



Government of Malawi – European Commission

Draft Joint Annual Report 2006

LIST OF ABBREVIATIONS	I
1. EXECUTIVE SUMMARY	1
2. UPDATE ON THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION.....	2
2.1 UPDATE ON THE POLITICAL SITUATION	2
2.2 UPDATE ON THE ECONOMIC SITUATION.....	3
2.3 UPDATE ON THE SOCIAL SITUATION	5
2.4 UPDATE ON THE ENVIRONMENTAL SITUATION	7
3. OVERVIEW OF PAST AND ONGOING COOPERATION.....	8
<i>Brief summary of results of the ETR.....</i>	<i>8</i>
<i>Assessment of results achieved at sectoral level focussing on key successes and failures</i>	<i>8</i>
<i>Lessons learnt from strategy, sectoral or project evaluations.....</i>	<i>8</i>
3.1 FOCAL SECTORS (AND MACROECONOMIC SUPPORT).....	9
3.1.1 Focal sector 1: Rural Development, Agriculture, Food Security and Natural Resources	10
3.1.2 Focal sector 2: Transport	13
3.1.3 Macroeconomic support.....	17
3.2 PROJECTS AND PROGRAMMES OUTSIDE FOCAL SECTORS	18
3.3 UTILISATION OF RESOURCES FOR NSAS	19
3.4 UTILISATION OF B ENVELOPE.....	20
3.5 OTHER INSTRUMENTS.....	20
3.5.1 STABEX.....	20
3.5.2 Community budget lines (excluding the food security budget line and sugar support programme).....	20
3.5.1 European Investment Bank	21
4. ASSESSMENT OF PERFORMANCE INDICATORS.....	21
5. DONOR COORDINATION AND HARMONISATION	22
6. DIALOGUE IN COUNTRY WITH THE NAO AND NSAS	23
7. CONCLUSIONS	23

LIST OF ABBREVIATIONS

ACP	African Caribbean and Pacific
AU	African Union
AUC	African Union Commission
CABS	Common Approach to Budgetary Support
COMESA	Common Market for Eastern and Central Africa
CSP	Country Strategy Paper
CPI	Consumer Price Index
DAS	Development Assistance Strategy (of the GoM)
DfID	Department for International Development (UK)
DPP	Democratic Progressive Party
EBA	Everything But Arms
EC	European Commission
ECHO	European Commission Humanitarian Office
EDF	European Development Fund
EHP	Essential Health Package
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
ETR	End-of-Term Review
EU	European Union
FIDP	Farm Income Diversification Programme
FIMTAP	Financial Management Technical Assistance Programme
FLEX	Fluctuations in Export Earnings
FSBL	Food Security Budget Line
FP	Financing Proposal
FY	Financial Year
GBS	General Budget Support
GDP	Gross Domestic Product
GFTAM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNP	Gross National Product
GoM	Government of Malawi
GTZ	Gesellschaft für Technische Zusammenarbeit
HIPC	Highly Indebted Poor Country
HIV/AIDS	Human Immuno-Deficiency Virus/Acquired Immune Deficiency Syndrome
HMIS	Health Management Information System
HQ	Headquarters
IDAF	Institutional Development Across the Agri-Food sector
IFMIS	Integrated Financial Management and Information System
IFMSL	Improved Forestry Management for Sustainable Livelihoods
IHS	Integrated Household Survey
IGPWP	Income-Generating Public Works Programme
IMF	International Monetary Fund
IRI	International Roughness Index
JICA	Japanese International Development Agency
JPR	Joint Programme Review (of the GoM)
LDC	Least-Developed Country
MDGs	Millenium Development Goals

MDHS	Malawi Demographic and Health Survey
MDRI	Multilateral Debt Relief Initiative
MEPD	Ministry of Economic Planning and Development
MGDS	Malawi Growth and Development Strategy
MK	Malawi Kwacha
MoAFS	Ministry of Agriculture and Food Security
MoF	Ministry of Finance
MoHP	Ministry of Health and Population
MoTPW	Ministry of Transport and Public Works
MoTPSD	Ministry of Trade and Private Sector Development
MPVA	Malawi Poverty Vulnerability Assessment (GoM and WB)
MRA	Malawi Revenue Authority
MS	Member States (Of the EU)
MTR	Mid-Term Review
MVAC	Malawi Vulnerability Assessment Committee
NAO	National Authorising Officer
NER	Net Enrolment Ratio
NFRA	National Food Reserve Agency
NGO	Non-Governmental Organisation
NICE	National Initiative for Civic Education
NIP	National Indicative Programme
NRA	National Roads Authority
NRUs	National Rehabilitation Units
NSAs	Non-State Actors
NSO	National Statistical Office
ODPP	Office of the Director of Public Procurement
ORTs	Other Recurrent Transactions
PAF	Performance Assessment Framework
PEFA	Public Expenditure Financial Accountability
PEM	Protein Energy Malnutrition
PFM	Public Financial Management
PFEM	Public Financial and Economic Management
PFMAP	PFM Action Plan
PMU	Project Management Unit
PPE	Pro-Poor Expenditures
PRGF	Poverty reduction Growth Facility
PRSP	Poverty Reduction Strategy Paper
PS	Principal Secretary
PWP	Public Works Programme
RBM	Reserve Bank of Malawi
RSP	Road Sector Programme
RTA	Road Traffic Authority
RF	Road Fund
SADC	Southern Africa Development Community
SGR	Strategic Grain Reserve
SMP	Staff Monitored Programme (of the IMF)
SWAP	Sector Wide Approach
STABEX	Stabilisation of Exports
TA	Technical Assistance
TCF	Technical Cooperation Facility
TWG	Technical Working Group
UDF	United Democratic Front
UK	United Kingdom

