

COUNTRY LEVEL EVALUATION
Republic of Malawi

Final Report
Volume 1: Main Report

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iram



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The opinions expressed in this document represent the views of the authors, which are not necessarily shared by the Commission of the European Union or by the authorities of the countries concerned.

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¹ In this report the consultants will refer to DEVCO and the European External Action Service (EEAS) that was created with the Treaty of Lisbon (entry into force on 01/12/2009) as opposed to the former DG AIDCO and DG RELEX. The term 'EC support' refers to the Commission of the European Union as the major part of the assignment as well as the formulation of the methodology were conducted before the Lisbon treaty came into force.

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List of Acronyms

AAH	Action Against Hunger
ACP	Africa, Caribbean, Pacific
ADC	Area Development Committee
ADMARC	Agricultural Development & Marketing Corporation
ADP	Agricultural Development Programme
ADP-SP	Agricultural Development Programme Support Project
ADR	Alternative Dispute Resolution
AEP	Annual Expenditure Programme
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act (USA)
AISP	Agricultural Input Subsidy Programme
AMSP	Accompanying Measures for Sugar Protocol Countries
APIP	Agricultural Productivity Investment Programme
APRM	African Peer Review Mechanism
ARP	Annual Roads Programme
ASSMAG	Association of Smallholder Seed Multiplication Action Group
ASWAp	Agriculture Sector Wide Approach
ASWAp-SP	Agriculture Sector Wide Approach Support Project
ASYCUDA	Automated System for Customs Data
AU	African Union
BCS	Background Conclusion Sheet
BESTAP	Business Environment Strengthening Technical Assistance Project
BIs	Beneficiary Institutions
BL	Budget Lines
BOP	Balance of Payment
BOQ	Bill of Quantities
BS	Budget Support
BXL	Brussels
CAADP	Comprehensive Africa Agriculture Development Programme
CABS	Common Approach to Budget Support
CBI	Cross Border Initiative
CBO	Community Based Organisation
CBRLDP	Community-Based Rural Land Development Project
CDE	Centre for Development of Enterprises
CEAR	Central East African Railways
CEDAW	Convention on Elimination of Discrimination against Women
CEM	Economic Memorandum
CFA	Core Function Analysis
CGIAR	Consultation Group of International Agriculture
CISP	Comitato Internazionale per lo Sviluppo dei Popoli (Italian NGO)
CLE	Country Level Evaluation
COBASSIP	Community Based Activities and Small Scale Irrigation Programme
COMESA	Common Market for East & Central Africa
COMRAP	COMESA Regional Agro-Inputs Programme
CONGOMA	National Body for NGO Activities
COOPI	Cooperazione Internazionale (Italian NGO)

CPI	Consumer Price Index
CSE	Country Strategy Evaluation
CSO	Civil Society Organization
CSP	Country Strategy Paper
CTC	Community-based therapeutic Care
CWW	Concern Worldwide
DA	Development Assistance
DAC	Development Assistance Committee (OECD)
DADO	District Agriculture and Development Offices
DAS	Development Assistance Strategy
DCA	DanChuch Aid (Danish NGO)
DCAFS	Donor Committee for Agriculture and Food Security
DCI	Development Co-operation Instrument
DEL	Delegation
DFC	Consulting Company
DFID	Department for International Development, UK
DG	Directorate General (of the European Commission)
DHO	District Health Office
DOD	Disbursed Outstanding Debt
DOECC	Department of Economics of Chancellor College
DoF	Department of Forestry of the Ministry of Energy and Mines
DOM	Department of Mines
DOTS	Direct observable treatment short
DPP	Democratic Progressive Party
DR	Desk Report
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EBA	Everything-But-Arms (EU Trade scheme for LDCs)
EC	European Commission/ Commission of the European Union
ECAMA	Economics Association of Malawi
ECF	Electoral Commissions Forum
ECHO	European Commission Humanitarian Aid
EC-MAS	European Commission Multiannual Adaption Strategy
EDF	European Development Fund
EFSTT	Enhancing Food Security through Trade
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIS	Environmental Information System
EM	Evaluation Mission
EMP	Employment-Intensive Investment
ENRTP	Energy Thematic Programme
EPA	Economic Partnership Agreement
EQ	Evaluation Question
ESA	Eastern Southern Africa
ESF	Exogenous Shock Facility
ESIA	Environment and Social Impact Assessment
ESMP	Environmental and Social Management Plans
ET	Evaluation Team

ETR	End-Term Review
EU	European Union
EUD	EU Delegation
FA	Financing Agreement
FAO	Food and Agriculture Organization of the United Nations
FCTF	Food Crisis Task Force
FDE	Finance Director
FDMF	Forest Development and Management Fund
FIDP	Farm Income Diversification Programme
FIMTAP	Financial Management Transparency and Accountability Programme
FISP	Farm Input Subsidy Programme
FMIS	Forest Management Information System
FMO	Netherlands Development Finance Company
FMU	Forest Management Unit
FNSJTF/TS	Food and Nutrition Security Joint Task Force / Technical Secretariat
FNSP	Food and Nutrition Security Policy
FR	Forest Reserve
FS	Food Security
FSBL	Food Security and Food Aid Budget Line
FSI	Food Stress Index
FSNP	Food Security and Nutrition Policies
FSP	Food Security Programme
FSTP	Food Security Thematic Programme
FTA	Free Trade Agreement
FY	Financial Year
GBI	Green Belt Initiative
GBS	Global Budget Support
GDP	Gross Domestic Programme
GEFM	Group on Finance and Economic Management
GFS	Government Financial Statistics
GHI	Global Hunger Index
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (ex GTZ)
GNI	Gross National Income
GoM	Government of Malawi
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Bilateral Aid Agency)
GVM	Gross Vehicle Mass
HDI	Human Development Index
HDM	Highways Development Model
HH	Households
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human immuno-deficiency virus/acquired immune deficiency syndrome
HRCC	Human Rights Consultative Council
IAS	Impact Assessment Study
ICBP	Institutional Capacity Building Programme
IDA	International Assessment Study
IDAF	Institutional Development Agri-Food Sector
IDWP	International Development Working Paper

IF	Identification Fiche
IFMIS	Integrated Financial Management Information System
IFMSL	Improved Forest Management for Sustainable Livelihoods
IFPRI	International Food Policy Research Institute
IGA	Income Generating Activities
IGAD	Intergovernmental Authority on Development
IGPWP	Income Generating Public Works Programme
IITA	International Institute of Tropical Agriculture
IMF	International Monetary Fund
IMF AFRITAC	IMF's East Africa Technical Assistance Centre
INFSSS	Integrated Nutrition and Food Security Surveillance System
INSTAP	Institutional Support for Transport Sector Public Bodies
IO	Indian Ocean
IOC	Indian Ocean Commission
IR	Inception Report
IRCC	Inter-Regional Coordination Committee
ISO	International Organization for Standardization
ISP	Input Subsidy Programme
ITC	International Trade Centre
ITF	International Trust Fund
JAR	Joint Annual Report
JC	Judgement Criteria
JEU	Joint Evaluation Unit
JF	Joint Partnership Framework
JICA	Japan International Co-operation Agency
JPSNMES	Joint Programme Support to the National Monitoring and Evaluation Systems
KAA	Key Assessment Areas
KAAs	Key Areas of Achievement
KfW	Kreditanstalt für Wiederaufbau
KRA	Key result areas
KUM	Kayelekera Uranium Mine
LDB	Development Economics Database
LDC	Least Developed Country
LFM	Local Financial Management
LLW	Lilongwe
LRP	Land Reform Programme
LTO	Large Tax Payer's Office
LTTA	Long Term Technical Assistance
M&E	Monitoring and Evaluation
MABRAM	Malawi Backlog Road Rehabilitation and Maintenance Programme
MAFSP	Multi Annual Food Security Programme
MAIFS	Ministry of Agriculture, Irrigation and Food Security
MASIP	Malawi Agricultural Sector Investment Programme
MASSAJ	Malawi Safety, Security and Access to Justice
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MCH	Maternal and Child Health

MDG	Millennium Development Goal
MDHS	Malawi Demographic Health Survey
ME	Macro-Economic
MEC	Malawi Electoral Commission
MEJN	Malawi Economic Justice Network
Mepc	Malawi Export Promotion Council
MEPD	Ministry of Economic Planning and Development
MGDS	Malawi Growth and Development Strategy
MHRC	Malawi Human Rights Commission
MHRRC	Malawi Human Rights Resource Centre
MIP	Multiannual Indicative Programme
MIPA	Malawi Investment Promotion Agency
MIT	Ministry of Industry and Trade
MLNP	Malawi National Land Policy
MLRPIS	Malawi Land Reform Programme Implementation Strategy
MNREE	Ministry of Natural Resources, Energy and Environment
MoAFS	Ministry of Agriculture and Food Security
MoAI	Ministry of Agriculture and Irrigation
MoAIFS	Ministry of Agriculture, Irrigation and Food Security (divided and renamed)
MoEPD	Ministry of Economic Planning and Development
MoF	Ministry of Finance
MoH	Ministry of Health
MoHP	Ministry of Health and Population
MoJ	Ministry of Justice
MOJICA	Ministry of Justice and Constitutional Affairs
MOLG	Ministry of Local Government
MoLHUD	Ministry of Lands, Housing and Urban Development
MOTPI	Ministry of Transport and Public Infrastructure
MoU	Memorandum of Understanding
MOZ	Mozambique
MP	Management Plan
MPP	Micro-Projects Programme
MPRSMGDS	Malawi Poverty Reduction Strategy Paper and Malawi Growth and Development Strategy
MPRSP	Malawi Poverty Reduction Strategy Paper
MPVA	Malawi Poverty Vulnerability Assessment
MR	Monitoring Report
MRA	Malawi Revenue Authority
MRPRS	Malawi Poverty Reduction Strategy
MS	Member State
MT	Metric Tons
MTEF	Medium term expenditure framework
MTPI	Ministry of Transport and Public Infrastructure
MTPW	Ministry of Transport and Public Works
MTR	Mid-Term Review
MVAC	Malawi Vulnerability Assessment Committee
MWK	Malawi-Kwacha

NACAL	National Census of Agriculture and Livestock
NAO	National Authorising Officer
NAPA	National Adaption Programme of Action
NAS	National Adaption Strategy
NASFAM	National Smallholder Farmer Association of Malawi
NATAC	National Transport Committee
NCIC	National Construction Industry Council
NCSJ	National Council on Safety and Justice
NDTPF	National Development and Trade Policy Forum
NEP	National Enquiry Points
NEPA	National Environmental Policy Act
NEPAD	New Partnership for Africa's Development
NEWB	National Early Warning Unit
NFP	National Forest Programme
NFRA	National Food Reserve Agency
NGO	Non-Government Organisation
NICE	National Initiative for Civic Education
NIP	National Indicative Programme
NLRC	National Land Reform Council
NORAD	Norwegian Agency for Development Co-operation
NRA	National Roads Authority
NRF	National Research Foundation
NRM	Natural Resource Management
NRSC	National Road Safety Council
NRU	Nutrition Rehabilitation Unit
NSAs	Non-State Actors
NTSP	National Transportation Safety Board
NWC	National Water Commission
ODA	Overseas Development Assistance
ODI	Overseas Development Institute
ODPP	Office of the Director of Public Procurement
OECD	Organisation for Economic Co-operation and Development
OPC	Office of the President and Cabinet
OVI	Objectively Verifiable Indicator
PA	Performance Assessment
PAF	Performance Assessment Framework
PAMA	Paprika Association of Malawi
PCD	Policy Coherence for Development
PE	Programme Estimate
PEFA	Public Expenditure and Financial Accountability
PEFM	Public Expenditure and Financial Management
PEM	Protein Energy Malnutrition
PFEM	Public Financial and Economic Management
PFM	Public Financial Management
PFMAP	Public Financial Management Action Plan
PGBS	Partnership General Budget Support
PIF	Policy Investment. Framework
PME	Planning, Monitoring and Implementation

PMTCT	Prevention of Mother-to-Child Transmission
PPP	Public Private Partnership
PPU	Policy and Planning Unit
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility
PRIP	Public Sector Investment Programme
PROSCARP	Promotion of Soil Conservation and Rural Production
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PS	Project Synopsis
PSU	Project Support Unit
PTCM	Protocol on Transport, Communication and Metrology
PVHO	Plant And Vehicle Hire Organisation
PWP	Public Works Programme
QA	Quality Assurance
RA	Roads Authority
RAO	Regional Authorising Officer
REC	Regional Economic Community
REWS	Regional Early Warning System
REWU	Regional Early Warning Unit
RF	Road Fund
RFA	Roads Fund Authority
RFRP	Regional Fiscal Reform Program
RG	Reference Group
RIDP	Rural Infrastructure Development Programme
RIO	Research, Instruction and Outreach Committee
RIP	Regional Indicative Programme
RISDP	Regional Indicative Strategic Development Plan
RMSP	Rural Microfinance Support Project
ROL	Rule of Law
ROM	Results Oriented Monitoring
RSA	Republic of South Africa
RSP	Regional Strategy Paper
RTA	Road Traffic Authority
RTD	Research and Technological Development
RTP	Rural Transport Policy
RUTF	Ready-to-Use-Therapeutic-Food
S&G	Standards and Guidelines
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAF	Structural Adjustment Facility
SAFEX	South African Future Exchange Markets
SAP	Structural Adjustment Programme
SARRNET	Southern Africa Root Crops Research Network
SBS	Sector Budget Support
SC	Superior Cultivar
SCP	Stanford China Programme

SEA	Strategic Environmental Assessment
SFC	Supplementary Feeding Centres
SFTEP	Social Forestry Training and Extension Project
SGR	Strategic Grain Reserve
SIDA	Swedish International Development Agency
SIP	Sector Investment Programme
SIPO	Strategic Indicative Plans for the Origin
SLRP	Support to the implementation of the Malawi Land Reform Programme
SME	Small and Medium-sized Enterprise
SMP	Staff Monitored Programme
SNRP	Sustainable Nutrition Rehabilitation Programme
SOAS	School of Oriental and African Studies
SPRINT	Special Programme for Investment in Needy Times
SPS	Sanitary and Phytosanitary Standards
SPSP	Sector Policy Support Programme
SQAM	Standardization, Quality System, Accreditation and Metrology
SSATP	Sub-Saharan Africa Transport Policy Program
STABEX	Stabilization of Export Earnings of Agricultural Commodities
STTA	Short Term Technical Assistance
SWAp	Sector Wide Approach Programme
SWG	Sector Working Groups
TA	Technical Assistance
TAP	Technical and administrative provisions
TB	Tuberculosis
TCF	Technical Co-operation Facility
TCSPIP	Transport and Communication strategy and Priority Investment Plan
TLSS	Technical Land Services Secretariat
TNP	Targeted Nutrition Programme
TOR	Terms of Reference
TP	Trade Protocol
TRC	Transformation Resource Centre
TS	Technical Secretariat
TS/FCJTS	Technical Secretariat of the Food Crisis Joint Task Force
TS/FSJTS	Technical Secretariat of the Food Security Joint Task Force
TSIP	Transport Sector Investment Programme
TSMIF	Transport Sector Management Information Framework
TSP	Training Support for Partners
TWG	Technical Working Group
U5	Under 5
UDF	United Democratic Front
UK	United Kingdom of Great Britain & Northern Ireland
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
US\$	United States Dollar
USA	United States of America

USAID	United States Agency for International Development
VCA	Value Chain Analysis
VDC	Village Development Committee
VFA	Village Forest Area
VNRMC	Village Natural Resource Management Committee
VOC	Vehicle Operating Costs
WATSAN	Water and Sanitation
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization
ZAM	Zambia
ZIM	Zimbabwe

EXECUTIVE SUMMARY

INTRODUCTION

This evaluation of the European Commission's (EC) co-operation with Malawi was carried out in 2010 and 2011. The main objectives of the evaluation were provision of an independent assessment to the Commission of the EU and to the wider public of the Commission's past and current co-operation relations with Malawi and to identify key lessons in order to improve the current and future strategies and programmes of the Commission of the EU.

The evaluation covers co-operation strategies and implementation including a mix of all activities and modalities during the period 2003-2010 (implementation of the European Development Fund (EDF8 & EDF9, and programming of EDF10). During this period the support of the Commission included focal sectors (regional development, agriculture and food security, regional inter-connection – local and regional road transport), non-focal sectors (support to trade and investment, fight against HIV/AIDS and governance (civic education, justice and support to Non-State Actors) and cross-cutting issues (including environment, sustainability and gender issues).

SCOPE & METHODOLOGY

The evaluation covers cooperation strategies and implementation including activities and modalities during the period 2003-2010. Assessment has included relevance and coherence of strategies, consistency between programming and implementation, Commission's 'value added', coordination and complementarity of interventions (with those of other donors), coherence, implementation (focus on impact, sustainability, effectiveness and efficiency), cross cutting issues and the degree of adoption of recommendations of the previous country level evaluation in 2002.

The evaluation has been based on a limited number of evaluation questions (10) covering seven evaluation criteria (relevance, effectiveness, efficiency, impact, sustainability, coherence and 'added

value' of the Commission of the EU) plus cross-cutting issues and 3Cs (coordination, complementarity and coherence). The questions respond to the analysis of the overall policy framework of the Commission of the EU and EDF9 and EDF10 Country Strategies for Malawi.

Answers to the evaluation questions included consideration of a selection of project interventions of the Commission which were examined in detail during the field phase of the evaluation in Malawi. These projects included major EDF9 commitments implemented between 2003 and 2010, a sample of budget line and other category interventions and some proposed interventions under EDF10, most of which were at programming stage and were thus considered for intended effects. These interventions represented some 90% of EDF9 (Envelope A) commitments and approximately 66% of EDF10 (Envelope A) commitments.

During the field phase in Malawi, the evaluation team arranged interviews, focus group discussions and site visits to investigate hypotheses formulated during the preceding desk phase. Overall the evaluation team participated in some 80 interviews in Malawi and elsewhere with representatives of the Commission, the Government of Malawi (GoM), other donors, beneficiaries and other bodies, totalling over 120 persons. A total of 10 focus groups of beneficiaries of interventions of the Commission of the EU were attended by about 170 persons and 12 intervention sites under 8 supported projects/programmes were visited by the team. In total approximately 350 documents and web sites were consulted during the course of this evaluation.

COMMISSION OF THE EU - MALAWI CO-OPERATION CONTEXT

Malawi is among continental Africa's more densely populated and least developed countries and is ranked by its Gross Domestic Product (GDP) as 217th out of 227 countries. Malawi depends on external aid to cover development needs in most

sectors. Constraints to development include population growth, pressure on agricultural land, HIV/AIDS, low life expectancy, high infant mortality and corruption.

Malawi is a multi-party democracy within the framework of presidential representative democratic republic with provision for national and local elections every 5 years although the date for local elections continues to be postponed. Protection of human rights is enshrined in the constitution, but since 2009 there has been evident deterioration in respect for the constitutional principles. Several controversial bills limiting civic and political freedoms have been introduced and recently this has been extended to narrowing down freedom of association and expression due to escalating tensions between a broad civic society coalition, some media outlets, journalists and the President.

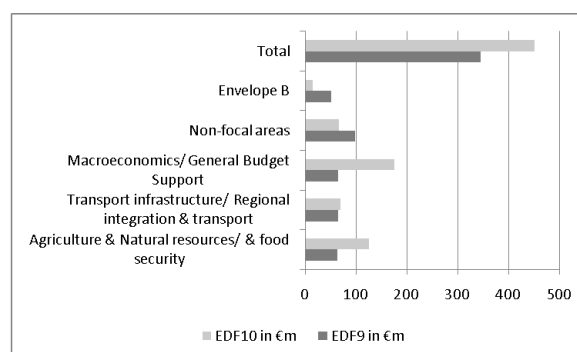
Malawi's economy is predominantly agricultural employing some 90% of the national labour force and accounting for more than 90% of export revenues. Although GDP growth was robust in the period 2006-2010 more recently prices for major export crops have slumped (e.g. tobacco) and the world economic crisis has impacted on the national economy. There has been a prolonged shortage of foreign exchange with resultant fuel shortages and there has been increasing advocacy for devaluation of the Malawi Kwacha. At the time of writing it is understood that the International Monetary Fund (IMF) is considering whether or not the economy has again gone off track.

Malawi's development strategies for the evaluation period of 2003-2010 were initially set out in the Malawi Poverty Reduction Strategy Paper (to which the EDF9 County Strategy Paper responded) which emphasised small-holder agriculture, promotion of off-farm employment and expanded social services as contributions to poverty reduction. This was replaced by the 2006-2011 Malawi Growth and Development Strategy (to which EDF10 County Strategy Paper responds) and which emphasizes poverty reduction through economic growth.

STRATEGY AND INTERVENTION LOGIC OF THE COMMISSION OF THE EU

The Commission of the EU has been a major co-operation partner of Malawi for decades. Allocations under EDF9 totalled €345m and initial EDF10 allocations exceed €450m. Other Commission support is provided outside the EDF bilateral co-operation framework whilst the European Investment Bank provides financing in the form of capital investments or loans.

There has been striking consistency of Commission's support to Malawi for more than a decade with focal sectors changing little between successive programming cycles [i.e. EDF7 & 8 i.e. before 2001 – natural resources, health and transport infrastructure; EDF9 2001-2007 – natural resources, food security, agriculture, transport and infrastructure; EDF10 2008-2013 – rural development, food security, agriculture and regional integration (road infrastructure)].



The preferred support modality (of the Commission of the EU and the Government of Malawi) is budgetary support which has been an increasing proportion of the Commission's development support over the past decade. Efforts are being made to develop sector wide approaches (SWAps) in most sectors but progress is slow.

OVERALL ASSESSMENT

Commission's support and targeting of support has responded to nationally expressed needs although there has been little flexibility in timely adjustment of such support to evolving needs. However this support has been insufficient to address such long terms needs which have to be considered as intractable and enduring, at least for current perspectives in which few exit strategies are emerging. The support of

the Commission of the EU to agriculture-led economic growth has been convincing and comprehensive whilst Commission's support has contributed to improved food security (especially among vulnerable groups), particularly regarding availability and access. Such support also has been successful in reducing malnutrition of children under 5. The support of the Commission of the EU to the road sector in Malawi has contributed to the management of a main road network that continues to be in relatively good condition and the achievement of a SWAp in this sector is an undoubted achievement. However, the condition of lower category rural roads, whilst improving, continue to be seasonally poor resulting in unreliable accessibility for the majority of the population living in rural areas. Overall, the support strategy of the Commission of the EU for the road sector has impacted on the condition and levels of service of roads in Malawi but has made little contribution to wider regional connectivity. The support of the Commission of the EU to capacity building in trade negotiations and related forums have had only limited effects on regional integration. Budget support in general and budget support of the Commission of the EU in particular has contributed to macro-economic stabilisation by way of financing current account and fiscal deficits. The Commission of the EU gave significant inputs to reform of public financial management under Poverty Reduction Budget Support (PRBS) programmes, although government financial systems and procedures for management of budget support are not yet fully effective despite many years of such support to Public Finance Management (PFM) reform. EC support to Rule of Law consisted of two apparently complementary components (justice and civic education) which in practice had little in common in terms of synergies during implementation. The result was that support to the National Initiative for Civic Education (NICE) was highly effective whilst support to the justice (sub) sector and to Non state actor's capacity building was not so successful. Finally, the choice of the Commission of the EU aid modalities has had very variable impacts on efficiency of implementation of the support of the Commission of the EU.

SUMMARY ANSWERS TO EVALUATION QUESTIONS

1. Response to the changing needs of the Malawian population and those expressed by the Government of Malawi

The support of the Commission of the EU and targeting of support has responded to nationally expressed needs although there has been little flexibility in timely adjustment of such support to evolving needs. Overall, focal support strategies responded to such needs but non-focal sector support strategies have been less effectively responsive. Needs have changed little over many years and thus the focal support sectors of the Commission of the EU have not significantly changed over several programming cycles. Applied resources have been appropriate considering national absorption capacities and limited EU Delegation programme management capacity and have delivered mainly short term gains from long term support. However this support has been insufficient to address such long terms needs which have to be considered as intractable, at least for current perspectives.

2. The contribution of the Commission of the EU to agriculture-led economic growth

The Commission's support to agriculture has been convincing and comprehensive. The current establishment of a multi-donor trust fund will be an important step towards developing a sector-wide approach. However, many challenges remain to be addressed – lack of policy consensus, weak sector policies and planning, lack of dialogue, sector leadership and coordination and inadequate budgets. Results of the support of the Commission of the EU to sector reform and institutional capacity building have been unsatisfactory such that the contribution of the Commission of the EU to agriculture-led economic growth has been limited although Commission's support to district level interventions delivered good short-to-medium-term results, especially for crop diversification, irrigation and increased incomes. Sustainability prospects at local levels appear good where beneficiaries perceive the benefits to give continuation to the intervention and have been enabled to do so. However, reliance on volunteer

structures in some programmes appears questionable and there is little evidence of integration of intervention results into government structures. The Farm Input Subsidy Programme has been effective (with cautious support by the Commission of the EU) but it is not (nor intended to be) sustainable. Support to farmer associations has been challenging due, in part, to wrong assumptions of capacity.

3. The contribution of the Commission of the EU to food security

The support of the Commission of the EU has contributed to improved food security (especially among vulnerable groups), particularly regarding availability and access. Such support also has been successful in reducing malnutrition of children under 5. However, delays resulting from difficulties with the Commission's procedures negatively affected implementation. At national level, there has been improving coordination of stakeholders, but institutional issues and discretionary trade and marketing policies guiding government interventions have impeded better sector development and sector dialogue. However, despite disagreements among development partners on some sector policies there have been some positive results regarding support to developing food security policies. At household levels, the support of the Commission of the EU to public works (through the Income Generating Public Works Programme), food security programmes and seed subsidies, the Farm Income Diversification Programme and projects from non-governmental organisations have improved food security although many of the changes are of a rather short term nature. Overall project implementation periods were too short and coordination between and within project interventions could have been better. Despite recent efforts to harmonise different project indicators monitoring and evaluation in this (sub-) sector varies widely from weak to best practice, but overall it is fragmented.

4. Contribution of the Commission of the EU's support to sector management of a road network that provides appropriate service levels

The support of the Commission of the EU to the road sector in Malawi has contributed to the management of a main road network that continues to be in relatively good condition. However, the condition of lower category rural roads, whilst improving, continue to be seasonally poor resulting in unreliable accessibility for the majority of the population living in rural areas. The national road network is a hugely expensive national asset with continuing doubts about its affordability without current or even greater levels of donor support. Funding deficits are increasing as is a backlog in periodic maintenance (again) whilst traffic regulation, axle load control and management of safety issues continue to have serious deficiencies. Capacity issues in sector institutions continue despite many years of major technical assistance. Against this background, the support of the Commission of the EU has made a significant contribution to development of sectoral policies, strategies, programming and institutional reform culminating in the development of a sector-wide approach programme, which must be recognised as a major achievement. Such sector policies and strategies have promoted institutional change (Roads Authority and Roads Fund Authority) but sector capacity issues remain a serious problem.

5. Contribution of the support of the Commission of the EU to the road sector for improved regional connectivity

The support strategy of the Commission of the EU for the road sector has impacted on the condition and levels of service of roads in Malawi but has made little contribution to wider regional connectivity. Commission's strategy for regional connectivity has been based on the assumption that national infrastructure programmes would naturally build up to provide seamless regional connectivity. However, experience in Malawi showed that national programmes only contribute to regional connectivity when priorities of 'downstream' and 'upstream' countries coincide. Malawi has been literally and metaphorically at the end of the road (and rail line) and this relatively poor 'upstream' connectivity has been aggravated by dilatory ratification and implementation of regional protocols and agreements regarding cross border

movement and international transport. Little attention has been given to such facilitatory issues which are now as significant as infrastructure and corridor quality issues. But the situation is changing fast. Malawi is in a pivotal position as huge private sector investment in coal extraction in neighbouring Tete Province of Mozambique requires a heavy duty rail outlet to a deep water port (Nacala) in the next few years. The scale of investment is such that a combination of private and public sector investment will be required and EC involvement may be appropriate under the EU-Africa Infrastructure Trust Fund. Such investment will transform Malawi into a transit country and regional connectivity will be impacted as far as the Zambian and Democratic Republic of Congo Copper Belt.

6. Contribution of the support of the Commission of the EU to capacity building in trade negotiations and related reforms to regional integration

The support of the Commission of the EU to capacity building in trade negotiations and related forums have had only limited effects on regional integration. Serious issues in trade facilitation have been apparent for many years but the Malawi Poverty Reduction Strategy Paper (to which EDF9 support strategies responded) did not prioritise such issues as much as the Malawi Growth and Development Strategy I (in response to which EDF10 support proposes higher profile support). Support to negotiations of the Economic Partnership Agreement has been problematical due to fiduciary, administrative and operational problems such that few expected results regarding such support were actually delivered. Meanwhile high level issues have stalled such negotiations and eventual progress may be dependent upon terms for funding of mitigation measures. Serious institutional capacity issues limit national leadership, sector coordination and implementation of support programmes whilst there has been only limited national impact of regional sector support programmes with little coordination, communication (or ownership) between regional and national levels.

7. The budget support of the Commission of the EU and associated policy dialogue's contribution to stabilising the external and fiscal balances

Budget support in general and budget support of the Commission of the EU in particular has contributed to macro-economic stabilisation by way of financing current account and fiscal deficits. This was illustrated when the suspension of budget support in 2004 and 2009 actually negatively affected the macro-economic situation and threatened sectoral budget allocations. The support of the Commission of the EU brought a 'critical mass' to budget support which has promoted implementation of the Malawi Poverty Reduction Strategy. The Common Approach to Budget Support forum is now a platform for high level policy dialogue on budget support related issues although concentration of activities is on monitoring of government implementation of policies and strategies for poverty reduction and macro-economics, with less focus on harmonisation of donor approaches. Following the May 2001 review the International Monetary Fund declaration that Malawi is 'off track' has created additional financial shock as, in July 2011, major donors suspended budget support disbursements.

8. The budget support of the Commission of the EU's contribution to improving Public Financial Management and to orienting budgetary priorities and actual expenditures towards poverty reduction

The Commission of the EU gave significant inputs to reform of public financial management under Poverty Reduction Budget Support programmes, although government financial systems and procedures for management of budget support are not yet fully effective despite many years of such support to Public Finance Management reform. The budget support programmes of the Commission of the EU did not directly monitor budgetary priorities towards pro-poor expenditure and it is not clear whether such budget support actually resulted in increased channelling of funds towards pro-poor social sectors, as it remains difficult to track expenditure.

