survey', shows that the number of days required to deal with licenses to establish a business had increased from a baseline of 185 days in 2007 to 233 days in 2008 raising concern about government's commitment to private sector development. Government with support from the World Bank and EU<sup>6</sup> has started implementing various reforms aimed at improving the business environment. The establishment of the commercial court in 2007 aims at reducing the amount of time taken to resolve commercial disputes.*

### **III. MID-TERM OUTCOMES OF THE BANK GROUP RBCSP**

#### **3.1 Progress towards Expected Outcomes**

3.1.1 The 2005-2009 RBCSP was designed to contribute to the following outcomes: (i) increase in smallholder share of GDP (ii) increase in smallholder maize output (iii) increase in proportion of population with access to safe potable water (iv) increase in proportion of population with access to improved sanitation (v) increase in secondary school pupils per qualified teacher ratio (vi) increase in secondary enrollment (vii) increase in pupil to secondary school class room ratio (viii) increase in births attended by skilled health workers (ix) reduction in Maternal Mortality Rate (MMR) (x) reduction in Child Mortality Rate (xi) an increase in the proportion of health centers offering Essential Health Package (ESP) (xii) on track with IMF PRGF Quarterly Reviews and (xiii) increase in pro-poor expenditure.

3.1.2 An assessment of the RBCSP results framework reveal four key issues of concern: (i) the large number of indicators (13) which also reflects the spread of Bank interventions across many sectors; (ii) poor linkage between global outcome indicators and project outcome and output indicators; (iii) some indicators exhibited measurement problems, and (iv) lack of targets for outcome. To ensure a meaningful review of the RBCSP and subsequent monitoring of progress for the remaining period, the MTR has reviewed the adequacy of the indicators and streamlined them to ensure that only indicators directly linked to Bank interventions during the period remain and that such indicators are aligned to the MGDS indicators wherever possible.

3.1.3 The RBCSP MTR therefore leaves out the following outcome indicators: (i) Expanding livelihood opportunities; (ii) increased girls participation in secondary education; and (iii) Increased supply of sustainable energy. The following output indicators were also left out : (i) Increase in tobacco exports; (ii) Smallholder Share of GDP; (iii) Electricity grid link to Mozambique; (iv) Increase in domestic energy distribution; and (v) pupils passing MSCE, as this is affected by many exogenous factors including

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<sup>6</sup> The Business Environment Strengthening Technical Assistance Project (BESTAP) has four components (i) Strengthening Property Rights Institutions and Business Facilitation (ii) Strengthening Private Sector Development Support Institutions and Services (iii) Promoting Access to Finance and Productivity Enhancement (for SME development) and (iv) Project Implementation Capacity

administration and management capacity of Malawi National Examinations Board as was the case in 2008; (v) Schools physically upgraded; and (vi) Increased capacity to treat illnesses. The following indicators which are also used in the MGDS Annual Review were included: (i) Smallholder GDP growth rate (ii) Health facilities providing EHP (iii) secondary school pupils per qualified teacher ratio (iv) secondary school to classroom ratio and (v) secondary net enrollment ratio.

**Table 3.1: Monitoring Outcome Indicators of the 2005-2009 RBCSP**

INDICATOR	2004	2007		2009	
	Base	Expected	Progress	Expected	Revised
<b>Infrastructure(Irrigation and Water)</b>					
• Food secure households (%)	67	74	97	85	
• SH GDP growth rate (%)	-1.5		14.0	14.0	
• SH maize output (mn tons)	1.3		3.4		
• Access to safe water (%)	66.1	75.0	71.0 <sup>7</sup>		
• Access to improved sanitation (%)	61.0*	89.0	61.0		
<b>Education</b>					
• Secondary pupils per qualified teacher ratio	72	**	62	60	
• Secondary net enrollment	11	**	12.5	39	>12.6
• Secondary pupil to classroom ratio (public schools)	37	**	43		
<b>Health</b>					
• Births attended by skilled health workers	38.0*	42	53.6		
• Maternal mortality rate (deaths/100,000 births)	984	**	984	710	814
• Child mortality rate (deaths per 1, 000 live births)	133	**	118	93	108
• Health facilities providing EHP (%)	9.0*	15.0	(Report not out)	15.0	
<b>Governance</b>					
• On track with IMF PRGF Quarterly Reviews	No program	On track	On track	New program agreed& on track	
• Pro-poor expenditure (% of GDP)	6.5	8.1	7.9	8.3	8.0

Source: MGDS annual Review Report, GoM 2007 Economic Annual Report, 2007 Malawi MDG report, IMF 4<sup>th</sup>/5<sup>th</sup> PRGF Review, Malawi PER 2006, Annual Debt and Aid 2007 Report; \* denotes data for year before or after. \*\*No available date on targets

3.1.4 *Table 3.1 shows positive progress in most of the outcome indicators between 2004 and 2007. Overall mid-term Review results show that the RBCSP implementation is on track with the expected outcomes likely to be achieved if the focus on some activities in the two pillars is deepened and the current level of portfolio performance does not decline.* Proportion of food secure household has increased from 67 percent in 2005 to 97 percent in 2007 due mainly to the fertilizer subsidy. The contribution of the smallholder farmers to GDP has improved from -1.5 percent to 14 percent. Smallholder maize output has more than doubled from 1.3 in 2004 to 3.4 million tones in 2007 reflecting a growing food security status at household level. Access to safe potable water is at 71 percent up from

<sup>7</sup> Other sources such as the community water points survey shows a more conservative figure of 63% but the baseline is not clear.

66.1 percent. Access to secondary education is increasing although at much slower pace than envisaged. Net enrollment in secondary schools has increased from 11 to 12.5 percent. Quality of secondary education appears to have improved as reflected by a reduction in the ratio of secondary school pupils to qualified teacher from 72 in 2004 to 62 in 2007. The ratio for Community Day Secondary Schools at 93 in 2007 from 159 in 2004 has considerably improved although it still remains high. Secondary school pupils to classroom ratio has increased from an average of 37 in 2004 to 43 in 2007 reflecting an increase in enrollment and the slow pace at which additional classrooms are being built. Health indicators have equally shown remarkable improvements except for Maternal Mortality Rate (MMR) which has remained constant. About one in every two reported births is attended by a skilled health worker. Significant improvements have also been registered in the survival of under five children as reflected by the decline in the Child Mortality Rate (CMR) from 133 to 118 deaths per 1000 live. Under economic governance, the GoM has kept the PRGF on course. The increase in pro-poor expenditure from 6.5 to 7.9 percent seems to suggest that the poor are sharing in the benefits of economic growth. Lack of progress on MMR and Access to Improved Sanitation makes it challenging for GoM to achieve these MDGs. Lack of data however limits the RBCSP MTR's conclusion on EHP<sup>8</sup>, although the Health SWAp Mid Term Review (January 2008) Report highlights qualitative progress on this indicator.

