



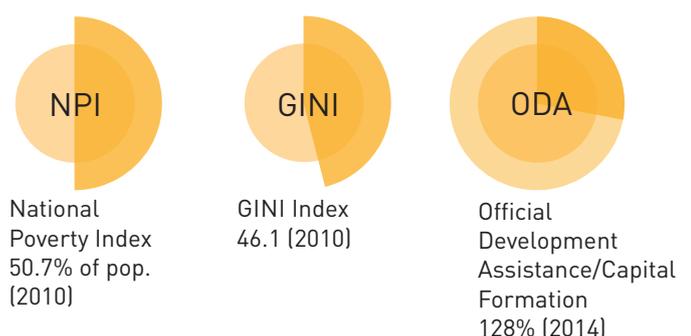
1. Country Context

Malawi is a small, landlocked country. Its economy is based primarily on rain-fed agriculture, which accounts for about 30% of GDP. Growth rates in 1990s and early 2000s were dismal, averaging less than 1.5% annually, before positive growth rates appearing starting from 2006, with rates above 6%. Recently, it was confronted by a twin crisis of climate shocks (floods and drought). As a result, the growth rate slowed down from 5.7% (2014) to 2.8% (2015). Depressed global demand negatively impacted the exports of cash crops. Nevertheless, Malawi made important progress on the MDGs by achieving gender parity in primary education, appreciable reduction in child mortality and a significant increase in ARV coverage and surpassing the target for access to water and sanitation. The slow growth and pervasive poverty (a quarter of the population being extremely poor) have been attributed to low human capital, particularly low rates of literacy. The country has few resources and is highly dependent on external aid (40% of national budget), though it suffered a decline of about 30% between 2012 and 2015; that year, Malawi received US\$910 million in ODA, which is 22.8% of GNI.

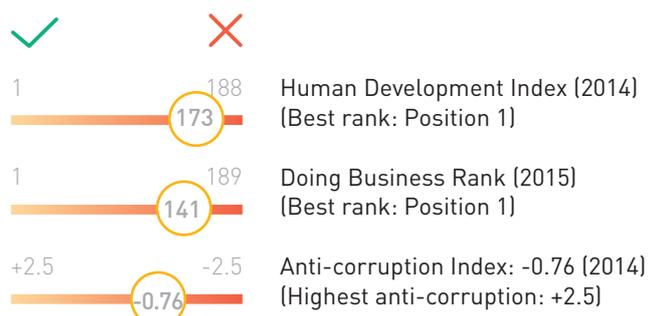
Quick Facts



Key Development Indices:



ODA per Capita US\$56 (2014)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Malawi has been able to make important economic and structural reforms and to sustain its economic growth rates over the last decade. Nevertheless, poverty is still widespread and the economy remains undiversified and vulnerable to external shocks. Malawi has high population growth and limited arable land. It faces severe environmental challenges such as deforestation and loss of biodiversity. External assistance remains vital, in particular to ensure growth is translated into strengthened capacity to mitigate natural disasters and improvement of literacy and poverty reduction.

2. Efforts to Implement the Effectiveness Principles

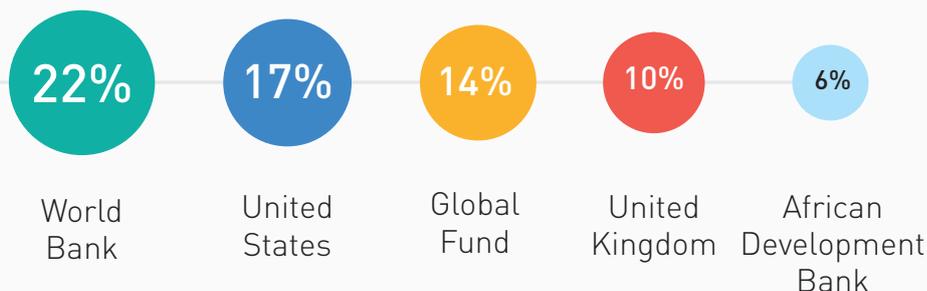
A. Policies and Tools for Partners' Alignment

Malawi has been implementing long-term (Malawi Vision 2020) and medium-term strategies (Second Malawi Growth and Development Strategy – MGDS II) whose objective is to reduce poverty. The Development Co-operation Strategy (DCS) aims to ensure that all support

is harmonized and aligned to national priorities. Malawi has broadened the scope and focus of efforts from official development finance to development effectiveness. There is greater emphasis on the inclusiveness of the dialogue at country level. Localization of the

Sustainable Development Goals (SDGs) in Malawi is expected with the formulation of the next national development plan and a new country results framework will form part of it.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring

Yes



Existence of a National Co-operation Policy

Yes

B. Governance and Management of Development Finance and Co-operation

Malawi is actively involved in the development effectiveness agenda internationally. The country's Aid Management Platform (AMP) is an important transparency instrument to operationalize the commitments made in the DCS. All development partners are required to report their funding on the AMP and a public portal provides real-time access to all stakeholders on all reported official development finance activities. In 2015, the government undertook a major data review and revision process, which led to significant improvement in data quality resulting from the population of missing data, and the correction of errors in the database.