However, Performance Assessment Framework indicators for the disbursement of variable tranches do include coverage of outcomes of the Malawi Poverty Reduction Strategy (e.g. ratio of attended births).

9. Contribution of the support of the Commission of the EU to Rule of Law (civic education and justice) and Non-state Actors to increased participation and oversight of civic society in governmental and parliamentary decision-making processes

The support of the Commission of the EU consisted of two apparently complementary components which in practice had little in common in terms of synergies during implementation. The result was that support to the National Initiative for Civic Education was highly effective whilst support to the justice (sub) sector and to non-state actors capacity building was not so successful. The exit strategy for the support of the Commission of the EU to the National Initiative for Civic Education, i.e. its transition to a public trust, is very risky, in particular if one consider the currently sensitive relations between government and civil society organisations. Issues of concern include the continued adequacy of resources, the ability of the National Initiative for Civic Education to continue non-partisan activities, its independence and control and nominations to the Board of Trustees. Meanwhile there was a hiatus in activities, loss of some personnel and low morale pending allocation of funds by the Government of Malawi in the second quarter of 2011. Support to the justice (sub) sector was compromised by overambitious assumptions regarding capacities diversity of aims (and numbers) of sector institutions and time scales plus problem of administration of implementation modalities. Support to non-state actors was also compromised by implementation modality problems and expected capacity building results were not determined.

10. Choice of aid modalities of the Commission of the EU contributing to the efficiency of its support

The choice of aid modalities has had very variable impacts on efficiency of implementation of the support of the Commission of the EU. Some of its

modalities contributed positively to implementation progress as measured by rate of disbursement and effectiveness, i.e., especially budget support. However, also other modalities contributed positively to implementation progress, such as basket funding, contribution and administration agreements. At least some of the perceived benefit appears to accrue from avoidance of constantly changing procedural complications of the Commission of the EU. Other modalities were impediments to implementation progress; especially programme estimates and EDF procurement procedures. That being said there is a widely diversified set of modalities in use in Malawi but there has been little consideration or risk analysis of capacity needs necessary to implement these various modalities: Some of which are highly demanding administratively of the EU Delegation and implementer. It has been assumed (often wrongly) that implementers have adequate capacity with no accompanying consideration of contingent mitigation measures. The result is that implementation progress has been delayed (or worse) and technical specialists in the EU Delegation (and National Authorising Offices) are spending long periods of time resolving administrative and procurement issues to the detriment of their core functions. Against this background there is little monitoring of performance of modalities (e.g. the Joint Annual Report).

PRIMARY CONCLUSIONS

Conclusions have been categorised as 'Primary' and 'Complementary' which are discussed in detail in the body of this report. Only 'Primary Conclusions' have been included in this summary. 'Complementary Conclusions' cover such issues as preparation and implementation of sector-wide approaches and budget support, implementation and management of modalities, aspects of governance, complementarity and coordination, regional integration, cross cutting issues, agriculture and food security

PC1. Budgetary support is a powerful tool with excellent absorption capacity for the beneficiary country, and sector-wide approaches are the preferred modalities of both the Government of Malawi and the

Commission of the EU but progress towards SWApS has been difficult in many sectors, impeded by institutional capacity issues. However, the proven benefits of General Budget Support and potential benefits of Sector Budget Support justify this approach in Malawi

PC2. Not all modalities of the Commission of the EU and EDF procedures have facilitated implementation of its support modalities; some modalities as applied and controlled have proven to be serious impediments to implementation.

PC3. Capacity constraints and institutional weakness continue after many years of major technical assistance by the Commission of the EU and other donors. These continuing weaknesses impact upon broader governance, communication and dialogue, leadership and sector management at all levels. There are persistent significant needs for continuing EC support to institutional capacity and Governance.

PC4. The focal sector support of the Commission of the EU to consistent national needs has been correctly focussed and appropriate in terms of national absorption capacities and the capacity of the EU Delegation. In most support sectors sustainability prospects are better at 'grass roots' levels where beneficiaries have a more immediate and personal appreciation of the benefits of continuing flows of results but this sustainability is not assured. Sustainability prospects at higher levels are poor. However, needs continue and, for focal sectors, there are no exit strategies in sight, whilst affordability and sustainability of some support interventions are in doubt. Further, 'emerging risks' of population growth and as-yet undetermined effects of climate change potentially add pressure on development prospects.

PC5. Support of the Commission of the EU to regional integration and connectivity has not been effective. Regarding infrastructure, Malawi is well placed to take advantage of a paradigm shift in regional connectivity that, if correctly leveraged by Malawi, could have significant impacts on quality and costs of transport services and on the competitiveness of Malawian products.

RECOMMENDATIONS

Based on the findings of the evaluation, 16 recommendations have been formulated. These have been grouped under 7 themes and prioritised. Only the four highest priority recommendations have been included in this summary.

Maximising the impacts of sector-wide approaches and budget support

R6. Launch support to the sector-wide approach in the Road Transport (sub) sector (under RTSPSP) subject to confirmation of credible and convincing evidence of resolution of issues regarding 'arrears'. During the first year of RTSPSP review and resolve issues regarding the Performance Assessment Framework, programming, axle load control, road safety and rural accessibility.

Management of modalities

R8. Critically examine the Commission of the EU's and EDF procedures with a view to making them more practical and more user-friendly.

R9. Consider the value of 'visibility' and 'added value of the Commission of the EU' and negative results of detrimental linkage to modality issues.

Aspects of governance

R11. During the course of implementation of the proposed EDF10 Democratic Governance Programme consider additional aspects regarding the National Initiative for Civic Education, support to formal and informal justice sub-sectors and non-state actors' capacity building

Figure 1: Map of Malawi



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1. Introduction

1.1 Origin and Objectives of the Evaluation

This evaluation of the Commission's co-operation with Malawi was part of the 2010 evaluation programme as approved by External Relations and Development Commissioners. The main objectives of the evaluation, as set out in the Terms of reference (TOR), were:

- to be accountable and provide the relevant external co-operation services of the EC and the wider public with an overall independent assessment of the Commission's past and current co-operation relations with Malawi;
- And to identify key lessons in order to improve the current and future strategies and programmes of the Commission.

Systematic and timely evaluation of its programme is a priority of the Commission of the European Union. The focus is on the results and impact of these programmes against a background of greater concentration of external co-operation and increasing emphasis on results-orientated approaches.

It was therefore important that the evaluation struck an appropriate balance between a) being sufficiently comprehensive in order to fulfil the above accountability requirement and b) focussing the scope to provide specific and relevant lessons which can be used by the EC and its partners to accentuate the results-orientation of its support.

1.2 Scope of the Evaluation

This evaluation covered the Commission's co-operation strategies and their implementation, including a mix of all activities and modalities during the period 2003-2010 (i.e. the implementation of the EDF8 and 9 and the programming of the EDF10).

The evaluation assessed:

- Relevance and coherence of the Commission's co-operation strategies (all instruments included²) for the period 2003-2010 (strategic level);
- Consistency between programming and implementation for the same period;
- Value added of the Commission's interventions (strategic and implementation levels);
- 3Cs: coordination and complementarity of the Commission's interventions with other donors' interventions (focus on EU Member States) and coherence³ between the Commission's interventions in the field of development and co-operation and other Commission policies likely to affect the partner country;
- Implementation of the Commission's co-operation, focusing on impact, sustainability, effectiveness and efficiency for the period 2003-2010 and on intended effects for the period under the current programming cycle 2008 – 2013;
- Whether cross-cutting⁴ and key issues were actually taken into account on the one hand in the programming documents and, on the other hand, to what extent these issues have been reflected in the implementation modalities and in the effects of the interventions (strategic and implementation levels);
- Whether the recommendations of the previous country level evaluation have been taken into account⁵.

Thematically, the evaluation focussed on co-operation areas specified in the TOR:

1. Focal sectors

- Rural development and agriculture, including food security
- Regional inter-connection (local and regional road transport)

2. Relevant cross-cutting issues including environmental sustainability and gender issues

² Development instruments under the CSP/NIPs for the EDF8, 9 and 10 and outside (thematic budget lines).

³ 'Coherence' here refers to one of the 3Cs.

⁴ Cross-cutting issues identified in the TOR are: gender, environment, HIV/AIDS and human rights.

⁵ A previous 'Evaluation of EC Country Strategy for Malawi' was carried out in 2003.

3. Other non-focal sectors

- Support to trade and investment
- Fight against HIV/AIDS
- Governance including institutional weaknesses and support to NSAs

4. Instruments used, including budget support.

The evaluation questions presented below focussed the remit of the evaluation regarding these co-operation areas and issues.

1.3 Purpose and Structure of the Draft Final Report

The final report is one of the 'main' key deliverables specified in the ToR. At this stage the objective of this draft final report is to present a synthesis of evaluation findings and conclusions leading to answers to the evaluation questions plus recommendations arising from these conclusions. Also included in this report is a brief description of the methodology of the evaluation, the EC-Malawi development co-operation context and national background related to the scope of the evaluation, plus EC strategy and intervention logic (under EDF9 and EDF10). The report has been kept short to focus on major issues with additional information on context, programme and detailed analysis of findings, with evidence on all judgement criteria and indicators for all evaluation questions in separate annexes.

2. Methodology of the Evaluation⁶

In accordance with the ToR and based upon the methodology developed by EuropeAid Joint Evaluation Unit and in line with the specifications of the launch note for this evaluation, this country level evaluation followed five phases:

- **Inception Phase** (focus of the evaluation by proposing evaluation questions (EQs) and judgement criteria (JCs) plus description of the main thrust of the methodological design including indicators to be used, strategy of analysis and detailed work plan).
- **Desk Phase** (finalisation of EQs, JCs and corresponding quantitative and qualitative indicators, initial collection of evidence, first analysis and formulation of elements of answers and hypotheses to EQs).
- **Field Phase** (collection of additional information in the national context leading to validation or refutation of hypotheses formulated during the desk phase).
- **Synthesis Phase** (which brings together the results of the desk phase and field phase in this draft final report).
- **Feedback and Dissemination Phase** (presentation of the draft final report for stakeholder⁷ comment at a seminar in Malawi subsequent to which a final report will be produced which takes into account comments expressed at the seminar or otherwise).

2.1 Evaluation Questions, Judgement Criteria and Indicators

The evaluation has been based on a limited number of evaluation questions covering seven evaluation criterion – relevance, effectiveness, efficiency, impact, sustainability, coherence and ‘EC added value’⁸. These evaluation questions which were developed in co-operation with the Reference Group for this evaluation respond to analysis of the overall EU policy framework and EC Country Strategy for Malawi as set out in EDF9 and EDF10 CSPs. The main principles of the evaluation questions include coverage of similar levels of action and chain of results, outcomes and impacts.⁹ Evaluation questions are accompanied by appropriate judgement criteria and indicators which were also developed in co-operation with the Reference Group. EQs, JCs and Indicators were approved at inception stage but were subsequently refined and amended during the desk and field phases of the evaluation. These changes are detailed in Annex 4 Synthesis Phase

2.2 Data Collection

2.2.1 Desk Phase

In the course of elaboration of the desk study and preparation of the desk report the evaluation team has undertaken the following tasks:

- collection of information and documentation from the EC in Brussels (including CRIS), EUD in Lilongwe (and some EUDs in neighbouring countries), selected donors and other, publicly available sources (including internet),¹⁰
- carried out interviews in person, by telephone and by email with EC personnel in Brussels and by telephone and email with EUD personnel, selected donors and other informants,¹¹
- held evaluation team meetings in Brussels to discuss the strategy and programming of the evaluation;
- analysed available information and prepared hypotheses and preliminary answers to evaluation questions which will be tested during the field phase.

⁶ Some elements of the methodology of this evaluation are set out in greater detail in Annex 3.

⁷ Including EUD, GoM institutions, EU Member States and other funding agencies, representatives of civil society organisations, NGOs, etc.

⁸ The evaluation questions also cover cross cutting issues and 3Cs (coordination, complementarity and coherence).

⁹ Although coverage of general budget support includes other specific considerations.

¹⁰ See Annex 13: Bibliography (all documentation is available on a web site for access and exchange of information by the evaluation team).

¹¹ See Annex 6: List of persons met.

The desk report finalised EQs, developed further judgement criteria and indicators, summarised initial collection of evidence and set out a first analysis and elements of answers to EQs and hypotheses for testing during the subsequent field phase.

2.2.2 Field Phase

The field phase was devolved to collection of additional information and appreciation of realities of the national context thus testing all hypotheses formulated during the desk phase. The evaluation team was in Malawi for the period 3-15 May 2011 during which the evaluators carried out the following tasks:

- interviews with representatives of EUD, GoM, NAO, other donors, project implementers and beneficiaries, technical assistance personnel, independent experts and civil society.
- focus groups with beneficiaries (IGPWP, MABARM, DAPP, FIDP, SAFE, COOPI, Kasinthula III, case studies of selected past and on-going EC-funded interventions in Malawi including¹²:
 - Income Generating Public Works Programme (IGPWP) (Phases I & II) – 9ACP MAI 017; 9ACP MAI 038
 - Sustainable Nutrition Rehabilitation 9ACP MAI 020
 - INSTAP – 9ACP MAI 027
 - MABARM – 9ACP MAI 021
 - Support to the National EPA Secretariat – 9ACP MAI 022
 - PRBS (I & II) – 9ACP MAI 024, 9ACP MAI 030
 - Promotion of ROL : Improvement of Justice in Malawi & Civic Education (NICE) – 7ACP MAI 002, 8ACP TPS 004, 9ACP MAI 094, 9ACP MAI 023
 - Lakeshore Road Infrastructure Support – 6ACP MAI 087, 6ACP MAI 088, 7ACP MAI 130, 8ACP MAI 030
 - Malawi FSP (BL) – FOOD/2004/006-173
 - Malawi – Sugar Protocol Support (BL) – various interventions – DCI-SUCRE/2008/019-787, DCI-SUCRE/2006/018-410
- consideration of programming and intended impacts and outcomes of proposed EDF10 interventions:
 - RTSPSP – FED 2009/021 – 360
 - RIDP – FED 2010/022 – 433
 - PRBS (III) – FED/2008/020-959
 - Capacity Building towards trade and Private Sector Development – FED/2009/022-040
 - Democratic Governance Programme – FED/2009/022-020

2.2.3 Selection of Programmes and Project Interventions

Interventions which were selected for further assessment during the field phase visit to Malawi were subject to further definition in consultation with EUD and in consideration of logistics. The list was compiled in order to cover:

- major EDF9 commitments undergoing implementation during the intervention period considered by this evaluation (2003-2010) focussing on impact, sustainability, effectiveness and efficiency;
- a sample of budget line and other category interventions;
- proposed interventions under EDF10 – some of these are continuations of previous support themes from the EDF9 programme;
- a significant proportion of the overall portfolio for EDF9 and 10; the listing¹³ represents approximately 66% of the EDF10 (Envelope A) commitments and 90% of the EDF9 (Envelope A) commitments¹⁴.

¹² The evaluation team also had access to the initial findings of the concurrent ROM mission (co-operation arrangements between the teams avoided overlap and duplication of effort wherever possible) regarding some interventions i.e. IFMSL – 9ACP MAI 016; FIDP – 9ACP MAI 015; RFRP – 9ACP MAI 035; Capacity development for NAO support unit (MOF) – 9ACP MAI 018; EIB Malawi Peri-urban Watsan Project – ACP/EU Water Facility.

¹³ Although it will not be possible to cover all listed project/programmes for logistical reasons

¹⁴ Of commitments as confirmed by the ETR.

2.3 Data Reliability and Analysis

Reliable, qualitative and quantitative data and information is essential for preparation of reliable findings and conclusions. Thus the evaluators, drawing on primary and secondary sources, sought wherever possible to cross check and triangulate different data collection methodologies in order to assemble a database and body of relevant information to the highest possible levels of confidence and accuracy. Table 2 sets out the approach to cross checking and triangulation.

Table 1: Cross checking and triangulation

Evaluation Question	EUD	GoM	Civil Society	Private Sector	Beneficiaries	Other Donors	Data Collection Methods
1. Relevance	X 0	X 0	X 0	X 0	X	X 0	Document analysis, interviews
2. Agriculture	X 0	X 0	X 0	X 0	X	X 0	Data & document analysis, interviews, field visits, focus groups
3. Food Security	X 0	X 0	X 0	X 0	X	X 0	Data & document analysis, interviews, field visits, focus groups
4. Road infrastructure (National sector management)	X 0	X 0	X	X 0	X	X 0	Data & document analysis, interviews, field visits, focus groups
5. Regional Connectivity (road infrastructure)	X 0	X 0		X 0		X 0	Document analysis, interviews, field visits
6. Regional Integration (support to trade & investment)	X 0	X 0		X	X 0	X 0	Data & account analysis, interviews
7. Budget Support (ME support)	X	X 0				X 0	Data & account analysis, interviews
8. Budget Support (PFM & social sector expenditure)	X	X 0				X 0	Data & account analysis, interviews
9. Governance	X 0	X 0	X 0		X	X 0	Data & account analysis, interviews
10. Aid Modalities & Efficiency	X 0	X	X		X	X 0	Document analysis, interviews

X Primary sources (interviews, focus groups)
 0 Secondary sources (studies, evaluation and progress reports)

2.4 Difficulties, Limitations (and Mitigation Measures)

During the course of the evaluation various issues and constraints have arisen to which the evaluation team has responded. These are detailed together with responses in Annex 4 Synthesis Phase.

3. EC- Malawi Co-operation Context

3.1 Broad Characteristics of Malawi

Malawi is a land-locked country in southern Africa surrounded by Tanzania, Mozambique and Zambia. It became independent in 1964 after 73 years as the British protectorate of Nyasaland. The country is 118,484 sq. km¹⁵ with a population estimated at 15,447,500¹⁶. The predominantly Christian population (~80%) is divided into four main ethnic groups – Chewa, Tumbuka, Yao and Ngoni. The official languages are English and Chichewa although other local languages are widely spoken¹⁷. The capital is Lilongwe with Blantyre and Mzuzu as regional capitals in the south and north respectively. After gaining independence in 1964¹⁸ the new republic became a single party state under the presidency of Dr Hastings Banda, who ruled until a referendum in 1993 led to multi-party elections in 1994. Since then Malawi has been a multi-party democracy albeit with a weak institutional framework.

Malawi is among continental Africa's most densely populated¹⁹ and least developed countries²⁰ and is ranked (by GDP) as 217th out of 227 countries. Malawi thus depends upon external aid to cover development needs in most sectors, although some improvements have been registered in economic growth and social sectors in recent years.

Population growth (2.76% - est. 2010), increasing pressure on limited agricultural land (arable land is only 20% of the total land area), HIV/AIDS (11.9% infection rate – est. 2007), low life expectancy (51), high infant mortality (83/1000 live births) and corruption are major constraints to development.

3.2 Political and Institutional Situation

Malawi is a multi-party democracy within the framework of a presidential representative democratic republic currently under the leadership of President Dr Bingu wa Mutharika. The constitution was put in place in May 1995 with provision for national and local elections every 5 years, such that national elections were held in 1999, 2004 and 2009.

The executive includes a president (who is head of state and head of government), a first and second vice-president²¹ and a cabinet. The president and vice president are elected for 5-year terms whilst the cabinet is appointed by the president from inside or outside the legislature.

The legislature branch consists of a unicameral National Assembly (193 members) elected for 5-year terms and there is provision for an 80-seat Senate but this has never been set up²². An independent judicial branch comprises a constitutional court, High Court, Supreme Court of Appeal and lower level magistrates' courts.

Malawi is split into three regions (north, central and south), 28 districts, 250 traditional authorities and 110 wards. Local government is administered by regional administrators and district commissioners appointed centrally.

Under the constitution, local government elections should be held every five years but the first (and only) multi-party local government elections took place in November 2000 with UDF winning a clear majority, which continued to the 2004 presidential elections that returned Dr Bingu wa Mutharika. A second round of constitutionally mandated local elections scheduled for

¹⁵ Land 94,080 sq. km; water (Lake Malawi) 24,040 sq. km.

¹⁶ World Fact book, CIA, 2010.

¹⁷ Including Chinyanja, Chiyo, Chitumbuka, Lomwe, Kpokola, Lambya, Ndali, Nyakyusa-Ngonde, Sena and Tonga.

¹⁸ Malawi became a republic in 1966.

¹⁹ 130/sq km with 19% urbanisation (2008) growing at 5.2% annual rate of change (2005-2010). – Burundi, Rwanda, Uganda and Nigeria have similar or greater national population densities

²⁰ GDP growth 2007 8.6%; 2008 – 8.7%; 2009 – 7.6% (est.) – source JAR 2008: GDP per capita 2007 – US\$700; 2008 – US\$800; 2009 – US\$800 (est.) – source World Factbook, CIA, 2010)

²¹ The 2nd vice president, who must be from a different political party, may be appointed at the option of the president.

²² The Senate was intended as a forum for traditional leaders, geographical representatives and special interest groups including women, youth and the disabled.

2005 was cancelled by GoM. In 2005 President Mutharika split with UDF²³ and founded DPP which gained a clear majority in 2009 national elections. The results of these elections were contested as the elections did not comply with all international standards. The new composition of parliament has a much reduced opposition representation, such that it has been suggested that there is no longer adequate representation of national society. Both elections of 2004 and 2009 had high voter turnout and were peaceful. The national legal framework is considered to provide a sound basis for carrying out elections compliant with international and regional standards. However, election monitors concluded that they did not fully comply with international standards and that further reform and increased capacity would be necessary for future elections.

The Malawi constitution and institutional framework establish division of power between legislature, executive and judiciary. However, limited capacity and resources have diminished the effective separation of power. The multi-party system and parliamentary oversight are weak as resources are so scarce that parliamentary sessions are irregular. Although the judiciary has been reported as showing independence from government, it is also reported that there are considerable doubts about the quality of the Malawian judicial system as regards efficiency, fairness and accessibility, especially in rural areas.

Protection of human rights is enshrined in the constitution but since the 2009 elections there has been evident deterioration in respect for constitutional principles. Several controversial bills limiting civic and political freedoms have been introduced and in recent months this has been extended to narrowing down the freedom of association and expression due to escalating tensions between a broad civic society coalition, some media outlets, journalists and the President²⁴. Participation of NGOs and CSOs is increasing although in the agricultural sector there is an issue of associations proliferating without a clear mandate from farmers (especially in the tobacco sub-sector)²⁵. Not all human rights are fully protected; equality is partial with continuing discrimination, violence, trafficking and human rights violations against women and other vulnerable groups whilst homosexuality continues to be criminalised²⁶.

3.3 Economy, Commerce and Private Sector

Malawi's economy is predominantly agricultural - the sector employs about 90% of the country's labour force, accounts for more than one third of the GDP and for more than 90% of export revenues. The main export products are tobacco, tea, sugar, cotton, coffee and peanuts.²⁷ Malawi's economy remains vulnerable to drought and external shocks. Production and exports are recognised as requiring diversification and thus expansion of the mineral sector is welcomed. Commissioning of the Keyelekera uranium mine marks a step change in the sector and there are a number of other mineral prospects currently being assessed. However, infrastructure constraints, especially power supply, represent a serious challenge to such development of mineral deposits. The focus of this development is mainly on large scale mechanical operations but there are also possibilities of increasing output and value from small scale and artisanal operations. Malawi's main import suppliers are RSA, Mozambique, EU, Tanzania and Switzerland; main export destinations are RSA, Mozambique, EU and Switzerland. Malawi maintains bilateral and regional trade agreements under COMESA and SADC plus other preferential trade agreements.

²³ Due to disagreements over anti-corruption efforts.

²⁴ The Cotonou Agreement sets out procedures to be followed in case of possible human rights violations

²⁵ Parliament has mandated the Farmers Union of Malawi to address this issue.

²⁶ Heavy jail sentences were imposed on two Malawi men found guilty of homosexuality although these men were pardoned 2 weeks later after international outcry and intervention by the UN Secretary General. The legislation remains in force.

²⁷ Tobacco made up 53% of total exports in 2007 rising to 70% in 2008 and dropping back to 60% in 2009. The Tobacco Control Commission reported for the buying season 2011 that only 12.5 mio kg of Burley had been sold up to week 7 which is a drop of 72.22% in comparison to the 45 mio kg which had been sold by week 7 in 2010. As the average price was only 81.01 MK/kg compared to 178.48 MK/kg in 2010, this means revenue of US\$4.54m, a decline of 94.25% in comparison to 2010. Sources: CIA World Factbook; Africa 2008; Bloomsberg BusinessWeek 8/12/2010; The Africa Report: Country Profile: Malawi 23/11/2009; EDF10 CSP/NIP, Tobacco Control Commission

Since 2006 overall macro-economic performance has improved with an average real growth of about 7.9% of GDP between 2006 and 2010. This has been major progress compared to the previous five years where growth was about 2% and taking into consideration that a growth level of more than 6% is commonly regarded as a requisite for having a significant impact on poverty reduction. By 2009 the annual inflation rate had come down to about 8.7% which is moderate compared to the years prior to 2006 when average inflation rates were always above 10%.²⁸ Trade in goods and services rose from 67% of GDP in 2003 to 83% of GDP in 2009.

These positive developments are largely attributed to several consecutive years of above-average rainfall, government commitment to invest in farming through agricultural input subsidy programmes from 2005 and higher export earnings from tobacco due to higher prices and higher levels of production²⁹. Maize yields increased significantly and Malawi in 2010 produced a maize surplus for the fifth consecutive year³⁰.

The Malawian economy is still highly dependent on development assistance from international donors such as IMF, the World Bank and others. Since 2005, public financial management has improved under the lead of the new Government, which led to an agreement with the IMF for a three year Poverty Reduction and Growth Facility with a total value of US\$56m. On this basis, development assistance for Malawi increased further due to the engagement of other donors (see also Chapter 2.1.9).

As well as strengthening Malawi's macroeconomic performance, the GoM is also trying to improve trade relations. In this regard, Malawi joined several regional organisations. It is currently a member of the Common Market for Eastern and Southern Africa (COMESA), the Eastern and South African grouping referred to as ESA, as well as the Southern African Development Community (SADC). On 31st January 2010, President Mutharika was elected Chairperson of the African Union for the regular term of one year.

Negotiations on an Economic Partnership Agreement (EPA) and conclusions are pending. Meanwhile, EU-Malawi trade continues to be governed by the Everything but Arms (EBA) initiative. However, there are serious conflicts between the GoM and international buyers of staple export crops (tobacco and cotton) which culminated in the 2009 expulsion of tobacco buyers from the country and the subsequent withdrawal of international cotton buyers from the Malawian market.

At the same time, Malawi has difficulties attracting private investments due to its unfavourable macro-economic environment characterised by high interest rates, volatile exchange rates, high tax levels, an interventionist approach by the Government and poor utility services³¹. Trade laws and regulations create barriers to transition from subsistence and small scale enterprises with many entrepreneurs trapped in the informal private sector due to high costs of formalisation. As a landlocked country, Malawi completely relies on road and railway infrastructure for access to international markets. The current condition of the road infrastructure which is in need of expansion and improvement and the non-functional railway network are an additional obstacle. Consequently, transport costs are significantly higher than in surrounding countries, which make Malawi even less attractive for investments.

For the last 2 years Malawi has been suffering a prolonged shortage of foreign exchange which since December 2010 has compounded the business crisis resulting from a scarcity of fuel in the country³². Various explanations have been put forward for the shortage of forex such as overvaluation of the local currency (Kwacha)³³, other issues linked to poverty reduction efforts (such as the long term fertiliser subsidy programme) or infrastructural development programmes

²⁸ CIA World Factbook Malawi; EDF10 CSP Annex1; JAR 2008 1.2 Macro-economic situation; IMF Country Report (Jan 2009); Reuters Africa <http://af.reuters.com>

²⁹ Joint Annual Report 2008, page 7.

³⁰ Malawi Vulnerability Assessment Committee (VAC), 2010, page 1.

³¹ European Commission Country Strategy Paper for Malawi 2008-2013.

³² GoM suggested at one stage that fuel shortages were the result of repairs to Zambezi Bridge in Mozambique which was causing long delays to trucks.

³³ WB

(such as improvement of the public road network) that has led to significant imports of fuel, cement, reinforcement steel and other construction materials, imports of foreign goods (for the expanding Malawi middle class) and externalization of forex. Low tobacco prices on auction floors (tobacco accounts for over 50% of exports and 60% of all revenue earned from abroad)³⁴ and other exports are generating insufficient forex to cover all such needs³⁵.

3.4 Governance

Constitutional government and rule of law have facilitated some progress towards democratisation and the establishment of human rights, although continued effort is needed to tackle corruption and promote good governance. Improved governance is one of the five themes in the *Malawi Growth and Development Strategy (MGDS)*, under which good governance is noted as a pre-requisite for growth and poverty reduction.

Since the post-Banda introduction of multi-party democracy there have been no limitations on movement, religious freedom, nor, until recently on expression, assembly, association and expression of views. Thus for the past 15 years NSAs have been increasingly active in advocacy and service delivery (especially health, education and food security) whilst CSOs have played a significant role in civic education and in the development of the MGDS. At times this has led to delicate relations with government.

The 2003 country level evaluation recommended that governance should be placed at the centre of all co-operation programmes as both an end in itself (across sectors) and a means (to achieve impact and sustainability). The evaluation highlighted democratic governance and accountability as of paramount importance to the success or failure of all other interventions, noting that objectives in public finance management should be pursued primarily through the macro-financial instrument. The evaluation also stated that the Commission should strengthen the articulation between development aid, political co-operation and trade policy. In addition, the evaluation noted that enhancing the capacity of non-state actors to express themselves, to demand accountability (of local and central governments) and to participate in policy was a key element of a comprehensive poverty reduction strategy.

Under the EDF9, non-focal support areas included assistance for democratisation, good governance, institutional capacity building and NSAs. The EDF10 support is being developed under a good governance framework and good governance continues to be a non-focal area of support³⁶.

3.5 Malawi's Development Strategies

The objectives of the Malawi Poverty Reduction Strategy Paper (MPRSP) 2002 included:

- a united, secure and democratically mature nation with full participation of the population;
- access to quality health and education for all;
- sustainable growth and development with a per capita income of US\$1000 by 2020;
- a technology-based manufacturing-led economy generating 25% of GDP;
- a fair and equitable distribution of wealth;
- a sustainable managed environment;
- food security for all.

This strategy had a three-pronged approach:

- emphasise small holder agriculture to raise the productivity and income of the rural poor;
- promote private sector growth to expand off-farm employment through a number of measures including reduction of transport costs;
- expand social services.

³⁴ It is reported that IMF has ordered that all tobacco proceeds for the auction floors to be deposited straight to commercial banks.