### 3.2 The RBCSP and Bank Interventions (2005-2009)

3.2.1 Bank interventions contributing to the outcomes of the implementation of the RBCSP include on-going operations at the time of its adoption and operations approved during implementation of the Strategy between 2005 and 2007. The MTR results presented in Table 3.2 show that implementation of the projects under the two pillars of the RBCSP has contributed to the positive outcomes.

**Table 3.2: Results from Bank Interventions (2005-2007)**

Project	Key Result	Status
<i>Expanding Rural Infrastructure</i>		
1. Integrated Rural Water Supply for Central and Northern Region Water Boards	1,389 new water points constructed against target of 1,100. 622 sanitation facilities, almost twice the number expected at appraisal	80% of the works completed, By project end 40 and 57% of the population in Mzimba and Ntchisi respectively will be provided with safe water raising coverage in the 2 districts to 80%.
2. Horticulture and Food Crops Development	1236 Ha mostly maize under irrigation 201 staff and 6,278 farmers trained, 4 fruit nurseries established, 16 cooperatives established	Overall achievement is 70% of project targets.
3. Small-Holder Out-Grower Sugarcane Production	525 Ha sugarcane under irrigation. 41.6 km access roads constructed. 7 staff and 80 farmers trained	The average income for farmers has increased from US \$ 262 per Ha to US \$ 865 per Ha.
4. Macadamia Small-Holder Development	1,283Ha under macadamia target (1200), 87 boreholes drilled , 53km access road constructed 3,600 farmers (target 2,500), 128 nurseries (target 100)	Harvesting of Macademia nuts has just started.
5. Small Holder Irrigation	1862 Ha mostly maize under irrigation Productivity increased from 1.6 to 3.5 tons/Ha. 216 staff and 10,000 farmers trained. 2 Residential Training Centers rehabilitated	Overall achievement is 78% of project targets. Yield of maize increased from 1 to 3 tons/Ha, average household incomes increased from US\$122 to US\$366
6. Small Holder Crop Production and Marketing	PIU established	Project just started

<sup>8</sup> A report on the EHP status is expected this year

<sup>9</sup> Details of the projects including duration are found in Annex III

<b>Building Human Capital and Institutional Capacity</b>		
1.1.Support to Community Day Secondary School (Education IV)	1,149 science teachers and 300 head teachers trained. 80 classrooms to accommodate 4000 students built, 20 laboratories and 20 libraries	Achieved 85% of overall target. The Bank is one of the major development partners in secondary education
2.Skills Development and Income Generation	36,419 people made literate and 25% of these are in business, 8,394 trained in production skills and 10,058 in business management	By close of project, up to 45,000 people made literate, 400 literacy instructors trained, 20,000 trained in business management
3.Lake Malawi Artisanal Fisheries Development	12 Fishing Economic Units provided with boats 9 ice plants and cold rooms procured 13 schools and 3 clinics constructed	Project has an overall achievement of 40%.
4.Rural Health Care III	Construction of 12 rural health facilities across Malawi	Project closed
5.Poverty Reduction and Institutional Support	288 District executive Committee members trained in participatory extension. 1,704 Village Action Plans produced 7 district Socioeconomic profiles produced, 507 community sub projects supported	Project closed
6.Education V	PIU in place	Project just started
7.Support to Health SWAp	Through training and provision of basic equipment, health facilities offering Basic Emergency Obstetric New Born Care has increased from 2 to 36%. 77 motorcycle ambulances procured	Project directly impacts on MMR by upgrading rural health centers into BEMOC facilities and improving maternal referral system
8.Poverty Reduction Support Loan	Disbursement has not occurred pending ratification by parliament	Bank support is through CABS Group

**3.2.3 The residual impact of the Bank's operations on key cross-cutting issues has been largely positive.** Improved productivity and enhanced incomes of the target groups have helped reduce poverty in many of the agriculture project intervention areas. Reducing time taken to access water has helped free time for women to engage in other productive activities and helped the girl child attend school. Through improved sanitation intervention, the Bank has contributed to the health of rural communities. As sources of health information including family planning and HIV/AIDS, provision of Health facilities has contributed to control of population growth and the spread of HIV/AIDS.

### **3.3 Resource Allocation under the PBA**

An ADF X allocation of UA 47million (100 percent grants) later scaled up to UA47.2million was approved to support implementation of the 2005-2009 RBCSP. The 2006 PBA changed Malawi's classification to a 50 percent grant and 50 percent loan country. After reaching Completion Point in 2006 Malawi became eligible for debt relief support from the Bank under the HIPC and MDR Initiatives. Total debt relief from the Bank between 2006 and 2009 is estimated at UA18.2mn.

### **3.4 Portfolio Management**

**3.4.1** The draft 2008 CPRR show that the overall score for portfolio performance in Malawi stands at 2.2 which is satisfactory. Compared to 2006 CPRR, portfolio performance has improved although there is concern about candidness of the ratings. While the overall performance of the Bank Group's portfolio in Malawi remains satisfactory, the portfolio is facing a number of challenges, including weak capacity of the Project Implementation Units, weak project M&E system and slow project implementation rates due to disbursement and procurement delays. The Office of the Auditor General's 2006 Annual Audit Report on Projects, highlighted weaknesses in internal control systems, use of Special Accounts funds to cover counterpart funds and payment for ineligible expenditures. In addition skills and capacity shortages at the

NAO were also reported. Some improvements have been recorded in terms of improved staffing at the NAO and a reduction in incidences of improper application of Special Account funds. However, follow-up on audit recommendations still remains weak. The MWFO will include follow-up on audit recommendations as a priority activity.

3.4.2 The establishment of the Malawi Field Office (MWFO) in 2007 is helping improve dialogue and portfolio monitoring. The field office conducts PIU management meetings every two months to discuss progress and share lessons. The disbursement seminar which MWFO conducted in February 2008 for government staff and implementing agencies for Bank financed projects will be done yearly. The same will be done with regards to procurement training with the first seminar planned for June 2008. The establishment of a Project Monitoring Committee in the Ministry of Finance will also contribute to improved portfolio monitoring and performance. MWFO will work with Sector Departments to develop a portfolio performance improvement plan to ensure better portfolio performance in the remaining period of the RBCSP.

