



Co-operation between

The European Union

and

The Republic of Malawi

Joint Annual Report

2002

**Annual report on the implementation of the ACP-EU
Conventions and other co-operation activities**



CONCLUSIONS

Joint Annual Report 2002

Co-operation between the European Union and the Republic of Malawi

The Fight Against Poverty in Malawi

The paucity of reliable and up-to-date statistics makes it difficult at this time to ascertain quantitatively the progress – or lack thereof – with the achievement of poverty reduction objectives in Malawi. However, whatever evidence there is suggests that, despite many efforts by Government, NGOs and civil society to fight it, little progress has been made to reduce poverty in Malawi. Economic growth since the mid-1990s has been very modest and volatile. In addition, in 2000-2002 per capita economic growth was negative, agriculture stagnated, manufacturing output declined and the incidence of HIV/AIDS increased. Investment rates – already low at 14% of GDP – fell. They only remained positive because of public investment. Private sector investment is nearly absent. Government savings have virtually disappeared. These negative developments impeded progress towards achieving the Millennium Development Goals.

The Malawi Poverty Reduction and Economic Growth Strategies to be strengthened

To reverse these trends, Government launched the Malawi Poverty Reduction Strategy (MPRS) in April 2002, which aims at (i) sustainable pro-poor growth; (ii) promoting human capital development; (iii) improving the quality of life for the most vulnerable; and (iv) strengthening governance. A more vigorous implementation by Government of the growth scenario and policy reform is needed. The mobilisation of internal savings is seen as key to reduce the currently very high dependency on uncertain donor financing (15% of GDP) and to stimulate economic growth through lowering the prevailing high real interest rates which are currently impeding private investment. The poor growth also limits government's ability to generate its own revenues. This is exacerbated by a rapid increase of the domestic debt and the subsequent interest burden on the government

Implementation of Poverty Reduction and Growth Strategies to be strengthened

The MPRSP stresses the importance of restoring macroeconomic stability to reverse economic decline. Yet, progress in this area has been uneven. In mid-2000 Government reached agreement with the IMF on the Policy Reduction and Growth Facility (PRGF), which included a policy reform programme that aimed at bringing down inflation and interest rates. Towards the end-of 2000, the IMF and World Bank also approved Malawi's eligibility for debt relief under the *Highly Indebted Poor Countries (HIPC) Initiative*, under which Malawi is to receive debt relief benefits following the implementation of the policy reform programme. IMF Missions have repeatedly had to visit Malawi since then to complete the First Review of the PSGF. As a result, budget support – including

that from the EC – remained suspended and only little debt relief was made available¹. This aggravated Government’s fiscal difficulties and made higher spending on health and education problematic. It also left the EU with large un-disbursed balances in budget support that could have been spent to finance pro-poor programmes.

However, a combination of (i) revenue measures agreed upon, (ii) the application of more stringent control of public expenditure, as well as (iii) several structural reform measures that have been taken enabled IMF staff to positively review the implementation of the PRGF. Thus, on 20th October 2003, the IMF Board approved in principle the completion of the First Review of the PRGF and also approved in principle a first tranche disbursement of US \$9.2 million. This decision, once confirmed by a similar decision of the World Bank’s Board of Directors on 23rd October, 2003 following the Board’s review of progress with the Poverty Reduction Strategy Paper, opens the way for the resumption of bilateral and multilateral budget support and debt relief.

Table 1.1 illustrates the positive macro-economic perspectives that could come from a vigorous implementation of the poverty reduction and growth programme:

Table 1.1

	2000	2001	2002	2003 PRSP Targ.	2004 PRSP Targ.	2005 PRSP Targ.
Population (million)		11.6	11.8	12.1	12.3	12.6
Population below the Poverty Line (%)	65	--	--	--	--	59
GDP Growth (% per annum)	1.4	-1.5	1.8	3.4	4.3	6.7
Per Capita GDP (US \$)		166	162	164	167	172
Per Capita GDP Growth (%)	-0.5	-3.5	-0.3	1.3	2.2	4.5

Under this accelerated and more self-financed economic growth scenario, prospects for achievement of Millennium Development Goals are improved. To halve poverty by 2015 – and to reduce it in the interim to 59% by 2005 - the economy will need to grow at over 5 percent a year, more than eight times the 0.6 percent annual growth rate of the 2000-2002 period. Agriculture plays a key role in this scenario, confirming that agriculture should remain a focal sector for EU involvement.

Further Progress in Governance – and External Support for it - is Needed

Malawi has made remarkable progress in developing institutions to consolidate democracy, strengthen governance and accountability. Institutions as the Human Rights Commission, the Law Commission and the Ombudsman are largely able to operate freely and should be recommended for their work. This applies to the Anti Corruption Bureau as well. The core problem remains weak management capacity in these institutions.

The political situation in the country was dominated in 2002 by the question of the amendment to the

1 Debt Relief amounted to US \$27 and US \$30 million in 2001 and 2002 respectively, but could reach US\$51.5 million for 2003 upon formal approval by the IMF Board of the First Review of the Poverty Reduction and Growth Facility

Constitution (Art.83) to enable any State President in Malawi to stand for more than two terms as currently stipulated in the Constitution. On the 4th of July 2002, a private members bill, proposing unlimited terms in office possible for the President, was defeated in Parliament. The sensitivity of this question and subsequent increased internal political tension, as well as other governance questions, occasionally led to a strained relationship with donors, including the European Commission.

Looking Ahead

It is important that in the year prior to the General and Presidential Elections the consensus for needed policy reform can be strengthened and maintained, so that the Poverty Reduction and Growth Programme can be implemented with greater vigour and determination, so as to make a dent in Malawi's poverty and to initiate progress towards reaching the Millennium Development Goals. Under these circumstances – and with adherence to agreed policy reform - the EC programme can make a substantial contribution to that goal by providing budget support and financing for programmes in the other two focal sectors, namely agriculture and transport, as well as for several non-focal sector projects, as follows:

Agriculture and Food Security Projects are Showing Results

Even though the implementation of the 9th EDF has not yet started in Malawi, serious efforts have already been embarked upon to implement the strategies spelled out in the CSP. However, as 2002 was marred by the severe food security crisis, most activities were focused as short-term responses to this crisis, while keeping medium and long-term activities running

The implementation of two main projects continued satisfactorily in 2002, namely, the *Soil Conservation and Agricultural Production Project (PROSCARP)*, and the *Social Forestry Training and Extension Project*.

The Public works Programme (PWP) has successfully completed its second-year work programme, and EUR 6 million from the Food Security Budget Line has used to enlarge its financial support. The *food security programme* was reoriented in July 2002, so that it can focus more on the accessibility dimension of food security. It now aims to support demand by creating employment opportunities and addressing food security on a larger scale. More than 10 000 people were directly involved in the road rehabilitation component alone, and were able to generate income at a crucial time. A new PWP is already being planned for and should benefit from enlarged financial support in 2004. (See Annexes A and B attached to these Conclusions).

During 2003 Financing Proposals will be drafted for interventions in the areas of *Land Reform* and *Rural Livelihoods Programmes*, which focus on land resources and forestry conservation. These proposals are scheduled to be submitted to the EDF Committee by early 2004.

Objectives for Transport Sector are not Being Achieved

Good and sustainable management of roads was the main policy objective for the transport sector in the NIP of the 8th EDF. Unfortunately, this policy objective has so far not been achieved. From its inception in 1997, steady growth was made in NRA's capacity to maintain Malawi's road network. Unfortunately, this progress tapered off through 2002 as efficiency and effectiveness suffered progressively as a result of insufficient funding and of Government interference in operational

matters. First, the contribution of fuel levies to the Road Fund has not kept pace with maintenance expenditure needs, which is at variance with policy commitments agreed upon between Government and road sector stakeholders, including the EU. Of key importance is that an agreement of July 1997 - namely that fuel levies would finance all normal maintenance by 2002 - was not implemented. In fact, by the end of 2002 Road Fund receipts were only one-half of the agreed targets. Furthermore, from time to time Government has required the NRA to finance activities outside the agreed programme, thereby dramatically reducing NRA's output on essential maintenance works.

On the positive side, 2002 has seen the advancement of several initiatives, particularly those under the 8th EDF, including (i) commencement of reconstruction of the Dwambazi Bridge, as well as of (ii) a Technical Assistance programme for NRA; (iii) commencement of services for the Design and Supervision of Four Bridges under the Lakeshore Road Infrastructure Support programme; (iv) and the award of a contract for the construction/rehabilitation of the M1-Golomoti-Monkey Bay road;

In summary, the assessment of achievement of the policy objective of good and sustainable management of roads is largely negative, indicating that a thorough review is needed. The question of Government interference in NRA programming and procurement must be addressed at the same time, failing which there must be doubt about the justification of future EU support for the sector.

It has been agreed to jointly take stock in November 2003 of the main issues standing in the way of the sound and rapid development of the roads sector and to jointly identify at that time concrete solutions which would be submitted to the Government.

Macro-Economic Objectives were not achieved in 2002, Budget Support could however resume following the completion, in principle, of the first review of Malawi's PRGF on 20 October 2003.

The major constraint to disbursement of budget support has been the inability of successive IMF missions during 2002 to conclude their review of the PRGF. As a result, they were unable to present a positive judgement on implementation of the macro-economic reform programme to the IMF Executive Board. This, together with non-repayment of EUR 7.43 million to the European Commission, led to the continued suspension of budget support. **The Government of Malawi paid this total amount of EUR 7.43 million back to the European Commission in 2003.**

In early 2002 the Commission officially became member of the Common Approach to Budgetary Support Group (CABS). CABS intend to link budget support disbursements to progress, which Government makes in implementing the next phases of the PRGF and the PRSP. In the absence of such progress, however, this may have to lead to the re-allocation of macro-economic support to other programmes directly benefiting the poor, e.g. towards the Micro-Projects and the Public Works Programme.

Programmes outside the Focal Sectors are Showing Positive Effects

EDF funding in the **health sector** has supported the reform and decentralisation of the health sector, the maintenance of health facilities, and the development of a national blood transfusion service. While project implementation is not as good as expected, it should improve in the future. The *Health Sector Reform & Decentralisation Project* has been very successful in implementing its programme

but also in contributing to the design phase of the Health Sector Wide Approach (SWAp).

As regards **governance**, the *NICE Programme*, after two years of implementation, is now ahead of its scheduled project objectives, having achieved a widespread improvement in both the number and the networking of Para Civic Educators nationwide and volunteers who in some districts are already covering just about every second village. However, in the face of these achievements, NICE has at times been categorized as an NGO, though it is a government programme implemented by the NAO. Therefore there is a continued need for further informal discussions with stakeholders in the coming year with the main aim of clearly explaining the key objectives of NICE.

The *Rule of Law Programme* is also pointing in the right direction. There was a change of focus in 2002, to a more results oriented approach. This change has taken more time than anticipated and consequently, some additional time and resources, for which preparations are already underway, should be made available to the project. Achievements include the completion of an inventory of the legal sector. The evaluation of the current programme should take place in the first half of 2003.

The **3rd Micro Projects Programme (MPP)** continues supporting the poverty alleviation programme very effectively by providing basic infrastructure, mainly in the education, health and water/sanitation sectors. It implements an impressive 500 projects per year, which explains why people view the MPP as a very efficient tool for addressing the basic needs of the rural communities. Most of 2003 will be spent on reforming and strengthening the financial control procedures of the project. Also, during 2003 important steps will be undertaken to adapt the implementation of procedures to the new needs of programme, which relate to intensified decentralisation and increased stakeholder commitment.

As regards the utilisation of resources for **Non-State-Actors (NSA)** no direct support has been provided under the EDF in 2002. The preparation of a decentralised cooperation programme was halted due to a shortage of human resources. However, the Food Security Programme continued to implement a part of its programme through NSAs. With a new programme to support the NSAs under preparation in 2003, this dialogue should henceforth be more intense. The purpose of the programme is to enhance the capacity of the NSAs both administratively as well as their implementation capacity. After sufficient training they should become a more integral part of the implementation strategy of the 9th EDF.

The **Capacity Building Project for Economic Management and Policy Co-ordination** focuses on strengthening the Government's core economic institutions. Of special importance for the implementation of the MPRP is that the project supports the National Authorising Office (NAO), so that it can function with optimal effectiveness in managing the sizeable EU programme in Malawi. Regular dialogue is taking place between the NAO and the Delegation. So far shortages in the NAO office have limited the number of technical meetings that have taken place. This will be different in the future, as the NAO Support Unit is staffed sufficiently to cater for the needs under the 9th EDF.

Programming Perspective for the Following Five Years to be Reviewed

The implementation record of Malawi's programme indicates that the co-operation between the Delegation and the NAO Office performed well. Timely commitments and disbursements can equally be ensured in the immediate future for the substantial allocations under the 9th EDF, certainly for the 2003-2004 period. Success in these co-operative efforts will also depend on political and economic developments in Malawi that may make it difficult to implement budget support programmes and to provide financing for the focal transport sector. It also depends on the speed by which the performance of the NAO Office, and of several line Ministries, can be enhanced further. In view of the uncertainties that affect programme delivery, it may be necessary to prepare for re-allocating EU aid between sectors. If the situation so requires, specific proposals could be prepared for consideration at the forthcoming Mid Term Review.

Factors within the control of the Commission include the timely replacement of officials in the Delegation, filling of staff gaps, retention of some positions, deployment of national experts as well as appropriate guidance during the de-concentration phase to ensure an effective Delegation focus on project implementation.

Initially, two programme scenarios have been developed for the 2003-2004 period. Scenario A is consistent with a "normal and healthy" evolution in Malawi and within the Delegation. Scenario B reflects the assumption that the political and economic situation in Malawi may deteriorate. While mitigation measures can help (i.e. shifting of aid to other sectors), the lack of project implementation capacity within Government could still have a substantial knockdown effect on the delivery of the Programme. The consequences will obviously also be felt after 2004. Clearly, Scenario B is an undesirable one and all preventive measures should be considered to minimise the risk that it could materialise.

Scenarios have been developed for EDF 9. Should Scenario B develop for EDF 9, mitigation measures would need to be taken. But for budget support to be replaced by project operations, Government would have to take special measures to increase the absorptive capacities of several Line ministries, while at the same time, making solid progress with strengthening the NAO Office.

Under Scenario C Overall Funding for Malawi Could be Raised

It is possible to envisage a more favourable programme implementation record than the one which underlies the "normal and healthy" evolution in Malawi and which would support Scenario A. Such outcome would include (i) strict adherence by the Government of Malawi to the programmes and benchmarks agreed upon with the IMF and CABS; (ii) a significant reversal of the negative performance within the transport sector and the NRA; and (iii) a demonstrated strengthening of Government capacity to accelerate the implementation of the EDF programme in Malawi, including a vigorous strengthening of the NAO Office. Should these favourable outcomes materialise – and be sustained within an overall positive assessment on progress in institutional reforms in poverty reduction, on results in focal sectors and in implementation performance – Malawi could well qualify for a transfer from the B to the A envelope. This would be a more ambitious Scenario C – as yet undefined - under which additional EDF financing allocations could be made to Malawi. (See Annexes A and B attached to these Conclusions). This scenario would then become subject to the Mid-Term Review discussions scheduled for in mid 2004.

Preparations for the Mid-Term Review

It was agreed that the MTR exercise should start without delay and that it should focus inter alia on the continued appropriateness of the EDF Strategy for Malawi, including the size and composition of the EDF Programme for Malawi. Issues such as continued programme relevance in the light of priority adaptations that could derive from the Public Sector Investment Programme now being finalised - as well as from the Economic Growth Strategy – needed to be considered. At the same time, the speed of programme delivery would need to be reviewed as it could have a decisive impact on decisions regarding the transition from an A Scenario to a possible C Scenario. Finally, progress achieved with an agreed-upon strengthening of the roads maintenance programme and its financing would also have a strong impact. Meanwhile there would be merit in monitoring closely the eventuality that by November 2004 the 9th EDF envelopes might be exhausted (see Annex B attached to these Conclusions).

Speeding Up the Use of Old EDF Resources – Government Can Do Much

All has been done by the Delegation to speed up the use of old EDF resources committed in support of projects. Government can help by (i) strengthening with great urgency the EDF Unit in the NAO Office, and (ii) by remedying the issues that are negatively affecting progress in the transport sector.

In the meantime (since March 2003) the RAC/RAL² situation has improved considerably. The RAC/RAL situation of October 2003 can be found in Annex 3C of the report.

As regards the strengthening of the NAO Office, major progress has been made in 2003. In fact, in April of this year Government and the Commission agreed to establish a fully-fledged NAO Support Unit. This has been done since then. The Unit is already operational and has secured first-class offices. In the initial phase the Support Unit will be staffed with civil servants and external contract staff, involving 24 posts in total. For the first year Government is providing eight civil servants: the Head of Unit, 3 desk officers – one for each of the EDF focal sectors – and 4 administrative staff.

The Work Programme has been signed and the first release of funds was received in September 2003. Applications for vacant positions are being evaluated, tenders for computers and furniture have been published and training activities in EDF procedures are being organised, with the first one scheduled for December 2003. Key staff will also attend these courses from Line Ministries' Planning Departments, reflecting the initiation of the Unit's institution-building role.

More generally, Government could ensure the vigorous implementation of its reform programme, by staying on track with the implementation of the IMF-supported Poverty Reduction and Growth Programme, which would assist in the release of the suspended budget support.

Alternatively, steps could be taken towards the re-allocation of projected budget support as well as towards fast-absorbing pro-poor programmes, including the Micro-Projects' and Public Works Programmes.

² RAC = Amount remaining to be committed. RAL = Amount remaining to be disbursed

European Investment Bank (EIB)

EIB activities in Malawi in 2003 have been slower than expected. Only one comparatively small EIB loan of € 0.3 million was signed to help finance a bankable feasibility study for the development of a strontianite mine at Kangankunde. However, as the mining rights were assigned to another company, this loan could not be disbursed. An official EIB communication to the relevant authorities has drawn attention to this unexpected development. As a result, and until a satisfactory resolution has been found for all parties concerned, the EIB has taken the position that it is unlikely that the Bank will consider further assistance in Malawi's mining sector.

The Ministry of Natural Resources and Environmental Affairs has only very recently articulated the Government's reasons for not renewing the Exclusive Prospecting License for the Kangankunde Deposit, and for granting a mining license to another applicant, by pointing to a number of tasks which the original licensee had not completed within the stipulated period, which made it unlikely in the view of the Commissioner of Mines and Minerals that the original licensee would be in a position to develop and finance the Kangankunde deposit in a timely manner. On these grounds the Government decided not to renew the Exclusive Exploration License and to grant upon its expiration a mining license to another

It was hoped that the EIB (together with CDC, DEG and FMO) would exit from their direct shareholding in INDEbank, following the successful bid by Century International Limited (CIL), a Botswana registered company. The decision to exit from INDEbank was taken in order to assist INDEbank in its transition from a Development Bank into a commercial bank, and the perceived need for a strong technical partner. CIL was formed in order to realise Century Holdings Limited (Zimbabwe) regional expansion plans into the commercial banking sector. Unfortunately Reserve Bank of Malawi approval for this transaction has not yet been granted. This has had the effect of holding up a EUR 10m EIB line of credit for the tea industry, as it was hoped to structure this through INDEbank. Another impact of the uncertainty of the INDEbank takeover has been to delay the appraisal of extending another EIB Global Loan facility for the purposes of assisting SME project financing and also financial assistance to individuals or groups wishing to invest in companies being privatised through the Privatisation Commission.

It is hoped that as soon as the INDEbank takeover has received the relevant approvals, the EIB will be in a position to move forward with providing financial assistance to Malawi's private sector.

Indicators and Targets for Measuring Results in Focal Sectors

The progress that has recently been made in this key area of Government and donors' concern was stimulated to an important extent by the JAR 2002. Overall, the exercise has benefited from support provided by the EU-financed Capacity Building Project. Two Tables have been included in the Annex 1F, which provide the main elements of the Government's near-final proposals for the M & E exercise, including a List and Description of 51 Indicators as well as one giving Operational Descriptions and Data Collection Strategy.

The selection of the indicators for the focal sectors should, however, be considered somewhat tentative until the Monitoring and Evaluation (M &E) Department of the Ministry of Economic Planning and Development (EP&D) has finalised the Master Plan for Monitoring and Evaluating

progress of the PRSP, as well as a Data Collection Strategy.

Agriculture and Natural Resources:

In total 16 Indicators have been selected. It has proven difficult to generate adequate data for this sector, in part due to the multiplicity of interventions in the Agriculture and Natural Resources Sector. The difficulties encountered in the data collection exercise has signalled very strongly the need for joint EC and Government efforts to construct a more adequate sector data base. It also illustrated the usefulness of including the collection of key Indicators as an important activity in the Management Information System (MIS) Support Activities Project slated for 2004. This will allow the setting of baseline data on a regular and scientific basis, while also permitting extrapolating project-generated data to the national level. It is expected that in the next JAR (2003) we may see the first reflection of this and other exercises. As regards **Impact Indicators**, a serious problem is that several key indicators that are proposed include those that are only measured every five years or so. This refers in particular to Indicators that measure impact, such as rural household income and the share of income from agriculture in that household income, as well as energy consumption. However, this issue will be addressed as part of the Government's overall M & E exercise.

The inclusion of two **output indicators** is proposed: first, the annual intake of extension trainees that are targeted at 900 per annum by 2005. None were recorded in 2001/2002 as a consequence of the privatisation of the Natural Resources College. Secondly, it is proposed to begin measuring the number of farmers groups and cooperatives formed, as a measure of evolving institutional strengthening in the rural areas. For **input indicators** it is proposed to measure the share in government expenditure for agriculture, as well as for natural resources development, in overall Government expenditures. The very small share of agriculture in Government expenditure (3-4%), and that of Natural Resources as well (1-2 %) is of significance. This is in sharp contrast to the key role, which these sectors are to play in the development of Malawi's economy.

Some data are available for 2000-2002. As in the absence of reliable and timely data, projections are at this stage not meaningful, several key Indicators will be included in the MIS Support Activities Project slated for 2004, allowing the setting of baseline data on a regular and scientific basis, while also permitting the extrapolation of project-generated data to the national level.

There are serious questions about data availability, accessibility and reliability that will be addressed in the coming year. Driven by FAO, the Government and donors are considering the establishment of an agriculture data collection centre for Malawi and the Southern African region.

Transport: The list of 17 Indicators that has been established include such sector activity indicators as (1) value of export and import trade flows and import and export traffic volume data, (2) average daily traffic on strategic road network, (3 and 4) freight traffic volume data for both domestic and international traffic on road and rail. It also includes data on (5) the time spent travelling, (6) the number of accidents, fatalities and injuries, as well as (7 and 8) data on selected freight tariffs and road passenger fares. There is also a set of Indicators that describe (9) vehicle operating costs, (10) maintenance and rehabilitation expenditures on the roads system relative to Maintainable Network Needs (11) kilometres of roads by class in good, fair, and poor condition, for paved and unpaved roads, and (12) kilometres of roads maintained by class. The List also includes financial Indicators,

such as (13) revenue collections for the Road Fund, and (14) data on the size of the fuel levy. We plan to cover environmental issues by recording (15) the number of environmental assessments carried out in the transport sector. We will attempt to measure (16) HIV/AIDS prevention activity in the transport sector. Finally, we propose to collect data on (17) employment in the transport sector, disaggregated by male and female employment.

It must be pointed out that for the transport sector there are serious questions about data availability, accessibility and reliability. A key concern is the strengthening of institutions involved in the process of data collection, analysis and presentation for public consumption, which will be addressed in the coming year. A system will be elaborated for the timely collection of reliable data in an affordable manner, including for the JAR 2003 exercise already. This system will reflect full consultation with other donors in the transport sector, and will be built up with the help of local consultants. It must be made clear from the outset that the experiences gained in the process of data collection may also lead to significant adaptations to the list of Indicators for the transport sector.

Macro-Economic Reform: Twelve indicators have been selected, broken down in three groups, namely (i) Economic, (ii) Health and (iii) Education Indicators. They will be gender-disaggregated.

The **Economic Indicators** include GDP Growth, Poverty Headcount; Percentage of Budget Spent on or Allocated to health and education and, as a measure of developments in fiscal management, the Debt/GDP Ratio broken down into Domestic Debt/GDP and Foreign Debt/GDP. There are historical data and projections. **The Health Indicators** include the under-five mortality rate; the maternal mortality rate; trends in overall attendance at primary health centres; HIV Prevalence in population at the national level; and percentage of births attended by skilled health personnel. Data for the health sector will benefit from the Health Sector Management Information System (HMIS). **The Education Sector Indicators** include (1) the primary school completion rate; and (2) the primary school net enrolment rate. Economic Indicators reflect inputs, outputs and impact. Health and education Indicators are outcome based.

22nd October 2003

Signatures

For the Government of Malawi

For the Commission

Patrick E. Chilambe
National Authorising Officer
Secretary to the Treasury

Wiepke van der Goot
Head of Delegation

ANNEX A - Revised chronogramme of activities

Allocations: envelope A: € 272.0 mio + EDFs Prior estimated transfers to envelope A: € 0.0 mio

envelope B: € 63.0 mio

ECHO: € 4.8 mio

APC: € 5.2 mio

TOTAL ALLOCATION: € 345 mio

9th EDF (Including prior EDFs transfers)	2003												2004												2005	2006	2007	Total
	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec				
Envelope A																												
MABAM (Malawi Backlog Maintenance)															••		60											60,0
Bangula-Nsanje-Marka Road															••		35											35,0
Rural feeder roads															*										22,5			22,5
Capacity Building/Support to NAO													*		*					••		7						7,0
Support to Forestry Livelihoods															•													15,0
Support to Ministry of Lands			••		*								••		1,9		*	••							3,5			5,4
Agriculture sector support programme (Horticulture, land resources, extension)					••	*									••		35											35,0
Support to Ministry of Agriculture and Irrigation															*							8						8,0
Support Private Sector & Commodity Market															*						*	••			10			10,0
Rule of Law programme													••		*		*				••			20				20,0
National Initiative for Civic Education													••		*						••			8				8,0
Budget Support														*							••			50		25		75,0
Microprojects (APPROVED BY EDF)	35																				••							35,0
Technical Cooperation Facility																												7,5
Elections 2004																												2,0
Non State Actors																						•	5					5,0
1) Total envelope A (cumulated):	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	176,4	191,4	191,4	191,4	206,4	206,4	289,4	289,4	325,4	350,4	350,4	350,4
Envelope B																												
Public Works Programme II																												25,0
2) Total envelope B (cumulated):	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0	0	0	25
Total envelope A+B (cumulated)	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	176,4	191,4	191,4	191,4	231,4	206,4	289,4	289,4	325,4	350,4	350,4	375,4

To indicate in the columns (month and year)

Identification sheet established: *

Studies launched: **

Financing proposals sent to HQ: •

To the EDF Committee: ••

Financing Decision: indicate amount

ANNEX B - Revised chronogramme of activities including possible extra funds

Allocations: envelope A: € 272.0 mio + EDFs Prior estimated transfers to envelope A: € 0.0 mio

envelope B: € 63.0 mio

ECHO: € 4.8 mio

TOTAL ALLOCATION: € 345 mio

APC: € 5.2 mio

9th EDF (Including prior EDFs transfers)	2003												2004												2005	2006	2007	Total
	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec				
Envelope A																												
MABAM (Malawi Backlog Maintenance)																												
Bangula-Nsanje-Marka Road																												
Rural feeder roads																												
Capacity Building/Support to NAO																												
Support to Forestry Livelihoods																												
Support to Ministry of Lands																												
Agriculture sector support programme (Horticulture, land resources, extension)																												
Support to Ministry of Agriculture and Irrigation																												
Support Private Sector & Commodity Market																												
Rule of Law programme																												
National Initiative for Civic Education																												
Budget Support																												
Microprojects (APPROVED BY EDF)																												
Technical Cooperation Facility																												
Elections 2004																												
Non State Actors																												
1) Total envelope A (cumulated):	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	176,4	191,4	191,4	191,4	206,4	206,4	299,4	299,4	335,4	360,4	360,4	360,4
Envelope B																												
Public Works Programme II																												
Bangula Nsanje-Marka																												
Mangochi-Cape Mclear																												
Nacala (Trade)																												
2) Total envelope B (cumulated):	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	25	0	0	0	10	10	0	55
Total envelope A+B (cumulated)	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	186,4	191,4	191,4	191,4	231,4	206,4	299,4	299,4	345,4	370,4	360,4	415,4

To indicate in the columns (month and year)

Identification sheet established: *

Studies launched: **

Financing proposals sent to HQ: •

To the EDF Committee: ••

Financing Decision: indicate amount

1. Executive Summary

The Fight Against Poverty in Malawi

The paucity of reliable and up-to-date statistics makes it difficult to ascertain quantitatively the progress – or lack thereof – with the achievement of poverty reduction objectives in Malawi. However, whatever evidence there is suggests that, despite many efforts by Government, NGOs and civil society to fight it, little progress has been made to reduce poverty in Malawi. Economic growth since the mid-1990s has been very modest and volatile. In addition, in 2000-2002 per capita economic growth was negative, agriculture stagnated, manufacturing output declined and the incidence of HIV/AIDS increased. Investment rates – already low at 14% of GDP – fell. They only remained positive because of public investment. Private sector investment is nearly absent. Government savings have virtually disappeared. These negative developments impeded progress towards achieving the Millennium Development Goals.

Implementation of Poverty Reduction and Growth Strategies to be Strengthened

To reverse these trends, Government launched the Malawi Poverty Reduction Strategy (MPRS) in April 2002. Currently, a complementary economic growth strategy is being defined. It argues for more vigorous implementation by Government of its reform programme. A disappointment was that the mid-2002 IMF review had to conclude “*the implementation of the economic reform programme is not satisfactory*”. As a result, critically-needed budget support remained in suspense. This made higher spending on health and education problematic. It also left the EU with a large balance of un-disbursed budget support that could have been used to finance pro-poor programmes.

Table 1.1 illustrates the macro-economic perspectives that could come from a vigorous implementation of the poverty reduction and growth programme:

Table 1.1

	2000	2001	2002	2003 PRSP Targ.	2004 PRSP Targ.	2005 PRSP Targ.
Population (million) (1)		11.6	11.8	12.1	12.3	12.6
Population below the Poverty Line (%)	65	--	--	--	--	59
GDP Growth (% per annum)	1.4	-1.5	1.8	3.4	4.3	6.7
Per Capita GDP (US \$) (2)		166	162	164	167	172
Per Capita GDP Growth (%) (3)	-0.5	-3.5	-0.3	1.3	2.2	4.5

Further Progress in Governance – and External Support for it - is needed

The political situation in the country was dominated in 2002 by the question of the amendment to the Constitution (Art.83) to enable any State President in Malawi to stand for more than two terms as currently stipulated in the Constitution. On the 4th of July, a private members bill, proposing unlimited terms in office possible for the President, was defeated in Parliament. The sensitivity of this question and subsequent increased internal political tension, as well as other governance

1. Reflects an estimated 2.1 percent annual growth rate for the 2002-2005 period

2. Source: 2001: UNDP - HDR 2003; WDR 2004 gives Gross National Income for 2002 at US \$160

3. Source: 2002: World Bank; WDR 2004; 2003-2004:

questions, occasionally led to a strained relationship with donors, including the European Commission.

Agriculture and Food Security Projects are Showing Results

The implementation of two main projects continued satisfactorily in 2002, namely the *Soil Conservation and Agricultural Production Project (PROSCARP)*, and the *Social Forestry Training and Extension Project*. Both projects are concentrating on community-based strategies, using active sensitisation and participatory planning approaches. *The Public Works Programme (PWP)* has successfully completed its second-year work programme, and its financial support has been enlarged by EUR 6 million from the Food Security Budget Line, which has as the specific objective the alleviation of poverty in the most food-insecure districts. The success of the project very much justifies the ongoing preparation of a follow-on larger PWP.

On 26th February 2002, Government declared a state of emergency, realising that the shortage of food, and the lack of access to food by the poorest segments of the population, had to be addressed as a matter of urgency. The effects of the 2002 severe food crisis overshadowed virtually all medium-term concerns, and many activities were re-focused on short-term responses to the crisis, mainly financed from the Food Security Budget Line. These included the provision of 95 000 metric tonnes of food aid and the re-focusing in July 2002 of the *food security programme* on the accessibility dimension of food security, by supporting the creation of additional employment (and, thus, income) opportunities and, thus, by addressing food security issues in a broader context. As a result of the numerous interventions of Government and donors, malnutrition rates declined substantially.

Objectives for Transport Sector so far not Achieved

Good and sustainable management of roads was the main policy objective for the transport sector in the NIP of the 8th EDF. Unfortunately, this policy objective is not being achieved as a result of insufficient maintenance funding and of interference in operational matters. An agreement of July 1997 - namely that fuel levies would finance all normal maintenance by 2002 - was not implemented. By the end of 2002 Road Fund receipts were only one-half of the agreed target. Furthermore, Government has from time to time required the National Roads Authority (NRA) to finance activities outside the agreed programme, thereby dramatically reducing NRA's output on essential maintenance works. On the positive side, 2002 has seen the advancement of several projects.

The questions of insufficient funding and Government interference in NRA programming and procurement must be addressed, failing which there must be doubt about the justification of future EC support for the sector.

Macro-Economic Objectives were not Achieved and Budget Support was Suspended

The major constraint to disbursement of budget support has been the inability of successive IMF missions during 2002 to conclude their review of the PRGF. As a result, they were unable to present a positive judgement on implementation of the macro-economic reform programme to the IMF Executive Board. This, together with non-repayment of EUR 7.43 million to the European Commission, led to the continued suspension of budget support. This may have to lead to the re-

allocation of macro-economic support to other programmes directly benefiting the poor

In early 2002 the Commission officially became member of the Common Approach to Budgetary Support Group (CABS). CABS intend to link budget support disbursements to progress, which Government makes in implementing the PRSP.

Programmes outside the Focal Sectors are Showing Positive Effects

EDF funding in the **health sector** has supported the reform and decentralisation of the health sector, the maintenance of health facilities, and the development of a national blood transfusion service. The *Health Sector Reform & Decentralisation Project* has successfully contributed to the design phase of the Health Sector Wide Approach. In **governance**, the *NICE Programme* is ahead of its initially intended objectives. The *Rule of Law Programme* is also moving in the right direction. For the *4th Micro Projects Programme* (MPP) an amount of EUR 35 million was approved in December 2002, permitting the Project to continue supporting the poverty reduction programme effectively. *The Institutional Support to the Private Sector Project, successfully concluded in December 2002*, aimed at promoting economic growth and employment through improving the enabling environment for the private sector in Malawi. The *Capacity Building Project for Economic Management and Policy Coordination* focuses on strengthening the Government's core economic institutions. It also builds capacity in the National Authorising Office (NAO). Finally, while most *Stabex* funds were used for improving coffee and tea production, in line with Government's policy to diversify exports, they are now also provided for the development of non-traditional export crops and agro-industry.

Looking Ahead – EU Programme is Important for Success of MPRSP

It is important that in the year preceding the General and Presidential Elections the consensus for needed policy reform is further strengthened and maintained, so that the Poverty Reduction and Growth Programme can be implemented with great vigour. Under these circumstances – and with adherence to agreed policy reform - the EU programme can make a substantial contribution to that goal by providing budget support and by financing programmes in the other two focal sectors.

Programming Perspective for the Following Five Years to be Reviewed

Malawi's allocation is the fourth-largest amongst all ACP countries, and the positive implementation record indicates that the co-operation between the Delegation and NAO Office has performed well. Timely commitments and disbursements can equally be ensured in the future under the 9th EDF, certainly for the 2003-2004 period. Success in these co-operative efforts will also depend on political and economic developments in Malawi that could make it difficult to implement budget support programmes and to provide financing for the focal transport sector. It also depends on the speed by which the performance of the NAO Office, and of several line Ministries, can be enhanced further.

In view of the uncertainties that affect programme delivery, it may be necessary to prepare for re-allocating EU aid between sectors. If the situation so requires, specific proposals could be prepared for consideration at the Mid-Term Review in 2004.

Several programming scenarios have already been prepared. One scenario assumes that all issues that have so far prevented timely commitments and disbursements (mainly inadequate

macroeconomic performance and delays in setting up the EDF unit within the NAO office) will come to a successful resolution within the next two years. Another assumption concerns the confirmation that staffing in the Delegation will be increased as planned.

A more cautious scenario has been developed for EDF 9. Under this scenario, mitigation measures would need to be taken if developments do not turn out as foreseen. For these mitigating measures to be successful – i.e. for budget support to be replaced by project operations directly benefiting the poor - Government would have to take special measures to increase absorptive capacities of several Line ministries, and also make solid progress with the strengthening of the NAO Office.

Speeding Up the Use of Old EDF Resources

All has been done by the Delegation to speed up the use of old EDF resources already committed to projects. Government can help by (1) strengthening with great urgency the EDF Unit in the NAO Office and (ii) resolving the issues that are negatively affecting progress in the transport sector. More generally, if Government could come back and stay on track with the IMF-supported Poverty Reduction and Growth Program that would permit the release of the suspended budget support.

Indicators and Targets for Measuring Results in Focal Sectors

The selection of the indicators should be considered tentative as the Monitoring and Evaluation (M&E) Department of the Ministry of Economic Planning and Development (EP&D) is close to finalising a Master Plan for Monitoring and Evaluating progress of the PRSP, as well as a Data Collection Strategy. The progress that has recently been made in this key area of Government and donors' concern was stimulated to an important extent by the JAR 2002. Overall, the exercise has benefited from support provided by the EU-financed Capacity Building Project. Two Tables have been included in the Annex 1F, which provide the main elements of the Government's near-final proposals for the M & E exercise, including a List and Description of 51 Indicators as well as one giving Operational Descriptions and Data Collection Strategy.

Agriculture and Natural Resources:

In total 16 Indicators have been selected. It has proven difficult to generate adequate data for this sector, in part due to the multiplicity of interventions in the Agriculture and Natural Resources Sector. The difficulties encountered in the data collection exercise has signalled very strongly the need for joint EC and Government efforts to construct a more adequate sector data base. It also illustrated the usefulness of including the collection of key Indicators as an important activity in the Management Information System (MIS) Support Activities Project slated for 2004. This will allow the setting of baseline data on a regular and scientific basis, while also permitting extrapolating project-generated data to the national level. It is expected that in the next JAR (2003) we may see the first reflection of this and other exercises. As regards **Impact Indicators**, a serious problem is that several key indicators that are proposed include those that are only measured every five years or so. This refers in particular to Indicators that measure impact, such as rural household income and the share of income from agriculture in that household income, as well as energy consumption. However, this issue will be addressed as part of the Government's overall M & E exercise.

The inclusion of two **output indicators** is proposed: first, the annual intake of extension trainees that are targeted at 900 per annum by 2005. None were recorded in 2001/2002 as a consequence of the privatisation of the Natural Resources College. Secondly, it is proposed to begin measuring the number of farmers groups and cooperatives formed, as a measure of evolving institutional strengthening in the rural areas. For **input indicators** it is proposed to measure the share in government expenditure for agriculture, as well as for natural resources development, in overall Government expenditures. The very small share of agriculture in Government expenditure (3-4%), and that of Natural Resources as well (1-2 %) is of significance. This is in sharp contrast to the key role, which these sectors are to play in the development of Malawi's economy.

Some data are available for 2000-2002. As in the absence of reliable and timely data, projections are at this stage not meaningful, several key Indicators will be included in the MIS Support Activities Project slated for 2004, allowing the setting of baseline data on a regular and scientific basis, while also permitting the extrapolation of project-generated data to the national level.

There are serious questions about data availability, accessibility and reliability that will be addressed in the coming year. Driven by FAO, the Government and donors are actively discussing the establishment of a data collection centre for the agriculture sector for Malawi and the Southern African region.

Transport: The list of 17 Indicators that has been established include such sector activity indicators as (1) value of export and import trade flows and import and export traffic volume data, (2) average daily traffic on strategic road network, (3 and 4) freight traffic volume data for both domestic and international traffic on road and rail. It also includes data on (5) the time spent travelling, (6) the number of accidents, fatalities and injuries, as well as (7 and 8) data on selected freight tariffs and road passenger fares. There is also a set of Indicators that describe (9) vehicle operating costs, (10) maintenance and rehabilitation expenditures on the roads system relative to Maintainable Network Needs (11) kilometres of roads by class in good, fair, and poor condition, for paved and unpaved roads, and (12) kilometres of roads maintained by class. The List also includes financial Indicators, such as (13) revenue collections for the Road Fund, and (14) data on the size of the fuel levy. We plan to cover environmental issues by recording (15) the number of environmental assessments carried out in the transport sector. We will attempt to measure (16) HIV/AIDS prevention activity in the transport sector. Finally, we propose to collect data on (17) employment in the transport sector, disaggregated by male and female employment.

It must be pointed out that for the transport sector there are serious questions about data availability, accessibility and reliability. A key concern is the strengthening of institutions involved in the process of data collection, analysis and presentation for public consumption, which will be addressed in the coming year. A system will be elaborated for the timely collection of reliable data in an affordable manner, including for the JAR 2003 exercise already.

Macro-Economic Reform: Twelve indicators have been selected, broken down in three groups, namely (i) Economic, (ii) Health and (iii) Education Indicators. They will be gender-disaggregated.

The **Economic Indicators** include GDP Growth, Poverty Headcount; Percentage of Budget Spent

on or Allocated to health and education and, as a measure of developments in fiscal management, the Debt/GDP Ratio. There are historical data and projections. **The Health Indicators** include the under-five mortality rate; the maternal mortality rate; trends in overall attendance at primary health centres; HIV Prevalence in population at the national level; and percentage of births attended by skilled health personnel. Data for the health sector will benefit from the Health Sector Management Information System (HMIS). **The Education Sector Indicators** include (1) the primary school completion rate; and (2) the primary school net enrolment rate. Economic Indicators reflect inputs, outputs and impact. Health and education Indicators are outcome based.

2. The Policy Agenda of the Partner Country

Poverty remains widespread in Malawi, in spite of the many efforts by Government, NGO's and the civil society to fight it. In Malawi poverty is caused by a myriad of factors. Many of these are constraints on the economic productivity of land, labour, capital and technology. Constraints on the productivity of land include rapid environmental degradation and limited access to land. Constraints on labour include low levels of education, poor health status of the population, including HIV/AIDS, lack of or limited off-farm employment, rapid population growth and gender inequalities. The key constraint on capital is lack of access to credit, as well as very high real interest rates. All these factors causing poverty are exacerbated by weak institutional capacity within the country.

The overall goal of the Malawi Poverty Reduction Strategy (MPRS) that was launched by President Dr. Bakili Muluzi on 24th April 2002 is to achieve "*sustainable poverty reduction through the empowerment of the poor*". The MPRS sees the poor as active partners in economic development rather than being helpless victims of poverty, always in need of handouts and passive recipients of trickle-down growth. It, therefore, identifies four main pillars as the main strategic components grouping the various activities and policies into a coherent framework for poverty reduction in Malawi. These are:

1. Sustainable pro-poor growth - economically empowering the poor by ensuring macroeconomic stability, access to credit and markets, skills development and employment generation.
2. Human capital development - ensuring the poor have the health status and education to lift themselves out of poverty.
3. Improving the quality of life for the most vulnerable - providing sustainable safety nets for those who are unable to benefit from the first two pillars.
4. Good governance - ensuring that public and civil society institutions and systems protect and benefit the poor.

In addition, several cross cutting issue were identified like HIV/AIDS, gender and environment. The MPRS also sets out the necessity for a solid macroeconomic and expenditure framework. It ends with a chapter on monitoring and evaluation. The latter prompted much discussion and debate in 2002, and is of great concern to the Commission. The indicators are rightly being re-visited as part of the Annual Review of the MPRS.

3. Update on the Political, Economic and Social Status

3.1 Indicators

The systematic collection and analysis of data for political, economic and social indicators is still a pertinent issue in Malawi. Reliable, up-to-date and regularly collected data for basic education or health indicators are not available, despite some recent improvements in the health sector. Most of the analysis undertaken still relies heavily on surveys (CWIQ or Integrated Household Surveys) and often focuses on input and output indicators, rather than outcome and impact indicators. Table 3.1 on the next page provides details concerning the recent evolution of pertinent indicators.