UNDP	United Nations Development Programme
UNICEF	United Nations Children's Education Fund
UNFPA	United Nations Population Fund
USD	United States Dollar
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organisation

1. EXECUTIVE SUMMARY

Political Dialogue under Article 8 of the Cotonou Agreement, launched for the first time in Malawi in November 2005, has been consolidated and enhanced during the year 2006 culminating in a meeting with the State President at the beginning of June. Within the framework of Article 8 of the Cotonou Agreement, meetings are usually held with the Minister of Foreign Affairs. These meetings are becoming more and more regular, open and constructive. The scope of the Article 8 should be broadened in 2007.

The preparation of the 10th EDF, officially launched at the regional meeting held in Gaborone in February 2006, progressed very effectively and efficiently. The final draft of the CSP and NIP was submitted to the IQSG on 24th January 2007. The IQSG concluded that *“It is an excellent document where all elements have been taken into consideration – link with MGDS, complementarity, harmonisation, strategy linked with analysis. It could be a model for all the CSPs if it were shorter”*.

The End of Term Review (ETR) was successfully completed and officially signed in May 2007. In the period under review the collaboration with other donors in development co-operation activities has been enhanced in line with the principles of the Paris Declaration.

In terms of development co-operation quantitative results achieved were very good and in line with the agreed annual targets. The new global commitments registered under the EDF amounted to € 54.5 million. This leaves approx. € 33 million only to be committed in 2007, including resources made available via global decommitments. The amount of global commitments was increased by € 26.3 million of new commitments registered under the EU budget, of which € 24 million for food security operations. The new individual commitments amounted to € 73.1 million (€ 67.1 million EDF; € 6.0 million EU budget lines). The payments amounted to € 66.4 million (€ 58.3 million EDF; € 8.1 million EU budget lines). The global decommitments registered under the EDF were € 10.4 million. RAL and RAC were stable.

In terms of quality, the results of the monitoring mission and independent evaluations were positive. Main significant achievements under programmes and projects being implemented in 2006 are: a) The European Commission contributed with its food security operations to avert a major food and humanitarian crisis in Malawi. A joint evaluation by GoM and development partners highlighted that the impact of the 2005/06 crisis was significantly less than the one of the 2002/03 crisis, notwithstanding the fact that the magnitude and severity of the recent crisis exceeded that of the previous one; b) The European Commission, which re-launched its budgetary support to Malawi in the second half of 2005, has definitely contributed with its budgetary support to the Malawi's achievement of the HIPC completion point and access to the Multilateral Debt Initiative (August 2006). This constitutes a unique opportunity for the country in its fight against poverty; c) the long awaited separation of functions of the Road Authority and Road Fund Administration was finally approved by Parliament in May 2006 and the State President appointed the Boards of Directors in November 2006.

Relations with EIB have been strengthened and very good results are about to be achieved in 2007. Important investments were officially approved in the water sector and in the financial sector, with a high level of potential synergies between EIB and EC development co-operation.

Visibility has been enhanced during the period under review.

2. UPDATE ON THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

2.1 Update on the political situation

Multi-party democracy was established in Malawi in 1994. The last Presidential and Parliamentary general elections, held in May 2004, elected Dr. Bingu wa Mutharika as Malawi's second democratically elected State President. The next Presidential and Parliamentary elections are due in May 2009. Local government elections, which were due to take place in May 2005 in accordance to the Constitution, have not taken place yet.