### **3.5 Aid Coordination and Harmonization**

The MTR dialogue outcome shows that the Bank's RBCSP is in line with the MGDS. Annex IV shows that the Bank has improved its scores on harmonization and alignment between 2004/05 and 2006/07, most notably on alignment to country systems where the number of PIUs has been reduced from 11 to 9. Budget Support uses country systems and an increase in development partners providing direct budget support to Malawi will ensure greater use of country systems. The CABS Group is expanding with World Bank, Republic of Ireland and GTZ poised to join the group between 2008 and 2009. The Bank's harmonized operations are in the Health SWAp and the CABS Group's Budget Support program with a Water SWAp to come on stream in 2008/2009. The recent change in approach by GoM from project to program approach presents an opportunity for further harmonization among development partners in Malawi<sup>10</sup>. To strengthen harmonization, the Bank is exploring the possibility of developing a Joint Assistance Strategy among development partners under GoM's leadership.

### **3.6 Monitoring and Evaluation (M&E) of Bank Group Assistance**

3.6.1 The MTR results show serious weaknesses in the Bank's M & E system at project level. Poorly defined frameworks for assessing performance of projects and programs make it difficult to track progress and measure impact. The Bank's monitoring mechanism and a framework of indicators that allows ongoing assessment of performance and end-period evaluation of the outcomes need strengthening at point of entry level. Under the Education projects M&E capacity of the Ministry of Education Science and Technology is being strengthened.

3.6.2 The Bank's weak M&E system is compounded by Government's own data capacity challenges. In all major review reports including the MGDS Annual Review, serious problems with access and availability of data within the government system are highlighted. The Ministry of Economic Planning and Development lacks capacity to coordinate data collection at sectoral and local government level and maintain an up-to-date information management system.

3.6.3 GoM and development partners are discussing ways of harmonizing all reviews with the government led MGDS Annual Review. This will require that output and outcome indicators for Bank projects are also aligned to the MGDS indicators. Development partners, have however expressed concern

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<sup>10</sup> Program or SWAp approaches are under-way or under preparation in the education sector through the National Education Sector Plan (NESP), agriculture sector through the Agriculture Development Program (ADP), water and sanitation sector through the National Water Development Program II, economic governance sector through the proposed PFM SWAp and the road transport sector through the Road Sector Program (RSP). The Group on Financial and Economic Management (GFEM) is currently responsible for monitoring implementation of the PFEM Action Plan. The Bank is also discussing with government and other stakeholders to consider establishing a donor group on private sector development. The sector has no donor coordination group to coordinate activities.

with quality of the MGDS indicators which may affect alignment. It is hoped that the final MGDS Annual Review Report will carry recommendations on how to improve the indicators.

#### **IV. LESSONS LEARNT AT MID-TERM**

##### **4.1 Lessons for the Bank**

**4.1.1 *Need to improve quality of the Bank interventions at entry and during implementation:*** - Poor implementation performance reflects inherent problems during project design, execution and monitoring. Project design should be informed by a detailed baseline analysis and Economic Sector Work (ESW), incorporating lessons learnt and an agreement on the indicators for assessing progress and measuring impact. Issues of project coordination and associated staff identification within Ministries and Departments should be addressed during appraisal.

**4.1.2 *Need to scale-up the size of each operation for impact:***- The Bank's interventions in Malawi have been thinly spread across many different sectors making visibility of results and assessment of impact difficult. The Bank needs to focus on few sectors with an increased average size of operation, by leveraging resources from other donor partners. This will contribute to the reduction in transaction costs for both Government and the Bank.

**4.1.3 *Need for the Bank to provide leadership in interventions that will promote sustainable economic growth.*** After achieving a stable macroeconomic environment, Malawi needs to focus on investing in sectors that will promote economic diversification and value addition including infrastructure and private sector development. Social sectors are and remain the major choice of intervention for the majority of development partners particularly bilaterals. The Bank should therefore limit new interventions in the social sector except for tertiary education.

##### **4.2 Lessons for Government**

**4.2.1 *Need for GoM to take advantage of the Bank's priority focus on regional infrastructure development and integration to address challenges of trade that arise due to landlocked nature, poor infrastructure and the small size of the economy.*** Malawi's economy relies heavily on her neighbors economies for regional trade and their infrastructure for import and export routes. However poor internal infrastructure and connectivity to ports of neighboring Mozambique and Tanzania limit the extent to which the country can exploit larger markets within the region and transport its goods at competitive rates. Government should double its efforts to work with neighboring countries and participate as a matter of priority in regional programs such as the Nacala Development Corridor.

**4.2.2 *Need for Government to urgently resolve issues of fiduciary risks and accountability challenges that arise from absence of the Audit General.*** To attract additional aid flows government will have to produce credible audit reports as evidence of value-for-money, and appoint an Auditor General.

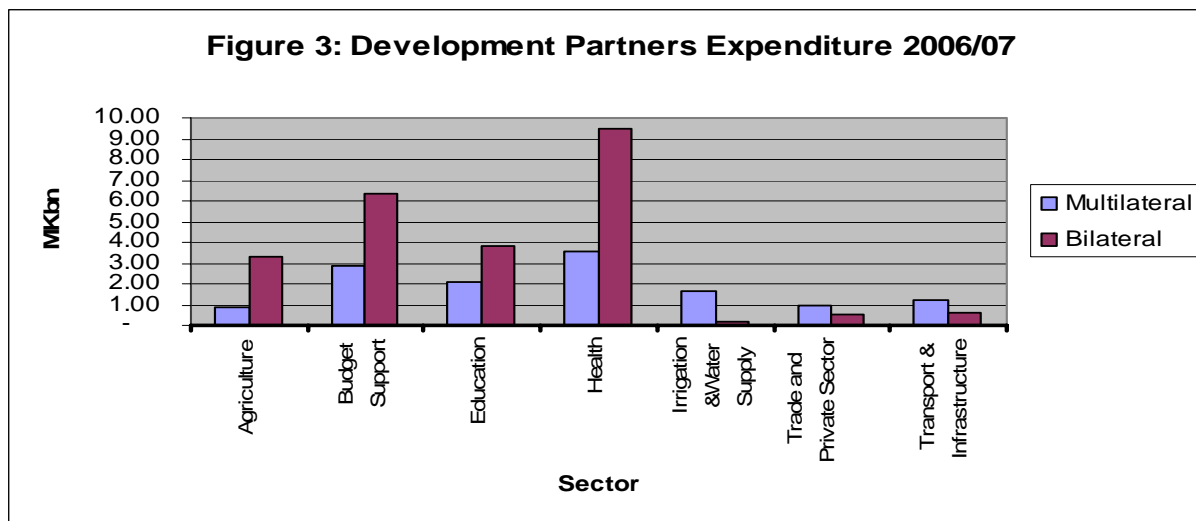
**4.2.3 *Need for government to strengthen Sector Coordinating Groups (SCGs) as an important element of the monitoring and evaluation system.*** SCGs will help enhance dialogue, coordinate implementation and provide an on-going assessment of progress on performance indicators.

