

Country strategy paper

Development cooperation between Malawi and Flanders

2009-2013

Table of contents CSP Malawi – Flanders 2009-2013

I. General context

1. Country analysis

- 1.1 Political and institutional situation
- 1.2 Economic and commercial situation
- 1.3 Social situation, including decent work and employment
- 1.4 Environmental situation
- 1.5 The country in the international context

2. Development context

- 2.1 Malawi Growth and Development Strategy (2006-2010)
- 2.2 Malawi Development Assistance Strategy (2006 – 2011)
- 2.3 ODA, aid effectiveness and the role of donors

3. Analysis of the viability of current policies and the medium-term challenges

4. Flemish development cooperation

- 4.1 Flemish development policy
- 4.2 Flemish development cooperation in Malawi
- 4.3 Memorandum of Understanding
- 4.4 Lessons learned

II. Indicative programme of cooperation 2009-2013

1. Overall framework

2. Principles of cooperation between Malawi and Flanders

3. Objectives and cross-cutting themes

- 3.1 General objective
- 3.2 Specific objectives
- 3.3 Cross-cutting issues

4. Programme of activities

- 4.1 Support to the agricultural sector and food security
- 4.2 Support to health sector

5. Ways of working

- 5.1 Policy dialogue and review of the strategy paper
- 5.2 Cooperation at different governance levels with a mix of aid modalities
- 5.3 Partners

6. Quality assurance

- 6.1 Identification and formulation of programmes
- 6.2 Programme implementation

- 6.3 Financing mechanisms/funding
- 6.4 Monitoring
- 6.5 Financial audits
- 6.6 Evaluation

7. Risk response

List of abbreviations

| | |
|--------|--|
| ADP | Agricultural Development Programme |
| APF | Agricultural Policy Framework |
| CAAPD | Comprehensive African Agricultural Development Programme |
| CHAM | Christian Health Association of Malawi |
| COMESA | Common Market for Eastern and Southern Africa |
| DFID | UK Department for International Development |
| EHP | Essential Health Care Package |
| EU | European Union |
| EPA | Economic Partnership Agreement |
| FAO | Food and Agricultural Organisation |
| FICA | Flemish International Cooperation Agency |
| GoM | Government of Malawi |
| GTZ | Deutsche gesellschaft für Technische Zusammenarbeit |
| ICEIDA | Iceland International Development Agency |
| IFIMS | Integrated Financial Management Information System |
| IMF | International Monetary Fund |
| JICA | Japan International Cooperation Agency |
| MDG | Millennium Development Goal |
| MGDS | Malawi Growth and Development Strategy |
| MoH | Ministry of Health |
| MoAFS | Ministry of Agriculture and Food Security |
| MTR | Mid-Term Review |
| NEPAD | New Economic Partnership for Africa's Development |
| NSA | Non State Actors |
| PFM | Public Finance Management |
| PRGF | Poverty Reduction Growth Facility |
| SADC | Southern Africa Development Community |
| SMP | Staff Monitoring Programme (IMF) |
| UN | United Nations |
| UNAIDS | United Nations AIDS programme |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children Fund |
| USAID | US Agency for International Development |
| WHO | World Health Organisation |

1. Context analysis

1.1 Political and institutional context

Multi-party democracy was established in Malawi in 1994. The last Presidential and Parliamentary general elections, held in May 2004, elected Dr. Bingu wa Mutharika as Malawi's second democratically elected State President.

Malawi is a young democracy and the Constitution provides for separation of powers between the executive, legislative and judiciary. Parliament has powers to approve the national budget, oversee key public appointments and government expenditure as well as pass laws.

The Government of Malawi views good governance as a pre-requisite for growth and poverty reduction and, indeed, good governance is one of the pillars of the Malawi Growth and Development Strategy. The promotion of the rule of law is seen not only as an instrument for regulating human conduct but also as an instrument for economic growth and development. Following his election, the State President launched a vigorous and much needed anti-corruption campaign. The anti-corruption campaign has continued under the authority of the Anti Corruption Bureau with some positive results and more to come.

Human rights in Malawi are guaranteed by the Constitution. Institutions such as the Human Rights Commission, the Ombudsman, the Anti Corruption Bureau, NGOs and media contribute substantially to the publicizing and prosecution of human rights violation. There are no acute human rights issues in Malawi and the law provides for equal rights for all.

Parliament with a bold move has recently passed a law that does specifically prohibit domestic violence. Another positive development has been the recent increase of the number of women in Parliament and in senior positions in Government.

The Gender Development Index of 0,432 (Human Development Report 2007/2008) has slightly improved but indicates still the existence of large disparities between men and women in Malawi, in the social, economic and political spheres.

Fundamental freedoms are provided by the law and generally respected in Malawi. There is no limitation to movement of people, no limitations to religious freedom, to freedom of expression or freedom of assembly and association. People have been free to express their views without fear of reprisal. Although taken for granted, these are fundamental rights that Malawians have enjoyed for only twelve years. While standards of journalism are low, freedom of information remains within acceptable parameters with a growing number of media (press, radio, TV) providing different views and opinions.

In terms of security, Malawi remains a generally peaceful country. Civil unrest is rare and demonstrations are usually peaceful. Neither is there any sign of conflict between the main ethnic groups. Malawi is not involved in external conflicts. In relation to regional security, Malawi has contributed within its means to peacekeeping missions of SADC, AU and UN. Malawi is committed to fight terrorism.

Malawi acceded to the African Peer Review Mechanism (APRM) in July 2004. The Government of Malawi has commendably agreed to undergo the African Peer Review Mechanism (APRM), which is about to start.

A Constitutional review process co-ordinated by the Malawi Law Commission is ongoing. Malawi's political and social landscape since multiparty democracy in 1994 has been characterised by diversification and growth of Non-State Actor (NSA) activities especially in the areas of advocacy and service delivery (particularly in health, education and food security). Civil society organisations played a significant role in the delivery of civic education prior to and after the 2004 elections. NSAs have also been involved in the preparation of the Malawi Growth and Development Strategy (MGDS).

1.2 Economic and commercial situation

Economic situation, structure and performance

Agriculture is the backbone of Malawi's economy, accounting for approx. 36% of GDP. The agriculture sector is made of smallholder and large scale sub-sectors. Over the recent years agriculture sector has been characterized by low and stagnant yields, particularly in maize production due to over-dependence on rain-fed farming and low level of irrigation development, declining soil fertility, high-cost of inputs and overall low-technology agricultural practices. Low profitability of smallholder agriculture has been influenced by weak links to markets and limited access to land and credit. In terms of sectoral contribution to GDP, the agriculture sector is followed by distribution, manufacturing, transport and communications and financial and professional services.

Malawi's exports are principally tobacco, sugar and tea. These three products account for more than 80% of merchandise exports. Diversification of the export base is critical for the exploitation of opportunities of global trade and consequently, for economic growth.

In the past ten years, the growth rate remained substantially below the level required (around 6%) to have a significant impact on the reduction of poverty in the country and showed quite an erratic trend with a maximum of 5% in 1997 and a minimum of – 4.1% in 2001. The average annual rate of growth in the last five years was 2.5%. However, the economy started to pick up and real GDP rebounded to 8.2% in 2006. During the year 2007 real GDP was registered at 7.9 % and it is projected to reach 7.4% in 2008.

These data demonstrate: a) the urgent need for a solid growth oriented strategy if poverty has to be tackled in a meaningful way; b) the fact that the economy of Malawi is highly vulnerable to weather conditions and that mitigating measures have to be taken as a matter of priority.

In the MGDS framework, the introduction and expansion of irrigation schemes, based on appropriate technologies, is strongly advocated by Government. In 2005 the harvest of Malawi's food staple was badly affected due to a prolonged dry spell during the growing season in early 2005, which negatively affected the agriculture sector. This caused a serious food crisis possibly the worst in decades. This was addressed in a much more effective and efficient manner than previous food crisis due to the prompt GOM reaction and strong response of the donor community. In 2007 Malawi experienced one of the best harvests in terms of maize (400,000 tons estimated surplus) and other produces as well (cassava, potatoes, pulses, etc).

The average annual inflation fluctuated between a minimum of 10.1% in 2003/04 and a maximum of 27.2% in 2001. The annual average inflation rate is primarily influenced by the food consumer price that constitutes 55.5% of the CPI. The non-food consumer price is largely influenced by fuel prices that have recently been on the increase. In 2005 the annual average inflation increased from 11.4% to 15.5% largely due to increased maize prices following the poor harvest and the sharp increase in the world fuel prices. The experience of

2005 re-confirms that food insecurity influences high inflation levels in the country, with its negative effects in terms of real economy and in terms of fiscal performances for the country, which has a domestic debt to serve. During the second quarter of 2007, inflation averaged 8.0 percent compared to 9.1 percent recorded in the first quarter of 2007. By December 2007 inflation averaged 8%.

Malawi suffers from a structural negative current account balance linked to its trade deficit and the inflow from exports, which is highly cyclical and concentrated in the period of tobacco sales. The foreign reserve position is, therefore, highly dependent on the level of budget support from the donor community. Under these circumstances the flexibility of the exchange rate, advocated by the IMF and development partners, is important.

In the first half of 2006 the Malawi Kwacha depreciated by 22% against the Euro and by 12% against the USD.

Malawi has achieved the HIPC completion point at the end of August 2006. This has enabled Malawi to qualify for further debt relief from the World Bank and International Monetary Fund under the Multilateral Debt Relief Initiative. This will reduce pressure from foreign debt repayment and release resources for poverty reduction and economic development related activities. Additional savings on interest are now being used for productive public sector investment, in order to give a boost to the investment climate.