Table 3.1 – Status of the Millennium Development Goals in Malawi

Type	Indicator	1997	1998	2000	2001	2002	Target 2005	Source
Impact	1. Population below poverty line in (%)	--	65	54	--	--	59	UNDP Malawi, <i>Country Report on MDG</i> , 2002, based on Malawi Integrated Household Survey, 1998
	2. Prevalence of underweight children (under-5) in %	30	--	25	--	--	20	NSO, <i>Malawi Demographic and Health Survey</i> , 2001; PRSP
	3. Under-5 mortality rate (death per every 1000 live birth)	241 (1990)	189	189	183	--	150	UNDP Malawi, <i>Country Report on MDG</i> , 2002, based on Malawi Integrated Household Survey, 1998; 2000: UNDP Malawi HDR; 2001: WDR 2004
Outcome	4. Net enrolment ratio in primary education (%)	99	76	78	81	85	88	UNDP, <i>Nation. Human Development Report 2001</i> , based on MoE data; 2001: HDR 2003
	5. Primary Completion Rate (%)	33 (1990)	--	64	--	--	--	PRSP, 2002, based on HIS 1998 2000: WDR 2004
	6. Ratio of girls to boys in							UNDP, <i>Nation. Human Development Report 2001</i> , 2003; based on MoE data
	- primary education	--	97	96	--	--	100	
	- secondary education	--	--	75	--	--	--	
	- tertiary education			38	--	--	--	
	7. Proportion of births attended by skilled health personnel ²⁾ (%)	56	--	56	56	40	--	NSO, <i>Malawi Demographic and Health Survey</i> , 2001; 2000: WDR 2004
	8. Proportion of 1-year-old children immunized against measles (%)	--	--	91	84	--	84	NSO, <i>Malawi Demographic and Health Survey</i> , 2001: HDR 2003
	9. HIV prevalence rate in % in young female (15-24)	--	--	--	11-18 ³⁾	--	11-18 ³⁾	UNAIDS Global Report, 2002
	10. Proportion of population with access to potable water ⁴⁾ (%)	--	--	57	82	--	84	NSO, <i>Malawi Demographic and Health Survey</i> , 2001; 2000: WDR 2004 and HDR 2003

¹⁾ Defined as completion of Standard 8 for adults aged 25 years and above.

²⁾ “Skilled Health Personnel” is defined as: doctors/ trained nurse/ midwife/ ward attendant; excluding traditional birth attendants (additional 22.7%).

³⁾ 11% representing the “low estimate”; 18% representing the “high estimate”.

⁴⁾ Sources of water considered “potable”: Piped into dwelling or yard, community stand pipe, protected well, and borehole.

In a medium to long-term perspective, change might occur in the context of the PRSP. But while the first review was supposed to be undertaken in February 2003, the Master-plan for the Monitoring and Evaluation of the PRSP has still not been finalised, let alone approved by the government. Development partners are trying to pro-actively support the process of development of this Master-plan since July 2002, but progress remains limited.

Some more progress has been made on the SWAp indicators in the context of the ongoing discussions on the implementation of the Health SWAp. The Health Management Information System has been revitalised and a second quarterly report was issued in December 2002.

Against this background, Table 3.1 reflects an attempt to provide some of the data that are either linked directly to the Millennium Development Goals (MDG) or reflect "similar" indicators from various sources of data collection. Since data are not being collected regularly, Table 3.1 was extended to allow for available data to be reflected. Reliable projections for the years 2002 to 2004 are not available at this stage.

The gaps, more than the data themselves, reflected in Table 3.1 illustrate the difficulties of analysing impact and outcome indicators in Malawi. Data collection is sporadic, especially now that resources are scarce. Thus, reliable, year-to-year data on impact and outcome indicators will not be available in the short-term future.

3.2 Political Update

There has been remarkable progress during the last eight years in developing institutions to consolidate democracy, strengthen governance and accountability and keep in check violations of the constitution. Government established forums and institutions to promote broad participation of the citizenry in the country's political processes during the transition from single to multiparty system of governance. Setting an enabling environment for fair and equitable political participation is essential for raising awareness of citizens about their democratic roles, rights and obligations. This contributes to nation building and unity of purpose in tackling poverty and socio-economic development.

Despite the political tensions and the increased violence accompanying these tensions, the main democratic framework of the Malawi Constitution remained in tact. The institutions created by the Constitution or other acts, like the Human Rights Commission, Law Commission and the Ombudsman are able, to a large extent, to operate freely and should be recommended for their work. The same should be said of the Anti Corruption Bureau, where the appointment of a High Court judge as Director should yield a higher success rate in the future since the Director of Public Prosecution returned many cases on legal grounds. Public debate is slowly becoming more informed. With the written media broadly free from political interference. The position of the Malawi Broadcasting Corporation remains ambivalent.

The political situation in the country was dominated in 2002 by the question of the amendment to the Constitution (Art.83) to enable any State President in Malawi to stand for more than two terms as currently stipulated in the Constitution. On the 4th of July, a private members bill, proposing

unlimited terms in office possible for the President, was defeated in Parliament. The sensitivity of this question and subsequent increased internal political tension, as well as other governance questions, occasionally led to a strained relationship with donors, including the European Commission.

The European Commission together with the Member States in the country, have had an extensive dialogue with the Government, political parties and the civil society on these adverse political developments. In general, these discussions have been taking place in an open and frank manner and therefore, should be considered as a hopeful sign. It has also emerged that most of the issues are being fuelled by misperceptions and that a continuous dialogue remains necessary. Obviously the regular dialogue with the NAO is part of these discussions. Indeed we have to conclude that the relations between the NAO and the Delegation are such that issues of this nature do form part of our regular dialogue, without jeopardising the good relationship. This should be viewed as a positive sign.

The focus, in MPRSP, on improving development-oriented governance is recognition of the importance of good governance in development management. The MPRS stipulates good governance as consisting of three elements: political will and mindset, security and justice, and responsive and effective public institutions. The achievement of these three elements is key in setting the enabling environment for the efficient and effective implementation of strategies for pro-poor growth, human capital development and safety nets, which constitute the other three pillars of the MPRS.

Checks and balances exist for holding public servants accountable for their actions. But due to institutional capacity constraints, institutions such as the Judiciary, the Legislature, the Ombudsman, the Anti-Corruption Bureau and other civil society watchdog organizations can only, at best, operate imperfectly. At present, the public is unable to effectively monitor capacities at all levels of society to enforce accountability and transparency.

In Malawi, the history of indigenous Civil Society Organizations (CSOs) dates back to the early nineties. They are, therefore, an emerging sector with limited capacity to engage government on behalf of civil society. The sector lacks both institutional and financial capacity and has a weak legal basis. The work plans of CSOs tend to be event driven, resulting in duplication of efforts with different organizations ending up implementing similar activities in the same geographical locations, while other areas are completely left out. These problems are made worse by the lack of networking, operational cooperation and a common forum for dialogue.

3.3 Economic Update

Malawi remains one of the poorest countries in the world. According to the Integrated Household Survey (HIS) of 1997/98, approximately 65 per cent of the population is poor and about 29 per cent is living in dire poverty. The United Nations Human Development Report of 2003 ranks Malawi as number 162 out of 175 countries on the Human Development Index. Malawi's GDP growth rates have been consistently below the six percent required to achieve any meaningful and sustained economic growth and poverty reduction. Growth has averaged 2.6 per cent between 1997 and 2000 and stands at 1.8 per cent in 2002. To be able to allocate adequate resources to poverty reduction

programmes, higher and sustained economic growth rates are required. The poor growth also limits government's ability to generate its own revenues. This is exacerbated by a rapid increase of the domestic debt and the subsequent interest burden on the government. The share of social sectors expenditures in the 2001/2002 budget (health and education) was almost 27%, but actual expenditures, however, fell below the budgeted figure in 2002 to about 22%.

The overall objective of the Government of Malawi's macroeconomic policy is to act on the three main aggregate variables, that is, output levels, the inflation rate and the balance of payments. The macro-economic policy reform programme included in the MPRSP aims at reducing inflation through prudent fiscal and monetary policies, thereby also achieving a downward trend in interest rates that is of key importance for stimulating private sector development. The Reserve Bank of Malawi has successfully implemented a tight monetary policy programme, which has seen headline inflation falling from 35% in December 2000 to 11.5% in December 2002.

The economic situation has given cause for serious discussion between the government and the Commission, as the lack of fiscal discipline resulted in negative assessments by the IMF and CABS. This contributed to the suspension of donor budget support throughout 2002, which has further aggravated the problems caused by the high level of the fiscal deficit. Government partly closed the gap by reducing certain activities, but partly also by increasing borrowings in the local market, which created very adverse effects on interest rates and, thus, on private investment. The continuous large spread between the inflation rate and the interest rates remain a concern, as high real interest rates continue to stifle private sector investment, overall economic growth and therefore, prospects for poverty reduction.

The main driver of interest rates, and indeed the root of the economic problems, has been lax fiscal policy. While there is solid evidence to show that domestic revenues have increased markedly, fiscal indiscipline on expenditures remains the chronic problem. Furthermore, the quality of public expenditure is a primary concern. Government was also unable in 2002 to curtail expenditure on certain non-pro-poor budget items at the expense of the agreed pro-poor budget lines. The education sector and the National Roads Authority (NRA) allocations were under-spent while large proportional overspending in some non pro-poor expenditures i.e. State residences, special activities, the NIB and the Ministry of Foreign Affairs (travel allowances in particular) was observed. This forms only an indication of the large improvements that needs to be taken by government in budget execution and expenditure control mechanisms. For that reason, the finalisation by the Government of several new bills and acts in the field of financial management needs to be encouraged, and their approval by Parliament at the earliest opportunity is necessary. Implementation of the new control mechanisms provided for in these legal texts should be applied immediately thereafter.

The repayment of 2.1 MEURO after the Food Security Programme audit was effectuated quickly. For the whole of 2002, the repayment of 7.43 MEURO, after a parallel conducted audit of the EC budget support, remained outstanding. While the implementation of the agreed matrix of measures after the audit was slow, eventually the seven most urgent measures were taken. The repayment issue was resolved in early 2003, and has opened the way again for future budget support from the EC.

3.4 Social Update

The shortage of the main staple food early 2002 took most people by surprise and provoked an accessibility crisis for a large part of Malawi's population. If anything, the crisis revealed the weakness in data collection in Malawi, referring particularly to over-projections of the food gap for the lean season. The crisis in 2001/02 had as a positive result that most donors have been closely cooperating with the government to avoid a similar situation this year. Preliminary indications are that, indeed, this joint effort has been successful. But the over-estimation of the food gap has led government to procure a surplus of maize at high costs, which at some point needs to be carried by the budget. Overall, the combination of the food insecurity in the country and the high HIV/AIDS prevalence rate in the country are reinforcing each other into a humanitarian disaster.

AIDS has reached epidemic proportions in Malawi: close to one million out of Malawi's 11 million people are infected, and 500,000 Malawians have died from AIDS. 70,000 die every year from HIV/AIDS. Some 70,000 children orphans join annually the pool of 400,000 orphans, while child-headed households are increasing fast. Young women especially are at very high risk of infection.

The overall goal of the National Strategic Framework is to reduce the incidence of HIV/AIDS and other sexually transmitted infections, and to improve the quality of life of those infected and affected by HIV/AIDS. Malawi's Integrated National Response to HIV/AIDS that was approved by the Global Fund Board in August 2002 is directed at preventing a catastrophe at the individual, family, community and national level.

The Commission has contributed to the effort of government to implement a Health Sector SWAp. The design phase was completed in October 2002, and an Action Plan for a six-month Inception Phase was adopted to provide guidelines for the implementation of a SWAp in the period January-June 2003. The most important issue on the agenda for the Inception Phase is the drafting and approval of a Joint Programme of Work, which is to include all government's health service delivery programmes, most of which are part and parcel of the Essential Health Package (EHP). However, while in the first half of 2002 there was much activity around the EHP, the final costing of the EHP is still outstanding.

So far, the Commission has not been directly involved in the education sector, especially at the policy level, but recently identified the need for a stronger link between macro-economic support and results in the social sectors. Other donors, however, are supporting the sector in various projects and programmes with the aim of supporting such objectives as decentralisation, making primary education a responsibility for the districts and ensuring that resources flow down to district level.

Since the introduction of "free" primary education in Malawi in 1994, the education sector has adopted a strategic plan, the Policy Investment Framework (PIF), whose implementation strategy is yet to be finalised. An annual review of the education sector also took place in November 2002 through which a rough implementation plan and a code of conduct for co-operating partners were elaborated. The capacity of the Ministry of Education remains weak with shortages of trained staff, which enhances the problem of data collection.

The needs in the Malawi education sector are great. Should budget support resume, the indicators

suggested within the sector dialogue could be used as the basis for future discussions.

4. Overview of Past and Ongoing Co-operation

4.1 Focal Sectors

As the implementation of the CSP and NIP of the 9th EDF has not yet commenced, the results described below are measured against identified targets, indicators and sector policy commitments from previous EDFs. Inasmuch as new indicators have not yet been fully developed, proposed measures are qualitative rather than quantitative.

4.1.1 Focal Sector: Agriculture, Food Security and Natural Resources

a) Results

While Government has worked hard to identify policies and policy commitments for the sector, they still need to develop clear indicators for measuring results and progress of activities. During 2002, several important Acts and Policy Statements were prepared.

Efforts to formulate a Policy for the Agricultural Food Security Sector have been made in the discussions and workshops in the context of the Malawi Agricultural Sector Investment Process (MASIP). A “Working Paper on Vision and Strategy for the Agricultural Sector in Malawi” was published in early 2002 which sets 13 prioritised issues, of which the most important are (i) access to inputs; (ii) research and extension; (iii) services, markets and trade; (iv) institutional and policy framework; (v) insecurity in the rural areas and (vi) land shortage and degradation. The intention was that these issues would be taken further during 2002 in the PRSP, but during the second half of the year most attention went towards the Food Security Crisis.

The Forestry Department of the Ministry of Natural Resources intended to concentrate its efforts on the implementation of the Forestry Act (agreed in 2000/2001) and of the National Forestry Plan. However, Government and donor attention was largely diverted to more urgent issues, so that policy discussions and progress stalled during 2002.

The Malawi National Land Policy that was approved by Cabinet in January 2002 stresses the need for Government to put into effect land reform. For that purpose the Ministry of Land, Physical Planning and Surveys took the initiative to draft a Land Policy Reform Programme Implementation Strategy. It is foreseen that the implementation of this strategy will start in the first half of 2003.

The Commission is actively taking part in these policy discussions, and in 2003 specific technical assistance will be provided to the concerned Ministries and Departments to facilitate their policy setting processes.

The CSP-intervention framework for the sector defines “poverty alleviation” as a process that contributes to “increased rural household income and improved food security through a more sustainable use of the natural resources”. The intervention framework is based on four specific pillars, namely: (i) the creation of an enabling environment for development of the sector, (ii) diversification of income generating activities in rural areas, (iii) economically and environmentally

sustainable management of natural resources, and (iv) support for safety net interventions. Even though the implementation of the 9th EDF has not yet started in Malawi, serious efforts have started to implement the above-mentioned strategies. However, as a result of the severe food security crisis of 2002, most activities were focused on short-term responses to this crisis.

The 2001 – 2002 Food Security Crisis. On 26th February 2002, the government declared a state of emergency in the country, as the shortage of food and the lack of access to food by the poorest segments of the population, had to be addressed as a matter of urgency. The food crisis was basically caused by structural factors, but the mismanagement of the Strategic Grain Reserve and the almost non-existence of farmers organisations were contributing factors. As prices of tobacco, tea and coffee continued to fall, and with high interest rates impeding investment, it was very difficult for the rural population to find employment outside agriculture.

Reflecting the above-mentioned factors, the increase in household income resulting from income-enhancing diversification and marketing will be utilised as a major indicator for measuring the impact of future projects and programmes.

b.1 Activities Financed by the EDF

The implementation of two main projects continued in 2002, namely the *Soil Conservation and Agricultural Production Project (PROSCARP)*, and the *Social Forestry Training and Extension Project (SFTEP)*.

The increased support for capacity building in the decentralised, district-level extension services, combined with the stronger involvement of traditional leaders in both projects, as well as the better monitoring and evaluation of results, has for both projects led to a high degree of project effectiveness. Training of the decentralised district level governmental field assistants as trainers of trainers, and their subsequent training activities of participants/beneficiaries and communities have been very effective. Communication with beneficiaries is good, and field assistants co-ordinate their activities closely. Neighbouring communities have requested their inclusion in the project, lending credence to its perceived value and impact. Both projects are concentrating on community-based strategies, using active sensitisation and participatory planning approaches. Both projects have now reached their final stages, and are phasing out and consolidating their activities in the impact areas. Having been successful, a follow up of both projects is foreseen under the 9th EDF. *See Annex 1A.*

The Public works Programme (PWP) has successfully completed its second-year work programme, and its financial support has been enlarged by EUR 6 million from the Food Security Budget Line, which had as the specific objective the alleviation of poverty in the most food insecure districts. More than 10 000 people were directly involved in the road rehabilitation component alone, and were able to generate income at a crucial time. A new PWP is already being planned for and should benefit from enlarged financial support in 2004. *See Annex 2.*

b.2 Programmes financed by the Food Security Budget Line

In close co-ordination with the Government and the Member States, the food security programme was reoriented in July 2002, so that it would focus more on the accessibility dimension of food security, with the aim of supporting demand by creating employment opportunities and addressing food security on a larger scale. Four additional specific objectives were made part of the overall objective to improve food security at national and household levels, namely: (i) improve the long-term food security ownership; (ii) insure the effective management and phasing out of the food crisis; (iii) reduce the vulnerability of the poorest households; and (iv) increase production and the opportunity for farm and off-farm employment and income generation.

To respond to people's short-term needs during the food crisis, 95.000 metric tonnes of maize were pledged and for the most part purchased and delivered in 2002. Of these, 70 000 tonnes were bought locally and in the Southern Africa region. From the 95 000 tonnes, 40 000 tonnes were provided to replenish the Strategic Grain reserve; 10 000 tonnes were provided as a financial reserve; 30 000 tonnes were allocated for free distribution through WFP in support of the regional EMOP for feeding the most vulnerably food-insecure people in Malawi; and 15000 metric tonnes were made available for supplementary feeding/nutritional programmes through UNICEF, NGOs and WFP.

As a result of these interventions, acute malnutrition declined substantially. Several reports estimated the under-5 malnutrition rate from March to December 2002 as high as 19% in some areas. Depending on the area, this rate declined to between 2 and 6 %, which compares to the average rate for Sub-Saharan Africa of around 5%. This result is important as children under 5 represent 17% of the Malawian population. Another result is measured by affordability: in January 2002, maize was selling at around 25 - 30 MK per kg, a price that is entirely unaffordable for the poorer population groups of Malawi. Between June and December 2002, this price stabilised at a more affordable 14-17 MK per kg. (See ANNEX II / Food Security Programme, and Table E for FSBL expenditures). There has been excellent co-ordination between Malawi Government and donors on food security matters.

Chronic malnutrition and stunting rates are high in Malawi (49%), as are those of under-nutrition (25%). To deal with this problem, long-term programmes need to address the underlying causes of malnutrition, which can be traced back to poverty. The HIV/AIDS pandemic makes these problems worse, particularly of the acute malnutrition or wastage rate (5.5%). The most appropriate strategy to address acute malnutrition or wastage must be based on relief food distribution, selective feeding programmes, and programmes aimed at improving food security, water and sanitation, and health programmes.

The inclusion of a nutrition component in the next Multi-Annual Food Security Programme⁴ is foreseen. This support to the most vulnerable Malawian people will follow and reinforce ECHO activities on nutrition, so as to complement through the Food Security budget line EU support for overcoming the emergency food crisis. EU support will address the priority needs that are currently being defined by the drafters of the new National Nutrition Strategy, and will have as the main

⁴ This was recommended by the mid-term review of the MAFSP, March 2003 -

objective to increase the nutritional outcomes of Food Security projects.

c) Integration of crosscutting themes

The above-described interventions have taken up crosscutting issues like environment and gender, as well as institutional development and capacity building as components in their programming. Gender remains a poorly integrated subject, but has received more attention in such ongoing projects as the public works programme where women are represented in some sectors up to 40%.

HIV/AIDS remains a difficult topic to discuss in Malawi and among Malawians. More work needs to be done on this issue within the agriculture/natural resources sector programmes, the pandemic having a far-reaching and large negative impact in rural areas. Programmes and projects such as the ones developed for this sector can become good channels for the creation of awareness and for informing people about preventive measures. The PWP is planning to include an HIV/AIDS awareness component in its field activities for 2003.

4.1.2 Transport

a) Results

To enhance economic development of rural areas and regional trade, the NIP of the 8th EDF concentrated on road infrastructure, with the objective to (i) complete/rehabilitate the main road network and connections with Malawi's neighbours; (ii) establish an efficient institutional and legislative framework for managing and funding of road maintenance; and (iii) ensure sustainability of previous EDF and Government interventions in this and related sectors.

Achievement of these objectives was supported by Government policy commitments designed to promote a competitive and efficient transport system, including granting of freedom to the transport industry to set its tariffs and reducing restrictions on participation in the passenger and freight sector; and establishing an independent Road Authority and Road Fund.

Significant early achievements were made with respect to policy reform commitments, particularly the establishment of the National Roads Authority (NRA) and Road Fund in 1998, both constituted under the NRA Act that was passed in 1997. Strong commitments were made to ensure the autonomy of the NRA and to protect the integrity of the Fund. However, in latter years Government has breached its policy commitments on several occasions and, as a result, by the end of 2002 the NRA has become particularly fragile.

As to the roads sector, result indicators should show: (i) progress in developing the National Roads Authority; (ii) the adequacy of the Road Fund in meeting the maintenance cost requirements; (iii) the condition of the road network; and (iv) the adequacy of Government contributions to the roads' investment programme. In short, they should give a measure of good and sustainable management of roads, a major objective in several financing agreements under the 8th EDF.

Despite steady growth in NRA's capacity to maintain Malawi's road network during the first few years, there was a dramatic decline of that capacity during 2002. The ability of the NRA to perform effectively has suffered as a result of (i) insufficient funding and (ii) Government interference in operational matters. The former is the result of the fact that the contribution to the Road Fund from

fuel levies has not kept pace with maintenance expenditure needs, and has not been in line either with commitments previously agreed between Government and road sector stakeholders, in particular the agreement in 1997 to achieve levels of funding by 2002 that would finance all normal maintenance. To illustrate, by the end of 2002, Road Fund receipts were only about half the agreed targets. Furthermore, Government required the NRA from time to time to finance activities outside the agreed programme, at the expense of road maintenance priorities.

Reduction in the cost of transport services was another objective in financing agreements for EDF supported projects, and is an essential measure of the success of policy reform commitments. While there is insufficient statistical information to make a thorough assessment of transport costs, information provided by transporters and freight forwarders indicate that transport costs have, at best, remained constant in real terms.

In summary, there must be strong disappointment with the achievement of the mutually agreed road sector objectives, and a thorough review is needed. The question of funding inadequacy and of Government interference in NRA programming and award of contracts must be addressed satisfactorily. The latter could be addressed by enactment of the Procurement Code. Inclusion of non-planned activities should in future be avoided by adoption of the Public Sector Investment Programme (PSIP). Otherwise, there could be serious risks attached to the implementation of the transport component of the CSP.

b) Progress in activities

The following summarises progress in the main activities in the transport sector.

Limbe-Thyolo-Muloza Road, MEUR 36.2 – (6 MAI 080, 8 MAI 040, 7 RPR 436, 8 MAI 026): The project was completed in 2001 but several claims and other payment issues remained unresolved. Following unsuccessful attempts to reach an amicable solution, the NAO and the Contractor this year requested the intervention of the Commission through the “Good Offices Procedure” to assist the process. It is hoped that this will enable all outstanding matters to be finalised during 2003.

Road Management Support Programme, MEUR 17.4 – (6 MAI 078, 8 MAI 005): The programme started in 1999 to provide institutional support to the new National Roads Authority and to finance interventions to improve the management of roads, including some backlog maintenance works. While the backlog maintenance operations were completed in 2002, there have been substantial delays to other components, largely due to capacity constraints in the NRA to manage the implementation of the programme. Completion of all remaining components is expected to be in late 2005.

Karonga-Chilumba-Chiweta Road, MEUR 38.5 – (8 MAI 011): Practical completion of this project, to rehabilitate 108km of main road, was due in August 2002 but with delays caused by exceptional adverse weather conditions and the need to implement additional flood defence works, practical completion will only be achieved around mid-2003.

M1(Masasa)-Golomoti-Monkey Bay Road, MEUR 21 – (7 MAI 131, 8 MAI 021): The works tender was opened in March and it was found that the primary commitment of MEUR 18 was insufficient. In August the CAO approved an additional allocation of MEUR 3 and the award of contract to a joint venture contractor was then notified. Despite this, signing of the contract has been

delayed, while awaiting the Commission's advice on concerns arising from statements made in connection with another project by one of the joint venture partners. The contract for supervision was signed and the Resident Engineer mobilised in November. The works contract is expected to be signed in early 2003 with practical completion expected in early 2005.

Lakeshore Road Infrastructure Support, MEUR 17 – (6 MAI 087, 6 MAI 088, 7 MAI 130, 8 MAI 030): The programme comprises several components to restore important elements in the main lakeshore road infrastructure. Construction of a new 140 metre long bridge across the Dwambazi River started in March, to restore the M5 route after the devastating flood in 1999. Design services started in August to prepare documentation for the replacement of four seriously damaged bridges on the M5 and M1, and the 80 man-month programme of Technical Assistance to the NRA started in October.

c) Degree of integration of crosscutting themes

Projects and programmes in the transport sector generally make limited provision for dealing with crosscutting issues. In road rehabilitation projects, the emphasis is usually on environmental matters but, where possible, projects have also been used to provide training to increase awareness (e.g. HIV/AIDS) in communities. Programmes for capacity building naturally focus on education and training.

Contracts for road construction, rehabilitation and maintenance include numerous measures to mitigate environmental damage caused by road works and, indeed, also include measures that would lead to an improvement in environmental conditions to the areas of the projects. These are elaborated in the Annex to this Report.

Construction projects provide ideal conditions for the development of young engineers and technicians. This point was tested this year when a formal requirement was introduced in a supervision contract for fresh graduates to work alongside experienced engineers. This valuable form of in-service training contributes significantly to the development of capability within the construction industry. Due to the nature of the work, men dominate positions but contractors are encouraged to employ women where possible.

Further support to the NRA has been provided this year through WP/CE and through new long-term TA. This will provide resources for training of staff and to develop and improve operational systems and procedures. The new TAs will help the NRA to provide its input towards environmental and social impact assessments, as well as preparation and implementation of HIV/AIDS awareness campaigns. During this year preparations started for a capacity building programme to support the National Construction Industry Council for training of contractors and consultants.

4.1.3 Macroeconomic Support.

a) Results

Following an audit assessment carried out in late 2000, a contradictory procedure established that the GoM should reimburse €7.43million to the double signature account. Furthermore a matrix of measures (MOM) was drawn up to rectify some of the deficiencies identified by the audit. Resumption of budget support was made conditional on the reimbursement of the €7.43million and on the implementation of seven benchmark measures contained in the Memorandum of Understanding (MoU). Although behind schedule, the GoM completed the benchmark activities towards the end of the year, with some new legislation awaiting presentation to the next session of

Parliament. However, the failure to reimburse the joint signature counterpart fund account in 2002 coupled with delays in implementing some benchmark activities resulted in no re-flows of counterpart funds throughout 2002. Implementation of other activities detailed in the matrix of measures is still ongoing.

An additional constraint to disbursement of the two outstanding SAF IV tranches has been the inability of successive IMF missions to Malawi during 2002 to conclude their review of the PRGF. As a result, they have been unable to present a positive recommendation on the macro-economic reform programme to their Executive Board. In light of the above, EC budgetary support for Malawi remained suspended throughout 2002. However, the dialogue between the two partners on the overall objective of the programme continued to be focussed on assisting the government in the fight against poverty, mainly through consolidation of macroeconomic stability and achievement of a high and sustainable economic growth rate. Efforts to achieve improved programming and execution of the budget, and the proper implementation of non-salary recurrent expenditures in the health sector at district level, remained central to this programme.

The Commission joined the Common Approach to Budgetary Support group (CABS) as an observer in 2001 and became a full member in early 2002. The discussions of the CABS group with the Government were deepened throughout 2002, and are welcomed by both sides. Not only through their regular reviews, but also through agreement on their own matrix of measures, the CABS group has tried to nudge Government towards a more transparent and pro-poor implementation of the budget. Although results were mixed, it is encouraging to see that the GoM is taking the concerns of the CABS group, and of the stakeholders in the PRSP, into account. In the future European Commission and the CABS group will continue to link their disbursements closely to progress in the implementation of the PRSP and to the achievement of its indicators.

b) Progress in activities in the implementation of the matrix of measures

Activities have been monitored mainly through Quarterly Reports. Although most activities continue to run behind schedule, the fourth and latest Quarterly Report reaches moderate but positive conclusions regarding progress in benchmark measures. While set out in detail in the Annex, several examples are illustrative: (i) the Cabinet Paper on the revised Finance and Audit Act was submitted in December 2002; (ii) the Public Audit Bill and the Public Financial Management Bill will be presented to the next Parliamentary sitting of March/April 2003; (iii) the Public Procurement Code will also be presented in the coming Parliamentary session.

Other developments include the presentation of the Medium-Term Expenditure Framework (MTEF), which was presented to the Donor Group on Economic Management in February 2003. And Government achieved the broadening of the tax base in late 2002 when the Malawi Revenue Authority (MRA) extended the Surtax to the wholesale and retail sector.

4.2. Projects and Programmes in Addition to Focal Sectors

a) Developments in the Health Sector

In the reporting period, EDF funding in the health sector has supported the reform and decentralisation of the health sector, the maintenance of the physical health facilities and existing

assets, and the development of a national blood transfusion service. Reflecting the suspension of budget support, since November 2001 the sector has not received budget support for the non-recurrent expenditure of the Ministry of Health and Population (MoHP) under the structural adjustment facility in the year 2002. The dialogue with the Government on further assistance to the health sector through budget support under the 9th EDF is continuing.

Overall, project implementation rates remain lower than the expected targets set in the financing agreements, although for the future the picture is more encouraging. The *Health Sector Reform & Decentralisation Project* has been very successful, not only in implementing its programme activities but also by contributing substantially to the design phase of the Health Sector Wide Approach (SWAp). The Project and will continue to provide its support during the SWAp inception phase until 30 June 2003. For the Chiradzulu and Thyolo hospitals, structural work on the buildings and most of the underground services were completed by end-2002. However, delays in delivery of materials, disruption caused by excessive rains and needed design changes have contributed to substantial delays in completion dates of the hospitals from August 2000 to September 2003, as well as to important cost increases. The latter have reached €4.3 million, raising the original cost of €32.7 million by 13 percent to a revised cost of €37.0 million. A request for an increase in funding of €4.3 million has been made by the NAO.

Furthermore, with the appointment of a very able and experienced long-tem technical assistant for the *Malawi Blood Transfusion Service*, project implementation is expected to pick up considerably in the coming months. While Government has finally adopted a Physical Assets Management Policy, progress on other activities of the *Physical Assets Management Project* remained slow in 2002, and several preconditions for a continuation of the project could not be met by GoM. Thus, the project will end in February 2004.

b) Governance Programmes

The *NICE Programme* continued to focus on civic education activities throughout the country and, after two years, is now ahead of its initial intended objectives. The outreach of NICE has improved tremendously through the increase of the network of Para-Civic Educators (PSEs), volunteers who in some districts are already covering just about every second village. There is, however, much misconception about the role of NICE. Although it is a government programme implemented through the NAO office itself, even within government circles many see the programme as an NGO. This has let to a considerable political pressure on the programme in the past year, with the result that the NAO and the Delegation had to spend considerable time to explain the basics of the programme. In the coming year there will be further informal discussions with many stakeholders to explain the key objectives of NICE. The results of the mid-term review of the project - which is planned for early 2003 - could be used as a starting point for these discussions.

The *Rule of Law Programme* is pointing in the right direction. After experiencing initial problems with the project management, 2002 was used to build on the previous year and have the institutions focus on the results identified by them in their programme. However this change in focus has taken time and it is feared that by the end date (September 2003) the institutions will be just short of achieving their objectives. Consequently, some additional time and resources should be made available to the project. Preparations for a follow-up programme have started. An inventory of the

legal sector has been completed, and the evaluation of the current programme should take place in the first half of 2003.

c) 3rd and 4th Micro Projects Program (MPP)

This program has continued to support the poverty alleviation process through the provision of basic infrastructure, mainly in the education, health and water/sanitation sectors. It has an implementation rate of about 500 projects per year. Since its inception, the programme has focussed on all districts of Malawi and has supported the building of an impressive number of classroom blocks, teacher houses, hostels and halls, as well as school administration blocks and kitchens. Furthermore, the programme has supported the construction of 60 “under five clinics” and dispensaries, as well as numerous small infrastructure projects. The programme also supported several income generating activities. These impressive results explain why the population at large view the MPP as a very efficient tool for addressing the basic needs of the rural communities.

In February/March 2002 activities of the 3rd MPP had to be suspended due to shortage of funds, as the strong appreciation of the Malawi Kwacha affected the project’s cash flow negatively. This was compounded by the increase in prices of basic materials that rose by more than 30 %. As result project funds were exhausted before all activities were finalised while many suppliers were not paid. In some respects, Project management paid a price for over-ambitious commitment practices and for not applying a stricter accounting discipline.

A demand for a second ceiling increase of the budget was submitted to the EDF Committee (EUR 3 million) and approved by end -2002. In February 2003 the 4th MPP (EUR 35 million) was launched which reflects the lessons learned from previous MPP’s. It also focuses on decentralised cooperation.

d) Other projects

The *Institutional Support to the Private Sector Project*, which was successfully concluded in December 2002, aimed at promoting economic growth and employment through improving the enabling environment for the private sector in Malawi, particularly for its small and medium-sized enterprises (SMEs). The financing agreement was extended until 30 June 2003.

The objective of the *Capacity Building for Economic Management and Policy Coordination Project* is to improve Government’s capacity for economic management and policy coordination in its core economic institutions. It focuses its support on the Ministry of Finance, the Department for Economic Planning and Development (formerly NEC) and the Office of the Vice-President Furthermore the Project supports the National Authorising Office (NAO) with the aim of increasing its effectiveness in helping to manage the sizeable NIP in Malawi. Part of the project is devoted to strengthening the Economics Department of the University of Malawi. The Project started by implementing an Interim Work Programme consisting mostly of in country and external training.

Automated System Custom Data (ASYCUDA) Phase II

Achievements of in the project’s two main categories - works and equipment – include the completion of the accommodation block at the Training Centre, the Mwanza Border Post and Lilongwe Collectorate. It also includes the completion of staff housing, examination centres,

Southern region border posts, examination centres and housing, as well Northern/Central region border posts and examination centres. Various contracts to purchase office furniture, equipment, computers needed to fit out the new facilities, as well as vehicles for operational use, are also being financed. The implementation of the several components is uneven.

4.3 Utilisation of Resources for Non-State Actors (NSA)

No direct support under the EDF has been provided in 2002. The preparation of a decentralised cooperation programme was halted due to a shortage of human resources. However the Food Security Programme continued to implement a part of its programme through NSAs. Other initial preparations have taken place, like including NSAs in the inventory of the legal sector, for potential support under a possible future legal sector support programme.

In their fieldwork, NGOs are promoting a strong community initiative and grass root level participation to better analyse the underlying causes of food insecurity, so that they can respond effectively to them. In the framework of the Multi-Annual Food Security Programme, the EC and the Government have approved a Budget of EUR15 million to finance NGO projects. A call for proposals was published in October 2000, which has led to the approval of 10 NGO projects, the overall objectives of which are to increase food security at the household level.

The NGO projects contribute to poverty alleviation and/or the reduction of food insecurity. They include such activities as dissemination of extension services or messages to improve agricultural practices, activities leading to food and crop diversification, as well as promotion of soil and water protection. Improvement of the farmers' organisations is one of the major contributions of NGOs towards the strengthening of local capacity to cope with a market in transition.

Although no support to NSAs was given for cross cutting activities under the EDF, through the budget line on human rights and democracy, an advocacy programme with Women's Voice was supported in selective districts.

4.4 Other Instruments

4.4.1 European Investment Bank (EIB)

The EIB is prepared to examine requests for financing from both private and public entities, provided the latter are commercially run and their activities critical for the private sector. A wide range of financial instruments, from straight equity to ordinary loans and guarantees, are available. Appraisal of the project effectively determines the conditions for its financing.

Considering Malawi's economic situation and EIB's past experience in Malawi, the Bank intends to continue to focus on three main areas. The first is close cooperation with local financial intermediaries to support small and medium scale enterprises through global loans or equity funds. To this end, the EIB is planning to examine the possibility of extending a new line of credit (the previous facility expired October 2002), combined with a facility to enable local participation in companies being put forward for privatisation by the Privatisation Commission. The aim is to tailor the financial instruments offered to ensure that these are best adapted for the projects put forward. Second, continuing support in financing infrastructure projects in the power and water sectors. The

emphasis will be to help increase the efficiency of public utilities, ensure economic viability and to encourage private sector participation where appropriate. Third, direct funding of large individual projects, where the Bank can contribute value added in the technical and /or financial structuring of the investment. Such projects will be carefully selected in areas where Malawi has a comparative advantage, e.g. in agro-industry, tourism and possibly mining

Disbursements of just under EUR 4.8m took place for existing projects. By end 2002, of the EUR 17 million the EIB had granted from its own resources, EUR 8.16 million were still owing to the Bank following normal repayments, and of the EUR 85 million granted from the risk capital operations to Malawi, EUR 54.6 million were still owing to the Bank from existing operations and EUR 6 million still to be disbursed for current projects. The balance was repaid following normal repayment schedules.

The EIB is currently investigating the possibility of extending a loan to assist four major private sector tea estates in Malawi for the purposes of factory improvements, switching to higher yielding tea varieties and irrigation improvements. This has taken some time to materialise, largely as a result of difficulties in identifying an appropriate financial intermediary. It is hoped that this issue will soon be resolved.

EIB activities in Malawi in 2003 have been slower than expected. Only one comparatively small EIB loan of € 0.3 million was signed to help finance a bankable feasibility study for the development of a strontianite mine at Kangankunde. However, as the mining rights were assigned to another company, this loan could not be disbursed. Despite official EIB communications to the relevant authorities drawing attention to this unexpected development, satisfactory explanations were not provided. As a result, and until a satisfactory resolution has been found for all parties concerned, the EIB has taken the position that it is unlikely that the Bank will consider further assistance in Malawi's mining sector.

The Ministry of Natural Resources and Environmental Affairs has recently articulated the Government's reasons for not renewing the Exclusive Prospecting License for the Kangankunde Deposit, and for granting a mining license to another applicant, by pointing to a number of tasks which the original licensee had not completed within the stipulated period, which made it unlikely in the view of the Commissioner of Mines and Minerals that the original licensee would be in a position to develop and finance the Kangankunde deposit in a timely manner. On these grounds the Government decided not to renew the Exclusive Exploration License and to grant upon its expiration a mining license to another applicant who appeared ready to start mining the deposit immediately.

4.4.2 Regional Co-operation

The Regional Wild Life Management Training Project aims at strengthening capacities in the SADC region for training wildlife management personnel. The locus of training activities under the project is the College of African Wildlife Management (CAWM) at Mweka in Tanzania for middle level training, and the Tropical Resources Ecology Program at the University of Zimbabwe, Harare for professional-level training. In 2002 the project limited expenditure to bursaries and to the acquisition by the Tanzania College of Wildlife MWEKA of some communication equipment. It is foreseen that the project will close in 2003.

The Nacala Development Corridor (NDC) is a strategic transport route extending from the port of Nacala in Mozambique through Eastern Malawi to Zambia. It serves Malawi's major economic and population centres. Poor transport infrastructure has inhibited the use of this potentially cheapest transport route. In early 2003, the three Governments put in place an institutional framework to promote the NDC as a trans-boundary initiative. Thus, Joint Ministerial and Technical Committees were established, including Technical Committees at the national level, to coordinate and give direction. For its part, Malawi established its Secretariat Unit in the Ministry of Transport and Public Works.

In February 2003 the three Governments agreed to base development in the Corridor largely on private sector initiatives and financing. This policy also applies to the rehabilitation of the railway (in Malawi already concessioned to the private sector, to be followed shortly by Mozambique), and to a possible 700 km pipeline from Nacala to Liwonde, which is estimated to cost US \$960 million.

Official external financing is already being provided: in June 2003, OPIC of the USA made US \$33 million available to finance emergency port rehabilitation in Nacala, urgent repairs along 77 km of railway track (Cuambo-Entre Lagos) and the extension of the railway to Chipata in Zambia. Second, the World Bank provided financing through its Public-Private Infrastructure Facility, which helped to complete the NDC Development Strategy. The latter includes a proposal to package and market investment opportunities in the NDC to potential investors at an Investors' Conference in January 2004. Finally, the Government of Malawi has included the development of the Corridor as a key objective in its Economic Growth Strategy, including a private sector-run dry port as a logistical centre at Liwonde. For Malawi another high priority is the reconstruction of the wash-away at Chiro.

As a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern African States (COMESA), Malawi is actively pursuing regional integration. The Government recognises that belonging to regional trade groupings with different trade liberalisation agendas could lead to conflicting obligations and plans to keep this possibility in mind in future negotiations relating to the regional arrangements.

4.4.3 STABEX

Most STABEX funds have been used for improving coffee and tea production, but one project supports the diversification of exports. Since STABEX transfers began, Malawi received EUR 12,683,573. Government and the EC have jointly selected the activities on the basis of the so-called Frameworks of Mutual Obligation (FMO). In 1995, a Stabex unit was put in place to manage the funds and a technical assistant and accountant were appointed to that Unit.

Export diversification takes place through a "*Venture Capital Fund*", implemented by INDEFUND. The Fund started in 1998 and provides financing for investments in non-traditional export crops and agro-processing. Disbursements have been slow, mainly due to the high interest rates. Project funding has so far reached EUR 2,210,000. By end of 2002 some EUR1 million had been disbursed.

Support to the *Tea sector* aims at improving the productivity and quality of tea through the provision of improved varieties and extension services, and the expansion of smallholder tea production to increase incomes for smallholder growers, also through the provision of improved varieties and extension services. The smallholders' project suffered important delays in 2000 and 2001, reflecting the weakness of the implementation partner, the smallholder tea growers association. This problem was resolved by the end of 2002 and implementation should pick up in 2003.

Coffee sector. The Coffee research programme aims to assist smallholder coffee growers in Malawi in controlling pests and diseases, and provides advisory services to them. Five varieties were selected who are resistant to the two major coffee diseases in Malawi. The second activity funded is the programme for Smallholder Coffee development under which coffee growers are being empowered by training to take responsibility for decisions regarding production, processing and marketing of their coffee. The programme is also helping with the transformation of the "Smallholder Coffee Authority" into a farmers' association.

In 2002 a *New Framework of Mutual Obligations* was presented for funding to the Commission. The financing of this FMO (3.481 M €) will use up the remaining STABEX funds, including interest on the earlier transfers, and will cover three sectors, namely: coffee, tea and paprika. The support for the paprika crop is new to the programme, but as the crop is showing to be a big success with the Malawian farmers and is mainly for export, funding is requested to support the Paprika Small Holders Growers Association (PAMA) to set up a centre for quality control and extension.

5. Programming Perspective for the Following Five Years

Malawi's allocation being the fourth largest amongst all ACP countries, the Delegation's and Government's contribution to achieve the Commission's and Government's objective of a global acceleration of commitments and disbursements is crucial.

The implementation record of Malawi's programme indicates that the co-operation between the Delegation and NAO Office performed well. Timely commitments at primary and secondary levels, as well as timely disbursements – can equally be ensured in the immediate future for the substantial allocations under the 9th EDF, certainly for the 2003-2004 period. Success in these co-operative

efforts will also depend on political and economic developments in Malawi that may make it difficult to implement budget support programmes and to provide support for the focal transport sector. It also depends on the speed by which the performance of the NAO Office, and of several line Ministries, can be enhanced.

In view of the uncertainties that affect programme delivery, it may be necessary to prepare for re-allocating EU aid between sectors. If the situation so requires, specific proposals could be prepared for consideration at the Mid-Term Review of 2004.

Factors within the control of the Commission include the timely replacement of officials in the Delegation, filling of staff gaps, retention of some positions, deployment of national experts as well as appropriate guidance during the de-concentration phase to ensure an effective Delegation focus on project implementation.

Two programme scenarios have been developed for the 2003-2004 period. Scenario A is consistent with a “normal and healthy” evolution in Malawi and within the Delegation. Scenario B reflects the assumption that the political and economic situation in Malawi may deteriorate. It also takes into account difficulties to replace officials and other Delegation’s staff. While mitigation measures can help, (i.e. shifting of aid to other sectors), the lack of project implementation capacity within Government could still have a substantial knockdown effect on the delivery of the Programme. The consequences will obviously also be felt after 2004 but is difficult to gauge in a longer time horizon. Clearly, Scenario B is an undesirable one, and all preventive measures should be considered by the Commission and Government to minimise the risk that it could materialise.