**4.2.4 *Need for government to include as part of any program or SWAp arrangement, an institutional capacity building component that includes the development of an efficient management information system.*** Evidence from the health SWAp and other program-based arrangements show that while harmonization appears to reduce transaction costs, effective implementation requires that government provides strong leadership to better manage the scaled-up operation and coordinate the many development partners involved.

## V. BANK GROUP STRATEGY FOR THE REMAINING PERIOD

### 5.1 Strategy for 2008-2009

5.1.1 Going forward in the macro sector, GoM aims to sustain GDP growth rates of not less than 5 percent while reducing domestic debt, interest and inflation rates. The MGDS remains the key strategy up to 2011 and the Bank's 2005-2009 RBCSP is aligned and anchored to it. The RBCSP will therefore maintain the two pillars for the remaining period. Current on-going operations in health, education, and local government will continue up to end of project life. The Bank will focus more on transport, irrigation and water infrastructure, tertiary education, governance and private sector development to better respond to government's priorities. The rationale to focus on these areas is also strengthened by evidence that show that the social sectors already has substantial resource commitments from bilateral development partners such as DFID, Norway and EU. Expenditure by development partners in 2006/07 in Figure 3 shows that the social sectors received more donor support than agriculture, irrigation and water development, and transport infrastructure development. Bilateral development partners spent twice as much as multilaterals in the social sector versus the economic growth areas.



The following will therefore be the key interventions within the RBCSP pillars:

#### **Pillar I: Expanding Rural Infrastructure**

5.1.2 Under this pillar, interventions will focus more on (i) irrigation for food security and improved household incomes and export enhancement (ii) transport infrastructure for linking rural communities to markets, health centres, schools and other amenities (iii) water and sanitation infrastructure for provision of safe potable water and improved sanitation to within five hundred meters of communities dwelling.

5.1.3 ***Irrigation:*** Operations will include the on-going (i) Small Holder Irrigation Development Project (SHIP); (ii) the Horticulture and Marketing Development Project; (iii) Smallholder Crop Production and Marketing Project; and (iv) the Smallholder Sugarcane Out-Grower Project which is proposed for a phase II expansion under the ADP.

5.1.4 ***Transport:*** The Bank will use interventions in the transport sector to help Malawi improve its internal and regional connectivity and enhance her competitiveness. Proposed operations include (ii) The Regional Network: Nacala Corridor comprising the 7 km Lilongwe By-Pass and the 82 km Machinga-Liwonde-Nsipe Road including Liwonde Bridge and two one-stop border posts. In this regard, Malawi will work with its neighbours Mozambique and Zambia (i) The Internal Road Network comprising the rehabilitation of the 59 km Zomba-Blantyre Road and the 47 km Mzuzu to Nkhata Bay Road

5.1.5 **Water and Sanitation:** The Bank is considering GoM's request for an expanded Water and Sanitation Program building on positive lessons from the Integrated Water Supply and Sanitation Project which is closing in June 2008.

### **Pillar 2: Developing human capital and Institutional Capacity**

5.1.6 Interventions under this pillar will include (i) Private Sector Development (ii) Governance: Budget Support (iii) Support to Health SWAp (iv) Education IV and Education V

5.1.7 **Private Sector Development:** The MGDS recognises private sector development as an engine for growth. However evidence (figure 3) shows low development aid targeting private sector development in Malawi. Lack of adequate support is reflected in Malawi's poor showing in the 2008 World Doing Business Survey Report. The report shows that Malawi's performance has gone down from position 118 in 2007 to 127 in 2008. The Bank's support to the sector will include:

- (i) **Support for creating an enabling environment for private sector development:** The Bank support will include technical assistance to government to finalize the private sector development policy and review the Small and Medium Enterprise (SME) policy
- (ii) **Support to the Malawi Development Fund.** GoM with US\$20mn seed money is setting up a public-private equity fund to support private sector development. In response to GoM's request, the Bank is considering contributing at least US\$2 million and playing an advisory to the Fund. The focus will be on SME's to address the problem of the 'missing middle' in Malawi's private sector. I

5.1.8 **Governance:** The Bank will provide grant-financed budget support up to 2011 paying special attention to government's performance on PAF indicators related to business environment, auditing and public procurement systems.

5.1.9 **Health SWAp:** The poor maternal mortality rate in Malawi justifies continued participation by the Bank in the Health SWAp.

5.1.10 **Education:** Support to the education sector will continue through Education V. The Bank has agreed with GoM to provide support towards tertiary education to address the capacity and skills gap for the sustainable management of the economy that exists in Malawi.

5.1.11 **Local Economic Development:** This will be a multisectoral intervention that will support local area development by promoting value addition and capacity building for entrepreneurship development within the development corridor framework.

## **5.2 Non-Lending Activities**

In response to Government's request the Bank during 2008-2009 is considering supporting a number of non-lending activities in Malawi. These include (I) Hydro power feasibility studies in Nyika area (ii) Labour market study (iii) Feasibility studies under the Shire-Zambezi water way and (v) Feasibility studies and detailed engineering design of the Ntcheu-Tsangano-Neno-Mwanza Road.

## **5.3 Dialogue issues**

The presence of the MWFO will reinforce the dialogue on challenges identified during this review with regards to, the CPIA, the CPRR, the CABS and other reviews. The areas for dialogue will include: (i) MGDS implementation and development of an effective monitoring system (ii) Coordination with IMF, CABS Group and other donors on policies and reforms that will sustain high economic growth rates including reforms that will enhance private sector development and increase import cover (iii) Improvements in public finance management with a focus on audit and public procurement (iv)

Promotion of good governance within the CABS Framework (v) Building institutional capacity for implementing program based approaches (v) Social and sector policies focusing on improving maternal health, and other health services, education, food security, water and sanitation, gender environment and HIV/AIDS

#### **5.4 Risk Management and Mitigation Measures**

5.4.1 Results show that during 2005-2007, GoM effectively managed endogenous risks. Strong political will to reform attracted donor interest and increased foreign financing. Government managed to implement the MGDS in spite of capacity challenges. Exogenous factors were favourable: good rains in two successive seasons impacted positively on the economy although high oil prices continue having a negative impact on terms of trade, HIV/AIDS prevalence rate slowed down.