The macro economic environment has stabilised which has led to an emerging economic recovery: inflation and interest rates have been coming down and there has been improved availability of foreign exchange, increased domestic and international trade, increased domestic and foreign investment, resulting in higher rates of economic activity and growth.

Malawi is a landlocked country with nearly all goods being transported via the road network and limited use of the railways. Transport costs are reportedly much higher than neighbouring countries and Malawi's export performance constrained by the high cost of trade, of which transport costs account for an average of 56%. The Shire-Zambezi Waterway is to mitigate this.

Structure and management of public finances

The new government (since mid 2004) has shown a strong commitment to improve fiscal performance, bring government expenditure under control and achieve macro-economic stability. The most important achievement was stopping the fiscal latitude of the past, which has left the country with a high domestic debt burden. In the fiscal year 2004/05, for the first time in more than ten years, the Government managed to stay within the budget approved by Parliament.

Since 2004/05, the country has developed its budget within the framework agreed with IMF Staff Monitoring Programme (SMP) in 2004/05 and Poverty Reduction Growth Facility (PRGF) since August 2005. The successful completion of the SMP and the satisfactory performance under PRGF, re-confirmed by the IMF Board on 30 August 2006, helped to unlock the flow of aid from donors, including DFID, Norway, Sweden, WB and the European Commission. The present fiscal policy aims at reducing the weight of government's domestic debt, while allowing for increases in pro-poor (health and education) and pro-growth (infrastructure; agriculture) expenditure.

In the fiscal year 2005/06, government was under pressure to control expenditure whilst faced with pressing need to respond to the food security crisis by importing maize and fertilizer. However it is now expected that the pro-poor policy will be pursued with an even

higher commitment and vigor in the current fiscal year and the following ones. In the FY2006/07, the PRGF has programmed the Net Domestic Debt/GDP ratio at 16.5% down from 20.0% in FY2005/06 and 23.8% and 24.8% in FY 2004/05 and 2003/04 respectively. The PRGF has further set targets of 12.8% and 8.6% for FY2007/08 and FY2008/09, respectively.

Assessment of the reform process

The **Public Finance Management (PFM)** system in Malawi, although based on a sound legal framework, was prior to mid-2004 typified by non-compliance with rules and regulations, lack of enforcement of sanctions and political interference in processes and procedures. The new Government administration has strong political commitment to reverse the trend, as evidenced by the successful completion of the SMP and the progress made under the PRGF. Efforts are being made to translate the achievements into sustainable systems with, in particular, appropriate internal and external checks and balances in the management of funds. The computerization of the Credit Ceiling Authority, review of the Chart of Accounts, verification of the size of domestic arrears and the issue of new Treasury instructions (related to no further build up of arrears, closure and reduction of accounts, establishment of internal procurement committees in all ministries and parastatals), the setting up of a Secretariat for the implementation of the Malawi Financial Accountability Action Plan, the introduction of a new Integrated Financial Management Information System (IFIMS), are definitely positive moves. Within this framework the Government has pursued with vigor the anti-corruption campaign.

Moreover the Government has developed a new action plan on public finance management, approved at the end of October 2006. The plan focuses on priority measures, i.e: a) Planning (systems and models for national and sector planning; coordination of planning processes); b) Resourcing the national development strategies (effective revenue mobilization; strategic approach towards resource allocation); c) Budgeting for the MGDS (efficiency of budget preparation; accounting and financial procedures); d) Monitoring systems for management decision taking (strengthen internal controls and accounts reconciliations; baseline parameters and data sourcing); e) Reliable reporting system (reporting for accountability and control); f) Directing improved proficiency in Public Finance and Economic Management (steering the PFM process; managing the MGDS). These measures will address the main weaknesses and indicate activities to be implemented with a clear timetable to be jointly monitored. This plan, will guide GoM and all donors in their support in this very strategic area.

In August 2006 Parliament passed a Money Laundering and Terrorism Financing Act. The Reserve Bank has also issued directives and guidelines to commercial banks in line with recommendations on money laundering and terrorism financing. In addition, the banking sector is known to have taken the initiative to implement the required arrangements, checks and controls without the legal framework in place.

Trade policy and external environment, in particular regional cooperation agreements and EPAs

The economy remains relatively open and there has been a substantial reduction in average tariffs, tariff peaks and barriers to trade over the last few years. However, the country continues to experience shortages of foreign exchange as earnings from exports do not cover import requirements. Indeed, the trade balance has been worsening since 2001. In the last six-year period, exports have increased only by 35% (from \$421 million to \$572 million),

while imports have increased by almost 80% (from \$585 million to more than 1050 million USD). As a result the trade deficit has increased from approximately 9% to approx. 23% of GDP. This reflects, on the one hand the limited diversification and competitiveness of the local economy and, on the other hand, a stronger domestic demand and higher oil prices.

Tobacco remains Malawi's largest foreign exchange earner accounting for approx. 50% of total exports while sugar is second accounting for approximately 10% of total exports. Malawi has experienced declining competitiveness in a number of products (mainly tea, textiles and cotton). Malawi's export performance is constrained by (i) high costs of trade, mostly due to high transport costs (on average, 55% of the cost of production), (ii) weak institutions in trade support network involved in enforcing the regulatory framework. The formulation of the National Export Strategy was a notable development in 2005 together with the establishment of a Competition Commission. The challenge ahead lies in the implementation of the strategy and the level of involvement of the private sector.

While Malawi's participation in EU trade remains extremely limited (0.01% to 0.02% of the total EU exports/imports), the EU continues to be Malawi's largest trading partner in terms of the country's exports, as approx. 37% of Malawi's exports are destined to the EU. The overall balance of trade in 2005 with the EU remains in Malawi's favor with a trade surplus of close to € 60 million. The main products being exported by Malawi into the EU are tobacco (67 %), sugar (17%) and tea (9%). These three products alone make to 93% of Malawi's total exports to the EU valued at € 172 million. After the EU, Malawi's main trading partners for its exports are South Africa (14%), the USA (12%) and Egypt (8%). The remaining 29% constitutes mainly of SADC and ESA member states. In terms of imports Malawi's main trading partner is South Africa (38%) followed at a great distance by the EU (18%), India and Mozambique (at 8% respectively), Zimbabwe at 7% and Tanzania at 5%.

Malawi's eagerness to pursue regional trade agreements has resulted in membership with COMESA and SADC – which are both expected to establish free trade areas and aiming for their respective full customs union in the near future. Malawi belongs to the Eastern and Southern Africa Economic Partnership Agreement (EPA) grouping.

At WTO level, Malawi's positions are aligned to the common positions of the African Union (AU), the Least-developed countries (LDCs) and the ACP group of States. Malawi's specific priorities include; (i) the preservation of existing trade preferences, (ii) financial and technical assistance for addressing supply-side and other capacity constraints and (iii) the development of mechanisms for increasing access to the essential medicines for all illnesses and conditions of public health at affordable prices. Furthermore, Malawi advocates for increased Aid for Trade and compensation with regard to adjustment costs emanating from erosion of preferences.

1.3 .Social situation, including decent work and employment

With a nominal GDP per capita at 164 USD (IMF August 2006) and a Human Development Index ranking of 165 out of 177 countries (2005), declining since 1995, Malawi belongs to the group of the poorest least developed countries in the world. According to the Integrated Household Survey (IHIS) of 2004/05, approximately 52 per cent of the population is poor with about 22 per cent being ultra-poor.

Malawi is one of the continent's least urbanized countries with approx. 80 to 85 per cent of the national population (estimated at 12.3 million in 2005; last census conducted in 1998) living in rural areas and deriving their livelihoods from agriculture. Furthermore rural

societies are organized around traditional authorities, officially recognized by the Government.

Since the introduction of free primary education in 1993/1994, enrolment has increased from 1.9 million to over 3 million at present. Net Enrolment Rate (NER) in primary education (EP1) has reached 80% in 2005 according to government statistics (IHS2). Gross enrolment rate at 140 % (UIS statistics for 2002/03) is the highest in the world. While progress was made in terms of access there is criticism of the declining quality, which is monitored and reported by all Malawians. The root causes are the insufficient number of teachers and consequently large class sizes, a high teacher attrition rate largely due to HIV/AIDS, the very low level of qualification of teachers recruited and poor school infrastructure. Whilst the gender gap in primary education is small, girls' secondary school enrolments are below those of boys, particularly for girls from poor households. In this context, additional efforts are needed to reduce primary school drop-outs and improve completion rates of primary schooling.

The delivery of health services is still quite poor but expected to improve with a strong increase in nominal terms due to the implementation of a SWAP in the Health sector. Recently the Government has launched a donor-sponsored programme to retain as much as possible health personnel in the country. While the majority of Malawians live in the rural areas, 97% of government-employed clinical officers and 82% of government-employed nurses are in the urban areas. Only 54% of the rural population has access to formal health services within a five km radius.

On a more positive note, the prevalence of underweight children (under five years of age) has dropped from 30% in 2000 to 22% in 2005. However the prevalence of malnutrition remains high and much remains to be done to accelerate the trend. Protein energy malnutrition (PEM) is high in Malawi with under five children stunting at 48%. The problem of malnutrition in children under age five is spread throughout the population and there is not much difference in the prevalence of malnutrition between urban and rural areas. Another positive note is that childhood mortality has decreased. During the 1990s there was a gradual decrease in infant mortality and under-five mortality. This trend appears to have accelerated in the last five-year period. Infant and under five mortality were about 76 and 133 deaths per 1000 live births respectively in the 2000- 2004 period, as compared to the higher figures of 104 and 190 deaths per 1.000 live births in the 1990-1994 period. Despite this improvement, one in eight children born in Malawi die before reaching their fifth birthday. Malaria is a major killer, accounting for up to 40 % of all under-five hospitalizations and 40% of under-five hospital deaths in Malawi, while diarrhoea ranks second. It is clear that improved mosquito net coverage, access to safe water supplies, access to rehydration therapies and nutrition education could save the lives of many under-five children.