³⁵ The purchase of a presidential jet costing about US\$15.9m may have been a contributory factor.

³⁶ 'Governance, democracy, human rights and support for economic and institutional reforms' is one of nine areas of priority EU action whilst 'democracy, good governance, human rights, the rights of children and indigenous peoples' is one of the cross-cutting issues under EDF10 CSP/NIP.

The EDF9 CSP 2001-2007 was designed to respond to the MPRSP.

The Malawi Growth and Development Strategy (MGDS I) 2006-2011 which was approved in 2006 has the objective of economic growth for poverty reduction in the medium term. MGDS has 5 strategic themes:

- sustainable economic growth;
- social protection;
- social development;
- infrastructure development;
- improved governance.

The six specific areas of concentration are:

- agriculture and food security;
- irrigation and water development;
- transport infrastructure development;
- energy;
- integrated rural development;
- prevention and management of nutrition disorders and HIV/AIDS.

The main aim of the MGDS I is to reduce poverty by creating sustainable economic growth and infrastructure development. The five strategic themes and six priority areas listed above have been defined as critical for the immediate improvement of economic wellbeing of Malawians. The MGDS takes lessons learned from other strategies, such as the Malawi Economic Growth Strategy (MEGS) and the Malawi Poverty Reduction Strategy (MPRS) and builds on them together while taking into account current political, economic and social developments in the country. MGDS I places emphasis on the importance of creating wealth through private sector led economic development, as well as the need for social development through health, education, good governance and the protection of the vulnerable.

MGDS II is currently being drafted but strategic themes and priority areas appear to be little changed.

The EDF10 CSP 2008-2013 is meant to respond to MGDS.

3.6 Development Assistance

Malawi is heavily dependent upon international donor support. Table 4 below sets out Gross ODA (US\$– current prices) to Malawi in the period 1999-2009.

Table 2: Gross ODA to Malawi (1999-2009) (current US\$)

Donor	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DAC Countries (bilateral)	237	281	209	234	316	330	346	410	610	448	436
Multilateral	246	202	242	186	256	257	306	2509	1166	486	338
Non-DAC Countries	5	6	11	9	3	3	3	13	11	9	4
Gates Fund	-	-	-	-	-	-	-	-	-	-	5
All donors	488	489	463	428	575	589	655	2932	1788	943	779
DAC EU MS & EU Inst.	241	211	201	174	256	257	265	333	313	386	285
% DAC EU MS & EU Inst. of total	49%	43%	43%	41%	45%	44%	40%	11%	18%	41%	37%

Source: OECD Stat. Extracts

During the implementation period covered by this evaluation (2003-2010) figures are only available for the period (2003-2009), but Table 5 shows that EU MS and EC have contributed some 25% of Gross ODA to Malawi in this period.

Table 3: Gross ODA to Malawi (2003-2009) (current US\$)

	US\$ (Current)	% of total ODA
EU MS & EC	2095	25%
Multilateral	5318	64%
DAC Countries (bilateral)	2896	35%
Non-DAC Countries	46	1%
Gates Fund	5	-
Total	8241	100%

Source: OECD Stat. Extracts

In recent years (2008-2009) the major donors to Malawi in terms of Gross ODA are listed in Table 4. UK and Germany are the largest bilateral donors among EU MS with EC accounting for the second largest commitment of EU funds after DFID. Among the EU MS some 13 countries maintain embassies or consulates in Malawi.³⁷

Table 4: Top Ten Donors in terms of Gross ODA (US\$ m) (2008-2009 average)

Donor	US\$ m
1. DFID (UK)	129
2. EU	112
3. USAID	100
4. Global Fund	79
5. IDA (WB)	68
6. NORAD (Norway)	64
7. AfDB	49
8. IMF (SAF, ESAF, PRGF)	48
9. JICA (Japan)	33
10. Germany	30

Source: OECD, WB

EU MS funding is disbursed through various modalities including (multi-donor) trust funds, co-financing, pooled funding, co-operation/administration agreements with UN agencies and donor bilateral agreements. In recent years there has been growing engagement in Malawi by China and India, mainly expressed as 'new' funding agencies, especially investment in infrastructure provision.

³⁷ Austria, Belgium, UK (High Commission), Denmark, Finland, France, Germany, Greece, Italy, Ireland, Netherlands, Portugal and Spain. Other non-EU European countries include Norway, Switzerland and Iceland.

4. EC Strategy and Intervention Logic

Overview of EC-Malawi Co-operation

The EC has been a major co-operation partner of Malawi for decades (the evolution of EC support over successive EDF cycles is discussed in 4.2.1 below).

Malawi became an ACP country in 1975 with the EU Delegation being established in 1976 and EC development assistance starting shortly thereafter. Since then EC support has focussed on rural development, agriculture and food security and infrastructure which are key issues for land-locked Malawi. Cross-cutting issues supported have included gender, environment and HIV/AIDS. In recent years, budget support has become increasingly important (GBS and SBS) within the HIPC framework and in supporting macro-economic stability, whilst creating fiscal space for increased pro-poor GoM expenditure on social sectors.

Regionally, EC works with SADC and COMESA (Malawi is a member of both) to support poverty reduction in southern and eastern Africa through support to regional integration, economic growth, development, conflict resolution and political co-operation.

The allocation of EDF support is shown below³⁸.

Table 5: Allocation of EDF Support

SECTOR		EDF9			EDF10
		Indicative allocations			
		Initial CSP/€m	After MTR/€m	After ETR/€m	Initial CSP/€m
EDF9	EDF10				
A ENVELOPE					
FOCAL AREA					
Agriculture & natural resources	Agriculture & food security	(50-70) ³⁹ 60	89.8	63.6	(110-130) 125
Transport infrastructure	Regional integration (Transport infrastructure)	(80-140) 90	65.5	65.5	(65-85) 70
ME support	GBS	(60-110) 70	31.5	65.5	(150-175) 175
Non-focal areas		(50-80) 56	89.9	98.8	(45-90) 66
Sub-total Envelope A		276	276.7	293.4	436
B ENVELOPE		69	68	51	15
GRAND TOTAL		345	345	345	451

Other EC support is provided outside the EDF bilateral co-operation framework and EIB provides financing in the form of demand-driven risk capital investments (Investment Facility) or loans (subject to national macro-economic framework and business environment) aimed at economically justifiable investments, mainly in revenue-generating sectors which are promoted by private, public or PPP initiatives (e.g. large infrastructure projects, especially water and energy; support to SMEs by means of loans or guarantees).⁴⁰

³⁸ Sources: EDF9 CSP, Addendum N°1 08/02/05, Addendum N°2 21/05/07, EDF10 CSP.

³⁹ Allocations to sectors are identified in CSP by a range of support (envelope) usually expressed in CSP as a percentage of financial resources with an initial allocation within this envelope. This envelope is shown (thus) in the table above with the initial allocation shown under this envelope. Commitments are then entered into (e.g. contracts) within this overall budget figure.

⁴⁰ A non-exhaustive list of (loosely defined) support modalities reported to be in use during the period 2003-2010 includes: administration and contribution agreements, combined TA resources, basket funding, sectoral task division, co-financing, common implementation mechanisms, joint multi-annual programmes, Sugar Accompanying Measures, Facilities (e.g. energy, water), Infrastructure Partnership, STABEX, FLEX, budget lines, EIB (Malawi Global Loan), budgetary aid, SWAps, programme estimates, projects.

4.1 General Framework and Principles of the EC co-operation

EU's co-operation is based upon Article 177 of the Treaty of Rome establishing the European Community⁴¹ as amended by Article 188D of the Lisbon Treaty 2009 which determines that the sphere of development co-operation shall have three objectives:

- fostering sustainable development of developing countries;
- assisting the smooth and gradual integration of developing countries into the world economy;
- campaigning against poverty in developing countries.

These objectives have been confirmed and reinforced in Article 1 of the African, Caribbean and Pacific (ACP)-EU Partnership Agreement, signed in Cotonou in 2000 which places main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between EC and the Republic of Malawi should pursue these objectives.

In their Statement on EC Development Policy (November 2000) the Council of the European Union and the EC determined a limited number of areas on the basis of their contribution towards reducing poverty and for which EC action provides added value:

- 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 rule of law.

The Statement also specifies that in line with the macro-economic framework, the EC must also continue to support social sectors (education and health).

The Treaty establishing the European Community foresees that the EC and EU Member States shall coordinate their policies on development co-operation and shall consult with each other on their aid programmes, including international organisations and during international conferences.

The overall policy objectives towards Africa are set out in the 2005 Communication (COM/2005/489/final – EU Strategy for Africa)⁴². The document gives a comprehensive, integrated and long-term framework for EU relations with Africa. The 2005 European Consensus on Development presents common objectives and principles for development co-operation and sets the framework for EU development policy which is based on three pillars:

- I. promoting peace, security and good governance as central pre-requisites for sustainable development;
- I. supporting regional integration, trade and inter-connectivity to promote economic development;
- II. improving access to basic social services (health and education) and protecting the environment.

4.2 EC Intervention Logic

4.2.1 Evolution of EC Strategy and Support

There has been a striking consistency of EC support to Malawi for more than a decade.

EDF7 and 8 (before 2001) – co-operation focussed on natural resources, health and transport infrastructure with non-focal areas including private sector development, promotion of democracy, rule of law, social sectors and revenue collection. Identified cross-cutting issues were gender and environment.

EDF9 (2001-2007) – alignment of support with MPRSP concentrating on focal sectors natural resources, food security, agriculture, transport and infrastructure plus non-focal areas health and

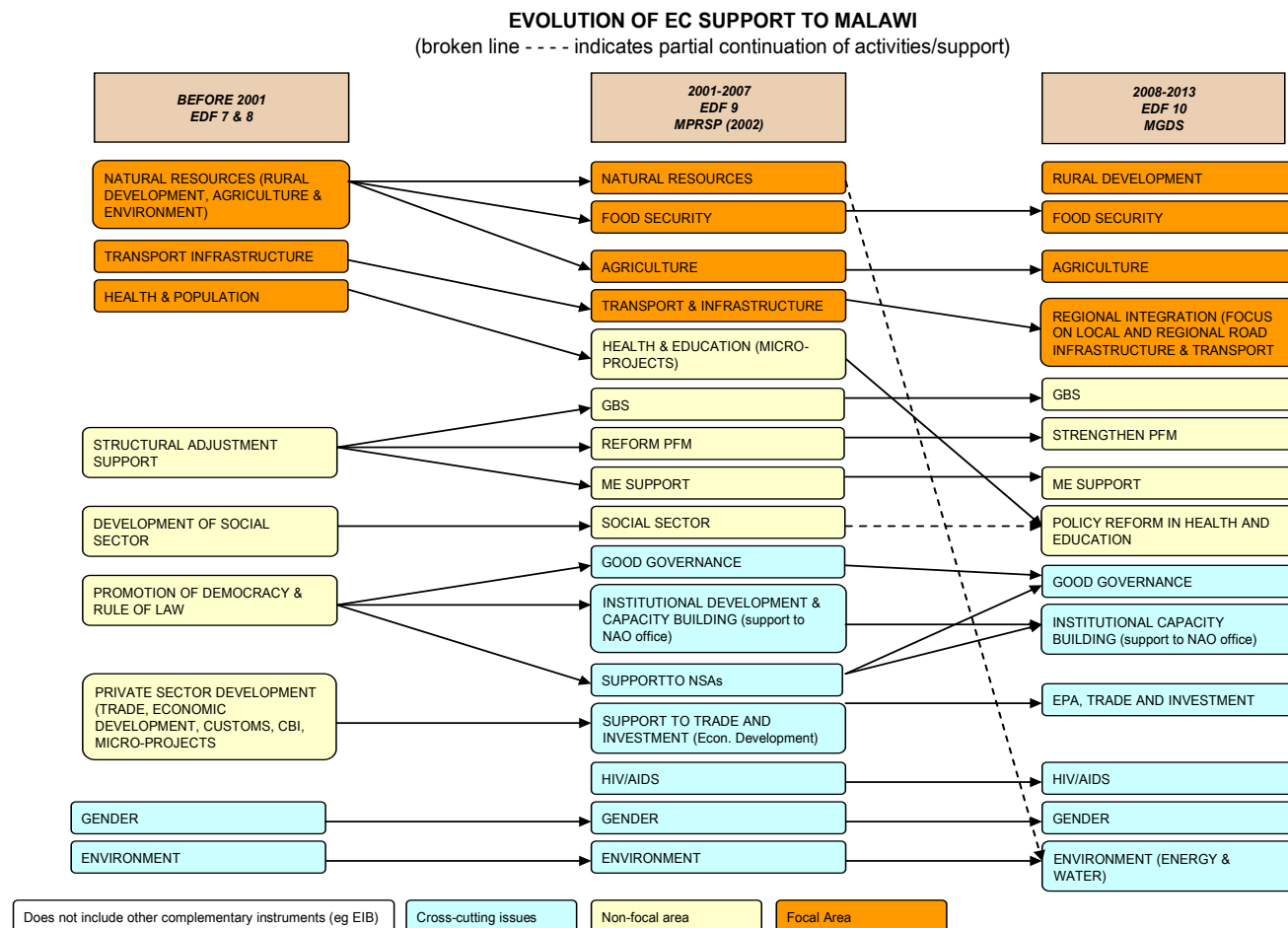
⁴¹ Which set up EDF as an extra-budgetary fund for technical and financial assistance.

⁴² http://europa.eu/legislation_summaries/development/african_caribbean_pacific_states/r12540_en.htm

education (micro-projects), budget support, PFM reform, macro-economic support and support to social sectors. Identified cross-cutting issues included governance, institutional development, capacity building, support to NSAs, and support to trade, HIV/AIDS, gender and environment.

EDF10 (2008-2013) – strategy developed within both good governance and macro-economic stability frameworks and alignment of support to MGDS⁴³ with focal areas rural development, food security, agriculture and regional integration (with focus on local and regional road infrastructure) and GBS plus non-focal areas PFM, macro-economic support and policy reform in social sectors. Identified cross-cutting issues include governance, institutional capacity building, EPA, trade and investment, HIV/AIDS, gender and environment (energy and water).

Figure 2: Evolution of EC Support to Malawi



4.2.2 EDF9

At the time of design of the EDF9 CSP/NIP, the MPRSP was still under preparation although the draft GoM strategy had been the subject of dialogue with donors. This strategy was based upon free market principles and a multi-sectoral approach to address the causes of poverty including access to land, low productivity of small-holder agriculture and low rural incomes. Expansion of off-farm employment, promotion of private sector growth and support to social services were objectives through realignment of public expenditures on social sectors (education and health).

The dependence of Malawi on financial and technical assistance of donors in implementation of poverty reduction programmes was noted as was the 'strong concurrence' between GoM, EC and EU Member States on the need for SWApS. At the same time severe constraints were noted including budgetary indiscipline, low absorptive capacity, HIV/AIDS and land pressure.

⁴³ MGDS I 2006-2011 is being revised. MGDS II 2011-2016 is currently being drafted

The EDF9 programming involved consultation with public and private sectors, CSOs, NSAs, NGOs, EU Member States and other donors and development agencies. It was thus concluded that EC support to poverty reduction should focus on: agriculture, food security and natural resources management; transport infrastructure; and macro-economic support (focussed on social sectors – health and education). The A-envelope was €276m; the B-envelope was €69m. EDF9 funds included FLEX.

Assistance to agriculture, food security and natural resources management aimed at diversified rural production, income generation, natural resources management plus development of safety nets.

Support to transport infrastructure continued to support the NRA plus other key sector institutions (for sustainable road maintenance of past investments), increased rural access by rehabilitation of feeder roads and improved regional access.

Macro-economic support to social services included support to development of performance indicators and PFM.

Non-focal areas included continuing support for micro-projects, civic education (for democratisation), good governance and NSAs.

Food security and transversal issues were also funded via a variety of 'budget lines'.

4.2.3 EDF10

EDF10 support to Malawi is informed by the policy objectives of MGDS I (2006-2011), under which poverty reduction is to be achieved by creation of wealth through economic growth and infrastructure development. MGDS I has five themes: economic growth, social protection, social development, infrastructure development and improved governance. Within these themes MGDS I seeks concentration of effort on six priorities: agriculture and food security, irrigation and water development, transport infrastructure development, energy generation and supply, integrated rural development and prevention of nutrition disorders and HIV/AIDS.

EC support and that of EU Member States should be complementary whilst synergies will be sought with other funding agencies in development of SWAps. Budget support will be the preferred modality followed by joint financing with other donors.

The EDF10 CSP was designed to be developed under both good governance and macro-economic stability frameworks. A main element is General Budget Support (GBS) aimed at strengthening macro-economic stability and PFM plus policy reforms in social sectors. In addition, the two focal areas are agriculture and food security (in the context of national development and regional integration) and; regional inter-connection (focus on road infrastructure). Non-focal areas of support include good governance (Rule of Law – Justice and Civic Education), EPA – investments and trade, HIV/AIDS, promotion of gender and institutional capacity building. Other sectors such as energy, sanitation and water may be financed under EU-Africa Infrastructure Partnership and/or EIB.

4.3 Implementation

4.3.1 Budget Support

The EC has supported structural adjustment since 1993 with the objectives of supporting reform programmes while mitigating the impacts of existing fiscal austerity programmes. Counterpart funds supported the GoM expenditure in social sectors (health and education), debt repayment and backlog road maintenance.

Under the EDF9, macro-economic support to finance the MPRSP took the form of non-targeted budget support. The 2003 evaluation of the Commission's country strategy recommended increasing the proportion of budget support. Under the EDF10, general budget support represents an indicative allocation of 35-40% of financial resources (i.e. €25-30m per year). EU budget support is being provided jointly with other donors (in the framework of the CABS Group)

in support of the MGDS objectives of macro-economic stability, policy reform in social sectors and PFM. It is meant to contribute to improvements of education and health MDG indicators.

The GoM has committed to a reduction of domestic debt by means of decreased expenditures combined with lower domestic interest payments, thus generating savings which will be used to support pro-growth (infrastructure, agriculture) and pro-poor (health, education) expenditure. The aim is to promote a low fiscal deficit, lower interest rates, controlled inflation, higher investment and increased economic growth plus restoring international reserves⁴⁴.

Following the May 2011 review the IMF declaration that Malawi is 'off track' has created additional financial shock as, in July 2011, major donors suspended budget support disbursements.

4.3.2 Focal Areas

Focal sector 1: Rural Development, Agriculture, Food Security and Natural Resources

The EC strategy in the agriculture and food security focal sector aims at helping to remove structural constraints impeding the development of the agricultural sector. The overall objective is to increase household incomes and improve food security in rural areas.

The Country Strategy Paper 2001-2007 outlined how this objective was to be accomplished, focusing on the creation of an institutional enabling environment, improving and diversifying income earning opportunities in rural areas, improving economic and sustainable management of natural resources and supporting safety net interventions.

The EC's EDF10 strategy continues to focus on agriculture as a key area for reducing poverty and hunger and generally maintains the Commission's previous strategic orientation. In comparison to the EDF9 strategy, there is a more explicit distinction between agricultural interventions aiming at economic growth and addressed to households with greater productive capacities, and food security interventions aiming mainly at availability and accessibility of food targeted at the more disadvantaged households⁴⁵. CSP 2008-2013 plans to support agriculture-led growth through continued support for the sustainable management of natural resources, the provision of packages of measures to increase productivity, measures to increase Malawi's competitiveness on the global market and improvement in marketing of agricultural products.

The EC foresaw support to the development of a SWAp while providing assistance through classical programmes and, if appropriate, through budget support. The development of the Agricultural Development Programme (ADP), later renamed Agricultural Sector Wide Approach (ASWAp), has created momentum for the development of a Medium Term Plan (MTP) for the Farm Input Subsidy Programme (FISP). The FISP MTP is still in the stage of being finalised⁴⁶. Currently there is a considerable delay in committing €63m in the agricultural sector under EDF10. These funds are foreseen for the multi-donor trust fund Agricultural Development Programme- Support Project (ASWAp-SP) under the Ministry of Agriculture and Food Security and for irrigation under the Ministry of Irrigation and Water Development.

Regarding food security, EDF10 addresses availability, access and nutrition aspects. The EC CSP for EDF10 intends to support food availability at household level through activities stimulating production and at national level through innovative approaches such as weather insurance and South African Future Exchange Markets (SAFEX) and traditional approaches such as the National Food Reserve Agency. Accessibility of food is to be supported through conditional transfers to able-bodied groups through cash for work programmes and unconditional transfers to vulnerable groups. Nutrition is to be addressed by promoting food with higher nutritional value and through awareness-raising and education on dietary matters with particular attention to vulnerable groups.

⁴⁴ Although it is currently reported that chronic hard currency shortages continue and there is increasing discussion of devaluation of the Malawi Kwacha.

⁴⁵ Under EDF9 most support to food security was supplied under thematic budget line.

⁴⁶ An initial version was submitted with the revised ASWAp document but both have been under revision since March 2010

Focal sector 2: Local and regional road infrastructure and transport (Regional integration)

There is a basic difference of emphasis of support between the project-based approach of EDF9 (Transport & Infrastructure) and the proposed SBS approach of EDF10 (Regional Integration - focus on local and regional road infrastructure and transport). The approach under EDF8 and EDF9 CSPs was predominantly project-based that resulted in multiple capital investments in reconstruction, backlog maintenance and maintenance of classified roads,⁴⁷ although contractual complications and delays have beset some interventions. Capacity building and support to sector institutions have also been delayed (EDF9 INSTAP) whilst the EDF10 FA for the Road Transport Sector Policy Support Programme only recently has been signed.

The Sector Working Group in Transport has become a more regular forum for dialogue with increasing participation of sector stakeholders.

Under IGPWP Phase I some rural roads were rehabilitated with maintenance of these roads under IGPWP Phase II and additional reconstruction of feeder roads and bridges⁴⁸.

4.3.3 Non-Focal Areas⁴⁹

Under the EDF9 the non-focal sectors were identified as good governance, civic education, micro-projects, health, non-state actors and institutional capacity building. Under the EDF10, non-focal sectors were reassessed and were identified as governance; regional integration – trade; HIV/AIDS & gender and capacity-building to support focal sector activities as strategic areas and/or cross-cutting issues.

Good Governance & Civic Education

The EC support to civic education and to the judiciary is components of an EC initiative promoting rule of law and civic education (NICE). Promotion of the rule of law and improved access to justice gained momentum during the EDF9 and this has been extended under the EDF10 where common understanding and coordination in the justice sector will hopefully lead towards a SWAp. Other aspects of governance and the rule of law component encompass PFM and improved transparency and capacity of sector institutions, as well as capacity building of the Malawi Electoral Commission.

Micro-Project Programmes

Under the EDF8 micro-projects in the areas of education, health, water and sanitation (WATSAN) and community development have been implemented. Emphasis has been on agriculture and supporting income generating initiatives of local communities but poor planning at district level has limited effectiveness.

Health

EC support to the 'Health Reform and Decentralisation Project' aimed to support central and district level health service management under the EDF9 but has failed to deliver the anticipated results primarily due to the high turnover and loss of trained medical personnel and management staff.

Non State Actors (NSAs)

Support to NSAs includes interventions aimed at improved governance, service delivery to local communities, capacity building for NSAs for advocacy and implementation of development co-operation programmes. The EC support to NSAs is provided under a specific capacity building programme (9ACPM128).

Institutional Capacity-Building

⁴⁷ Capital works include: Masasa-Golomoti-Monkey Bay (89km), Monkey Bay-Mangochi (62km), Lilongwe roads (41km), Lilongwe-Nsepe (168km), Chikwana-Nchalo-Bangula (86km), Mzuzu roads (17km); backlog maintenance (MBARM Programme); Rural Feeder Roads Programme; Lakeshore Road Infrastructure Support (bridge reconstruction).

⁴⁸ Rehabilitated infrastructure is maintained by road maintenance 'clubs' whose members receive payment from IGPWP for work done paid through DAs

⁴⁹ The description of what constitutes a non-focal or cross-cutting issue is not consistent in either EDF9 CSP or EDF10 CSP such that certain issues are expected to be mainstreamed in sector interventions (e.g. gender or HIV/AIDS) whilst ostensibly being considered as a non-focal sector. Similarly institutional capacity building and institutional development appear to be arbitrarily split between non-focal and cross-cutting status.

The implementation of the EDF9 NIP was facilitated by the Technical Co-operation Facility (TCF) and provided a Technical Assistance Facility (TAF) to support training and management of GoM institutions and programme management. The EDF10 continues this assistance to NAO and through TCF to assist the GoM in preparing sector plans, strategies, medium-term expenditure frameworks, pre-feasibility and feasibility studies.

Regional Integration, Trade and Investment

Malawi is pursuing EPA negotiations as part of the ESA EPA group but negotiations have been protracted and it is feared that development and agricultural issues have not been adequately covered, such that adjustment costs could be significant. The EC has provided support to the National EPA Secretariat where provision was primarily to be at the regional level.

HIV/AIDS

Support to fight HIV/AIDS is specifically provided for as a non-focal sector as it is envisioned that this will be mainstreamed into all interventions. The EC has been a major contributor to the Global Fund to combat HIV/AIDS, TB and malaria. HIV/AIDS is also addressed at sectoral level enhanced by support to the Malawi Blood Transfusion Service (8ACPMI20, 9ACPMI26).

Gender

Promotion of gender has under the EDF10 been elevated as a non-focal sector with support to the government's commitment to reducing gender inequalities in accessing productive resources, development opportunities and decision-making. Support focuses on capacity building amongst stakeholders and on the establishment of monitoring mechanisms to differentiate impact on poor women and men with the aim that all interventions equally benefit and empower poor women and men.

4.3.4 Cross-Cutting Issues

EC-funded programmes in the areas of food security, agriculture, nutrition, health and civic education have - to various degrees - integrated cross-cutting issues such as children and gender equality, HIV/AIDS, environmental concerns and institutional development. Objectives of the Cotonou Agreement and support to reach the MDGs promote that such cross cutting issues are at least considered at project level.

Children and gender equality

Food security policies identify the needs of women and vulnerable groups such as children and HIV/AIDS sufferers with provisions for conditional and unconditional transfers to address accessibility as well as expanding education on nutrition.

Environment

Environmental issues are of crucial importance for focal sector 1 (Agriculture and food security) as soil conservation and halting/reversing land degradation have to be adequately addressed, otherwise yields will continue to decline. For this reason sustainable management of natural resources features prominently in the EC response strategies of both EDF9 and 10. EDF10 furthermore envisages the exploration of potential for biological/organic agriculture, the funding of environmental policy-making, the country's participation in Multilateral Environmental Agreements and the development of a monitoring system of indicators on sustainable management of natural resources as possible areas of EC support. Within this area support to sanitation and water supply under the Water Facility is also considered.

Institutional Development

EC regards institutional strengthening as an essential and cross-cutting element of its response strategy as institutional weaknesses in the public sector are seriously hampering implementation of government policies. For the agricultural sector this is reflected in capacity building measures for government, small holder organisations and NSAs; whilst in the transport sector this support has been aimed at sector institutions plus national contractors and consultants.

5. Answers to Evaluation Questions

To focus the scope of the evaluation, a set of ten evaluation questions (EQs) have been developed along with a limited number of judgement criteria (JC) and indicators for each EQ, such that there is coverage of all evaluation criteria and issues as specified in the ToR.

EQ	EVALUATION QUESTION
EQ1	To what extent have the EC support strategies responded to the changing needs of the Malawian population and those expressed by the GoM?
EQ2	To what extent has EC support contributed to increased agriculture-led economic growth?
EQ3	To what extent has EC support contributed to improved food security, at national and household levels (with special regard to female and child headed households, children under five, orphans, HIV/AIDS sufferers and the disabled)?
EQ4	To what extent has EC support to the road sector in Malawi contributed to management of a network that provides levels of service that respond to user needs?
EQ5	To what extent has EC support to the road sector in Malawi contributed to improved regional connectivity?
EQ6	To what extent has EC support to capacity building in trade negotiations of Malawi and related reforms complemented support to regional integration?
EQ7	To what extent has EC budget support and associated policy dialogue contributed to stabilising the external and fiscal balances?
EQ8	To what extent has EC budget support contributed to improve Public Financial Management and to orient budgetary priorities and actual expenditures towards poverty reduction?
EQ9	To what extent has EC support to Rule of Law (civic education (NICE) and rule of law (Justice) and NSAs contributed to increased participation and oversight of civil society in Governmental and parliamentary decision making processes in Malawi?
EQ10	To what extent has the choice of EC aid modalities contributed to the implementation of the EC support?

An overview of the EQs in terms of sector coverage and issues is shown below.

CRITERIA	EQ1	EQ2	EQ3	EQ4	EQ5	EQ6	EQ7	EQ8	EQ9	EQ10
Relevance	X			X						
Effectiveness		X	X	X	X	X	X	X	X	
Efficiency							X	X		X
Impact		X	X	X	X				X	
Sustainability		X	X	X	X					
Coherence	X					X				X
Value added	X					X	X			X
ISSUES										
3Cs	X					X	X	X	X	X
Cross-cutting issues		X	X	X		X			X	

5.1 Response to the changing needs of the Malawian population and those expressed by GoM

EQ 1	<i>To what extent have the EC support strategies responded to the changing needs of the Malawian population and those expressed by the GoM?</i>
Judgement Criterion 1.1	EC support strategy takes into account the short-term and longer term needs of Malawian population including accurate and timely adjustments from programming to implementation based on evolving needs
Judgement Criterion 1.2	Problem analysis has been a consultation process involving government, donors, NSAs and target population informed by conclusions of previous evaluations.
Judgement Criteria 1.3	EC strategy is responsive to national priorities and policies for development and growth.
Judgement Criterion 1.4	EC strategy is coherent and coordinated with other donor programmes in Malawi.
Judgement Criterion 1.5	Absence of conflict between EC development objectives in Malawi and EC global and regional policies and strategic frameworks.
Judgement Criterion 1.6	EC strategy offered value added in contributing to greater focus of development support to Malawi from EU Member States.

Answer to the Evaluation Question

Overall, needs have changed little over many years and, as EC strategy has responded to such needs, EC support areas have also changed little over several programming cycles (and the draft MGDS II suggests on the whole, continuation of this situation). Based upon a joint government review of its co-operation with several donors in 2005 and the findings of a Steering Committee and Technical Working Group of sector experts from line ministries proposals were made for support interventions for EDF10 funding. These needs were confirmed by stakeholder consultation workshops in various parts of Malawi in preparation of the EDF10 CSP, confirming that the needs of the population have been accurately identified by GoM. Also it was confirmed that targeting of needs by EC and other donors was appropriate. Interviews with development partners and beneficiary institutions during the field phase suggests that with the exception of FS emergencies EC has not exhibited much flexibility in timely adjustment of support to evolving needs (to some extent a manifestation of rigidity of EC procedures – this is discussed elsewhere). However, given the consistent and enduring nature of needs and correctly targeted corresponding support, the effect of such inflexibility has not been significant, except perhaps as a ‘visibility issue’ arising from negative perceptions of EC inflexibility on the part of development partners. Despite major efforts in capacity building and institutional support over several programming cycles by EC (and other donors) there is continuing institutional fragility. This fragility impedes sustainability at higher levels and to a lesser degree, at lower levels.