5.4.2 The major risks in the 2008-2010 period include: (i) Political Impasse- The on-going political impasse could delay the passage of the Budget and other bills. If prolonged the Budget impasse may impact on the economy and the 2009 General Elections (ii) The 2009 General elections may be a source of fiscal slippage if not well managed (iii) There could be a food crisis in 2008/2009 following low yields due to floods, escalating global food prices and dry spells and (iv) Continued increase in world oil prices. Except for oil prices all the risks are endogenous and would be mitigated with GoM's commitment to economic program targets and improved dialogue with the members of the Opposition. The food crisis could be averted with an early assessment of the food gap, a clear action plan on how to address it and a strict monitoring of food reserves in the country.

## **VI. CONCLUSION AND RECOMMENDATION**

### **6. Conclusion**

6.1.1 There has been sustained macro-economic progress resulting from commitment to reform by GoM and favorable donor support and weather conditions. Portfolio performance has improved marginally driven largely by a good score on Development Objectives. Results from this review show that the Bank's interventions have contributed positively to the RBCSP with positive progress observed in over 70 percent of the outcome indicators.

6.1.2 This review proposes that the 2005-2009 RBCSP and its pillars remain the same with more focus on transport, water and irrigation infrastructure, tertiary education, private sector development and budget support. It further proposes that the strategy be extended to 2010 to cover the ADF XI period and better alignment to the Country Assistance Strategies of other donors to pave way for the possibility of a Joint Assistance Strategy in 2010.

### **6.2 Recommendation**

The Boards of Directors are invited to take note and consider the increased focus on selected activities within Malawi's 2005-2009 RBCSP existing pillars to enhance the Bank's response to government priorities. The 2005-2009 RBCSP pillars for Malawi for the period 2008-2010 will remain unchanged with more focus placed on transport, water and irrigation infrastructure, private sector development, budget support and tertiary education.

**MALAWI: Macro-Economic Performance (2004-2009)**

Indicators	Unit	2004*	2005	2006	2007	2008	2009
		Act.	Act.	Act.	Estim.	Proj.	Proj.
<b>National income and Prices</b>							
• GDP at constant market prices	%	5.1	2.3	7.9	7.4	7.8	7.9
• Nominal GDP	Billions MK	207.2	338.0	430.3	497.1	555.4	622.0
• Nominal GDP Per Capita	US\$	150.9	222.0	241.1	264.3	289.5	313.7
• Inflation (end period)	%	13.7	16.6	10.1	7.5	6.5	6.2
<b>Central Government</b>							
• Revenue excluding grants	% GDP	23.2	18.5	17.5	19.1	18.5	18.7
• Expenditure and net lending	% GDP	44.0	31.3	31.6	35.3	30.8	33.8
• Overall balance excluding grants	% GDP	-20.8	12.8	-14.2	-16.1	-12.4	-15.1
• Overall balance	% GDP	-6.6	-1.2	-1.3	-2.8	0.0	-2.9
<b>Money and Credit (Change in percent of beginning of year M2)</b>							
• Money and Quasi money	%	29.8	14.3	17.4	22.5	12.2	12.5
• Net foreign assets	%	6.0	5.1	21.5	14.5	13.8	21.5
• Net Domestic Assets	%	23.8	9.2	-4.0	8.0	-1.6	-9.0
• Credit to government	%	10.3	2.1	-8.1	5.1	-8.2	-10.1
• Credit to the rest of the economy	%	11.3	5.6	21.8	5.7	5.4	4.4
<b>External Sector</b>							
• Exports	Million US\$	502	511.8	546.4	631.0	753.2	822.4
• Imports	Million US\$	-810	-1069.6	-1094.3	-1157.0	-1235.9	-1446.1
• Usable gross official reserves	Months of imports	1.1	1.2	1.1	1.6	2.0	2.6
• Current account excluding transfers	Million US\$	-27.3	-28.1	-24.8	-21.5	-19.0	-18.9
• Exchange Rate (End period)	MK/US\$		123.5	139.3	-	-	-
• Terms of trade	Million US\$	-6.5	-10.2	-1.2	-4.4	0.7	0.7
<b>Debt and Stock and Service</b>							
• External debt	% GDP	155	104.0	35.8	22.6	22.6	23.7
• NPV of debt	%GDP	257.7	360.0	31.9	39.0	41.8	44.5
• External debt service	% of exports	21.6	21.9	27.1	2.7	2.2	2.0
• Net domestic debt	% GDP	22.6	15.9	12.6	12.5	9.1	7.5
• Domestic interest payment	% GDP	8.4	4.6	3.7	2.5	2.2	1.5

Source: GoM Annual Economic Report, (2007) IMF Country Report (2008)\* Based on old GDP series

## ANNEX II

**The Paris Declaration and Portfolio Performance**

Paris Declaration Indicators	Unit	Baseline 2004/05	Progress 2006/07
ODA disbursed at country-level	\$m	18	24.8
ODA for the government sector	\$m	18	24.8
Technical cooperation disbursed	\$m	0	3.2
Coordinated technical cooperation	\$m	0	0.6
Use of national budget execution procedures	\$m	0	0
Use of national financial reporting procedures	\$m	0	0
Use of national auditing procedures	\$m	0	24.8
Use of national procurement systems	\$m	0	0
Parallel project implementation units	#	11	9
Total ODA was scheduled for disbursement	\$m	14	29.1
Other forms of assistance provided in support of PBAs	\$m	0	0.6
Number of missions	#	30	23
Coordinated missions	#	10 *	1
Country analytic works	#	2	2
Coordinated analytic works	#	2	1

Source: Survey on the progress of the Paris Declaration, March 2008, OECD-DAC, Paris.

\* The number is probably too high and is subject to verification

Note: Indicators 1,2,8,11, and 12 will be assessed by the Joint Venture on Harmonization and Alignment, OECD-DAC, during 2008 leading up the HLF-3 in Accra, Ghana.