HIV/AIDS constitutes a serious threat to the country as a whole, affecting all aspects of Malawi's social and economic fabric, including smallholder agriculture. According to official figures, the estimated HIV/AIDS prevalence in adults (15 to 49 years) in Malawi in 2005 was 14% with a range from 12 to 17%, giving a total estimated number of 790,000 infected adults. Women and girls are particularly vulnerable to infection of hiv/aids for both cultural and biological reasons. The analysis suggests that the level of HIV infection in the adult population has remained stable during the last nine years, is lower in urban areas and declining amongst youth. This is in itself an achievement compared to other countries.. The National AIDS Commission was created in 2001 and works on prevention, treatment, care and impact mitigation. The National HIV/AIDS Action Framework 2005-2009 was approved by Cabinet and is a fundamental reference point for all stakeholders involved in the national response to HIV and AIDS.

There is not yet a well functioning social security system in Malawi. The main elements of social protection consist of subsidised free food distribution, public works (cash-for-work) and subsidised and/or free agricultural inputs. The government's new Social Protection Steering Committee will consider the case for rolling out a national social protection pilot over a 3 to 5 year period targeting the most vulnerable.

Agriculture accounts for approx. 80-85% of employment in Malawi and is the main source of livelihood for the great majority of the poor population. Only about 10% of the population is formally employed in commerce and retailing and the balance in manufacturing, construction and services. In terms of labour standards, the Ministry of Labour and Vocational Training (MOLVT) sets separate urban and rural minimum wage rates based on recommendations of the Tripartite Wage Advisory Board (TWAB) composed of representatives of labor, government, and the private sector. Wage earners need often to supplement their incomes through farming activities.

The law allows workers to form and join trade unions and workers exercise this right in practice. The law also provides for the establishment of industrial councils in the absence of collective agreements for sector-level bargaining.

1.4 Environmental situation

The environment in Malawi plays a very significant and direct role in influencing socio-economic status at both household and national level. While this is generally true for many developing countries, this is particularly acute in Malawi where more than 89% of households depend on income derived, wholly or in part, from the exploitation of the natural resource base, be it through farming, fishing or other activities. Therefore any degradation or unsustainable use of the natural resources base would imply negative consequences on future incomes at both household and national level.

Malawi is facing five major environmental challenges: land degradation, deforestation, diminishing water resources, declining biodiversity and climate change.

The total forest cover has declined from 47% (1975) to 26% (2006). Deforestation continues at a pace of between 2.8%-3.4% per year. Apart from clearing for agricultural purposes the main causes of deforestation are to meet energy needs, 89 % of population use firewood for cooking and heating; construction, where wood is needed for firing bricks; and agriculture, where it is used in the curing of tobacco. It is estimated that current wood consumption exceeds the sustainable supply by 3.3 million cubic meters per year. Deforestation has contributed to flooding in certain parts of Malawi, which has destroyed crops and caused the loss of livelihoods. There is a clear risk of overexploitation because of lack of management.

Like other countries in the southern African region, Malawi will need to consider the implications of climate change, which risks undermining progress in increasing agricultural production and improved food security.

1.5 The country in the international context

Malawi is signatory to a number of International Conventions and Regional Instruments. The relations with the neighbouring countries in the Southern African region are good.

The foreign policy of Malawi is aligned with that of the Africa Union and of the sub-regional organizations, which Malawi adheres to, with particular reference to SADC. Malawi is making great strides towards providing a peacekeeping contribution to the SADC/AU brigades. It has already contributed with human resources to various peacekeeping initiatives under UN auspices, and with donor support is hoping to augment this.

As regards migration, skilled personnel continues to leave Malawi for much better paid employment overseas, the majority being nurses that migrate to Europe, Australia and other countries. Over the period 2000/05 an estimated total of approx. 400 health personnel had migrated to other countries with approx. 300 having migrated to UK. It is estimated that 95% of these migrants are nurses. During the period 2000/02, approx. 400 labour immigrants were recorded to have entered Malawi. Most of these were business managers followed by construction workers, engineers and medical personnel. The country continues to host refugees from Rwanda, Burundi and Congo. According to UNHCR an estimated total of 7,694 refugees are in the country. At least an additional 1000 refugees are unregistered with the authorities.

2. Development context

Despite the efforts of the Government of Malawi and the international donor community Malawi still belongs to the group of poor countries in the world and is ranked 164 out of 177 countries in the 2007/8 Human Development Index (HDI). Progress in efforts to reduce poverty and advance national development will depend on increasing available resources through both economic growth and aid; on strengthening national policies and institutions for improved delivery of services, and on protecting those most vulnerable to the consequences of food shortages and poor agricultural productivity. It was against this background that the Malawi Growth and Development Strategy 2006-2011 was developed by the government of Malawi.

2.1 Malawi Growth and Development Strategy (2006-2011)

The Malawi Growth and Development Strategy (MGDS) is the overarching strategy for Malawi for the next five years from 2006/07 to 2010/2011 fiscal years and was approved by the Cabinet on 3 November 2006. This will be the main government reference document that will guide the implementation of prioritized and sequenced activities in order to reduce poverty. Malawi faces a number of challenges ranging from high domestic debt, food insecurity, to poor and inadequate transport infrastructure. All these affect Malawi's ability to attain its development objectives. It recognises the need to achieve the Millennium Development Goals (MDGs) that are also long-term aspirations for Malawians.

The MGDS is built on five strategic themes: **sustainable economic growth; social protection; social development; infrastructure development** and **improved governance**. Within these broad themes, six specific focus areas have been isolated where Government will concentrate its efforts in order to achieve the overall objective of economic growth for poverty reduction in the medium term. These are agriculture and food security, irrigation and water development, transport infrastructure development, energy supply and integrated rural development; and prevention and management of nutrition disorders and HIV and AIDS.

The main thrust of the MGDS is to create wealth through economic growth and development as a means of achieving poverty reduction. The strategy recognizes that without growth there will be little chance of reducing poverty and the gains made to date on the MDGs could be reversed. The MGDS recognizes the important role of the private sector in promoting economic growth, the need to invest in the social development through education, health and reduce and mitigate the negative consequences of HIV and AIDS. The MGDS emphasizes macroeconomic governance, decentralization, rule of law and the promotion of human rights. It also recognizes the need to protect the most vulnerable that may not benefit from the process of economic growth through social protection.

Growth is central to achieving the MDGS and related development objectives, as it reduces poverty directly and expands resources available for improved service delivery. The MGDS intends to build a broad political consensus on the direction for economic growth and wealth creation. In addition, developing one comprehensive strategy will enable better alignment of current policies (e.g. economic empowerment) and sector strategies to medium term objectives and to link this to expenditure management and monitoring of implementation.

The MGDS has been well received by the donors. The 2005/6 Joint Assessment by the IMF/WB staff concludes that the "MGDS broadly provides a comprehensive framework for growth and poverty reduction in Malawi".

Donors have expressed support for the strong Government ownership of the MGDS. The MGDS is based on a sound macro-economic framework in line with the economic program supported by the PRGF and the macro-economic policy priorities outlined in the MGDS are supported by the IMF.

The emphasis on growth of the MGDS as a pre-requisite for poverty reduction is supported by the donor community. This is welcome as the dimension of growth was somehow forgotten in Malawi during the last ten years. At the same time, there are now concerns that the role of social expenditure and social protection in supporting growth is underplayed. The donor community is advocating for a careful balance between expenditure in economic sectors and social sectors.

To achieve a sustainable growth there is need to stimulate more private sector investments, foster agricultural production, the backbone of the economy, and remove supply side constraints to trade. According to the IMF/WB Joint Assessment the "MGDS appropriately focuses on the need to expand agricultural output and productivity by improving irrigation and increasing the use of farm inputs". They also state that "measures need to focus on removing infrastructure constraints within Malawi, such as reducing transportation and marketing costs and increasing access to credit". IMF/WB state that they concur with the need to "reduce transportation costs for Malawi to be more competitive on the international market".

The government is increasingly taking the lead in coordinating donor support. It developed a DAS (Development Assistance Strategy) to foster donor support to the MGDS and provide a coordinated framework of assistance. This will increase the chances of a successful implementation of the GoM overarching development strategy.

2.2 Malawi Development Assistance Strategy (2006 – 2011)

Objective of the Malawi Development Assistance Strategy is to set out the policy and strategies for increasing efficiency and effectiveness of donor aid in order to achieve the development results set out in the MGDS. To achieve these results the five principles of the

Paris Declaration on Aid Effectiveness will be implemented. These principles are: ownership, alignment, harmonisation, management of results, mutual accountability.

The development of the Malawi DAS was led by the Ministry of Finance in close cooperation with the Ministry of Economic Planning and Development, line ministries, civil society, private sector groups and development partners such as DFID, JICA, GTZ, USAID, EU, The World Bank, UN, and the Norwegian embassy.