Overall, EC support strategies have responded to the short term and long term needs of the Malawian population as expressed by GoM and confirmed by independent stakeholder consultation (**Indicators 1.1.1 and 1.1.2**).⁵⁰ Both CSPs reflect national priorities and policies set out in those national strategies and both CSPs do show such responsiveness to national policies and priorities⁵¹ (**Indicator 1.1.1**). EC support has in fact picked up on the differences between MPRSP and MGDS I. In essence, MPRSP was a ‘classic’ poverty reduction strategy whilst MGDS I sought to facilitate economic development and employment creation as a means to reduce poverty (although the essential differences are not significant in terms of focal sector needs, which again points to the essential consistency of national needs and priorities over many years). With the exception of food security issues, there has been little necessity for major adjustments to accurately identified EC support strategies. However, some evaluation reports pointed to an inflexibility and untimely response by EC to changing needs due to rigid EC

⁵⁰ This consultation is reported to have continued with on-going drafting of MGDS II with regional workshops in the north, centre and south of Malawi having been held to discuss perceived needs.

⁵¹ EDF9 CSP responds directly to MPRS Pillar 1: Sustainable pro-poor growth; EDF10 CSP responds directly to the five themes of MGDS (sustainable growth, social protection, social development, infrastructure development and improved governance).

administrative, procurement and financial regulations as well as to other reasons – this was fully confirmed in several interviews during the field phase. (**Indicator 1.1.3**) (**JC1.1**).

Both EDF9 and EDF10 CSPs present an analysis of national development strategies plus a country analysis covering the political, institutional, economic, commercial, social and environmental situations (**Indicator 1.3.2**). However, this analysis is considerably more detailed for preparation of the EDF10 CSP (although little mention is made to increasing pressures of continuing high population growth or climate change). Both CSPs respond to the over-arching national development policies and strategies as expressed in the MPRSP (EDF9) 2001 – 2006 and the MGDS I (EDF10) 2006 – 2011⁵². Both national development strategies report preparation as being the product of a consultation process, although the documentary evidence of such consultation is much more extensive in the MGDS (which is itself a more comprehensive document than the MPRSP, as is to be expected from a second generation national poverty reduction and development strategy) (**Indicator 1.3.1**). The degree of consultation in preparation of CSPs mirrors that of the national strategies. Preparation of EDF10 CSP took into account the majority of lessons learnt and recommendations of the 2003 Evaluation of the EC Country Strategy such as that the over-arching theme of the CSP should be on good governance at both central and local levels with further recommendations encompassing democracy, human rights, food security, natural resources, transport infrastructure and health (**Indicator 1.2.2**). Overall EDF10 CSP shows more evidence of proactive consultation with stakeholders than the EDF9 CSP (**Indicator 1.2.3**)⁵³. The preparation of this earlier strategy paper was characterised by limited consultation and involvement of stakeholders with a resultant lack of local ownership. By comparison, preparation of the EDF10 CSP involved much greater dialogue and consultation with a wider range of stakeholders⁵⁴ including three consultation meetings in the north, centre and south of the country⁵⁵. Also, civil society has been involved in strategic programming (e.g. MTR of EDF10) and measures have been taken to increase such involvement in programming, monitoring and implementation. However, the recent deterioration in relations between government and civil society organisations has not facilitated such actions. (**Indicator 1.2.1**) (**JC1.2, JC1.3**)

There is increasing coherence and coordination of EC support with other donor support including EU Member States (in accordance with the Paris Declaration) although there remains scope for further streamlining of such coordination⁵⁶. Currently, most inter-donor consultation is on a bilateral basis. Moves towards budgetary support and sector wide approaches by the EC have created an incentive towards greater coordination and joint policy discussion with the government. Sixteen sectors have been identified in Malawi and working groups (sector and technical – SWG and TWG) have been established for each, although in some sectors these working groups are not active for various reasons. EC is represented in SWGs and/or TWGs in ten out of sixteen sectors. Considering that EC is supporting two focal sectors and a few non-focal and 'extra' sectors⁵⁷, such representation appears to be an unnecessarily onerous commitment for EUD⁵⁸. (**Indicator 1.4.1**) (**JC1.4**)

Preparation of both EDF9 and EDF10 CSPs responded to EC international policies such as the Cotonou Agreement, European Consensus on Development, EU Strategy for Africa and, most

⁵² MGDS II is currently being drafted but strategic themes and priority areas appear to be little changed.

⁵³ EDF 9 CSP: EC Response Strategy notes that the EDF9 programming exercise has involved the public and private sectors, civil society representatives and other non-state actors such as NGOs and after consultation with representatives of NGO sectors, civil society the NAO and Delegation concluded that co-operation efforts should be concentrated on poverty reduction efforts

⁵⁴ TCF2 has been reported to be important in facilitating civil society consultation and for mainstreaming cross-cutting issues in co-operation (as back up/support to sector interventions).

⁵⁵ Consultations were held at Mzuzu, Lilongwe and Blantyre. The outcome of these consultations was considered to be of high quality and 'filtered through into the country response strategy of CSP'. The consultations indicated a shared consensus that population needs were correctly identified by GoM. Interviews during field phase on the whole confirmed this assertion.

⁵⁶ There is close co-operation with EU MS, especially those leading or involved with direct policy dialogue in a specific area of co-operation; continuation of previous and proposed EC programmes becomes part of those sector discussions.

⁵⁷ e.g. Water and Sanitation – Water Facility/EIB

⁵⁸ The necessary linkages between all aspects of sector support (some of which involve different line ministries and thus different WGs) are fully appreciated but there could be benefits to a busy EUD from more selective prioritisation of EUD resources (which could contribute also to greater task sharing in the spirit of the Paris Declaration)

recently, the Paris Declaration (**Indicator 1.5.1**). Also there appears to be good coherence and consistency between EC development objectives in Malawi and wider EC policies and strategies⁵⁹. Internal coherence of EC support has improved from EDF9 to EDF10⁶⁰, although this issue is hardly touched upon in either CSP⁶¹. (**Indicator 1.5.2**) (**JC1.5**)

The concept of 'EC added value' is difficult to assess, based on programming documents alone as this concept is not defined, or indeed, discussed in either EDF9 or EDF10 CSPs. In EDF10 CSP 'comparative advantage' is suggested to accrue from 'accumulated experience' and 'synergies that can be formed between focal sectors'; also 'comparative advantage' refers to comparisons with other donors. Certainly there has been identification of EC competences, experience and resources which can be mobilised but there is no accompanying consideration of any need to match EUD capacity with support programme needs, nor indeed is there any analysis of the 'added value' concept in either CSP (**Indicator 1.6.1**). The general consensus articulated in interviews with development partners is that 'EC added value' manifests itself more by way of the large funds available through the various modalities and instruments of EC support rather than any other perceived manner. However, such perceptions were in most cases accompanied by reference to impediments to disbursement due to EC procedures. (**Indicator 1.6.2**) (**JC1.6**)

⁵⁹ EDF9 CSP was prepared in compliance with the (then recent) Cotonou ACP-EU Partnership 2000 which confirmed and reinforced the development co-operation aims of the Treaty Establishing the EC; the main theme was thus reduction and eventual eradication of poverty. EDF10 CSP was prepared in compliance with the policies noted above plus external policies developed in the intervening period. (EC External Policy, European Consensus on Development, Paris Declaration, EU Strategy for Africa)

⁶⁰ The 'Evaluation of EC Country Strategy 2003 noted that 'the strategy of CSP lacks coherence in that the three major intervention areas are covered by numerous different instruments without specifying how they will be linked and what synergies should be created'. EDF10 has more overt linkage and complementarities between support areas (e.g. between support interventions to agriculture and PWP in terms of employment creation)

⁶¹ The 2003 Evaluation of EC Country Strategy commented on the lack of such coherence between major support areas of EDF9 CSP (including between support to civil society and the rest of the programme).

5.2 EC contribution to agriculture-led economic growth

EQ 2	<i>To what extent has EC support contributed to increased agriculture-led economic growth?</i>
Judgement Criterion 2.1	EC support has contributed to development of a SWAp.
Judgement Criterion 2.2	EC support to sector reforms and institutional capacity building adequately addressed requirements for the development of the agricultural sector.
Judgement Criterion 2.3	EC support contributed to increased productivity of smallholder sector.
Judgement Criterion 2.4	EC interventions contributed to improved environmentally sustainable land resources management practices.
Judgement Criterion 2.5	EC interventions contributed to improved market competitiveness of agricultural products.
Judgement Criterion 2.6	EC has contributed to improving mainstreaming of crosscutting issues (gender, HIV/AIDS, environment) in the agricultural sector.

Answer to the Evaluation Question

EC contribution to agriculture-led economic growth has been mainly successful regarding its short to medium term project interventions at grassroots level. However, EC support has not been able to significantly contribute to improving framework conditions and policy formulation in the agricultural sector. Therefore EC support in the sector has contributed little to long term changes.

The distinct agricultural productivity increase the country experienced since 2005 is mainly attributed to the GoM's Farm Input Subsidy Programme (FISP) which is supported by EC and other development partners. This programme has been very effective in achieving immediate growth as well as food security for the poor, but it is hardly sustainable in the long-term as it is unlikely that subsidy levels can be maintained. Past experience in Malawi shows that yields quickly decline with decreasing subsidy levels.

EC support through project implementation at village level contributed to an increased productivity of the agricultural smallholder sector. Diversification of crop production, development of land under irrigation, establishment of small scale agri-businesses and promotion of soil and water conservation measures positively influenced agricultural growth. Increasingly farmers achieve food security and start to seek market opportunities for their excess produce. This has led to import substitution of food items, particularly visible in the maize self-sufficiency rate achieved.

EC support to export diversification to reduce the dominance of tobacco as the major export crop was successful for coffee and tea, but failed in its support to paprika. Recent reviews and evaluations expect EC support to render significant results for sugar, once the supported schemes have become fully operational.

EC support to sector reforms and capacity building has not led to changes that could have effectively promoted agricultural growth and failed in its support to GoM to provide the necessary favourable framework conditions for increasing production. In a context of constrained sector dialogue and disagreements on sector policy issues, recent EC support has put less emphasis on sector reforms. While this pragmatic approach to support may be well adapted to existing opportunities, long term development does require a stronger focus on reforms.

EC's planned contribution to the multi-donor trust fund Agriculture Sector Wide Approach Support Project (ASWAp-SP) under EDF10 is an important step towards the development of a SWAp and might help to increase EC's leverage in sector policy dialogue. For the last three years EC has not been successful in agreeing a support programme for ASWAp and/or in joining the Agriculture Development Programme Support Project ADP-SP, the predecessor of ASWAp-SP, already supported by the World Bank and other donors since 2008.

The GoM's Farm Input Subsidy Programme has been supported by the EC through co-financing of the seed subsidy component under the Food Security Budget Line (FSBL) and indirectly through general budget support as well as through budget support through the food facility intended to balance increased expenditures as a result of sharply rising fertiliser prices⁶². The FISP can be regarded as a very effective but non-sustainable short to medium-term intervention, as the subsidy is a recurrent expenditure and growth will quickly decrease should the subsidy scheme be reduced in size or be discontinued⁶³. EC has made use of its contribution to the programme to balance the focus on maize through support to legume seeds and to demand for improving efficiency and effectiveness regarding the security of the scheme, the quality of seeds and the targeting of beneficiaries. **(JC 2.3, Indicator 2.3.1)**

However, most of EC support took a more holistic approach to food security with a stronger focus on medium to long term measures including crop diversification⁶⁴, environmentally sustainable natural resource management⁶⁵, irrigation⁶⁶ and strengthening of farmers' associations⁶⁷. These programmes generally perform well with high adoption rates and with visible impact in relation to farmers' productivity. Considerable areas are being cultivated utilising more environmentally sustainable cultivation techniques⁶⁸, but there is insufficient data available to assess the impact of the interventions on the reduction of erosion or any increase in soil fertility. Positive results are particularly visible in irrigation, as farmers reduce their dependency on rain fed agriculture and are able to harvest two to three times per year with higher and more secure yields. EC assistance has contributed to increasing the area under irrigation by approximately 1,600 ha through the Farm Income Diversification Programme (FIDP), the Income Generating Public Works Programme (IGPWP) and various NGO projects. In addition, the expansion of sugarcane out grower schemes developed another 700 ha under irrigation.⁶⁹ Strengthening of farmers' associations was meant to improve marketing opportunities and market access in order to motivate farmers to increase production and increase their income. EC support in this aspect has rendered mixed results with relatively few positive examples where farmer associations managed to develop into viable agencies. In most cases associations failed to develop visions and skills to function independently from donor support. In general, EC support focused more strongly on production than on marketing issues. **(JC 2.3 and JC 2.4)**

EC supported cultivation of export crops to diversify exports away from the strong dependency on tobacco. The STABEX funds were committed to support the development of coffee, tea and paprika under EDF8. Under the project coffee smallholders managed to triple the number of their coffee trees⁷⁰ and yields increased from 547 t to 1,351 t for green berries. For tea the results were more visible in the support of tea estates. The replanting of 12.25% (2,278 ha) of the total estate tea production area with Superior Cultivar is leading to better yields and higher prices 5 years after replanting. For tea, results in smallholder tea production were, however, limited, as the farmers' association failed to perform and was dissolved. However, of the total estimated smallholder tea area 8% (272 ha) were replanted and will also benefit from higher yields and prices. Support to the paprika sector was not successful as it was channelled through an association that did not live up to EC expectations. A MTR described the association as facing management problems resulting in a communication breakdown between all stakeholders thus

⁶² Support through budget support is indirect (for fertilisers not covered by co-funding)

⁶³ For the 2011/2012 agricultural season GoM has recently announced plans to reduce the fertiliser component of AISP by 50%. Government plans are to continue the subsidy programme at least for the next 5-6 years.

⁶⁴ See Annex 1, Indicator 3.2.3 of EQ 3 and indicator 2.5.3 of EQ 2

⁶⁵ See Annex 1, Indicator 2.3.2 and 2.4.1 of EQ 2

⁶⁶ See Annex 1, Indicator 2.3.3 of EQ 2

⁶⁷ See Annex 1, Indicator 2.3.4 of EQ 2

⁶⁸ E.g. The FIDP I MTR 2009 stated 6,587 ha applied with compost / manure, 11,151 ha incorporated with crop residues, 1,038 ha pegged with marker ridges, 3,366 ha aligned with contour ridges, 400 ha protected with vetiver hedge rows, 1,925 ha planted with agro forestry trees and 1,053 ha under conservation farming

⁶⁹ Under FIDP I, IGPWP and several NGO food security projects, small scale irrigation has been supported. FIDP I achieved an additional 792 ha under irrigation and IGPWP 670. The contribution of the different NGO food security projects can only be roughly estimated. The Accompanying Measures for Sugar and the STABEX sugar support contributed with 700 ha (compared to 1200 originally planned) to increasing the area under irrigation. EC support so far has contributed about 2,300 ha (about 3.2% of the current irrigated area) to increasing land under irrigation in Malawi.

⁷⁰ From an average of 350 to 1,050 trees per farmer

undermining the private sector instead of cooperating with it and showing no interest in detaching from donor dependence and developing the organisation. In addition the then sole paprika buyer decided after 2002 to concentrate its business in the central region of the country which dramatically reduced paprika cultivation. In general EC support to export commodities faces serious challenges by relying on the development of farmers' associations that frequently turn out to be unable to perform the tasks they are assigned within the programmes.⁷¹ Balances from the previous STABEX FMOs has been used to develop the STABEX 2008 FMO whose aim was to support Legume Seed Multiplication, Expansion of Irrigated Sugar under Dwangwa Smallholder Cane Growers, Production, Processing and Marketing of Cassava; and Support Livestock through procurement of Liquid Nitrogen Plant for artificial insemination. Support to sugar under the 2008 FMO for the remaining STABEX funds and under the Accompanying Measures for Sugar has a high impact potential once the supported schemes have become fully operational⁷². However, out of the 1,200 ha planned, only 700 ha under two schemes have been developed.⁷³ The three major shortcomings in design and implementation of sugar support were: the insufficient intervention timeframe, a lack of attention regarding the social aspects of interventions (particularly land allocation) and the difficulties the implementing agencies faced in adhering to the EC regulations linked to the contractual agreements⁷⁴. **(JC2.5)**

EC support to sector reforms and institutional capacity building addressed important requirements for the development of the agricultural sector; such as the implementation of the land reform, access to agricultural credit and organisational development of MoAFS including a reorganisation of the extension services. However, the impact of most programmes targeting reforms and capacity building was unsatisfactory. The major factors negatively affecting efficiency and effectiveness were a) a lack of political will by the GoM; b) slow development and approval of policies and the respective legislation; c) lack of integration of programmes into the GoM structure; d) overestimation of GoM's capacity to respond to programmes and e) overestimation of EC supported programmes' capacities (some programmes were clearly "overburdened" by unrealistic objectives). Programme design assumptions were frequently over optimistic and programme revisions, at times, not sufficiently utilised to realistically re-focus the programmes. Complex and politically sensitive sector reforms have not been regarded as a priority by GoM, reducing the scope for viable support opportunities at that level. **(JC2.2, Indicators 2.2.1, 2.2.2)**

EC dialogue has addressed (and continues to address) at least part of the issues necessary for development of a SWAp. Some limited technical assistance has been provided in development of sector policies and strategies⁷⁵. However, more work is necessary to develop these strategies and to formulate a multi-annual investment programme, which may in turn lead to the preparation of a sector MTEF. Sector coordination is improving⁷⁶ (albeit from a low baseline), but there continues to be plenty of room for further improvement. Monitoring systems in the agriculture and food security sectors are multiple and specialised but all share problems with quality issues to a greater or lesser degree. The preparation of a monitoring and evaluation system for the proposed ASWAp is under consideration which could be an opportunity for

⁷¹ See Annex 1, Indicators 2.3.4 and 2.5.3 of EQ 2

⁷² "At the macroeconomic level, EC support to a sector which accounts for 5% to 6% to GDP and more than 10% of foreign exchange earnings will contribute to sustainable economic growth and to integration of Malawi in the world economy as well as to diversification away from tobacco, which is currently the country's primary crop." (EC/ADE, 2009, p. 11) and "The potential and prospects of the project to increase farmers' incomes and reduce poverty are clearly there when the project is brought into full operation with the operationalisation of the pivot irrigation system, albeit at a much smaller scale than anticipated. The long term effects of the project to increase farmers' incomes and to reduce poverty with a much larger coverage of beneficiaries, are considered as positive and hence a good development investment for this particular purpose." (EC/HTSPE, 2011, page 20)

⁷³ The Kasinthula III expansion has installed 5 out of the 6 pivot systems, prepared 295 ha of land and planted 190 ha with sugarcane. The project will be able to complete the revised plan up to the end of the implementation period. More problematic is the Dwangwa scheme supported with the STABEX funds. It was only able to develop 300 ha (out of 640 ha planned) and cannot become operational as no more funds are available, whilst the electric mains connection is still missing and pumps are yet to be installed.

⁷⁴ See Annex 1, Indicator 2.5.1 of EQ 2

⁷⁵ In accordance with division of labour between DCAFS donors

⁷⁶ Donor sector coordination through the Donor Committee for Agriculture and Food Security is increasingly harmonising donor sector dialogue, e.g. through consolidated comments to GoM policy documents. Sector coordination including GoM and other stakeholders is regarded as working well in the irrigation sector with the sector working group functional, but still continuing unsatisfactory in general agriculture as the sector working group for agriculture is extremely slow to take off the ground.

streamlining monitoring systems. Institutional capacity continues to be weak (after much technical assistance over many years). The national macro-economic situation is very relevant as a prerequisite to any proposed sector budgetary support and despite encouraging GDP growth in recent years Malawi is not exempt from the effects of the global economic crisis⁷⁷. National revenues and balance of payments have suffered, exacerbated by a continuing chronic shortage of foreign exchange. Whilst the current levels of achievement (including reportedly improving PFM) might not be judged adequate to launch sector budgetary support, EC is planning to support the Multi-Donor Trust Fund⁷⁸ ASWAp-SP under EDF10 as a step towards pooled funding. However, commitments are considerably delayed and EC has so far not been able to commit its contribution to the support programme. This shortcoming seems to have been linked to a number of issues: a) EC difficulties in preparing quality proposals that GoM would agree to, b) dialogue problems with MoAFS and c) institutional capacity problems within GoM Line Ministries with a lack of longer term visions and policies / strategies⁷⁹. A current formulation mission is expected to design the EC contribution and move the process forwards. It is clear that considerable additional work will be required during the course of implementation of the ASWAp-SP to improve achievements regarding the key areas in order to progress to sector budget support. **(JC 2.1, Indicator 2.1.1)**

The EC has clearly contributed to improving mainstreaming of cross cutting issues in the agricultural sector⁸⁰. However, women are still not benefiting to the same degree as men from interventions and the incorporation of gender issues varies widely between the programmes, ranging from examples of good practice to neglect⁸¹. **(JC2.6)**

⁷⁷ GoM has stated commitment to agriculture and food security as a 'growth-facilitating sector' resulting in allocations of 12.5% of national budget to the sector. However, the international economic crisis is impacting upon Malawi in terms of adverse balance of payments and reduced foreign exchange reserves. Government has committed to a continuing tight fiscal policy (to reduce inflation), control of domestic borrowing and a flexible exchange rate mechanism. This could severely limit the implementation of sector strategies, particularly the currently foreseen scope of the agricultural input subsidy programme.

⁷⁸ MDTF is expected to be established at the end of 2011

⁷⁹ E.g. central policy documents not available such as FISP MTP, delayed confirmation of the amount of Government contribution by the Ministry of Finance and agreement on safeguards ('conditionalities') acceptable to all development partners

⁸⁰ See Annex 1, Indicators 2.6.1, 2.6.2, 2.6.3 and 2.6.4 of EQ 2

⁸¹ See Annex 1, Indicators 2.6.2 of EQ 2

5.3 EC contribution to food security

EQ 3	<i>To what extent has EC support contributed to improved food security, at national and household levels (with special regard to children under five and HIV/AIDS sufferers)?</i>
Judgement Criterion 3.1	EC support has contributed to improved management of the food security policy by the respective government institutions.
Judgement Criterion 3.2	EC supported interventions contributed to farmers increasing and diversifying their agricultural production for subsistence.
Judgement Criterion 3.3	EC interventions contributed to on- and off-farm income-earning opportunities for rural households which provide means to purchase food.
Judgement Criterion 3.4	EC support facilitated effective safety net interventions to improve the nutritional status of vulnerable groups (children under five, orphans, HIV/AIDS sufferers and the incapacitated).

Answer to the Evaluation Question

EC support has overall contributed substantially to improved food security at national and household level.

Generally food security projects at grassroots level have been successful in improving household food security, reducing the hunger months and diversifying crop production with specific attention to drought resistant crops and crops maturing during the hunger season. Public works programmes have effectively provided income to the poor and thus have helped to enhance their food security.

At national level the Technical Secretariat of the Food Security Joint Task Force, set up in 2002 with EC assistance, has clearly improved stakeholder coordination in coordinating response to crisis and enhancing the flow of information within the sector.

EC support to the National Food Reserve Agency (NFRA) resulted in better management of the Strategic Grain Reserve (SGR), but suffered from different opinions regarding the role of the NFRA, the ideal size of the SGR and the type of support required. From 2007, no more support was rendered to NFRA and SGR.

EC support focused on availability and accessibility. Attention to nutrition also has increased over time. The most vulnerable groups of the ultra-poor were overall not sufficiently targeted by food security interventions⁸². Positive results were achieved addressing acute under-5 malnutrition, while impacts of nutrition interventions were very few.

Overall EC developed good complementarities between EDF and BL interventions and good geographic complementarities. There are some good examples for the use of disbursement conditions to create favourable implementation conditions such as the condition on the re-establishment of the Forest Development Fund to strengthen the forestry sector. Major shortcomings were delays in the implementation of rapid response interventions, implementation time frames that were too short to achieve sustainable results and difficulties implementing partners faced in complying with EC procedures leading to delays, non-utilisation of funds and impeding better results. M&E systems range from good practice to unsatisfactory.

EC support to the improved management of the Food Security Policy included primary focus on the establishment and support of a Technical Secretariat of the Food Security Joint Task Force (TS/FCJTF) to coordinate food security interventions as much as assistance to the NFRA and the SGR. The TS/FCJTF has developed into a relevant and effective coordination body for food security stakeholders, which is highly appreciated by GoM and development partners. However, the database for policy and project implementation monitoring is not fully utilised by all EC supported implementers and therefore its usefulness for benchmarking purposes remains limited. Integration of TS into GoM structures after phase out of EC support is not yet clarified⁸³.

⁸² It is noted that quantification and even identification of this most vulnerable category is not facilitated by poor quality of census and baseline data

⁸³ Although PE8 has included some exit strategies and activities aimed at securing integration

(Indicator 3.1.1) The NFRA was able to improve its management of the SGR, which helped to improve national food availability. However, the role and performance of the NFRA continues to be problematic. Despite a common agreement among all stakeholders that the NFRA should concentrate on the management of the SGR as its core function, it continues to play several roles, including price stabilisation and commercial imports and sales. Sector dialogue has not recently progressed on this issue, the SGR has been accused several times of mismanagement and fraud and in addition, the GoM repeatedly sold maize from SGR against agreements with donors, including the EC, thus worsening food crises instead of reducing them. These shortcomings and other stakeholder disagreements on handling the SGR and the kind of support required have impeded better results of EC support to the SGR. As a result, the EC discontinued its support to NFRA and SGR in 2007 **(Indicators 3.1.2 and 3.1.3)**.

EC has an interest not only in “classical” risk management tools such as food reserves, but also in supporting innovative approaches to food security. The € 3.3m Malawi received in 2010 under the Food Security Thematic Programme (FSTP) 2007-2010 will be used for developing innovative approaches to improve the effectiveness and efficiency of existing unconditional cash transfer programmes to the ultra-poor. **(Indicator 3.1.4 (JC3.1))**

EC interventions such as support to the seed subsidy component and village level intervention programmes such as Food Income Diversification Programme (FIDP) and NGO food security projects have clearly contributed to increasing and diversifying farmers’ agricultural production. Maize production as well as the production of more drought resistant and/or less nutrient demanding crops such as cassava, groundnuts and sweet potatoes has increased⁸⁴. However, increases in production have not yet led to a longer term, inter-year better price stability⁸⁵. Several recent studies indicate that the GoM’s highly interventionist maize market policies might impede the development of functioning markets and negatively influence food security⁸⁶. **(JC3.2)**

EC-supported public works programmes like PWP, IGPWP and SPRINT have been very effective in increasing off-farm income opportunities for the rural poor, thus increasing their access to food. They have been particularly useful in targeting the poorer population groups, as low salary levels attract only the poor, so that support is clearly delimited as a safety net intervention. Female participation accounted for 42% of programme beneficiaries as a result of distinct targeting of women as potential beneficiaries⁸⁷. As public work programmes are only short-term with regard to providing access to income, the evolution of programme design shows the attempt to increasingly focus on developing more permanent income generating activities through public works programmes (e.g. the construction and rehabilitation of irrigation structures generates wage income as a public works programme, but will also increase income generation through increased agricultural production). **(JC3.3, Indicators 3.3.2 and 3.3.3)**

The last years have seen substantial reductions in under-nourishment, particularly regarding wasting prevalence in children under five - an indicator for reduced acute malnutrition. While chronic malnutrition continues to be a severe problem, acute malnutrition is under control.⁸⁸ Project reports and evaluation results show that safety net interventions such as therapeutic and supplementary feeding programmes, as supported by the EC, have been very successful in preventing acute malnutrition. The EC support has had visible impacts on early detection of malnutrition, improvements in cure rates and reduction of under-five mortality rates. Impact on chronic malnutrition is not visible, mainly due to short programme durations which have been insufficient to bring about real changes and due to the projects being too limited in the scope of their interventions. Communities have enhanced their knowledge on nutritional issues, but are still reluctant to take on more responsibilities regarding the prevention of malnutrition. NGO exit strategies relying on community volunteers to continue working after project phase out did not work out well, as volunteers were unable to continue providing services without remuneration.⁸⁹

⁸⁴ See Annex 1, Indicators 3.2.2. and 3.2.4 of EQ3 and indicator 2.3.1 of EQ2

⁸⁵ Although prices have been stable over the past year

⁸⁶ See Annex 1, indicator 3.2.3 of EQ3

⁸⁷ Data limitations did not allow assessing the percentage of female headed households that participated in the programme.