**Summary Status of On-Going Projects**

<b>Project</b>	<b>Date Approved</b>	<b>Loan/Grant Amount (Million)</b>	<b>Amount Disbursed (Million)</b>	<b>% Disbursed</b>	<b>Status/Outstanding Issues/Actions Taken and to be Taken</b>
Macademia Smallholder Development Project	15/07/1998	Loan 6.850 <u>Grant 0.000</u> <b>Total 6.850</b>	3.871	57	The physical implementation rate of the project is ahead of the disbursement rate, which indicates an overestimation of budget costs at entry. In terms of project sustainability, Government is looking into the possibility of retaining some project staff upon closure of the project.
Smallholder Irrigation Project	26/11/1998	Loan 5.020 <u>Grant 0.000</u> <b>Total 5.020</b>	2.909	58	The project implementation rate is estimated to be approx. 60%. Whilst project implementation has been hampered by disbursements and procurement delays, proactive fiduciary assistance from the Country Office is expected to increase the speed of implementation
Horticulture & Foods Crop Development Project	15/12/1998	Loan 6.650 <u>Grant 0.840</u> <b>Total 7.490</b>	4.586	61	The project has to date only achieved few of its intended outcomes, with slow progress in the construction of irrigation schemes and market structures, failure to utilize the micro-credit facility and lack of government commitment to the project. The upcoming PCR needs to be candid and upfront about lessons learned for future smallholder-type operations in Malawi.
Smallholder Outgrowers Sugarcane Production Project	15/12/1999	Loan 8.930 <u>Grant 0.000</u> <b>Total 8.930</b>	5.315	60	The project has achieved good results in terms of increased yields and income levels for farmers. Project implementation has, though, been slow partly due to legal challenges about the acquisition of land.
Support to Secondary Education Phase IV	21/11/2001	Loan 15.0 <u>Grant 0.0</u> <b>Total 15.0</b>	11.597	77	The project shows mixed results, with satisfactory overall secondary completion rates but with a lower-than-expected completion rate for girls, and an inability to train a sufficient number of teachers. Lately, the physical implementation of the project has improved, and the project is near completion.
Integrated Rural Water Supply & Sanitation	05/12/2001	Loan 8.490 <u>Grant 1.100</u> <b>Total 9.590</b>	6.438	67	Physical implementation has gathered steam in the last 12 months and is in its final phase. Implementation is well ahead of the disbursement rate, which indicates an overestimation of budget costs at appraisal. A successor project is planned as part of an upcoming sector SWAp arrangement.
Skills & Income Generation Project	06/01/2002	Loan 9.590 <u>Grant 0.000</u> <b>Total 9.590</b>	5.969	62	The project has to date only achieved few of its intended outcomes, with disappointing completion numbers in the various training components. Mixed results are also found in the micro-finance component which - five years into the

					project life - is still dormant with no lending to beneficiaries in place. However, strong savings mobilization efforts have mitigated the lack of micro-finance. M&E continues to be weak and cursory.
Lake Malawi Artisanal Fisheries Development Project	29/01/2003	Loan 6.930 <u>Grant 0.840</u> <b>Total 7.770</b>	3.450	44	The project would benefit from restructuring, as key project assumptions at appraisal were not realized during implementation. Large backlogs can be found in the in the establishment of fisheries units and landing sites. Micro-finance, yet again, continues to be of concern with low repayment rates. It is doubtful if the project can achieve it stated objective of effectively enhancing the utilization of fisheries resources in Malawi.
Support to Health Sector Program SWAp	24/11/2005	Loan 0.0 <u>Grant 15.0</u> <b>Total 15.0</b>	0.743	5	This is the first program based approach of the Bank in Malawi. However, the Bank is not yet an effective partner due to its ring-fencing policy and lack of effective government coordination and knowledge about ADB disbursement and procurement procedures. Disbursements are expected to improve with Country Office sectoral staff and fiduciary staff now in place to follow the dialogue more closely.
Support to Secondary Education Phase V	07/06/2006	Loan 0.0 <u>Grant 15.0</u> <b>Total 15.0</b>	0.250	2	The project has been effective for one year, but physical implementation is low, in spite of smooth transition of the PIU team. The project is still in its set-up phase, and the task team and the PIU are aware of the necessary attention that needs to be given to M&E for more results-orientation.
Smallholder Crop Production & Marketing Project	07/07/ 2006	Loan 0.0 <u>Grant 15.0</u> <b>Total 15.0</b>	0.147	1	The PIU has only recently been recruited and is in the process to commence the physical implementation of the project. The team has available M&E capacities to support the team in reporting on results. Given that the project has been effective for one year without any significant physical implementation, the project needs to receive proactive and effective guidance by the Bank agricultural team.
Poverty Reduction Support Loan	11/04/2007	Loan 14.890 <u>Grant 0.000</u> <b>Total 14.890</b>	0	0	The condition for disbursement (“Government passing Annual Budget”) has been met, but the project has not yet been ratified due to Parliamentary crisis in Malawi. The political stalemate surrounding Parliamentary loan approvals necessitates, that the Bank considers the next PRSL operation as a grant operation.

## Portfolio Performance

Performance Indicators		Evolution		Internal Comparison		External Comparison	
		2006	2008	Mala wi	Bank (ADF)	Mala wi	WB Mal awi
Implementation & Impact	Age (years)	3.2	6.1	6.1	4.3	6.1	2.7
	Cumulative Disbursement Rate (%)	30.9	45.0	45.0	18.0	45.0	43.0
	Average Project Size (UA m)	9.1	10.9	10.9	14.6	10.9	22.0
	Project's Overall Evaluation (Scale 0-3)	2.0	2.2	2.2	N/A	2.2	N/A
	Projects-At-Risk (%)	35.7	60.0	60.0	47.0	60.0	18.0
	Problem Projects (%)	14.2	0.0	0.0	11.0	0.0	0.0
	Ageing Projects (%)	0.0	44.0	44.0	17.0	44.0	0.0
	From Approval to Effectiveness (months)	10.0	14.0	14.0	17.0	14.0	N/A
	Investment Operations <UA 10m (% of total # of projects)	21.0	42.0	42.0	21.0	42.0	90.0
	Supervision Rate (avg # of missions per proj. per year)	0.8	1.6	1.6	N/A	1.6	N/A
Commitments-At-Risk (%)	36.5	39.2	39.2	<25	39.2	24.0	
Harmonization & Alignment	Coordinated Technical Cooperation (%)	0	19	19	38	19	100
	Use of Gov. Audit Systems (% of disbursements)	0	100	100	33	100	39
	Use of Gov. Other PFM Systems (% of disbursements)	0	0	0	33	0	26
	Use of Gov. Procurement Systems (% of Disbursements)	0	0	0	43	0	81
	Parallel PIUs (#)	11	9	9	N/A	9	3
	Predictability of Aid (%)	56	85	85	56	85	63
	Use of Program-based Approaches (#)	0	1	1	N/A	1	4
	Coordinated missions (%)	30	4	4	19	4	44
	Coordinated analytical works (%)	100	50	50	55	50	100

Source: AfDB MWFO (2008)