2.3 ODA, aid effectiveness and the role of donors

In 2007 approximately 50% of the national budget (amounting to around US\$500 million) was financed by multilateral and bilateral donors. Malawi has relatively fewer donors compared to her neighbours Zambia, Tanzania, and Mozambique. Overall, the main donors are DFID, EC, World Bank, African Development Bank, Norway, and USAID. These account for over 90 percent of Malawi's development assistance. Other donors include a number of the UN organisations (notably UNDP, UNICEF, WHO, and WFP), JICA, and GTZ.

Donors in Malawi are increasingly becoming more harmonized in the provision of their development assistance. To date, there is pooled funding for sector wide approaches (SWAp) in health and HIV/AIDS. Efforts are also underway to develop SWAp in Education, Agriculture, and Water. General budget support is also provided in a harmonised way through the Common Approach to Budget Support (CABS) group. The CABS currently consists of DFID, EC, Norway, and the African Development Bank. The World Bank, IMF, UNDP, and Germany are observer members. Preparations are underway for the World Bank to become a full member of the CABS.

3. Analysis of the viability of current policies and the medium-term challenges

The principal challenges to viability of the MDGS are scarce financial resources, limited institutional capacity of line ministries, lack of human resources, inadequate coordination among central government institutions as well as policy implementation limitations both at central and local level. There is also a need to improve government internal control systems and strengthen public finance management.

The MGDS assumes that growth will average 6% over the medium term which is high compared both to Malawi's past performance and to anticipated growth in the region. According to IMF/WB assessment this growth is feasible because Malawi's poor performance over the past decade provides some scope for catching up.

Meeting the objectives of the MGDS will require a substantial increase in external financing to supplement Malawi's low domestic savings. This includes a substantial scaling-up of donor support to finance public expenditures as well as private financial inflows to finance private investment. Donor support will be also critical as Malawi remains vulnerable to a number of exogenous shocks to growth, including weather conditions and a deterioration in the terms of trade.

Effective implementation of the MGDS requires a clear prioritization of expenditures within a realistic resource envelope consistent with the government's macro-economic framework. Against this background, it is important for donors to move the harmonization agenda, reduce transaction costs to the minimum and promote the use of budgetary aid where possible. It is important that the donor community assists the Government in investing in sectors which can promote growth like agriculture, including irrigation aimed at assisting the

country to mitigate the impact of adverse weather conditions, and transport infrastructure. However this should be done while maintaining focus on the importance of social sectors for the medium long term development of the country. A careful balance between expenditure on economic sectors and social sectors must be maintained.

4. Flemish development cooperation

4.1 Flemish development policy

In its *Policy Note on Foreign Policy and International Cooperation 2004-2009*, the Flemish government committed itself to contribute to a peaceful, fair and prosperous international community. Flanders participates actively in the realisation of sustainable worldwide development, thereby guided by universal basic values and human rights. It is within the frame of this vision that Flanders also aims at the alleviation of poverty in the world. This commitment has amongst others taken shape by focussing its development cooperation on a number of countries in southern Africa. Also multilateral cooperation with organisations such as UNAIDS, FAO and WHO is geared towards the southern African region.

In addition to this, the Flemish Government also agreed in 2005 to deliver its share in the realisation of the Millennium Development Goals worldwide and more specifically in its partner countries. Health, education, food security and creation of employment are Flanders' major areas of concern.

While cooperation with South Africa and Mozambique started already in earlier years, the Flemish Government decided in 2006 to initiate development cooperation with the Government of Malawi. Intention of the cooperation is to contribute to the efforts of the Government of Malawi to enhance economic and social development and to alleviate poverty within the framework of the Malawi Growth and Development Strategy 2006-2011.

4.2 Flemish development cooperation in Malawi up till now

Since 2006 Flanders has given financial support to two priorities of the Malawi Growth and Development Strategy (2006-2010), being management of HIV/AIDS and food security. In 2006 financial support of 1,2 million euros was forwarded to UNAIDS for the support of implementation of the programme *Enhancing community and national capacity to effectively address vulnerabilities of women and girls to HIV and AIDS*. Implementing partners are the Ministry of Gender, Child Welfare and Social Development, the National AIDS Commission (NAC), the District Assemblies and Civil Society Organisations.

In 2007 4,1 million was provided by the Flemish Government for its support to the improvement of food security in Malawi. The government of Malawi, FAO and the government of Flanders initiated the three year programme on *Improving Food Security and Nutrition Policies and Programme Outreach* in Kasungu and Mzimba Districts. Also funding was provided for the employment of a nutrition policy coordinator within the Office of the President.

In 2008 the Flemish Minister in charge of development cooperation agreed to continue to support the improvement of agriculture and food security in Malawi. The programme that will be supported will be in line with the priorities set in the Agricultural Development Programme (ADP). Focus will be on the access to agricultural extension advice and the training of agricultural extension staff.

4.3 Memorandum of Understanding

On the 23rd of January 2007 the Governments of Malawi and Flanders signed a Memorandum of Understanding (MoU) on development cooperation. It provides a framework for the overall priorities and the collaboration between both governments in the field of development cooperation.

The cooperation covered by the MoU can be implemented through direct or indirect cooperation.

The overall goal is to support the efforts of the Government of Malawi to reduce poverty, within the framework of the Malawi Growth and Development Strategy (MGDS), and in line with the *Paris Declaration on Aid Effectiveness*. The MoU remains into force for a period of five years.

4.4 Lessons learned

Looking back at two years of cooperation between both governments, and to the experiences of other donors, it is suggested that following lessons learned should be integrated in the cooperation programme between Malawi and Flanders for 2009-2013 period.

Continued efforts to improve policy dialogue

The Flemish government will participate in the dialogue structures and working groups set up by the government of Malawi, in order to stay aligned with the development policy options of the government of Malawi and the specific sector programmes.

Commitment to the implementation of the Paris Declaration by Flanders and Malawi

Both Flanders and Malawi are committed to the implementation of the Paris Declaration on Aid Effectiveness, as outlined in the Malawi Development Assistance Strategy 2006-2011 in order to realise the targets put forward.¹ Specific attention will go towards programme based approaches, aid reported on budget, mutual accountability and donor coordination.

A role for direct and indirect actors in the programme of cooperation

In the implementation of the cooperation programme between Malawi and Flanders, there will be a role for government and for NGO's. Depending on the programme that will be supported, the role of both actors will have to be specified in the description of the programme.

Finding innovative ways to address short term constraints in government capacity

Flemish development cooperation will take into account the capacity constraints the Malawi government and other implementing partners are facing, and take this into account in the programmes it is supporting.

¹ See also next page: Table – Monitoring the Paris Declaration.

II. Indicative programme of cooperation 2009-2013

1. Overall Framework

The framework for the cooperation between Malawi and Flanders is the **MGDS** which outlines the planned initiatives of the Government of Malawi to work towards economic growth and development of the country. In order to work in an effective way both governments commit themselves to undertake their activities in such a manner that progress is made towards the realisation of the **Paris Declaration on Aid Effectiveness**.

The Malawi **DAS** sets out the policy and strategies for increasing efficiency and effectiveness in the mobilisation and utilisation of donor assistance to reach the development goals set out in the MGDS².

Table below shows the progress Malawi intends to make against the 2005 baseline in the cooperation with the donor community as to reach by 2010 the targets related to the indicators of the Paris Declaration.

Table: Monitoring the Paris Declaration: Baselines and targets for Malawi ³

| INDICATORS | 2005 BASELINE | 2010 TARGET |
|---|----------------------|--------------------|
| 1 - Ownership – Operational PRS | C | B or A |
| 2a - Quality of PFM systems | 3.0 | 3.5 |
| 2b - Quality procurement systems | Not available | Not applicable |
| 3 - Aid reported on budget | 54% | 85% |
| 4 - Co-ordinated capacity development | 47% | 50% |
| 5a - Use of country PFM systems (aid flows) | 55% | No target |
| 5b - Use of country procurement systems (aid flows) | 35% | Not applicable |
| 6 - Parallel PIUs | 69 | 23 |
| 7 - In-year predictability | 58% | 79% |
| 8 - Untied aid | 97% | More than 97% |
| 9 - Use of programme-based approaches | 32% | 66% |
| 10a Co-ordinated missions | 24% | 40% |
| 10b Co-ordinated country analytical work | 60% | 66% |
| 11 - Sound performance assessment framework | C | B or A |
| 12 - Reviews of mutual accountability | Yes | Yes |

The outcomes of the Third High Level Forum which takes place in Accra in September 2008 will be taken into account and embedded in the cooperation between Malawi and Flanders to ensure that the actual bottlenecks and shortcomings in the implementation of the Paris Declaration will get the required attention⁴. A Fourth High Level Forum will take place in December 2011.

The programme of cooperation between Malawi and Flanders will also contribute to the realisation of the **Millennium Development Goals for Malawi**.

² See also annexure of the DAS, localising the Paris Declaration, http://www.undp.org.mw/reports/das/das_4_27jan08.pdf.

³ OECD, 2006 Survey on monitoring the Paris Declaration, Volume 2, Country Chapter Malawi, 2007, 10 pp., <http://www.oecd.org/dataoecd/62/15/38984410.pdf>

⁴ See: <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1205870632880/AAA-First-Draft.pdf>

2. Principles of cooperation between Malawi and Flanders

The development cooperation programme between Flanders and Malawi takes place within a spirit of partnership, which implies that both parties have rights, duties and responsibilities and can be held accountable vis-à-vis one another. Mutual trust, transparency, policy dialogue and mutual consultation are inherent elements of the cooperation.