Following his election, the State President launched a vigorous and much needed anti-corruption campaign, which created political tensions with Malawi's former President, Dr. Bakili Muluzi, who is the chair of the UDF¹ party, which had campaigned to support the elections of Dr. Bingu Wa Mutharika. In early 2005 the State President left the UDF and formed his own political party, the Democratic Progressive Party (DPP). This marked the beginning of political tensions that have characterized the last two years. The DPP has grown in number within Parliament. At the by-elections held in December 2005, the DPP won all seats with the election of the first six DPP Members of Parliament. Since then a substantial number of Members of Parliament defected and joined the DPP or have declared to be independent and ready to work with the DPP for the development of their constituencies. However in November 2006 the Constitutional Court interpreted the section 65 of the Constitution (i.e.: "crossing the floor") and stated that MPs who have defected and joined another party represented in Parliament would be deemed to have crossed the floor. The State President appealed against this interpretation and the Supreme Court is expected to deliberate on this very important case in June 2007. This being said, the Parliament of Malawi is characterized by the fact that the Government does not have a clear majority in Parliament, a complex scenario even in mature democracies, and by the large number of independent MPs.

The Government of Malawi views good governance as a pre-requisite for growth and poverty reduction and, indeed, good governance is one of the pillars of the Malawi Growth Development Strategy officially launched in November 2006. The promotion of the rule of law is seen not only as an instrument for regulating human conduct but also as an instrument for economic growth and development. The MGDS has been well received by donors. The Joint Assessment by the IMF/WB staff concludes that the "*MGDS provides a comprehensive framework for growth and poverty reduction in Malawi*".

The anti-corruption campaign has continued under the authority of the Anti Corruption Bureau with some positive results and more to come. Because of a large caseload at the Anti-Corruption Bureau and an overstretched judiciary, results from the anti-corruption drive have been slow to materialize. In July 2006 the Director of the ACB was suspended immediately after having briefly arrested the former President Muluzi, who was charged with 42 counts of corruption, fraud and abuse of office. He finally resigned. The anti-money laundering bill was passed by Parliament in 2006.

Human rights in Malawi are guaranteed by the Constitution. Institutions such as the Human Rights Commission, the Ombudsman, the Anti Corruption Bureau, NGOs and media contribute substantially to the publicizing and prosecution of human rights violation. Effective enforcement is dependent on the human and financial resources of the relevant institutions, which are currently limited. There are no acute human rights

¹ United Democratic Front

issues in Malawi and the law provides for equal rights for all. However in practice there is a persistent and widespread discrimination against women and girls (e.g. access to school, inheritance, access to work, role in political parties). Domestic violence, especially wife beating, is common. In 2006 to react to this situation Parliament passed a law that does specifically prohibit domestic violence. Since then, Government with some financial support from UNFPA is implementing capacity building initiatives that have targeted the judiciary, police, and NGOs to ensure appropriate application of the law. In addition, information dissemination amongst the public has been enhanced and the Act will soon be translated into three major local languages. This being said more remains to be done and the EC intends to provide its contribution under the 10th EDF. Prison conditions are harsh with overcrowding, inadequate nutrition, substandard sanitation and lack of health care. Hard labour is an integral component of sentences. With regards to death penalty, the country maintains the possibility to condemn convicts but has systematically turned all death sentences into life imprisonment. Death penalty has not occurred in the last twelve years.

Fundamental freedoms are provided by the law and generally respected in Malawi. There is no limitation to movement of people, no limitations to religious freedom, to freedom of expression or freedom of assembly and association. People have been free to express their views. Although taken for granted, these are fundamental rights that Malawians have enjoyed for only twelve years. While standards of journalism are low, freedom of information remains within acceptable parameters. Regular practice of self-censorship by journalists and, at times, some political interference is reported.

In terms of security Malawi remains a generally peaceful country. The Muslim population is showing tendencies of feeling marginalized. Malawi is not involved in external conflicts. In relation to regional security, Malawi has contributed within its means to peacekeeping missions of SADC, AU and UN. In 2006, Malawi was elected to the AU Peace and Security Council for a two year term. Malawi is committed to fight terrorism. However, as acknowledged by Government, the country has weak capacity to combat terrorism and trafficking of weapons due to poorly functioning border controls and security services.

Government of Malawi has commendably agreed to undergo the African Peer Review Mechanism (APRM). . Government appointed a multi-disciplinary steering committee to oversee the process. An action plan and a communication strategy for the APRM process have also been developed. The process is expected to start before the end of 2007. A Constitutional review process that started in March 2006 is currently in progress. A series of consultative meetings were conducted and the Law Commission produced a draft final report which was discussed at the second Constitutional Conference held in mid April 2007.

2.2 Update on the economic situation

Macroeconomic situation

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

sectoral contribution to GDP, the agriculture sector is followed by distribution, manufacturing, transport and communications and financial and professional services.

The real GDP growth increased from 2.1% in 2005 to 8.5% in 2006 largely due to good performance of the agricultural sector, which benefited from fertilizer and maize seed subsidies and good rains. End of the period inflation decreased from 16.5% at the end of 2005 to 9.9% at the end of 2006 as a result of the availability of food resulting from a bumper crop, tight monetary policy, and the relative stability of the Malawi Kwacha exchange rate against major currencies. The interest rate has fallen from 45% in 2003 to 20% in 2006. If the downward trend continues, this would be expected to have a positive impact on private sector investment and growth. The gross foreign exchange reserves remained stable covering approximately 1.6 months of imports.