**PROGRESS IN MDGs INDICATORS**

MDG Indicator	Baseline Value (Year)	2006/07	Progress
<b>GOAL 1: Eradicate Extreme Poverty and Hunger</b>			
1. Prevalence of underweight children under 5 years of age	28 % (1992)	19%	9% Improved
2. Proportion of the population below minimum level of dietary energy consumption	23.6 % (2000)	17%	6.6.% Improved
<b>GOAL 2: Achieve Universal Primary Education</b>			
1. Net enrollment ratio in primary education	58% (1992)	73%	15% Improved
2. Completion rate	64% (1992)	75%	11% Improved
3. Literacy 15-24 year olds	82% (2000)	88%	7% Improved
<b>GOAL 3: Promote Gender Equality and Empowerment of Women</b>			
1. Ratio of girls to boys in <ul style="list-style-type: none"> <li>• Primary (P)</li> <li>• Secondary (S)</li> <li>• Tertiary (T)</li> </ul>	P- 84% (1990) S-29% (1990)	103% (2005) 83% (2005)	19% Improved 54% Improved
2. Ratio of literate women to men, 15-24 years old	82%(2000)	88%	7% Improved
3. Share of women in wage employment in the non agriculture sector	13.1%(2000)	15%	1.9% Improved
4. Proportion of seats held by women in national parliament	5.6%(1994)	13.7% (2007)	8.4% Improved
<b>GOAL 4: Reduce Child Mortality</b>			
Under- five mortality rate	234(1992)	118(2006)	50% Improved
<b>GOAL 5: Improve maternal Health</b>			
Maternal Mortality Rate (MMR)	620(1992)	984	59% Worse
<b>GOAL 6: Combat HIV/AIDS, Malaria and other diseases</b>			
1. HIV/AIDS prevalence among 15-24 year old pregnant women	17.4%(1994)	15.3%(2005)	2.1% Improved
2. Condom Use			
3. Death Rate	10%(1990)	16%(2005)	6% Worse
4. % Children sleeping under insecticide-treated bed nets			
5. Proportion of cases detected & cured under DOTS program	66%(1990)	75%(2005)	11% Improved
<b>GOAL 7: Ensure Environmental Sustainability</b>			
1. Forest cover	44.3% (1990)	33.3% (2005)	11% Worse
2. Biological diversity			
3. Energy use (Solid Fuel)	97.9%(2000)	97%(2005)	0.9% Improved
4. Carbon dioxide emissions (per capita MT)	0.07 (1995)	0.06 (2005)	
5. Proportion of population with access to improved water source	40% (1990)	74% (2006)	34% Improved
<b>GOAL 8: Develop a Global Partnership for Development</b>			
Youth employment (unemployment rate)	1%(1998)	9%(2005)	8% Improved
Access to new technologies (cell phones, personal computers and internet)	Cell Phone per 100 people 0.04 (1996)	3.16 (2006)	1.7% Improved
	Internet per 100 people 0.02 (1998)	0.044 (2006)	0.02% Improve
	Personal computers per 100 people 0.07 (1998)	0.18 (2006)	

Source: Malawi Government (2007): MGDS annual Review, AfDB ESTA (April, 2008)

## RBCSP RESULTS MATRIX 2008-10

PILLAR I: EXPANDING RURAL INFRASTRUCTURE			
RBCSP Outcomes	MGDS Alignment	RBCSP Results	Bank Intervention
<u><b>Irrigation</b></u> <ul style="list-style-type: none"> <li>SH GDP growth rate increased</li> <li>Quantity of SH maize output increased</li> </ul>	<u><b>Priority Focus Area</b></u> <ul style="list-style-type: none"> <li>Irrigation and Water Development</li> </ul> <u><b>Theme</b></u> <ul style="list-style-type: none"> <li>Infrastructure Development</li> </ul>	<ul style="list-style-type: none"> <li>1000 more Ha of functional irrigation systems in project sites by 2009</li> <li>Maize productivity under irrigation at 3 tons/ha or more by 2009</li> <li>Sugarcane productivity under irrigation at 130 tons /ha or more by 2009</li> </ul>	<ul style="list-style-type: none"> <li>Smallholder Irrigation Project</li> <li>Horticulture and Food Crops Development Project</li> <li>Smallholder Crop Production and Marketing Project</li> <li>Proposed ADP</li> </ul>
<u><b>Transport</b></u> <ul style="list-style-type: none"> <li>Improving internal road networks: Start of project to rehabilitate over 100km</li> <li>Improving Malawi's Regional Connectivity: Start of project to facilitate Malawi's access to Zambia and Mozambique</li> </ul>	<u><b>Priority Focus Area</b></u> <ul style="list-style-type: none"> <li>Transport Infrastructure Development</li> </ul> <u><b>Thematic Area</b></u> <ul style="list-style-type: none"> <li>Infrastructure Development</li> </ul>	<ul style="list-style-type: none"> <li>Improving internal road networks: Start of project to rehabilitate over 100km</li> <li>Improving Malawi's Regional Connectivity: Start of project to facilitate Malawi's access to Zambia and Mozambique</li> </ul>	Proposed <ul style="list-style-type: none"> <li>Blantyre Zomba Road (59km) rehabilitation</li> <li>Mzuzu-Nkhata Bay Road (47km) [Part of Mtwara Development Corridor] rehabilitation</li> <li>Constructing Lilongwe By-Pass (7km)</li> <li>Border posts between Malawi-Zambia and Malawi-Mozambique</li> </ul>
<u><b>Water and Sanitation</b></u> <ul style="list-style-type: none"> <li>Increased access to safe potable water</li> <li>Increased access to improved sanitation</li> </ul>	<u><b>Priority Focus Area</b></u> <ul style="list-style-type: none"> <li>Irrigation and Water Development</li> </ul> <u><b>Thematic Area</b></u> <ul style="list-style-type: none"> <li>Infrastructure Development</li> </ul>	<ul style="list-style-type: none"> <li>Access to safe water increases (40 and 57 %in Mzimba and Ntchisi respectively</li> <li>Access to improved sanitation</li> </ul>	<ul style="list-style-type: none"> <li>Integrated Rural Water Supply for Ntchisi and Mzimba Districts</li> <li>National Water Development Program: Proposed <i>Rural Water Supply and Sanitation component</i></li> </ul>
PILLAR II : BUILDING HUMAN CAPITAL AND INSTITUIONAL CAPACITY			
RBCSP Outcomes	MGDS Alignment	RBCSP Results	Bank Intervention
<u><b>Education</b></u> <ul style="list-style-type: none"> <li>Secondary pupils per qualified teacher ratio</li> <li>Secondary school net enrollment ratio</li> <li>Secondary school class-room ratio</li> <li>Tertiary enrollment increases</li> </ul>	<u><b>Thematic Area</b></u> Social Development  <u><b>Sub-Theme</b></u> Education	<ul style="list-style-type: none"> <li>80 classrooms built between 2008- 2009</li> <li>300 teachers in project schools trained</li> </ul>	<ul style="list-style-type: none"> <li>Education V: Support to Community Day Secondary School</li> <li>Proposed : Support to Tertiary education sector</li> </ul>
<u><b>Health</b></u> <ul style="list-style-type: none"> <li>Number of deliveries attended to by skilled health workers increased</li> <li>Maternal mortality rate reduced from</li> <li>Health facilities providing EHS increased</li> </ul>	<u><b>Thematic Area</b></u> Social Development  <u><b>Sub-Theme</b></u> Health	<ul style="list-style-type: none"> <li>Health facilities offering BEMOC increased from 36% in 2008</li> <li>Health personnel trained in BEMOC increased</li> </ul>	<ul style="list-style-type: none"> <li>Support to the Heath SWAp</li> </ul>
<u><b>Governance</b></u> <ul style="list-style-type: none"> <li>PRGF agreed and on track</li> <li>Pro-poor expenditure increases</li> </ul>	<u><b>Thematic Area</b></u> Improved Governance  <u><b>Sub-Theme</b></u> Macroeconomic growth, Fiscal and Public	<ul style="list-style-type: none"> <li>CABS Group budget support increases</li> <li>PFEM Action Plan on track</li> </ul>	<ul style="list-style-type: none"> <li>Poverty Reduction Support Loan</li> <li>Poverty Reduction Support Grant</li> </ul>