⁸⁸ See Annex 1, Indicator 3.4.1 of EQ3

⁸⁹ See Annex 1, Indicators 3.4.1 and 3.4.2 of EQ3

Support to the nutrition and food security surveillance system has not resulted in the consolidation of a functional Integrated Nutrition and Food Security Surveillance System (INFSSS). During the period in which EC supported INFSSS, the system was functional, with some deficiencies regarding data quality and the timeliness of provision of data to stakeholders. Utilisation of INFSSS data was for these reasons minimal. As the system had been run by an NGO without being well integrated into GoM structures, the system promptly collapsed after being handed over to GoM in 2008.⁹⁰

In general, an assessment by the EC Court of Auditors in 2010 stated that support to food security was mainly focussed on availability and accessibility aspects, while increasing attention to nutrition developed gradually. Nutrition did not feature as an issue in the CSP for EDF9, but was then addressed under the B-Envelope resulting in the Sustainable Nutrition Rehabilitation Project and was included as a specific objective in the CSP for EDF10. Under the FSBL, nutrition was underrepresented: only seven out of nineteen NGO projects explicitly addressed nutrition as a specific intervention. As FS interventions focused mostly on the productive part of the population, the most vulnerable groups of the ultra-poor were overall not sufficiently targeted by food security interventions⁹¹. **(JC 3.4)**

While EC developed good complementarities between EDF and BL interventions and good geographic complementarities and coordination between and sometimes even within programmes, projects could have been better⁹². Disbursement conditions have been used strategically to create favourable implementation conditions, e.g. the condition to re-establish the Forest Development Fund in the IFSML, which delayed the project start, but will increase the sustainability of results. EC support meant as a rapid response for crisis, such as the Food Facility to react to the soaring food prices; and SPRINT, designed as a response to the food crisis of 2005 during the hunger months, failed to deliver on time. Lengthy EC decision modalities and EDF procedures not adapted to rapid response requirements delayed implementation. In the case of SPRINT the hunger months had already passed when the project started implementation. Other obstacles to smooth implementation were the severe difficulties implementing partners faced with complying with EC procedures. Projects ran out of funds, because they were unable to supply the necessary documentation completely and on time (e.g. IFSML I had no funds available during 12 months of implementation and TS is currently without funds as Programmes Estimate⁹³ (PE) 8 will not be approved before closing PE 5 and PE6). This is a particularly serious problem in agriculture, where the agricultural calendar requires timely implementation in order not to lose a whole cropping season. Frequently implementation periods ranging between 18 months and three years are too short to render sustainable results. In agriculture and food security even funding cycles of three to five years are regarded as too short to consolidate project results. The success of FIDP and IGPWP is clearly linked to the fact that successive project phases have allowed for longer implementation time frames and making use of learning experiences of previous phases. M&E systems range from good practices (FIDP, IGPWP) to rather weak examples, with little baseline data available and weak information management and data collection capacities. Multiple and fragmented approaches across the sector hinder the development of a benchmarking system for comparing implementation intervention and effectiveness, as well as attribution of changes⁹⁴. EDF10 support to ASWAp and GBI foresees to include support to improvement of agricultural statistics and improvement of the ASWAp M&E system to address this issue. **(JC 3.2, Indicator 3.2.1)**

⁹⁰ See Annex 1, Indicator 3.4.3 of EQ3

⁹¹ See Annex 1, Indicator 3.4.1 of EQ3

⁹² Examples were cited for the lack of linkages between FIDP and IGPWP (IGPWP rural roads component could have benefited developing agri-business initiatives under FIDP) and within the Public Works Programmes (Forest activities contributing to lifting of water tables might have been developed into irrigation activities and irrigation activities suffered because of the lack of water availability)

⁹³ Programme Estimates are part of the procedures applied in case of projects and programmes being implemented by means of partly decentralised management. "PEs are documents laying down the programme of measures to be carried out and the human and material resources required the corresponding budget and the detailed technical and administrative implementing arrangements for decentralised execution of a project or programme over a specified period by direct labour and/or by means of public procurement and/or the award of grants." (EC 2009: Practical Guide for PE, page 17)

⁹⁴ Although efforts are being made by TechSec to harmonise indicators across sector project interventions (all donors) – see Vol2 Annexes I2.6.1 and I3.1.1

5.4 Contribution of EC support to sector management of a road network that provides appropriate service levels

EQ 4	<i>To what extent has EC support to the road sector in Malawi contributed to management of a network that provides levels of service that respond to user needs?</i>
Judgement Criterion 4.1	EC policy dialogue has contributed to the development and implementation of national road sector strategies, a SWAp and investment programmes.
Judgement Criterion 4.2	EC support has contributed to improved capacity of national sector institutions, contractors and consultants to adequately manage network maintenance and development works.
Judgement Criterion 4.3	EC interventions contributed to improving road network condition.
Judgement Criterion 4.4	EC interventions contributed to improving rural access.
Judgement Criterion 4.5	EC interventions have contributed to improving axle load control and road safety.
Judgement Criterion 4.6	EC has contributed to improving mainstreaming of crosscutting issues (gender, HIV/AIDS, environment) in the road sector.

Answer to the Evaluation Question

EC support to the road sector in Malawi has contributed to management of a main road network that continues to be in relatively good condition compared with many African countries. Whilst the condition of the majority of lower category roads is improving, rural road conditions continue to be seasonally poor with low accessibility for the majority of the Malawian population who live in rural areas. EC EDF9 support has made a significant contribution to development of sectoral policies, strategies, programming and institutional reform leading to development of a SWAp which will be supported by sector budget support under EDF10 (Road Transport Sector Policy Support Programme). Reaching this point represents a major achievement.

However, the road network in Malawi, whilst an essential national asset, is hugely expensive in terms of recurrent costs of maintenance, without which the economic and social benefits of major capital investment or rehabilitation will not be fully realised. If maintenance is not affordable or of adequate quality, service levels fall, vehicle operating costs and journey times increase, premature (and avoidable) deterioration of road condition will take place and whole life costs will be significantly greater. Although resources made available for road maintenance have increased there are continuing reports, including Joint Transport Sector Review Aide Memoires, of funding deficits leading once again to inadequate maintenance and an increasing backlog of periodic maintenance. Maintenance operations are more demanding logistically than technically (compared with new construction) and depend upon adequately resourced and capacitated sector institutions. EC support has included institutional support (e.g. INSTAP) including specific support to maintenance operations (e.g. MABARM) but maintenance management as a whole continues to present challenges. Also the road pavement must be protected against the serious damage that can be caused by overloaded trucks. Axle load control is crucial, again depending upon adequate institutional capacity and resources supported by political will. At the time of writing none of the border weighbridges are functional, whilst the sole inland weighbridge is only partially functional. The affordability of the network is in doubt and in the current context of difficult national and international macro-economic conditions, preservation of current levels of service of the road network are dependent upon continuing external donor support (at existing or even increased levels).

The apparently cyclic issue of procurement programming issues and poor engineering contract management is a worrying issue which, on the eve of launching sector budget support has resulted in heavy liabilities over and above budgetary commitments, delayed payments to contractors, transfer of payment liabilities between financial years and budget shortfalls in annual programmes. Clarification of potential liabilities and a credible plan for resolution of the situation should be a pre-requisite for initial disbursement sector budget support.

Overall, the EC as lead donor in the road sector has provided significant long-standing and on the whole reasonably effective (in the short term at least) support to the road sector in Malawi including support to capital investment, road rehabilitation, periodic maintenance, institutional support, capacity building and development of sector strategies and programmes (**Indicators 4.3.1 and 4.3.2**). And yet, despite such major support by EC and other sector donors, there remain serious sector management and resource deficits in sustainably maintaining the national road network.⁹⁵

EC support is now culminating in the launch of sector budgetary support for a SWAp following institutional reform and the preparation of transport sector policies and strategies (responsive to the MGDS I) accompanied by somewhat less well defined multi-annual investment programmes⁹⁶, which show an immediate (FY 2011/2012) and increasing funding deficit for needs based annual works programmes. Sector communication and collaboration has improved over the past few years, but dialogue continues to be constrained by capacity deficits in the NAO office, sector agencies and line ministry. It remains to be seen how dialogue between GoM and sector stakeholders (including the EC) may respond to implementation of sector budget support. However sector and donor coordination by MOTPI remains weak with little demonstration of leadership. These capacity constraints that continue despite years of major technical assistance and institutional support by the EC and other donors, do not only impact upon communication and dialogue, they also extend to many key issues of fundamental importance to effective sector management⁹⁷. These capacity issues extend, to a greater or lesser extent, to sector institutions at all levels. (**Indicators 4.1.1 and 4.1.2**) (JC4.1, JC4.2)

The launching of sector budget support is undertaken with the clear understanding that whilst sector policies, strategies, capacities and structures are at an appropriate stage of development for such support there is still much to be done to improve sector management – a mixture of lack of resources and procedural difficulties result in shortfalls in sector performance. This further development will be the subject of dialogue during implementation of budget support and continuing development and improvement of procedures and processes as monitored annually by means of financial, procurement and technical audits and JTSR, against which conditions for disbursement of fixed and variable tranches will be assessed. In this context and at this stage of initiation of sector budget support it is disconcerting to note very large cost overruns and potential exposure to costs over and above approved budgets and commitments, major funding shortfalls in annual work programmes from FY 2011/2012 onwards compounded by transfer of payment of some certified works to a succeeding financial year (**Indicator 4.2.2**). Clarification of current proven and estimated exposure to extra-budgetary costs is essential together with an understanding how existing contract programming, procurement and approval procedures permitted this situation. A credible plan for resolution of the current issues plus proposals for avoidance of similar situations in the future is necessary as a matter of urgency. (**Indicator 4.1.1**) (JC4.1, JC4.2)

Budgetary provision for maintenance was deficient for years but recent increases in the fuel levy have better matched current Road Fund revenues to maintenance needs. However, without further politically sensitive increases of the fuel levy, the revenue deficit and, as a result, the maintenance shortfall will return apparently from the coming financial year where there is a large deficit between the estimated costs of necessary works and available funding. There has been

⁹⁵ A vignette of this capacity deficit is that immediately after the closure of major long term TA support to the various sector institutions there is no residual capacity to draft the request dossier/report for release of the first tranches of sector budget support under RTSPSP (i.e. justification that progress is on track against the 7 KAAS – sector context, sector budgeting and medium term perspective (MTEF), sector and donor coordination, institutional capacity, sector performance monitoring, ME framework and PFM). A consultant will be engaged to do this.

⁹⁶ In itself this represents a considerable achievement given inherent sector resource and capacity difficulties

⁹⁷ A sample of the more important deficit issues includes shortcomings in project cycle management, programming, prioritisation, procurement and financial management all compounded by funding deficits, limited absorption capacity and political interference in programme planning and implementation.

considerable donor effort⁹⁸ to reduce the backlog of periodic maintenance, with a good effect on the condition of major roads. However, there is once again an increasing backlog of grading of unpaved roads and patching of paved roads and periodic maintenance generally (**Indicator 4.2.2**). Absorption capacity, even for limited funds, has been an issue, not helped by limited national capacity in the construction sector – contractors and consultants⁹⁹ - although such absorption capacity has increased in recent years with the establishment of RFA and RA (**Indicator 4.3.3**). This has resulted in poor design and in time over-runs of contracts and poor quality of works and this situation impacts upon the condition of the road network as a whole. This notwithstanding, the quality of the network of Malawi's main roads compares favourably with most countries in the region and this should be recognised as an achievement despite the resource and capacity deficits which may threaten sector outcomes¹⁰⁰. However, the situation regarding lower category mainly rural roads (mostly unpaved) is less positive and appears to be deteriorating¹⁰¹ (**Indicator 4.3.4**) (**JC5.2, JC4.3, JC4.4**).

Rural roads are essential for rural accessibility as there is no other possible mode of transport (and in this context not only motorised transport should be considered – bicycles, animal traction and head-loading all use roads). In recent years, there has been considerable effort by the EC and other donors to improve rural access. This support has been very effective in the short term, in terms of length of rehabilitated rural roads, spot improvements and improved all-weather rural accessibility and connectivity with higher category roads. However unpaved roads are very sensitive to maintenance neglect which leads to rapid deterioration. There are reports of poor quality of routine maintenance of rural roads such that sustainability of rural access remains seasonally in doubt. (**Indicators 4.4.1, 4.4.2, 4.4.3 and 4.4.4**) (**JC4.4**)

But maintenance adequacy is not the only factor in prolonging the useful life and service levels of a road. Overloading of trucks is an attractive option for hauliers if road conditions are good and the risks of apprehension and penalty are slight. This is exactly the case on main roads in Malawi. The damaging effect of an overloaded truck is not linear¹⁰² and unrestrained overloading can reduce the economic life and service levels of a road by a huge factor. These effects are recognised, weigh stations have been provided at strategic locations (some with EC support), but none of the border weighbridges are operating whilst the single 'in-land' weighbridge system is not fully functional¹⁰³ (**Indicator 4.5.3**). Overloading also has a safety component and, following preparation of a Road Safety Master Plan, other measures are being planned to improve Malawi's high road traffic accident rates including safety audits and mitigation measures at accident black spots, although it is reported that no measures have yet been implemented. (**Indicators 4.5.1, 4.5.2 and 4.5.4**) (**JC4.5**)

Cross-cutting issues are covered in sector programming and to a lesser extent in implementation. Coverage of HIV/AIDS is probably the best mainstreamed issue with consideration at all stages in the project cycle and sensitisation efforts during the course of works (with intermittent publicity campaigns along major routes) (**Indicator 4.6.4**). Environmental (and social) issues are considered at design/planning stage, at least for major works, although implementation of mitigation measures can be variable (**Indicator 4.6.1**). Coverage of gender

⁹⁸ Support during the period 2003-2010 includes the Malawi Backlog Road Rehabilitation and Maintenance Programme (MABARM – 9ACP MAI021) although other support interventions have an element of support to maintenance (e.g. Rural Feeder Roads Programme – 9ACP MAI035; Road Management Support Programme – 6ACP MAI078, 8ACP MAI005 – until 2006) and Lakeshore Rural Infrastructure Support (6ACP MAI 067; 6ACP MAI 088; 7ACP MAI 130; 8ACP MAI 030).

⁹⁹ Reported complications arising from EDF procedures are also a contributory factor.

¹⁰⁰ This happy situation is in large part due to major donor support including EC to capital investments and backlog maintenance on main roads.

¹⁰¹ This is for the current network; in 2012/13 unclassified and community roads, mostly unpaved roads in poor condition, are taken over for public maintenance, nearly doubling the length of the public road network.

¹⁰² A truck of axle load 2x does not produce a damaging effect twice that of an axle load x – it is actually something like 16-32 times the damaging effect depending upon the axle configuration, the road pavement structure and conditions at the time of loading i.e. if the pavement is very wet the damage can be much greater. There are multiple references to this issue – a sample Effect of Overloaded Vehicles on Pavement and Bridge Design [Transportation Research Record: Journal of the Transportation Research Board](#); The Damaging Effects of Overloaded Heavy Vehicles on Roads (Pad27 - revised). Pretoria, South Africa, 1997;

¹⁰³ At first sight this situation suggests that overloaded trucks can enter and move through Malawi with impunity. However, whilst unimpeded internal movement is indeed possible, trucks approaching Malawi from neighboring countries have already traversed (hopefully functional) weigh stations in these countries (e.g. Gt. East Road, Zambia; Tete/Zambezi Bridge, Mozambique).

issues is weakest in terms of mainstreaming with sector policies and strategies making little or no reference to gender issues (although interventions on rural roads have made much more of an effort to address gender issues including employment of women in rural road works). **(Indicator 4.6.2) (JC4.6)**

5.5 Contribution of EC support to the road sector for improved regional connectivity

EQ 5	<i>To what extent has EC support to the road sector in Malawi contributed to improved regional connectivity?</i>
Judgement Criterion 5.1	EC support contributed to development of integrated multi-modal national transport and road sector policies and programmes which are coherent with regional transport policies and with transport sector policies and programmes of neighbouring countries.
Judgement Criterion 5.2	EC support contributed to streamlined and improved border formalities to facilitate sustainable trade relations with neighbouring countries.
Judgement Criterion 5.3	EC interventions contributed to reduced transport costs between internal, regional and global markets.
Judgement Criterion 5.4	EC interventions contributed to increasing use of Beira and Nacala Corridors by Malawian freight and passenger transport.
Judgment Criterion 5.5	EC support has adequately responded to development of national integrated multi-modal transport sector policies.

Answer to the Evaluation Question

EC support to the road sector in Malawi has impacted on the condition and levels of service of roads in Malawi but has made little or no contribution to wider improvement of regional connectivity.

EC strategy for regional connectivity has assumed that major national investment in transport (almost entirely road) infrastructure complemented by regional programmes concentrating on facilitatory issues will provide the building blocks for regional connectivity. This strategy is flawed in that national programmes, by definition, respond to national priorities which often do not correspond with the priorities of a neighbour. (It is arguably unrealistic to expect altruistic investment of large sums from a national programme which largely benefit a neighbouring country. Only when priorities happily coincide is this likely to take place). This approach has left gaps and only very recently are regional connectivity aspirations being matched by more adequate (and innovative) funding packages and modalities for projects of regional and international significance (e.g. EU Africa ITF - Gt. East Road, Zambia). Malawi is metaphorically at the end of the road (and railway). The last sections of road (and rail) to the Malawi border have been of little interest or priority to the neighbouring country as Malawi is not a transit country. However, with the huge investments in coal extraction in Tete Province, Mozambique, this situation is very soon going to change with transport options being limited (in the immediate medium term and long term) to the neglected Nacala Corridor. Large private sector investment in transport infrastructure is expected to be matched by public investment and support of funding agencies. EC has given support to regional programmes through SADC and COMESA but such regional programme budgets have been insufficient to fund expensive infrastructure such that support has been given to 'softer' facilitatory issues (such as customer and border formalities and procedures, transit charges, carriers license, yellow card) and regional protocols and agreements, the ratification of which has been generally dilatory.

Overall, EDF9 support to the road sector in Malawi, while being highly relevant to maintenance and improvement of service levels of regional corridor roads within Malawi, has contributed little or nothing to wider regional connectivity. However, it should be clearly noted that the objectives of EDF9 support to transport infrastructure did not explicitly focus on regional connectivity which becomes a higher profile objective under EDF10.

There is broad coherence between national and regional sector policies and equally broad similarity between national transport sector policies in southern African countries (i.e. improved

regional connectivity through infrastructure provision, maintenance before upgrading of new construction, importance of axle load control, user-pays principle, corridor development, etc.). Most countries now have broadly similar institutional management structures for the sector (road fund, road authority, ministerial oversight and regulation) and EC has in most southern African countries contributed to development of sector policies, strategies and institutional structures¹⁰⁴. On the other hand, most countries have, to varying degrees, the same problems of budgetary. Until very recently consideration of 'transport' concentrated almost entirely on roads (which carry by far the greatest proportion of passengers and freight) - see below also. In all these issues Malawi is reasonably typical. **(Indicators 5.1.1 and 5.1.2) (JC5.1)**

At least on paper, regulatory systems are converging, but ratification, implementation and enforcement of international protocols and agreements is partial and inconsistent **(Indicator 5.1.3)**. An example is 'one-stop' border posts, some of which are planned for the Malawi borders **(Indicator 5.2.1)**. A number of such border posts have been constructed elsewhere with donor funding, but most continue to operate in the traditional 'two stop' manner. Whether due to physical constraints or bureaucratic/documentary factors, delays continue at many land borders such that as corridor infrastructure conditions improve, such border delays have come to make up a major contribution to transit times.¹⁰⁵ **(Indicators 5.2.2 and 5.2.3) (JC5.2)**

There has been improvement in the condition of most road corridors such that since the mid-90s most have been in reasonable condition (the exception being the Nacala road corridor of which about half the length between the Malawi border and Nacala continues to be in poor condition to this day). Also, the condition of Malawi's southern rail corridors remains deficient (Nacala) or closed (Sena line to Beira corridor) and EC sector support has not, until very recently, included the rail sub-sector¹⁰⁶. Thus, although VOCs have reduced (in terms of travel times, reduced wear and tear on trucks, reduced fuel consumption etc. due to better infrastructure condition), in the meantime corridor service and other costs have increased, such that freight charges remain high for Malawi (as much due to the long distances to be travelled and time necessary to travel to the most used ports as any other factor). **(Indicators 5.3.1 and 5.3.2) (JC5.3)**

The quality of service provision of a corridor and the perception of reliability of that service is critical for traders who will divert into higher costs to ensure predictability of delivery and turnaround of freight. On these grounds Durban (long distance, high transport costs, multiple border crossings, highly efficient port) gains at the expense of Beira (shorter distance, lower transport costs, single border crossing, moderately efficient port) and both gain at the expense of Nacala (shortest distance, high transport costs due to poor road and rail condition, single border crossing, hugely inefficient port). EC support has included major capital investment, rehabilitation and upgrading plus backlog periodic maintenance carried out on all these corridors over many years as components of EC sector support, not only in Malawi but also in neighbouring countries. **(Indicator 5.4.3) (JC5.4)**

Until recently when EC and other donors discussed transport with the GoM, they discussed almost exclusively roads. Considering that almost all land transport of passengers and goods is by road, other modes having withered due to neglect were barely mentioned¹⁰⁷. Now the situation is changing as a number of countries (including Malawi) are preparing multi-modal transport sector policies, investigating public-private partnership possibilities for major infrastructure provision and introducing SBS (which, subject to dialogue between GoM and sector stakeholders, may lead to sector interventions which contribute to increasing regional connectivity). This has obvious resonance with corridor development as long as adequate funding can be mobilised to respond to regionally important (and economically justified) investments that are beyond the reach of national programmes. At the same time new

¹⁰⁴ As lead sector donor in many countries

¹⁰⁵ WB and AfDB are reported to be planning support construction of 'one-stop' border posts at Karunga, Mchinji and Mandimba but there are no such plans for Mwanza/Zobue, which is the busiest of the border crossings.

¹⁰⁶ EC funded TA to Rail Sector Development in 2008/2009 under FWC Lot2 – Transport and Infrastructure.

¹⁰⁷ This is a key issue. Pragmatically it may be argued that road transport, which carries almost all passenger traffic and most freight across Malawi and most of southern Africa, should receive donor support commensurate with that level of usage. However, other transport modes, especially rail, have a strategic role especially in bulk transport. Until recently this strategic consideration has been neglected.

instruments of support are being introduced (e.g. EU-Africa Infrastructure Partnership) and joint funding or interventions is increasing (with other donors and EIB). The combination of these measures may indeed lead to a more rational (and environmentally more benign) movement of freight in the years to come. It will, however, do nothing for the rural populations in Malawi (and elsewhere) who have no alternative to road transport. **(Indicator 5.5.1) (JC5.5)**

However, the situation is changing rapidly and significantly. The huge investments in coal extraction in the Tete Province, Mozambique require the means for bulk haulage to a deep water port (i.e. Nacala port and rail corridor). Rail links to Beira and Beira port facilities can only offer a temporary solution. As this will require a link between Tete and the Nacala Corridor railway line Malawi finds itself in a pivotal position in this network whilst, unusually, Malawian and Mozambican transport priorities may now be synchronized. Investments are likely to be of such magnitude (and urgency) that private, public and other funding is likely to be involved with potential 'leverage' of this situation for rehabilitation and upgrading of other sections of the Malawian rail network and operationalization of the rail link from Zambia (and thus to Southern DRC) to Nacala for copper belt products. Given the recent signing of a MOU between GoM and Vale, Malawi's transport sector is on the threshold of a crucial step change which will demand EC attention and support during the remaining balance of the EDF10 programme and beyond. **(Indicator 5.5.1) (JC5.5)**

5.6 Contribution of EC support to capacity building in trade negotiations and related reforms to regional integration

EQ 6	<i>To what extent has EC support to capacity building in trade negotiations of Malawi and related reforms complemented support to regional integration?</i>
Judgement Criterion 6.1	Complementary EC support benefiting Malawi's capacity to mitigate, implement and benefit from an EPA negotiated at regional level.
Judgement Criterion 6.2	Impacts and adjustment costs of EPA process are identified.
Judgement Criterion 6.3	Upgraded capacity to promotion of exports and diversification of the economy including the mineral sector.
Judgment Criterion 6.4	National involvement in EC regional programmes (COMESA and SADC).

Answer to the Evaluation Question

Overall, EC support to capacity building in trade negotiations and related reforms has delivered less than expected results and has not to any significant degree complemented support to regional integration.

For many years it has been apparent that Malawi has serious capacity problems in trade facilitation (e.g. trade information systems and statistics, trade policy analysis and formulation capacity, mineral sector legislation, regulation and oversight, SQAM) but little EC sector support was made available under EDF9 NIP. This situation results from MPRSP (to which EDF9 CSP responded) having little reference to such issues. However under MGDS I (to which EDF10 CSP responds) issues of trade facilitation and private sector development have a higher profile which is reflected in proposed support under EDF10 (Capacity Building towards Trade and Private Sector Development). Also support to these issues under regional programmes had little foot print at national level.

EC support to national development and support has suffered from implementation, fiduciary and administrative problems and delays including support to increasing national capacity to participate in EPA negotiations (9 ACP MAI 022). This project was eventually discontinued as a result of irregularities after suffering problems in implementation of programme estimates, the net result being non-delivery of expected results (which included negotiating position papers and assessment of mitigation costs).

Under proposed EDF10 support prospects look brighter with €12m earmarked to support trade and private sector development. This commitment is not conditional upon completion of EPA negotiations and a financing agreement has been drawn up between GoM and EU.

The MGDS has a much stronger focus on trade than the earlier MPRSP which had followed a conventional 'poverty reduction' approach and thus had less overall focus on economic development. As both EDF9 and EDF10 CSPs were responsive to national development policies (EDF9 to MPRSP; EDF10 to MGDS I) it is to be expected that EC support to trade facilitation would be stronger under EDF10 (**Indicator 6.1.1**). However, EC support at national level related to EPA negotiations (under EDF9) has produced few of the expected results¹⁰⁸. Reported implementation difficulties included problems in administration of programme estimates¹⁰⁹, although some position papers were reportedly produced and support was given to some meetings (e.g. NDTPF). Meanwhile, various academic and development bodies and NGOs

¹⁰⁸ Expected results from EC support to the National EPA Secretariat (National Development and Trade Policy Forum) included: development of trade negotiating positions and impact assessment studies for Malawi; increased competence through training of national negotiators and stakeholders in negotiating processes, trade analysis and assimilation of technical issues; stakeholders and general public consulted, informed and notified at all stages of the EPA negotiating process (advocacy and consultation). It is reported that few results were actually delivered.

¹⁰⁹ A litany of problems was described by MIT including audit issues and ineligible expenditures (PE1), delays in transfer of funds (PE1), delays in preparation and approach (PE2), few outputs (PE2 - <20% of expected), logistical problems in MIT, changes in PRAG regulations (between PE1 and PE2), PIU unfamiliarity with EDF procedures and time running out to disburse.

produced papers and articles on exactly the same issues¹¹⁰ (**Indicators 6.2.1 and 6.2.2**). At present Malawi's negotiations (under the ESA grouping) are also stalled and given the opposition of the President of Malawi to the EPA, in the short term at least, there is not likely to be strong impetus to move the situation forward. However if these high level problems can be resolved, it appears that donor funded mitigation measures will be the main issues for discussion¹¹¹. Such support as is actually expected to be promoted to EPA negotiations at national level appears to consist only of ad hoc inputs by technical assistance to the National Development and Trade Policy Forum (under the TCF). (**JC6.1, JC6.2**)

Shortcomings in national capacity for some aspects of trade facilitation have been well known for years (e.g. trade statistics, information, policy analysis, mineral sector, SQAM) (**Indicator 6.3.1**). Given the relatively low cost of support to SQAM (national testing and accreditation facilities) and to trade information systems and policy, this apparent lack of EC support can only be ascribed to low prioritisation of these issues in MPRS (and thus EDF9 CSP which responded to MPRS) although some attempts have been made to address issues of trade statistics and SQAM at regional level without much impact being noticed at national level¹¹² (**Indicator 6.3.2**). However, it is now proposed to address these issues at national level under EDF10 (the mineral sector capacity problems are now becoming urgent with increasing interest in investment in extractive industries as potential sector development and investment seems to be undertaken despite sector management structures and legislation rather than being facilitated by them). This 'shift' in support reflects the different foci of sector support – EDF9 focussed more on EPA, EDF10 focuses more on trade and private sector development. (**Indicator 6.3.3**) (**JC6.3**)

Despite greater reference in EDF10 CSP to linkage and complementarity of national and regional programmes in support of trade facilitation and investment, there appears to be little real coordination of national and regional support¹¹³. The result is that there is only limited national involvement or ownership of EC regional support to trade facilitation and this might be a contributory factor in Malawi's slow ratification of regional and international agreements¹¹⁴ (**Indicator 6.4.1**). A factor here could be an expressed lack of communication between national and regional levels on the part of government (NAO/RAO) and the EUD (this observation is not unique to Malawi; it is applicable to most COMESA and SADC countries). On the other hand, in recent years Malawi has benefited from some support to private sector development under intra-ACP projects¹¹⁵. (**Indicator 6.4.2**) (**JC6.4**)

¹¹⁰ The majority of such papers examined by the evaluator suggest that Malawi will not benefit (except in certain areas such as tobacco which has increasing problems under 'rules of origin') without significant donor coverage of mitigation costs.

¹¹¹ Although EPAs are intended to be comprehensive agreements supporting regional integration, economic governance and linkage to development cooperation, opponents focus mainly on market access issues

¹¹² E.g. the EC SADC SQUAM project noted the Malawi Bureau of Standards required laboratory equipment and, although it was planned to acquire such equipment under this regional project, the budget was inadequate and no equipment was procured.

¹¹³ A finding of the 2008 Evaluation of EC Support to the Region of ESA & IO – 'Regional and national programmes are substantially coherent and provide a strong basis for complementarity that is however not supported by explicit linkages between regional and national levels. Actual coordination remains weak.....'

¹¹⁴ EUD Malawi is not responsible for programming or implementation of EC regional programmes. Such responsibility lies with EUD Zambia (COMESA/ESA) and EUD Botswana (SADC).

¹¹⁵ E.g. Proinvest project "Rebuilding the National Trade and Information Centres in Malawi, Mozambique, Zambia and Zimbabwe" or Trade.com "Review, Analysis and Drafting where appropriate of Malawi's trade and trade related legislation, regulations and procedures for WTO compliance"

5.7 EC budget support and associated policy dialogue's contribution to stabilising the external and fiscal balances

EQ 7	<i>To what extent has EC budget support and associated policy dialogue contributed to stabilising the external and fiscal balances?</i>
Judgement Criterion 7.1	EC budget support positively affected the stability of funding sources in the country's external and internal financial stability.
Judgement Criterion 7.2	As soon as Malawi was back on track, the tranches were released on time in accordance with originally agreed timetable, which improved predictability of aid flows.
Judgement Criterion 7.3	EC budget support contributed to the establishment of a framework of policy dialogue with GOM within the CABS and other donors coordination platforms.
Judgement Criterion 7.4	EC budget support has facilitated harmonising external assistance (among donors) and offered a value added to the BS brought by Member States.

Answer to the Evaluation Question

In heavily donor-dependant Malawi, with DPs' Aid representing 20% of the GDP, the EC disbursements within its three BS programmes (PRBS I-III) brought, in synergy with the funds released by other BS donors, a critical mass that strongly supported the country's efforts for securing its international reserves and implementing its poverty reduction strategy. This external and internal stabilisation could be achieved in a context of improved co-operation with the GoM and a policy dialogue structured by the CABS group under the Joint Framework for budget support co-operation and the Performance Assessment Framework, both designed after the resumption of BS flows in 2004.

On the contrary the 2003/2004 Budget support suspension that followed the late completion of IMF PRGF review worsened the country's financial situation with debt and associated interest charges rising and pro-poor expenditures decreasing simultaneously.