Strengthening country ownership of development

Flanders will respect Malawi's ownership towards the realisation of the MGDS and support its development policies. Ownership also implies that sufficient capacity is available in Malawi to realise the set objectives. Therefore, the programmes of cooperation between Flanders and Malawi will contribute whenever possible to *capacity building* of the relevant stakeholders. Equally Flanders will act conform the *International Code of Conduct for transparently implementing conditionality*, which is expected by December 2010.

Improving alignment with country priorities, systems and procedures

The cooperation programme between Malawi and Flanders is fully in line with the national development strategy of the Malawian government and more specifically with the Malawi Growth and Development Strategy (MGDS) 2006-2011. This approach guarantees sustainable development for Malawi and its people.

Alignment also entails that Flanders commits itself on a long term basis and guarantees continuity in the cooperation, which will be translated amongst others in the indicative programme of cooperation for 2009-2013.

In the case of working with civil society organisations the programme of cooperation will support those organisations which align themselves to the MGDS and provide the possibilities for capacity enhancement.

The aid provided by Flanders will be untied.

Harmonising and streamlining aid delivery at country level

Flanders actions will be harmonised with other donors' actions in order to be more effective. Flanders has already committed itself to participate in the Agricultural Development Programme in which both the Ministry of Agriculture and a number of donors are working jointly.

If possible country analytical work and diagnostic reviews will be equally shared with other donors.

Achieving and demonstrating development results

Both Malawi and Flanders will manage resources and improve decision making in order to obtain the outcomes they jointly put forward. They will work together in a participatory way to strengthen capacities of the relevant stakeholders and will aim at a results based management. Both governments will also invest more in measuring, delivering and communicating the results of the development activities they jointly undertake.

Strengthen mutual accountability for development

Flanders and Malawi will enhance mutual accountability and transparency in the use of development resources. One of the major events will be the joint yearly review of the MDGS. This will improve the public support for national policies and development assistance.

Sectoral concentration

In line with the MoU between Malawi and Flanders and following the *EU Code of Conduct on the Division of Labour among donors*, the cooperation between Malawi and Flanders will focus on a limited number of sectors as to increase efficiency in the cooperation. Both governments of Malawi and Flanders have agreed for the 2009-2013 period to focus on two sectors, being (1) agricultural production and food security and (2) health.

3. Objectives and crosscutting themes of the cooperation between Malawi and Flanders

The preparation of this country strategy paper has been a joint effort in which the governments of Malawi and Flanders were both equally involved. In 2007 and early 2008 consultative meetings were held with representatives of both Governments.

Consensus was reached and both parties agreed that Flanders' cooperation will be mainly geared towards the sectors of agriculture and food security, and health.

Food security is one of the top priorities of the Malawi Growth and Development Strategy, and fits into Millennium Development Goal 1. Also the improvement of the health and nutrition status of the population of Malawi, especially of women and children are a priority concern within the objectives of the Malawi Growth and Development Strategy 2006-2011.

Since food security and health are intertwined, the programme will pay specific attention to supporting programs which create links between food and nutrition security.

3.1 Strategic objective

The overall goal of the co-operation between Malawi and Flanders is to support the efforts of the Government of Malawi to reduce poverty by means of sustainable economic and social development. This objective corresponds to the overall objective of the Malawi Growth and Development Strategy (MGDS), and the set priorities. It is equally in line with the *policy note on foreign policy and international cooperation 2004-2009* of the Flemish government.

3.2 Cross-cutting issues

In the cooperation programme following cross-cutting issues will be taken up:

Gender

The existing gender inequality in Malawian society has an adverse effect on social and economic development and on combating poverty. Therefore the cooperation programme between the governments of Flanders and Malawi will continue to promote and mainstream gender, as is already reflected in the actual support to the programmes of cooperation the sector of agriculture and food security which are implemented in cooperation with the government of Malawi and FAO.

Managing HIV/AIDS

The HIV/AIDS epidemic poses a serious threat to the health and well being of the Malawian population and to the country's socio-economic development. Therefore Flanders and Malawi will ensure that the issue is taken up throughout its programme of cooperation. In doing so this will contribute to one of the six development priorities put forward in the MGDS 2006-2011.

Flanders is already giving support to UNAIDS for the implementation of the National Action Plan to prevention HIV/AIDS among women and young girls. This program is implemented in cooperation with the National Aids Commission.

Sustainable development

All the initiatives of the cooperation programme will be ecologically, socially and economically sustainable. More specifically this means that the expected outputs of the programme of cooperation imply sustainability. Both state and non-state actors should be able to pay an appropriate contribution which corresponds with their roles and responsibilities.

Sustainability will also be guaranteed by including capacity building of the Malawian government and the civil society as part and parcel of all programmes of cooperation.

Good governance

Good governance is a prerequisite for governments to be successful in the implementation of their programs. It implies accountability, transparency, inclusion, control of corruption, compliance with the rule of law, political stability and listening to the voices of the most vulnerable in society.

In the cooperation between Flanders and Malawi, good governance will be aimed for by both governments. Flanders may also support initiatives of civil society in Malawi in their elaboration and implementation of good governance initiatives.

Children's rights

In the implementation of its programme of cooperation Flanders and Malawi will contribute to the well being of children and young people and take into account their specific needs related to health and food security.

The effect of climatic changes

It goes without saying that the programme of cooperation between Flanders and Malawi should consider whenever appropriate the implications of climatic changes on the expected outputs and results. Scientific evidence has shown that in the years to come spells of drought and floods will continue to occur in Eastern and Southern Africa, which will also have reverse effects on the environment and agricultural production, and in particular food crop production, of Malawi.

Therefore measures to reduce environmental and climate risk especially related to agriculture and food security are to be integrated into the joint cooperation programme.

4. Programme of activities

4.1 Support to the agricultural sector and food security

Agricultural policy of the Government of Malawi

The government of Malawi produced in 2006 an Agricultural Policy Framework(APF), which summarizes the objectives of agricultural development, strategies and policies that will be pursued to achieve agricultural objectives of the country.

In an attempt to prioritise and harmonise the agricultural development agenda of Malawi for the years to come, the Ministry of Agriculture and Food Security and representatives of the Development Partners have been developing the Agricultural Development Programme 2008-2012, with the final intention to move towards a SWAP for the agricultural and food security sector.

As a member of several regional economic groupings, Malawi also aligns its agricultural policy to be consistent with the development targets set at regional level. Under NEPAD, Heads of State and Governments have recognized the importance of agriculture as a major cornerstone of growth and poverty reduction in Africa. To achieve this, a Comprehensive African Agricultural Development Programme (CAAPD) was adopted. This includes achieving a 6% agricultural growth and allocating at least 10% of the national budget to the agricultural sector. The Malawi ADP shares the principal elements and priorities of CAAPD and reflects its emphasis on agricultural productivity.

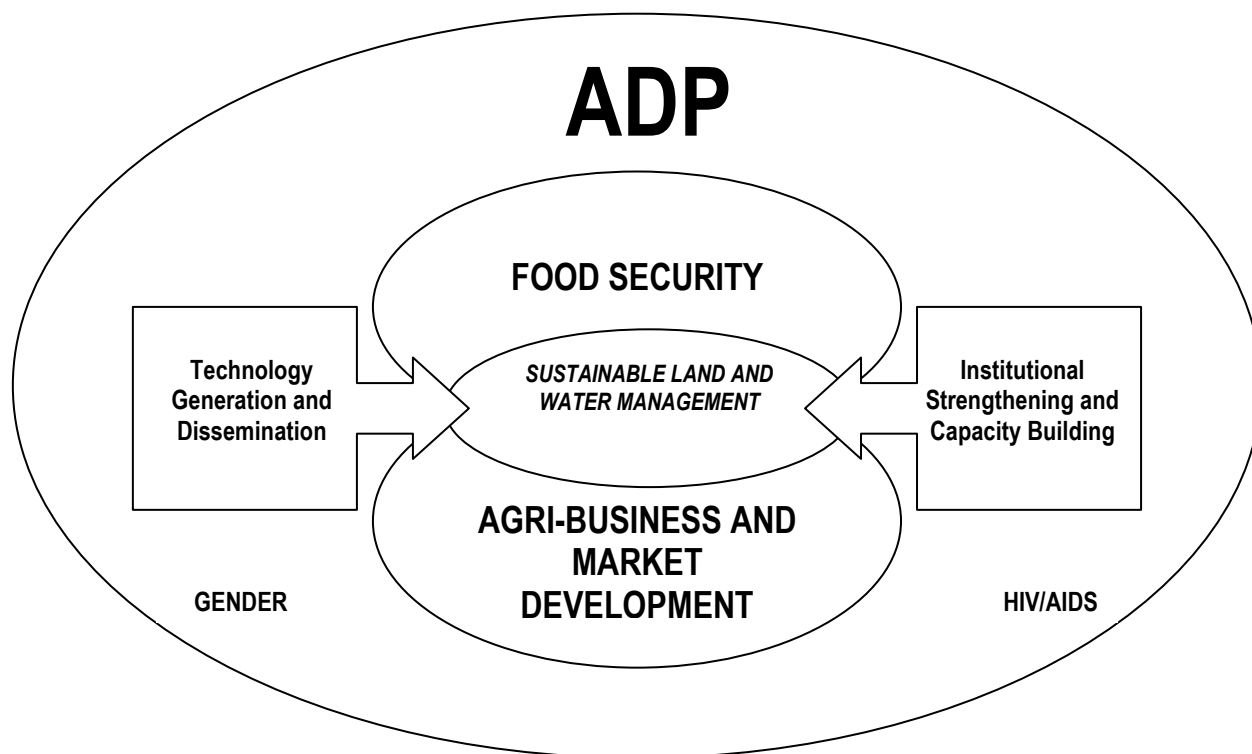
Alignment with government priorities and donor harmonisation by means of the Agricultural Development Programme

In the past support of the development partners and the government of Malawi to the development of the agricultural sector has been through many projects and programmes implemented by a great number of project implementation units. This approach was not very harmonised and delivered limited results in terms of nationwide food security and agricultural growth.