The current status of the Portfolios is summarised in the Table 5.1 below, as follows (M€) at the end of 2002:

Description	Commitments		Disb.	Uncomm. Balance (RAC)	Undisb. Balance (RAL)
	Prim.	Sec.			
Projects with delays	24.2	23.2	22.3	1.0	1.9
Ongoing projects	369.7	216.4	174.9	153.3	194.7
Delegation’s DAG € 80,000	0.7	0.6	0.5	0.1	0.2
TOTAL 6th, 7th, 8th EDF	394.5	240.2	197.8	154.4	196.8

The current portfolio shows the existence of significant uncommitted and un-disbursed balances, the reduction of which constitutes a major challenge to the Commission and Government alike.

Summary scenarios for the 9th EDF

Two scenarios can be elaborated for the 9th EDF. **Scenario A.** It is assumed that issues such as inadequate macroeconomic performance, long delays in setting up an EDF unit within the NAO’s office etc., will be successfully overcome within the next two years. In this scenario, the commitments’ and disbursements’ outlook for the 2003-2004 period would be as follows: (in M€):

The financial targets by sector and the appreciation of the risk of non-achievement of the targets are provided below:

Description	Primary alloc.	End 2004			RISK
		Primary Comm.	Second. Comm.	Disbur.	
Infrastructure	117.5	95.0	62.0	23.5	HIGH
Agriculture	73.5	63.5	6.9	5.6	LOW
Budget support	75	50.0	50.0	15.0	HIGH
Social sect. & Good Governance	18	18.0	2.0	0.0	LOW
TOTAL	293	231	129	54	

Scenario B. This scenario assumes that issues such as inadequate macroeconomic performance of Malawi, long delays in setting up an EDF unit within the NAO Office, replacement of advisers etc., will not be successfully overcome within the next two years.

This scenario calls for recourse to corrective measures. The Mid-Term Review 2004 will be crucial for making decisions regarding a possible re-orientation of the strategy. The impact of the negative developments could be lessened by re-allocating part of the funds for structural adjustment to infrastructure and/or agriculture and perhaps also to sector dedicated budget support.

For the mitigated Scenario B to arise “inter alia” for budget support to be replaced by project operations - Government would have to take special measures to increase absorptive capacities of several Line ministries, and to make solid progress with the strengthening of the NAO Office.

6. 2003 Annual Operational Reviews:

6.1 Speeding Up the Use of old EDF Resources

There is little that the Delegation can do more to speed the use of old EDF resources that have been committed in support of project-based operations. Government, however, can help to accelerate old EDF disbursements, by (i) strengthening with great urgency the EDF Unit in the NAO Office; and (ii) by remedying the issues that are affecting progress in the transport sector.

More generally, Government could make faster progress in coming back on track with the implementation of the IMF-supported Poverty Reduction and Growth Program, which would help with the release of the suspended budget support.

6.2 Setting Indicators and Targets for Measuring Results in Focal Sectors

The selection of Indicators took place in the context of the Government’s efforts – now nearly completed – to finalise a Master Plan for Monitoring and Evaluating progress of the PRSP, as well as a Data Collection Strategy. Two Tables have been included in the Annex, which provide the main elements of the Government’s near-final proposals for the M & E exercise, including a List and Description of 51 Indicators, as well as one giving Operational Descriptions and Data Collection Strategy. The Annex also include three tables which include the proposed Indicators for the three

focal sectors, namely (i) agriculture and natural resources, (ii) transport and (iii) macro-economy/health/education.

Agriculture/Natural Resources: In total 16 Indicators have been selected. The increase in household income resulting from income-enhancing diversification and marketing will be utilised as a major indicator for measuring the impact of future projects and programmes. As regards **Impact Indicators**, a serious problem is that several key indicators that are proposed include those that are only measured every five years or so. This refers in particular to Indicators that measure impact, such as rural household income and the share of income from agriculture in that household income, as well as energy consumption. However, this issue will be addressed as part of the Government's overall M & E exercise.

The inclusion of two **output indicators** is proposed: first, the annual intake of extension trainees that are targeted at 900 per annum by 2005. Secondly, it is proposed to begin measuring the number of farmers groups and cooperatives formed, as a measure of evolving institutional strengthening in the rural areas. For **input indicators** it is proposed to measure the share in government expenditure for agriculture, as well as for natural resources development, in overall Government expenditures. The very small share of agriculture in Government expenditure (3-4%), and that of Natural Resources as well (1-2 %) is of significance. This is in sharp contrast to the key role, which these sectors are to play in the development of Malawi's economy.

Transport: The list of 17 Indicators that has been established include such sector activity indicators as (1) value of export and import trade flows and import and export traffic volume data, (2) average daily traffic on strategic road network, (3 and 4) freight traffic volume data for both domestic and international traffic on road and rail. It also includes data on (5) the time spent travelling, (6) the number of accidents, fatalities and injuries, as well as (7 and 8) data on selected freight tariffs and road passenger fares. There is also a set of Indicators that describe (9) vehicle operating costs, (10) maintenance and rehabilitation expenditures on the roads system relative to Maintainable Network Needs (11) kilometres of roads by class in good, fair, and poor condition, for paved and unpaved roads, and (12) kilometres of roads maintained by class. The List also includes financial Indicators, such as (13) revenue collections for the Road Fund, and (14) data on the size of the fuel levy. We plan to cover environmental issues by recording (15) the number of environmental assessments carried out in the transport sector. We will attempt to measure (16) HIV/AIDS prevention activity in the transport sector. Finally, we propose to collect data on (17) employment in the transport sector, disaggregated by male and female employment.

It must be pointed out that for the transport sector there are serious questions about data availability, accessibility and reliability. A key concern is the strengthening of institutions involved in the process of data collection, analysis and presentation for public consumption, which will be addressed in the coming year. A system will be elaborated for the timely collection of reliable data in an affordable manner, including for the JAR 2003 exercise already. This system will reflect full consultation with other donors in the transport sector, and will be built up with the help of local consultants. It must be made clear from the outset that the experiences gained in the process of data collection may also lead to significant adaptations to the list of Indicators for the transport sector.

Macro-Economic: The proposed 12 **Economic Indicators** include GDP Growth, Poverty Headcount; Percentage of Budget Spent on or Allocated to health and education and, as a measure of developments in fiscal management, the Debt/GDP Ratio. There are historical data and projections. **The Health Indicators** include the under-five mortality rate; the maternal mortality rate; trends in overall attendance at primary health centres; HIV Prevalence in population at the national level; and percentage of births attended by skilled health personnel. Data for the health sector will benefit from the Health Sector Management Information System (HMIS). **The Education Sector Indicators** include (1) the primary school dropout rate; and (2) the primary school net enrolment rate. Economic Indicators reflect inputs, outputs and impact. Health and education Indicators are outcome based.

6.3 Dialogue in country with the NAO and Non-State Actors (NSAs).

As regards the utilisation of resources for Non-State-Actors (NSA) no direct support has been provided under the EDF in 2002. The preparation of a decentralised cooperation programme was halted due to a shortage of human resources. However, the Food Security Programme continued to implement a part of its programme through NSAs. Regular dialogue is taking place between the NAO and the Delegation. So far shortages in the NAO office have limited the number of technical meetings that have taken place. This will be different in the future, as the NAO Support Unit is staffed sufficiently to cater for the needs under the 9th EDF. With a new programme to support the NSAs under preparation in 2003, this dialogue should henceforth be more intense. The purpose of the programme is to enhance the capacity of the NSAs both administratively as well as their implementation capacity. After sufficient training they should become a more integral part of the implementation strategy of the 9th EDF.

22nd October 2003

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ANNEX 1A – LOGICAL FRAMEWORK AGRICULTURE/NATURAL RESOURCES

GENERAL INTERLOCKING LOGICAL FRAMEWORK FOR THE AGRICULTURE – NATURAL RESOURCES SECTORS

	<u>Intervention Logic</u>	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	<u>Poverty alleviation</u>	- % of people living under the poverty level in intervention areas reduced from ? to ?. - GINI Coefficient reduced from 0.7* to 0.5* in intervention areas.	Partner surveys in intervention areas Partner surveys in intervention areas	
Intervention purpose	Contribute to an increased rural household income and improved food security in areas of intervention through a more sustainable use of natural resources	- Average household income in intervention areas increased from * to * - Reduction in the need for FFW and supplementary feeding programmes in the intervention areas by 10*%. -School enrolment/ attendance in intervention areas increased from * to * -Crop yields for maize increased from *t/ha to *t/ha in intervention areas	Partner surveys in intervention areas WFP, NGOs Schools in intervention areas, implementing partners Extension services, MoAI, implementing partners	
Interventions/ Results	1. Support for the creation of an institutional enabling environment for improving the livelihoods of the rural poor			
	1.1 Strengthening government institutions			
	1.1.1 Support for defining the future institutional roles and structures needed to meet government policy objectives	-Revised policy documents prepared and being implemented by MoAI, MoNR, and MoLHPPS Institutional roles redefined and operational -Institutional structures revised and functioning -Staffing requirements/ responsibilities defined and attained at central and decentralised levels	MoAI, MoNR, MoLHPPS MoAI, MoNR, MoLHPPS MoAI, MoNR, MoLHPPS MoAI, MoNR, MoLHPPS	
	1.1.2 Support for strengthening the institutional capacities to define, develop and implement a coherent policy framework	-Institutional budget needs approved and sanctioned and disbursed centrally and locally -Staff trained* and in post a) at central level b) at local level -Policies developed and being implemented -Research activities reflect/ support needs of rural poor	MoF, MoAI, MoNR, MoLHPPS, District administrations MoF, MoAI, MoNR, MoLHPPS, District administrations, Implementing partners MoF, MoAI, MoNR, MoLHPPS, District administrations, Implementing partners Research institutes, MoAI, extension service	

	1.2 Strengthening civil society			
	1.2.1 Support for developing the roles, capacities and the empowerment of civil society to address poverty issues	<ul style="list-style-type: none"> -Increase in the number of civil society organisations operating in intervention areas -Civil society organisations in intervention areas formally recognised at local and national level. -Roles of civil society organisations clearly defined -Training provided* for staff/ members of civil society organisations 	<ul style="list-style-type: none"> Authorities in intervention areas, implementation partners District and national authorities, civil society organisations, implementing partners Implementing partners, civil society organisations Civil society organisations, implementing partners 	
	1.3 Strengthening Regional Trade			
	1.3.1 Support the development of regional trade accords for the promotion of inter-regional trade	<ul style="list-style-type: none"> -Trade accords negotiated and ratified with neighbouring countries -Transparent regulations for import/export of agricultural inputs and produce in place -Unhindered cross-border flows of agricultural inputs and produce 	<ul style="list-style-type: none"> MoTrade Chamber of Commerce, professional organisations, MoAI, MoTrade Traders, MoTrade, Customs & Excise 	
	2. Support for improving and diversifying income earning opportunities in rural areas			
	2.1 Support for the development of facilitating factors			
	2.1.1 Support for the provision of rural credit and savings structures	<ul style="list-style-type: none"> -Number of savings and loans organisations in intervention areas increased by* -Proportion of target households in intervention areas members of savings and loans organisations -Proportion of target households in intervention areas having loans -Loan recovery rate of savings and loans organisations in intervention areas Training provided to savings and loan organisations and members* 	<ul style="list-style-type: none"> Implementing partners Implementing partners, savings & loans organisations, district authorities Savings & loans organisations, implementing partners Savings & loans organisations Implementing partners and savings & loans organisations 	
	2.1.2 Support for the improvement of marketing opportunities and market facilities in rural and urban areas	<ul style="list-style-type: none"> -Increase in the number of markets/stallholders in intervention areas* -Information of market price availability -Number of marketing associations* -% households in intervention area members of marketing association* - training provided to <ul style="list-style-type: none"> a) market operators b) marketing associations 	<ul style="list-style-type: none"> Market managements Traders, traders associations, market managements Implementing partners Marketing associations Implementing partners, market management, marketing associations 	

	2.1.3	Support mechanisms for the development and transfer of appropriate technologies to the rural poor	-Appropriate technology developed for and adopted by rural poor -Training material available -% of extension staff trained in technology	Extension service, implementing partners Extension service Extension service	
	2.1.4	Stimulating private sector participation and investment in the diversification process	-Private sector agricultural service providers trained - Number private sector investments. -Number* agricultural service providers actively providing technology	Implementing partners Implementing partners	
	2.2	Support for promoting increased productivity and diversification of on-farm activities			
	2.2.1	Support for the development and promotion of improved farming systems suitable for the rural poor	-Appropriate technologies developed for and adopted by rural poor -System for transfer of technology to producers/ producer groups established and functioning -% target households in intervention areas adopting new technologies	Research stations, extension service Extension service, implementing partners, farmers associations Extension service, implementing partners	
	2.2.2	Support for encouraging, strengthening and empowering farmers' organisations	-Number of functioning farmer associations increased from* to*in intervention areas -Training given* -% of households members of farmer organisations	Implementing partners, extension service, farmers associations Implementing partners, extension service, farmers associations Farmers associations, implementing partners	
	2.2.3	Encouraging private sector provision of services required by producers	-Number of private sector agricultural service providers trained* -Number* agricultural service providers actively providing technology	Implementing partners Implementing partners, extension service	
	2.2.4	Promoting the development and adoption of mechanisms for improving the benefits stemming from farm production	-Number of marketing associations* -Training provided* -% households in intervention area members of marketing association*	Implementing partners, marketing associations, extension service Implementing partners, marketing associations, extension service Implementing partners, marketing associations, extension service	
	2.3	Support for the promotion of off-farm activities			
	2.3.1	Support for encouraging, strengthening and empowering intermediate organisations	-Number of workshops to stimulate interest in off-farm activities in intervention areas -Training provided to intermediate organisations in intervention areas -Number* of intermediate organisations active in intervention areas	Implementing partners Implementing partners Implementing partners, local authorities	

	2.3.2	Support for the identification of opportunities for the development of off-farm income and/or employment generating activities in rural areas	-Number* of business plans developed -Number* of businesses functioning in intervention areas	Implementing partners Implementing partners, Chamber of Commerce	
	2.3.3	Support for stimulating interest amongst private sector for investing in rural business opportunities	- Number of workshops to stimulate interest in off-farm activities in intervention areas -Number* of business plans being supported	Implementing partners Implementing partners, TFED	
	2.3.4	Support for the provision of technical advice and support services for assisting with the realisation of off-farm income and/or employment generating activities	-Training* provided for assessing business opportunities -Number* of business opportunities funded Number of active business activities	Implementing partners, TFED TFED TFED	
	3	Improvement of economic and environmental sustainable management of natural resources in intervention areas			
	3.1	Support for the sustainable management of land, forest and water resources in participation with local communities	-Land reform policies agreed to by stakeholders and implemented Systems for sustainably managing water and land resources at community level developed and elaborated -Number of workshops to stimulate community interest -Number of communities/ organisations actively participating -% of households actively participating in intervention area -%of households adopting organic matter technologies in intervention areas % of households adopting agro-forestry technologies in intervention areas	Implementing partners Implementing partners Implementation partners Extension service, implementation partners Forestry Department, implementation partners	
	3.2	Support for the introduction and promotion of sustainably managed renewable energy resources with local communities.	-Forest coverage maintained -Systems for establishing and managing sustainable renewable energy resources developed -Number* of workshops to stimulate interest in renewable energy resources -Number* of communities participating -Number and size of renewable energy resources established and functioning -%* of households actively participating in intervention area	Forest Department Research institutes Implementing partners Implementing partners, Forest Department Forest Department Forest Department, implementing partners	

	3.3 Key biological resources enhanced and protected	-Integrity of protected areas maintained Systems developed and adopted for safeguarding key resources -Areas to be protected identified and gazetted -Number of co-management agreements functioning	Forest Department Forest Department Forest Department Forrest Department	
	4. Provide support to safety net interventions			
	4.1 Support for the development and further refinement of a coherent safety net strategy	-Active participation of MoAI and MoNR in National Safety Nets Programme	MoAI, MoNR, NEC	
	4.2- Support for those interventions aimed at the reducing the vulnerability of target population groups to food insecurity	-Number* interventions developed and being implemented	NEC	
	4.3- Support for the public works programme with emphasis on rural road development	-Identification of rural road developments required in intervention areas for facilitating the marketing of produce -Kms of rural roads maintained/rehabilitated and usable -Kms of rural roads maintained/rehabilitated and usable under FFW programmes -other public work activities	NEC, WFP	

ANNEX 1B - LOGICAL FRAMEWORK TRANSPORT INFRASTRUCTURE

CSSP LOGICAL FRAMEWORK FOR THE TRANSPORT SECTOR

	Intervention Logic	Objectively verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	Economic growth of the country supported and stimulated by improved transport infrastructure			
Intervention purposes	<ol style="list-style-type: none"> 1. Transport costs reduced 2. Rural areas provided with better access to the main transport network and to services 	<ol style="list-style-type: none"> 1. Conditions of transport infrastructure 2. VOC, freight tariffs and passenger fares 3. Average daily traffic (motorised and non-motorised) 4. Time spent travelling 	<ol style="list-style-type: none"> 1. Condition surveys of road (& rail) networks 2. Financial statements of Air, Rail, Road operators 3. Survey haulage/bus companies 4. Road users surveys 5. Traffic surveys and specific surveys 	
Results	<ol style="list-style-type: none"> 1. Backlog of road periodic maintenance and road rehabilitation reduced by 30% over five years 2. Approximately 25% of all rural roads upgraded and/or rehabilitated and under maintenance over a period of five years through a labour intensive approach 3. Transport infrastructure linking Malawi's internal, regional and world markets improved and major capital investments protected 	<ol style="list-style-type: none"> 1. Km of roads pa under backlog maintenance. 2. Km of roads pa under routine maintenance 3. Km of road pa under periodic maintenance 4. Annual NRA income by source of financing 5. Annual NRA disbursements by source of financing 6. Number local workers employed in road construction and maintenance 7. Annual freight on regional corridors 	<ol style="list-style-type: none"> 1. NRA public periodic reports on revenue and disbursements 2. Road condition surveys 3. Road conditions database 4. Reports public works programme 5. Construction progress reports 6. Annual Economic reports on freight & passengers for each transport mode 7. NRA annual budgets 8. Integrated Household Survey 	<ol style="list-style-type: none"> 1. Fuel levy increases by 90-100% over the next three years or other user road charges transferred to the Road Fund 2. Labour intensive approach adopted to implement Rural roads Public Works Programme 3. Other donors support continued 4. Donors' co-ordination ensured 5. 30 to 35% NRA budget disbursed for rehabilitation and maintenance of roads in rural and urban areas

	<ol style="list-style-type: none"> 1. Sensitisation campaigns on HIV/AIDS and environment regularly launched 2. Capacity of key institutions operating in the transport sector strengthened 3. Transport safety improved 	<ol style="list-style-type: none"> 1. No. campaigns launched pa 2. No. fatalities and injuries pa 3. No. Annual technical and financial reports published by NRA (ideally every year) 	<ol style="list-style-type: none"> 1. Reports on sensitisation campaigns 2. Road safety annual/police reports 3. EIA reports and monitoring reports on implementation of environment guidelines and regulations 4. NRA reports 5. MoTPW reports 6. NCIC reports 7. NRSC reports 8. Police and courts records 	
<u>Activities</u>	<ol style="list-style-type: none"> 1. Support NRA financially to enable them dealing with the road backlog maintenance and road rehabilitation through budgetary support to the Road Fund 2. Support NRA institutionally to enable them dealing with the road backlog maintenance through provision of TA 3. Upgrade and help maintaining the rural feeder road network through the implementation of labour intensive Public Works Programme 4. Help key institutions to improve their performance and to implement the NTP 5. Improve and protect road infrastructure linking Malawi's internal, regional and world markets 6. Launch of sensitization campaigns on HIV/AIDS and environment 	<p>Means:</p> <ol style="list-style-type: none"> 1. 8 M€ pa disbursed to the Road Fund for backlog maintenance 2. 6 M€ pa for road rehabilitation works (if need be, part of this funds could be used for possible support to the revitalisation of regional railway corridors) 3. 5 M€ pa for rural feeder Public Works Programme 4. 2.5 M€ pa for institutional support to key players operating in the transport sector (NRA, MoTPW, NCIC, NRSC) <p>Indicators:</p> <ol style="list-style-type: none"> 1. km primary, secondary and tertiary roads pa maintained (periodic backlog maintenance) 2. reduction in % of periodic maintenance and rehabilitation backlog (ideally by an average of 6% pa up to a total reduction of 30% over five years) 3. km rural feeder roads upgraded, rehabilitated and maintained 	Disbursements EC and GoM (OLAS reports and audits of the Road Fund)	

JAR 2002 - Agriculture and Natural Resources Indicators

#	Items	PRSP Comp.	year X/ value	2000	2001	2002	2003	2004	2005 target
	Impact								
1	Rural Household Income (1)	yes							
2	% of Rural Household Income derived from Agriculture (2)	No	63.7						
3	% of under-5 children Moderately Undernourished (3)	yes		33					
3(a)	% Under weight			26					
3(b)	% stunted			49					
3(c)	% wasted			6					
4	Meals Frequency (4)	No							
5	Energy Consumption (5)	No		82.9%					
6	Forest Coverage (Sq. Km) (6)	yes		801	800	918			
	Outcome								
7(a)	Maize Yield Kg/Ha (7)	yes	1446	1137			1264		2000
7(b)	Rice yield - Paddy (Kg/ha (7)	yes	1794			1595	1644		
7(c)	Cassava yield (Kg/Ha) (7)	yes				1456	1549		
8 (a)	% Annual Increase in Small-Holder Production-Maize(8)	No	46	-2	-14	-18	22		
8 (b)	Same for Rice (8)	No	-27	-27	39	-1	-6		
8 (c)	Same for Cassava (8)	No	8	208	22	--	15		
9	% Annual Increase in Small-Holder Agric.GDP (9)	No	13	2	-5	-1	5		
10	% of rural household income from Cash Crops (10)			9.5					
11	% of income dedicated to food (10)			Av: 61.5					
12	% of adults with low body weight (compared to BMI) (11)			7					
	Output								
13	Intake of Extension Trainees (12)	yes		none	none	100	350		900
14	No. of farmers groups and Cooperatives Formed (13)	yes				--			3000
	Input								
15	% of Budget spent/allocated to agriculture (14)				3.7	3.2	3.8		
16	% of Budget spent/allocated to natural resources (14)				1.3	1.6	1.2		

(1) Source: National Economic Surveys; the Indicator will measure increase in household income coming from income-enhancing diversification and marketing

(2) Source: Integrated Household Surveys (poor); X Year value is 1995; IHS takes place once every 5 years; next Survey in 2004

(3) Sources Ministry of Health - National Health Surveys; HDR 2002; 1998-2000; World Bank; 26% underweight; 49% stunted; 6% wasted under-5.

(4) Source: National Nutrition Surveys; Integrated Household Surveys

(5) Energy is taken to mean calorific value; Indicator measures energy consumption per capita relative to the calorific value. Source: National Consumption Surveys
For 2000 per person consumption was 1818 Kcal (82.9% of RDR); 65.6% of population meet CAL RDR

(6) Gazetted Forestry Area: Source: MONREA (Annual Report 2001/2) and Economic Reports 2002 and 2003 (excludes National Parks and Game Reserves)

(7) Source: National Crop Surveys; year X value is average 1998-2001; for 2003 yields/ha are: local variety 764 Kg; composite 1371Kg and hybrid 1990Kg

(8) Source: National Economic Surveys and Economic Report 2003; year X value = average 1998-2001, source: FAO

(9) Source: Economic Report 2003;

(10) Source: Integrated Household Surveys

(11) Source: National Health Surveys; 7% of women of child bearing age with BMI less than 18.5; Source: Integrated Household Surveys; Malawi Demographic He

(12) Source: Ministry of Agriculture, Irrigation and Food Security; Ministry of Natural Resources; PRSP; programme was suspended in 2000/2001

(13) Source: MoAIFS reports

(14) Source: National Budget Documents - Ministry of Finance

JAR 2002 - Macroeconomics, Health and Education Indicators

#	Items	Type	Dev. Compatible	PRSP Comp.	year X/ value	2000	2001	2002	2003	2004	2005 target	2015 Goal
Economic Indicators												
1	GDP Growth ⁽³⁾	Impact	yes	yes		2,0	-1,5	1,8	3,4	4,3	6,7	
2	% of population below poverty line. ⁽⁴⁾	Impact	yes	yes	(1998) 65.3	54,0					59,3	
3	% of budget spent or projected in health sector ⁽²⁾	Input	yes			6,5	11,5	8,5	9,7	11,8	11,8	
4	% of budget spent or projected in education sector ⁽²⁾	Input	yes			12,9	13,1	13,4	15,3	14,5	14,5	
5	Debt/GDP ratio ⁽⁵⁾	Output	yes		(1998) 130		142					
Health Indicators ⁽⁶⁾												
6	Under 5 mortality rate (per 1.000 live births) ⁽¹⁾⁽⁸⁾	Outcome	yes	yes	(1995) 211	189					(2007/8) 150	117
7	Maternal mortality rate (per 100.000) ⁽⁹⁾	Outcome	yes	yes	(1992) 620	1120					800	155
8	Overall attendance at primary health centers ⁽¹⁰⁾	Outcome	yes	yes				1004				
9	HIV prevalence in 15 to 49 age group (in %) ⁽¹¹⁾	Outcome	no	yes		15		16				
10	% of birth attended by skilled workers ⁽¹²⁾	Outcome	no	yes	25	56		40				
Education Indicators ⁽⁷⁾												
11	Primary drop out rate in % ⁽¹⁾	Outcome	yes	yes		14	10	8	8	7	7	5
12	Primary school net enrolment rate in % ⁽¹⁾⁽¹³⁾	Outcome	yes	yes		78	81	85	86	86	88	95

(1) Gender specific figures provided when available.

(2) Malawi Government 2003 Economic Report: Actual expenditure for FY ending 2000, 2001, 2002. Amounts for FY ending 2003 is estimated, FY ending 2004 and 2005 are projections.

(3) Figures from Malawi Government 2003 Economic Report.

(4) 1998 figure from Malawi Country Report on MDG 2002 - UNDP Malawi. 2000 figure from UNDP HDR 2003.

(5) African Development Indicators 2003 - World Bank

(6) Figures from MoH -Health Management Information System

(7) Figures from MoE - Education Management Information System.

(8) 1995 figure from Malawi Social Indicators Survey 1995, 2000 data from Demographic and Health Survey (DHS) 2000. 2007/8 figure from PRSP Annex 4.

(9) 1992 and 2000 figures from DHS 1992 and DHS 2000. 2005 target from PRSP Annex 4. Reliability of these figures are heavily debated within the development community in Malawi.

(10) Proxy indicator used: Outpatient Department Utilisation per 1000 pop. Source HMIS 2003. No baseline available.

(11) 2000 data from DHS 2002, 2002 data: NAC estimates.

(12) 2000 data from DHS 2000 and include ward attendant. 2002 data from HMIS.

(13) UNICEF data for 2002 indicates a slightly reduced rate of 77% and provides with gender disaggregated information: 79.3% for male, 77.1% for female.

Annex 1E

JAR 2002 - Transport Sector Indicators (I)

#	Items	Type	2000	2001	2002	2003 Proj.	2004 Proj.	2005 Proj.
Sector Activity Indicators								
1	Import Traffic (Million Euro) (1)	Impact	609	603	703	416		
2	Export Traffic (Million Euro) (1)	Impact	446	486	460	336		
3	Traffic Volumes Imports/Exports ('000 Tons) (2)	Impact	714	750	901	1372		
4	Average Daily Traffic on Strategic Network	Impact						
4 (a)	M1 and Main Roads (3)	Impact						
4 (b)	Other Main Roads (3)	Impact						
4 (c)	Feeder Roads (3)	Impact						
5	Road Freight Traffic - Annual Volume (tonnes)	Impact	1024	1227	1518	1406	1595	1811
5 (a)	Domestic (' 000 Tonnes)	Impact	201	229	279	315	356	403
5 (b)	International ('000 Tonnes)	Impact	823	998	1239	1091	1239	1408
6	Rail Freight Traffic - Annual Volume (5)	Impact						
6 (a)	Domestic (' 000 tonnes)	Impact						
6 (b)	International ('000 Tonnes)	Impact						
Household Expenditure;Accidents and Fatalities								
7	% of Household Income spent on Transport - National (6)	Outcome	30					
7 (a)	Urban	Outcome	60					
7 (b)	Rural	Outcome	20					
8	No. of Accidents/Fatalities (7)	Outcome						
8 (a)	Accidents	Outcome	7313	7330	7347	7364	7381	7398
8 (b)	Fatalities	Outcome	1184	609	877	751	746	741
8 (c)	Injuries	Outcome	1814	3147	3141	4028	4691	5355
Tariffs and Fares								
9	Freight Tariffs	Outcome						
9 (a)	Blantyre-Beira (US \$/tonne)	Outcome				35		
9 (b)	Blantyre-Johannesburg (SAR/tonne)	Outcome				10,000		
10	Road Passenger Fares (average fare in Euros) (8)	Outcome						
10 (c)	Coach Line	Outcome	25	24	22	16		
10 (b)	Express	Outcome	19	14	14	12		
10 (C)	InterCity	Outcome	5	4	4	4		

(1) Source: MRA; NSO; MEPD; (2) Source: MoTPW, NRA, MEPD; (3) Average of Dry and Wet Counts. Source: NRA, MoTPW

(4) Source: NRA, MoTPW; RTOA; (5) Source: MoTPW, MR, CEAR; (6) Source: NSO, HIS; (7) Source: NRSC, MTPS, NSO (8) Source: Shire Busline

Annex 1E

JAR 2002 - Transport Sector Indicators (II)

#	Items	Type	2000	2001	2002	2003 Proj.	2004 Proj.	2005 Proj.
	Road Condition Indicators (1)							
11	Km of Roads y Class According to Condition (% of total)	Outcome						
11 (a)	Paved - Good (%)	Outcome	49		73			
11 (b)	Paved - Fair (%)	Outcome	17		18			
11 (c)	Paved - Poor	Outcome	4		9			
11 (d)	Unpaved - Good	Outcome	5		16			
11 (e)	Unpaved - Fair	Outcome	17		54			
11 (f)	Unpaved - poor	Outcome	20		28			
12	Km of Roads Maintained by Class (Km) (1)	Outcome						
12 (a)	Paved - Good	Outcome	1676		2479			
12 (b)	Paved - fair	Outcome	568		603			
12 (c)	Paved - Poor	Outcome	120		323			
12 (d)	Unpaved - Good	Outcome	633		1906			
12 (e)	Unpaved - fair	Outcome	2075		6527			
12 (f)	Unpaved - poor	Outcome	2415		3421			
	Maintenance/Rehabil. Expenditure and Financing							
13	Maintenance/Rehabilitation Expenditure (Total) (Mln €)	Input	19.8	35.9	28.3	27.3		
13 (a)	Routine Maintenance (2)	Input	9.8	18.0	17.5	13.4		
13 (b)	Periodic Maintenance (2)	Input	7.1	6.6	7.5	7.1		
13 (c)	Rehabilitation (2)	Input	2.9	11.3	3.3	6.8		
14	Revenue Collections for Road Fund (Mln Euros) (3)	Outcome	20.2	20.4	19.7	21.9		
14 (a)	Fuel Levy	Outcome	17.1	17.4	17.4	20.0		
14 (b)	Road User Charges	Outcome	3.1	3.0	2.3	1.9		
15	Vehicle Operating Costs (4)							
15 (a)	Good - Paved	Outcome			0.40			
15 (b)	Good - Gravel	Outcome			0.47			
15 (c)	Fair - Paved	Outcome			0.57			
15 (d)	Fair - Gravel	Outcome			0.60			
15 (e)	Poor - Paved	Outcome			0.74			
16	Employment in Transport Sector - Total ('000) (5)	Outcome	30.6	31.9	32.5	33.6		
16 (a)	Of which Females	Outcome	3.2	3.3	3.4	3.5		

(1) Source: NRA; MtOPW; (2) Source: NRA; (3) Source: NRA, MoTPW

(4) Source: NRA, RTOA; Minibus Association (5) Source: NSO, HIS.

Annex 1E

JAR 2002 - Transport Sector Indicators (III)

#	Items	Type	2000	2001	2002	2003 Proj.	2004 Proj.	2005 Proj.
	Environmental Indicators (1)							
17	Trees planted per Km Road Constructed/Rehabil.(#)							
18	Environmental Assessments Undertaken (#)							
19	HIV/AIDS Campaigns undertaken in Transport Sector (No) (2)							

(1) Source: NRA, MoTPW, DoEA

(2) Source: NRA, MoTPW, MoH, NAC

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Table 1 : FINAL LIST OF MPRS KEY INDICATORS WITH TARGET SETTING

1		3		5		6		8		11		13		14		15	
MPRS Strategy Component		MPRS Key Indicators		Unit of Measurement	Incorporated in Prior Key Indicators' Lists		Main Responsible Party (*)	Frequency Data Collection	Level(s) Data Collection <i>N = national D = district</i>	Baseline Benchmark End 2001	Interim Targets		Final Target End 2005	Comments			
Code	Description	Code	Description		MPRS Paper May 2002	MPRS M&E Master Plan July 2003					End 2003	End 2004					
0.	Key Poverty Reduction Strategy Impact and Cross-cutting Issues	0.1.	Poverty headcount measured by consumption based poverty line	%	X		MEPD/NSO	5-yearly	N					Quick count system under development to generate data on annual basis			
		0.2.	Extreme poverty headcount, measured by consumption based ultra-poverty line	%	X		MEPD/NSO	5-yearly	N					Quick count system under development to generate data on annual basis			
		0.3.	Real Income per capita (2001 constant prices)	MK		X		NSO	annual	N							
		0.4.	Per capita food availability	kg				MoAIFS	quarterly	N / D					Maiz equivalent. Main crops included in basket through application of official conversion factors (= food security proxy indicator).		
		0.5.	Average number of meals per person per day	# / person / day				MoAIFS	annual	N / D					Food security proxy indicator.		
		0.6.	Prevalence of under 5 child malnutrition	%	X	X		NSO	annual	N / D					Definition still to be provided by MOH (underweight, stunted and/or wasted under-5 ?) Eventually composite indicator to be developed.		
		0.7.	Life expectancy	year	X			NSO	5-yearly	N / D					Quick measurement system under development to generate data on annual basis		
		0.8.	Literacy rate	%	X			NSO	5-yearly	N / D					Quick measurement system under development to generate data on annual basis		
		0.9.	Female literacy rate	%	X			NSO	5-yearly	N / D					Quick measurement system under development to generate data on annual basis		
		0.10.	Under five mortality rate	# / 1.000 live births	X	X		NSO	5-yearly	N / D					Quick measurement system under development to generate data on annual basis		
		0.11.	Maternal mortality rate	# / 100.000	X	X		NSO	5-yearly	N / D					Quick measurement system under development to generate data on annual basis		
		0.12.	Total fertility rate	#	X	X		NSO	5-yearly	N / D					Quick measurement system under development to generate data on annual basis		
		0.13.	Women in decision making positions	%				MoGCS	annual	N					Women in decision making positions in government sector, i.e. from P5 (Asst. Dir) to P2 (Principal Secretary) and in parastatals (deputy general manager, Director or chief executive to general manager, director, chief executive, executive secretary		
		0.14.	HIV prevalence among 15-49 age group	%				MoHP / NAC-OPC	annual	N / D					Definition: number of HIV cases among 15-49 age group divided by the total population of the same age group surveyed. Gender differentiated.		
		0.15.	Forest area as percent of total land area	%				MoNREA	annual	N					Forest area in percentage of total area. Cross-cutting environment indicator.		
		0.16.	Average annual fuel consumption per capita					MoNREA	annual	N							
1.	Pillar 1 : Sustainable Pro-Poor Growth	1.1.	Real GDP growth rate	%		X	MEPD / NSO	annual	N								
		1.2.	Average rural household income	MK			MEPD / NSO	5-yearly	N / D					Annual income at constant prices (reference year to be determined). Focuses general indicator on rural areas.			

MPRS Strategy Component		MPRS Key Indicators		Unit of Measurement	Incorporated in Prior Key Indicators' Lists		Main Responsible Party (*)	Frequency Data Collection	Level(s) Data Collection <i>N = national D = district</i>	Baseline Benchmark End 2001	Interim Targets		Final Target End 2005	Comments	
Code	Description	Code	Description		MPRS Paper May 2002	MPRS M&E Master Plan July 2003					End 2003	End 2004			
1.	Pillar 1 : Sustainable Pro-Poor Growth <i>(cont'd)</i>	1.3.	Gini coefficient	ratio			MEPD / NSO	5-yearly	N					Macro indicator of income distribution	
		1.4.	Inflation rate	%		X	NSO	monthly	N						
		1.5.	Debt service as percentage of total Government expenditures	%				MoF	quarterly	N					
		1.6.	Fiscal deficit in relation to GDP	%				MoF	annual	N					Basis for HIPC exercise on debt reduction
		1.7.	Proportion of national budget earmarked for Pro-Poor Expenditures (PPE's)	%		X		MoF	annual	N / D					With breakdowns by sector and by District
		1.8.	Proportion of national budget effectively spent on Pro-Poor Expenditures (PPE's)	%		X		MoF	quarterly	N / D					With breakdowns by sector and by District
		1.9.	Total annual resource basis of Local Government Units (Districts and below), in constant prices (1991)	MK				MoLG / MoF	annual	N / D					With breakdowns by (1) LGU level, (2) District, (3) source (national budget, local revenue generation, other sources from third parties) and (4) main budget component (personnel, other recurrent and development)
		1.10.	Average increase of crop yields per hectare	kg / ha / year				MoAIFS	annual	N / D					Weighted average for five most important crops. In addition, breakdown for five most important crops.
		1.11.	Average increase of livestock production	# / year				MoAIFS	annual	N / D					Broken down by type of livestock.
		1.12.	Smallholder agricultural production value as share of total agricultural production value	%				MoAIFS	annual	N / D					
		1.13.	Farmer groups and cooperatives formed and/or continuing operations	#		X		MoAIFS	annual	N / D					
2.	Pillar 2 : Human Capital Development	2.1.	Under one (1) full immunization rate	%		X	MoHP	annual	N / D					Gender differentiated	
		2.2.	Births attended by skilled health staff	%			MoHP	annual	N / D					Excluding TBAs.	
		2.3.	Overall attendance of population at primary health centers	0/00				MoHP	annual	N / D				Put in practice by MOH-HMIS proxy: Out-Patient Department utilization rate (definition: number OPD attendance divided by total population of the catchment area). Gender differentiated.	
		2.4.	Primary school net enrolment rate	%	X	X	MoEST	annual	N / D					As proxy for preferred key indicator "Primary school completion rate" or MDG "% of cohort reaching grade 5). - Gender differentiated.	
		2.5.	Primary school drop out rate	%	X	X	MoEST	annual	N / D					Gender differentiated	
		2.6.	Progression rate into secondary school	#				MoEST	annual	N / D					Percentage of primary school graduates who effectively enrol in secondary school in the following school year. Gender differentiated.
		2.7.	Pupil / teacher ratio in primary schools	# / teacher	X	X	MoEST	annual	N / D					Proxy indicator for sufficiency primary education infrastructure and education quality	

MPRS Strategy Component		MPRS Key Indicators		Unit of Measurement	Incorporated in Prior Key Indicators' Lists		Main Responsible Party (*)	Frequency Data Collection	Level(s) Data Collection <i>N = national D = district</i>	Baseline Benchmark End 2001	Interim Targets		Final Target End 2005	Comments
Code	Description	Code	Description		MPRS Paper May 2002	MPRS M&E Master Plan July 2003					End 2003	End 2004		
2.	Pillar 2 : Human Capital Development	2.8.	Adult literacy graduates	#		X	NSO	annual	N / D					Gender differentiated
		2.9.	Non-formal education and training graduates formally employed or self-employed	#		X	MoLVT	annual	N / D					Graduates of preceding year who successfully entered the labour market (formally employed) or started their own business (self-employment) as entrepreneur within a period of six months after graduation. Gender differentiated.
3.	Pillar 3 : Improving the Quality of Life of the Most Vulnerable	3.1.	Targeted Input Programmes (TIP) beneficiary households	# / year	X	X	MoAIFS	annual	N / D					Awaiting refinement of measurement tools, number of beneficiaries (reach) as proxy for programme impact. Breakdown by female and male headed households.
		3.2.	Public Works Programmes (PWP) beneficiary households	# / year	X	X	DoLG	annual	N / D					Awaiting refinement of measurement tools, number of beneficiaries (reach) as proxy for programme impact. Breakdown by female and male headed households.
		3.3.	Targeted Nutrition Programme (TNP) beneficiary households	# / year	X		MoHP	annual	N / D					Awaiting refinement of measurement tools, number of beneficiaries (reach) as proxy for programme impact. Breakdown by female and male headed households.
		3.4.	Beneficiaries of income support services	# / year	X	X	Safety Net	annual	N / D					Awaiting refinement of measurement tools, number of beneficiaries (reach) as proxy for programme impact. Breakdown by female and male headed households.
		3.5.	Households with access to potable water	%	X	X	MoWD	annual	N / D					With breakdown for urban and rural areas, and by female and male headed households.
		3.6.	Households with access to improved sanitation	%			MoWD	annual	N / D					With breakdown for urban and rural areas. Operational definition of "improved sanitation" still to be developed.
4.	Pillar 4 : Governance	4.1.	Police / population ratio	ratio	X	X	MoHA	annual	N					
		4.2.	Proportion of villages with operational community policing units	%			MoHA	annual	N					Indicator measuring involvement of Civil Society in community policing
		4.3.	Crime detection ratio	ratio	X	X	MoHA	annual	N					
		4.4.	Prosecution rate	%	X		MoJ	annual	N					Percentage of cases per year with homicide as proxy
		4.5.	Reported corruption cases effectively prosecuted	%			ACB	annual	N					Anti-Corruption Bureau (ACB) to provide operational definition of "prosecuted"
		4.6.	Reported human rights violation cases effectively prosecuted	%		X	MHRC	annual	N					Malawi Human Rights Commission (MHRC) to provide operational definition of "prosecuted"
		4.7.	Warden / prisoners ratio	ratio	X		MoHA	annual	N					

(*) The desirability and feasibility of an integrated District Based MPRSP Impact Monitoring System are presently being studied. Responsible party refers to main M&E responsibilities in current institutional set-up.