Even though referred to as a "programme" in the three consecutive EC PRBS financing agreements, budget support remains an aid modality whose substantial financial leverage was still limited to the combination of disbursements and monitoring of PAF indicators. In particular, it cannot by itself mitigate risks arising from external shocks or deterioration in the policy dialogue. In a context of deterioration of the terms of trade following the fall of tobacco sales since early 2011 the IMF ECF programme with Malawi being finally declared "off-track" on June 20th after the failed completion of the second review due in April this year is likely to create an additional financial shock as most budget support disbursements within the CABS groups are likely to be suspended.

During the period under review three successive budget support programmes have been implemented in Malawi with increasing financial commitments and substantial disbursements to the Government. The Poverty Reduction Budget Support (PRBS I) was approved by the Commission in July 2005 (for an amount of €41.4m for fiscal years 2004/05 and 2005/06), followed by PRBS II (€34m revised to €45.7m for FY 2006/07 and 2007/08) both financed under EDF9. The last tranche for PRBS III (€90m. revised to €115m then €134m.) implemented under EDF10 was disbursed in Dec 2010 whereas the PRBS IV is still under formulation.

BS in general and EC BS in particular contributed to macro-economic stabilisation in Malawi by financing current account and fiscal deficits: The macro-economic contribution of the foreign exchange inflows into the balance of payments can be traced by the evolution of the overall deficit after grants over the period. With the concomitant impact on the closely monitored (IMF) Net Foreign Assets, the EC BS contribution was prominent in the Malawi foreign exchange reserves and EC budget support disbursements in 2010 were the equivalent of one month's imports and of 80% of the total imports of Petroleum products, which is a rather substantial contribution in a country which aims at securing three months of imports in foreign reserves but hardly managed to maintain more than two months during the period under review. **(JC 7.1).**

Over the period 2003-2010 the actual consolidated national budgetary resources increased by a higher proportion than domestic funding sources, which indicates that combined donors' support brought an additional input to the national budget. Thus, EC budget support brought a major contribution to the resources of the budget and to the execution of the voted expenditure, in synergy with other DPs' budget support as well as dedicated grants within the Health SWAs, NAC, Fertilizers and more recently education SWAs. Since the Government expenditure could be financed thanks to additional funding sources and increased budget support, the need for borrowing decreased and the internal debt stock stabilised easing also the pressure of interest rates on GoM discretionary spending. With lower interest rates to pay, GoM, encouraged by donors in their political dialogue within CABS, could spend more in the MDGS-related activities and the combination of BS donors (such as EU, DFID or the World Bank) efforts brought thus a 'critical mass' to the implementation of the GoM Poverty Reduction Strategy (**JC7.1**).

Whether explicitly formulated in the contribution agreements or not, BS disbursements are linked to the successful completion of IMF reviews. Thus, a delayed review can have an adverse financial effect on this aid dependant country as this risks affecting a substantial flow of funds to its Balance of Payments (external balance) and Budget (internal balance). Counterfactual is brought by the retrospective analysis of the 2003-2004 BS suspension, after IMF failed to conclude its PRGF arrangement. GoM had to finance the shortfall through domestic borrowing, which in turn contributed to an increase of the discretionary expenditure on the recurrent budget and a decrease in the pro-poor expenditure. Similarly, the three months' delay in the BS at the end of 2009 for similar reasons, impacted again on the country's financial balance. Thus even though budget support can assist Malawi to safeguard its foreign reserves¹¹⁶ it cannot by itself guarantee protection against the kind of exogenous shocks the country is currently facing due to the degradation of the terms of trade for tobacco. Following the May 2011 review the IMF declaration that Malawi is 'off track' created additional financial shock as in July 2011 major donors suspended budget support disbursement (which had a worsening effect on the value of the Kwacha). (**JC 7.2**)

GBS was specifically requested by GoM to support poverty reduction measures and CABS thus concentrated upon monitoring of government poverty reduction activities and macro-economic policies. The CAB framework was established in 2000 but was reinvented after the resumption of general budget support under a Joint Framework signed in 2005 by GoM/DPs. This was followed by the formulation of the Performance Assessment Framework (PAF) with the objective of improving policy dialogue and predictability of aid flows. EC joined CABS at its very early stages, contributed to the establishment of the framework of policy dialogue and currently chairs the DPs' coordination. (**JC 7.3**)

The significance of policy dialogue under CABS can be measured through the increased higher level Government's commitment to the yearly CABS reviews within the Ministry of Finance as well as within the sector ministries. In addition, the involvement of non-CABS members in the regular CABS reviews (e.g. WHO participation in the March 2011 review) indicates CABS influence on policy dialogue during the update sessions of the PAF framework. However, the joint framework also covers governance principles such as human rights, democratic principles, PFM, corruption and rule of law. Some donors consider that CABS dialogue (under Article 7 of the Joint Framework) should be expanded to more vigorously cover such issues under a broader political dialogue with government, whereas EU MS have the possibility of such political dialogue under Article 8 of the Cotonou Agreement. As no such dialogue has taken place since 2009 this debate has been intensified after the expulsion of the British High Commissioner in April 2011. (**JC7.3**)

The selection of indicators to be included in the Performance Assessment Framework opens a space for CABS group to establish a relation between macro and sectoral concerns. This link is rather strong in the Health related issues, but a few donors are members of both CABS and Health Swap policy dialogue platforms.

¹¹⁶ E.g., as it did in Dec 2010 when DFID and EC disbursements helped to keep the country on track during the IMF first review of the ECF

This success, combined with the results of the Health SWAp might have motivated the achievement of further SWAps programmes in the field of Education, Agriculture or Transport. But for the many other fields concerned by Poverty reduction issues, and not concerned by CABS indicator, this functional link does not exist and this raises the issue of whether and how to link the CABS dialogue with other platforms in sectoral policies within the framework of Malawi PRSP. It also raises the issue on how best combine its support to the country: whilst EU relies on fungibility within BS thus avoiding fragmentation of funds in fields outside the European concentration sectors, AFDB, WB, DFID or KfW, combined their commitments towards general budget support and sectoral SWAps in order to claim a seat at the table in the sectoral issues as well. With the sectoral SWAps being finalised in the two focal sectors under EDF10, EU which has decided to allocate sectoral budget support to the transport programme will have now to decide on how best to combine use of both instruments **(JC7.3)**.

The efforts towards harmonisation among donors have been significant over the period under review. EC support provided since PRBS2 was designed in order to be both compliant with the JF and PAF requirements, and with development partners' good practices and harmonisation principles. A specific effort was made for the amounts within BS Financing agreements dedicated to institutional support and mobilised under donors' specific modalities. With Contribution Agreements (such as FIMTAP - WB or JPSME - UNDP), a significant share of the institutional support financed by the EC has been pooled in the spirit of the Accra Agenda for Action. However, external evaluations reported mixed effectiveness of both implemented programmes due to the lack of strong management by the implementing donor agency in each case. This is however not the only way harmonization is sought. Some positive synergies are worth noting, especially those developed with the German GIZ for the support to the PFEM Unit at the Ministry of Finance, mainly reinforced by the individuals in charge of the mobilisation of the respective funds **(JC.7.4)**

5.8 EC budget support contribution to improving PFM and to orienting budgetary priorities and actual expenditures towards poverty reduction

EQ 8	<i>To what extent has EC budget support contributed to improve Public Financial Management and to orient budgetary priorities and actual expenditures towards poverty reduction?</i>
Judgement Criterion 8.1	EC budget support contributed to strengthening the Public Finance Management system, which in turn positively affected the flows channelled through and managed by the Government Financial systems.
Judgement Criterion 8.2	EC budget support contributed to the improvement of the quality of PFM System within the Group on Finance and Economic Management (GEFM)
Judgement Criterion 8.3	EC budget support contributed to increase channelling of funds by GoM towards pro poor expenditures (in terms of budgeted and actual expenditures).

Answer to the Evaluation Question

EC contributed to improve Public Financial Management with substantial inputs in terms of expertise and policy dialogue - EC financed the completion of the four PEFA studies and strongly supported the development of the two successive action plans implemented during the period under review, with substantial results recorded in the different CABS reviews.

Even if the BS financial agreement included provisions for institutional support mainly implemented through contribution agreements with the World Bank and UNDP,¹¹⁷ the most substantial technical support brought by the EC to the PFM reform was through the Project for Capacity Building for Economic Management and Policy coordination, financed under EDF8, which technical support was finally taken over with the support of German Development Co-operation.

The continuous policy dialogue within the CABS group under the Performance Assessment Framework contributed to maintaining priority expenditure with a particular focus on their related outcomes in terms of health and education. In accordance with the principle of fungibility of funds disbursed to Treasury, it is not relevant to further track the EC contribution within the national budget. However, as the performance of the social sector indicators directly impacted on the determination of the amount of its variable tranche we may conclude that the EC Budget support contributed to orient budgetary priorities and actual expenditures towards poverty reduction.

The CABS monitored outcome targets were met in the health sector but not achieved in the education sector, indicating that combined disbursements with increased commitment to monitor social indicators are not sufficient as such for reaching the expected results in the related sectors. Positive trends such as those recorded in the health sector are rather the results of synergies with other donors' commitments' including the Global Fund against Aids Tuberculosis and Malaria and its substantial support to National Aids Committee. This acknowledgement backs the strategy of certain donors to finance both general and sectoral budget supports and/or to have the leverage in their own financing agreements to reallocate funds between BS and project type of funding on on-going programmes.

Budget support is the Government's preferred aid modality as the funds are not earmarked for any specific use, but support government's overall development effort.¹¹⁸ Their disbursement after conversion by Reserve Bank of Malawi to Treasury Account N°1 guarantees the alignment of disbursed aid channelled through and managed by the Government financial systems, i.e. in accordance with national procedures for budgeting, purchasing, disbursing the funds as well as reporting and auditing on their use. GoM's strong advocacy for budget support with a claimed target of 30% of the total aid being channelled through General Budget support (finally reached in 2009/10 FY), reflects the country's aid dependency for balancing external and fiscal

¹¹⁷ Detailed in the previous EQ

¹¹⁸ Ministry of Finance General Budget Support: Malawi's Most preferred aid modality: briefing notes 2009 first paragraph.

accounts¹¹⁹. The amount of the funds channelled through budget support have steadily increased since FY 2005/2006 and represent more than 10% of total GoM Budgetary resources in FY 2009/10. In FY 2009/10 General and Sectoral Budget Supports reached 24% of GoM Budgetary resources in combination with dedicated grants which increased even more significantly. However, the project funds increased during the evaluation period at a slower pace than the total development support. However project funds still represent more than half of the aid given to Malawi, which may suggest that PFM processes are not being sufficiently reinforced through budget support. GoM continuously complains about the use of parallel Project Implementation Units and proposes to phase out all the Project implementation units in 2011¹²⁰, a decision that might not be appropriate as the project contribution to the GoM Poverty Reduction Strategy might be more effective for specific activities¹²¹ **(JC8.1)**.

The increased alignment from increased Donors' commitment towards BS was enabled by a thorough assessment of the fiduciary risk (CFAA in 2001, and four PEFAS between 2005 and 2011) and the implementation of Action Plans for improving the Public finance and Economic Management (PFEM). The CABS Annual Reviews held in the last quarter of each calendar year give the opportunity for close monitoring of the relevant PFM issues and of the related indicators followed in the Performance Assessment Framework. But the technical inputs to the reform were developed by a PFEM Secretariat, with the support of the Group on Finance and Economic Management (GFEM). Initiated by BS and discrete (project) donors in the early 2000, GFEM is another high level platform co-chaired by the Secretary to the Treasury and the head of a development agency on a rotating basis. The GFEM has been very useful in providing a constructive platform for dialogue to improve the PFM system in Malawi, which substantiated in 2010 with discussions on a more comprehensive PFM reform program. As an early member of the GFEM group, EC contributed also to improve Public Financial Management, with its long standing technical support to the PFEM secretariat through the Project for Capacity Building for Economic Management and Policy coordination financed under EDF8, which was positively evaluated but lacked a clear exit strategy. Now the EC still contributes to the costs of the PFEM Unit set up within MoF in 2010, in complementarity with a technical assistance supported by German GIZ. **(JC8.2)**

And over the period 2006-2011, the implementation of the PFEM action plans, strongly promoted by the EC from the results of the EC financed PEFA assessments, recorded substantial achievements as reflected in the satisfactory PFM monitoring of the PAF indicators. In particular the timeliness and quality of expenditure reporting and annual financial statements as well as external audits have significantly improved to the point that the backlogs in external audits have been cleared, as a result of a combined synergy between the continued CABS commitment and the support from NORAD. But the longstanding PFM reform process in Malawi is imperfectly captured by action plans described as a list of uncoordinated activities although the main elements for a long matured comprehensive PFEM reform programme were finally agreed within GFEM in May 2011. **(JC.8.2)**.

In coherence with the other CABS donors' commitments, EC Budget Support was mobilized for contributing to implementation of Malawi's Poverty Reduction Strategy and thus contributed to increase channelling of funds by GoM towards its achievement. But despite sustained efforts from GoM to provide budgetary documents reflecting its strategy, there is still no single and unambiguous definition of "pro-poor expenditures". The definition of the related indicator was revised several times in the PAF and the IMF is following the 'floor on social spending' defined in its ECF/TMU with another different measure related to spending in health, education and agricultural inputs at central and de-concentrated levels. This is the acknowledged result of an ambiguous understanding of the "policy shift from social consumption to sustainable economic growth and infrastructure development"¹²² formulated in the Malawi Growth and Development Strategy (2006-11) **(JC8.3)**

¹¹⁹ This aspect is analyzed in the EQ7

¹²⁰ A GoM circular dated April 18th 2011 has been released for that purpose

¹²¹ In the field of agriculture for instance (Refer to EQ2)

¹²² Presidential Statement to MDGS.

In the absence of a clear definition of expenditures towards poverty reduction, their assessment was performed as a proxy through the budgetary allocations to Ministry of Health and Education, in line with the outcome indicators monitored in the CABS PAF framework. The analysis indicated that the share of actual expenditures to the health sector increased over the period under review, with concomitant improvements of outputs on health services (increased nurse to population ratios) and activities (e.g. increased immunization rates, deliveries attended by skilled personnel, improved care of HIV positive women). Otherwise, the share of actual expenditure to the education sector declined simultaneously with the related outcome indicators monitored in the CABS PAF framework (Pupil to qualified teacher ratio, survival rates in standard 5 and 8). This indicates that Budget support could orient budgetary priorities to a certain extent only and could not, as such, link to improved outputs in the social sectors. This indicates also, that the very encouraging outcomes in the health sector are rather the result of a synergy brought by the DPs' specific contributions in the relevant sectors, which is particularly significant in the health sectors with the substantial donors' contribution to the Health Swap and to the National Aids Committee. **(JC8.3)**.

5.9 Contribution of EC support to Rule of Law (civic education and justice) and NSAs to increased participation and oversight of civic society in governmental and parliamentary decision-making processes¹²³

EQ 9	<i>To what extent has EC support to Rule of Law (civic education (NICE) and Justice) and NSAs contributed to increased participation and oversight of civil society in Governmental and parliamentary decision making processes in Malawi?</i>
Judgement Criterion 9.1	Improved capacity of NSAs to contribute to debate on social and governance issues.
Judgement Criterion 9.2	EC support to 'rule of law' has contributed to improved rule of law, better regulatory framework, delivery and access to justice as well as the protection of human rights.
Judgement Criterion 9.3	EC support to civic education has contributed to improved accountability and transparency in the conduct of public affairs and service delivery which has guaranteed greater public confidence and participation in democratic governance.

Answer to the Evaluation Question

EC support to 'Rule of Law' has had mixed results. Support to civic education (NICE) has been very successful whilst support to justice and to NSA capacity building has been less successful.

EC support to civic education and justice consisted of two apparently complementary components of a 'Rule of Law' Support Programme. However, despite logical linkages the two components had, in practice, little in common in terms of synergy or implementation practicalities. The outcomes reflected this uncomfortable combination of two very different support initiatives that were different institutionally in target level of activities, implementation approach, objectively and strategically under a single governance support project and a single steering committee. Whilst it is accepted that there could have been benefits arising from feedback between the two components this expectation does not appear to have been written in to support designs. In the event implementation difficulties in the ROL (justice) component precluded any such potential interface from NICE to ROL institutions. EC support to civic and voter education activities through NICE has been significant such that after some years of such support NICE is recognised as playing a pivotal role in the decentralisation process. Use is also being made of the NICE outreach structure by government and other bodies to pass information to village levels (which are not reachable by other means). However, support to the justice sector has been problematic. Movement towards a SWAp in the justice (sub) sector is slow due to (sub) sectoral fragmentation but recent progress includes preparation of a policy framework paper, baselines and needs assessments. Despite such progress perceptions of the Malawian population towards the judicial system remains largely negative. Thus continuing support to these components under EDF10 again pursues two different strategies: phasing out of support to NICE, with transformation to a public trust; and continued but more focussed support to justice hopefully incorporating lessons learned from EDF9 support. Despite delayed support from the TFU the complications arising from a support programme targeting 13 different beneficiary sector institutions were beyond the limited capacity and experience of MOJCA compounded by problems in implementation of the programme estimates modality. This issue is expected to have greater attention under EDF10 support which correctly applies lessons learned from EDF9 support including an informal actor (PASI) in the set-up with formal institutions.

Both approaches have some elements of risk arising from the current delicate relations between GoM, NSAs and supportive funding agencies and donors in Malawi. Little progress has been made in support to the parliamentary committee system through support to NSAs or otherwise.

Support to NSAs capacity building achieved few results aiding NSA service delivery but overall the programme was hampered by problems arising from handling of EDF procedures which caused delays, impacted on project management with a major under-spend of committed resources such that activities were not developed as planned.

¹²³ Governance is literally the action of governing. As a starting point it is suggested that it should be used with its main components such as strengthened democratic process and access to justice.

Since the introduction of democracy in 1994 there has been a huge increase in national NGO activity¹²⁴. Some of these NGOs and other NSAs¹²⁵ have been involved in the democratic process and governance activities¹²⁶ (such as monitoring of service delivery, programming, policy formulation, promotion of accountability and responsibility) but their relationship with the government has not always been harmonious as their role is still unfamiliar and sometimes uncomfortable for both parties (**Indicators 9.1.1 and 9.3.3**). It is neither straightforward nor cheap to register and operate as an NGO in Malawi and some NSAs view the NGO Act more as a government control mechanism than a regulatory measure. There are thus calls for review of national policy framework and legislation and registration procedures but there has been little action by GoM in response to these recommendations (**Indicator 9.1.2**). Currently, relations between GoM and NSAs are delicate and this air of suspicion extends to supporting donors and funding agencies.¹²⁷ Despite support to capacity building of NSAs by various donors, including the EC, NSA capacity remains limited and this constrains their effectiveness not only in terms of operations at local levels, but also their ability to access donor funds (e.g. calls for proposals) upon which many NSAs are dependent. This capacity deficit was a serious problem in accessing EC support under the Capacity Building Programme for Non-state Actors in Malawi (9ACP MAI 028). (**Indicator 9.1.1**) (**JC9.1**)

Although there is increasing scrutiny of government budgetary and policy decisions there is limited NSA linkage to parliamentary committees (the system of which is of limited effectiveness due to resource and capacity shortages and the apparent discontinuation of the reporting role of such committees). However, under 9ACP MAI 028 the Parliamentary Liaison Office did successfully manage to assist the project in partial achievement of results 4 & 5 (better co-operation between NSAs and government) (**Indicator 9.1.1**) (**JC9.1**)

Overall, EC support has encouraged the formation of strategic alliances between national NGOs and other stakeholders (government, donors, private sector, international NGOs and other bodies) in order to coordinate their activities so as to have a greater impact but most common linkages are co-operation agreements of local NGOs with better resourced international NGOs and donor support¹²⁸. However, activities aimed at building relationships leading towards the intended strategic alliances were marginalised in the programme from the beginning at the expense of the capacity building and continuing difficulties with EDF procedures. No evidence has been examined to suggest that such alliances have increased sustainability of national NSAs apart from some NSA partnerships with smaller CBOs. (**Indicator 9.1.3 and 9.1.4**) (**JC9.1**)

Another aspect of EC support to the concept of rule of law is the RoL (Justice) component supporting the democratic governance sector. This sub-sector as a whole is widely perceived as weak for many reasons¹²⁹. This has resulted in an increased use of relatively informal alternative mechanisms for dispute resolution. EC support, implemented by MOJSC, targeted a plethora of sector institutions of widely differing mandates and capacities, such that the institutional complexity was undoubtedly a factor in poor efficiency and effectiveness of implementation (proposed support under EDF10 targets fewer beneficiary institutions) (**Indicator 9.2.2**). A further factor was MOJSC capacity problems in handling project implementation as a whole and the 'programme estimates' instrument in particular. However, some increased capacity is reported to have resulted from EC support and efforts are being made to move towards a (sub) sector approach although this is likely to continue to be a slow process despite some recent progress (**Indicator 9.2.3**). The EC approach has been well coordinated with DFID support with

¹²⁴ including involvement in strategic programming of EC activities (e.g. MTR of EDF10)

¹²⁵ Most notably FDE, a coalition of CSOs including the Christian churches

¹²⁶ E.g. monitoring of service delivery, programming, policy formulation, promotion of accountability and responsibility.

¹²⁷ There is an element of *deja-vu* in the current situation which is very similar to the situation prevailing in Malawi 8-9 years ago.

¹²⁸ There are also some links to government – usually acting on behalf of GoM or sector agencies as a service provider (e.g. HIV/AIDS sensitisation as a component of road works contracts).

¹²⁹ including limited accessibility to the system, especially in rural areas (reportedly only 10% of the Malawi population has access to the formal justice system), complicated court procedures, inconsistency in judgements, virtually no access to legal aid, backlogs of legislation for updating laws and ratification of international protocols, corruption, lack of qualified lawyers, delays in procedures and poor filing and records systems, language used in court proceedings (English) and cost

a de-facto split into EC – formal, DFID – informal, structures. Given the very recent developments in Malawi which led to the expulsion of the British High Commissioner DFID is currently considering its positions regarding its major support portfolio including current support to the informal justice (sub) sector. In the case of DFID withdrawal from this area it may be appropriate for EC to consider possibilities of EC assumption of support for at least some elements of support to the informal justice (sub) sector. **(JC9.2)**

EC support to NICE has resulted in a respected network and outreach capacity for civic education, advice, information dissemination, voter registration and education.¹³⁰ EC support to elections and capacity building of the MEC has complemented support to NICE.¹³¹ **(Indicator 9.3.1)** The exit strategy of EC is over a five year period to progressively reduce support, as government progressively increases support and plans to turn NICE into a public trust. The risks of any government default on this commitment are obvious but also there have been some reservations expressed about the government (under the recently formed Ministry of Information and Civic Education – MICE) being responsible for NICE and reducing its scope of operation. However it is equally accepted that civic education is a responsibility of government. This situation is currently emphasised by the sensitivity of government regarding the roles of NSAs and donors in Malawi. Nominations to the proposed Board of Trustees have been delayed and there is reported to be unease over the continuing non-partisan activities of NICE. At the time of the field phase (in May 2011) it was reported that no funding was available in the transition period between EDF9 and EDF10 support such that salaries and operation costs were not being met and morale was reported to be low¹³². GoM is now reported to have made MWK30M available to NICE whilst the FY2011-2012 national budget has provision for a further MWK90M (~€420,000) as 'bridging funds'. **(Indicator 9.3.2) (JC9.3)**

¹³⁰ There are multiple references to the high profile of NICE in dissemination of wider understanding of the democratic system which has resulted in increased levels of participation in governance activities, civic education of the poorer sections of Malawian communities and in voter education.

¹³¹ Through the trust fund arrangement for support to MEC and Administrative Agreement with UNDP.

¹³² In fact EU closure period funds were still available at that time. GoM, in March/April 2011, has made available 30M MWK to NICE, and in the FY 2011-12 national budget there is a further allocation of 90 M MWK as "bridging funds".

5.10 Choice of EC aid modalities contributing to the efficiency of EC support

EQ 10	<i>To what extent has the choice of EC aid modalities contributed to the implementation of EC support?</i>
Judgement Criterion 10.1	Options for different aid modalities were considered for focal and non-focal sectors and synergies have been considered.
Judgement Criterion 10.2	Selection of aid modalities responded to evolving national needs and responded to the capacities of development partners.
Judgement Criterion 10.3	EC aid modality combinations are complementary to and coherent with those of other donors.
Judgement Criterion 10.4	Selected modalities give value in terms of outputs compared with timely input resources to design and implementation.

Answer to the Evaluation Question

The choice of EC aid modalities has had very variable impacts on efficiency of implementation of EC support.

Increasing numbers of modalities and instruments are now available and all being used in implementation of the EC support programme. A non-exhaustive list of (loosely defined) modalities and instruments currently available or in use in Malawi includes administration and contribution agreements, combined TA resources and reports/studies, basket funding, sectoral task division, co-financing, common implementation mechanisms, joint multi-annual programmes, Sugar Accompanying Measures, Facilities (e.g. energy, water), EU Africa ITF, STABEX, FLEX, BLs, EIB (Malawi Global Loan), budgetary aid (GBS & SBS), SWAps, programme estimates and project approach. However, there is in some cases not exactly a choice of modality as, having selected a particular intervention sector or area, the modality is determined by that choice of sector. Certain modalities are inherently more demanding, in terms of implementation, administrative and financial management capacities of EUD and/or implementing body (programme estimates are the most oft-quoted example) and yet there has been little consideration of whether or not such capacities are in place or could reasonably have been expected to become available, to effectively manage such support. Risk analysis thus appears to have been partial. Although some alternative support options were considered at formulation stage analysis of risk in programming documents was patchy such that in most cases assumptions (risk being the non-fulfilment of those assumptions) were identified without accompanying consideration of mitigation measures being considered. This approach did not provide a sound basis for subsequent design of support interventions, nor of portfolio management especially in the full knowledge of fragile institutional capacity across some sectors. The assumption that external implementers, whether consultants, PIUs or NAO had mastery of EC procedures has been a serious error and the loss of institutional memory and experience due to staff turnover has been a factor in EUD and national institutions. Lessons may have been identified but in some cases they appear not to have been learned. Also, although there are clear moves towards compliance with the Paris Declaration the logistical requirements of planning say, a joint study or other co-operation or task-sharing activity, have not been given adequate consideration leading to unrealistic time scales for preparation and implementation.

The 'headline' issue in terms of aid modalities has to be the move towards SWAps and budgetary support as the preferred modality of both donors and government. And yet at this point in time only in the Agriculture and Road Transport sectors are SWAps in place with SBS due to start in the roads sub-sector (of the transport sector) with the signing of the FA for the Road Transport Sector Policy Support Programme in December 2010. Dialogue, an essential feature of SWAps appears to be difficult in the agricultural sector whilst movement towards similar sector wide approaches in other sectors (such as governance, trade facilitation and private sector development or minerals) appears to be beset with difficulties such that realisation of a Swap appears distant (and certainly beyond realistic targets for EDF10.) **(JC10.1)**

Lessons about modalities were identified in preparation of EDF10 CSP but there is little obvious application of those lessons as regards choice of modalities, whilst monitoring of implementation (e.g. JAR) makes little reference to performance of modalities as such¹³³ (**Indicator 10.1.2**). However, discussion of modalities has increased with moves towards compliance with the Paris Declaration and EC is now involved in a wide range of cooperative, task sharing and co-funding arrangements with other donors. However, the logistical challenges of such co-operation or task-sharing, appears to have been underestimated such that there are frequent references to unrealistic timescales and inadequate preparation of such co-operation efforts (**Indicator 10.1.4**). It is accepted that this diversification of delivery modalities can result in 'added value'¹³⁴ but to what extent this accrues as 'EC added value' is not entirely clear.¹³⁵ (**Indicators 10.1.1 and 10.1.5**) (JC 10.1)

Certain modalities do have implications regarding policy and strategy dialogue with government and communication between donors. An immediate example is the CABS framework for general budget support which has been an example for sector budget support and SWAps. What has possibly not been fully appreciated is that dialogue during the course of implementation of budget support may be as demanding as the dialogue leading up to establishment of that support (e.g. as institutional capacity issues become apparent as impediments to implementation, whether or not they may have been identified previously)¹³⁶. In this respect¹³⁷ there does not appear to have been an assessment of whether existing capacities (or capacities expected to be made available) could realistically be expected to implement effectively. Rather, capacities were assumed to be adequate to implement and there were apparently few contingency plans or proactive actions taken by EUD and/or project management to mitigate effects of such implementation shortcomings (**Indicator 10.2.1**). As regards the 'match between implementation modalities and changing country needs no evidence has been examined of such assessment although, despite national pressure for increased use of country systems there are doubts among development partners as to whether financial and contractual management capacities are adequate for significantly increased use of such national systems in the short term. (**Indicator 10.2.2**) Although to some extent this was expected to have been covered by consideration of risk in preparation of EDF10 CSP this risk analysis appears to have been partial and incomplete. (JC10.2)

Although there are high levels of complementarity and coherence of EC support with support of other donors (and again, this has increased over the past decade with greater task division, joint programmes, shared analysis and studies, combined technical assistance and combined funding modalities) no reference has been found, in programming documents, to the 'EC Code of Conduct on Complementarity' although from the evidence available, these guidelines have been followed¹³⁸ (**Indicators 10.3.1, 10.3.2 and 10.3.3**) Also, there appears to have been no recorded analysis of EUD capacity as a factor of choice (or rejection) of a support sector (or modality). There were serious capacity issues in EUD at the time of preparation and start of

¹³³ An example is the multiple references to poor implementation performance of programme estimates and yet there appears to be little analysis of whether this is an intrinsic flaw in the procedures or a simple (or not so simple) inability to master its intricacies on the part of the implementer. On the other hand it has become apparent that direct decentralised co-operation is not proving to be entirely appropriate in support of NSAs and action is being taken by EUD to move away from this modality.

¹³⁴ Albeit that in most cases this assessment of added value appears to be related to the increased funding that can be thus brought to bear on any issues over and above what would otherwise be available.

¹³⁵ Unless 'added value' accrues from avoidance of EC implementation, administrative and procurement rules (as has been suggested by some respondents).

¹³⁶ Experience of SPSP implementation in other countries has shown that sector performance may jeopardise disbursement of variable tranches, especially if, as is often the case, the monitoring system (PAF) is found to have shortcomings not apparent at the outset (e.g. due to definition of indicators, availability and quality of monitoring information or timeliness of reporting). Dialogue to address these issues during the course of implementation can be demanding. Initiation of SBS in road transport sub-sector under RTSPSP appears to fully confirm problems that can arise.

¹³⁷ i.e. capacities of development partners to adequately respond to the demands of implementation modalities.