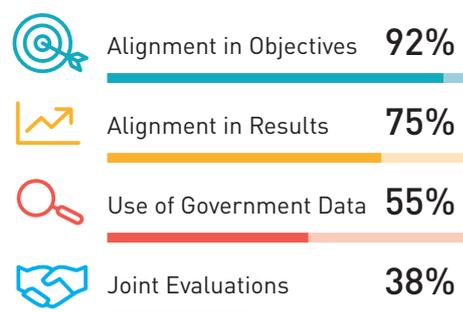
This improved data quality allows for more reliable analysis of development co-operation. Progress on development co-operation and partnership efforts is reviewed in annual High-Level Forum dialogue and bi-annual Development Co-operation Group meetings. In 2015 and 2016, respectively, Malawi held the first and second High-Level Forum on Development Effectiveness. Regular annual reviews of Malawi Growth and Development Strategy and Development Co-operation Atlas reports feed into this dialogue. Malawi participates in South-South cooperation and has signed up for IATI membership.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

Malawi is further upgrading its financial and results-based management system to improve performance and delivery. Though development co-operation relies heavily on it to draw its objectives (92%) or choose its results indicators (75%), the share of co-operation relying on sources of data provided by existing country-led monitoring systems is only 55%. Out of the 92% of the projects foreseen with a

final evaluation, a mere 38% of them will be organized jointly with the government and its partners. The government works to improve its performance assessment capability through strengthening the M&E system. A recent study is shaping a vision for a revamped M&E system around increased integration, digitization, access and analysis of data.

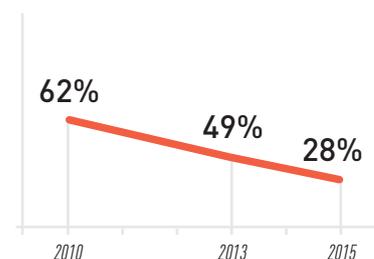


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Only 28% of scheduled disbursements were recorded in the budget in 2015. There has been a constant decline of the rate since five years, following withdrawal of budget support. There is currently an important debate between government and development partners in Malawi on

the definitions for on- and off-budget support to enable better representation in the budget document of development co-operation activities for which overall accountability for results rests with government.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

There has also been a significant decrease in the use of country systems over the years. In 2015, Malawi registered 33% use of country procurement systems against 50% in 2013 and 65% in 2010. This coincides with the significant decrease in general budget support and pooled funding. Most support does not use country systems. Very few development partners channel funds through the country's systems, due to concerns

about the strength of fiduciary controls. The reduction in use of country systems is a major concern. Malawi has made significant strides in promoting sound macro-economic management and governance and in implementing reforms despite the challenging environment of financial and capacity constraints. The CPIA has remained unchanged at a low value of 3 for the past 10 years. At the same time, the level of official

development finance untying started to deteriorate from 89% in 2013 to 86% in 2014. Therefore, it appears urgent that the current commitment to accelerate the reforms in public financial management be followed by concrete action, if partners' confidence in the country systems is to be restored with a view to increase coherence and transparency in national decision-making.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	39% ▼	35% ▼	34% ▼	24% ▼		
INDICATORS 9A & 10.					3 ▶	86% ▼

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

CSOs are consulted, particularly in the initial stages of the policy processes. However, the country is yet to establish feedback mechanisms for tracking CSO inputs and outcomes. Some training opportunities for building the capacity of all stakeholders to engage meaningfully in multi-stakeholder dialogues exist in the context of the Development Co-operation Strategy. The Non-Governmental Organisations (NGO) Board and Council for Non-Governmental Organisations in Malawi (CONGOMA) strive to address all levels of

accountability for CSOs. There has been a growing number of well-structured sectoral networks. Weak NGO capacities, underscored by technical and financial resource constraints, impact negatively on the different efforts of collaboration. This happens in spite of a tangible or vocal support for a more conducive CSO enabling environment being advocated for by almost all providers. Nonetheless, actions remain not institutionalized or systematic, even if the promotion of an enabling environment for CSOs has been

gaining momentum recently, particularly in the providers' policy dialogue with government. Unlike civil society, the private sector is yet to establish a full-fledged community of practice on development effectiveness. Nevertheless, the private sector does interact with the government. In particular, the Malawi Confederation of Chambers of Commerce and Industry, as a permanent structure, engages systematically the government on a number of issues and there are also regular public-private dialogue meetings.