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Table 2 : MPRS KEY INDICATORS : Operational Descriptions and Data Collection Strategy

MPRS Strategy Component		MPRS Key Indicators			Unit of Measurement	Main Responsible Party (*)		Timing			Coverage of Data Collection			Remarks	
Co- de	Description	Code	Name	Full Operational Description		Ministry / Agency	Specific Entity within Ministry / Agency	Freq- uency	Month Next (mmm.yy)	Deadline Value Sent to MEPRD-M&E (dd/mm/yy)	Level <i>N = national D = district</i>	Description Sampling Technique (if applicable)	Sample Size (e.g total # of households)		
0.	Key Poverty Reduction Strategy Impact and Cross-cutting Issues	0.1.	Poverty headcount measured by consumption based poverty line		%	MEPRD/NSO		5-yearly			N				
		0.2.	Extreme poverty headcount, measured by consumption based ultra-poverty line		%	MEPRD/NSO		5-yearly			N				
		0.3.	Real Income per capita (2001 constant prices)		MK		NSO		annual			N			
		0.4.	Per capita food availability		kg		MoAIFS		quarterly			N / D			
		0.5.	Average number of meals per person per day		# / person / day		MoAIFS		annual			N / D			
		0.6.	Prevalence of under 5 child malnutrition		%		NSO		annual			N / D			
		0.7.	Life expectancy		year		NSO		5-yearly			N / D			
		0.8.	Literacy rate		%		NSO		5-yearly			N / D			
		0.9.	Female literacy rate		%		NSO		5-yearly			N / D			
		0.10.	Under five mortality rate		# / 1,000 live births		NSO		5-yearly			N / D			
		0.11.	Maternal mortality rate		# / 100,000		NSO		5-yearly			N / D			
		0.12.	Total fertility rate		#		NSO		5-yearly			N / D			

MPRS Strategy Component		MPRS Key Indicators			Unit of Measurement	Main Responsible Party (*)		Timing			Coverage of Data Collection			Remarks	
Code	Description	Code	Name	Full Operational Description		Ministry / Agency	Specific Entity within Ministry / Agency	Frequency	Month Next (mmm.yy)	Deadline Value Sent to MEPD-M&E (dd/mm/yy)	Level <i>N = national D = district</i>	Description Sampling Technique (if applicable)	Sample Size (e.g total # of households)		
0.	Key Poverty Reduction Strategy Impact and Cross-cutting Issues	0.13.	Women in decision making positions		%	MoGCS		annual			N				
		0.14.	HIV prevalence among 15-49 age group		%	MoHP / NAC-OPC		annual			N / D				
		0.15.	Forest area as percent of total land area		%	MoNREA		annual			N				
		0.16.	Average annual fuel consumption per capita			MoNREA		annual			N				
1.	Pillar 1 : Sustainable Pro-Poor Growth	1.1.	Real GDP growth rate		%	MEPD / NSO		annual			N				
		1.2.	Average rural household income		MK	MEPD / NSO		5-yearly			N / D				
		1.3.	Gini coefficient		ratio	MEPD / NSO		5-yearly			N				
		1.4.	Inflation rate		%	NSO		monthly			N				
		1.5.	Debt service as percentage of total Government expenditures		%	MoF		quarterly			N				
		1.6.	Fiscal deficit in relation to GDP		%	MoF		annual			N				
		1.7.	Proportion of national budget earmarked for Pro-Poor Expenditures (PPE's)		%	MoF		annual			N / D				
		1.8.	Proportion of national budget effectively spent on Pro-Poor Expenditures (PPE's)		%	MoF		quarterly			N / D				
		1.9.	Total annual resource basis of Local Government Units (Districts and below), in constant prices (1991)		MK	MoLG / MoF		annual							
		1.10.	Average increase of crop yields per hectare		kg / ha / year	MoAIFS		annual			N / D				

MPRS Strategy Component		MPRS Key Indicators			Unit of Measurement	Main Responsible Party (*)		Timing			Coverage of Data Collection			Remarks
Code	Description	Code	Name	Full Operational Description		Ministry / Agency	Specific Entity within Ministry / Agency	Frequency	Month Next (mmm.yy)	Deadline Value Sent to MEPD-M&E (dd/mm/yy)	Level <i>N = national D = district</i>	Description Sampling Technique (if applicable)	Sample Size (e.g total # of households)	
1.	Pillar 1 : Sustainable Pro-Poor Growth <i>(cont'd)</i>	1.11.	Average increase of livestock production		# / year	MoAIFS		annual			N / D			
		1.12.	Smallholder agricultural production value as share of total agricultural production value		%	MoAIFS		annual			N / D			
		1.13.	Farmer groups and cooperatives formed and/or continuing operations		#	MoAIFS		annual			N / D			
2.	Pillar 2 : Human Capital Development	2.1.	Under one (1) full immunization rate		%	MoHP		annual			N / D			
		2.2.	Births attended by skilled health staff		%	MoHP		annual			N / D			
		2.3.	Overall attendance of population at primary health centers		0/00	MoHP		annual			N / D			
		2.4.	Primary school net enrolment rate		%	MoEST		annual			N / D			
		2.5.	Primary school drop out rate		%	MoEST		annual			N / D			
		2.6.	Progression rate into secondary school		#	MoEST		annual			N / D			
		2.7.	Pupil / teacher ratio in primary schools		# / teacher	MoEST		annual			N / D			
		2.8.	Adult literacy graduates		#	NSO		annual			N / D			
		2.9.	Non-formal education and training graduates formally employed or self-employed		#	MoLVT		annual			N / D			
		3.1.	Targeted Input Programmes (TIP) beneficiary households		# / year	MoAIFS		annual			N / D			
		3.2.	Public Works Programmes (PWP) beneficiary households		# / year	DoLG		annual			N / D			

MPRS Strategy Component		MPRS Key Indicators			Unit of Measurement	Main Responsible Party (*)		Timing			Coverage of Data Collection			Remarks
Co- de	Description	Code	Name	Full Operational Description		Ministry / Agency	Specific Entity within Ministry / Agency	Freq- uency	Month Next (mmm.yy)	Deadline Value Sent to MEPD-M&E (dd/mm/yy)	Level <i>N = national D = district</i>	Description Sampling Technique (if applicable)	Sample Size (e.g total # of households)	
3.	Pillar 3 : Improving the Quality of Life of the Most Vulnerable	3.3.	Targeted Nutrition Programme (TNP) beneficiary households		# / year	MoHP		annual			N / D			
		3.4.	Beneficiaries of income support services		# / year	Safety Net		annual			N / D			
		3.5.	Households with access to potable water		%	MoWD		annual			N / D			
		3.6.	Households with access to improved sanitation		%	MoWD		annual			N / D			
4.	Pillar 4 : Governance	4.1.	Police / population ratio		ratio	MoHA		annual			N			
		4.2.	Proportion of villages with operational community policing units		%	MoHA		annual			N			
		4.3.	Crime detection ratio		ratio	MoHA		annual			N			
		4.4.	Prosecution rate		%	MoJ		annual			N			
		4.5.	Reported corruption cases effectively prosecuted		%	ACB		annual			N			
		4.6.	Reported human rights violation cases effectively prosecuted		%	MHRC		annual			N			
		4.7.	Warden / prisoners ratio		ratio	MoHA		annual			N			

(*) The desirability and feasibility of an integrated District Based MPRSP Impact Monitoring System are presently being studied. Responsible party refers to main M&E responsibilities in current institutional set-up.

ANNEX 2A - Chronogramme of activities

Allocations: envelope A: € 276.0 mio + EDFs Prior estimated transfers to envelope A: € 0.0 mio
envelope B: € 69.0 mio

9th EDF (Including prior EDFs transfers)	2003												2004												2005	2006	2007	Total
	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec				
Envelope A																												
MABAM (Malawi Backlog Maintenance)	*		**		60,0																							60,0
Bangula-Nsanje-Marka Road		*	**								35,0																	35,0
Rural feeder roads + Capacity building											*	**											22,5					22,5
Support to Forestry Livelihoods		*	**						15																			15,0
Support to Ministry of Lands		*	**				2								*	**				3,5								5,5
Agriculture sector support programme (Horticulture, land resources, extension)				*	**				35																			35,0
Support to Ministry of Agriculture and Irrigation																		*	**				8					8,0
Support Private Sector & Commodity Market																			*	**					10			10,0
Rule of Law programme						*			**		10																	10,0
National Initiative for Civic Education													*		**		8											8,0
Budget Support						*			50																	25		75,0
Microprojects (APPROVED BY EDF)	35																											35,0
																												0,0
																												0,0
1) Total envelope A (cumulated):	35,0	35,0	35,0	35,0	95,0	95,0	97,0	97,0	197,0	197,0	242,0	242,0	242,0	242,0	242,0	242,0	250,0	250,0	250,0	253,5	253,5	253,5	276,0	284,0	294,0	319,0	319,0	319,0
Envelope B																												
2) Total envelope B (cumulated):	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total envelope A+B (cumulated)	35,0	35,0	35,0	35,0	95,0	95,0	97,0	97,0	197,0	197,0	242,0	242,0	242,0	242,0	242,0	242,0	250,0	250,0	250,0	253,5	253,5	253,5	276,0	284,0	294,0	319,0	319,0	319,0

To indicate in the columns (month and year)

Identification sheet established: *

Studies launched: **

Financing proposals sent to HQ: indicate amount

ANNEX 2B - Revised chronogramme of activities

Allocations: envelope A: € 272.0 mio + EDFs Prior estimated transfers to envelope A: € 0.0 mio

envelope B: € 63.0 mio

ECHO: € 4.8 mio

APC: € 5.2 mio

TOTAL ALLOCATION: € 345 mio

9th EDF (Including prior EDFs transfers)	2003												2004												2005	2006	2007	Total
	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec				
Envelope A																												
MABAM (Malawi Backlog Maintenance)															••		60											60,0
Bangula-Nsanje-Marka Road															••		35											35,0
Rural feeder roads															*										22,5			22,5
Capacity Building/Support to NAO													*		*					••		7						7,0
Support to Forestry Livelihoods																	••	15										15,0
Support to Ministry of Lands			**		*								••		1,9		*	**							3,5			5,4
Agriculture sector support programme (Horticulture, land resources, extension)					**	*									••		35											35,0
Support to Ministry of Agriculture and Irrigation															*							8						8,0
Support Private Sector & Commodity Market															*		*				*	**			10			10,0
Rule of Law programme													**		*		*				••		20					20,0
National Initiative for Civic Education													**		*			*			••		8					8,0
Budget Support														*				*			••		50			25		75,0
Microprojects (APPROVED BY EDF)	35																				••						35,0	
Technical Cooperation Facility																												7,5
Elections 2004										*							••	2										2,0
Non State Actors															*							•	5					5,0
1) Total envelope A (cumulated):	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	176,4	191,4	191,4	191,4	206,4	206,4	289,4	289,4	325,4	350,4	350,4	350,4
Envelope B																												
Public Works Programme II																							25					25,0
2) Total envelope B (cumulated):	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0	0	25
Total envelope A+B (cumulated)	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	176,4	191,4	191,4	191,4	231,4	206,4	289,4	289,4	325,4	350,4	350,4	375,4

To indicate in the columns (month and year)

Identification sheet established: *

Studies launched: **

Financing proposals sent to HQ: •

To the EDF Committee: ••

Financing Decision: indicate amount

ANNEX 2C - Revised chronogramme of activities including possible extra funds

Allocations: envelope A: € 272.0 mio + EDFs Prior estimated transfers to envelope A: € 0.0 mio

envelope B: € 63.0 mio

ECHO: € 4.8 mio

TOTAL ALLOCATION: € 345 mio

APC: € 5.2 mio

9th EDF (Including prior EDFs transfers)	2003												2004												2005	2006	2007	Total	
	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec	jan	feb	march	april	may	june	july	aug	sept	oct	nov	dec					
Envelope A																													
MABAM (Malawi Backlog Maintenance)																													
Bangula-Nsanje-Marka Road																													
Rural feeder roads																													
Capacity Building/Support to NAO																													
Support to Forestry Livelihoods																													
Support to Ministry of Lands																													
Agriculture sector support programme (Horticulture, land resources, extension)																													
Support to Ministry of Agriculture and Irrigation																													
Support Private Sector & Commodity Market																													
Rule of Law programme																													
National Initiative for Civic Education																													
Budget Support																													
Microprojects (APPROVED BY EDF)																													
Technical Cooperation Facility																													
Elections 2004																													
Non State Actors																													
1) Total envelope A (cumulated):	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	176,4	191,4	191,4	191,4	206,4	206,4	299,4	299,4	335,4	360,4	360,4	360,4	
Envelope B																													
Public Works Programme II																													
Bangula Nsanje-Marka																													
Mangochi-Cape Mclear																													
Nacala (Trade)																													
2) Total envelope B (cumulated):	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	25	0	0	0	10	10	0	55
Total envelope A+B (cumulated)	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	42,5	44,5	44,5	44,5	46,4	46,4	186,4	191,4	191,4	191,4	231,4	206,4	299,4	299,4	345,4	370,4	360,4	415,4	

To indicate in the columns (month and year)

Identification sheet established: *

Studies launched: **

Financing proposals sent to HQ: •

To the EDF Committee: ••

Financing Decision: indicate amount

Annex 3 B - Indicative timetable for Payments 2003 - 2007

N°	Comptable	Intitulé	Amount in mls €																
			31/12/02	1 st semester 03	2 nd semester 03	Total 2003	1 st semester 04	2 nd semester 04	Total 2004	Situation 31/12/2004	1 st semester 05	2 nd semester 05	Total 03-05	1 st semester 06	2 nd semester 06	Total 03-06	1 st semester 07	2 nd semester 07	Total 03-07
(6, 7 and 8 EDF)		Total Paid (B)	payments (D)	payments (F)	payments (D+F) (H)	payments (J)	payments (L)	payments (J+L) (N)	Total payments (B+H+N)	payments	payments	payments	payments	payments	payments	payments	payments	payments	
Governance and Democracy																			
8	ACP MAI 13	Assist civic & voter education for nat. & local elections	1.896.802	0	14.150	14.150		0	1.911										
7	ACP MAI 38	TA to Ministry of Natural resources	269.300																
7	ACP MAI 52	Special ec advisor for min of Finance	198.595																
7	ACP MAI 68	TA to strengthen Mw's democratizati	315.000																
7	ACP MAI 125	Support to the policy analysis	79.800																
7	ACP MAI 94	Promotion rule of law and improvement of justice in malawi.	4.855.285	500.000	500.000	1.000.000	200.000	200.000	6.055										
7	ACP MAI 116	Institutional support to the private sector in malawi	1.180.909	264.829	0	264.829	0	0											
8	ACP MAI 25	Education civique & electorale - phase ii + 8 tps 92	2.440.538	500.000	500.000	1.000.000	500.000	500.000	1.000.000	4.441	0,5		4,9						
8	ACP MAI 27	Capacity building for economic management & policy	230.030	980.000	950.000	1.930.000	1.150.000	850.000	2.000.000	4.160	1	1	5,76	0,80	0,90	7,46	0,60	0,20	8,26
8	ACP MAI 36	Poverty reduction budgetary support programme 2002/2003	0	0	11.000.000	11.000.000	10.000.000	0	10.000.000	21.000									
8	ACP MAI 37	Poverty reduction budgetary support programme 2002/2003	0	0	0	0	3.150.000	0	3.150.000	3.150									
8	ACP TPS 4	Promotion rule of law and improvement of justice in malawi.	864.506	645.644	500.000	1.145.644	100.000		100.000	2.110									
8	ACP TPS 92	Education civique & electorale - phase ii + 8 mai 25	7.645	315.000	420.000	735.000	635.000	430.000	1.065.000	1.808	0,30		2,11						
8	ACP MAI 9	Technical assistance to the office of naip	339.547		150.000	150.000			0	0.490									
8	ACP MAI 32	Technical assistance to the national authorising officer	95.234	126.000	126.000	252.000	126.000	126.000	252.000	0.599									
7	ACP MAI 126	Preparation 3rd un conference on ldc's	40.777	0	0	0	0	0	0	0.041									
7	ACP MAI 127	Consultancy to assist with the preparation of the 9th edf	76.279	0	0	0	0	0	0	0.076									
Total Governance and Democracy			12.888.238	3.331.473	14.160.150	17.491.623	15.861.000	1.906.000	17.767.000	46	1,80	0,60	48,24	0,80	0,90	49,94	0,60	0,20	50,74
Microprojects and Public Works																			
8	ACP MAI 12	3rd microprojects programme	17.965.656	1.034.344	1.400.000	2.434.344	600.000	600.000	21.000										
8	ACP MAI 41	Microprojects (from 1.2 EUR billion reserve)			800000,0	800000,0	5000000,0	5000000,0	10000000,0	10.800	4,0	4,0	18,8	5,0	5,0	28,8	4,0	2,2	35,0
Total Microprojects and Public Works			17.965.656	1.034.344	2.200.000	3.234.344	5.600.000	5.000.000	10.600.000	32	4	4	19	5	5	29	4	2	35
Natural Resources Management																			
7	ACP MAI 3	Trypanosomiasis control programme	3.026.434	2.733	0	2.733			3.029										
7	ACP MAI 69	Scholarship programme for social forestry training & extens.	237.566	0	0	0		0	0.238										
8	ACP MAI 33	Final eval. of 7ACP MAI 06/5/6 MAI19 social forestry	60.586	0	0	0			0.061										
7	ACP RPR 307	Sade wildlife management training project	7.450.001	327.152	94.000	421.152			7.871										
6	ACP MAI 19	Social forestry : training and extension (+7mai65)	475.100	24.900	24.900				0.500										
6	ACP MAI 89	Augmentation plafond of 5677/mai, suivant note 32906	0	352.000	88.000	440.000			0.440										
7	ACP MAI 65	Social forestry : training and extension (+6mai19)	3.884.644	367.728	91.932	459.658			4.344										
7	ACP MAI 70	Promotion of soil conservation and rural production	13.449.795	1.050.205	500.000	1.550.205	500.000	500.000	15.500										
7	ACP MAI 124	Coordinator for productivity improvement programme in the	114.956	0	0	0	0	0	0.115										
7	ACP MAI 110	Xeasibility study/tp- rural feeder roads prg.	70.823	0	0	0	0	0	0.071										
7	ACP MAI 115	Desing and support communication for program rural dvipmt	70.150																
7	ACP MAI 119	ta In support of animal health sector	77.381																
7	ACP MAI 121	Study for smallholder tea authority	69.047																
7	ACP MAI 122	Medium term ta to National food research agency	79.993																
8	ACP MAI 35	Ta to programme preparation natural resources sector 9th edf	0	80.000	175.000	255.000	95.000	95.000	0.350										
7	ACP MAI 123	Inception technical assist to national food reserve agency	58.102	0	0	0	0	0	0.058										
7	ACP MAI 129	Evaluation of the livestock in malawi	64.511	2.289	0	2.289	0	0	0.067										
8	ACP MAI 28	Consultancy to review the minerals sector of malawi	74.175	4.525	4.525	0	0	0	0.079										
8	ACP MAI 23	Social forestry mid term review	58.068																
8	ACP MAI 34	Ta support for government - food security audit report	33.000	0	0	0	0	0	0.033										
Total Natural Resources Management			29.354.331	2.211.531	948.932	3.160.463	595.000	0	595.000	33	0	0	33	0	0	33	0	0	33
Others																			
7	ACP MAI 20	(ex 05 p001) formation 1981-1985 led 5	494.125	0	0	0		0	0.494										
7	ACP MAI 73	Asycuda automated systems for customs data	1.837.253	0	0	0		0	1.837										
7	ACP MAI 106	ASYCUDA	61.971																
7	ACP MAI 128	ASYCUDA	2.825																
8	ACP MAI 10	Asycuda phase 2	3.108.971	1.193.549	727.154	1.920.703	445.194	226.000	671.194	5.701	0	0	8	0	0	8	0	0	8
Total Others			6.505.144	1.193.549	727.154	1.920.703	445.194	226.000	671.194	8	0	0	8	0	0	8	0	0	8
Infrastructures																			
7	ACP MAI 79	Urgent repairs to roads and bridges	2.033.945	0	0	0		0	2.034										
6	ACP MAI 80	Limbe thyclo mulozza road	1.204.412	0	0	0		0											
7	ACP MAI 92	Golotomi-monkey bay (turn off) road	486.478	0	0	0		0	0.486										
6	ACP MAI 78	Road managment support programme	2.330.053	100.000	450.000	550.000	119.947	119.947	3.000										
6	ACP MAI 87	Lakeshore road infrastructure support	128.416	65.545	660.000	725.545	1.150.000	1.130.778	2.280.778	3.135									
6	ACP MAI 88	Lakeshore road infrastructure support	0	138.762	0	138.762	0	0	0.139										

7 ACP MAI 64	Karonga chilumba chiweta rd	440.773							0	0,144								
7 ACP MAI 109	Coordination sant	144.297	0		0													
7 ACP MAI 41	Limbe-thyolo-muloza road (+6ma80+7pr436)	21.940.232	39.334	20.434	59.768	0			0	22.000								
7 ACP MAI 130	Lakeshore road infrastructure support	0	1.770.620	0	1.770.620	0			0	1.771								
7 ACP MAI 131	Augm.plafond-rider 2-note m.silva domingos xxxx dd xx/xx/xx	0	2.000.000		2.000.000					2,000								
8 ACP MAI 22	Public works programme	3.210.995	3.789.005	3.500.000	7.289.005	3.500.000	1.000.000	4.500.000	15.000									
8 ACP MAI 5	Road management support programme	8.594.613	1.585.049	1.300.000	2.885.049	1.200.000	700.000	1.900.000	13.380	0,40	0,40	14,18						
8 ACP MAI 11	Karonga-chilumba-chiweta road	30.250.133	3.000.000	3.000.000	6.000.000	298.000	1.950.000	2.248.000	38.498									
8 ACP MAI 21	Rehab & construction of golomoti - monkey bay road		6.400.000	4.000.000	10.400.000	4.100.000	4.300.000	8.400.000	18.800									
8 ACP MAI 26	Limbe-thyolo-muloza road project-celling increase	912.696	0	4.087.304	4.087.304			0	5,000									
8 ACP MAI 30	Lakeshore road infrastructure support	2.116.670	866.957	305.000	1.171.957	3.220.000	2.005.000	5.225.000	8,514	1,50	0,80	10,81	0,80			11,61		
7 ACP MAI 107	Chikwawa-bangula road-design & preparation of tender doc.	63.286	16.714	0	16.714	0		0	0,080									
8 ACP MAI 39	9th edf transport sector implementation strategy	21.813	0	0	0	0		0	0,022									
8 ACP MAI 40	Special audit on revision prices and develop. of price		65.716	0	65.716	0		0	0,066									
Total Infrastructures		73.878.812	19.837.704	17.322.738	37.160.442	13.587.947	11.085.778	24.673.725	134	2	1	159,06	0,80	0,00	170,67	0	0	170,67

SAF																		
7 ACP MAI 18	ISAF	26.642.452																
7 ACP MAI 50	SAF II	3.182.842																
8 ACP MAI 6	Saf iii	13.470.000																
8 ACP MAI 7	Saf iii	4.530.000																
8 ACP MAI 8	Saf iii	3.330.000																
8 ACP MAI 15	Structural adjustment support (saf iv 99'01) - pin	0	0	10.000.000	10.000.000	0		0	10,000									
8 ACP MAI 16	Structural adjustment support (saf iv 99'01) - fas	36.145.622	80.000	80.000	160.000	80.000	80.000	160.000	36,466									
8 ACP MAI 17	Structural adjustment support (saf iv 99'01) - ir	0	0	5.490.000	5.490.000			0	5,490									
Total SAF		87.300.917	80.000	15.570.000	15.650.000	80.000	80.000	160.000	52	0	0	52	0	0	52	0	0	52

Social Sector																		
7 ACP MAI 71	Plan et co-ord interventions ce en sante_population_sida	392.491	0	0				0	0,392									
8 ACP MAI 21	Rural Health Programme	9.502.987																
7 ACP MAI 96	Population education programme health	1.506.289	35.538		35.538			0	1,542									
7 ACP MAI 98	Prevention of hiv/aids among high risk groups	711.812	0	0				0	0,712									
7 ACP MAI 105	Safe motherhood and child welfare	1.684.320	15.151	0	15.151			0	1,689									
7 ACP MAI 72	Support to the health reform and decentralisation	9.607.527	2.629.800	4.130.000	6.959.800	1.680.000	340.000	2.020.000	18,587	0	0	0						
7 ACP MAI 100	Physical assets management in the health sector	2.832.006	500.000	744.427	1.244.427	200.000		200.000	4,276									
7 ACP MAI 12	Prevention of sexual transmission of HIV	1.070.054																
7 ACP MAI 91	Prep fin forpos next phase RTTCP	0																
7 ACP MAI 108	Social Sector	78.406																
8 ACP MAI 14	Support health reform/decentralization: chiradzulu hospital	7.406.209	1.800.000	1.500.000	3.300.000	2.550.000	700.000	3.250.000	13,956	0	0	0						
8 ACP MAI 20	National blood transfusion service	165.812	500.000	400.000	900.000	500.000	500.000	1.000.000	2,066	1,50	0,90	4,47	1,20	1,00	6,67	0,50		7,17
Total Social Sector		34.957.712	5.680.489	6.774.427	12.454.916	4.930.000	1.540.000	6.470.000	43	2	1	48	1	1	54	1	0	62

EIB																		
7 ACP MAI 66	Lilongwe water supply II	13.500.000																
8 ACP MAI 19	Succosa sugar project	3.219.798																
8 ACP MAI 31	Blantyre Hotels	2.000.000																
8 ACP MAI 4	Productive enterprises GL II	5.494.933																
Total EIB		24.214.691	0													0	69	0

ECHO																		
8 ACP MAI 38	ECHO food Shortage	779.000																
Total ECHO		779.000	0													69	69	

Total 6,7and 8 EDF	Amount in mio €	286,8	33,4	57,7	91,1	41,1	19,8	60,9	347,7	9,2	6,7	366,5	7,8	6,9	396,5	5,1	2,4	410,7
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N°	Comptable	Intitulé	Amount in mio €																
			31/12/02	1 st semester 03	2 nd semester 03	Total 2003	1 st semester 04	2 nd semester 04	Total 2004	Situation 31/12/2004	1 st semester 05	2 nd semester 05	Total 03-05	1 st semester 06	2 nd semester 06	Total 03-06	1 st semester 07	2 nd semester 07	Total 03-07
		Total paid (B)	payments (D)	payments (F)	payments (D+F) (H)	payments (J)	payments (L)	payments (J+L) (N)	Total payments (B+H+N)	payments	payments	payments	payments	payments	payments	payments	payments	payments	
3	(8th EDF)	Budget Support					8,0	8,0	16,0	8,0	8,0	32,0	8,0	8,0	48,0	1,0	1,0	50,0	
9		Budget support										0,0		25,0			25,0		
		Rule of Law Programme					0,0	0,0	0,0	0,5	1,5	2,0	1,5	1,5	5,0	1,5	1,5	8,0	
		National Initiative for Civic Education								0,5	0,7	1,2	2,7	2,7	6,8	0,7	0,7	8,0	
		Support to forestry livelihood					0,0	1,0	1,0	2,0	2,0	5,0	3,0	3,0	11,0	3,0	1,0	15,0	
		Support to Ministry of Land					0,5	1,1	1,6	0,4	0,5	2,5	1,0	1,0	4,5	0,8	0,2	5,5	
		Support Ministry of Agriculture and irrigation							0,0		1,0	1,0	2,0	2,0	5,0	2,0	1,0	8,0	
		Support Private sector & commodity market									1,0	1,0	2,0	3,0	6,0	3,0	1,0	10,0	
		Agriculture sector support programme (Horticulture, land resources, extension)					0,0	2,8	2,8	2,8	5,0	5,0	12,8	5,0	5,0	22,8	7,2	5,0	35,0
		Rural feed roads							0,0			0,0			0,0			0,0	
		Backlog road maintenance					6,0	7,0	13,0	6,0	6,0	25,0	6,0	6,0	37,0	6,0	6,0	49,0	
		Road rehabilitation and upgrading					10,5	10,5	21,0	4,0	5,0	19,5	5,0	5,0	29,5	5,0	5,0	34,5	
Total 9 EDF			0	0,0	0,0	0,0	14,5	30,4	44,9	26,4	30,7	102,0	36,2	62,2	200,4	30,2	17,4	248,0	
Amount in mio €																			
Total 6,7,8and 9 EDF (million EUR)		287	33,4	57,7	91,1	55,6	50,2	105,8	392,6	35,6	37,4	468,5	44,0	69,1	596,9	35,3	19,8	658,7	

9th EDF: including projects that have already been committed on the general reserve (1,2 billion) of the 8th EDF

ANNEX 3C

RAC and RAL

Situation as of October 2003

Pays : MALAWI

Mio €

EDF	Dotation	Primary Commitments	% Dot.	Secondary Commitments	% DOT	Payments	% Dot.	Actual RAC	% DOT	Actual RAL	% Dot.
6	114,39	114,39	100%	111,10	97%	110,73	97%	3,29	3%	3,66	3%
7	128,89	128,89	100%	124,20	96%	116,64	90%	4,69	4%	12,25	10%
8	228,85	228,85	100%	154,64	68%	112,86	49%	74,20	32%	115,98	51%
9	241,66	0,08	0%	0,00	0%	0,00	0%	0,08	0%	0,08	0%
Total	713,79	472,21		389,95		340,24		82,26		131,97	

ANNEX 4 A PROJECTS CLOSED BEFORE JANUARY 2002

Project number	Project name	Allocation	Date open (OLAS)	Date Closed (OLAS)	Area
6 ACP MAI 001	Phase 2 Nzimba Small hold flue tobacco proje	4.037.532	juillet-86	9-juin-97	Natural Resources Management
6 ACP MAI 002	Blantyre - irangwe M1 Road Grant	11.495.194	juillet-86	29-janv-83	Infrastructures
6 ACP MAI 003	Blantyre - irangwe M1 Road Loan	4.960.635	juillet-86	29-janv-93	Infrastructures
6 ACP MAI 004	Risk cap portland Cement Co ltd	1.500.000	juin-86	22-mars-93	EIB
6 ACP MAI 005	Small holder agricult imput	172.408	septembre-86	30-nov-89	Natural Resources Management
6 ACP MAI 006	Emer aid mozambican refugees	650.000	décembre-86	28-févr-89	Aides
6 ACP MAI 007	Small holder coffe	2.543.288	décembre-86	8-févr-99	Natural Resources Management
6 ACP MAI 008	Int rat portland cement	380.794	novembre-86	3-oct-95	EIB
6 ACP MAI 009	Lilongwe wat board	2.500.000	décembre-86	22-mars-93	EIB
6 ACP MAI 010	Karonga - Ibanda Road	3.979.916	avril-87	14-nov-97	Infrastructures
6 ACP MAI 011	Int rat lilongwe water supply	542.928	février-87	3-oct-95	EIB
6 ACP MAI 012	em aid provis local food improved sanitation	498.822	mars-27	22-mars-93	Aides
6 ACP MAI 013	Expert family health project	25.230	mai-87	31-mai-89	Social Sector
6 ACP MAI 014	Emer aid shortage of medicines	643.753	mai-87	22-mars-93	Aides
6 ACP MAI 015	SmallH sagric input suuport program fertil bugger	36.540.523	juillet-87	3-sept-99	Natural Resources Management
6 ACP MAI 016	Stabex tea	2.370.156	juillet-87	31-oct-89	STABEX
6 ACP MAI 017	SmallH rubber	94.887	août-87	30-avr-90	Natural Resources Management
6 ACP MAI 018	North region fish farming	13.208	septembre-87	30-avr-90	Natural Resources Management
6 ACP MAI 020	TA To Min of Agriculture	727.312	décembre-87	11-juin-93	Natural Resources Management
6 ACP MAI 022	Sedom small enterp dev organiss	1.984.935	décembre-87	1-mars-99	OTHERS
6 ACP MAI 023	Refug centr reg strenght health	301.500	décembre-87	9-juin-93	Aides
6 ACP MAI 024	Eval tender Karonga Ibanda Rd	24.352	janvier-88	30-avr-90	Infrastructures
6 ACP MAI 025	Fin contr small H coffee proj	29.878	janvier-88	31-déc-89	Natural Resources Management
6 ACP MAI 026	Small holderr tea supp prog st	111.376	février-88	30-avr-90	Natural Resources Management
6 ACP MAI 027	st Conserv Progr agro forest	212.745	mai-88	31-oct-90	Natural Resources Management
6 ACP MAI 028	Industrial Product imports	8.300.000	juin-86	23-mars-94	OTHERS
6 ACP MAI 029	Ntendere Parish dedza dioceze	120.000	juin-88	30-avr-90	Aides
6 ACP MAI 030	Strengthening unpaved roadpeds	274.638	juin-88	19-sept-96	Aides
6 ACP MAI 031	Mozamb refug red cross paptic	635.000	juin-88	23-mars-94	Aides
6 ACP MAI 032	1ST Microprojects prog lome3	797.992	septembre-88	26-sept-00	Microprojects and Public works
6 ACP MAI 033	Proj ESCOM 2	6.175.971	octobre-88	14-mars-95	EIB
6 ACP MAI 034	Stabex tea	9.565.371	juillet-88	31-oct-89	STABEX
6 ACP MAI 035	Cent south reg ph2 health structures	580.000	décembre-88	9-juin-93	Aides
6 ACP MAI 036	Import prod industriels	4.200.000	juin-88	7-oct-96	OTHERS
6 ACP MAI 037	Limbe thyolo muloza road	43.666	juin-89	8-sept-91	Infrastructures
6 ACP MAI 038	Proj ESCOM 2	548.644	février-89	3-oct-95	EIB
6 ACP MAI 039	Limbe thyolo muloza road	660.088	mars-89	10-sept-96	Infrastructures
6 ACP MAI 040	Assist red cross operat struct	270.000	mai-89	19-nov-92	Aides
6 ACP MAI 041	Karongw chiweta road study	288.319	mai-89	19-nov-92	Infrastructures
6 ACP MAI 042	Health facil refug host distri	401.000	septembre-89	14-mai-93	Aides
6 ACP MAI 043	Acces roads refgee camps	739.000	août-89	9-juin-93	Aides
6 ACP MAI 044	Mtendere Parish educatio facil	519.713	août-89	19-nov-92	Aides
6 ACP MAI 045	Road wahsway at chiroma	670.000	août-89	14-mai-93	Aides
6 ACP MAI 046	licross mozambican refugees	650.000	mars-89	19-nov-92	Aides
6 ACP MAI 047	Supplies tools farm inputs	495.000	décembre-89	23-nov-94	Aides
6 ACP MAI 048	Firewood and fuelwood supply trans	617.878	décembre-89	27-mars-95	Aides
6 ACP MAI 049	fuel saving stoves	127.261	décembre-89	27-mars-95	Aides
6 ACP MAI 050	boreholes in refug camps	448.000	décembre-89	19-nov-92	Aides
6 ACP MAI 051	st SUB SECTOR COTTON	58.310	janvier-90	14-mai-93	Natural Resources Management
6 ACP MAI 052	Stabex tea	7.418.400	décembre-89	31-déc-90	STABEX
6 ACP MAI 053	Stove supply project	7.333	mars-90	15-juin-93	Aides
6 ACP MAI 054	red cross refuege relief prog	744.654	mai-90	19-nov-92	Aides
6 ACP MAI 055	centr south reg strenght health	630.000	juillet-90	19-nov-92	Aides
6 ACP MAI 056	BLANTYRE WATER SUPPLY	183.765	juillet-90	15-oct-96	EIB
6 ACP MAI 057	Dwanga Nkata bay road	-	juillet-90	22-déc-99	Infrastructures
6 ACP MAI 058	Dwanga Nkata bay road	4.924.470	juillet-90	26-sept-00	Infrastructures
6 ACP MAI 059	Road program 1990	519.000	août-90	9-juin-93	Aides
6 ACP MAI 060	Water supply program 1990	620.000	août-90	9-juin-93	Aides
6 ACP MAI 061	primary school program 1990	271.000	août-90	9-juin-93	Aides
6 ACP MAI 062	health facilities program 1990	604.000	août-90	19-nov-92	Aides
6 ACP MAI 063	TA For microprojects	625.017	septembre-90	14-nov-97	Microprojects and Public works
6 ACP MAI 064	Prog concern universal	288.321	novembre-90	19-févr-97	Aides
6 ACP MAI 065	AT To fisheries offic plan sec	410.253	novembre-90	9-juin-97	Natural Resources Management
6 ACP MAI 066	Mozambican refugees in Malawi	484.161	novembre-90	23-janv-97	Aides
6 ACP MAI 067	SMALLHOLDER COFFE	-	décembre-90	18-mars-94	Natural Resources Management
6 ACP MAI 068	MPEMBA STAFF TRAI COLLEG	54.370	janvier-91	23-nov-94	Social Sector
6 ACP MAI 069	Aide d'urgence	744.410	mai-91	9-juin-93	Aides
6 ACP MAI 070	stabex coffee	1.167.337	mars-91	1-févr-93	STABEX
6 ACP MAI 071	Stabex groundnuts	1.183.487	mars-91	1-févr-93	STABEX
6 ACP MAI 072	Blantyre water supply	1.500.000	mars-91	4-avr-97	EIB
6 ACP MAI 073	Aid for refugees	3.227.076	avril-91	8-juin-93	Aides
6 ACP MAI 074	Fav persons affect B disaster	577.101	mars-91	23-nov-94	Aides
6 ACP MAI 075	Agric food potential popul nutrition	654.870	octobre-91	4-mai-98	Natural Resources Management
6 ACP MAI 076	Inf conf ,management elephant s Africa	27.115	novembre-91	14-mai-93	Natural Resources Management
6 ACP MAI 077	GENERAL MANAGER Malawi develop coopor	183.655	janvier-92	14-nov-97	OTHERS
6 ACP MAI 079	Limbe thyolo muloza road	50.971	février-94	14-nov-97	Infrastructures
6 ACP MAI 081	2ND SAF	9.200.000	juillet-95	19-nov-97	SAF
6 ACP MAI 082	Identification inteventions support democracy human	332.690	septembre-95	4-mai-98	Goverance and Democracy
6 ACP MAI 083	Private sector develop	59.906	octobre-95	18-juin-97	OTHERS
6 ACP MAI 084	ASYCUDA	46.382	juillet-96	29-févr-00	OTHERS
6 ACP MAI 085	Social forestry study contract Norman Durban	30.735	juillet-96	18-juin-98	Natural Resources Management
6 ACP MAI 086	Sucoma Sugar	324.029	novembre-00	17-janv-01	EIB
6 ACP RPR 015	Ksronga - Ibanda Road	9.985.801	avril-87	14-nov-97	Infrastructures
6 ACP RPR 016	TA Posts telect training Malawi	290.547	avril-87	20-oct-94	OTHERS
6 ACP RPR 023	Sadc reg fisheries studies	263.085	juillet-87	18-juil-94	Natural Resources Management
6 ACP RPR 338	Sadc wildlife training Malawi	56.985	août-90	10-juil-96	Natural Resources Management
6 ACP RPR 411	Reg wildlife res inv Malawi	40.663	février-91	10-août-94	Natural Resources Management
6 ACP RPR 457	at Sadc pour la faune les forest la peche	419.264	octobre-91	9-juin-97	Natural Resources Management
6 ACP RPR 497	Southern african centre for ivory marketing	10.548	juin-92	29-août-94	Natural Resources Management

TOTAL PROJECTS CLOSED UNDER 6TH EDF

161.688.621

Project number	Project name	Allocation	Date open (OLAS)	Date Closed (OLAS)	Area
7 ACP MAI 001	em Aid Mozambique refugg Malawil	732.658	octobre-91	19-mars-97	Aides
7 ACP MAI 002	STABEX the	1.705.852	décembre-91	3-oct-96	STABEX
7 ACP MAI 004	Acces riad at kusybgwe camp	192.000	mai-92	15-nov-94	Infrastructures
7 ACP MAI 005	Sanitary construction at Lisungwe camp	105.500	mai-92	15-nov-94	Infrastructures
7 ACP MAI 006	Malawi global loan for private enterpris	6.500.000	mars-92	16-janv-97	EIB
7 ACP MAI 007	Prise particip indebank ind dev Banok	290.689	mars-92	15-nov-94	EIB
7 ACP MAI 008	Blantyre water 2 pret conditionnel	8.000.000	mars-92	16-janv-97	EIB
7 ACP MAI 009	Relief and assitance for refugees mozambique	4.958.810	octobre-92	2-juil-96	Aides
7 ACP MAI 010	Stabex 1991 tea	2.288.885	septembre-92	3-oct-96	STABEX
7 ACP MAI 011	Stabex 1991 Coffe	220.364	septembre-92	3-oct-96	STABEX
7 ACP MAI 013	urg in favour population affected by drou	318.144	janvier-93	3-oct-96	Aides
7 ACP MAI 014	Aid for mozambican refugee	1.986.831	juin-93	17-juil-95	Aides
7 ACP MAI 015	Support for referendum process	707.233	juillet-93	2-juil-96	Governance and Democracy
7 ACP MAI 016	Aid for mozambican refugee	151.538	août-93	13-févr-95	Aides
7 ACP MAI 017	SAF	10.000.000	novembre-93	3-oct-96	SAF
7 ACP MAI 019	Secours et assistance aux refugies	3.095.070	novembre-93	15-nov-96	Aides
7 ACP MAI 021	SALIMA lakeshore agric dev div slado	1.212.343	décembre-93	17-janv-00	Natural Resources Management
7 ACP MAI 022	Trypanosomiasis control Programme	192.777	décembre-93	26-sept-00	Natural Resources Management
7 ACP MAI 023	NKOTakota rural edev project	53.287	décembre-93	4-mars-98	Natural Resources Management
7 ACP MAI 024	NKOTakota rural edev project	127.302	décembre-93	25-mai-98	Natural Resources Management
7 ACP MAI 025	6Th Microprojects	17.066	décembre-93	25-nov-96	Microprojects & Public works
7 ACP MAI 026	Cent north fish farmin research extension	338.475	décembre-93	18-juin-98	Natural Resources Management
7 ACP MAI 027	Dwanga Nkata bay road	5.143.044	décembre-93	7-janv-00	Infrastructures
7 ACP MAI 028	Mwansambo rural gronth centre	-	décembre-93	25-févr-94	Natural Resources Management
7 ACP MAI 029	Malawi stabex auditing	19.181	décembre-93	22-févr-95	Natural Resources Management
7 ACP MAI 030	TA To Ministry of works	149.048	décembre-93	16-sept-97	Governance and Democracy
7 ACP MAI 031	Relief and assitance for refugees mozambique	3.388.042	mai-94	16-sept-97	Aides
7 ACP MAI 032	Pret Escom III	15.000.000	mai-94	19-janv-00	EIB
7 ACP MAI 033	ECHO mai scf/uk	250.552	juillet-94	19-mars-97	Aides
7 ACP MAI 034	Study interventions in health sector	175.802	août-94	4-mars-98	Social Sector
7 ACP MAI 035	EU/US joint food security assesment	-	avril-96	23-déc-96	Social Sector
7 ACP MAI 036	Microprojects lome I	3.108.292	octobre-94	16-sept-00	Microprojects & Public works
7 ACP MAI 037	Prog to restore agric production aftern 93/94 droug	6.818.192	octobre-94	18-juin-98	Natural Resources Management
7 ACP MAI 039	Stabex Audit	24.688	décembre-94	2-juil-96	Natural Resources Management
7 ACP MAI 040	Assistance to sadc conference 1995	-	décembre-94	2-juil-96	Governance and Democracy
7 ACP MAI 042	Refugee programme 1995	466.711	janvier-95	14-nov-97	Aides
7 ACP MAI 043	Stabex Audit	28.016	février-95	2-juil-96	Natural Resources Management
7 ACP MAI 044	Financial assistance to haost comesa food and beverage FAI	105.535	mars-95	21-jun-99	Governance and Democracy
7 ACP MAI 045	Financial assistance participation Zimbabwe int trade FAI	6.545	mars-95	4-mars-98	Governance and Democracy
7 ACP MAI 046	Poverty alleviation programme pilot project agroforest	683.574	mars-95	26-sept-00	Social Sector
7 ACP MAI 047	reopening proj indebank for recup	-	avril-95	3-déc-96	EIB
7 ACP MAI 048	SAF II	8.800.000	avril-95	23-janv-98	SAF
7 ACP MAI 049	SAF II	4.900.000	avril-95	23-janv-98	SAF
7 ACP MAI 051	Consultancy to NAO's Office	9.146	juillet-95	14-nov-97	Governance and Democracy
7 ACP MAI 053	Institutional suppor t road maintenance initiative	1.553.759	juillet-95	26-sept-00	Infrastructures
7 ACP MAI 054	Technical assistance to Stabex operations	202.056	août-95	26-sept-00	STABEX
7 ACP MAI 055	CONSultancy to finalisation fin proposal pop educ prog	13.390	septembre-95	10-sept-96	Social Sector
7 ACP MAI 056	Training on edf financial procedures	17.163	octobre-95	10-sept-96	Governance and Democracy
7 ACP MAI 057	update of turism development plant	24.300	janvier-96	14-nov-97	Social Sector
7 ACP MAI 058	Participation in the ZIM	32.870	février-96	14-nov-97	OTHERS
7 ACP MAI 059	Land utilisation study	736.219	février-96	25-sept-00	Governance and Democracy
7 ACP MAI 060	Study for Karonga Xhilumba Chiweta Rd	119.695	février-96	26-sept-00	Infrastructures
7 ACP MAI 061	STABEX	291.542	avril-96	6-août-97	STABEX
7 ACP MAI 062	Development of Sadc wildlife protocols	52.861	avril-96	21-jun-99	Natural Resources Management
7 ACP MAI 063	Microprojects lome iv	4.547.737	mai-96	5-sept-01	Microprojects & Public works
7 ACP MAI 067	Stabex Tea	-	juillet-96	14-juil-98	STABEX
7 ACP MAI 074	ASYCUDA	98.759	décembre-96	17-janv-00	OTHERS
7 ACP MAI 075	EU/US joint food security assesment	65.048	décembre-96	4-mai-98	Social Sector
7 ACP MAI 076	Rehabilitation of prison farms	19.876	janvier-97	4-mai-98	Governance and Democracy
7 ACP MAI 077	Assistance in negotiation of sadc trade protocol	61.334	janvier-97	28-sept-98	Governance and Democracy
7 ACP MAI 078	Study on impact of EU/south Afr agreement on mal	59.828	janvier-97	21-jun-99	Governance and Democracy
7 ACP MAI 080	Log frame workshop	-	février-97	21-jun-99	Governance and Democracy
7 ACP MAI 081	Prep tender doc rehabil maintenance feeder roads	33.151	mars-97	28-sept-98	Infrastructures
7 ACP MAI 082	Consultancy PAM	49.863	avril-97	18-juin-98	Social Sector
7 ACP MAI 083	Evaluation of mmalawi instituto of journalism	15.447	mai-97	4-mai-98	Governance and Democracy
7 ACP MAI 084	Study of chipoka port rehabilitation	50.505	juin-97	21-jun-99	Infrastructures
7 ACP MAI 085	Legal assistance in democratization and human rights	69.920	juin-97	17-janv-00	Governance and Democracy
7 ACP MAI 086	MWANZA BORDER SHINYANGA TINDE ROAD	-	juillet-95	23-janv-98	Infrastructures
7 ACP MAI 087	Stabex tea	4.183.470	juillet-95	6-août-97	STABEX
7 ACP MAI 088	PAM	16.778	juillet-97	17-janv-00	Social Sector
7 ACP MAI 089	Private sector development	45.695	juillet-97	21-jun-99	OTHERS
7 ACP MAI 090	at TO moald to conceptualiza agriculture and livestock sect	10.290	juillet-97	4-mai-98	Natural Resources Management
7 ACP MAI 093	Consultancy to NAO's Office	115.414	août-97	26-sept-00	Governance and Democracy
7 ACP MAI 095	Stabex 94 venture capitq	42.572	septembre-97	17-janv-00	STABEX
7 ACP MAI 097	SAF III	12.000.000	octobre-97	20-sept-99	SAF
7 ACP MAI 099	SAFIII	5.000.000	octobre-97	20-sept-99	SAF
7 ACP MAI 101	Prepararion of magistrate's development plan	51.377	décembre-97	17-janv-00	Governance and Democracy
7 ACP MAI 102	cONSultancy to design a paralegal training programme	44.519	janvier-98	17-janv-00	Governance and Democracy
7 ACP MAI 103	Design and tender evaluation improvement bottom hospital	32.028	mars-98	26-sept-00	Social Sector
7 ACP MAI 104	Seminaire procedures financieres fed	22.359	avril-98	17-janv-01	Governance and Democracy
7 ACP MAI 111	Start up and implement starter pack initiative and apip 98	19.000	septembre-98	17-janv-00	Governance and Democracy
7 ACP MAI 112	Preparation of the consultative group	14.420	novembre-98	17-janv-00	Governance and Democracy
7 ACP MAI 113	Comprehensive sectorial policy analysis studuy	73.302	novembre-98	17-janv-00	Natural Resources Management
7 ACP MAI 114	Crop assessment study	79.000	janvier-99	25-sept-00	Natural Resources Management
7 ACP MAI 117	Technical study and preparation of financing proposal	19.100	mars-99	17-janv-00	Governance and Democracy
7 ACP MAI 118	blood safety consultancy	32.432	mai-99	26-sept-00	Social Sector
7 ACP MAI 120	Macroeconomic support study	20.372	juin-99	26-sept-00	Governance and Democracy
7 ACP RPR 220	Karonga Ibanda road	502.723	décembre-93	17-janv-00	Infrastructures
7 ACP RPR 221	Karonga Ibanda road	104.879	décembre-93	16-sept-97	Infrastructures
7 ACP RPR 358	Sadc appraisal mission for mapping	283.616	juillet-94	22-mars-99	Governance and Democracy
7 ACP RPR 436	Limbe-thyolo-Muloza riad	8.000.000	janvier-95	23-oct-97	Infrastructures
TOTAL PROJECTS CLOSED UNDER 7TH EDF		131.099.864			
8 ACP MAI 001	Stabex 1995 The	8.106.680	juillet-97	13-janv-00	STABEX
8 ACP MAI 002	Stabex 1996 café	663.133	juillet-97	13-janv-00	STABEX
8 ACP MAI 003	Stabex 1996 the	1.611.662	juillet-97	13-janv-00	STABEX
8 ACP MAI 018	Stabex 98 cotton	147.612	juillet-99	14-sept-00	STABEX
8 ACP MAI 024	Stabex 99 coffee	363.465	juin-00	25-sept-01	STABEX
8 ACP MAI 029	Franchise art 195 A the	447.920	décembre-00	25-sept-01	STABEX
TOTAL PROJECTS CLOSED UNDER 7TH EDF		11.340.472			
GRAND TOTAL PROJECTS CLOSED IN 6TH, 7TH AND 8TH EDF		304.128.957			