¹³⁸ The EU Code of Conduct on Complementarity and Division of Labour in Development Policy consists of 11 guiding principles: 1. Concentrate on a limited number of sectors in country; 2. Redeployment for other in-country activities; 3. Lead donor arrangement; 4. Delegated co-operation/partnership; 5. Ensure adequate donor support; 6. Replicate practises at regional level; 7. Establish priority countries; 8. Address the 'orphans' gap; 9. Analyse and expand areas of strength; 10. Pursue progress on other dimensions of complementarity; 11. Deepen the reforms. EC support to Malawi complies fully with principles 1, 3, 4, 10 and 11 and partially with principles 2, 5 and 8.

implementation of the EDF9 programme which led to a decision to concentrate on certain 'core business' areas¹³⁹ (and concurrent EC de-concentration certainly did not help the situation). While EUD capacity has improved, it is acknowledged that certain sectors/issues/modalities require greater EUD inputs than others¹⁴⁰ and the EUD continues to be under pressure to adequately cover some aspects of the EDF9 and EDF10 support portfolios. It is thus surprising that there is no record of taking such issues into account on the part of EUD (other than the reactive response of attempting to increase staffing numbers with appropriately qualified and experienced personnel). **(Indicators 10.4.1 and 10.4.2) (JCs10.3, 10.4)**

EU visibility is an issue that arises frequently from investigation of EC support activities in Malawi. On one level visibility is manifested by notice boards for EC supported interventions prominently placed at many locations (e.g. FIDP, IGPWP). On another, more negative level 'visibility' is manifested by perceptions of some implementers, stakeholders and other donors as EC procedures being an impediment to implementation progress with, in some reported cases, serious consequences for would be beneficiaries and projects.¹⁴¹ Although delays in implementation are the most commonly reported effect of unforgiving EC procedures design shortcomings have also resulted in time and cost over runs in some sectors. Another effect is in the apparent absence of external capacity to solve such procedural issues, the diversion of already heavily burdened technical EUD personnel to an administration and trouble-shooting role. A further issue is the appropriateness of EC tendering procedures for small value national contracts, or even the logic of such requirements when budget support explicitly accepts national procedures (including national procurement). It is implicitly accepted that less-than-perfect national fiduciary and administrative procedures or PFM will be encountered during the course of budget support but that, subject to moves towards improvement, disbursement of large value budget support may continue. For much smaller values of project intervention support, administrative and accountability excellence appears to be an essential but illogical prerequisite. **(Indicator 10.4.3) (JC10.4)**

¹³⁹ with the obvious unmentioned corollary that some issues were neglected.

¹⁴⁰ whether due to institutional capacity problems of partner or to the intrinsic nature of that issue.

¹⁴¹ It is almost immaterial whether the core of the problem lies in the procedures themselves, interpretation of these rules/procedures by EUD, or capacity shortcomings by implementers. The end result, especially as regards programme estimates, can be a dislocated programme, delays, poor disbursement rates, low outputs and disappointed (or worse) beneficiaries and/or development partners. Even if the procedures themselves may be untouchable(?) there is a strong case to be made for greater effort to 'tame' these procedures by means of more, and more frequent, training, guidance and mentoring and even more proactive or flexible interpretation and enforcement of regulations

6. Conclusions

The conclusions are based on the answers to evaluation questions and associated findings set out in Chapter 5. Conclusions have been categorised as ‘primary’ – considered to be the most significant evaluation issues and ‘complementary’. These complementary conclusions are sub-divided into ‘clusters’ rather than listing conclusions arising solely from individual evaluation questions and they support, and further illustrate aspects of the primary conclusions.

6.1 Primary conclusions

PC 1	<i>Budgetary support is a powerful tool with excellent absorption capacity for the beneficiary country. SWAps are preferred modalities of both GoM and EC, but progress towards SWAps has been difficult in many sectors, impeded by institutional capacity issues. However, the proven benefits of General Budget Support and potential benefits of Sector Budget Support¹⁴² justify this approach in Malawi</i>	<i>Origin: Chapters 5.1, 5.2, 5.4, 5.6, 5.7, 5.8, 5.9, 5.10</i>
		<i>Criteria: Relevance, effectiveness, efficiency, coherence, added value</i>
		<i>Importance: Very high</i>
<p>EC development support has been a project-based approach until the introduction of budget support under EDF9.</p> <p>PRBS was identified from the outset as contributing to Malawi’s poverty reduction programme but only PRBS III was specifically formulated as such, but with no substantial change in implementation modalities and implementation modalities did not change substantially between PRBS I and PRBS III. Budget support is a powerful aid modality (which has been considered more as an ‘honorary’ focal sector) with greater proven absorption capacity for the beneficiary country than a project approach although specific outcomes attributable to EC support cannot be differentiated from overall outcomes from budget support as a whole. However, the value of EC contribution has been identified as enabling such budget support to reach a critical mass for more visible and effective outcomes.</p> <p>Budget support in general and EC budget support in particular has contributed to macro-economic stabilisation in Malawi in terms of securing international reserves and reducing fiscal deficits (although EC leverage has been limited to policy dialogue linked to PAF monitoring). However, current national macro-economic problems are indicative of failure to adopt stability-oriented ME policies as proposed by IMF reviews and it is accepted that GBS has ‘protected’ against having to take unpalatable economic decisions (e.g. re-valuation of the Kwacha) for sometime. Budget support can also cushion the country from limited external shocks but cannot, in itself, protect against major economic imbalances¹⁴³. Also despite challenges of implementation of budget support there is evidence of benefits such as greater national ownership, harmonisation of development partner support, lower transaction costs, higher absorption capacity, fewer delays in disbursement and ‘leverage’ of budget support through dialogue and effectiveness of tranche disbursement conditionalities¹⁴⁴.</p> <p>On the other hand EUD personnel are spending a disproportionate amount of time on administration issues arising from EDF implementation procedures¹⁴⁵ such that budget support partners have pointed out the resultant lesser involvement of EUD in technical issues related to policy dialogue or PFM-related issues. Launching of support to SWAps represents a step change in the nature of EU support to sector programmes (in contrast to a project-based approach) and EUD capacitation for such ‘new’ skills is a requisite for successful support to SWAps. Potential results of suspension of budget support have been noted and in the event of</p>		

¹⁴² Including pooled or basket funding

¹⁴³ It would be unrealistic to expect GBS to protect against all major economic imbalances or major external shocks

¹⁴⁴ I.e. leverage of support (ability to be modulated through the variable tranches)

¹⁴⁵ See also R2 below

such suspension some smaller bilateral donors are able to re-allocate all or part of their BS contributions to a project component of their support portfolio. This option is not as readily available to EC given the high value of such budgetary support and absorption issues in some support areas. In the circumstances a mixture of budget support and project approach could be a suitably pragmatic strategy.

During the course of implementation of EDF9 support attempts have been made to move towards SWApS and sector budget support in most support sectors but progress has been generally slow in most sectors. Only in the agriculture sector and road transport (sub) sector have such SWApS been launched (and reaching this point represents a considerable achievement whatever residual issues remain unresolved) under EDF10 support. ASWAp-SP (multi-donor trust fund) in agriculture and RSPSPS (sector budget support) in road transport are going ahead despite continuing difficulties with dialogue, institutional capacity and sector leadership. In other sectors these very same issues are an on-going constraint to development of the necessary sector policies and strategies that are a pre-requisite for such budget support. However, continuing efforts are proposed under EDF10 support to move towards SWApS in the governance, trade and private sector development and mineral development sectors although realisation may be beyond reasonable targets for attainment during the course of the EDF10 implementation period.

The country is now reported to be off track with respect to the IMF programme in which case disbursement of budget support has been suspended (arguably a considerable shock in its own right liable to aggravate the national macro-economic situation). Such suspension of disbursement is likely to concentrate minds on enhanced dialogue – EC should grasp this opportunity to support immediate movement by GoM towards more stability-oriented macro-economic policies.

<i>PC 2</i>	<i>Not all EC modalities and EDF procedures have facilitated implementation of EC support modalities; some modalities as applied and controlled, have proven to be serious impediments to implementation</i>	<i>Origin: Chapters 5.1, 5.3, 5.7, 5.8, 5.10</i>
		<i>Criteria: Relevance, effectiveness, efficiency, value added</i>
		<i>Importance: Very high</i>
<p>Certain modalities (such as programme estimates and EDF procurement regulations) are very demanding in terms of administrative and financial management requirements and poor management of these procedures has led to delays, major under-spend, and lack of achievement of support objectives. And yet there has been little or no assessment of whether available implementation capacities could actually be expected to satisfy such stringent requirements. Even though institutional capacity shortcomings were clearly recognised, capacities of beneficiary institutions or technical assistance were simply assumed to be adequate. This assumption proved to be a serious error in many cases as a degree of specialised knowledge of EC procedures (and PRAG) is essential.</p> <p>The evaluation has found many cases where implementers have had severe problems in handling EC modalities and procedures (programme estimates and procurement regulations are the most quoted examples). As a result some projects have not been able to use all committed funds and/or implementation has been otherwise delayed resulting in the premature halting of activities without any clear perspective of resolution of procedural issues in order to access subsequent disbursements (e.g. IFMSL I without funds for 12 months; TS currently without funding as PE8 cannot be approved until outstanding issues under PE5 and PE6 are resolved). Another effect is the diversion of technical specialists in EUD and NAO away from their core (technical) function to an administrative, accounting and trouble-shooting role¹⁴⁶. In some cases implementation activities are time-bound (e.g. to the agricultural calendar) and delays can lead to a disproportionately greater loss of time and activities which, in the case of</p>		

¹⁴⁶ See also R1 above

relatively short project implementation periods, cannot be made up thus leading to major shortfalls in expected outputs (a loss of one crop cycle can be serious or even catastrophic for small scale farmers such as, for example with the Dwangwa Sugar Cane Out-grower Scheme). The use of EDF procurement procedures for relatively small value national procurement has also caused serious difficulties (e.g. INSTAP PE4 – out of 16 procurement processes launched, 8 have had to be cancelled whilst another 3 have procedural difficulties that may derail the process) and it is suggested that EDF procedures, designed for high-value international procurement, are not appropriate for such national procurement¹⁴⁷. Further, there appears to be a logical disconnect in insistence upon such procedures given that movement towards use of national procedures is an explicit aim of EC development co-operation and such procedures are accepted for sector and national programmes funded under budget support.

Whilst it is not suggested that sight has been lost of the objectives of EC support, this vision is certainly obscured by the daily necessity of implementation trouble shooting arising from procedural difficulties. The visibility impacts of such negative experiences and outcomes of EC procedures have been described to the evaluation team as 'EC subtracted value'.

However, not all modalities have such negative connotations. Budget support, pooled funding, co-operation and administration agreements and task sharing in compliance with the Paris Declaration are recognised as effective.

<i>PC 3</i>	<i>Capacity constraints and institutional weakness continue after many years of major technical assistance by EC and other donors. These continuing weaknesses impact upon broader governance, communication and dialogue, leadership and sector management at all levels. There are continuing significant needs for continuing EC support to institutional capacity and Governance.</i>	<i>Origin: Chapters 5.1, 5.2, 5.3, 5.4, 5.5, 5.7, 5.8, 5.9, 5.10</i>
		<i>Criteria: Relevance, effectiveness, efficiency, coherence, impact, sustainability, value added</i>
		<i>Importance: Very high</i>

EC support to governance (as a sector) has included support to civic education, justice and NSA capacity building (under democratic governance) and to trade facilitation, private sector development and PFM (under economic governance).

Since the introduction of multi-party democracy there have been neither any limitations on movement, religious freedom nor, until recently, on expression, assembly, association and expression of views. For more than a decade NSAs have been increasingly active in service delivery and advocacy. At times this has led to delicate relations with government. Protection of human rights is guaranteed by the Constitution but since the 2009 elections there has been evident deterioration in respect for constitutional principles. Several controversial bills limiting civic and political freedoms have been introduced and recently this trend has been extended to narrowing down freedom of association and expression with escalating tensions between a broad civic society collation, some media outlets and journalists, and the government.

A major finding of the 2003 evaluation of EC country strategy was that the democratic transition in Malawi was structurally fragile, with an overall deterioration in the political situation. A recommendation of that evaluation was that an over-arching theme of EC support to Malawi should be on good governance at both central and local levels both as an end in itself (across sectors) and as a means to achieve impact and sustainability. Today the governance situation in Malawi has remarkable similarities to the situation in 2003.

Improved governance is one of the themes in MGDS noted as a pre-requisite for growth and poverty reduction whilst the joint framework for CABS notes that underlying principles on which rest the co-operation of signatories includes good governance (including sound PFM, accountability and effective anti-corruption programmes and rule of law).

Some NSAs are involved in activities connected with democratic process and governance

¹⁴⁷ Although there are instances in which beneficiary institutions have opted for such international procurement to allow payment in FOREX for goods not available in the national market and/or there is no other possibility of accessing FOREX

issues (e.g. monitoring of service delivery, programming, policy formulation, accountability and responsibility). As a result the relationship has been uncomfortable for both government and NSAs and this delicate relationship extends an air of suspicion to donors supporting such NSAs.

EDF9 and EDF10 CSPs respond to national poverty reduction and development strategies which identify institutional issues as constraints upon development across all sectors. EC support to some sector institutional reform has resulted in change (e.g. establishment of RA and RFA in the road transport (sub) sector but on the whole the impact of many programmes targeting institutional capacity building has been limited [e.g. IDAF, SLRP, APIP, INSTAP, ROL (Justice)] due to over-optimistic assumptions regarding political will, capacity to translate policies and strategies into actions and implementation capacities in general. In some sectors analysis by GoM and development partners identifies the need for structural and/or institutional change as a priority for sector development, especially in connection with increased commercialisation and private sector development. On the whole the inherent complexity of institutional change and capacity building has been under-estimated. Also, institutional shortcomings have been a contributory factor to the difficulties arising from EC procedures and regional support programmes.

But the question should be asked 'Why has such long term support been ineffective?'¹⁴⁸ There appears to have been little analysis of this question. However, support to institutional capacity building is changing with the shift away from a prescriptive approach under project-based support with more emphasis now on 'demand-driven' support.

There is thus a manifest need for continuing EC support to democratic governance (justice and civic education), to NSA and institutional capacity building.

PC 4	<i>EC focal sector support to consistent national needs has been correctly focussed and appropriate in terms of national absorption capacities and EUD capacity. In most support sectors sustainability prospects are better at 'grass roots' levels where beneficiaries have a more immediate and personal appreciation of the benefits of continuing flows of results but this sustainability is not assured. Sustainability prospects at higher levels are poor. However, needs continue and, for focal sectors, there are no exit strategies in sight, whilst affordability and sustainability of some support interventions are in doubt. Further, 'emerging risks' of population growth and as-yet undetermined effects of climate change potentially add pressure on development prospects.</i>	<i>Origin: Chapters 5.1, 5.2, 5.3, 5.4, 5.5, 5.8, 5.9</i>
		<i>Criteria: Relevance, effectiveness, efficiency, impact, sustainability</i>
		<i>Importance: High</i>

EC support has responded to national needs which have not changed much over more than a decade – principally agriculture, food security and (road) transport. Given the consistency of such needs there has been little need for flexibility on the part of EC. Satisfaction of such continuing needs has been beyond the reach of correctly targeted EC and appropriate focal sector interventions which have generally delivered short term gains from long term support.

In the agricultural sector support has led to some very effective but hardly sustainable interventions (e.g. FISP) but most EC support has concentrated on medium to long term measures (crop diversification, environmentally sound land management, irrigation) which give reasonable prospects for sustainability, especially at grass roots and small-holder levels.

¹⁴⁸ PC3 specifically considers issues of governance, of which institutional capacity weakness is an aspect that affects all sectors to a greater or lesser extent. Large scale support including TA has been provided by donors (including EC) to national institutions for literally decades and yet capacity weaknesses are recognised as a continuing constraint. Reasons for this situation are many including poor quality design of support, inappropriate technical assistance, poor conditions of public service (including common service system) resulting in high turnover of trained personnel and resultant loss of institutional memory, lack of resources and enabling environment to permit beneficiaries to perform their acquired skills, lack of interest (politically and institutionally), use of TA in a line function instead of an advisory and training role and so on. Support to capacity development is changing with a shift from project-based to programme-based or SWAp. Whether this 'new' demand driven technical assistance in support of a SWAp will be engaged in anything other than facilitation of budget support remains to be seen

Exit strategies based upon community volunteer systems are unrealistic because community members cannot be expected to sustain services without remuneration. Such assumptions were made, particularly in interventions supporting nutrition, where high dropout rates of volunteers were recorded even during implementation and the system collapsed after handover of the project. Handing over to government structures did little better as, despite GoM commitments, resources were not made available as promised. The proven model for best prospects of sustainability is that of beneficiaries receiving tangible benefits from intervention results (economic or otherwise). Similar assumptions have been made regarding continuing maintenance of low category rural roads but again only when such workers receive some form payment (e.g. IGPWP – payment through district councils) do maintenance efforts continue.

However although there has been some consideration of potential effects of high rates of population growth on land usage or agricultural production, little consideration has been given to potential effects of climate change beyond noting an increasing frequency and impact of disasters.

Transport infrastructure represents a huge asset and a simultaneously huge liability in terms of maintenance and operations costs. There are doubts that the network as a whole, as currently managed, is affordable without continuing donor support at current or even higher levels. Under these conditions it is thus not sustainable. Rural accessibility, although improving, continues to be seasonally uncertain for a large proportion of the Malawian population. Climate change may already be manifesting itself in increased peak discharges and flash floods in the rift valley.

Given the consistency of needs as set out in the draft MGDS II and the assumption that EC development support will continue to respond to MGDS, it seems likely that support to focal sectors will continue. However, at some point discussion of such continuation of support must encompass transition of not exactly exit strategies which address issue of aid dependency and movement towards national macro-economic stability

PC 5	<i>EC support to regional integration and connectivity has not been effective. Regarding infrastructure, Malawi is well placed to take advantage of a paradigm shift in regional connectivity that, if correctly leveraged by Malawi, could have significant impacts on quality and costs of transport services and on the competitiveness of Malawian products</i>	<i>Origin: Chapters 5.1, 5.5, 5.6</i>
		<i>Criteria: Relevance, effectiveness, impact, sustainability, coherence, value added</i>
		<i>Importance: Very high</i>
<p>EDF9 and EDF10 CSPs responded to EC international policies. There is coherence and consistency between EC development objectives in Malawi and wider EC strategies. There is similar coherence and consistency with regional programmes of SADC and COMESA and with the corresponding EC RSPs. Despite such a promising background there is little real coordination of national and regional support. There is only limited national involvement or ownership of EC regional support programmes which is not surprising given an acknowledged lack of communication between national and regional levels (by both government and EC). Together with the unrealistically low level of resources made available for regional programmes this has resulted in little perceptible 'footprint' or such regional programmes at national level (and not only in Malawi), due at least in part to lack of national involvement in preparation of regional programmes and thus lack of national ownership. This is perhaps not surprising given that national strategies, which should take account of regional concerns, are actually prepared in advance of regional strategies.</p> <p>As regards physical connectivity this lack of effectiveness has been even more pronounced. EC strategy for regional connectivity has been based on the assumption that national infrastructure programme investments would build up to provide regional integration. However, this approach assumes consistent prioritisation and programming across international borders, which has not usually been the case. Infrastructure is very expensive and available funds have been seriously inadequate whilst 'soft' issues for facilitation of movement of goods and people have been neglected. But now the situation is changing rapidly. With proposed investments in the Nacala Corridor, Malawi is poised to become a transit country for the first time with potential economically justified investments resulting from the huge development of coal deposits in Tete Province in Mozambique. If Malawi takes advantage of these private sector investments with appropriate leverage to other parts of the national rail (and road) networks then transit services could realistically extend to Zambia and DRC. Such change could have a major impact on the economies of Malawi and neighbouring countries with even wider regional impacts.</p>		

6.2 Complementary (supporting) conclusions

The following complementary conclusions are intended to support and to some extent expand upon the primary conclusions. In particular these complementary conclusions provide additional comment on the following points:

- Issues arising from and impacting on preparation and implementation of SWAps and budget support (PC1);
- Management of modalities (PC2);
- Aspects of governance (PC3);
- Complementarity and coordination (PC4);
- Regional integration (PC5);
- Cross-cutting issues
- Agriculture and food security.

6.2.1 Issues arising from and impacting on preparation and implementation of SWaps and budget support (PC1)

C 6	<i>The quality of M&E systems is mixed. Although there are some examples of good practice, on the whole monitoring systems are deficient with little baseline data collection or feedback of monitoring information into informed decision making</i>	<i>Origin: Chapters 5.1, 5.2, 5.3, 5.4, 5.7, 5.8, 5.9, 5.10</i>
		<i>Criteria: Effectiveness, efficiency, impact, sustainability</i>
		<i>Importance: Medium</i>
<p>M&E systems range from good practise (FIDP, IGPWP) to weak or even non-existent with little baseline data, weak information management and doubtful data collection methodologies of periodicities. Multiple and fragmented approaches in various sectors hinder development of a benchmarking system for comparison of implementation and effectiveness or attribution of changes. In the case of some sector PAFs development partners are not necessarily receiving the information that, at face value, they appear to be receiving. Few EC-supported interventions are actually aligning project indicators with national or higher level M&E systems (or to EC standard indicators). Monitoring of pro-poor expenditure and outcomes is a vital component of CABS deliberations such that quality of monitoring indicators is vital (and this was the subject of the UNDP-implemented JPSME). Monitoring of implementation of the EC support portfolio appears not to consider performance of support modalities. A result of the combination of all these issues is that development partners may not be receiving an accurate 'snapshot' of the current situation.¹⁴⁹ Also, there is little use of such monitoring information as an input to decision making. Often M&E is perceived as a (donor-driven) activity and result in its own right, not as a part of the management cycle.</p>		

6.2.2 Management of modalities (PC2)

C 7	<i>EC 'value added'¹⁵⁰ is difficult to assess as this concept is not defined, or indeed discussed in EDF9 and EDF10 CSPs although this linked to issues of visibility and perceptions of EC as a development partner</i>	<i>Origin: Chapters 5.1, 5.7, 5.10</i>
		<i>Criteria: Relevance, effectiveness, efficiency, coherence, value added</i>
		<i>Importance: Medium</i>
<p>EDF10 CSP suggests that EC 'comparative advantage' is relative (i.e. in comparison with other donors) and accrues from 'synergies that can be found between focal sectors'. There has been identification of EC competencies, experience and resources which can be mobilised but there is little or no accompanying consideration of matching EUD capacity to support programme needs.</p> <p>Practical elements quoted to illustrate the 'value added' criteria include particular EC capacity above those of EU MS (such as regional integration), particular mandate (in the framework of 3Cs) and can draw EU MS to greater effort together, and that EC cooperation is guided by a common political agenda embracing all EU MS. Whilst there is some evidence of EU effectiveness (3Cs) and to some extent, adoption of a common political agenda, EC support to regional integration and connectivity has not been effective (see PC5)</p> <p>The generally accepted perception of 'EC added value' is in recognition of the relatively large funds through the various modalities of EC support rather than any other means. In this context the value of EC budget support as contribution to 'critical mass' of such support is noted (together with EC facilitation of harmonisation of external assistance through CABS). Also, diversification of delivery modalities can result in added value but whether this can logically be considered as 'EC added value' is not entirely clear. On the other hand 'visibility' is impacted by perceptions of development partners, beneficiaries and the wider public. Whilst on one level this is manifested by the many sign boards for EC-supported interventions, another less</p>		

¹⁴⁹ There is a danger that monitoring information is not delivering what it appears to be delivering – development partners might not be getting what they think they are getting in terms of information quality, scope and timeliness

¹⁵⁰ The TOR notes that 'value added' is closely related to subsidiarity and relates to the fact that an activity/operation financed/implemented through the EC should generate a particular benefit.

positive visibility arises from negative perceptions of EC implementation procedures as being 'unfit-for-purpose' i.e. not added value, but quite the contrary. Overall it can be concluded that the main perceived EC added value relates to the sheer size of EC support.

6.2.3 Aspects of governance (PC3)

C 8	<i>EC support to civic education (NICE) has resulted in a hugely successful network and outreach capacity for civic education, advice and information dissemination. The proposed EC exit strategy is very risky and could result in the collapse of these achievements</i>	<i>Origin: Chapter 5.9</i>
		<i>Criteria: Effectiveness, impact, sustainability</i>
		<i>Importance: Very high</i>
<p>The EC exit strategy is to progressively withdraw support over a five year period as GoM progressively increases support to NICE which becomes a public trust. Whilst it is accepted that civic education is a duty of government there are reservations about government resources being made available as agreed plus the propriety of MICE being the responsible ministry for NICE. Nomination to the Board of Trustees has become politicised and the process has been stalled. NICE has a high profile in dissemination of democratic principles resulting in increased grass roots participation in governance activities and voter activism. This non-partisan approach may be at risk. In May 2011 there was a reported hiatus between EDF9 and EDF10 support such that many activities were suspended, salaries were unpaid and morale was low. GoM is now reportedly making budgetary provision (e.g. MWK90M in the 2011-2012 FY i.e. ~€400,000) for 'bridging funds'. Given that proposed EDF10 support to NICE under the Democratic Governance Programme averages €1.9m over 4 years, this provision by GoM does not appear generous¹⁵¹.</p>		

C 9	<i>EC support to NSA capacity building achieved few results regarding NSA service delivery and NSA capacity for contribution to social and governance issues remains low</i>	<i>Origin: Chapter 5.9</i>
		<i>Criteria: Effectiveness, impact, sustainability</i>
		<i>Importance: Medium</i>
<p>Overall the support programme was impeded by problems in management of EC procedures which caused delays, impacted upon implementation activities and resulted in a major under-spend of committed funds. NSA capacity deficits also constrain their ability to access donor funding – typically many are unable to master procedures for application for support (such as calls for proposals). There is little practical linkage between NSAs and the parliamentary committee system despite a parliamentary liaison office having been established. Although EC objectives included formation of strategic alliances between national NGOs and other stakeholders there is little evidence of resultant increased capacity or sustainability of NSAs. Given the current sensitivity of relations between government and NSAs, prospects are unclear for sustainability of operations of NSA engagement in social and governance issues. However, proposed EDF10 support to the Democratic Governance Programme has components of access to formal justice; elections (between the ballots), parliament and ACB; NICE; and NSAs. Improved mainstreaming of the roles of NSAs in this programme could offer a 'second chance' towards capacity building and creation of strategic alliances for national NSAs</p>		

¹⁵¹ Even allowing for the planned reduction of EC support with corresponding increase in GoM support during this period, the GoM provision seems slight

C 10	<i>EC support to the justice (sub) sector has delivered only limited improvements to the judicial system such that the (sub) sector as a whole continues to be perceived as weak</i>	Origin: Chapter 5.9
		Criteria: Effectiveness, impact, sustainability
		Importance: High
<p>EC support to the concept of rule of law is considered to be a component of the democratic governance sector. The justice (sub) sector has many perceived weaknesses including limited accessibility, complicated proceedings, inconsistency in judgements, little access to legal aid, corruption, shortages of qualified lawyers, delays, poor records, inconsistency, language and cost. A resulting switch towards informal dispute resolution mechanisms has been supported by DFID (currently considering their support portfolio in Malawi). EDF9 support to sector institutions implemented by MOJCA produced disappointing results (over-optimistic assumptions, targeting too many sector institutions, capacity shortfalls and difficulties with EC procedures all contributed). EC is correctly continuing support under EDF10 which is more focussed on fewer sector institutions in the formal justice sector.</p>		

C 11	<i>EC budget support has contributed to high level policy dialogue within the CABS framework which resonates with issues of governance</i>	Origin: Chapters 5.7, 5.8, 5.10
		Criteria: Effectiveness, efficiency, coherence, value added
		Importance: High
<p>Policy dialogue within CABS has resulted in increasingly higher levels of government representation (from MoF and line ministries) and by participation by non-CABS donors in regular CABS reviews (e.g. WHO) but success of such dialogue can only be judged by outcomes of government's reform agenda, improved PFM and macro-economic policies. And EC with its early commitment as well as substantial disbursements is acknowledged as a major stakeholder. This is perhaps an indication of perceived leverage of the contribution of budget support to the national macro-economic situation as well.</p> <p>The underlying principles included in the CABS provisions budget support co-operation under Article 7 of the Joint Framework raise the issue of the scope of the policy dialogue expected within the CABS group. EU MS also have the possibility of such political dialogue under Article 8 of the Cotonou Agreement although but it is reported that no such dialogue has taken place since 2009. But some donors consider that CABS policy dialogue should be expanded to more vigorously cover such issues under a broader political dialogue with government and this debate has been intensified somewhat following the expulsion of the British High Commissioner in April 2011.</p>		

6.2.4 Complementarity and coordination

C 12	<i>Complementarity and coordination between sector interventions and between sectors is low</i>	Origin: Chapters 5.3, 5.6, 5.9, 5.10
		Criteria: Effectiveness, efficiency, impact, sustainability, coherence, value added
		Importance: Medium
<p>EC developed good complementarities between EDF and BL interventions and good geographic complementarities but coordination between and sometimes even within support programmes and individual interventions could have been better (e.g. no linkage between FIDP and IGPWP and RFRP; few linkages within PWP's such as linkage between forestry activities and irrigation) although it is understood that EDF10 will now strive for synergies between FIDP II and RIDP. Lack of complementarity between national and regional programmes has been noted elsewhere but there is also little linkage between support to trade</p>		

facilitation and private sector development and development of an enabling environment for development of agri-business or to marketing and market access issues (e.g. the lack of support to establishment of links between farmers' associations and private sector). That being said there are good levels of complementarity and coherence of EC support with support of other donors (and this has improved over recent years) with greater task division, joint programmes, shared analysis and studies and combined technical assistance even if the logistics of such arrangements have, on occasion, been unrealistic.