Indicator 8. Gender Empowerment

A system is being developed for more comprehensively tracking allocations for gender equality and women's empowerment. In an effort to link national budget allocations to

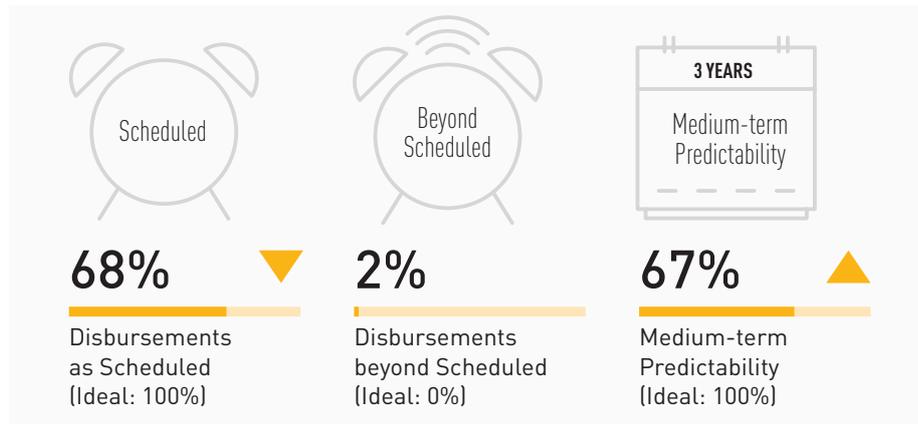
development outcomes, Programme-Based Budgeting (PBB) was introduced that should facilitate indicators for tracking progress on budget programmes to be disaggregated by gender. Malawi's

AMP tracks allocation of development co-operation activities related to gender issues. The latest AMP reports registered an increase in the percentage of assistance targeting gender.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

The 2015 data show declining trends in the predictability of official development finance. Annual predictability is relatively low at 68% and below the 2013 value of 84%. Funds are disbursed between 29% and 100% of what was scheduled for disbursement. Medium-term predictability improved from 52% in 2013 to 67% in 2015. However, as in previous years, predictability is highest in the first year (97%) and significantly lower in the second and third years of the MTEF (53%). The IMF and MENA banks do not provide multi-year information, and the EU and most UN organizations limit it to the first next year.



Indicator 7. Mutual Accountability

Malawi has a Development Co-operation Strategy (2014-2018) that sets out the policy and strategies for increasing efficiency and effectiveness in using official development finance. The DCS recognizes the need for joint efforts in addressing development challenges. The strategic development results indicators are a subset from the current MGDS II result framework. They are complemented by a prioritized set

of development effectiveness indicators. There are regular reviews of progress through the DCS dialogue, which is inclusive of a broad range of stakeholders. Sector Working Groups (SWGs) are institutionalized as a means for sector dialogue to facilitate mutual accountability, but not all are functioning. Programme-based approaches in some key sectors (health, agriculture and education) have

been recognized as strongly improving mutual accountability and results and continue to be encouraged. These efforts are supported by the use of an Aid Information Platform since 2008 with geocoded data. Malawi participated in the Mutual Accountability Surveys from UNDESA-UNDP of 2013-14 and 2015-16.

National Priorities Going Forward

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Malawi heavily relies on official development finance to support its development, but it has seen some decline in the overall levels of development co-operation funding in recent years. Government and DPs remain committed to the national development agenda. The Development Co-operation Strategy developed in the aftermath of the Busan and Mexico high-level meetings guides all development co-operation in Malawi. The Strategy provides effective and inclusive space for policy dialogue in the spirit of mutual accountability to improve development co-operation. The main priority going forward is having aid that is aligned to Malawi's development strategy so as to have a positive impact on poverty reduction, growth and attainment of the SDGs. This requires effective aid coordination and delivery guided by the DCS principles. Reduction of transaction costs through well-coordinated and harmonized mechanisms will be pursued and include a well-defined division of labour that pays due attention to the productive sectors of the economy.

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