ANNEX 4 B - PROJECTS CLOSED IN 2002

Project number	Project name	Allocation	Cumm. Committed	%	Cumm. Disbursed	%	Disbursed year	Date open (OLAS)	Date Closed (OLAS)	Area	
6 ACP MAI 021	Rural Health Programme	9.157.088	9.157.088	100,0%	9.157.088	100%	-	décembre-87	30-avr-02	Social Sector	
7 ACP MAI 012	Prevention of sexual transmission of HIV	1.070.054	1.070.054	100,0%	1.070.054	100%	-	janvier-93	30-avr-02	Social Sector	
7 ACP MAI 018	SAF	26.642.452	26.642.452	100,0%	26.642.452	100%	-	novembre-93	30-avr-02	SAF	
7 ACP MAI 038	TA To Ministry of Natural resources	269.300	269.300	100,0%	269.300	100%	-	décembre-94	30-avr-02	Governance and Democracy	
7 ACP MAI 050	SAF II	3.182.842	3.182.842	100,0%	3.182.842	100%	-	avril-95	30-avr-02	SAF	
7 ACP MAI 052	Special ec advisor for min of Finance	196.585	196.585	100,0%	196.585	100%	-	juillet-65	30-avr-02	Governance and Democracy	
7 ACP MAI 064	Karonga chilumba chiweta rd	485.000	480.040	99,0%	440.773	91%	-0	juin-96	6-mars-02	Infrastructures	
7 ACP MAI 068	TA to strengthen Mwi's democratization	315.000	315.000	100,0%	315.000	100%	0	juillet-96	30-avr-02	Governance and Democracy	
7 ACP MAI 091	Prep fin forpos next phase RTTCP	-	-	100,0%	-	100%	-	août-97	3-juin-02	Social Sector	
7 ACP MAI 092	Golomoti Monkey bay turn off	486.478	486.478	100,0%	486.478	100%	27.095	août-97	20-déc-02	Infrastructures	
7 ACP MAI 108	Social Sector	78.406	78.406	100,0%	78.406	100%	-0	juillet-98	8-janv-02	Social Sector	
7 ACP MAI 115	Design and support communication for program rural dvlpmnt	79.905	79.905	100,0%	70.150	88%	0	février-99	6-mars-02	Natural Resources Management	
7 ACP MAI 119	ta In support of animal health sector	79.000	79.000	100,0%	77.381	98%	-	juin-99	6-mars-02	Natural Resources Management	
7 ACP MAI 121	Study for smallholder tea authority	74.000	72.400	97,8%	69.047	93%	-	novembre-99	6-mars-02	Natural Resources Management	
7 ACP MAI 122	Medium term ta to National food research agency	79.997	79.993	100,0%	79.993	100%	-	novembre-99	6-mars-02	Natural Resources Management	
7 ACP MAI 125	Support to the policy analysis	79.800	79.800	100,0%	79.725	100%	0	janvier-00	6-mars-02	Governance and Democracy	
7 ACP MAI 128	ASYCUDA	3.500	3.500	100,0%	2.825	81%	-	juin-00	30-avr-02	OTHERS	
8 ACP MAI 004	Productive enterprises GL II	5.494.933	5.494.933	100,0%	5.494.933	100%	1.292.575	juillet-97	18-déc-02	EIB	
8 ACP MAI 006	saf iii	13.470.000	13.470.000	100,0%	13.470.000	100%	-	octobre-97	5-mars-02	SAF	
8 ACP MAI 007	saf iii	5.200.000	4.530.000	87,1%	4.530.000	87%	-	octobre-97	6-mars-02	SAF	
8 ACP MAI 008	saf iii	3.330.000	3.330.000	100,0%	3.330.000	100%	-	octobre-97	6-mars-02	SAF	
8 ACP MAI 023	Social forestry mid term review	58.068	58.068	100,0%	58.068	100%	-	mai-00	6-mars-02	Natural Resources Management	
TOTAL ALLOCATION FOR CLOSED ON 2002 PROJECTS		69.832.409					1.319.670				

Annex 4-C OPEN PROJECTS AT 12/2002

Project number	Project name	Allocation	Cumm. Committed	%	Cumm. Disbursed	%	Disbursed year	Date open (OLAS)	Area
6 ACP MAI 019	Social Forestry Training and extension	500.000	493.901	98.8%	475.100	95%	218.199	juin-86	Natural Resources Management
6 ACP MAI 078	Road management support programme	3.000.000	2.844.315	94.8%	2.330.053	78%	386.631	octobre-97	Infrastructures
6 ACP MAI 08C	Limbe thyolo muloza roa	1.260.000	1.260.000	100.0%	1.204.412	96%	-	janvier-95	Infrastructures
6 ACP MAI 087	Lakeshore road infrastructure suppor	3.134.738	193.960	6.2%	128.416	4%	111.855	décembre-00	Infrastructures
6 ACP MAI 08E	Lakeshore road infrastructure suppor	138.762	138.762	100.0%	-	0%	-	décembre-00	Infrastructures
6 ACP MAI 08S	Social Forestry Ceiling Increas	440.000	-	0.0%	-	0%	-	octobre-02	Natural Resources Managemen
TOTAL 6th EDF VALUES FOR OPEN PROJECTS AT 12/2002		8.473.500	4.930.939	58.2%	4.137.981	84%	716.655		
7 ACP MAI 003	Trypanosomiasis control Programme	3.200.000	3.094.383	96.7%	3.026.434	95%	-	janvier-92	Natural Resources Management
7 ACP MAI 020	Formation 81-85 FED	836.074	555.966	66.4%	494.125	59%	-	décembre-93	OTHERS
7 ACP MAI 041	Limbe-thyolo-Muloza riar	22.000.000	21.988.560	99.9%	21.940.232	100%	36.266	janvier-95	Infrastructures
7 ACP MAI 06E	Social Forestry training and extensio	4.340.000	4.286.299	98.8%	3.884.644	90%	710.756	juin-96	Natural Resources Managemen
7 ACP MAI 06E	Lilongwe water supply I	15.000.000	15.000.000	100.0%	13.500.000	90%	-	août-96	EIB
7 ACP MAI 06S	Scholarship for social foretr	254.000	243.255	95.8%	237.566	94%	-	juillet-96	Natural Resources Management
7 ACP MAI 070	proscarp	15.500.000	15.315.807	98.8%	13.449.795	87%	1.734.516	juillet-96	Natural Resources Management
7 ACP MAI 071	Interventions en side	523.000	392.491	75.0%	392.491	75%	21.067	juillet-96	Social Sector
7 ACP MAI 072	support to the health reform and descentralisatio	18.700.000	15.324.218	81.9%	9.607.327	51%	2.631.435	octobre-96	Social Sector
7 ACP MAI 073	ASYCUDA	1.885.000	1.837.721	97.5%	1.837.253	97%	15.479	octobre-96	OTHERS
7 ACP MAI 075	Urgent repairs to roads and bridge	2.033.945	2.033.945	100.0%	2.033.945	100%	44.439	août-97	Infrastructures
7 ACP MAI 094	Promotion of Rule of Law and improvement of justice in Malaw	6.375.000	6.360.866	99.8%	4.855.285	76%	1.298.790	septembre-97	Governance and Democrac
7 ACP MAI 096	Population education programm health	1.550.000	1.541.828	99.5%	1.506.289	97%	-	septembre-97	Social Sector
7 ACP MAI 098	Prevention of HIV among high risk group	780.000	777.359	99.7%	711.812	91%	-	juillet-97	Social Sector
7 ACP MAI 100	PAM in the health sector	6.450.000	5.276.433	81.8%	2.832.006	44%	820.765	novembre-97	Social Sector
7 ACP MAI 105	Safe motherhood and child welfan	1.750.000	1.699.470	97.1%	1.684.320	96%	141.192	mai-98	Social Sector
7 ACP MAI 106	ASYCUDA	61.971	61.971	100.0%	61.971	100%	-	mai-98	OTHERS
7 ACP MAI 107	Chikwawa Bangula road desing and..	80.000	80.000	100.0%	63.286	79%	-0	juillet-98	Infrastructures
7 ACP MAI 10S	Coordination sanitaire O' Carro	210.000	210.000	100.0%	144.297	69%	-	août-98	Infrastructures
7 ACP MAI 110	Feasability stydy rural feeder roads pr	79.000	70.823	89.6%	70.823	90%	5.389	août-98	Natural Resources Management
7 ACP MAI 116	Institutional support to private sector in Malaw	1.920.000	1.871.600	97.5%	1.180.909	62%	246.407	mars-99	Governance and Democrac
7 ACP MAI 123	Inception technical assist to Nat food reserve agen	75.183	61.000	81.1%	58.102	77%	-	décembre-99	Natural Resources Management
7 ACP MAI 124	Coordinator for productivity improvement programme in th	152.362	152.362	100.0%	114.956	75%	25.581	décembre-99	Natural Resources Management
7 ACP MAI 126	preparation 3rd conference on ldc	65.000	53.900	82.9%	40.777	63%	-	avril-00	Governance and Democrac
7 ACP MAI 127	Consultancy to the preparation of the 9TH EDI	79.625	79.625	100.0%	76.279	96%	647	mai-00	Governance and Democrac
7 ACP MAI 12S	Evaluation of the livestock in Malaw	79.900	66.800	83.6%	64.511	81%	-	juin-00	Natural Resources Management
7 ACP MAI 130	Lakeshore infraestructure suppor	1.770.620	1.770.620	100.0%	-	0%	-	décembre-00	Infrastructures
7 ACP MAI 131	Ceiling increase Roads	2.000.000	-	-	-	-	-	juin-02	Infrastructures
7 ACP RPR 307	Sadc wildlife management trainin	8.000.000	7.751.153	96.9%	7.450.001	93%	348.515	avril-94	Natural Resources Management
TOTAL 7th EDF VALUES FOR OPEN PROJECTS AT 12/2002		115.750.680	107.988.054	93.3%	91.319.436	85%	8.081.244		
8 ACP MAI 00S	Road management support programme	14.400.000	12.624.149	87.7%	8.594.613	60%	2.634.190	octobre-97	Infrastructures
8 ACP MAI 00S	Technical assistance to the NAO GT2	500.000	500.000	100.0%	339.547	68%	16.670	juin-98	Governance and Democrac
8 ACP MAI 010	asycuda phase I	5.800.000	4.447.027	76.7%	3.108.971	54%	381.705	août-98	OTHERS
8 ACP MAI 011	Karonga Chilumba chiweta Roa	38.500.000	34.622.858	89.9%	30.250.133	79%	7.825.497	août-98	Infrastructures
8 ACP MAI 012	3rd Microprojects programme	21.000.000	17.985.124	85.6%	17.965.656	86%	548.091	octobre-98	Microprojects & Public works
8 ACP MAI 013	NICE	1.970.000	1.963.759	99.7%	1.896.802	96%	-	novembre-98	Governance and Democrac
8 ACP MAI 014	Support to Health reform Chiradzuli	14.000.000	9.674.000	69.1%	7.385.180	53%	3.058.847	novembre-98	Social Sector
8 ACP MAI 01E	saf IV	10.000.000	-	0.0%	-	0%	-	juillet-99	SAF
8 ACP MAI 01E	saf IV	36.600.000	36.551.730	99.9%	36.145.622	99%	145.622	juillet-99	SAF
8 ACP MAI 017	saf IV	5.490.000	-	0.0%	-	0%	-	juillet-99	SAF
8 ACP MAI 01S	Sucoma sugar project	7.175.971	7.175.971	100.0%	3.219.758	45%	-	août-99	EIB
8 ACP MAI 020	National Blood transfusion servic	7.800.000	364.800	4.7%	165.812	2%	16.776	août-99	Social Sector
8 ACP MAI 021	Glomoti Monkey bay	19.000.000	1.164.900	6.1%	0%	0%	-	septembre-99	Infrastructures
8 ACP MAI 022	Public Works programme	15.000.000	10.053.297	67.0%	3.210.995	21%	1.943.772	octobre-99	Infrastructures
8 ACP MAI 02E	NICE II	5.080.000	4.061.513	80.0%	2.440.538	48%	1.174.932	juin-00	Governance and Democrac
8 ACP MAI 02E	Limbe thyolo muloza roa	5.000.000	938.000	18.8%	912.696	18%	65.501	juillet-00	Infrastructures
8 ACP MAI 027	Capacity Building for economic managemer	9.000.000	1.385.830	15.4%	230.030	3%	210.783	août-00	Governance and Democrac
8 ACP MAI 02E	Consultancy to review the mineral secto	79.900	78.700	98.5%	74.175	93%	16.187	août-00	Natural Resources Managemen
8 ACP MAI 030	Lakeshore infraestructure suppor	11.995.880	4.073.100	34.0%	2.116.670	18%	2.116.670	décembre-00	Infrastructures
8 ACP MAI 031	Blantyre Hotels	4.000.000	4.000.000	100.0%	2.000.000	50%	2.000.000	mai-01	EIB
8 ACP MAI 032	ta TO nao	670.000	599.960	89.5%	95.234	14%	95.234	juillet-01	Governance and Democrac
8 ACP MAI 033	Final evaluation social forestr	61.000	61.000	100.0%	60.586	99%	60.586	juillet-01	Natural Resources Managemen
8 ACP MAI 034	TA support FS audil	33.000	33.000	100.0%	33.000	100%	33.000	novembre-01	Natural Resources Managemen
8 ACP MAI 03E	TA prep 9th EDF agric	350.000	-	0.0%	-	0%	-	novembre-01	Natural Resources Managemen
8 ACP MAI 03E	Poverty Reduction Budgetary support programm	-	-	0.0%	-	0%	-	décembre-01	Governance and Democrac
8 ACP MAI 037	Poverty Reduction Budgetary support programm	-	-	0.0%	-	0%	-	décembre-01	Governance and Democrac
8 ACP MAI 03E	ECHO Food shortages	1.500.000	1.500.000	100.0%	779.000	52%	779.000	juin-02	ECHO
8 ACP MAI 03S	9th Transport implementation	49.000	47.140	96.2%	21.813	45%	21.813	juillet-02	Infrastructures
8 ACP MAI 04C	Audit rev prices 8 mai 011	80.000	67.900	84.9%	-	0%	-	juin-02	Infrastructures
8 ACP MAI 041	4th Microprojects	35.000.000	-	0.0%	-	0%	-	novembre-02	Microprojects and Public works
8 ACP TPS 004	Promotin of Rule of Law and improvement of justic	2.125.000	1.375.436	64.7%	864.506	41%	864.506	juillet-97	Governance and Democrac
8 ACP TPS 092	NICE II	2.320.000	15.400	0.7%	7.645	0%	7.645	juin-00	Governance and Democrac
TOTAL 8th EDF VALUES FOR OPEN PROJECTS AT 12/2002		274.579.751	155.364.594	56.6%	121.918.981	78%	24.017.027		
TOTAL 6th, 7th & 8th EDF VALUES FOR OPEN PROJECTS AT 12/2002		398.803.931	268.253.587	67%	217.376.398	81%	32.814.956		

ANNEX 4-D**ALLOCATIONS, DISBURSEMENTS AND COMMITMENTS BY SECTORS IN THE 6th , 7th and 8th EDF - ONGOING PROJECTS in 2002**

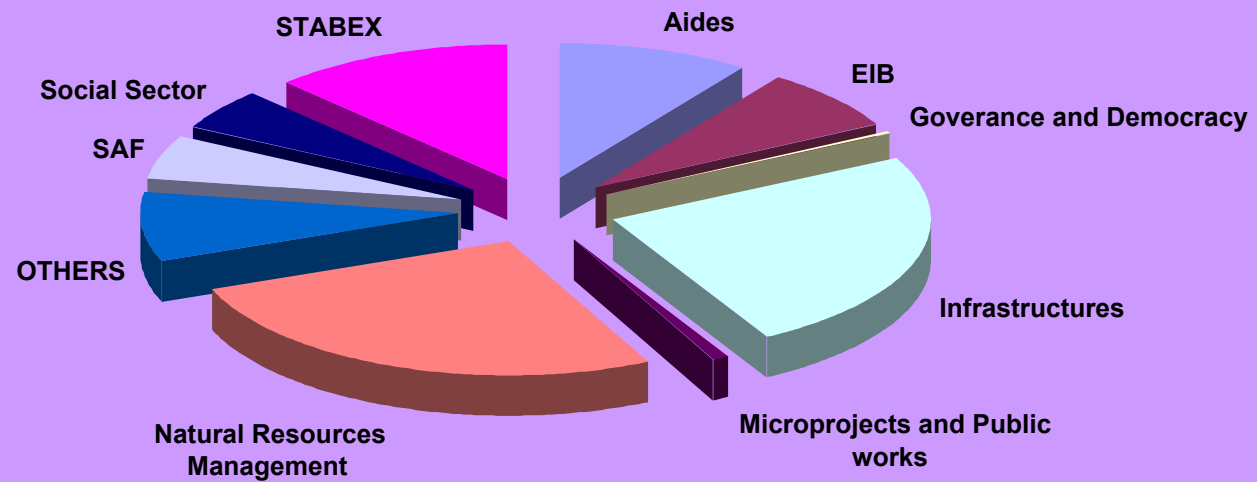
Sector	Allocation	.2002.				
		CUMULATED COMMITTED	%	CUMMULATED DISBURSED	%	DISBURSED in 2002
Infrastructures	7.533.500	4.437.038	58,9%	3.662.881	49%	498.486
Natural Resources Management	940.000	493.901	52,5%	475.100	51%	218.199
Social Sector	9.157.088	9.502.987	103,8%	9.502.987	104%	345.899
TOTAL 6TH EDF	17.630.588	14.433.925	82%	13.640.967	77%	1.062.584

Sector	Allocation	.2002.				
		CUMULATED COMMITTED	%	CUMMULATED DISBURSED	%	DISBURSED YEAR
EIB	15.000.000	15.000.000	100,0%	13.500.000	90%	-
Governance and Democracy	9.300.311	9.226.677	99,2%	7.013.861	75%	1.545.845
Infrastructures	29.066.043	27.049.643	93,1%	25.109.012	86%	107.799
Natural Resources Management	31.986.771	31.353.180	98,0%	28.653.402	90%	2.824.756
OTHERS	2.785.870	2.458.758	88,3%	2.396.174	86%	15.479
SAF	29.825.294	29.825.294	100,0%	29.825.294	100%	-
Social Sector	30.901.459	26.160.258	84,7%	17.882.704	58%	3.614.459
TOTAL 7TH EDF	148.865.748	141.073.810	95%	124.380.447	84%	8.108.339

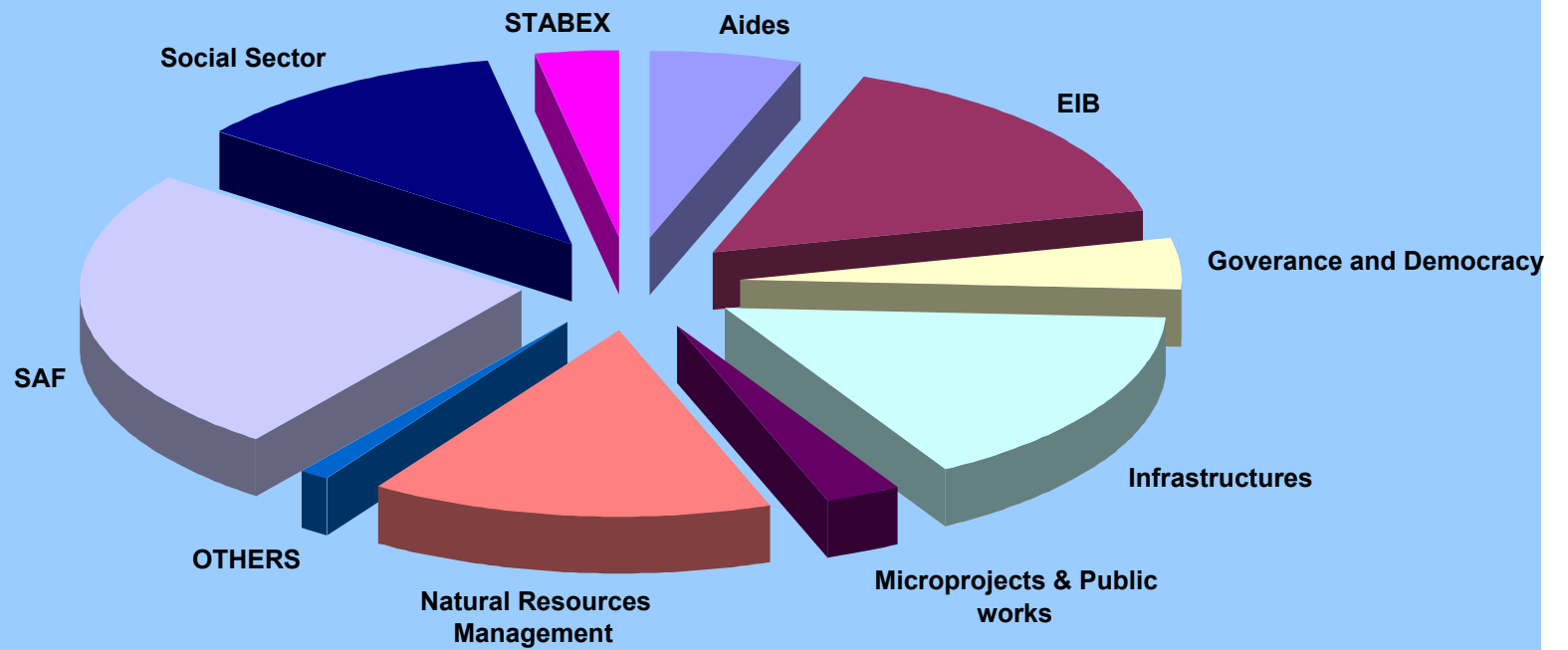
Sector	Allocation	.2002.				
		CUMULATED COMMITTED	%	CUMMULATED DISBURSED	%	DISBURSED YEAR
EIB	16.670.904	16.670.904	100,0%	10.714.691	64%	3.292.575
ECHO	1.500.000	1.500.000	100,0%	779.000	52%	779.000
Governance and Democracy	45.815.000	9.901.898	45,7%	5.874.303	27%	2.369.770
Infrastructures	104.024.880	63.591.344	60,6%	45.106.919	43%	14.607.443
Microprojects & Public works	56.000.000	17.985.124	33,9%	17.965.656	34%	548.091
Natural Resources Management	581.968	230.768	39,7%	225.829	39%	109.773
OTHERS	5.800.000	4.447.027	76,7%	3.108.971	54%	381.705
SAF	74.090.000	57.881.730	78,1%	57.475.622	78%	145.622
Social Sector	21.800.000	10.038.800	46,0%	7.550.992	35%	3.075.623
TOTAL 8TH EDF	326.282.752	182.247.595	61%	148.801.982	50%	25.309.602

GRAND TOTAL 6th 7th and 8th EDF	492.779.088	337.755.330	72%	286.823.397	61%	34.480.525
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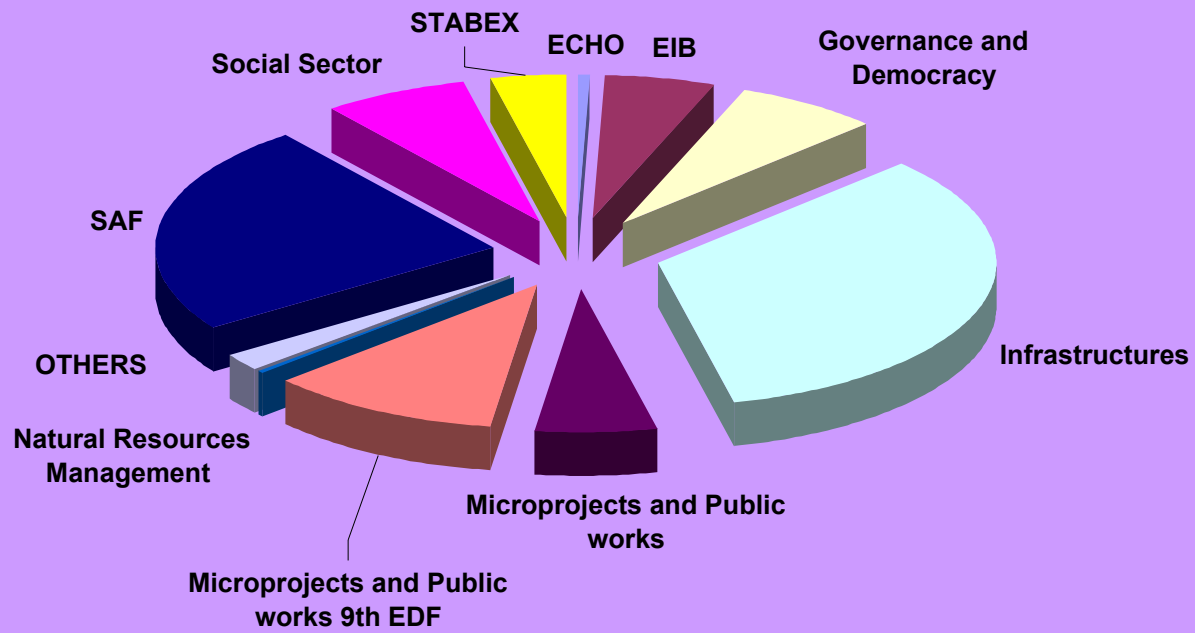
Annex 4 - D(a)
6th EDF ALLOCATIONS PER SECTOR



Annex 4 - D(b)
7th ALLOCATIONS PER SECTOR



Annex 4 - D(c)
8th EDF ALLOCATIONS BY SECTORS



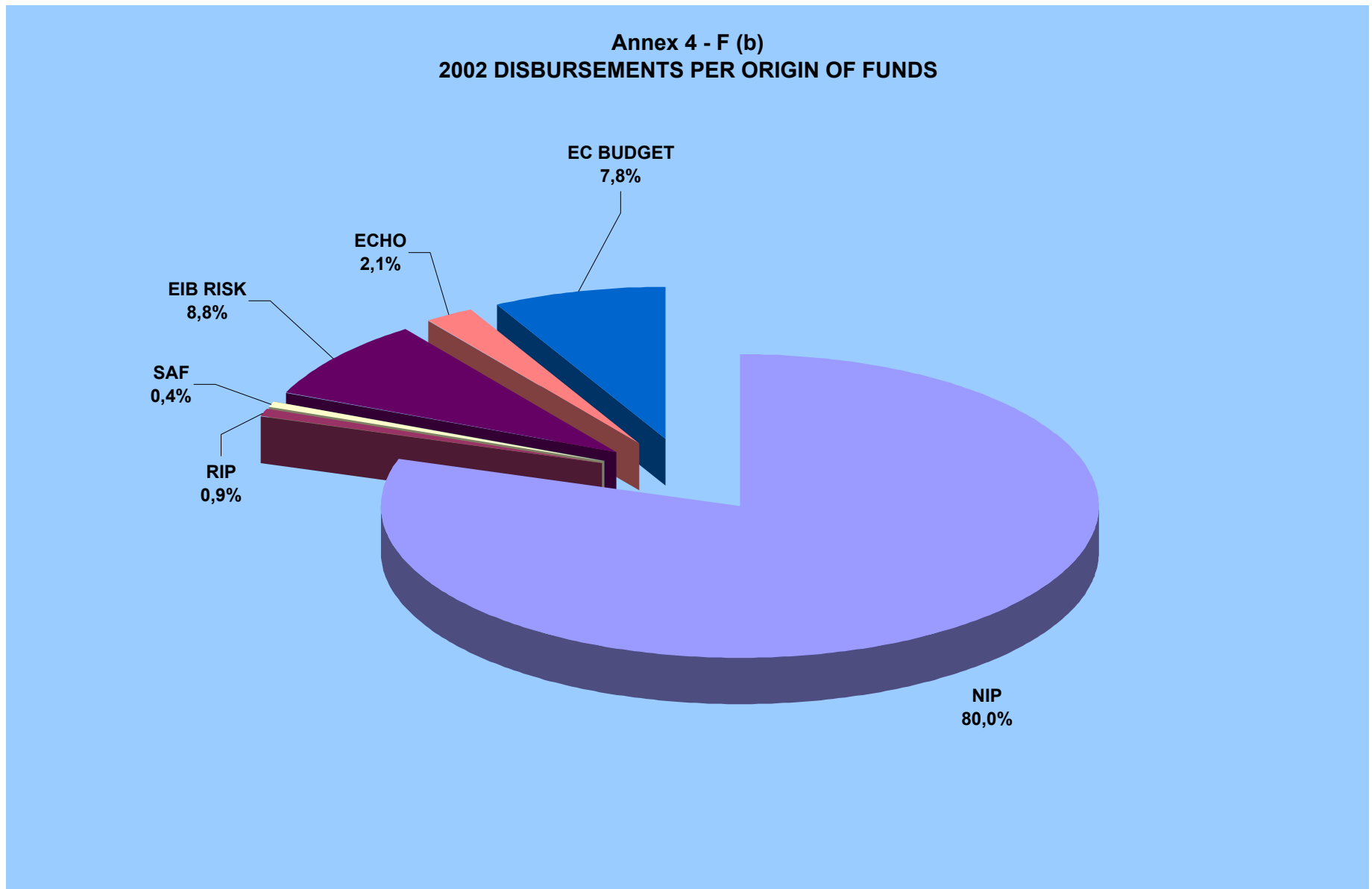
Annex 4 - E

MULTI-ANNUAL 1st YEAR COMMITMENT AND EXPENDITURE AND 3 YEAR FOOD SECURITY PROGRAMMES IN THE YEAR 2002

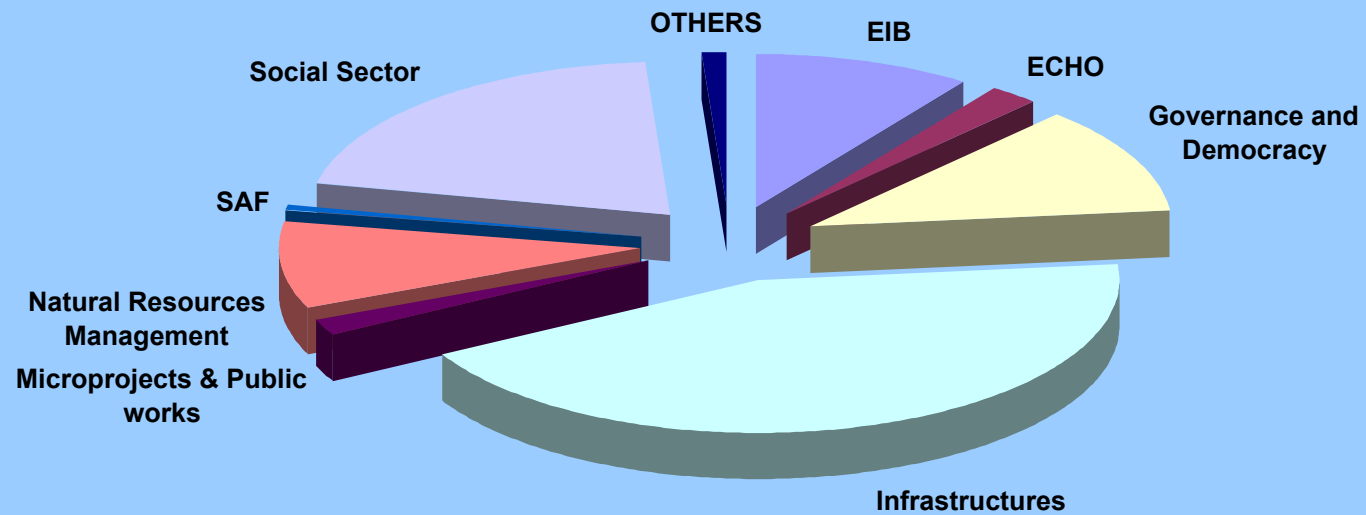
MULTI-ANNUAL FOOD SECURITY PROGRAMME (MASP)						
COMMITMENTS						
NAME OF PROJECT	NAME OF CONTRACT	No. of CONTRACT	AMOUNT COMMITTED (MK)	EXPENDITURE IN MK	AMOUNT COMMITTED(EURO)	EXPENDITURE IN EURO
Management of Information System (MIS)	Min. of Health	FS/2001/02	2.166.680,00			
	TA-Calister Mtalo	FS/2001/03	970.440,75			
	Audit-Deilotte & Touche	FS/2001/04	213.250,00			
Agriculture Productivity Investment Programme (APIP)						
	All Seasons Properties Ltd	FS/2001/01	11.644.227,00			
	Hydro-Agri International	IAPIP/2001/2002/4/5			612.256,03	
	Pannar Seed (MW)	IAPIP/2001/2002/16/17/18			187.191,87	
	Seedco International	IAPIP/2001/2002/19/20/21			59.690,16	
	Hydro-Agri International	IAPIP/2001/2002/6			272.655,80	
	Socotec Inter. Inspection	IAPIP/2001/2002/01			127.769,69	
National Food Reserve Agency (NFRA) (40,000 MT of Maize)	TONNAGE COMMITTED					
1st Tender-39 contracts(6 Companies)	15.600		293.758.000,00			
2nd Tender-20 contracts (16 Companies)	24.950		500.380.120,00			
	40.550					
TOTAL COMMITMENT IN MK			809.132.717,75			
TOTAL COMMITMENT IN EURO					1.259.563,55	
EXPENDITURES						
Management of Information System (MIS)	Min. of Health	FS/2001/02		1.960.012,00		
	TA-Calister Mtalo	FS/2001/03		765.853,00		
	Audit-Deilotte & Touche	FS/2001/04		189.000,00		
Agricultural Productivity Investment Programme (APIP)						
	All Seasons Properties Ltd	FS/2001/01		9.731.349,00		
	Hydro-Agri International	IAPIP/2001/2002/4/5				612.249,96
	Pannar Seed (MW)	IAPIP/2001/2002/16/17/18				187.192,22
	Seedco International	IAPIP/2001/2002/19/20/21				59.690,16
	Hydro-Agri International	IAPIP/2001/2002/6				272.653,36
	Socotec Inter. Inspection	IAPIP/2001/2002/01				74.481,40
National Food Reserve Agency (NFRA) (40,000 MT of Maize)	TONNAGES RECEIVED					
1st Tender-39 contracts(6 Companies)	11.438,82			240.207.212,70		
2nd Tender-20 contracts (16 Companies)	15.803,06			326.669.583,36		
	27.241,88					
TOTAL EXPENDITURE IN MK				579.523.010,06		
TOTAL EXPENDITURE IN EURO						1.206.267,10
3 YEAR FOOD SECURITY PROGRAMME						
COMMITMENTS						
National Initiative for Civic Education (NICE)		FS/2002/01	32.769.349,20	11.469.272,00		
Management Dev. International ET Infrastructure		FS/2002/02a			100.000,00	74.072,00
World Food Programme (WFP)		FS/2002/02b			2.269.732,00	1.643.260,00
GRAND TOTAL IN MK			841.902.066,95	590.992.282,06		
GRAND TOTAL IN EURO					3.629.295,55	2.923.599,10

ANNEX 4 - F(a) Disbursed amounts during year 2002

2002	SECTORS	NIP	RIP	SAF	STABEX	EIB RISK	ECHO	EDF TOTAL	EIB OWN	EC BUDGET	GRAND TOTAL
P r o g r a m m a b l e	Infrastructure	15.213.728						15.213.728			15.213.728
	Natural Resource Management	2.804.213	348.515					3.152.728			3.152.728
	Social Sector	7.035.980						7.035.980			7.035.980
	Governance and Democracy	3.915.615						3.915.615			3.915.615
	Microprojects & Public Works	548.091						548.091			548.091
	Others	397.185						397.185			397.185
P r o g r a m N a b o m i n e	Stabex										-
	SAF			145.622				145.622			145.622
	ECHO						779.000	779.000			779.000
	EIB					3.292.575		3.292.575			3.292.575
B u i d i n g e e t s	"Food Aid" & Food Security									2.923.599	2.923.599
	Co-financing with NGOs										
	Other										
	GRAND TOTAL	29.914.812	348.515	145.622		3.292.575	779.000	34.480.525		2.923.599	37.404.124

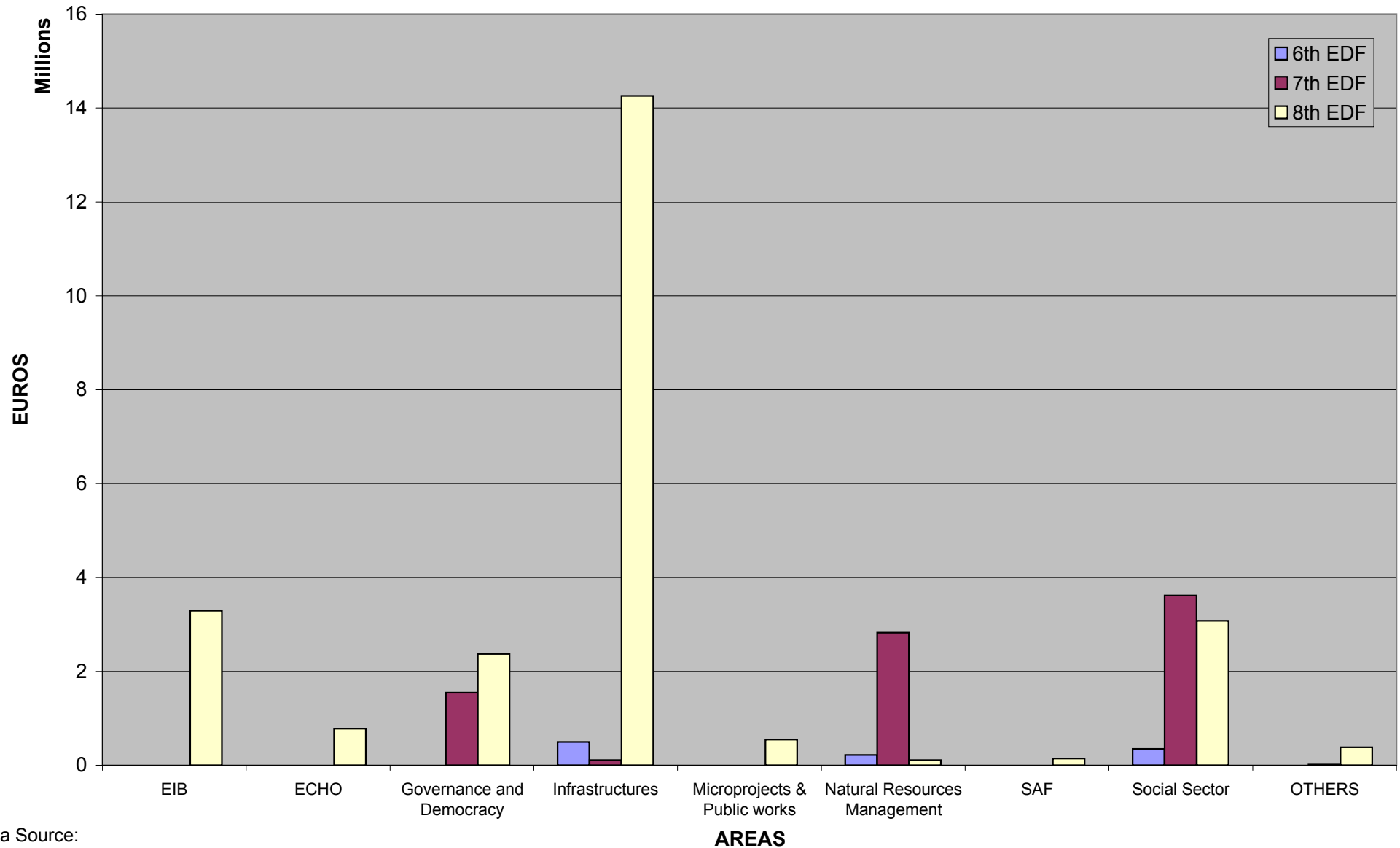


Annex 4 - F(c) DISBURSEMENTS PER SECTORS IN 2002



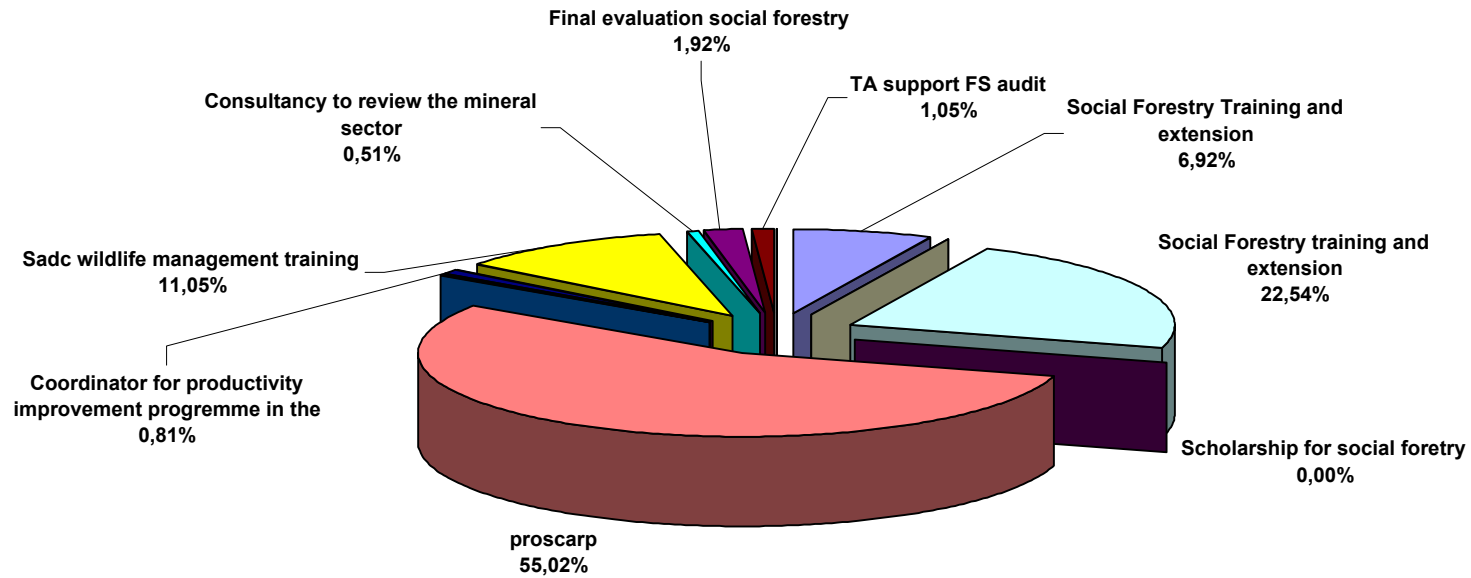
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12/2001 02/2002