6.2.5 Regional integration (PC5)

C 13	<i>EC support to EPA negotiations has produced few of the expected results</i>	<i>Origin: Chapter 5.6</i>
		<i>Criteria: Effectiveness, coherence, value added</i>
		<i>Importance: Medium</i>
<p>Expected results from support to the National EPA Secretariat included development of negotiating positions, impact assessment studies, increasing competence in negotiation, trade analysis, information dissemination and consultation. Few results were actually delivered with implementation and procedural problems cited as the reason (although there was some support for meetings) although a lack of institutional capacity and leadership contributed to these problems. At present EPA negotiations are stalled due, at least in part, to the opposition of the President of Malawi. EC has advised GoM that EC funding for mitigation measures is not currently on offer as additional funding has been made available under EDF10. On the other hand GoM has not chosen to make contingency provision under the national budget for mitigation measures (which are not in themselves subject to negotiation anyway). Assuming that the high level impasse can eventually be resolved, it appears likely that progress will depend upon donor funding of mitigation measures rather than market access/offers. It is understood that support to the next stages of EPA negotiations is expected to be covered by ad hoc inputs under TCF.</p> <p>Although negotiations are undertaken under regional (ESA) grouping it is clear that progress as regards Malawi depend upon national perceptions. Thus, this ad hoc nature of potential EC support to what are crucial negotiations for Malawi appears somewhat insouciant.</p>		

C 14	<i>EC support to capacity building in trade negotiations and related reform has delivered little and there has been little measurable contribution to regional connectivity</i>	<i>Origin: Chapter 5.6</i>
		<i>Criteria: Effectiveness, coherence, value added</i>
		<i>Importance: Medium</i>
<p>Continuing shortcomings in sector institutional capacity and a lack of national engagement in development of more modern and updated sector policies and strategies combined with little dialogue did not facilitate sector development or progress towards an eventual SWAp (although realistically launching of a SWAp is a longer term goal; for the time being this remains a target which facilitates sector aid coordination). Concentration of EC support on sector institutions (such as MBS) thus is sensible in the absence of higher level vision or engagement by government as does the use of contribution and administration agreements with other funding agencies such as UNDP and WB for support to SQAM and mineral sector development respectively.</p> <p>Arrangements for sub-contracting of EC support implementation are pragmatic and EC is involved in the SWG (Trade, Industry and Private Sector Development). Donor coordination is reported to be improving but the effectiveness of this coordination is muted by lack of government engagement.</p>		

6.2.6 Cross-cutting issues

C 15	Coverage of cross-cutting issues varies from best practice to neglect although some EC support interventions and programmes have contributed to improved mainstreaming	Origin: Chapter 5.2, 5.4
		Criteria: Effectiveness, impact, sustainability
		Importance: Medium
<p>Cross cutting issues identified in the TOR for this evaluation include gender, environment, HIV/AIDS and human rights although additional issues have also been identified in programming documents (EDF9 – governance, institutional development, capacity building, support for NSAs, support for trade; EDF10’ – governance, institutional capacity building, trade and investment and, water and energy as a sub-set of environment). Definitions of what may, or may not constitute a cross-cutting issue vary although most of these issues have received attention under EC support however defined. In the agriculture sector EC support has clearly contributed to improving mainstreaming of cross-cutting issues although women are still not benefiting to the same degree as men (whilst some interventions hardly address gender at all). Coverage of gender issues in the transport sector is weak with little or no reference to gender issues in sector policies or strategies (albeit that more attention has been given to gender in rural road interventions). HIV/AIDS and environmental issues are generally well covered in focal sector interventions with widespread sensitisation activities for HIV/AIDS and EIAs being undertaken (although actual mitigation measures can be patchy).</p>		

6.2.7 Agriculture and food security

C 16	EC support to food security including FISP has successfully focussed on availability and access to food but nutrition and utilisation aspects have not been well integrated. However, attention to the poorest strata of the population was insufficient, time frames for many interventions were too short and FISP is not sustainable	Origin: Chapter 5.2
		Criteria: Effectiveness, impact, sustainability
		Importance: Medium
<p>EC interventions targeting food security have improved availability and access to food by way of increased production and income generation. Utilisation of food issues were introduced under EDF9 B-envelope but only 7/19 NGO projects actually addressed nutrition issues¹⁵². U5 malnutrition has, however, been reduced. FSTP is currently testing unconditional cash transfers and targeting HIV/AIDS households. Implementation periods have been between 18 and 36 months which is too short to produce sustainable results in agriculture – 5 years is a more realistic time scale as demonstrated by successive phases of IGPWP and FIDP which have benefited from lessons learned, staff development, capacity building and M&E improvements over time. On the contrary the Dwangwa Sugarcane Out-grower Scheme for development of 650ha of irrigated sugar over an 18 month period was pre-destined for failure. FISP is basically a recurrent subsidy. Growth will disappear or reduce if/when funds are removed or reduced. EC has cautiously supported FISP but correctly retained the main focus of EC sector support on development activities. Arguably such support to FISP has assured EC participation in related dialogue (difficult in this sector) to advocate better efficiency, effectiveness and transparency regarding the legume seed component, quality issues, better targeting of beneficiaries and more credible control, monitoring and evaluation. Interviews during the field phase hinted that there is element of thinking of ‘food security OR commercial agriculture’. It is suggested that these are not alternative or competing issues but are actually complementary. The key point is better functioning of frameworks and structures.</p>		

¹⁵² albeit that NGO projects funded from the FSBL did include a nutrition component

7. Recommendations

Recommendations are based upon primary and complementary conclusions and have been grouped as follows:

- Improving implementation effectiveness and sustainability;
- Maximising the impacts of SWAps and budget support;
- Management of modalities;
- Aspects of governance;
- Regional integration;
- Cross-cutting issues;
- Agriculture and food security.

7.1 Improving implementation effectiveness and sustainability

<i>R1</i>	<i>Advocate and encourage better dialogue, coordination and leadership by government including provision of adequate NAO capacity</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C7</i>
		<i>Priority: High</i>	
<p>Explanation:</p> <p>Coordination and leadership is negatively affected by a number of factors: i) continuing capacity constraints and national institutional weaknesses; ii) donors having varying perspectives, positions on development support and capacities iii) staff shortages in EUD to cover all demands. All of these issues are well recognised and attempts have been made to improve the situation especially on the part of donors but government has made little effort to gradually accept transfer of leadership for donor coordination. As the direct partner of EUD in support portfolio management adequate capacity of NAO is an essential requirement for government in implementation of EC support and as the conduit for dialogue, coordination and leadership of development partners.</p> <p>Implementation:</p> <p>This recommendation is really supporting EUD efforts which are already on-going in some sectors, although there are differences between sectors as to the expressed interest and action by national institutions in such national leadership. CABS and SWGs are obvious for fora for such advocacy although the SWAps in Agriculture and Road Transport are likely to be appropriately focussed on such dialogue including, as necessary, changes in framework conditions. Given the reported pressure on EUD personnel it is important to estimate how much EUD staff time can be allocated to such advocacy within the overall time allotted to donor coordination as a whole</p>			

R 2	<i>Better match EUD and implementation resources to management needs of the EC support portfolio</i>	<i>Level: EUD, DEVCO (HQ)</i>	<i>Based on Conclusions: PC2, PC4</i>
		<i>Priority: High</i>	
<p>Explanation:</p> <ul style="list-style-type: none"> • CSPs are drafted without any serious discussion of linkage of EUD capacity to the demands of the proposed support programme and matching of resources to needs has been a retro-active process which has resulted in capacity shortages for certain specialist areas. The 'EC Framework for CSPs (SEC [2000]1049)' and 'Common Framework for drafting CSPs' do not include any requirement to assess EUD capacity viz a viz the proposed CSP¹⁵³. • Current resource levels of EUD and implementers should be reviewed and plans prepared to overcome any shortfalls identified (including use of co-operation/administration agreements as appropriate). Current proposals to phase out PIUs should be resisted until proven alternative arrangements are available. • EUD participation in SWGs and/TWGs should be rationalised by negotiation with EU MS in compliance with the Paris Declaration (2005) and the Accra Agenda for Action (2008). Is there really a benefit or need for EUD to be represented in SWGs and/or TWGs in ten out of sixteen sectors?¹⁵⁴ <p>Implementation:</p> <p>The 'EC Framework for CSPs (SEC[2000]1049)' and Common Framework for drafting CSPs should be amended to require that draft CSPs should include and assessment of EUD (and NAO) capacities for management of the proposed support portfolio (to be reviewed by QSG). Any resultant changes in establishment or resources of EUD would thus form a component of the NIP. As the EUD in Lilongwe reports pressure in adequate coverage of the EDF10 portfolio consideration should be given to any such review of EUD capacity being undertaken externally (e.g. by EuropeAid), independently (e.g. consultant) or in combination.</p>			

R3	<i>Improve detailed intervention design (including identification of modality) and implementation management</i>	<i>Level: EUD, EuropeAid (HQ)</i>	<i>Based on Conclusions: PC4, C13</i>
		<i>Priority: Medium</i>	
<p>Explanation:</p> <ul style="list-style-type: none"> • Risk analysis in design of support programmes and interventions is rudimentary (including assessment of demands for EUD inputs and other necessary resources for implementation). Such risk analysis should be undertaken when programme/project proposals are submitted to QSG and a serious miss-match between resource needs and availability should constitute grounds for rejection or revision of the proposal. This approach could be linked to better use of 'Special Conditions' to contribute to the establishment of facilitating conditions for a support intervention. However, risk analysis should not be a 'one off' activity – it should continue during implementation with appropriate mitigation measures and responsibilities identified and implemented (a lack of 			

¹⁵³ This recommendation refers specifically to EUD but capacity constraints in NAO also impact upon this issue – see also R1 above
¹⁵⁴ 16 sectors have been identified under MGDS, each with a SWG, some also with more specialised TWGs (although not all are active). The identified sectors are: Theme I Sustainable Economic Growth (1. Agriculture, 2. Integrated rural development, 3. Environment, lands and natural resources, 4. Tourism, wildlife and conservation, 5. Water, sanitation and irrigation, 6. Trade, industry and PSD); Theme II Protection and disease risk management (7. Vulnerability, disaster and risk management); Theme III Social development (8. Health, 9. Education, 10. Gender, youth development and sport); Theme IV Infrastructure development (11. Roads, public works and transport, 12. ICT, research and development, 13. Energy and mining); Theme V improved governance (14. Economic governance, 15. Democratic governance, 16. Public administration)

such flexibility has been noted in EC response to changes during the course of implementation).

- Potential impacts of high rates of population growth and climate change should be better assessed and understood in preparation of EDF11 CSP. Consideration should be given to mainstreaming mitigation measures across EC support sectors.
- Inception reports, feasibility studies and detailed designs have in some cases, been of poor quality resulting in cost and time over-runs and poor quality outputs (in some projects consultancy services have been of poor quality – multiple examples in the road transport (sub) sector). EUD should allow more time and resources for this detailed preparatory work
- Greater attention should be paid to the actual capabilities of proposed implementers (whether government, consultant TA or other) and consideration should be given to ensuring a match between implementation needs and available capacities (including PIUs).
- Make full use of the maximum possible implementation periods under the different modalities. Many intervention periods have been too short to be able to facilitate desired changes and results. Wherever possible and justified by previous good results, and there is a continuing need, then possible continuation of support for a subsequent phase should be considered.
- Strengthen coordination and links between programmes and establish and document coordination tools. Potential synergies and competing interventions should be identified. Similar interventions could be clustered, with exchange of experiences, discussion of approaches and lessons learned identified, formalised and applied (e.g. EC sector assistance to agriculture should increasingly focus on supporting GoM to create a favourable environment for agri-business activities and increased attention on marketing and stakeholder coordination issues. Also there should be increasing engagement in social practices linked to cash crop development).

Current discretionary trade and marketing policies are not encouraging for private sector development such that EC support for development of trade and market policies (including minerals extraction regulatory framework) should be a component of the support portfolio. Marketing issues include support to farmers' associations with specific focus on organisation development. Experience in support of sugar production highlights the importance of social processes, social impact analysis and participatory processes in project design, planning and M&E.

Implementation:

Project programming documentation of Financing Agreements should have specific requirements for risk identification, mitigation measures and management. Similar provision should be written in to TOR for consultancy services, calls for proposals etc. and such requirements should be subject to evaluation in selection of TA and implementers. However, such risks and on-going situations which might threaten implementation may require support from EUD and/or development partners as being 'beyond' the reasonable expectation of scope of the implementer (such as higher level contacts being necessary to facilitate and activity or lack of delivery of agreed commitments by a development partner). To accommodate such situations some form of agreement may be necessary setting out the relative responsibilities of EUD, implementer (and, possibly, NAO).

Similarly greater attention must be given to quality of project preparation and design, especially in the case of consultancy services. Peer review or similar QA would be desirable.

This recommendation should be considered in line with 'Reforming Technical Cooperation and PIUs – Backbone Strategy EC 2008' which sets out proposals for project implementation arrangements. In essence, getting the implementation logistics correct is as important to impacts and outcomes as other, technical, design aspects.

<i>R 4</i>	<i>Review, streamline and strengthen M&E systems</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C6</i>
		<i>Priority: Medium</i>	
<p>Explanation:</p> <p>Many of the M&E systems for EC-supported interventions are unsatisfactory. Support programmes should undertake base line data collection which is aligned to an M&E system. It is a common mistake to create an M&E relatively late in an implementation period in which case baseline data is not collected or it does not 'fit' the M&E system. Monitoring (of results, outcomes and impacts, not only of activities) should be carried out at agreed periodicity and in compliance with agreed methodology. M&E indicators should increasingly make use of national and /or EC standard indicators and monitoring information should feed into higher level monitoring systems. PAFs supporting SWAs are arguably more critical than the individual project or programme interventions. The use of monitoring information for feedback and as a basis for change and flexible management control is also an important issue. Too often the data is used only as a record or score card such that attitude change may also be necessary.</p> <p>Implementation:</p> <p>Review PAFs for SWAs (and GBS) looking firstly at the focus of the indicators in terms of coverage and relevance to intended results and objectives of support. Secondly consider the quality of the monitoring information, 'cost' and practicality of data collection and possible use of 'proxies'. Baseline data should be checked and, as necessary, replaced by a later baseline if there are doubts about original baseline data¹⁵⁵. Increasing use should be made of national and EC standard indicators such that data may be fed into national systems supporting MGDS (and wider comparisons may be made). Similar arrangements should apply to all project interventions and should be fully documented in programming documents.</p>			

<i>R 5</i>	<i>EC sector support should reflect the importance of structural changes (such as policy development and institutional reform and development) by re-focussing technical support.</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C7</i>
		<i>Priority: Medium</i>	
<p>Explanation:</p> <p>Structural changes continue to be of major importance to development of a number of sectors and an essential component of moves towards preparation of SWAs. There is a reluctance or inertia by government to change in a number of sectors which is impacting on development of sectoral policies and strategies.</p> <p>Implementation:</p> <p>EC should address these issues more strongly by means of increased attention and effort to communication, advocacy for institutional change and support to increased government commitment. With regard to lessons learned from past interventions this support should be a) included in current EC sector support; b) based on a thorough analysis of existing opportunities and underlying assumptions; c) linked to special conditions and programmes in sector governance issues.</p>			

¹⁵⁵ It is not uncommon to find that many baseline indicators are not populated – this information is expected to be gathered only during the course of the intervention

7.2 Maximising the impacts of SWAp and budget support

R6	Launch support to the SWAp in the Road Transport (sub) sector (under RTSPSP) subject to confirmation of credible and convincing evidence of resolution of issues regarding 'arrears'¹⁵⁶. During the first year of RTSPSP review and resolve issues regarding PAF, programming, axle load control, road safety and rural accessibility	Level: EUD	Based on Conclusions: PC1, C8
		Priority: Very high	

Explanation:

i) Very large cost over runs ('arrears') have been incurred by a few GoM road construction contracts (€ 75m) for which budget provision is not available. There are apparently various reasons for this situation including poor quality design, political interference, extension of and change of scope of contracts without detailed designs being available, poor supervision of construction, poor quality of works accepted for payment and contractors' claims for additional costs although a common feature is poor contract management and lack of control of the contract cycle as a whole.

ii) Programming and prioritisation continues to be weak with most works programming based upon a needs based approach with increasing funding deficits during the implementation periods of multi-annual programmes. Despite being an effective (and relatively cheap) means of reducing accident rates little has been done to improve road safety. Similarly the hugely damaging effects of overloaded trucks are well documented, enforcement is possible and practical as evinced by other African countries and yet the Malawian system is almost completely non-functional.

Implementation:

i) The first tranche of budget support is due to go ahead shortly (although this disbursement may be delayed as the country is reported by IMF to be off track). This potential delay may offer a breathing space to resolve confusion over the quantum of 'arrears' together with extra-contractual liabilities which exceed budget provision in the current financial year plus preparation of credible plans by government for resolution of current issues plus equally credible measures to ensure that the situation is not repeated.

ii) During the first year of road transport sector budget support (RTSPSP): i) review PAF (definition of indicators, methodologies, periodicity, reporting; ii) consider the introduction of a variable tranche indicator for axle load control; iii) review programming and annual work plans for FY 2011/2012 and FY2012/2013 including the 'balance' of work plans between construction and maintenance; iv) advocate initiation of road safety measures and v) continue to advocate greater consideration of threats to rural accessibility

¹⁵⁶ It should be stressed that these huge 'arrears' have accrued from a relatively small number of capital investment projects. Smaller value maintenance contracts make up the majority of numbers of contracts but represent a much smaller value.

R 7	EC support to PRBS and participation in the CABS forum should continue	Level: EUD	Based on Conclusions: PC1, C8, C13
		Priority: Medium	
<p>Explanation:</p> <p>General budget support should not be considered as a programme (or as a sort of focal sector) but rather as an aid modality contributing to national poverty reduction strategies with limited potential sustainability and influence in economic stabilisation. The balance and linkage between GBS and SBS¹⁵⁷ should be considered to ensure coherence and best leverage through dialogue at sector levels and through CABS.</p> <p>Implementation:</p> <p>EC participation in the CABS forum should continue and be strengthened including coverage of governance issues and political dialogue under Article 8 of Cotonou Agreement and/or Article 7 of the Joint Framework. Implementation of budget support does not necessarily imply that all available funds should be thus disbursed. A project approach for linked issues (e.g. technical assistance service contracts or PEs in support of institutional capacity or PFM reform) could be appropriate although the April 2011 GoM circular phasing out all PIUs could represent a threat to implementation activities in general.</p>			

7.3 Management of modalities

R 8	Critically examine EC and EDF procedures with a view to making them more practical and more user friendly	Level: EuropeAid (HQ), EUD	Based on Conclusions: PC2
		Priority: Very high	
<p>Explanation:</p> <p>The need for accountability and transparency of procedures for implementation modalities is fully appreciated but the use of certain modalities – especially EDF procurement procedures and programme estimates – is proving to be a major constraint to implementation. Availability of adequate capacity for handling of implementation modalities should be a pre-requisite for project launch. Further, consideration should be given as to whether such frequent modifications to PRAG, especially when changes are only procedural rather than legally binding, are really essential. Finally, some level of local derogation or qualified judgement in interpretation and enforcement of procedures should be granted.</p> <p>Implementation:</p> <p>If it really is impossible to relax the PRAG administration procedural and accounting requirements or permit some element of informed judgement in interpretation of rules and regulations then more timely training and more frequently is urgently required. If this is not practical in all cases then arrangements should be made to make available manifestly qualified and experienced assistance to EUD and implementers to manage implementation procedures. Regarding EDF procurement procedures the logic behind insistence upon such procedures as opposed to use of national procedures (with conventional arrangements for financial, technical and procurement audits) should be re-thought</p>			

¹⁵⁷ There are no procedural differences between GBS and SBS – both are direct, untargeted budget support transferred to national treasury accounts

<i>R 9</i>	Consider the value of 'visibility' and 'EC added value' and negative results of detrimental linkage to modality issues	Level: EUD, EuropeAid (HQ)	Based on Conclusions: C9
		Priority: Very high	
<p>Explanation:</p> <p>The key point here is consideration of what the value and/or purpose of visibility is expected to be and what it is in actuality. Is it a matter of information (sign boards of project sites or decals on cars), gratification or publicity? Is there some element of potential leverage into dialogue with government or other donors? But what is the impact of detrimental visibility on these other potential 'benefits'? It is suggested that negative perceptions (from disappointing implementation experiences as a result of difficulties with EC implementation modalities and EDF procurement procedures) are certainly not cancelling out positive perceptions (large development resources, wide national coverage geographically and sectorally) but they do represent a considerable counter balance.</p> <p>Implementation:</p> <p>In the absence of resolution of administrative problems with EDF procedures mitigation measures can only be palliative (better and more training in use of these procedures plus increased resources being made available for management of said procedures), evasive (adoption of other modalities to avoid intrinsic procedural difficulties) or informative (explanation of the problems and proposed measures being taken to facilitate implementation). Whether any or all of these measures would reassure sceptical development partners is a moot point.</p>			

7.4 Aspects of governance

R 10	<i>During the course of implementation of the proposed EDF10 Democratic Governance Programme consider additional aspects regarding NICE, support to formal and informal justice sub-sectors and NSA capacity building</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C10, PC4</i>
		<i>Priority: Very high</i>	

Explanation:

- i) The survival of NICE is at risk. Although GoM has reportedly allocated MWK30M (approx. €140000) to NICE in early 2011 together with budgetary provision of MWK90M (approx. €420000) in FY2011-2012 it is not assured that adequate resources will be made available for the proposed transfer of funding from EC to GoM (in comparison EC provision for NICE under DGP averages €1.9m/annum over a 4 year period). Equally concerning the non-partisan independence of NICE is also threatened.
- ii) Continue support to the formal justice (sub) sector with consideration of the practicality of widening coverage to include the 'informal' sub sector in case of withdrawal of support by DFID
- iii) EDF support achieved little by way of formation of strategic alliances between national NGOs and other stakeholders or in capacity building of NSAs. Improved mainstreaming of the role of NSAs under DGP could facilitate more strategic intervention roles for civic society.

Implementation:

- i) Rethink the exit strategy for NICE. Develop a 'Plan B'. If considered necessary EC should continue funding under EDF10 (and beyond if needed) in order not only to 'protect' NICE against partisan control, but also ensure that adequate resources are available for operations. Whether or not such continued 'full' funding goes ahead, the EDF10 implementation period should be used to energetically rework the NICE business plan including exploration of other sources of funding.
- ii) Previous support was hampered by targeting of too many sector institutions and by problems in managing of EC implementation modalities. Whilst EDF10 focus has reduced the number of impacted sector institutions potential problems with modality management remain. Every effort must be made to ensure that adequate management capacity (with detailed knowledge and experience of EC modalities) is made available.
- iii) Roles for NSA activities under DGP include monitoring of human rights (persons in custody and imprisoned), involvement in restorative justice and other informal justice procedures and monitoring of compliance with international treaties and protocols. The mainstreaming of NSAs roles including implementation of these activities should be discussed in policy dialogue. Also, better management (than EDF9 support) is necessary to avoid repeated under-achievement of capacity building objectives.

R 11	Continue and strengthen an overarching theme of good governance at central and local levels across all sectors on EC support	Level: EUD	Based on Conclusions: PC3, C12
		Priority: High	
Explanation:			
<p>There are considerable similarities between the governance (and economic) situations, currently and in 2003 and thus this recommendation is similar to a recommendation made by the preceding evaluation of EC Country Strategy in 2003. National development and economic growth policies (MGDS I and confirmed in the draft MGDS II) note that good governance is a requirement for growth and poverty reduction and this concept is an underlying principle of CABS joint framework. Given the current situation continuing support to specific services or institutions is arguably the most effective activity but sooner or later broader dialogue on themes of governance is essential. Such dialogue in the context of budgetary support is probably the most appropriate in terms of leverage and context.</p>			
Implementation:			
<p>It is now reported that IMF has declared the country off track. This could lead to a suspension of budget support. In such circumstances it is suggested that presumed intensified dialogue between GoM and funding agencies should include both economic and democratic governance principles.</p>			

7.5 Regional integration

R 12	EUD should initiate bi-national linkages with the Maputo and Lusaka EUDs (i.e. Malawi/Mozambique and Malawi/Zambia) to ensure choreography of EC support and advocate consistency of national strategies and priorities.	Level: EUDs (Malawi, Mozambique, Zambia)	Based on Conclusions: PC5
		Priority: High	
Explanation & Implementation:			
<ul style="list-style-type: none"> • These proposed bi-lateral linkages are not intended to supplant regional programmes and structures (which have not proven to be very effective in any case) but rather to ensure the best possible consistency of potential EC support to the new developments from Tete Province to Nacala port - as Lusaka is the HQ for COMESA it is possible that such conventional regional linkages might actually be enhanced rather than evaded). • EC is lead donor in the transport sector in all of these countries and, as such, would be expected to take a proactive role not only in such coordination but also in accessing joint funding arrangements (such as blending funding e.g. Gt. East Road, Zambia, under the EU-Africa ITF) and/or PPP investments. • As a complementary issue additional effort should be given to advocacy (and possible direct support) to ratification and implementation of regional and international protocols for movement of people and goods. • EC (in co-operation with other transport sector donors) should offer support to Malawi's negotiations on investment and development of rail (and linked development of other transport sectors) – 'direct' [i.e. linkage to the Nacala Corridor) and 'indirect' (leverage of such direct investment to other sections of the Malawian rail and road network including linkage to the Zambian network at Chipata (and thus to DRC)]. 			

R 13	<i>Respond to developments in EPA negotiations (through TCF)</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C13</i>
		<i>Priority: Medium</i>	
Explanation:			
Despite the previous problems of support to the National EPA Secretariat EC has a continuing responsibility to facilitate and support EPA negotiations. Offers of such support at national level should be demand driven following resolution of the current impasse.			
Implementation			
EPA negotiations, undertaken at regional (ESA) grouping, continue to be stalled. EC has made additional funding available under EDF10 but not specifically for mitigation measures (which are perceived to be significant at national level). Progress appears to depend upon resolution of contrary perceptions regarding mitigation measures (responsibility, estimation of costs and funding).			

R 14	<i>Consider what specific (added) value current EC brings to support to competitiveness, economic development and related reform as facilitation of regional integration</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C15</i>
		<i>Priority: Medium</i>	
Explanation:			
Given the current shortcomings in institutional capacity and lack of national engagement in development of sector policies and strategies, the current concentration of effort on sector institutions and the use of contribution and administrative agreements is a pragmatic response. However, these institutional shortcomings make movement towards a SWAp difficult whilst also leaving on-going and proposed support initiatives without a policy context. It is not clear what particular value current EC support brings to the sector.			
Implementation:			
Continue efforts at improving sector dialogue with the objective of updating sector policies and strategies using movement towards a SWAp as a framework for activities rather than a defined timetable. Concentrate EC support on sector institutions using contribution and administrative agreements – only consider other modalities after manifest improvement in institutional capacities. Continue advocacy for greater government engagement and leadership.			

7.6 Cross-cutting issues

<i>R 15</i>	<i>Review and strengthen mainstreaming of cross-cutting issues</i>	<i>Level: EUD</i>	<i>Based on Conclusions: C15</i>
		<i>Priority: Medium</i>	
<p>Explanation:</p> <p>Historically EC support to Malawi did not mainstream cross cutting issues (which were loosely identified and variously defined in any case). Coverage was perfunctory and only as a necessary formality required by guidelines. Even when a cross cutting issue was identified at intervention design stage coverage did not continue to any great extent into implementation. However, this formulaic approach began to change during the course of EDF8 and EDF9 but not to the same extent in all sectors. At present coverage varies from best practise to neglect but those examples of good practise could be shared with other programmes.</p> <p>Implementation:</p> <p>A first step is to clearly define what is considered to be a cross-cutting issue, followed by consideration of how the issue is to be realistically addressed (incorporated into all support sectors certainly, but some issues may be addressed by explicit coverage as a dedicated area of support). The point is to go beyond the perfunctory mechanistic ‘bolt on’ or afterthought treatment which is no more than a necessary formality. Given the moves towards SWAps across many sectors a reasonable starting point would be advocacy for adequate mainstreaming in sector (and national) policies and strategies and ensuring consistently adequate coverage in sector support programming and implementation. There are a number of lessons which may be learned (good and bad) from examination of previous and on-going EC support interventions. Additional measures could include raising coverage of cross-cutting issues results level in the log frame with appropriate indicators, allocation of an earmarked budget item and dedicated project staff and an M&E system with appropriate indicators (e.g. gender disaggregated data, female headed or HIV/AIDS households, environmental impact mitigation measures).</p>			

7.7 Agriculture and food security

R 16	EC support to Agriculture and Food security should continue. Special emphasis should consider movement towards a SWAp, food security of the very poor, FISP, agri-business and longer implementation periods	Level: EUD	Based on Conclusions: C16
		Priority: Medium	
<p>Explanation:</p> <p>i) Despite the manifest difficulties in sector dialogue the crucial importance of agriculture and food security in Malawi preclude any withdrawal from the support to this sector which is threatened by potential impacts of high population growth and climate change</p> <p>ii) Most EC support to food security has been focussed on the productive population who are moderately poor and usually have access to land. Much of the rural population is classed as 'poor' and these interventions have certainly been pro-poor, There is however, an even more vulnerable group of 'ultra-poor' persons who have not been targeted by such support and who should be considered in future and on-going FS interventions.</p> <p>iii) Significant issues in implementation of FISP continue to be diversification of seeds (not only maize), system security, seed quality, targeting of beneficiaries and use of external assessment and evaluation. EC should continue to focus on legume seeds and improved quality,</p> <p>iv) EC sector assistance should increasingly focus on supporting GoM to create a favourable environment for agri-business and increase attention to marketing and stakeholder coordination in support interventions which enhance engagement in social processes around support to cash crop development</p> <p>v) EC support to agriculture and food security should more realistically respond to the time needed to achieve sustainable results (at least 5 years).</p> <p>Implementation:</p> <p>i) Development of a SWAp (long term perspective) should involve EC contribution to the ASWAp-SP multi-donor trust fund as an interim measure; building upon international experience and lessons learned (good and bad – e.g. PROAGRI in Mozambique). Support to capacity building under ASWAp-SP should include CFA and identification of key capacity needs and continuing efforts to nurture dialogue and advocate positive government engagement, leadership and dialogue.</p> <p>ii) Food security interventions involving the most vulnerable population groups should be developed to a greater extent under FS2010 AAP.</p> <p>iii) Special conditions should ensure clear selection criteria for beneficiaries targeting the most vulnerable and that regular external evaluations are specified. There should be consideration that many of the most vulnerable do not have access to land and that in these situations further use of cash transfers in the context of the MTR/MDG initiative could be considered.</p> <p>iv) Current policies covering discretionary trade and marketing do not facilitate or encourage private sector development and thus EC support to development of trade and market policies in general, and for support to crop production in particular, should be included in the EC support portfolio. Marketing issues including support to farmers' associations need continuing and greater attention with focus on organisation development to build capacities and viable organisations. Social impact analysis and participatory processes in project design, planning and M&E should be emphasised when supporting growth through export crop development.</p> <p>v) As examples from other countries show (e.g. Liberia, Sierra Leone) it is possible under EDF procedures to set up projects with implementation periods of up to 5 years. Wherever needed, practicable and justified by good results from a preceding phase, possibilities for a continuation phase should be explored (together with possible replication elsewhere) for further development and consolidation of results.</p>			