In response to this approach, the ADP 2008-2012 is a programme based approach (PBa) which intends to provide a framework for harmonised government and donor investment and cooperation to realize a shared agricultural development agenda.

The ADP aims at gradually pooling donor funding and seeks to operationalise the DAS policy framework by the development and the enforcement of a code of conduct and memorandum of understanding with the development partners.

ADP Focus Areas, Support Services and Cross-cutting Issues⁵



⁵ Source: Ministry of Agriculture and Food Security, the Agricultural Development Programme, 2007, p. 48.

The ADP comprises three pillars, being 1) food security and risk management, 2) agribusiness and market development, 3) land and water management. It also has two key support services being 1) research, technology and dissemination, and 2) institutional development and capacity building (see above).

Different actors are involved in the implementation of the ADP, which is expected to be approved in July. The Government of Malawi, and more specifically the Ministry of Agriculture will take the lead in this programme, in which development partners, NGO's, the private sector will have a role to play.

The HIV/AIDS epidemic and gender disparities are eroding development, economic gains and livelihood security and affect agricultural productivity. Therefore gender and HIV/AIDS are major transversal issues in the ADP. They will be mainstreamed at the work place and the rural development programmes in farming communities. Also the youth is responsible for a significant proportion of work in agriculture and the rural sector and will be focussed at in the ADP.

Flanders' support to agriculture and food security

Flanders will contribute mainly to the first pillar of the Agricultural Development Programme being food security. Expected outputs are in following fields:

1. enhanced food security by diversification of agricultural production and increasing productivity, and improved small and livestock production;
2. improved access for small farmers to extension services;
3. improved access to marketing for small farmers and farmer organisations and sustainable trade development.

Transversal issues in the programme of support will be capacity building, gender and HIV/AIDS. Specific attention will be paid to the youth as agricultural producers, so that they also can receive the necessary training to become future farmers.

Flanders will strive towards a total contribution of 15 million euros to the improvement of agriculture and food security in Malawi during the 2009-2013 period.

By contributing to the realisation of this objective, the programme is in line with **MDG1** of eradicating poverty and hunger and reducing the number of people suffering from malnutrition.

4.2 Support to the health sector

Malawi Government health policy

The guiding principles for the health sector in Malawi are based on the Malawi Growth and Development Strategy in which it is stated that the health goal is to increase life expectancy and improve health outcomes in a sustainable manner, including achieving the targets for the health-related Millennium Development Goals: reducing maternal and child mortality (MDG 4) and halting and beginning to reverse trends of the major diseases of HIV/AIDS, malaria and tuberculosis (MDG 5).

Programme of Work (2004-2010)

Taking into account the health goal set in the MDGS, the Government of Malawi and the Development Partners finalised jointly in 2004 the Programme of Work (POW) 2004-2010 for

the Health sector. This POW is the sequence of the first five year National Health Plan 1999-2004 and was implemented since October 2004 at national and district level.

The broad objective of the POW is to raise the level of the health status of all Malawians by reducing the incidence of illness and occurrence of premature deaths in the population. It is costed at 735 million US\$ over six years.

The POW contains six pillars: 1) Human Resources Development, 2) Pharmaceuticals and Medical Supplies, 3) Essential/Basic Health Equipment, 4) Infrastructure Development, 5) Routine Operations at service delivery level, 6) Central Operations, including policy and systems development.

Essential Health Package

The priorities of the joint POW revolve around the provision of an Essential Health Package (EHP) for all Malawians.

The objectives of the EHP are:

- 1) To improve technical and allocative efficiency in the delivery of health care;
- 2) To ensure universal coverage of health services;
- 3) To provide cost-effective interventions that can control the main cause of disease burden in Malawi.

The EHP entails a minimum package of services provided free of charge to all Malawians, to improve their health condition, related to: 1) vaccine preventable diseases, 2) acute respiratory tract infections, 3) diarrhoea, including cholera, 4) adverse maternal and newborn outcomes, including family planning, 5) malaria and 6) tuberculosis. The initial cost of the EHP was set at 17 million US\$ and is increased to 28 million US\$ taking into account increasing costs for health. It is the intention to extend the EHP with the other services related to: 1) HIV/AIDS and STI, 2) Schistosomiasis, 3) Malnutrition, including Micronutrients, 4) Eye, Ear and Skin Infections, 11) Common injuries, accidents and trauma as to cover the whole range of health needs of the Malawian population.

Medium-term Review of the POW

In September 2007 a Mid-Term Review (MTR) was the primary focus on the Joint Health Sector Annual Review meeting. The MTR indicated that major progress was reached in some areas of the POW, and that there are many examples of good practices.

The MTR also showed that there are also still considerable constraints related to the Malawi Health SWAp that continue to challenge both the progress made up till now and future scaling up⁶

Development Partners are aligning and harmonising

Development Partners and the MOH agreed to finance and support the Programme of Work and formalised this by signing a Memorandum of Understanding for working together under the umbrella of **a Sector Wide Approach**. For the SWAp Governance structure see figure below.

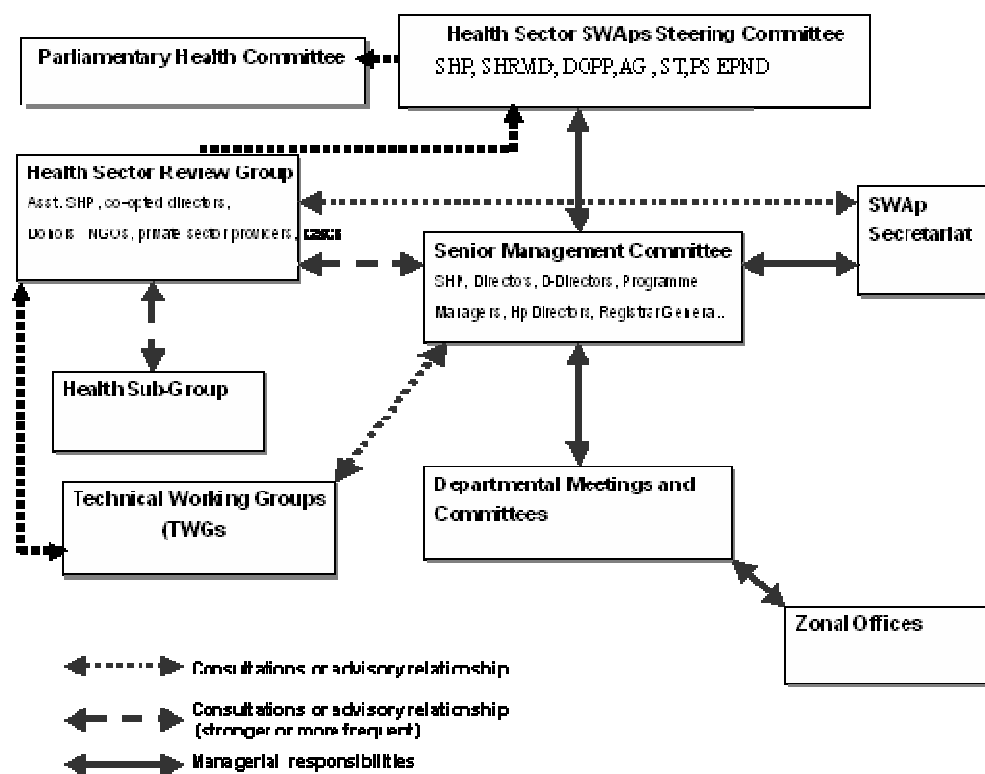
The Memorandum of Understanding was signed by GoM, DFID, Norway, UNPFA, Worldbank, Global Fund as pool donors. Discrete donors, who signed the MoU and are funding projects are CHAM, UNICEF, BMZ (through GTZ), WHO, ICEIDA.

⁶ For a summary of the major results, see: p. 34

The implementation of the POW is guided through Annual Work Plans which are based on activities outlined in the District Implementation Plans (DIPs) and Annual Work Programs for Central MOH Departments. Also major NGO's are expected to play a role in the implementation of the POW.

In addition to enhance the implementation of the SWAp, the Emergency Human Resources Programme was set up and is vital for the successful delivery of the Essential Health Package. The objective of this programme is to expand training capacity by over 50% and provide a 52% taxed salary top-up to retain health workers in eleven key cadres. While more Malawians are being trained, the programme is paying for volunteer doctors and nurse tutors to fill vacant posts critical for training and delivering health services.

Malawi Health SWAp governance structure



Flanders' support to the Health sector

Flanders' contribution to the improvement of the health situation of the vulnerable population groups in Malawi and will be in line with the priorities set in the POW and the realisation of the EHP. **The specific objective** of Flanders' support to the health sector is to support the delivery of the Essential Health Package to all Malawians. This will be done primarily by means of joining the SWAp related to the implementation of the national health plan, being the Program of Work for the Health Sector 2004-2010. The latter is geared

towards the attainment of the MDGs 1, 4, 5 and 6 with special attention for the health needs of women and children.