Annex 4 - F(d)
2002 DISBURSEMENTS BY SECTORS AND EDF

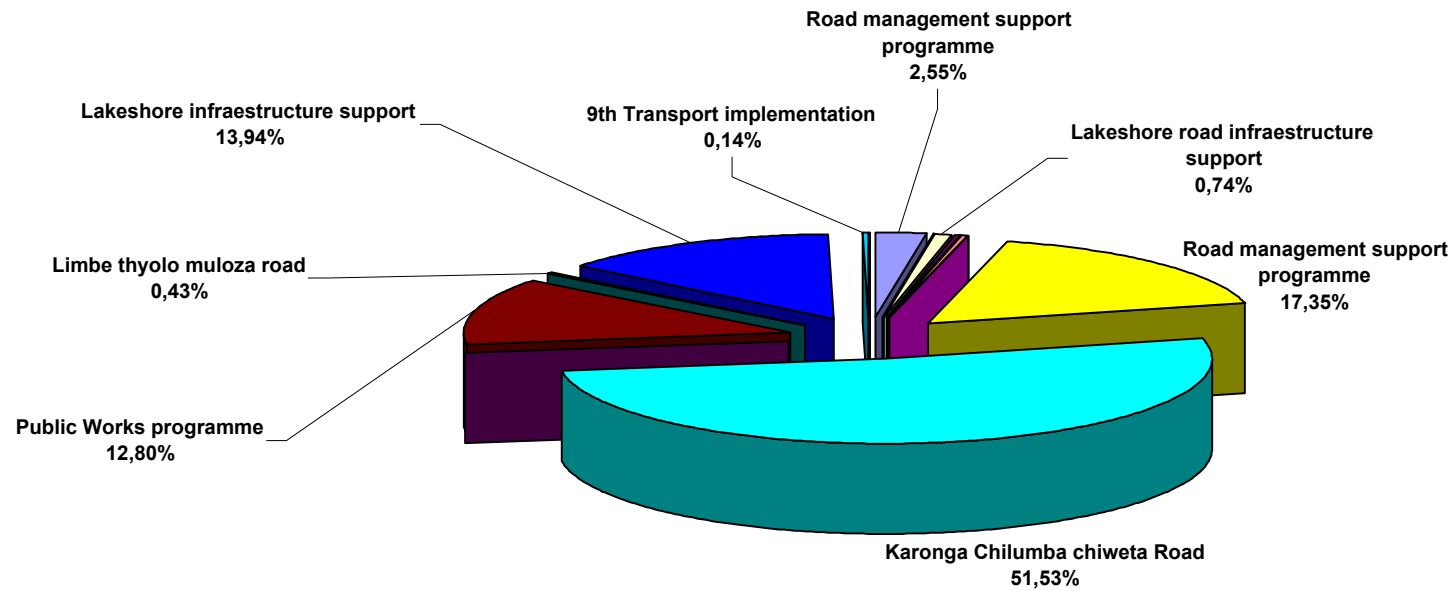


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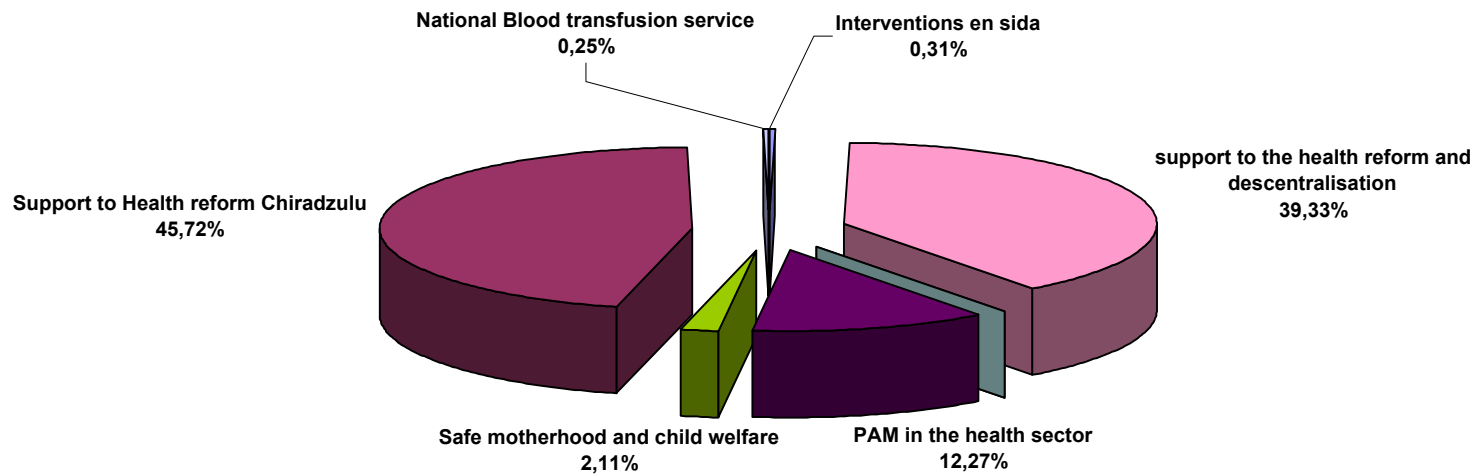
Annex 4 - F(e) Natural Resources Management. 2002 Disbursements per project



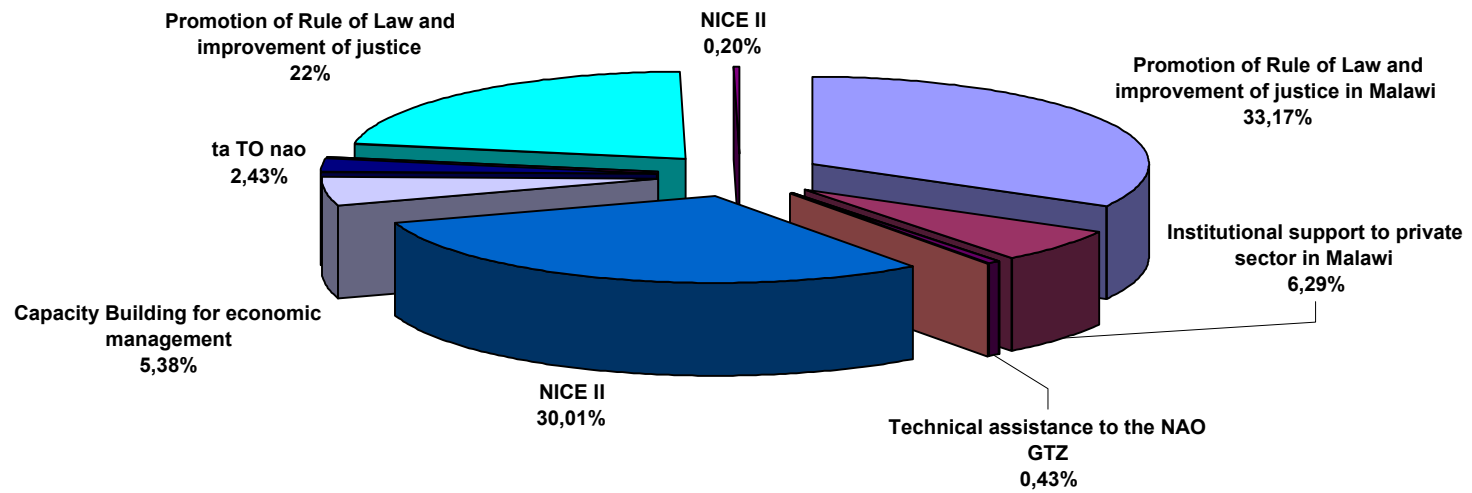
Annex 4 - F(f)
Infrastructure sector. 2002 Disbursements per project



Annex 4 - F(g)
Social Sector. 2002 Disbursements per project



Annex 4 - F(h)
Governance and Democracy sector. 2002 Disbursements per project



ANNEX 4 - H
European Investment Bank

OPEN PROJECTS AT 12/2002

Area	Project number	Project name	Allocation	Cumm. Committed	%	Cumm. Disbursed	%	Disbursed year
EIB	7 ACP MAI 066	Lilongwe water supply II	15.000.000	15.000.000	100,0%	13.500.000	90%	-
	8 ACP MAI 019	Sucoma sugar project	7.175.971	7.175.971	100,0%	3.219.758	45%	-
	8 ACP MAI 031	Blantyre Hotels	4.000.000	4.000.000	100,0%	2.000.000	50%	2.000.000
	8 ACP MAI 004	Productive enterprises GL II	5.494.933	5.494.933	100,0%	4.202.358	76%	1.292.575
								3.292.575

**ANNEX 4-I
REGIONAL PROJECTS**

PROJECT NO	PROJECT NAME	FINANCIAL STATUS			EC-DEL RESPONSIBLE	STATUS
		Primary Commitment	Secondary Commitment	Disbursed by 31.12.2002*		
7 ACP RAU 307	Sadc wildlife management training project.	8.000.000	7.751.153	7.450.001	Del. Malawi	Final evaluation remains to be done. To be closed first half 2004. Delegation in Malawi has managed this regional programme because the SADC Sector Coordinator for Inland Fisheries, Forestry and Wildlife was situated in Lilongwe before the SADC restructuring. Programme activities have been implemented in Tanzania and Zimbabwe. Delegation in Lilongwe will contact the Delegations in Tanzania and Zimbabwe in order to check the status of remaining programme activities. The only known activity to be completed is a radio equipment purchase for the Tanzania Mweka College. In parallel, the Delegation will contract a short term consultant to prepare the Terms of Reference for a final evaluation and an audit of the programme.

*) Please note that of these disbursements € 237,450.93 took during 2002

ANNEX 4 – J
MACRO-ECONOMIC SUPPORT

a) Source & Allocation of Use of Budgetary Support/ Counterpart Funds

Table 1 – SAF IV COUNTERPART FUNDS GENERATED

Source	Funds Generated (MWK)
Tranche 1	928,892,000.00
Tranche 2	1,211,401,600.00
Total Funds Generated	2,140,293,600.00

Table 2 – SAF IV COUNTERPART FUNDS ALLOCATION

Programme	Funds Generated (MWK)
Health Sector (MoHP)	1,431,518,000.00
National Roads Authority (NRA)	552,850,400.00
Total Allocation Disbursed¹	1,984,368,400.00

¹Disbursement took place between the 26th January and the 11th of April 2001.

Table 3 – SAF IV BLOCKED ALLOCATION

Total Funds Generated	2,140,293,600.00
Total Allocation Disbursed	1,984,386,400.00
BALANCE²	155,925,200.00

²Frozen allocation subject to completion of contradictory procedures identified during SAF audit report.

b) Progress in activities in the implementation of the matrix of measures (MoM).

Activities have been monitored mainly through Quarterly Reports on the MoM following the SAF Audit. Although the majority of the activities continue to run behind schedule, the fourth and latest Quarterly Report indicates moderate, but nevertheless positive, conclusions regarding overall progress in the benchmark measures. This is illustrated by the following:

b.1. The reminder on principal rules and regulations and applicable sanctions was completed by October 2001 by the MoF, satisfying the requirement outlined in the MoM.

- b.2. The list of key current regulations (1995-2001) was compiled and distributed to all Controlling Officers by December 2001, also meeting the target set out in the MoM.
- b.3. Although behind schedule, the Cabinet Paper on the revised Finance and Audit Act, scheduled for submission in June 2002, was submitted by December 2002. The Public Audit Bill and the Public Financial Management Bill are complete and will be presented to the next Parliamentary sitting, scheduled for March/April 2003.
- b.4. The Public Procurement Code, scheduled for submission to Parliament in June 2002, will also be presented in the coming Parliamentary session, along with the two Bills mentioned above.
- b.5. The implementation of bank accounts reconciliation took place in the second part of 2002. The reconciliation of HQ accounts in IFMIS roll-out ministries was completed under the supervision of the Accountant General. It is hoped that most of the outstanding issues will be solved in early 2003.
- b.6. Terms of Reference for recruiting an external audit firm specialising in audit of arrears were drafted in February 2002. The tender for the Arrears Verification Exercise is scheduled to be launched early 2003.
- b.7. The study to introduce an improved system of settlement of utility bills was completed in April 2001, as targeted in the MoM, and agency payment arrangements by the Treasury have been introduced.
- b.8. By September 2002, the decision to locate the Internal Audit and Control unit in OPC had been taken, and implementation now awaits approval of the FIMTAP loan by the World Bank.
- b.9. The final Audit Report on the National Roads Authority's use of SAF IV Counterpart Funds was presented on 31st of December 2002. As no further SAF funds have been, or will be directed towards the NRA, this submission effectively closed the account, thus satisfying the condition for budgetary support to road maintenance.

ANNEX 5

PROJECT PROFILE SHEETS

Annex 5 – A Natural Resources Management

Annex 5 – B Infrastructure

Annex 5 – C Governance and Democracy

Annex 5 – D Social Sector

Annex 5 – E SAF

Annex 5 – F Other Sectors

Annex 5 – G Public Works

Annex 5 – H Food Security Programme

SOCIAL FORESTRY: TRAINING AND EXTENSION PROJECT

Project no(s)	5677/MAI
Project amount	6 ACP MAI 019 - EUR 500,000 6 ACP MAI 089 - EUR 440,000 7 ACP MAI 065 - EUR 4,340,000 8 ACP MAI 023 - EUR 64,500 8 ACP MAI 033 - EUR 61,000
Project duration	1/11-1997 – 31/3-2003
Financing decision (date of signature)	15/11-1996
End date of the financing agreement	31/3-2003
Implementing agency	Forestry Department, Ministry of Natural Resources & Environmental Affairs

Objective

Develop Forest Department capacity to provide an improved forestry extension service to implement participatory forestry and thereby improve the livelihood security of resource poor rural communities.

Project description

The project commenced in November 1997 for a three-year period. Positive Mid Term Review (2000) and Final Evaluation (2001) resulted in a two year and four month extension. The PMU is housed at FD Head Quarters in Lilongwe and works through the FD with technical assistance support from LTS International and University of Wolverhampton, UK. The project implements the eight results described:

Implementation status

Result 1: Improve forestry extension planning co-ordination between national stakeholders. Contribution was made to the formulation of the National Forestry Programme and revision of the forest policy. The promotion of stronger linkages with Traditional Leaders and NGOs was supported.

Result 2: Improve human resource management and planning capacity at FD Headquarters and in the two regions. Training in strategic planning and staff appraisal systems was organised by the project in 2000, leading to revision of the job descriptions of all FD staff in 2001. Planning and meeting facilities in the FD HQ were improved. Project lessons learned were synthesised and disseminated in the first quarter of 2003.

Result 3: Train junior field staff to improve forestry extension service provision in 5 target Districts. District level capacity was built through training Forest Assistants in a combination of technical and managerial skills including, 'practical skills training' and 'participatory planning methodology'. Forest Guards and Patrolmen/ladies levels were trained in technical skills and approaches to build capacity of communities in forestry related activities. Fifteen bursaries for certificate level training at the College of Forestry were provided in 2002.

Result 4: Execute participatory social forestry activities in 5 target Districts. Participatory forest management approaches were developed and tested to promote community management of indigenous forest areas. Strengthening of community-level institutions to manage forest areas and support to improving rural livelihoods was promoted. Closer collaboration with District-level stakeholders, including District Administration, Traditional Authorities, extension agencies and NGOs was promoted as a means of rationalising and coordinating services effectively and as well as ensuring sustainability of field activities. This was emphasised as preparing District staff for the decentralisation of Government services and as an exit strategy of the project. In terms of physical means, six 4WD pickups, thirty-five

motorcycles and five hundred bicycles as well as materials and equipment were procured to support this result.

Result 5: Produce media materials to publicise the forest policy and forest extension. Forest extension leaflets, manuals, newsletters, calendars, posters, radio programme and policy statements have been produced and disseminated to target groups as appropriate.

Result 6: Improve HRM and forestry extension planning at 5 target Districts. MSc & BSc level trainees sponsored from the project returned from overseas studies and are now working back in Regional offices and College of Forestry. Planning, management and computing skills of District Forest Officers were strengthened through a series of short courses, building capacity for decentralisation. Physical means included computers and associated equipment for the District offices. Eight bursaries and forestry textbooks were provided for BSc level formal training at Mzuzu University for training future District Forest Officers.

Result 7: Improve vocational training related to forestry extension provision at College of Forestry and Wildlife. Support has been given to the College's Further Training Unit. Books for the library, computers and visual aids equipment have been bought along with a college minibus. Buildings (3 lecturers houses, 1 science lab and 1 computer lab) have been renovated/built.

Result 8: Support University education in forestry in Malawi. The project has supported eight FD staff to receive an MSc in social forestry at Bunda College of Agriculture. In addition hostels, teaching block, computers, library books and land rover have been procured. Consultancy teaching support has been supplied to the MSc programme. This support concluded in 2002.

Future activities

The project closes on the 31st March 2003. Based on the positive evaluations of the project, the EU has included to support the natural resources sector in its 9th EDF Framework under the Government of Malawi – EC Country Strategy Paper and Indicative Programme, from 2003-2008.

In the short term, provision has been made for technical assistance support over an eight-month period to the Department of Forestry to support the Forestry Livelihoods Programme design process.

STABEX**1994 TRANSFER -VENTURE CAPITAL FUND**

Project no	7 ACP MAI 095
Project amount	EUR 2,210, 000
Project duration	2000 - 2001
Financing decision	11/11-1997
End Date of the Financing agreement	July, 2003
Implementing agency	INDEFUND

Objective

The overall objective of this project is to promote diversification of the export base away from traditional exports and promote agro-processing technologies that would facilitate foreign exchange savings. The specific objective of the project is to create a line of credit for borrowers with entrepreneurial skills for investing in non-traditional export crops and/or agro-processing. The project started in October 1998 and was planned to be completed by July, 2003. INDEFUND is the implementing agency of the FUND. The project cost is EUR 2,210,000. EUR 2,000,000 is for the line of credit, EUR 150,000 is for technical assistance and EUR 60,000 is for mid-term evaluation of the project.

Implementation status

The first tranche of EUR 1,150,000 was disbursed in October 1998. EUR 1,000,000 was for lending and EUR 150,000 for technical assistance. As of December, 2001, INDEFUND as managers of the Venture Capital Fund disbursed loans to clients of Euro 466,410 (MK23,466,316). The balance Euro 683,596 (MK34,394,068) was invested in Time Deposits and Treasury Bills. Of the balance that was invested in Time Deposits and Treasury Bills, Euro 233,600 had been committed for new projects. The amount disbursed for the old projects (Euro 466,410) and commitments for the new projects were approximately Euro 700,000, a limit for triggering an independent evaluation as stipulated in the Framework of Mutual Obligations and the Grant Transfer Agreement.

In the mid of 2002, Government in consultation with the Head of Delegation and Management of INDEFUND decided to undertake the mid-term evaluation of the Euro 1,000,000 first tranche. The decision was based on the fact that the amount disbursed and committed was about Euro 700,000. The mid-term evaluation was completed in November, 2002.

- Summary Analysis of the Mid-term Evaluation on the funds disbursed to projects by INDEFUND

Out of the Euro 466,410 (MK23,466,316) which was disbursed financed 13 projects. 51.16% of the funds financed seven export oriented agricultural projects and the balance, 48.84% of the funds funded six import substitution agricultural projects as presented in Table 1 below.

Table 1.

SUMMARY OF THE VCF FUNDED PROJECTS BY DIVERSIFICATION AREA

Diversification area	Agricultural Products	Number of Products	Amounts disbursed in MK	Funds disbursed as a percentage of total funds disbursed
Export Oriented	Paprika, Chilies, Cut Flowers, Coffee and Herbs	7	12,004,968	51.16%
Agro - Processing		0	0	0
Import substitution	Cut flowers, Mushroom, Poultry, Rubber, Dairy Products and Vegetales	6	11,461,348	48.84%
		13	23,466,316	100%

The mid-term evaluation looked at the relevance of the projects in Table 1 above in terms of attainment of the original objectives of the FUND with respect to agricultural diversification into new exports, import substitution and agro-processing. In terms of these three broad diversification areas of projects identified as priority areas for the FUND, the following was observed:

- i) No agro-processing projects have been funded by the FUND;
- ii) 51.16% of the funds disbursed financed seven export oriented agricultural projects, and the balance of the funds, 48.84% funded six import substitution projects and;
- iii) A significant portion of the funds (about Euro 683,600) were invested in time deposits and Government Treasury Bills.

The conclusion made by the mid-term evaluation is that original objective of funding projects in the three diversification areas were partially fulfilled, as the FUND invested in two out of the three identified priority areas.

Secondly, it was stipulated in the Framework of Mutual Obligations and the Grant Transfer Agreement that in the interest of the success of the projects funded, the FUND should take equity of some of the projects. The FUND did not take equity in all of the projects it funded.

The mid-term evaluation examined the impact of the projects in Table 1 in terms of sustainability and expected benefits arising from the use of the loan funds on these projects. It was observed that the FUND has experienced a high incidence of project failure. Out of the thirteen projects funded as given in Table 1 above, eleven failed. According to the mid-term evaluation, there are general and specific factors that have contributed to the high incidence of project failure as follows:

- i) General factors

- Unfavourable economic environment in Malawi. The macro-economic environment for the past seven years has not been conducive to long-term investment. In particular, interest rates have been prohibitively high, averaging around 45% over the implementation period of the Venture Capital Fund. Generally, high interest rates have rendered most on-going and new long-term investments in Malawi unprofitable including those funded by the Venture Capital Fund. The unsustainable high interest

payments obligations over a long period have resulted in insufficient cash flows to sustain repayment of interest and loans.

- The report has also sighted poor design of the Venture Capital Fund as one general factor that has contributed to project failure.

ii) Specific factors

- Poor administration of the FUND by INDEFUND in terms of maintenance of accounts, recording of income, poor financing, maintenance of loan requirements.

- Management reporting and record keeping in terms of accounting records and audit of accounts, preparation of projects, management information systems and filing systems.

- Inadequate project monitoring.

- Enforcement of loan provisions.

Due to high incidence of project failure, the mid-term evaluation concluded that the impact of projects funded by the FUND in terms of sustainability and expected benefits was very limited. In view of these unfavourable factors, the review recommended that the second tranche of Euro 1,000,000 should not be drawn. Proposals are being worked out on how the balance of Euro 1,000,000 could be utilised and amend the existing Framework of Mutual Obligations.

Future activities

Given the recommendations made by the mid-term evaluation, future activities arising from the remaining Euro 1,000,000 will depend on the proposals that will be developed for the use of these balances.

STABEX**1995 TRANSFER - TEA REPLANTING (PHASE 2)**

Project no	8 ACP MAI 001
Project amount	EUR 4,480,373
Project duration	2000 – 2001
Financing decision	18/7-1998
End Date of the Financing agreement	2002/2003
Implementing agency	INDE BANK

Objective

To improve the productivity and quality of tea in Malawi so as to increase the foreign exchange earnings contribution of this sector. The specific objective is to replant the existing inferior seedling tea with the superior clonal tea materials, which are high yielding and of better quality. Tea market studies show that on average, the differences in world prices between seedling and clonal tea is about 30%. Studies also indicate that the economic and financial returns from replanting justify the required investment. EUR 4,480,373 was earmarked for replanting of 1,243 hectares with clonal tea. The estimated average cost for replanting is an equivalent of US\$ 4,594 per hectare. The recommended compensation level is 80% of US\$4,594 (US\$3,675) per hectare. INDEBANK is the financial institution, which implements the programme. INDEBANK in turn employs an independent surveyor who verifies what has been replanted before a claim is made by the tea companies.

Implementation status

The replanting of 1,243 hectares of this programme was planned to commence in 1998/1999 and was supposed to be completed by 2001/2002. However, due to the late completion of an earlier phase of the same programme, this phase started in 1999/2000 season. By 2001/2002, only about 700 hectares had been replanted. There is a balance of Euro 1.7 mil. After 2001/2002.

Due to the importance of the programme for the tea industry and the country, the Tea Association of Malawi (an association representing the tea industry) has formally requested Government and the Head of delegation to extend the programme for another three years beginning 2002/2003 in order to complete the balance of funds. The request has been granted.

Future activities

The balance of the programme should be completed within the three years extension granted.

STABEX**1995 TRANSFERS – EXPANSION OF SMALLHOLDER TEA**

Project no	8 ACP MAI 001
Project amount	EUR 1,211,894
Project duration	2000 – 2001
Financing decision	18/7-1998
End Date of the Financing agreement	2002
Implementing agency	Smallholder Tea Authority

Objective

The overall objective is to increase rural incomes for smallholder farmers in the tea growing areas of Thyolo and Mulanje Districts. The specific objective is to increase area under smallholder tea by 600 ha in both Thyolo (400 ha) and Mulanje (200 ha) Districts. The expanded area is planted with clonal tea materials which are high yielding and of better quality. The programme was planned to be implemented in four seasons beginning the 1998/99 to 2001/2002. The total cost of the project is EUR 1,211,894.

Implementation status

The programme was planned to be completed within four seasons beginning 1998/99. After the third season (2000/2001), 310 hectares had been planted. Implementation of the programme was slowed down due to inefficiency and management problems of Smallholder Tea Authority (the parastatal responsible for implementation of smallholder tea production, processing and marketing). Government decided to restructure and privatise Smallholder Tea Authority in 2001/2002 and this was completed in August, 2002. A review is being carried out to restructure the implementation of the smallholder tea expansion programme under the new organization so that it can be completed.

Future activities

After the review, the programme should be completed under the new structure..

STABEX**1996 TRANSFERS - SMALLHOLDER COFFEE DEVELOPMENT**

Project no	8 ACP MAI 5/96
Project amount	EUR 2,2174,795
Project duration	2002 – 2005
Financing decision	July 1997
End Date of the Financing agreement	2005
Implementing agency	Smallholder coffee

Objective

The specific objectives of this three year programme is to fund the transitional costs required for changing the Smallholder Coffee Trust to a fully fledged coffee farmers' association, infrastructure directly linked to increased production and efficiency in processing and marketing of coffee.

Implementation status

The first year of the Annual Workplan and Cost Estimates (November, 2002 to October, 2003) costing about Euro 983,340 will focus on recruitment of long-term and short-term technical assistance (Euro 440,050), Extension and Training (Euro 114,370), Development of Credit and Co-operatives (Euro 147,950) Farmers and staff capacity building (Euro 7,408), Procurement of vehicles and equipment (Euro 56,900). The tenders for the procurement of vehicles and equipment and recruitment of long-term and short-term experts have been advertised and being processed.

Future activities

Future activities will concentrate on capacity building for farmers and staff in terms of extension and training so that the farmers association is efficient in production, processing and marketing of coffee.

Propagation will need to extend by three or four years after the 2001/2002-season. It is therefore important to source additional funding for this important work so that farmers can get the economic benefit of these disease resistant varieties.

DRAFT FMO FOR BALANCES OF STABEX FUNDS**Objectives**

The components for the draft FMO are as follows:

1. Coffee Research (Euro 901,693)

The major technological output from the previous phases of the Coffee Research is selection of the Coffee Berry Disease and Leaf Rust resistant varieties. The two are the major coffee diseases in Malawi. There is need to make these varieties available to farmers through vegetative propagation. The proposed next phase is supposed to facilitate vegetative propagation of these varieties.

2. Tea Research (Euro 462,561)

The tea research programme has for a long time produced high yielding clones which are used in the tea replanting and expansion programmes. Although the tea improvement and propagation programme has been successful, the supply of the clones has not been able to meet demand due to limited breeding facilities. This project will facilitate the improvement of the tea breeding facilities at the Tea Research Foundation.

3. Paprika Development (Euro 1,170,622)

Paprika is one of the high value crops grown in Malawi by smallholder farmers primarily for export. The proposed Paprika Development programme will strengthen the paprika farmers association in order to improve the production, processing and marketing of paprika. Secondly, the programme will establish a quality control facility to ensure that the paprika produced and exported from Malawi meets international standards.

4. Management of Stabex Programmes (Euro 881,721)

This component will fund the Stabex Programme Implementation Unit. The funding is basically for logistical support to the Unit

Implementation status

The FMO is in Brussels for processing.

REGIONAL TSETSE AND TRYPANOSOMIASIS CONTROL PROGRAMME (RTTCP II) – MALAWI, MOZAMBIQUE, ZAMBIA AND ZIMBABWE - PHASE II

Project no(s)	7 ACP MAI 003 7 ACP MAI 022 6 ACP RPR 468
Project amount	7/003 – 3,200,000 (OLAS) 7/022 – 192,777 (OLAS) EUR 7,000,000 (Phase II reg.)
Project duration	1996-2000
Financing decision	6/5-1985-23/6-1992
End date of the financing agreement	June 2000
Implementing agency	National Veterinary and Tsetse Control Departments

Objective

To develop an environmentally acceptable tsetse control technique based on odour baiting traps.

Programme description

The project started in 1986. The second phase, starting in 1992, was planned for 3 years but significant delays in implementation occurred. Operations focussed on the fly infested areas in and around two wildlife reserves (Kasungu and Nkhotakota). Early attempts were to quickly distribute odour baited targets throughout the game parks to eliminate the flies. Focus was later regained and barriers were erected in a more systematic manner. (3000- targets in Kasungu and 2800 in Nkhotakota).

The final evaluation showed that the project was executed properly mainly because of the fact of the mal coordination of the project between the two responsible departments in the Malawi Government, i.e. the department for Animal Health and Industries (DAHI) and the Ministry of Tourism and National Parks. With no links between justifications made on grounds of Human Health, Cattle production, tourism development and conservation of natural resources, the intervention lacked logic.

Implementation status

The activities of the RTTCP II were mainly carried out in the years 1996-1999. By the end of the third year the project obtained an extension of one year (July 1999 to June 2000). In the last months of the project an evaluation was carried out. The results were very critical and following the recommendations of the FE, the project was not extended beyond the FA expiry date.

Future activities

As the programme was closed in June 2000 no future activities are foreseen. The only final activity to be done is the final audit. The delegation requested this audit to take place during 2002 but an agreement was finally reached end 2002 and the audit will take place during early 2003. This audit will trigger the final settlement of the accounts and the clearance of outstanding advances.

TECHNICAL ASSISTANCE IN SUPPORT OF THE ANIMAL HEALTH SECTOR

Project no	7 ACP MAI 119
Project amount	EUR 79,000
Project duration	12 months
Implementing agency	Consultant T.A. B. Gorissen

Objective

To provide support in the form of technical assistance and co-ordination to the Animal Husbandry Sector in Malawi.

Project description

The project was intended to:

- Provide Technical Assistance to the SADC Animal Disease Control Project;
- Assist in the preparation on the new Animal Health Program (8th EDF);
- Assist the Department of Animal Health and Industry with the phasing out of the Regional Tsetse and Trypanosomiasis Control Programme (RTTCP II)

Implementation status

The technical assistant contract came into force in September 1999 and in July 2000 the consultant presented the Final Report. No response on the Report was received from the Ministry of Agriculture and Irrigation. The commitment was closed in march 2002.

EVALUATION OF ANIMAL PRODUCTION AND HEALTH DEVELOPMENT IN MALAWI

Project no	7 ACP 129
Project amount	EUR 79,900
Project duration	1 year
Implementing agency	Cie Van Lancker

Objective

To provide Technical Assistance to carry out evaluations of EC funded as well as of projects funded by other donors.

Project description

The evaluation of live stock development projects funded by the EC in Malawi covered:

- the SADC Animal Disease Control Project.
- the Regional Tsetse and Trypanosomiasis Control Project and
- the Rabies Control Project

Furthermore, other projects in the sector funded by other donors were evaluated.

Implementation status

The final evaluation report was published in May 2001 and was soon after formally accepted by the Malawi Ministry of Agriculture and Irrigation.

Future activities

Commitment closed early 2003

PROMOTION OF SOIL CONSERVATION AND RURAL PRODUCTION (PROSCARP)

Project no	7 ACP MAI 070
Project amount	€ 15,500,000 (+ € 5,700,000 in counterpart)
Project duration	5 years
Financing decision	14/4-1997
End date of the financing agreement	14/4-2002 extended to 30/9-2003
Implementing agency	Ministry of Agriculture and Irrigation, Department of Land Resources Conservation

Objective

“The reduction of land degradation and the improvement of the nutritional and health status of smallholders – in line with the national policy of poverty alleviation.”

Description

The project purpose was stated as “the promotion of soil and water conservation technologies and the support to crop diversification by smallholders.”

It was expected that the project would:

- Improve soil and water conservation and reduce land degradation in 1,180 catchment areas. (About 295,000 hectares).
- Increase soil fertility using agro-forestry technology on 25,500 hectares.
- Improve drinking water availability by protecting water sources and installing or rehabilitating wells. (About 660)
- Improve sanitation by provision of sanplats for constructed toilets. (About 25,000).

PROSCARP has developed an implementation strategy based on community involvement through sensitisation and participatory planning, monitoring and evaluation.

Implementation status

At December 2002, the targeted beneficiaries were at the beginning of their current agricultural season. The December quarterly progress report indicates that this season a further 9,242 hectares have been protected with ridge re-alignments to contour and communities have developed a further 715 agro-forestry nurseries with total of 2,039,946 seedlings raised. Progress on other key indicators is on-going according to the timing of the season. Overall progress of the project as at December 2002 is summarised as follows:

Conservation initiatives: 2,961 villages included with a coverage of 309,269 hectares.

Fertility initiatives: 44,534 hectares improved with agro-forestry and/or legumes diversification.

Water points: 469 new boreholes, 212 wells installed. Also an additional 725 water points and sources protected and rehabilitated.

Sanitation: 35,592 sanplats manufactured by households and 8,438 installed in improved toilets by the time this was stopped in 1999.

Key indicator list	Results	Targets	Combined		Original Results in %
	7/97- 6/02	30/6/02- 3	Total	Targets	
Project coverage:					
Catchments/clubs/focus sites	646	213	859	1180	73
Farm households included	165005	46311	211316	200000	106
Female headed households	43082	13893	56975	60000	95
Total hectares included	241669	67600	309269	295000	105
Field results:					
Hectares with marker ridges	58416	15449	73915	98000	75
Hectares re-aligned contours	39609	10337	49946	76500	65
Hectares vetiver stabilisation	19648	6349	25997	48500	54
Participating farm households	126330	54336	180666	150000	120
Hectares of agro-forestry	12634	5774	18408	25500	72
Hectares of legumes grown	31530	5000	36530	29400	124
Drinking water facilities:					
Boreholes installed	409	60	469		
Wells installed	154	0	154		
Vonder wells installed	58	0	58		
Wells rehabilitated	159	70	229		
Water sources protected	526	0	526		
Total water points	1306	130	1436	660	218
Sanitation:					
San plats made by households	35592	0	35592		
San plats installed	8438	0	8438	25000	34
Incremental production:					
Seed to farmers (in tonnes):					
Grains	521	0	521	NS	
Pulses	616	31	647	NS	
Potential production (tonnes):					
Grains	44094	0	44094	14080	313
Pulses	4037	203	4240	NS	

Activities

Based on a favourable Mid-term Review and noticeable improvements in community participation and commitment, a 'no-cost' extension to the project was agreed. The purpose of this extension is to consolidate the gains made and to implement an exit strategy aimed at sustaining the initiatives at community levels. A final external evaluation has been completed and will be followed by identification and appraisal for a follow-on project under EDF 9. This extended period is adding further to the physical progress of results already achieved. It will also enable a better continuity of initiatives between PROSCARP and its successor.

SADC WILDLIFE MANAGEMENT TRAINING PROGRAMME

Project no	7 ACP RPR 307
Project amount	EUR 8,000,000
Project duration	5 years
Financing decision	01/12/1998
End date of the financing agreement	01/12/2002
Implementing agency	Regional Authorising Officer

Objective

A shortage of trained manpower was perceived to be a serious constraint to the efforts of the wildlife management agencies to increase their efficiency and to undertake new initiatives aimed at realizing the potential economic returns from improved wildlife management. The project intended to improve the level of training of the staff of the respective agencies responsible for managing the wildlife in Malawi, Tanzania and Zimbabwe.

Project description

The project, aimed to strengthen the capacity of the SADC region to train wildlife management personnel. The training for middle and senior staff had to be undertaken by increasing the availability of high quality regional training opportunities specially adapted to the needs of client agencies. Training for lower level skills had to be provided by strengthening the in house training capability of the national wildlife management agencies themselves. The focus of the training activities to be supported by the project had to be the existing facilities at the College of African Wildlife Management (CAWM) at Mweka in Tanzania for the middle level training and the Tropical Resources Ecology Program at the University of Zimbabwe, Harare for the professional-level training.

Implementation status

Because of a lack of clear management and regional SADC coordination on all levels the commission instructed not to give a positive response to the request of the RAO to extend the project for another 6 months after the end of the FA. The program is now wrapping up its activities and will pass a final evaluation the beginning of 2002.

The results of the program compared to its initial objectives have to be established by a final evaluation mission that has to take place in the first half of 2002, ones all courses will be finalised.

Future activities

The project is in its final expenditure phase and Terms of References for the final evaluation are under preparation. The delegation in Tanzania is executing the final payments for the acquisition of some communication equipment for MWEKA. The final evaluation is expected to take place in 2003.

CAPACITY BUILDING FOR ECONOMIC MANAGEMENT AND POLICY CO-ORDINATION

Project no	8 ACP MAI 27
Project amount	€ 9,000,000
Project duration	6.5 Years
Financing decision	20-02-2001
End date of the financing agreement	31-12-2007
Implementing agency	Department of Economic Planning and Development (EP&D)

Objective

Poverty alleviation and increased growth through enhancement of human capacity for economic planning and policy coordination in Government's key economic planning institutions.

Project description

The Project supports a number of key government institutions dealing with economic planning and policy coordination. The three main institutions are the Ministry of Finance (MoF), the Department for Economic Planning and Development (EP&D; formerly National Economic Council) and the Office of the Vice-President (OVP). Furthermore, the Project supports the National Authorising Office (NAO) in order to increase the efficiency of the office in light of the size of the EC's National Indicative Programme in Malawi. The main components of the project are a) support in the form of short and long-term TA and b) institutional support through Work Programmes. A smaller part of the project is devoted to the Economics Department of Chancellor College, University of Malawi, in the form of scholarships.

Implementation status

The first activities were started in 2001 in the form of long-term TA to OVP and some preparatory short-term TA. Another long-term TA to the Ministry of Finance has taken up his duties in August 2002. The initially slow progress on the level of implementation was mainly due to delays in the awarding of the TA contract. The TA contract has since been signed in December 2002. The Project Management Unit is expected to start its work in late January 2003. With the selection of a very experienced Project Coordinator, progress is expected to pick up substantially in the coming months. Due to the considerable time span between the signing of the FA and the PMU's establishment and also due to other developments in the area of economic planning – especially the launch of the PRSP in April 2002 and the respective institutional changes (re-distribution of responsibilities for monitoring, evaluation and planning between MoF and EP&D) – as well as other donor's additional contribution in the area (as a consequence of the monitoring requirements for the PRSP), the Project Coordinator, in his inception report, will take stock of the current situation on the ground and review the project design accordingly in order to be able to adapt the project design at the outset of his work, if necessary. In order to kick-start the projects' activities – in the absence of a PMU – the Project Steering Committee in August 2002 approved an Interim Work Programme (August 2002 to March 2003), consisting of local and external training, local consultancies and equipment for the establishment of the PMU. Activities under this Work Programme are currently ongoing.

Future activities

With the establishment of the PMU and a first stock-taking in the form of the inception report, the programme should get into full swing through the implementation of activities under the 1st Annual Work Programme, and the institutions will get substantial support in economic planning and coordination, which is much needed in Malawi.

INSTITUTIONAL SUPPORT TO THE PRIVATE SECTOR

Project no	7 ACP MAI 116
Project amount	€ 1,920,000
Project duration	2,5 years
Financing decision	27/4-1999
End date of the financing agreement	30/6-2003
Implementing agency	Malawi Confederation of Chambers of Commerce and Industry

Objective

To promote economic growth and employment generation by improving the business environment of the private sector in Malawi, particularly of small and medium sized enterprises (SMEs)

Project description

The main activities of the project have been:

- Support to the Malawi Confederation of Chambers of Commerce and Industry (MCCCI), and to SMEs, through (i) setting up an SME Services Unit (SMESU) of MCCCI, to promote non-financial business services to SMEs in Malawi, assisted by an Intervention Fund, and (ii) enhancement of MCCCI's capacity to represent the interests of the private sector;
- Support to the Malawi Tourism Association (MTA) and its enterprise-members, through establishment of an effective and sustainable secretariat rendering lobbying and other services to members;
- Support, primarily through short-term expert consultancies, to the Ministry of Commerce and Industry (MCI) to enhance its capacity to provide a better enabling environment for the private business sector; and
- Support the Ministry of Tourism, Parks and Wildlife (MTPW) to provide a better enabling environment for tourism primarily through the private sector.

Implementation status

For the overall period of its operation (2001/2002), the SMESU has signed 68 non-financial business services cost-sharing agreements with SMEs assisted by the Intervention Fund. Given that the SME sector is poorly developed, this quite a substantial number of agreements.

At project completion, the SME Support Unit was successfully integrated into the MCCCI.

Direct funding for MTA stopped in June 2002 as per agreement of the PSC meeting on the activities to be carried out under the extended Work Programme No 2. However, the MTA is actively serving its members on a full time basis and is well on the way to achieving financial self-sustainability.

Numerous expert consultancies have been provided to meet the requirements of the two Ministries (MCI and MTPW) and their private sector partners. The consultancy programme has been completed.

Furthermore, computer equipment, website design, networking, and respective training have been provided to MCI, MTPW, and MCCCI.

All activities of the extended Work Programme had been finalized by 31st December 2002, and the Project Coordinator has left the country since.

TECHNICAL ASSISTANCE TO THE NATIONAL AUTHORISING OFFICE

Project no(s)	8 ACP MAI 009 and 032
Project amount	8 ACP MAI 009 - € 500,000 8 ACP MAI 032 - € 670,000
Project duration	3.5 Years
Financing decision	12/10-2001
End date of the financing agreement	31/7-2005
Implementing agency	National Authorising Officer

Objective

To strengthen the capacity of the NAO office in the management and coordination of EDF supported projects and programmes with particular emphasis on infrastructure components;

Project description

Within Government, the Department for Debt and Aid Management in the Ministry of Finance is responsible for co-ordinating external assistance and preparing the Public Sector Investment Programme. The Department is under the responsibility of the Secretary to Treasury who also the NAO of the European Development Fund in Malawi. The proposed project builds on the capacities already established under the project “Technical Assistance to the National Authorising Office (8 ACP MAI 009 – ME 0.5)” by providing another 36 man-months of long-term technical assistance. This project aims at improving co-ordination and the more effective use of EDF projects and programmes, containing infrastructure components. Specific outputs will include the development and application of a management information system, on-the-job training of Malawian counterparts specifically assigned to EDF financed projects, monitoring of technical and financial aspects of the implementation of infrastructure programmes (from tendering to completion of the works) etc.