	Sector Management, Strong justice system and rule of law and anti-corruption		
<p><b><u>Private Sector Development</u></b></p> <ul style="list-style-type: none"> <li>Malawi's rank on Doing Business Survey improves from 128 in 2008</li> </ul>	<p><b><u>Thematic Area</u></b> Sustainable Economic Growth</p> <p><b><u>Sub-Theme</u></b> Enabling Environment for Private Sector development</p>	<ul style="list-style-type: none"> <li>Establishment of a donor coordination group on private sector development</li> <li>Private sector development policy and strategy finalized</li> <li>Establishment of the Malawi Development Fund</li> </ul>	<p>Proposed:</p> <ul style="list-style-type: none"> <li>Contribution to the Malawi Development Fund a Public Private Equity Fund for private sector development</li> <li>Lead donor in a coordination group for private sector development</li> <li>Local Economic Development Project</li> </ul>
<b>PILLAR I AND II</b>			
<b>RBCSP Outcomes</b>	<b>MGDS Alignment</b>	<b>RBCSP Results</b>	<b>Bank Intervention</b>
<ul style="list-style-type: none"> <li>Increased private sector investment as a proportion of GDP from 1.5% in 2007</li> </ul>	<p><b><u>Priority Focus Area</u></b> Integrated Rural Development</p> <p><b><u>Thematic Area</u></b> All themes</p>	<ul style="list-style-type: none"> <li>Establishment of business clusters</li> <li>Establishment of business development centers</li> </ul>	Proposed Local Economic Development Project

**ANNEX VII  
AID MAP OF DEVELOPMENT PARTNERS EXPENDITURE FOR 2006/07 BY FUNCTIONAL SECTOR (MK'000s)**

<b>Sector</b>	<b>Agriculture</b>	<b>Budget Support</b>	<b>Conservation and Tourism and Culture</b>	<b>Disaster Management</b>	<b>Education</b>	<b>Gender Social Protection</b>	<b>Governance</b>	<b>Health</b>	<b>HIV/AIDS</b>	<b>Humanitarian</b>	<b>Irrigation and Water Supply</b>	<b>Local/Rural Development</b>	<b>Poverty Reduction</b>	<b>Trade and Private Sector Development</b>	<b>Transport and Infrastructure</b>	<b>Other</b>
<b>Donor</b>																
<b>AfDB</b>	752,630	-	-	-	1,080,924	-	-	988,984	-	-	624,445	-	531,015	-	-	-
<b>CIDA</b>	-	-	-	-	735,641	79,482	265,776	-	725,819	-	39,104	17,159	-	-	-	-
<b>DfID</b>	1,138,151	5,221,859	1,204	29,519	1,151,243	-	2,186,411	4,266,672	365,228	1,386,989	-	-	-	32,229	17,205	573,445
<b>EU</b>	92,401	2,860,820	310,068	-	10,598	-	1,402,416	549,442	-	434,384	-	-	2,182,364	75,359	441,423	147,811
<b>GTZ</b>	-	-	-	210,374	286,535	947	484,314	226,613	-	-	-	-	-	-	-	-
<b>JICA</b>	27,586	-	9,078	-	84,295	-	-	344,866	234,981	793,083	80,501	-	-	327,415	563,260	-
<b>KfW</b>	-	-	-	481,850	-	-	137,547	114,233	-	54,461	140,023	-	-	-	-	-
<b>Norway</b>	1,483,180	1,096,830	98,034	-	616,483	233,076	721,587	3,319,728	639,024	-	-	12,423	-	10,186	-	406,032
<b>UN System</b>	49,757	-	81,061	1,979	351,689	354,551	541,665	1,183,509	110,230	3,867,218	309,011	-	348,367	12,760	61,266	67,913
<b>FAO</b>	49,180	-	-	-	-	-	10,666	6,226	54,772	-	10,038	-	162,445	-	-	-
<b>UNDP</b>	577	-	81,061	1,979	-	-	452,102	-	42,904	-	-	-	185,922	12,760	61,266	19,520
<b>UNICEF</b>	-	-	-	-	351,689	354,551	78,898	1,116,663	-	-	298,973	-	-	-	-	48,393
<b>WFP</b>	-	-	-	-	-	-	-	-	-	3,867,218	-	-	-	-	-	-
<b>WHO</b>	-	-	-	-	-	-	-	60,620	3,554	-	-	-	-	-	-	-
<b>USAID</b>	691,835	-	5,908	1,921	484,528	-	879,073	1,148,218	1,684,760	-	-	-	13,728	142,469	-	-
<b>World Bank</b>	-	-	-	-	680,894	-	725,075	840,546	1,112,756	-	742,634	596,726	-	872,361	683,257	-
<b>TOTAL</b>	<b>4,235,541</b>	<b>9,179,509</b>	<b>505,353</b>	<b>243,793</b>	<b>5,964,679</b>	<b>668,056</b>	<b>7,206,315</b>	<b>13,006,123</b>	<b>4,743,049</b>	<b>5,923,572</b>	<b>2,562,739</b>	<b>846,833</b>	<b>3,075,474</b>	<b>1,145,364</b>	<b>1,530,566</b>	<b>1,758,460</b>

Source: Malawi Government (2007): Annual Debt and Aid Report (July 2006-June 2007)