When the new POW will be developed as from 2011, Flanders will take into account the priorities set forward in its support to health initiatives and will align its support with that of other donors. After expiry of the SWAp in 2010, Flanders will reconsider pending the outcome of the joint evaluation of the outcome of the SWAp for Health.

Flanders will strive towards a contribution of 10 million euros to the Malawi health sector during the 2009-2013 period.

5. Ways of working

5.1 Policy dialogue

Flanders will participate in the relevant aid coordination fora in Malawi at both policy and implementation level in which the government of Malawi and the donors are represented. These entail amongst others the High Level Forum on Aid Coordination and the Sector Coordinating Groups for health and agriculture.

Flanders will equally cooperate and coordinate with other donors in the relevant sectors, as it is already doing now in the Agricultural Development Programme for agriculture and food security.

Every year an Annual Consultation between Malawi and Flanders will take place with a view to discuss policy issues and the progress made on the implementation of the current country strategy paper. The meetings of the annual consultations will be held alternately in Malawi and Flanders. The delegation of Flanders will consist of representatives of the Flemish Department of Foreign Affairs and the Flemish International Cooperation Agency. As for Malawi the major policy planning and implementing partners will participate in the meeting.

5.2 Cooperation at different governance levels with a mix of aid modalities

Flanders will contribute to the development programmes of the government of Malawi by supporting these programmes at both national and local level. This means that Flanders might enter into the SWAP or similar common Programme approaches when they are available for the specific sectors it will support. By the end of 2013 on-budget sector support should amount to 60% of Flanders' financial support.

At the same time Flanders will also support programmes at local whenever appropriate, as it is doing now already with the *Agricultural and food security programme* in Kasungu and Mzimba districts, which is implemented in cooperation with the FAO and the Ministry of Agriculture.

5.3 Partners

For the implementation of its programmes of cooperation, Flanders and Malawi will cooperate with different partners. They will jointly investigate which partners should be involved and are best placed for the implementation of their joint programme of cooperation, be it government, civil society organisations, NGO's or international organisations, such as is now already the case with FAO and UNAIDS.

Flanders will also support initiatives of civil society organisations which are focussing on good governance, children's rights and gender.

6. Management and Quality Assurance Framework

6.1. Identification and formulation of programmes and projects

For the programmes and projects that will be implemented in cooperation with the Government of Malawi, the relevant Malawian authorities and FICA are responsible for the identification and formulation of these programmes and projects.

For the programmes and projects that might be implemented by non-governmental actors, FICA will assess these programmes and projects in line with the priorities set out in the Country Strategy Paper and the objectives and priorities set by the MGDS.

With regard to sector budget support, Flanders will assess the operational plans that are submitted yearly by the Government of Malawi in close consultation with the other donors in the sector. No separate programme or project documents will be required by the Government of Flanders. The main objective is to strive for well coordinated initiatives that support the country's strategies effectively.

6.2. Project implementation documents

For each programme or project – except for budget support - a project agreement is drawn up in agreement with the partners involved specifying the essential stipulations relating to the programmes or projects, such as: subject of the agreement; responsibilities with regard to the implementation, co-ordination and follow up of the programme or project; contributions and obligations of all partners, release of donor funding; reports, monitoring and financial audits; entry into force, validity, amendments, discontinuance and settlement of disputes. The project/programme agreement shall provide the basis for monitoring and follow-up, auditing and evaluation.

All details regarding programme or project objectives, activities and outcomes (results) will be specified in a separate project document that will be annexed to the project/programme agreement.

The Ministry of Finance is authorized to sign the project implementation documents on behalf of the Government of Malawi. Flanders' International Cooperation Agency is authorized to sign the project implementation documents on behalf of the Government of Flanders.

6.3; Funding and budget

The authority for the Flemish funding of programmes and projects lies with the Flemish minister responsible for development cooperation. On behalf of the latter FICA will provide funding for programmes and projects that have been accepted by both parties. Funding can be either direct or indirect. The exact budgets available will be communicated by FICA on a yearly basis.

During the timeframe of the Country Strategy Paper Flanders commits itself to provide a yearly average budget of 4-5 million euros for development cooperation in Malawi.

In case additional budgets are provided on top of the yearly budget 4-5 million euros, these will be allocated within the framework of the strategy paper after consultation with the government of Malawi.

6.4 Monitoring

The overall responsibility of the implementation of the programme and reporting on progress and results lies with the implementing partners. Flanders' International Cooperation Agency will actively monitor this process. Jointly with the partner and other donors, delivery of well-defined results as well as expenditure of funds will be followed up. The monitoring process will consist of regular meetings (including the Annual Consultation), field visits and the reporting mechanisms stated below (see 6.5).

When joining a SWAp, monitoring shall be in accordance with the provisions and mechanisms established by the relevant Code of Conduct and the Memorandum of Understanding for this SWAP.

6.5 Reporting

FICA aligns with the implementing partner's systems and procedures on reporting as well as with other donors to reduce administrative burden on the partner.

Reporting shall be based on the work plans agreed upon in the project/programme agreement and will consist of a progress report as well as a financial report. The former, i.e. progress report, will contain information on actual outputs compared to planned outputs, a summary of how funds are spent in comparison to the planned budget, an overview of alterations in output as well as an assessment on the necessity to introduce changes in the work plans. The latter, i.e., financial reporting, will give an overview of expenditure to monitor the financial management according to the agreed budget and work plans.

Should the need arise to develop new formats, this will be done in close consultation with the Government of Malawi and the donor community involved.

6.6 Financial audits

As a general rule, all programmes or projects will be audited. The modalities for the audit are mostly stipulated in the project/programme agreement. Should the need arise, an audit may be agreed upon additionally, in joint consultation with the Government of Malawi and/or the donors involved. The audit should be aligned with the partner's systems and correspond to international standards on auditing. When participating in joint programmes Flanders will take part in joint audits with the other donors involved.

6.7 Evaluation of the programme of cooperation

The Flemish Department of Foreign Affairs and the Government of Malawi through the Ministry of Economic Planning and Development will jointly undertake a mid-term evaluation in 2011 to assess the progress made in the implementation of the country strategy paper. At the end of this country strategy paper a joint assessment of the five year cooperation will be undertaken equally.

As a general rule, all programmes or projects will be evaluated. The project/programme agreement, will usually stipulate the modalities for the evaluation, but evaluations may also be done upon request of FICA. When participating in joint programmes Flanders will take part in joint evaluations with the other donors involved.

7. Risk response

In case of any risks occurring during the implementation of the country strategy paper, Flanders might need to take a number of measures in order to safeguard the proper management of its programmes and the funds that are set aside for it by its government.

What follows should be taken into consideration:

- The Paris Declaration principles which are mutually applying to both the Governments of Malawi and Flanders should be adhered to as much as possible in considering any changes in aid modalities.

- Flanders will together with the other donors closely monitor risks in all its programmes of cooperation, and will try to find solutions in dialogue with the government of Malawi.
- In case of declining performance and increased risk Flanders could reorient the funding, especially its sector support, by increasing funding to local government, non-governmental or international organisations.
- In case of severe governance shocks Flanders will have to assess if the absorptive capacity of Malawi has been affected. In extreme cases the support might have to be reduced. This will be decided in consultation with the Government of Malawi as well as based on the international donor community's appraisal of the situation.
- In any case the final target group of the country strategy paper will remain the population groups of Malawi living in poverty. Helping the poor to manage the risks they face in their everyday lives, reducing their vulnerability and building their capacity, remains the backbone of the cooperation.

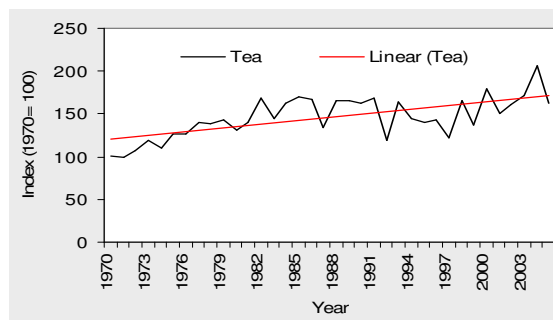
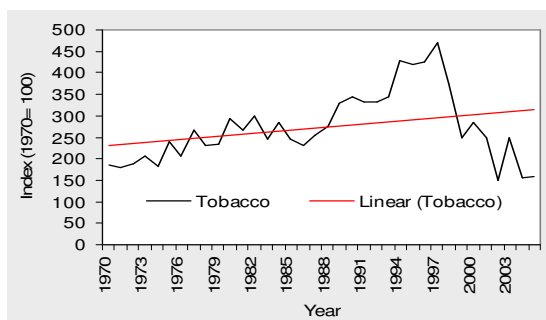
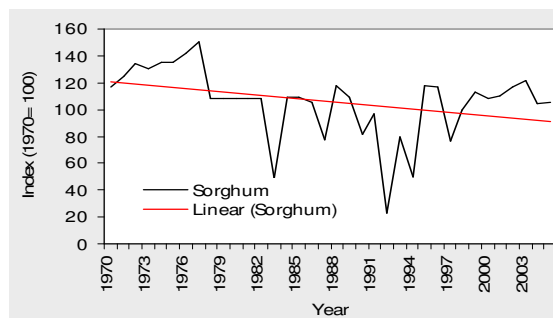
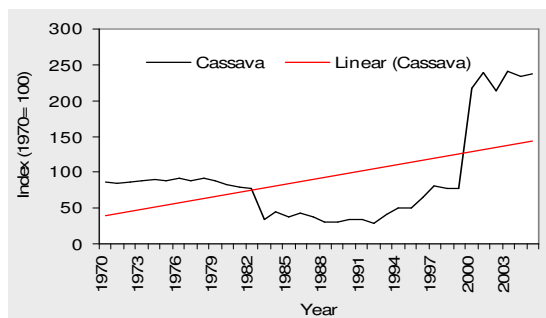
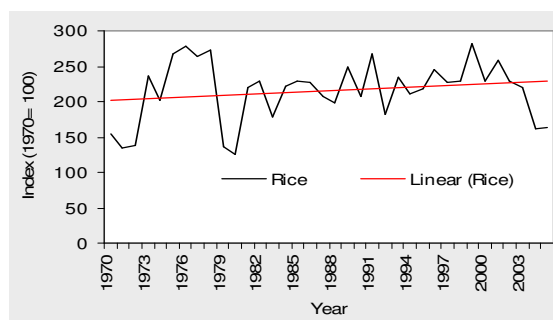
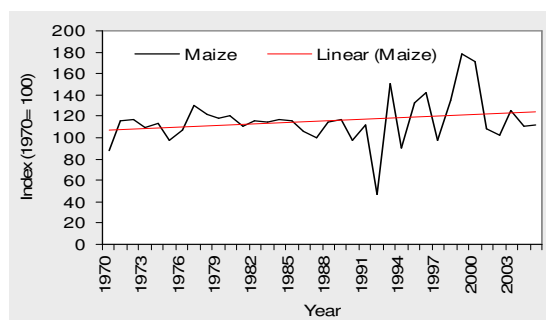
Documents consulted:

- DFID, Country Assistance Plan (Draft for Secretary of State Comment), 2007-2011, 53 pp.
- Government of Flanders, Decree on development cooperation, June 2007
- Government of Flanders and Malawi, Memorandum of Understanding between the governments of Flanders and Malawi, 22nd January 2007, ...pp.
- Government of Malawi, Joint Country Programme Review, Final report, July 2007, 187 pp.
- Government of Malawi, Malawi Growth and Development Strategy, From Poverty to prosperity, 2006-2011, XXVI- 265 pp.
- Government of Malawi, The 2007 Malawi Millennium Development Goal Report, 44 pp.
- Joint Country Programme Review, Report on the Health sector, Financial Year 2005/2006, 16 pp.
- Malawi Health SWAP Mid-term review, Summary Report, January 2008, 76 pp.
- Ministry of Agriculture and Food security, Food security policy, August 2006, 19 pp.
- Ministry of Agriculture and Food Security, The Agricultural Development Programme (ADP), final draft, December 2007, 133. pp.
- Ministry of Health, Department of Planning, A joint programme of work for a Health Sector wide approach (SWAP), 2004-2010, III-137 pp.
- NORAD, Development cooperation manual, 2005, 54 pp.
- UNDP, Human Development report 2007/2008
- United Nations, United Nations Convention on the Rights of the Child, adopted in New York on the 20th of November 1989, New York, 1989, <http://www.crin.org/docs/resources/treaties/uncrc.asp>
- OECD, 2006 Survey on Monitoring the Paris Declaration, Country Chapters, Malawi, 2007, pp. 18-1 – 18-10.
- Republic of Malawi - European Community, Country Strategy Paper and National Indicative Programme for the period 2008-2013, vi-26 pp+ Annexes.
- Third High Level Forum on Aid Effectiveness, <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1205870632880/AAA-First-Draft.pdf>
- World Bank, Malawi Country brief, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MALAWIEXTN/0,,menuPK:355882~pagePK:141132~piPK:141107~theSitePK:355870,00.html>

Appendix 1 – Performance of the agricultural sector

Agriculture in Malawi contributes to nearly 40% of the GDP, accounts for nearly 40% of total formal sector employment and provides 87% of total employment. It contributes to 63% of the income of the rural poor in Malawi and generates more than 90% of export earnings.

The agricultural sector has been characterised by low and stagnant yields, over dependence on rain fed farming, low level of irrigation development, and low uptake of improved farm inputs, weak links to markets, high transport costs, few farmer organisations, poor quality control and lack of market information.



Productivity Trends in Main Agricultural Crops, 1970 – 2005⁷

The share of agriculture in the national budget dropped in the 80's and the 90's during the structural adjustment programs, and was increased during the last years, mainly due to the agricultural subsidy input programme for the 2005/2006 agricultural session and onwards. It reached 12% of the total 2006/07 national budget and received 13% of the development budget.

⁷ Source: Ministry of Agriculture and Food Security, the Agricultural Development Programme, 2007, p. 21.

With the exception of beans and tea, agricultural productivity between 2000 and 2005 declined and this mainly due to low input use, and limited access to markets, credit, appropriate technologies and extension advice (see table below).

The subsidised agricultural input supply programme of the last agricultural season has show that agricultural production can increase; still more efforts will be needed to apply this programme efficiently as to reach a higher level of productivity.

With the recent climate changes over the past 15 years, causing recurrent droughts, the need for irrigated cropping and low cost irrigation techniques is increasing.

Although livestock increased in absolute terms – especially goat production -, supply remains insufficient and cannot follow the demand; the sector also lacks the necessary capital investments and inputs, and is on top of that in competition with the scarce land for crop production.

Agricultural extension services need to become functional again, in order to provide farmers with the results from research and technology development, and access to markets and credit is insufficiently developed for the small farmers.

APPENDIX 2

The health situation

| The health situation of the population in Malawi is still poor as reflected by a high maternal mortality rate, and a high stunting rate among children. The progress on a number of basic health indicators has been good, but others still need a lot of improvement.

Life expectancy declined from 48 to 39 years between 1990 and 2000, mainly as a result of HIV/AIDS. The under-five mortality rate (per 1000 live births) has improved from 258 in the 1980s to 133 in 2004 and 118 in 2006, and the infant mortality rate has declined from 138 per 1,000 live births in the late 1980s to 69 in 2006. Malawi's maternal mortality ratio (per 100,000 live births) has come down from 1120 in 2000 to 984 in 2004 but remains alarmingly high. Less than a third of the women with expected obstetric complications are treated at an Emergency Obstetric Care (EmOC) facility. Despite free health services in the public sector, the poor spend 10% of their annual consumption on health care.

HIV/AIDS adult prevalence rate was 14,1% in 2005 and appears to have stabilised. Malaria incidence has declined from extremely high rates of 812 cases per 1000 in 1992 to around 282 per 1000 in 2005, but continues to be a major problem especially among women and children.

Malawi has achieved good rates of immunisation and vaccine-preventable diseases have been dramatically reduced (polio, neonatal tetanus, measles). The nationwide community-based tuberculosis control program is a success story and considerable improvements have been made in service delivery (condoms, HIV testing, insecticide-treated bed_nets, and ARV-treatment).

At the other hand there has been almost no improvement in the proportion of births with medical assistance – from 55% in 1992 to 57% in 2004.

Nutrition

Malnutrition among children remains very high, which is reflected in a 48% stunting rate of children under five years of age according to the Demographic Health Survey 2004. Malnutrition in children is not necessarily correlated with poverty. At the other hand a mother's age and level of education have positive and significant effects on reducing malnutrition according to the Poverty and Vulnerability Assessment of 2006 (GoM and Worldbank, 2006).

| The over reliance on maize of the Malawian households lacks dietary diversification, and pregnant women and young children lack vitamin_A and micronutrients.

Health facilities, trained health staff and drugs

Malawi's health facilities are relatively close to households, i.e. within a range of 5 kms, but often can not deliver qualitative essential health services, because of lack of basic utilities and lack of skilled staff.

There is shortage of trained health professionals, such as doctors, nurses and midwives. Adding to that trained health professionals tend to go to the private sector or work outside the country because of higher salary rates. A programme funded by DFID and other donors is working on increasing the number of trained health staff (see further) .

Access to drugs is still negatively affected by capacity and management constraints at Central Medical Stores (CMS).

More coordination is needed with the CHAM (Christian Health Association of Malawi) and other private institutions in the delivery of appropriate and qualitative health care, and further decentralisation of the health facilities to the local level is needed.

It should be noted that Malawi is on track to achieve **MDG 4**: reduction in the infant (69/1000) and under-five mortality rate (118/1000).

The results of the Mid-Term Review

In September 2007 a Mid-Term Review (MTR) was the primary focus on the Joint Health Sector Annual Review meeting. The MTR indicated that major progress was reached in some areas of the POW, and that there are many examples of good practices.

Progress has been made in following areas:

- 1) a number of Essential Health Package indicators have improved;
- 2) improved physical access to health services through infrastructure development, increasing numbers and working hours of staff and service level agreements;
- 3) more financial and human resources for health service delivery are available, and decentralisation of health services and management;
- 4) strategy development and planning throughout the health system has improved;
- 5) development of oversight and coordination mechanisms in the health sector, such as MoU between Development Partners and the MOH, a SWAp governance structure, a multi-stakeholder joint bi-annual review process and a SWAp Secretariat.

The MTR showed that there are also still considerable constraints related to the Malawi Health SWAp that continue to challenge both the progress made up till now and future scaling up, being

- 1) improving coordination, cohesion and accountability
- 2) enhancing integration of monitoring and evaluation and health planning
- 3) sustaining improvements in financial and human capacity for health service delivery, being sustaining improved financial capacity, improving financial reporting, sustaining increases in skilled staff across the health sector, improving human resource management and performance;
- 4) unblocking hindrances in procurement of essential drugs and other health supplies, such as forecasting drug and health supply need, procuring essential drugs and medical supplies, increasing procurement capacity;
- 5) using lessons learned to revise the EHP and to elaborate the next national health plan (2011 onwards).