Implementation status

The TA (Mr. P. Simcock) continued – under a 3-year extension of his contract financed from this new project - providing his services to the NAO. The new TA contract (through GTZ) started in August 2001. No Malawian counterpart to Mr. Simcock has been recruited yet.

Future activities

Key activities to be undertaken in 2003 will be:

- Government to recruit a counterpart to Mr. Simcock and assign her/him to infrastructure desk within the NAO office;
- Develop a management information system.

ROAD MANAGEMENT SUPPORT PROGRAMME¹

Project no	6 ACP MAI 078
Project amount	€ 3,000,000
Project duration	3 Years
Financing decision	22/1-1998
End date of the financing	Not applicable to 6th EDF (*)
Implementing agency	National Roads Authority

Objective

Support economic and social development of the country by providing a better road infrastructure. In order to achieve this objective the project focuses on actions aimed at reforming the institutions in charge of road maintenance and at commercialising roads.

Project description

The project was identified following a number of studies undertaken under the auspices of several donors (EC, WB, KfW) and in the context of the Road Maintenance Initiative. The first step in the process was to establish, by an Act of Parliament, a National Road Authority and a dedicated Road Fund (mainly financed by a fuel levy). After this encouraging start, external support was sought and mobilised to help the new Institution to start its maintenance operations on a network in maintainable conditions. To this effect several donors (WB, KfW, ADB, EC) made available funds to clear the backlog of road maintenance and road rehabilitation direct needs. The four pillars of this Project are: **Institutional reform** (establish a revised organisational structure of the reformed road management Institutions); **Private sector support** (improve private sector capacity); **axle load control and road safety** (provide for better performance of specified traffic management functions) and **backlog maintenance** (partial clearance of backlog road maintenance work).

Implementation status

This programme suffered of serious delays in its implementation. It was mainly to be implemented through work plans under the direct responsibility of the Chief Executive of the NRA. This was explicitly foreseen in the FA (Article 3.2 of the Technical Annex). Towards the end of 2000 only few of the actions foreseen under the Programme had been implemented. In view of the situation an evaluation was carried out and subsequently in 2001 a two years extension of the implementation period was granted (to 31st March 2003). A second extension was granted in 2002 (**to 31st December 2005**).

A brief description of the present state of implementation of the project is provided below along with some observations on the problems encountered during the implementation. Please refer also to Project 8 ACP MAI 005.

- The WP/CE for the year 2000/2001 were eventually closed in May 2002 after the repayment by the NRA of the unutilised balance. Disbursements under this WP/CE had been minimal.
- A new work plan for a total of M€ 2.2 to finance activities to be carried out in 2002 and 2003 was approved. Part of the new WP/CE was to be financed from this accounting number (M€ 0.65) and part from the accounting number 8 ACP MAI 005 (M€ 1.55). Disbursements have been once again minimal.
- An open tender for the supply of vehicles for the NRA was launched
- Several drafts of the tender for the construction of weighbridges were submitted to the NAO but were returned for corrections to the NRA. They never reached the Delegation.
- A technical audit on the quality of the surface dressing achieved by one of the Contractors involved in the backlog maintenance works was launched and concluded.

¹ This Project is financed from the resources of the 6th EDF (3,000,000 € NIP) and the 8th EDF (14,400,000 € NIP)

- Some complementary works were instructed to one of the Contractors involved in the backlog maintenance works – during the defect liability maintenance period - in order to make good damages caused by severe rains after the provisional acceptance of the works.
- A tender dossier for the provision of two-year technical assistance to the National Construction Industry Council was drafted.

The financial situation as of the end of 2002 in comparison to end of 2001 is provided below.

		Breakdown FA (€)		
		Description	Committed	Disbursed
Amount allocated	3,000,000	Institutional	2,490,000	0
		Private sect.	340,000	0
		Contingencies	170,000	0
Total Secondary commitment end 2002	2,844,315	TA to NRA	1,972,447	1,886,551
		WP/CE ²	871,868	443,501
Total Secondary commitment end 2001	2,145,477	TA to NRA	1,904,947	1,717,284
		WP/CE	240,530	226,137

Future activities (2003 to 2005)

The main activities to be carried in 2002 and 2003 will be:

- De-commitment of unutilised funds under WP/CE 2002-2003
- Implementation of the WP/CE 2003-2004

² Equipment NRA, NRA staff training, Equipment for private sector training, consultancy for private sector training, Private sector support.

LIMBE – MULOZA- THYOLO ROAD³

Project no	7 ACP MAI 041
Project amount	€ 22,000,000
Project duration	4.5 Years
Financing decision	31/7-1995
End date of the financing agreement	Not applicable to 6th and 7th
Implementing agency	Ministry of Works (MoW)

Objective

To support the GoM's objective of poverty alleviation by improving growth performance in economic sectors. To this effect, the Project was to contribute by providing the necessary financing to rehabilitate and upgrade a key road link serving the principal tea producing area of Malawi and highly interesting areas for tourism development and mineral exploitation. This road is also a section of the regional corridor leading to the Quelimane seaport in Mozambique.

Project description

Rehabilitation and upgrading of a 104 Km long road between Limbe and Muloza (Mozambique border) via Thyolo Including the reconstruction of eight new concrete bridges. The project also included a capacity building component to allow training of the Ministry of Works personnel in construction and supervision of mayor infrastructures and the provision of technical assistance to the Ministry of Works. According to the original FA a total of M€ 36.26 were to be financed from national and regional resources of 6th and 7th EDF (Table A below, column 1). However, based on the results of a very competitive tendering of the works, a partial primary de-commitment of M€ 5,000,000 was decided in June 1997 (Rider No. 1 - Column 2 of table A). The situation was once again revised in 2000 when, as a result of extra works and of a claim lodged by the contractor, it was decided to add to the Project M€ 5.0 from the resources of the 8th EDF (Rider 2 - column 3 of Table A).

TABLE A

SOURCE OF FINANCING	1 Original FA (€)	2 Rider 1 (€)	3 Rider 2 (€)
6 ACP MAI 080	1,260,000	1,260,000	1,260,000
7 ACP MAI 041	27,000,000	22,000,000	22,000,000
7 ACP RPR 436	8,000,000	8,000,000	8,000,000
8 ACP MAI 026	0	0	5,000,000
TOTAL	36,260,000	31,260,000	36,260 000

Implementation status

The breakdown of the original allocation compared to disbursements at December 2002 is provided below:

³ Project originally financed from the 6th EDF NIP (€ 1,260,000), 7th EDF NIP (€ 27,000,000) and 7th EDF RIP (€ 8,000,000).

Description	Amount estimated in FA (€)	Amount disbursed (€)
Works	29,839,740	28,549,749
Supervision	2,100,000	2,813,652
Training of staff in MoW	200,000	192,155
Technical Assistance	450,000	394,412
Contingencies and Price escalations	3,667,371	107,273
TOTAL	686,717	726,603

This project suffered delays due to exceptional weather conditions and poor organisation of the project by the contractor. Due to poor quality aggregates for the surfacing, an addendum was introduced early in 1999 to extend the asphalt concrete surfacing to the end of the project. This entailed a further extension of time up to November 1999. Delays in relocating services at the junction at the Limbe end of the project have caused a further delay and practical completion was only achieved in **July 2000**. The opening ceremony took place in October 2000. The contractor submitted substantial claims due to the several disruptions caused to progress of the works. A first evaluation of these claims was completed late in 2000 (by High Point Rendel). Early in 2001 the Contractor served a notice of Arbitration to the Contracting Authority that prompted, in February 2001, the start of discussions in view of a possible amicable resolution of the dispute. A second, and more detailed, assessment of the claims was also entrusted to HPR under a second contract. HPR was extremely slow in performing this new contract and never fully completed this second assignment. Developments in 2002 were as follows:

- February: Submission by HPR after long delays of a draft detailed assessment of the claims lodged by Astaldi (HPR);
- March: Submission by Italconsult (Supervisor's representative) of comments on the HPR's draft detailed report. NAO request extension validity FA
- April: Submission by Astaldi of comments on the HPR's draft detailed report
- May: meeting in Lilongwe of all parties concerned⁴. HPR submitted on behalf of the NAO a table containing a settlement proposal. The parties could not reach an agreement.
- June: Astaldi seeks Commission's intervention to settle the claims. Extension of FA to **30th June 2003** is granted.
- July: HPR submits summary assessment report substantiating the amounts contained in the tables presented during May meeting. NAO also formally request involvement of the Commission to reach settlement of the claims
- October: the "Good Office Procedure" form is signed by Astaldi and the NAO
- November: Astaldi and the NAO submit their position papers. The NAO is notified that AidCo G.3 will be on mission to Malawi in January 2003

Future activities

- Formulation by AidCo G.3 of a settlement proposal to the disputing parties.
- Decision by the disputing parties as to whether or not to accept the settlement proposal submitted by the Commission. In case of acceptance, the parties will sign a binding agreement. In case of refusal the parties may have to resume the Arbitration process.
- Identification by the Commission, in case amicable settlement is reached, of possible claims that could be settled using EDF money. Payments to the Contractor, from sources yet to be identified, will follow

⁴ NAO, Contractor, Supervisor's Representative, NRA and High Point Rendel. The Delegation was invited to attend only part of the meetings.

URGENT REPAIR TO ROADS AND BRIDGES

Project no	7 ACP MAI 079
Project amount	€ 2,033,945
Project duration	Not specified in FA
Financing decision	22/9-1997
End date of the financing agreement	Not specified in FA
Implementing agency	National Roads Authority

Objective

To provide access to rural communities for transport of agriculture inputs, access to markets and social services, and for the distribution of food aid.

Project description

Activities have encompassed repairs of rural roads and bridges. The works are grouped into discreet packages of works to be carried out simultaneously under different local contractors following accelerated invitation to tender. Government resources will be used to appoint consultant to prepare tender documentation. A consultant financed under this project and selected through a restricted invitation to tender in accordance with the EDF procedures has undertaken the supervision of the works.

Implementation status

Main activities were completed in 2000 and minor work and supervision were carried out in 2000 –2001. The main problem dealt with in 2002 concerned the need to increase the project allocation to allow final payments to two contractors. Since the extra cost depended on price escalations formulas included in the works contracts and on fluctuations of the currency of payment against the EUR, a ceiling increase of € 39,944.75 was approved by the Director of AidCo C on 14 May 2002. The revised primary allocation became € 2,033,944.75.

Final payments were made and the remaining three commitments were closed April and June 2002.

Future activities

Closure of the project.

ROAD MANAGEMENT SUPPORT PROGRAMME⁵

Project no	8 ACP MAI 005
Project amount	€ 14,400,000
Project duration	3 Years (extended twice)
Financing decision	30/6-1998
End date of the financing agreement	31/12-2005
Implementing agency	National Roads Authority

Objective

Please refer to Project 6 ACP MAI 078

Project description:

Please refer to Project 6 ACP MAI 078

Implementation status

This programme suffered of serious delays in its implementation. It was mainly to be implemented through work plans under the direct responsibility of the Chief Executive of the NRA. This was explicitly foreseen in the FA (Article 3.2 of the Technical Annex). Towards the end of 2000 only few of the actions foreseen under the Programme had been implemented. In view of the situation an evaluation was carried out and subsequently in 2001 a two years extension of the implementation period was granted (to 31st March 2003). A second extension was granted in 2002 (**to 31st December 2005**).

A brief description of the present state of implementation of the project is provided below along with some observations on the problems encountered during the implementation.

- The WP/CE for the year 2000/2001 were eventually closed in May 2002 after the repayment by the NRA of the unutilised balance. Disbursements under this WP/CE had been minimal.
- A new work plan for a total of M€ 2.2 to finance activities to be carried out in 2002 and 2003 was approved. Part of the new WP/CE was to be financed from this accounting number (M€ 1.55) and part from the accounting number 6 ACP MAI 078 (M€ 0.65). Disbursements have been once again minimal.
- An open tender for the supply of vehicles for the NRA was launched
- Several drafts of the tender for the construction of weighbridges were submitted to the NAO but were returned for corrections to the NRA. They never reached the Delegation.
- A technical audit on the quality of the surface dressing achieved by one of the Contractors involved in the backlog maintenance works was launched and concluded.
- Some complementary works were instructed to one of the Contractors involved in the backlog maintenance works – during the defect liability maintenance period - in order to make good damages caused by severe rains after the provisional acceptance of the works.
- A tender dossier for the provision of two-year technical assistance to the National Construction Industry Council was drafted.

⁵ This Project is financed from the resources of the 6th EDF (3,000,000 € NIP) and the 8th EDF (14,400,000 € NIP).

The financial situation as of the end of 2000 and 2001 is provided below.

		Breakdown FA (€)		
		Description	Committed	Disbursed
Amount allocated	14,400,000	Private sect. Support	640,000	-
		Axle load/road safety	2,080,000	-
		Backlog maintenance	9,960,000	-
		Contingencies	1,370,000	-
		Audits & evaluations	350,000	-
Total Secondary commitment end 2001	10,730,276	WP/CE 1999-2000	547,876	259,050
		Backlog maintenance	10,109,400	5,632,007
		Audits and evaluation	73,000	69,367.3
Total Secondary commitment end 2002	12,624,149	WP/CE 1999-2000	238,842	238,842
		WP/CE 2002-2003	1,554,000	0
		Backlog maintenance	10,731,400	8,270,914
		Audits & evaluations	99,907	84,858

Future activities

The main activities to be carried in 2003 will be: Closure and de-commitment WP/CE 2002/2003; Preparation WP/CE 2003/2004; Closure of the three commitments concerning backlog maintenance contracts; launch of a restricted tender for the TA to the National Construction Industry Council (NCIC); launch tenders for weigh stations; opening and award contract for supply vehicles to the NRA; finalisation TD road safety schemes.

KARONGA – CHIWETA ROAD

Project no	8 ACP MAI 011
Project amount	€ 38,500,000
Project duration	5.3 Years (extended once)
Financing decision	11/12-1998
End date of the financing agreement	30/6-2004
Implementing agency	National Roads Authority

Objective

To support the GoM's objective of poverty alleviation by improving growth performance in economic sectors. To this effect, the Project will contribute by providing the financing to rehabilitate and upgrade a key road link serving areas of underdeveloped smallholder agriculture with high potential for improvement and interesting areas for tourism development and other investments in northern Malawi. This road is also a section of the Northern Corridor leading to the seaport of Dar-es-Salaam in Tanzania.

Project description

Rehabilitation of the M1 road (of a 109 Km) between Karonga and Chiweta to full width pavement including some 17 new bridges. The project also includes provision for the supervision of the Works. The amount made available to the project (M€ 33.5 NIP 8th EDF) was to be utilised as shown in Table A below:

TABLE A

DESCRIPTION	Total cost (€)	Rider No. 1	Rider No. 1
Works	28,150,000	28,150,000 (*)	28,150,000 (**)
Supervision costs	1,980,000	1,980,000	1,980,000
Extra works	0	0	500,000
Contingencies & price escalations	3,370,000	3,370,000	7,870,000
TOTAL 8th EDF Funding	33,5	5,35	38,500,000

(*) Scope of the works expanded to include backlog maintenance of the Karonga-Songwe Road

(**) Extra works arising from flood damage and flood protection works

Implementation status

Tenders for the works were opened in March 1999 and the contract was awarded to Murray & Roberts in February 2000. Works commenced on 28th February 2000 and were due to be completed on 15th August 2002. Up to the end of 2001 the quality of the works achieved by the contractor had been judged between good and extremely good. From a technical viewpoint all parties were initially positively impressed by the performance of both the contractor and the consultant. On the opposite the financial situation was concerning. A number of changes to the original design were approved shortly after commencement (mainly with regard to the pavement design⁶ and bridges alignment). The low contract price (M€ 24.0 against M€ 28.2 earmarked in the FA) also led the NAO to propose in 2000 a change of the scope of the works to include in the project the periodic maintenance of the Karonga – Songwe road (i.e. to the border with Tanzania). The Commission authorised the change in April 2001 (Rider No.1 to the FA). After this approval a number of problems – all with financial consequences – arose. The most relevant ones concerned: price escalations (projected total amount to the end of the works was M€ 8.6); extra works and extra quantities (projected total amount to completion was M€ 3.3); quality problems with cement imported from Tanzania; theft and generalised security problems; etc Some of these problems are expected to be dealt with by the GoM (theft, increase cost work permits), the others were jointly dealt by the GoM and

⁶ This generally led to a higher standard and avoided substantial price escalations arising from to the price increase of the agent initially foreseen for the stabilisation of the road base (cement)

the EC. As a result of the above a further change of the FA with substantial financial consequences (M€ 4.5 increase) was requested to the CAO in September 2001. Works proceed swiftly for the rest of 2001 and throughout the first semester of 2002. At that time the contractor was still confident that works would be completed within the original period of performance (i.e. in August 2002). This was also overtly stated during a high level visit to the Project (Minister of Works, Principal Secretary of Ministry of Works, Chairman of the NRA, CEO of the NRA, Head of Delegation, etc.) that took place in February 2002. The main events in 2002 have been the following:

- January: submission by Parkman of revised cost estimate to completion of the works
- February: Severe floods damage sections of the newly built road. The NAO estimates that M€ 0.5 will be required to carry out protection works and updates his previous request to increase the project allocation (revised increase of primary allocation becomes M€ 5.0). Parkman submits a report on price escalations confirming the concern expressed several times by the Delegation and the NAO over the substantial amounts paid to the contractor under the ROP clause of the contract. There appears to be a confirmation that some of the prices of construction materials are too high. However, the report is insufficient to enable the NAO to take action. The Delegation insists that independent investigations must be launched immediately. Parkman's resident engineer retires and is replaced. The Materials Engineer is also replaced.
- March: The contractor submits a revised programme of works indicating completion on 19th September 2002 (one month beyond original completion date) as a result of delays caused by theft and severe weather conditions in 2000/2001.
- April: The Delegation provides to the Commission in Brussels updated financial projections to completion of the whole project. The information available indicates that the revised primary allocation (M€ 38.5) will be certainly fully utilised and that there could be a possibility that extra works instructed to the Contractor would lead to exceed this revised allocation.
- May: Rider No. 2 to the FA is signed. The fund commitment is increased to **M€ 38.5**. May: the Delegation sends to the NAO the terms of reference for independent Price escalations investigations. Parkman submits revised cost estimate to completion of the works.
- June: Final ToR for the Price escalations investigation are issued. A 56 days extension of time is granted to the contractor based on exceptionally severe weather conditions in 2000/2001. The NAO decides cancellation of most of the works on the Karonga-Songwe road (financing approved under Rider 1 to the FA) on the ground that there is a very high risk not to be able to accommodate them within the revised project allocation. Following this, the Delegation prepares updated financial projections to completion of the whole project indicating that there would be a balance of M€ 0.75
- Early August: submission by Parkman of revised cost estimate to completion of the works (excluding reseal of Karonga-Songwe road and including new works such as flood protection, masonry retaining walls, breast walls, "U" drains, additional earthworks)
- October: submission by Parkman of revised cost estimate to completion of the works made in the assumption that works will be completed in December 2002. Signature of contract with PricewaterhouseCoopers for the audit of ROP payments made to Murray & Roberts
- 22 October: The Managing Director of M&R informs the NAO and the Delegation that discounts and rebates obtained from various suppliers had not been declared. The amount involved appears to be in the range of M€ 0.8. The NAO seeks Commission's advice as to whether M&R was still suitable to perform another contract that had been just awarded to them in Joint Venture with Group Five. The NAO instructs the NRA to immediately recover the amount not due to M&R.
- November; PWC submits an inception report
- End December: The contractor submits a revised programme of works indicating completion in July 2003 (nine months beyond the revised completion date). Concern grows over the performance of Parkman, the procedures adopted on site to approve works, the manner records are kept on site. More and more indications emerge that a situation of personal confrontation between Parkman's RE

and M&R Site Manager had been devolving on site. In December M&R announces that the Site Manager – Mr. T. Orpen – has been assigned to another project in Europe.

The current financial situation is as follows:

Description	End 2001		End 2002	
	Committed	Disbursed	Committed	Disbursed
Works	29,014,000	21,464,339	32,569,258	28,900,783
Supervision	1,888,600	960,296	2,053,600	1,349,350
TOTAL	31,502	982,099	35,48	31,382

Future activities

Key activities to be undertaken in 2002 will be:

- Finalise independent investigations on the price escalations;
- Increase allocation to supervision of the works
- Deal with intention to claim and actual claims lodged by M&R.
- Establish a firm date of completion of the works after which penalties will apply.

M1 – GOLOMOTI – MONKEY BAY ROAD⁷

Project no	8 ACP MAI 021 & 7 ACP MAI
Project amount	€ 19,000,000 plus € 2,000,000
Project duration	3.5 Years
Financing decision	28/2-2000
End date of the financing agreement	31/12-2004
Implementing agency	National Roads Authority

Objective

To support the GoM's objective of poverty alleviation by improving growth performance in economic sectors. To this effect, the Project will contribute by providing the financing to rehabilitate and upgrade a key road link serving areas of underdeveloped smallholder agriculture with high potential for improvement and areas where important tourist investments have been already made and need to be supported by an adequate road infrastructure.

Project description

Rehabilitation, to full width pavement, of a 90 Km long road⁸ between the M1 (near Dedza) and Monkey bay (on the M10) via Golomoti. The M1-Golomoti section will include the construction of a new bridge. The project also includes provision for the supervision of the Works. The amount initially made available to the project was M€ 18.0 (Table A below). Following the opening of the tenders a M€ 3.0 increase was granted (Rider 2).

TABLE A

DESCRIPTION	Original allocation (€)	Rider 2 (*)
Works	15,059,400	15,059,400
Supplement works (Rider 2)	0.0	3,000,000
Supervision costs	1,135,600	1,135,600
Post project evaluation	50,000	50,000
Contingencies & price escalations	1,755,000	1,755,000
TOTAL 8th EDF Funding	68,949	71,949

(*) Rider 1 only changed the start up event.

Implementation status

Works. As a result of late comments from the Commission on the draft TD for the works, there have been substantial delays in launching the tender. The tender was advertised in the EC Official Journal on 27th November 2001. The opening took place on 26th March 2002. Six (6) tenders were received. All bids, except one, were within a very narrow range. The average of the five lowest bids was **M€ 20.5** proving as expected that the amount allocated under the FA (**M€ 18.0**) was insufficient. The NAO requested a M€ 3.0 increase of the allocation the day after the tender opening. The CAO's approval was given in 16th August 2002.

M/S Lotti (Italy) carried out the evaluation of the tenders. Several minor clarifications were sought and obtained and eventually on 29th August the award of the contract was notified to the Joint Venture Murra & Roberts – Group Five. 30 day after award the JV submitted the required Performance Bonds. On 22nd October, the Managing Director of M&R informed the NAO and the Delegation that discounts and rebates obtained from various suppliers under the contract for the construction of Karonga-Chiweta Road

⁷ Project financed from 8 ACP MAI 021 (M€ 19.0) and 7 ACP MAI 131 (M€ 2.0)

⁸ 17 km class I and 14 Km class II road for the M1-Golomoti section and 60 km Class I road for the Golomoti – Monkey Bay section.

had not been declared. The amount involved appears to be in the range of M€ 0.8. The day after, in view of gravity of these statements, the NAO sought the Commission's advice as to whether M&R was still suitable to perform this contract in Joint Venture with Group Five. The answer from the Commission arrived during the first week of December but seemingly did not sufficiently help the NAO in deciding the way forward. The signature of the contract was postponed to 2003.

Supervision. The tender for the supervision of the works was launched on 21st January 2001 and it was to be opened on 6th April 2001. Owing to the delay in launching the tender for the works, the opening date was postponed several times. The final opening date is 11th April 2002. On 30th August the contract was awarded to Ingeroute (France). The contract was signed towards the end of September and during the first week of November the first expert was on site (the Resident Engineer). The date of his arrival was chosen to match the tentative timetable for commencement of the works agreed in October by the NAO and M&R/G5 JV. The main task of the RE during this period were to be: to become fully acquainted with the nature of the works, to inspect quarries and borrow pits, to carry out some preliminary surveys and tests on materials, to initiate on behalf of the GoM the expropriation and compensation procedures, etc. Under Ingeroute's contract, accommodation, vehicles, offices, etc., were to be provided by the Contractor. Therefore, the suspension of the process of signing the works contract made it impossible for Ingeroute to obtain the logistical support they were to obtain from the contractor. In order to overcome the situation an Amendment to Ingeroute's contract was established to cover basic logistical costs (accommodation, transport, etc.) for the period from 5th November to 15th December 2002 after which the RE will take some vacations. The NAO also requested Ingeroute not to deploy other experts to the site pending the signature of the works contract.

Social Mitigation measures: The Delegation's recommendations to include in the project social mitigations measures in the areas "affected" by the works have received full support from Brussels but no response from the NAO.

The current financial situation is as follows:

Description	End 2001		End 2002	
	Committed	Disbursed	Committed	Disbursed
Works	0	0	0	0
Supervision	0	0	1,126,000	0.0
TOTAL	0.0	0.0	1,126	0.0

Future activities

Key activities to be undertaken in 2002 will be:

- **Works:** Decide whether M&R is suitable to perform this contract in JV with Group Five and, if yes, proceed to signature of the contract.
- Commencement of the works and normal follow-up;
- Identification and possible implementation of measures to mitigate social impact

LAKESHORE ROAD INFRASTRUCTURE PROGRAMME⁹

Project no	6 ACP MAI 087 & 088; 7 ACP MAI 130 and 8 ACP MAI 030
Project amount	€ 3,134,738 - € 138,761.98 - € 1,770,620 and € 11,955,880 for a total of € 17,000,000
Project duration	3.75 Years
Financing decision	26/6-2001
End date of the financing agreement	31/12-2005
Implementing agency	National Roads Authority

Objective

To support the GoM's objective of poverty alleviation by improving growth performance in economic sectors. To this effect, the Project will contribute by providing financing to replace crucial damaged structures and road sections and to enhance the institutional capacity of the recently established National Road Authority.

Project description

Road transport is by far the most important mode for the movement of people and goods in Malawi. Over the past thirty years, the road network has developed to meet traffic demands and the main bitumen road network now covers most of the major internal and regional routes¹⁰. However, the lack of maintenance and inability to deal with damage due to flooding has left large parts of the network in a poor condition. This project will help restoring access on important routes that cater for heavy goods and tourist traffic including the repairs and resealing of the Mangochi to Monkey Bay road (M10), the replacement of bridges that have been damaged beyond repair, and technical assistance to the National Roads Authority to increase capacity to implement maintenance programmes. The main activities foreseen in the Financing Agreement are as follows:

Works and supervision of works

- Reconstruction of Dwambazi Bridge (120 m span bridge washed away in 1999)
- Rehabilitation Mangochi-Monkey Bay road (M10) – approximately 61.5 km
- Replacement of four small bridges/culverts (along the M5 and the M1)
- Institutional Support
- Long term technical assistance to the NRA (three experts for three years each)

Implementation status

The EDF Committee approved the Project in December 2000 but the FA was only signed in June 2001. Most of the activities implemented in 2000 concerned the finalisation of the Tender Dossier for the reconstruction of Dwambazi Bridge. Main events in 2002 were:

1. Reconstruction of Dwambazi Bridge is well under way. The tender for the works was opened during the first week of January and the contract was awarded to the lowest tenderer (Group Five – SA) in March. The tender for the supervision was opened during the second week of January and the contract was awarded in February to Africon (SA). Works started in April and have been proceeding very well without any disruptions except those caused late in December by a ban on the import of cement imposed by the GoM. This in itself is likely to cause one-month delay in the completion of the works. The

⁹ Project financed from the balance of the 6th EDF (€ 3,134,738.02 from 6 ACP MAI 087 and € 138,761.98 from 6 ACP MAI 088), from the 7th EDF (€ 1,770,620 from 7 ACP MAI 130) and from the 8th EDF (€ 11,955,880 from 8 ACP MAI 030).

¹⁰ The main transport routes are the M1/M5 linking Malawi with Tanzania and the port of Dar es Salaam; the M1/M6 which links Malawi with Zimbabwe via Mozambique; the M12 with Zambia; and, to a lesser extent, the M2 through Mulanje to Mozambique.

financial consequences shall not be met by the EDF. The performance of both the Contractor and the Consultant has so far been excellent.

2. Rehabilitation Mangochi-Monkey Bay road. This component has progressed very little. After having noticed that the extent of the works involved more than a mere overlay of the existing road, a tender dossier for the design and for the supervision of the works was drafted and commented upon by the Commission. Latest cost estimates indicated that the required works would exceed the available allocations under the FA and therefore the TD for design and supervision of the works was drafted in a way to allow tendering of the works in two lots (one to be financed under the 8th EDF and the second one from the 9th EDF when and if possible). The NRA subsequently received advice from the TA indicating that a cheaper way to repair the road existed. Discussions took place late in the year and eventually, after having realised that no progress was being achieved, the original decision to tender for the design and supervision was resumed. The TD is yet to be revised by the NRA/NAO to accommodate the comments made by the Commission.

3. Replacement of four small bridges/culverts. This component has been slightly delayed. However, a contract for the preparation of a tender dossier (including the full design of one of the bridges) and for the supervision of the works was launched and eventually awarded in August. The TD for the works is expected to become available early in 2003. Works will be tendered during the first semester of 2003.

4. Long term technical assistance to the NRA. The fourth component is under implementation. The contract for the provision of long term TA to the NRA was awarded to WSP (UK) in August. The three TAs arrived on site in October.

An overview of the current situation (commitments and disbursements) is given in the table below against the list of activities provided in the Financing Agreement:

Activity	Allocations in FA (€)	Commitments End 2002 (€)				TOTALS
		6 MAI 087	6 MAI 088	7 MAI 130	8 MAI 030	
		3,134,738	138,762	1,770,620	11,955,880	17,000,000
1. Road works Mangochi-						
Works	5,304,600					
Supervision	400,000					
Contingencies (supervision +	434,920					
2. Bridge works						
Works Dwambazi Bridge +	5,734,050			1,770,620	2,491,100	4,261,720.0
Supervision Dwambazi Bridge	400,000	177,400	138,762			316,162.0
Kalwe box culvert + price	497,700					
Kasangadzi&Liwaladzi culverts	1,193,850					
Lisasadzi Bridge + Price	525,000					
Supervision four Bridges	292,000				296,000	296,000.0
Contingencies (works +	687,880	16,560				16,560.4
3. Technical Assistance to	1,500,000				1,286,000	1,286,000.0
4. Others - Project evaluation	30,000					
GRAND TOTAL	17,000,000	193,960	138,762	1,770,620	4,073,100	6,176,442

Activity	Allocations in FA (€)	Disbursements End 2002 (€)				TOTALS
		6 MAI 087	6 MAI 088	7 MAI 130	8 MAI 030	
		3,134,738	138,762	1,770,620	11,955,880	17,000,000
1. Road works Mangochi-Monkey Bay						
Works	5,304,600					
Supervision	400,000					
Contingencies (supervision + works)	434,920					
2. Bridge works						
Works Dwambazi Bridge + Price esc.	5,734,050			0	1,854,142	1,854,142
Supervision Dwambazi Bridge	400,000	111,855	0			111,855
Kalwe box culvert + price escalations	497,700					
Kasangadzi&Liwaladzi culverts + price esc.	1,193,850					
Lisasadzi Bridge + Price escalations	525,000					
Supervision four Bridges	292,000				11,471	11,471
Contingencies (works + supervision)	687,880	16,560				16,560
3. Technical Assistance to NRA	1,500,000				251,057	251,057
4. Others - Project evaluation	30,000					
GRAND TOTAL	17,000,000	128,416	0	0	2,116,670	2,245,086

Future activities

Key activities to be undertaken in 2003 will be:

- Completion and commissioning Dwambazi Bridge.
- Lunch tender for works for the replacement of four minor bridges on the M1 and M5
- Launch of accelerated tender, opening of the tenders, evaluation, award of contract and commencement performance of the contract for the works for the replacement of four minor bridges on the M1 and M5

Launch restricted tender, evaluation, award of contract and commencement performance of the contract for the design, preparation of tender documents and supervision of the works for the repair of the Mangochi-Monkey Bay road.

NATIONAL INITIATIVE FOR CIVIC EDUCATION

Project no	8 ACP MAI 025 & 8 TPS MAI 092
Project amount	€ 7, 400,000
Project duration	11/2000 - 10/2004
Financing decision	31/10-2000
End date of the financing agreement	31/10-2004
Implementing agency	NAO/ Min. of Finance

Objective of the Project:

NICE wants to contribute towards the stabilisation of the process of democratisation and the social and economic development of Malawi by building and strengthening the capacity of local structures to both disseminate and embed the principles, values and benefits of a democratic society.

Project Description:

NICE is joint project by the Republic of Malawi and the European Community and managed by the German Agency for Technical Cooperation (GTZ).

In all its activities NICE is strictly impartial, non-partisan and neutral. It works with a variety of other organizations at district, regional and national level. NICE is not a funding organization but provides facilitative services to local groups and organizations when and wherever required.

The project is managed by a Project Management Unit (PMU) located in Lilongwe and has regional and district structures. In each of the three regions of the country a regional office structure with a Regional Civic Education Officer (RCEO) and a Regional Administration and Finance Officer (RAFO) oversees the activities of the district offices of NICE. There is an office and resource centre in each of the 29 districts of Malawi, which is run by a District Civic Education Officer (DCEO) supported by an Office Assistant.

NICE imparts civic and voter education through a variety of activities in five thematic areas, i.e. local democracy; food security; gender; environmental protection; and HIV/AIDS.

Implementation Status:

NICE was established in February 1999. It is currently in the third year of its second phase. The project through its decentralised implementation structure carries out on average 150 activities per month. Through these activities more than 10,000 people are reached on a monthly basis. Additionally, the project informs more than 30,000 people a month who are using its 29 resource centres at district level.

NICE produces on behalf of the EU Food Security Unit a quarterly newsletter ('Tilime') with a circulation of 300,000 copies. It has also produced a CD-ROM on its concept and achievements and has recently established a web-site (www.nice-malawi.org).

Future Activities:

Under the current Work Plan and Cost Estimate NICE will intensify its cooperation with the Malawi Electoral Commission in the preparation for the tripartite elections in May 2004. Moreover, the project intends to document its approach to civic education in form of a best practices manual before the end of the current Work Plan period. Another big event planned is the joint conference (with GTZ and Konrad Adenauer Foundation) on '10 Years of Democracy in Malawi' (June 2003). There is also a permanent capacity-building process going on ensuring that all the NICE officers are always up to their tasks.

For next year's work plan it is envisaged to focus on voter and civic education in the course of the forthcoming elections and election monitoring in close collaboration with the Malawi Electoral Commission.

RULE OF LAW PROGRAMME

Project no(s)	7 ACP MAI 094 and 8 ACP TPS 004
Project amount	7 ACP MAI 094 - € 6,375,000 8 ACP TPS 004 - € 2,125,000 Total: € 8,500,000
Project duration	October 1998 – September 2003
Financing decision	7th EDF. Signed 12/1-1998 8th EDF Signed 14/1-1999
End date of the financing agreement	31/12-2005
Implementing agency	Ministry of Finance, Secretary to the Treasury.

Objective

The ROLP objective is improved quality and productivity of ROLP institutions. In the absence of workable performance indicators, it is difficult to say to what extent institutions have brought the legal sector, or their own institutional performance level, closer to intended objectives.

Project description

Eight institutions take part in the programme: Judiciary, Ministry of Justice, Malawi Prison Service, Law Commission, Faculty of Law, National Compensation Tribunal, Anti-Corruption Bureau and the National Archives of Malawi. Annual work plans are prepared by the institutions themselves (ownership) and contain a mix of development activities, including management reviews and management systems development, equipment, training, reference and learning materials, public information, civic education, and addressing backlogs in disposal of cases, law reforms, law revisions, law reporting, legal aid services, records management, curriculum development etc. For some activities, institutions team up: project supervision and coordination, information technology, student attachments, civic education, development of performance indicators etc. Implementation history is recorded in regular Monthly and Quarterly Reports. Accumulative records are provided in Annual Reports.

Implementation status

Since the introduction of institutional logframes in 2001, all beneficiaries managed to increasingly redirect their annual plans towards core activities, away from input and resources related activities. This is an important qualitative improvement, as the core activities relate to the constitutional mandates of an institution and will make the most substantial and noticeable contribution to the Programme's objective.

Average expenditure levels per Work Programme regularly reached 85% of the committed budget. It is noted however, that this was not always reached within the strict planning period of one year. The Institutions also have the tendency to spread their efforts over various results, rather than focusing on one or a few prioritised results. Therefore, the volume of completed activities is high, but the number of fully achieved results is still low.

Outstanding single results include the following. In the Judiciary, the backlog in Law Reporting (since 1990) is addressed through a professional legal publishing agreement. The Judiciary and Ministry of Justice reduced the backlog in homicide cases where suspects spent 1-7 years in prison while waiting to be tried. The Ministry of Justice revised/updated the laws of Malawi, reducing the existing backlog from 1990 to 1999. Revisions up to 2002 are on their way. The Programme funded three annual training workshops in administrative law, organised by the Ministry, for senior government officials. As a result, the National Ombudsman, noted more responsive practices in public services, and the number of cases against the Attorney General, due to administrative errors, reduced. In the Prisons, the outdated Prison Act and subsidiary legislation was reviewed and redrafted. In the Law Commission, the Army Act, Legal Practitioners Act and Child Rights legislation were reviewed and

updated. Also, a start was made with reviews of various components in the Land Act. In the Faculty of Law two link agreements are in place which form the basis for ongoing curriculum development, research projects and the introduction of postgraduate training in response to the needs of legal professionals. The National Compensation Tribunal campaigned throughout Malawi on their role in society and registered 23,000 claimants for future compensation of damages and losses incurred under the former regime. In the Anti-Corruption Bureau, the ROLP mainly contributed to corruption prevention in terms of workshops for institutions in corruption-prone areas, publicity in mass media and through the support of clubs and other civil institutions that are active in combating corruption. The main results in the National Archives include support to the ROLP institutions to manage and preserve their (legal) records. Through the mass media, they also promoted the relevance and accessibility of records with legal relevance for the citizens of Malawi.

By participating in the Programme, all institutions were systematically exposed to project management and accounting practices as applied in EDF programs. Successful absorption of these basic skills was demonstrated, through the years, by the increasing quality and speed in planning of work programs, implementation of activities, final reporting and accounting;

Future Prospects

The ROLP should be extended with one additional year (October 2003 – September 2004). This extension helps to consolidate investments made and should fully focus on taking the last steps in completing relevant results, and (more than ever) follow-up on management reviews, strategic plans, log frames and policies that are already in place. The extension will also help to bridge the gap between Phase I and II and keep institutions on board. External advisers, the NAO and Delegation should exercise a strong(er) say on the contents and direction of the workplan for the extension period (guided ownership).

SUPPORT TO HEALTH REFORM AND DECENTRALISATION

Project no	7 ACP MAI 072
Project amount	€ 14,000,000
Project duration	24/1-1997 – 31/12-2003
Financing decision	24/1-1997
End date of the financing agreement	31/1-2003
Implementing agency	Ministry of Health and Population (MoHP)

Objective

To strengthen the health sector reform for the delivery of integrated, equitable, effective and efficient health services through a collaborative decentralised district health system guided by nationally determined policies and receiving appropriate support from central institutions.

Project description

The health sector reform and decentralisation project has been underway for three years. The project operates at both central level, MoHP level, and at district level. The four focus districts are Thyolo, Chiradzulu, Mulanje and Blantyre. In the first two, construction of a new district hospital is being built (Please refer to 8 ACP/MAI 014 for further detailed description on hospital construction). In Mulanje, a district hospital had already been constructed with funding from the EU. Blantyre district was included as the District Health Office was seen as a suitable location for the project administration in the South.

Implementation status

The wide scope of the project has enabled the project advisers to consider reform issues in a comprehensive and integrated way, and hopefully, to lay solid foundations for ongoing developments. At the start of the project, the MoHP in consultation with the Technical Advisers set up several organisational structures for project implementation. Initially a Health Sector Reform Unit was established within the Planning Department. Due to departure of staff the function is now carried out by the Planning Department. A stakeholder co-ordination mechanism for the MoHP was implemented and this has become the centre for joint meetings where donors share information in a Joint Implementation Planning process that provides a start towards the development of a Sector Wide Approach. The first Malawi National Health Accounts have been developed and published. Considerable work has been undertaken to improve the planning and budgeting system. A start has been made to support and develop research and development capacity in the health system.

Work in the four focus districts has in general consisted of pilot work to develop training and management strengthening activities. Where possible the work has then been extended to all districts in the country – as has been the case with planning and budgeting, and transport management and support has been provided to the initiation of a bi-annual meeting for all District Health Officers.

Future activities

Areas of work that have been slow to take off, include the planned review of MoHP organisational structure, work to prepare for devolution, and work on human resources management. This has been due to the fact that the MoHP did not wish to rush into work on devolution. However recently devolution has appeared firmly on the agenda, and these topics will be central to the work conducted in 2002. It is expected that the offices will develop as a sustainable resource capable of offering administrative support to more donor-funded activities.

SUPPORT TO THE HEALTH REFORM AND DECENTRALISATION SUPPLEMENTARY FUNDING FOR CHIRADZULU DISTRICT HOSPITAL

Project no	8 ACP MAI 014
Project amount	€ 18,700,000
Project duration	9/03-1999 – 31/12-2003
Financing decision	9/3-1999
End date of the financing agreement	31/12-2003
Implementing agency	Ministry of Health and Population

Please note that the following description for the activities under the Chiradzulu hospital construction also applies for the Thyolo hospital construction (7 ACP/MAI 072).

Objective

To contribute to improved efficiency and speed in delivery of health services in Chiradzulu districts by means of a functionally designed hospital, allowing for an increased number of patients to be treated every day.

Project description

The specific objective of the project is the replacement of the existing Chiradzulu hospital, so that health care services can be delivered more cost-effectively, in a functionally coherent way with reduced recurrent maintenance costs. The work to be financed will include construction of the new hospital and the provisions of staff housing. The supervision of the works for both Chiradzulu and Thyolo hospitals will also be financed from the present financing proposal.

Implementation status

The construction contract was awarded in June 2000 and construction was started in August the same year. At the end of 2001, all foundations were completed and the steel structure of the buildings is completed at 80%. Most underground work foreseen on this site was completed. The project has suffered from an important delay due to delays in the contract awarding procedure forced the contractor to start working during the rainy season; fuel shortage in the country; major design errors such as underestimation of the necessary groundwork; unforeseen requirement to protect the site from rain water from the Chiradzulu mountains; inappropriate components (redesign required) and cash flow problems of contractor. The same reasons in particular the design related problems are also causing important over costs, which are aggravated by the depreciation of the euro.

Future activities

Completion of the construction is foreseen by mid 2003.

MALAWI BLOOD TRANSFUSION SERVICE

Project no	8 ACP MAI 20
Project amount	€ 7,800,000
Project duration	6 years
Financing decision	23/02-2000
End date of the financing agreement	31/03-2006
Implementing agency	Malawi Blood Transfusion Service Trust

Objective

To reduce the incidence of HIV/AIDS and other diseases transmissible by blood in the Malawian population and to ensure the rational use of blood.

Project description

The purpose of the project is to develop a National Blood Transfusion Service in Malawi and to ensure that it is able to provide adequate supplies of safe blood to meet the needs of all hospitals in Malawi.

The project is being implemented in a phased manner, starting with the establishment of the MBTS headquarters in Blantyre. The Ministry of Health and Population has appointed senior staff members for the management of the MBTS. While a donor recruitment expert is already part of the MBTS management team, fully operational teams for blood donor recruitment and mobile blood collections will be established following initial training this year. Furthermore, a quality assurance laboratory for disease screening will be established and a National Blood Policy will be adopted by Government. Guidelines for the clinical use of blood will be established and disseminated to health care facilities; respective training of staff will be undertaken.

Implementation status

The MBTS Trust was established in August 2002. With the adoption of the constitution of the MBTS Trust, the Board of Trustees has established the legal framework for its responsibility of providing advice and concrete guidelines for the implementation of the project's activities. Consequently, the work of the Interim Management Group has come to an end and was handed over to the MBTS Trust. The MBTS Management team will be responsible for the day-to-day management of the MBTS.

The initially slow progress on the level of implementation of the work programme's activities was mainly due to the lack of human resources in MoHP and delays in the awarding of the TA contract. The TA contract – award was expected by June 2002 at the latest – was signed in December 2002. The Project Management Unit is expected to start its work in early February 2003. With the selection of a very experienced Project Coordinator, progress will pick up substantially in the coming months. Due to the considerable time span between the signing of the FA and the PMU's establishment and also due to other developments in the health sector (SWAp, Global Health Fund), the Project Coordinator, in his inception report, will take stock of the current situation on the ground and review the project design accordingly in order to be able to adapt the project design at the outset of his work, if necessary.

PHYSICAL ASSETS MANAGEMENT PROJECT

Project no	7 ACP MAI 100
Project amount	€ 6,450,000
Project duration	5 years
Financing decision	16/3-1998
End date of the financing agreement	28/2-2004
Implementing agency	PAM Division of the Ministry of Health and Population (MoHP)

Objectives of the Project

The overall project objective is to establish a structure to maintain the physical health care facilities in an acceptable state of operation, meeting the requirements of health service delivery to the population, through the institutionalisation of an efficient physical assets management system within the MoHP.

The project purpose targets the overall objective, specifically at central and regional levels:

- By assisting in the setting up of a PAM Division at the MoHP headquarters, through which the PAM Policy framework, the operational means and procedures will be further developed and applied.
- By setting up three Referral Maintenance Units at regional level and up to four maintenance units at district level, with necessary operational means.
- By furthering the development of human resources through appropriate education and training.

The contribution of the project towards reaching these goals has always been more than adequate and the Minister and senior officers of the MoHP continue to be consistent in their stated support of the PAM Programme and its short and long term aims. However, a continued severe shortage of experienced manpower has led to delays in implementation of work programmes and in particular any plans connected with human resource development.

Project Description

The project is part of a programme jointly supported by EU and GTZ. The implementing agency is the Ministry of Health and Population and the Technical Assistance is provided by Group5, The Netherlands.

The project commenced in March 1999 and closes at the end of February 2004.

The technical assistance consists of one full-time TA at MoHP headquarters and three full time biomedical engineers based at the three Referral Maintenance Units (RMUs). In addition, other short term TAs on training, IT, procurement etc, are provided by the Group5 contract.

The project is now in its final year and while progress on human resources matters has been disappointing, work on buildings, equipment procurement, policy development has progressed satisfactorily. The planned programme to provide a spare parts procurement service has been withdrawn by the EU.

Current Implementation Status of the Project

There have been several problems encountered in the implementation of the project, however the overriding one is that of lack of human resource capability within the Ministry. Delays in recruiting the required staff for the project at both HQ and hospital level have meant that insufficient training has been carried out, and many development plans have had to be scrapped or postponed.

A second problem concerns the Ministry's difficulty in operating the Imprest Accounts. The Aid Administration Office (AAO) has suffered from understaffing and a rapid turnover of staff. As a result, payments are frequently delayed for no apparent reason and audits are not done as required.

Future Prospects of the Project

The final year of the project will see maximum effort in concentrated training (both in-country and overseas) of the few staff we now have in the PAM programme. It is important that as much of the training budget be expended during this period as possible.

Other effort will be concentrated on completion of equipping the RMUs and exhausting the Group5 spares budget allocation. The national equipment and physical asset inventory will be completed. The National Healthcare Equipment Policy document will be officially launched and other policies on RMU administration and maintenance management will be finalised. This final year should also allow for a smooth hand over to GTZ in the process to increase their involvement in this sub-sector.

The financial allocation to the project will be more than adequate to complete this work.

STRUCTURAL ADJUSTMENT FACILITY (SAF) IV

Project no(s)	8 ACP MAI 015/016/017
Project amount	€ 52,090,000
Project duration	1999 – 2004
Financing decision	December 1999
End date of the financing agreement	July 2004
Implementing agency	Malawi Government

Objective

The primary objective of SAF IV is to assist GoM in its macro-economic reform programme by providing budgetary support, thereby reducing the fiscal deficit after grants. Subsidiary objectives are to protect the provision of social service expenditures from fiscal austerity by requiring a much closer adherence of actual social sector expenditures to properly budgeted levels, and to protect past investments in road infrastructure by ensuring adequate levels of maintenance.

Project description

To achieve the above objectives SAF IV counterpart funds have been targeted as direct budgetary support to GoM to reimburse the non-salary recurrent expenditures of the main NIP focal sectors of health (75%) and road infrastructure (25%). Transfers from the counterpart fund account have therefore been made based upon funding levels and expenditures by the ministry of health and the National Roads Authority. These counterpart fund disbursements (from trenches 1 and 2) were carried out between January the 26th and April the 11th, 2001.

Implementation status

Following the audit of SAF funds undertaken in late 2000 a draft report was issued in July 2001 that resulted in the blocking of any further disbursements until the audit contradictory procedures have been completed. Incompletion of these measures coupled with the inability of the IMF missions to conclude their review of the PRGF resulted in the continuation of the suspension of disbursements throughout 2002. Thus, disbursement of the third and fourth trenches of the SAF IV counterpart funds (M€10 and M€5.49 respectively) also remained floating throughout the year.

Future Activities

Assessments and reviews will be carried out in order to establish whether sufficient progress has been made on the completion of the seven benchmark activities outlined in the SAF audit MOU and thus, whether or not SAF programme disbursements can be resumed. After all the necessary actions following the SAF audit (i.e. meeting the performance criteria and repayment of unaccounted for funds) have been completed, a review of whether the conditions have been satisfied for release of the requested third tranche will take place. A similar review will be carried out to establish whether the conditions for release of the fourth, CBI tranche have been met.

PROJECTS AND PROGRAMMES OUTSIDE FOCAL SECTORS**AUTOMATED SYSTEM CUSTOM DATA (ASYCUDA) PHASE II**

Project no	8 ACP MAI 010
Project amount	€ 5,800,000
Project duration	36 months
Financing decision	2/12-1998
End date of the financing agreement	30/9-2002
Implementing agency	National Authorising Officer

Objective

The project can be split into two main categories, Works and Equipment. The works category is split into two sections. The first section comprises the completion of the Phase I projects financed through the 7th EDF which needed to be deferred i.e. Accommodation Block at the Training Centre, Mwanza Border Post and Lilongwe Collectorate. The second section comprises staff housing, examination centres and border posts as follows: Chileka Housing, Southern region border posts, examination centres and housing and Northern/Central region border posts and examination centres. The equipment category includes: various contracts to purchase office furniture, various contracts to purchase equipment and computers needed to fit out the new facilities and various contracts to purchase vehicles for operational use.

Implementation status

Contract E - Accommodation Block	Complete
Contract F - Mwanza Border Post	Completion anticipated April 2002
Contract G - Lilongwe Collectorate	Completion anticipated April 2002
Contract H - Chileka Housing	Complete
Contract J - Southern Region projects	Detail design phase
Contract K - Northern/Central region projects	Detail design phase
Category L - Office furniture	Complete
Category M - Equipment and computers	90% complete
Category N - Vehicles for operational use	Complete

Contracts F&G are over 10 months late due mainly to poor management by the contractor and an inability to exercise cost control on their respective projects.

Future activities

In all the implementation of the project is currently scheduled to finish nine months behind schedule. This does not include the 12 months defects liability period following the completion of a Works project. In 2002, € 1,200,000 will be spent for Contracts J&K; 70,000 euros may be spent on computers provided the works contracts are let within budget and € 190,000 will be spent on project management, design and supervision services.

GOVERNMENT OF MALAWI / EUROPEAN UNION PUBLIC WORKS PROGRAMME

Project no	8 ACP MAI 022
Project amount	€ 21,000,000
Project duration	3 Years
Financing decision	5/3-2000
End date of the financing agreement	31/07-2005
Implementing agency	National Authorising Officer through private PMU

Objective

The overall objective is to contribute to the GoM's objective of poverty alleviation and food security, and encourage similar initiatives in further parts of the country, by (i) improved access to markets, services and major road networks (2,900km (2,250km original and 650km additional) of feeder roads to be rehabilitated and 1,000km maintained); (ii) sustainable fuel wood and timber supply development (establishment of village forestry funds and nurseries to plant 24 million trees); (iii) improved use of dry season gardens (363 irrigation schemes (225 original and 138 additional) comprising of 2,900 farmers); (iv) enhancement of natural resource management (construction of 40 stream diversions and 27 holding ponds for gravity fed irrigation-additional); and (v) implementation of 150 "Cash for Assets" project through the District Assemblies (additional). Results up to date are positive and indications are that the programme will as far as possible within the financial constraints, reach most of its stated objectives.

Project description

Overall guidance on the implementation is provided through a PSC (Programme Steering Committee), comprising representatives of the Ministry of Local Government (chair), the National Authorising Officer (NAO), the National Roads Authority (NRA), the Department of Forestry, the Department of Irrigation, Ministry of Poverty Alleviation, the District Assemblies (DA's) and District Development Committee (DDC's), the Programme Management Unit (PMU) and the EU Delegation. The responsibility for implementation was delegated to the Technical Assistance Consultants (Africon) and the established PMU.

The programme consists of the Programme Management Component, Road Works Component, Forestry Component, Irrigation Component and "Cash for Assets" Component (consisting of various projects falling under the scope of the other components).

Programme start date was 17 April 2001, followed by a start-up and mobilisation phase until July 2001. Implementation started in three districts with Work Plan No 1 in August 2001; expanded to five districts with Work Plan No 2 in April 2002; were further expanded to seven districts beginning January 2003 with the food security funds; and will commence with Work Plan No 3 in April 2003. Closing and phase-out will be in April 2004.

To date 105 road rehabilitation contracts for 900km and 23 bridge contracts have been awarded to local contractors and 58 road maintenance clubs established, involving 10,500 people. Forestry activities have been implemented in 1,225 villages and 9,7 million trees planted, involving 40,500 people. 120 irrigation schemes have been established involving 813 families (4,500 people).

Approximately 57% of the budget for the activities has already been spent with an overhead factor of just over 20%.

Implementation status

Financial problems encountered consisted of long delays of the initial transfer of funds after the approval of the work plans; long delays in the approval of correspondence relating to financial aspects by the relevant stakeholders; non-payment of workers by the road works contractors and the requirement of providing a guarantee by the Technical Consultants for the advances. Solutions proposed was the establishment of a dedicated communications and approval system by the stakeholders, proof of payment to the workers by the contractors (already in place) and the waiving of the guarantee requirement by the inclusion of a government department (accounting officer) as per the EC guidelines.

Technical problems experienced consisted of poor progress, management and workmanship by the road works contractors, road works contractors not used to the setting of industry standards and the control thereof during construction. Procurement problems were mostly related to the poor service and customer orientation of local companies, delivery of most of the supplies took much longer than specified, and the lack of proper after-sales service and support of supplies. Human resources problems experiencing are that everybody much more than anticipates the management of the programme.

The actual and anticipated expenditure is shown in the table below.

Component	WP 1 (Euro) Actual ER=70.9452	WP 2 (Euro) Anticipated ER=59.4258	Food Security Budgeted ER=78.234	WP 3 (Euro) Budgeted ER=83.0798	Maintenance Period Budgeted ER=83.0798	Total (Euro)
PMU	662,346	910,230	369,408	1,021,739	0	2,963,723
Roads	474,456	4,080,268	3,327,673	3,574,671	-20,173	11,436,895
Forestry	144,323	293,063	0	447,696	282,018	1,167,100
Irrigation	110,811	207,182	431,878	75,332	-74,000	751,203
Cash for Assets			1,239,405			1,239,405
Subtotal	1,391,936	5,490,743	5,368,364	5,119,439	187,845	17,558,326
Technical Assistance						2,249,041
Contingency and Evaluation						1,185,370
TOTAL						20,992,737

Future activities

The results show that the programme will in all respects meet its targets virtually as planned. There is evidence that the programme is conducive to the overall objectives of alleviating poverty and food security. This is being achieved in the short term by cash injection through the implementation of labour intensive works, and in the long term through the road maintenance, forestry and irrigation activities. Full implementation in all five districts only started during Work Plan no 2 resulting in only two years of implementation in these districts. However, the scope of the programme can either be enlarged through the increase of objectives in the existing districts of operation or the expansion into new districts.

Due to the positive impact on poverty alleviation and food security the budget of the programme was increased with funds from the EU food security budget line, as a short-term intervention. Most of the irrigation and forestry activities are implemented over a long period of time (both with immediate and long term impact), creating a huge demand from the villages that observe the results. It is therefore proposed to increase the financial allocation to this very successful programme.

FOOD SECURITY PROGRAMME*see logical framework at bottom***· Overall objective 1**

Improved food security at the national level

Sub objective 1 Improve the long-term food security ownership**· Result 1**

Improved national capacity building in line Ministries

○ Food security task force / Support to the Technical secretariat

Joint Task Forces of food crisis have been set up to address the immediate food crisis and the long-term food security issue. The Joint task force includes a broad representation of Government, donors and civil society as well as national institutions involved in food security. In order to strengthen this process, the EC agreed with the Government of Malawi and other stakeholders to support the establishment of the Food Crisis Task Force within the Ministry of Agriculture and Irrigation (MoAI). The task force is supported by the technical Secretariat – supported by EU- interface between Government, Donors and civil society - which main activities are to organise and manage the Task force meetings as well as to collect and disseminate information.

○ Support to the technical secretariat:

Considering the situation of the population and following the President's declaration of state of disaster in February 2002, the Government of Malawi proposed to launch an institutional arrangement comprising National Food Crisis Task Force to address food crisis and medium and long-term food security issues. Placed in the MOAI, the Task Force presents a strategic position. It is composed of 6 sub-committees:

- Humanitarian response SC: this sub committee is followed up by the DPRR
- Information system SC
- Management of the Strategic Grain Reserve SC
- Food security Policy SC
- Imports and Logistics SC
- Commercial maize SC.

Each committee is a forum for information exchange, designing of joint strategies of intervention and positions taken by the various stakeholders.

Implementation status

- Common agreement MOAI and MOFI to carried out an audit in NFRA covering organisation, finance and operation.
- Common agreement on the commercial maize use and signature of the contractual document between the relevant line institutions.
- First step of the Food Security Policy with the literary review, a strategy of intervention to draft and updated FS Policy paper.
- Setting up of a database providing commodity dispatches, agricultural input, food stock in the country and in transit.
- Concept paper on several information systems in place in National institution (MOAI, NEC).
- Newsletter providing weekly information on the TS activity and disseminate to various players in the country as well as outside Malawi.
- As acute and chronic malnutrition is an important indicator of chronic or severe degradation of the food security situation at the household level, a particular attention has been given to the involvement in the Targeted Nutrition Programme task force chaired by the Ministry of Health and Population.

The structural difficulties, coupled with serious mismanagement of the SGR and the absence of a real food security policy have raised the necessity for the definition and implementation of a structural food security policy including a strong poverty reduction focus. As a result of the support given by the EC within the Food Crisis task forces, the Terms of reference for a food security policy have already been adopted and the follow-up measures are currently being discussed.

- **Management of the SGR:**

EC thought the Food Security Programme has been supported the SGR management and the NFRA since 1997 with studies on SGR management. Since 2002, the EC enhances its support to NFRA with the following strategy proposed:

- To contribute to the replenishment of the SGR with 30,000 MT in kind and a financial reserve. Local and regional maize purchase undertaken by NFRA on behalf of the Government of Malawi with the objective to provide 40,000 MT to the SGR and make available 30,000 MT to WFP for humanitarian intervention.
- To support an audit to assess the situation as per the organization, financial system and logistic activities are concerned and to drawn up recommendation to improve the efficiency of the organization.
- To strengthen NFRA logistic activity, based upon the lesson learnt and in relation with the audit findings, in providing a logistic expertise.
- To strengthen the administration and financial management of NFRA,
- To set up the framework required adjusting NFRA role in relation with eventual amendment of SGR role, NFRA means as well as institutional building. Within the framework, To support the review of the SGR role and means required including the transfer of ownership of the silos and warehouses to NFRA,

Implementation status

- Providing for the replenishment of the SGR, a contribution of 27,000 MT of maize from the local tender launched in June/July 2002,
 - Providing a financial support to NFRA for the management of the 27,000 MT allocated to SGR,
 - Supporting WFP in providing 10,000 MT of Maize in November 2002 from the EU/GOM allocation to the SGR in order for WFP to bridge the gap in their commodity pipeline for humanitarian intervention,
 - Launching of a tender to select the audit firm and selection of the companies. Taking into consideration the sensitivity of the issues related to the audit, it was decided to award the contract to two companies: one international firm and a national firm.
 - Starting the logistic support to NFRA with a WFP expert seconded to NFRA and to MOAI to support the institutions in the various commodity pipelines
 - Starting the process of the transfer of ownership of the silos from the GOM to NFRA under the formal instruction from the MOAI.
- **Result 2**

Better management of the Food Security Programmes: Technical assistants in place

The Technical assistance currently in place will be earmarked as requested by the Government to support line Ministries and National institutions involved in food security (MoAI, Ministry of Finance, National Food Reserve Agency).

Sub Objective 2 - Management and phasing out crisis facilitated

• **Result**

Availability of around 40 000 MT in SGR and 3 Mio in financial reserve

○ **Maize purchase operation**

Under the local maize procurement tender launched by NFRA in June/July 2002 and in November 2002, 27,000 MT was procured in July 2002 and made available – as a loan - to the SGR on which 10,000 MT was provided to WFP as a loan to bridge the maize pipeline gap.

A regional call for tenders was launched in December 2002 for procurement of 45 000 Mt (30 000 Mt for free distribution plus 15 000 Mt to close the SGR replenishment).

A service contract will be signed for the free-targeted distribution of 30,000 MT of maize that has been locally purchased was signed between the GoM and the World Food Programme. This amount of maize will contribute to the regional emergency Programme launched by WFP in July 02. This maize will contribute in feeding more than 3 million of the most vulnerably food insecure people in Malawi during one month.

○ **National Food Reserve Agency (NFRA) budgetary support**

To cover the needs of the current food crisis, the EC provided the NFRA for the following expenditures: treatment and handling of the grain for 40.000 MT; personnel involved in the direct management of the 40.000 MT; consultancy mission for the silos rehabilitation; travel to African countries for sharing experiences on management of national food reserves; equipment and material for the rehabilitation of the silos.

Within this context, the objective of the EC contribution through the MAFSP is to strengthen the SGR and to support NFRA in maintaining the SGR, acting as an insurance company to address the food insecurity in the country.

Sub Objective 3 Reduce vulnerability of poorest households

▪ **Result 1**

Availability of 40 000 MT for free distribution

○ **Regional purchase operation**

Tender launched in December 2002. Implementation forecasted in 2003.

▪ **Result 2**

Better quality of nutrition

○ **Ongoing Nutritional Programme**

a) Following the strategy designed in September 2001, the Government of Malawi and the EC Delegation decided in January 2002 to allocate as nutritional support to vulnerable groups during the period April 2002- March 2003, 15.000 MT of white maize, which were been made available from the 1998 Food Aid allocation in favour of Malawi,

The first phase covered the period April 2002 to October 2002 with a donation of 8000 MT of maize that have been transformed in 3000MT of Likuni Phala and 5000MT of Fortified Maize Meal. Objectives were prevention and treatment of acute malnutrition of malnourished children and pregnant and lactating mothers. This nutritional support was implemented with the financial support of DFID, CIDA, USAID and UNICEF.

Likuni Phala:

- 480,000 vulnerable children have been supported during 6 months (80,000 every month)
- 2100MT (350MT per month) of Likuni Phala is channelled through 19 NGOs
- 900MT (150MT per month) is donated to UNICEF and distributed by WFP in Health facilities of the Ministry of Health and Population (MoHP) and CHAM
- In the communities, NGOs are targeted the most vulnerable families used targeting mechanism such as village committees.

Fortified Maize Meal:

- 100,000 pregnant and lactating women have been supported
- 3500 MT is donated to 13 NGOs to be distributed.

- 1500 MT is donated to UNICEF to be distributed by WFP in Health facilities of the MoHP.
- In the communities, NGOs have targeted the most vulnerable families and utilise targeting mechanisms such as village committees to reach these families.

The second phase started in November 2002 and will cover the hungry period until May 2003. The donation of 7000 MT of maize will be transformed in 4000 MT of Likuni Phala and 4000 MT of Fortified Maize Meal. Due to the lean season period, objective is treatment of acute malnutrition of under-five children and pregnant and lactating women (470000 children and 380000 pregnant and lactating women will be supported).

The Government of Malawi and the EC Delegation Malawi have decided to use the services of the World Food Programme to supervise the transformation of the maize into nutritional products and to deliver them up to the final points of distribution (health centres). The contract was signed the 25th November 2002.

b) Targeted Nutrition Programme (TNP) is one of the four Safety Nets components. The food crisis faced by Malawi in 2002 has increased the concern of the current nutritional status of its population. Due to the increase of acute malnutrition in the 2002 lean season, the Nutrition Department of the Ministry of Health and Population has re-instated very regular TNP task force meetings. All the various partners in nutrition were invited to be part of this task force to discuss the nutrition strategy and to improve the national capacity to treat and prevent malnutrition. The EC Delegation has been involved from the very beginning with this coordination body.

European Commission of Humanitarian Aid Office (ECHO) has financed UNICEF and Action Against Hunger to support the MoHP and national actors in developing their capacity to treat malnutrition. National guidelines for treatment of malnutrition were drafted and implemented; training sessions were conducted to increase the technical capacities of MoHP, CHAM and NGOs staff; a national plan to survey malnutrition rates were implemented using the same methodologies to allow comparison between districts.

22 districts are regularly surveyed giving a comprehensive picture of the malnutrition rates in August/Sept 2002 and in Dec 2002/January 2003. As the coverage is excellent, it has been decided not to implement the initial plan to conduct nation-wide nutritional surveys.

c) In August 02, an extensive assessment of all the Nutritional Rehabilitation Units was conducted in order to evaluate the needs of basic physical rehabilitation, equipment requirement, hygiene level and technical and staffing status. A questionnaire was established and implemented by various field actors present at the TNP. Some engineers of Micro projects Programme supported were part of the process with the ECFSU.

Sub Objective 4 Increased production opportunities for farm and off-farm employment and income generation

• **Result 1**

Higher production and income from agriculture and off farm employment;

- **Employment Generation Scheme (EGS) – The Public Works Programme**

The Public Works Programme is a joint GoM/EU activity that ultimately aims at alleviating poverty. It has been operational since April 2001 and will continue until 2004.

The Programme is implemented in 7 Districts (Lilongwe east and west, Dowa east and west, Mchinji, Ntchisi, Kasungu, Salima and Nkhotakota). This area was chosen considering multiple factors including the poverty level, population, food security, state of the road distribution, etc. The Programme focuses on 3 areas: Road rehabilitation / Road Maintenance, Forestry and Irrigation.

Since lack of accessibility to rural areas and natural resource degradation have led to impoverishment and food deficits, the EGS will achieve its purpose by concentrating on the leading causes of the impoverishment.

A work plan and cost estimate was signed in December 2002 for **an additional amount of 6 million euros from the food security budget line.**

The objective is to spend € 1 million per month for the next 6 months on the PWP roads and irrigation components.

EGS focuses on three activity components:

- a) Rehabilitation and maintenance of rural feeder roads
- b) Establishment of village forestry funds, nurseries and tree planting
- c) Establishment of small-scale irrigation schemes

Some of the programme's achievements to date:

- 983 kms of feeder roads rehabilitation completed or in process
- 3 bridges constructed and 20 bridge contracts in process to replace existing timber bridges with concrete
- 59 road clubs involving 540 people were set up within the communities for routine maintenance of all rehabilitated roads.
- 10500 people have been involved with the road rehabilitation contracts.
- 9.5 million trees have been planted involving 41,500 people.
- 820 families have received treadle pumps

• Result 2

Establishment of a viable and independent credit system for producers

○ APIP and credit system

Micro Finance activities in rural finance reflect the emphasis and priorities placed on both credit and, savings in kind and cash, thus enhancing rural income generation and employment creation in micro and small enterprises (constructing storage granaries, developing markets for produce in a more organized manner, establishing shops, canteens, poultry and bee keeping, hand crafts, vegetable production, small scale irrigation etc). Facilitating other similar Micro Finance activities in the rural areas.

Number of beneficiaries covered or to be covered

1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
154,000	255,000	275,000	160,000	41,800	54,300

The number of beneficiaries has reduced from 2000/2001 mainly because of the following factors:

- Non participation of the original two big Implementing Agencies namely ADMARC and FFC which together covered almost 85% of the number of beneficiaries because of non compliance with contract conditions;
- Failure by other smaller Implementing Agencies to meet APIP's revised conditions for reappointment and default of the previous loan repayments.
- Admission of additional small Implementing Agencies and maintenance of old Implementing Agencies who complied with the reappointment criteria.

Loan advanced and recoveries made

DETAILS	1997/98	1998/99	1999/2000	2000/01	2001/02
Amount advanced K'000	123,827	406,168	430,483	236,438	130,939
Amount recovered K'000	92,353	266,313	251,668	46,004	69,197
Estimated amt to be recovered K'000	0	0	61,606	119,248	35,554
Recovery %	75	66	73	70	80
No of Implementing Agencies	10	10	18	13	12

Feasibility study

The feasibility study has been finalized in December 2002 after a six months process including field visit, workshops and discussions at different level with all stakeholders. At field level a farmer associations and APIP implementing agencies has been considered as roots of the new system. The feasibility study will be submitted in January 2003 to the Minister of Agriculture and Irrigation and a formal approval.

Other achievement of the food security programme in 2002: Visibility of the programme

As the Food security Programme was well getting under way in 2002, the media pressure became stronger. The need to communicate on the Programme's activities and achievements was self-evident and could not be done without proper expertise.

At the end of 2002 a Public relations/Communication specialist came on board and it became possible to adopt a more proactive approach to information sharing both with the media, other donors and stakeholders.

Multiple events such as press conferences, field visits, meetings and interviews were organised insuring the EU Food security programme proper and accurate visibility in all Malawian medias (print, radio, TV). Regular press releases, 12 in total, on food security related issues and activities have been published insuring regular EU Presence in the press. Regular segments on the local radios were aired and 24 articles were published in the local press between 4th November and December 12th December 2002 as a direct result of the increase of human resources in information and communication.

In the next few months, the Delegation web site will be developed and the Food security programme will benefit from extensive coverage on its pages. Other communication tools will also be developed such as booklets, brochures and documentary. Field visits and press conferences will continue to be held on a regular basis.

Today the Programme is communicating regularly and is solicited more and more by both media and other Food security stakeholders interested in finding out more about EU medium and long-term strategies.

Financial Report for 2002 Fsbl

The multi-annual food security program (MASFP, 53 million €) was due to be implemented in 99-2001 but due to the different delays of the contractual documentation and their acceptance, implementation ended in 2001.

The contractual documentation concerning the MAFSP is as follows:

The official letter 30926/20353 has been signed the 22/9/2000 by Mr. Poul Nielson and engaged an amount of 17 million € composed of 10.8 million € for a foreign exchange facility (APIP, Maize Productivity task force, management of information systems); a Special commitment for direct project assistance through NGO's and civil society of 5.2 million €; 1 million € for technical assistance.

A first amendment has been signed the 25/10/2001, this amendment concerned the APIP redesign, and the inclusion of a fund trust for economical diversification.

A second amendment has been signed the 24/7/2002, this amendment concerned the extension of the validity of the official letter from 31 December 2003 to 31 December 2004.

A third amendment has been signed in July 2002 concerning the revised 3 years programme once it was approved by the member states.

The memorandum of understanding concerning this first year of the MAFSP has been signed in June 2001 by the local authorities and endorsed by the Head of Delegation the same month.

Three addenda have been signed respectively in October 2001, March 2002 and May 2002. These revisions were concerning mostly the reallocation of financial envelopes to the different projects.

First Tranche: The payment of the first tranche of 10.8 million € has been received by the Malawian government the 29/11/2001. This tranche has already been disbursed in its totality.

Second Tranche: The second tranche received was concerning the second year of the MASFP and was received the 24/10/2002. Around 6 million € has been disbursed and the total is expected for May 2002.

This second tranche is based on the Official letter 51612/2001 signed by Mr Poul Nielson the 25/10/2001 and concerned an amount of 18 million € composed of 10.8 million € for a foreign exchange facility in support of the revised logical framework below.

Third Tranche: The third tranche has not yet been received and is conditioned to a mid term review.

On the request of the European Commission at the end of 2000, an external systems financial audit was carried out on the 3-year (1997-1999) EC Food Security Programme in Malawi. The total amount allocated to Malawi in the framework of this programme was 32.4 million €. The provisional audit report transmitted to the government of Malawi in may 2001 identified ineligible expenditure totalling 6.522 Million €.

The Government of Malawi provided a response to the audit in February 2002.

The EC and the Government recognized a shared responsibility for 4.4 million €. In consequence, only 2.1 million € should be repaid to a European Union account held in Europe.

This amount has been repaid on the in July 2002.

An authorization of the use of the balance of the 3 year (1997-1999) EC Food Security Programme in Malawi has been given AIDCO F/5 the 13/9/2002 to support food security activities during the on-going food crisis.

Revised Logical framework of EC support to Food security in Malawi

Objective	S/objective	Results	Activities	Reallocation of funds	Short-term response crisis
Improve food security at National level	1. Improve long term food security ownership	1.1 Improved national capacity building in line ministries	1.1.1 Food security policy task force and studies support MoAI, NEC	2 M€ (L.O. 2000)	
		1.2 Better management of FS programmes	1.2.1 TA in place in MoAI, NAO, NEC, NFRA	PM	
Improve food security at Household level	2. Management and phasing out crisis facilitated	2.1 Availability of around 40 000 Mt in SGR, and 3Mio Euros in financial reserve	2.1.1 Local purchase operation	4 M€ (L.O. 2001)	7 M€ (L.O.1999) + 4 M€ (L.O.2000)
			2.1.2 NFRA budgetary support	1 M€ (L.O. 2000) + 1 M€ (L.O. 2001)	
			2.1.3 Market survey	0.4 M€ (L.O. 1999)	
	3. Reduced vulnerability of poorest households	3.1 Availability of around 40 000 MT for free distribution	3.1.1 Regional or international purchase. Distribution plan and targeting in coordination with National Authorities and donors community		16 M€ urgent procedure (2002 food security and food aid budget line)
			3.2 Better quality of nutrition	3.2.1 On-going Nutritional programme + nutritional survey	15 000 MT Likuni Phala and fortified Maize
			4.1 Higher production and income from agriculture and off-farm employment	4.1.2 APIP 4.1.1 Employment Generation Scheme support (cash for work)	3.4 M€ (L.O. 1999) 3 M€ (L.O. 2000) + 3 M€ (L.O. 2001)
4.2 Establishment of a viable and independent credit system for producers	4.2.1 Feasibility study 4.2.2 Started phase	0.8 M€ (L.O. 2000) 2.8 M€ (L.O. 2001)			
4. Increased production opportunities for farm and off-farm employment and income generation		Special commitment project aid through NGOs and non public sector	15 M€		Short-term strategy of intervention to respond to the crisis: 27 M€ on the food security budget line + 1.5 M€ on the 1998 Food Aid programme
				Total funds reallocated 18 M€	

ANNEX 6

COUNTRY FACT FILE FOR THE REPUBLIC OF MALAWI

1. Introduction

With an income of about US\$ 160 per capita (2001) and a Human Development Index ranking of 163 (1998), Malawi belongs to the group of the poorest least developed countries in the world. External aid, most of which comes from the Community and members states, accounts for 38% of the overall national budget, and for 80% of the country's development budget. The latest poverty headcount carried out by the Malawi Government in 1998 established that out of the total population of 10.5 million people, 65% live below the national poverty line). Malawi has relatively strong trading links with the EU, with about 40% of its exports going to the EU and 16% of its imports coming from the EU. However, especially in terms of imports, the SADC countries have become increasingly important as trading partners. The country's economic and fiscal performance has deteriorated substantively in recent years. Political problems, incidents of disregard of the Rule of Law and social tensions are increasing.

2. Current issues between EU and Malawi

One of the most pertinent problems in the "working relationship" between Malawi and the EU members is the issue of delays in implementation. Due to the lack of capacities, especially on the level of middle management and below, the implementation of projects often experiences delays in the day-to-day management of implementation of activities.

Another pressing point of discussion is the issue of duty-free status for NGOs. Due to Government's efforts to increase revenues, NGOs often experience problems in their applications for duty-free and tax-free import of items for project implementation. If this application is not approved, essential items for project activities increase enormously in price, and may finally become unaffordable.

3. Basic data

Population	10.5 millions	(World Bank, 2001, Website)
GNI/capita	160 US\$	(World Bank, 2001, Website)
Total export to Malawi from EU	54.5 million €	(EUROSTAT, Bilateral)
Total import to EU from Malawi	194.8 million €	Trade Statistics, 2001)
Total EC Development assistance per year	70 million €	
Total EU Development assistance per year		
Illiteracy rate	39%	(World Bank, 2001, Website)
Life expectancy	39 years	(World Bank, 2001, Website)
Poverty (% of population below national poverty line)	65%	(Malawi IHS, 1998)
Human Development Index (ranking)	163	(UNDP, HDR, 2001)

4. Indicators related to the Millennium Declaration

The systematic collection and analysis of data for political, economic and social indicators is still a pertinent issue in Malawi. Reliable, up-to-date and regularly collected data for basic indicators is rarely available. Against this background, the below table 3.1 is an attempt to provide some of the data that are either linked directly to the Millennium Development Goals (MDG) or reflect "similar" indicators from various sources of data collection. Reliable projections for the years 2002 to 2004 are not available at this stage.

Table 4.1 – Status of the Millennium Development Goals in Malawi¹⁾

Type	Indicator	1997	1998	1999	2000	2001	Source
Impact	1. Population below poverty line in (%)	--	65.3	--	--	--	UNDP Malawi, <i>Country Report on MDG, 2002</i> , based on MWI Integrated Household Survey, 1998
	2. Prevalence of underweight children (under-5) in %	--	--	--	25	--	NSO, <i>Malawi Demographic and Health Survey, 2001</i>
	3. Under-5 mortality rate (death per every 1000 live birth)	--	--	--	189	--	UNDP Malawi, <i>Country Report on MDG, 2002</i> , based on MWI Integrated Household Survey, 1998
Outcome	4. Net enrolment ratio in primary education (%)	98.5	76	--	--	--	UNDP, <i>Nation. Human Development Report 2001</i> , based on MoE data
	5. Primary Completion Rate ¹⁾ (%)	--	11.2	--	--	--	PRSP, 2002, based on HIS 1998
	6. Ratio of girls to boys in						UNDP, <i>National Human Development Report 2001</i> , based on MoE data
	- primary education	--	0.97	--	--	--	
	- secondary education	0.63	--	--	--	--	
	- tertiary education	--	--	--	--	--	
	7. Proportion of births attended by skilled health personnel ²⁾ (%)	--	--	55.6	--	--	NSO, <i>Malawi Demographic and Health Survey, 2001</i>
	8. Proportion of 1-year-old children immunized against measles (%)	--	--	--	91.1	--	NSO, <i>Malawi Demographic and Health Survey, 2001</i>
	9. HIV prevalence rate in % in young female (15-24)	--	--	--	--	11-18 ³⁾	UNAIDS Global Report, 2002
	10. Proportion of population with access to potable water ⁴⁾ (%)	--	--	--	65.2	--	NSO, <i>Malawi Demographic and Health Survey, 2001</i>

¹⁾ Defined as completion of Standard 8 for adults aged 25 years and above.

²⁾ "Skilled Health Personnel"= doctor/ trained nurse/ midwife/ ward attendant; excl. traditional birth attendants (additional 22.7%).

³⁾ 11% representing the "low estimate"; 18% representing the "high estimate".

⁴⁾ "Potable Water"= Piped into dwelling, piped into yard/plot, community stand pipe, protected well, and borehole.

5. Political situation

- Malawi is a multi-party democracy since 1994, when the one-party regime of former President Banda was forced out of office by the opposition movement. The Executive consists of the President (currently Mr. B. Muluzi) and his cabinet. Executive, Judiciary and Legislative are, by constitution, independent bodies. The Malawi people elect both, President and Parliament, by popular vote for a five-year term.
- The last general elections were held in June 1999 (next elections are scheduled for May 2004), and resulted in a Parliament composed of basically 3 parties: The United Democratic Front (UDF) of President Muluzi (48%); the Alliance for Democracy (AFORD) of C. Chihana (15%), and the Malawi Congress Party (MCP) of G. Chakuamba (34%). UDF and AFORD currently form a coalition government.
- The Malawi Government in April 2002 launched the Malawi Poverty Reduction Strategy Paper, which serves as the country's national development strategy.
- International organization participation: ACP, AfDB, COMESA, ECA, FAO, G-77, IBRD, ICAO, ICFTU, IDA, IFC, IFRC, ILO, IMF, IMO, Interpol, ITU, MONUC, NAM, OAU, OPCW, SADC, UNO, UNCTAD, UNESCO, UNIDO, UPU, WHO.

While Malawi has made remarkable progress in developing its governance institutions, a core problem remains weak management. Political developments have been dominated by the question of the amendment to the constitution (Art.83) to enable any State President in Malawi to stand for more than two terms as currently stipulated in the constitution. Governance issues have led at times to strained relationships with donors, including the Commission and member states.

6. Economic situation

Table 6.1 Economic Data compared to Sub-Saharan Africa (2001)¹⁾

	Country	Sub-Saharan Africa		Country	Sub-Saharan Africa
Growth of GDP %	-1.5	3.0	Exports/GDP %	23.3	29.5
Investment/GDP %	10.9	N/A	Imports/GDP %	33.3	31.3
Gen. Gov. Exp/GDP %	32.7	N/A	Foreign Direct Investment in million US\$		6,700
Gen. Gov. deficit/GDP %	8.9	N/A	Rate of Inflation %	26.1	12.9
Gen. Gov. Expenditure on Social Sectors/GDP ²⁾ %	6.1	N/A	Rate of unemployment %	N/A	N/A
Total Debt service/GDP %	156.4	N/A	% of population below national poverty line	65	N/A

¹⁾Data Sources: World Bank Internet Data Profiles; Malawi National Economic Council, Economic Report 2002; IMF Country Report No. 02/181, August 2002. More recent data than 2001 is not available.

²⁾ Social and Community Services, incl. Education, Health, Social Security, Amenity Services etc.

While substantial progress has been made in the reduction of inflation in recent years, it has been bought at high cost to private sector growth, because inflation had been suppressed only through very tight monetary policy and, hence, high real interest rates. Fiscal slippage lies at the root of the need for this tight monetary policy. Economic growth in Malawi is still volatile and highly disappointing, with high real interest rates probably representing the most immediate constraint on growth, particularly for manufacturing. Given the insecure macro-economic environment, Malawi remains highly vulnerable to shocks.

7. Relations with the EU: Legal framework

7.1 Policy statements

The **European Community's Development Policy** of 10 November 2000 determines a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value. Such areas include: the link between trade and development, support for regional integration and co-operation, support for macro-economic policies, transport, food security and sustainable rural development, institutional capacity building, particularly in the areas of good governance and the rule of law. The Communication also specifies that in line with the macro-economic framework, the EC must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

7.2 General policies

Article 177 of the **Treaty** establishing the European Community, EC policy in the sphere of development co-operation shall foster the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; the smooth and gradual integration of the developing countries into the world economy; the campaign against poverty in the developing countries.

7.3 EU Regional policies

ACP-EU partnership Agreement, signed in Cotonou on 23 June 2000, puts main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the EC and Malawi shall pursue these objectives, taking into account the fundamental principles laid down in Article 2 of the Agreement, especially the encouragement of ownership of the development

strategies by the countries and populations concerned – and the essential elements defined in Article 9.

7.4 Specific agreements

Trade agreements:

The provisions of the ACP-EU Partnership Agreement and in its attached protocols cover trade relations between the EU and Malawi.

The **Everything But Arms** initiative grants duty-free and quota-free access for all exports (except arms) originating from LDCs. Only imports of fresh bananas, rice and sugar are not fully liberalised immediately. Duties on these products will gradually be reduced until duty free access is granted for bananas in January 2006, for sugar in July 2009 and for rice in September 2009. In the meantime, there will be duty free tariff quotas for rice and sugar. These quotas will increase by 15 % annually. The decision has been taken with Council Regulation 2502/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004. (OJ L346, 31/12/2001, p.00001-0006).

8. EC and Member States with cooperation with Malawi

Table 8.1 Planned disbursements for 2003 (millions €)

Sectors	Countries																Total
	EC	B	DK	D*	EL	E	F	IR	I	L	NL	A	P	FI	S	UK*	
Education				2.8											0.8	12.4	16
Health	2.2			4.8											4.2	23.6	34.8
Water supply and sanitation															0.5		0.5
Government and Civil Society	7.7			4.7											2.7	14.5	29.6
Transport and storage	48.6																48.6
Communications																	
Banking and financial services																	
Business/Private sector				0.2												2.1	2.3
Energy															7.5		7.5
Agriculture, forestry, fishing	2.7			1.7										0.6		5.8	10.8
Industry, Mining and Construction																	
Trade and tourism																	
Environmental Protection																	
Gender				0.4													0.4
Commodity aid																	
Budget support /SAP	26.7														4.3	21.8	52.8
Food aid				1.0												9.9	10.9
Debt relief																	
Emergency assistance							0.2										
Support to NGOs	5													0.1			5.1
Others	3.2			1.1			0.3										4.6
Total	96.1			16.7			0.5							0.7	20	90.1	224.1

D*) Commitments; disbursement figures not readily available

UK*) Figures representing the financial year April 2003- March 2003

For a more detailed definition of the DAC categories, please refer to the DAC statistical reporting directives found on the OECD/DAC web page for further information.

Local coordination mechanisms include the

- Common Approach to Budgetary Support (CABS)
- Sector Wide Approach in the Health Sector
- Various sector Donor Groups, e.g. on Economic Management, Agriculture and Food Security, and Health, which meet on a regular basis

9. EC Cooperation and Development Assistance; the response strategy

The **Country Strategy Paper** and **National Indicative Programme** for the period 2002-2007 approved by the Commission in August 2002 guides the development cooperation between the EC and Malawi. The CSP identified the main problems facing the country and it was decided that future EC co-operation efforts in reducing poverty reduction should be focused on two sectors – agriculture/food security/natural resources and transport and infrastructure. Macro-economic support is also to be provided, which will focus on health and education. Under the EDF 9, Envelope A of 276 million euros, which is to cover long term development operations the indicative allocation is as follows: agriculture and natural resources 60 million; transport and infrastructure 90 million; macro-economic support 70 million and other programmes 56 million. The National Indicative Programme for Malawi has been drawn up as a series of table presenting the intervention frameworks for each focal sector and includes a detailed activities chronogramme for all activities during a 2-year rolling period.

10. Major players with interest and influence in Malawi

Table 10.1 - Major players that influence the development in Malawi and their roles (2002)

Organisation	Main sectors involved in	Magnitude of development aid (in million EUR)
CIDA*	Education, good governance, health, infrastructure, NGOs	12.7
DFID*	Agriculture/natural resources, education, good governance, health, local government, macro-financial, NGOs, police justice, private sector	96.6
EC/EIB*	Agriculture/natural resources, environment, food security, good governance, health, infrastructure, macro-financial, micro projects, NGOs, police/justice, private sector	129
German Government	Democratic Decentralisation, Basic education, Health, HIV/AIDS, Gender, food security, (agriculture + natural resources fading out)	19
JICA*	Agriculture/natural resources, commodity aid, debt relief, food security, infrastructure	27.9
NORAD/Sida	Health, HIV/AIDS, macro-economic development (agriculture, energy, culture)	26
UNOs: FAO, UNAIDS, UNICEF, UNHCR, UNFPA, WFP*	Agriculture/natural resources, education, environment, food security, good governance, health, local government, macro-financial, private sector	175.4
USAID*	Agriculture/natural resources, education, good governance, health, private sector	22.4
World Bank*	Agriculture/natural resources, education, environment, infrastructure, local government, macro-financial, micro projects	50.6

* Data source: database figures collected by CIDA

11. Representation in country Malawi

Table 11.1 – Professional Staff

Country and Address	Generalists	Trade	Development	Others	<i>Total</i>
Germany Address: German Embassy P.O. Box 30046 Lilongwe 3 Tel: +265-1-772555	<i>4</i>		<i>6</i>		<i>10</i>
France Address: French Embassy/German Embassy P.O. Box 30054 Lilongwe 3 Tel: +265-1-771454				<i>1</i>	<i>1</i>
United Kingdom Address: British High Commission P.O. Box 30042 Lilongwe 3 Tel: +265-1-772400	<i>3</i>		<i>15</i>		<i>18</i>
European Community Address: Europa House P.O. Box 30102 Lilongwe 3 Tel: +265-1-773199	<i>3</i>	<i>1</i>	<i>5</i>	<i>1</i>	<i>10</i>