Malawi achieved the HIPC completion point at the end of August 2006. Achievement of the HIPC completion point has enabled Malawi to qualify for further debt relief from the World Bank and International Monetary Fund under the Multilateral Debt Relief Initiative. Though significant, debt relief does not represent a dramatic increase in resources, amounting to about USD 55 million per annum for the next 20 years, or equivalent to about 8% of total annual domestic expenditure (excluding donor funded projects)². For the first time this saving offers the GoM the opportunity to make choices in the allocation of financial resources which were otherwise linked into statutory expenditure.

Quality of Public Finance Management

Malawi continued to register a good degree of fiscal discipline. This was attributable to the administration bringing government expenditure under control and achieving a reasonable degree of economic stability. Results of a public finance management assessment for Malawi, based on the Public Expenditure Financial Accountability (PEFA) framework released in June 2006, revealed that the PFM system in Malawi remains weak though some aspects have improved since the last similar exercise completed in July 2005. This was also noted during the CABS reviews held in March and September 2006 and during the second quarterly IMF review. The improvement is attributable, among other things, to the implementation of Integrated Financial Management Information System (IFMIS) thus leading to some improvements in expenditure control and financial reporting. According to the IMF, the implementation of IFMIS has been an impressive achievement particularly when viewed against international experience in implementing similar systems. In November 2006, Government approved a new Public Finance Management Action Plan (PFMAP), which was one of the PRGF conditions. According to this action plan, GoM will continue the phase in implementation of the IFMIS system and strengthen budget comprehensiveness, internal controls and reconciliation of budget execution, and audited financial reports.

Integration into the world economy and negotiation positions with regard to the EPA

The economy remains relatively open and there has been a substantial reduction in average tariffs, tariff peaks and barriers to trade over the last few years. Malawi's exports are principally tobacco, sugar and tea accounting for more than 80% of export earnings. Tobacco alone accounts for about 60% by value of export earnings. The trade balance has been worsening over the last few years, increasing from 14.7% of GDP in

² Common Approach to Budget Support (CABS), SEPTEMBER 2006 CABS REVIEW, AIDE MEMOIRE, 18th October 2006.

2002 to 20.5 % of GDP in 2006. Diversification of the export base is critical for the exploitation of opportunities of global trade and consequently, for economic growth. Addressing the production constraints and quality of products is the main thrust of the National Export Strategy which is yet to be adopted by Cabinet. The strategy has selected tourism, agro-processing, services and integrated cotton development as sectors with potential for rapid growth hence improving the trade balance. The export strategy has been developed in close collaboration with the private sector and dialogue is expected to continue during its implementation through the national trade policy working group and other representative fora.

Malawi as a Least-Developed Country (LDC) benefits from the EU “Everything But Arms” (EBA) initiative which allows free access for all Malawian products to the EU markets except for sugar which is to be granted duty-free access in 2009. At present, Malawi’s annual sugar exports to the EU average 40,000 metric tonnes³, which includes 20,000 metric tonnes under the sugar protocol. The preferential prices for sugar exports to the EU have been important to Malawi’s revenues and it is in light of this that the GoM and the industry have pooled together to formulate a national adaptation strategy to the new EU sugar reform. The new EU sugar reform is expected to have a short-term negative impact while it may open opportunities for the Malawi’s sugar industry in the medium to long term. To this end a Malawi-EC Sugar Adaptation Strategy was approved in 2006.

Malawi is pursuing the establishment of free trade agreements with both COMESA and SADC. Malawi is negotiating an Economic Partnership Agreement (EPA) with the EU under the Eastern and Southern Africa (ESA) grouping. Concerning the EPA negotiation process, the GoM realizes that the EPA process will come with adjustment costs, but continues to hold the perspective that the EPA will benefit Malawi.

At WTO level, Malawi’s positions remain unchanged and are aligned to the common positions of the African Union (AU), the Least-developed countries (LDCs) and the ACP group of States. Malawi’s specific priorities include; (i) the preservation of existing trade preferences, (ii) financial and technical assistance for addressing supply-side and other capacity constraints and (iii) the development of mechanisms for increasing access to the essential medicines for all illnesses and conditions of public health at affordable prices. Furthermore, Malawi advocates for increased Aid for Trade and compensation with regard to adjustment costs emanating from erosion of preferences. On agriculture, Malawi calls for the total elimination of trade distorting export subsidies and the reduction in domestic support measures especially on cotton exports in industrial countries. Government is planning to set up a national implementation unit within the Ministry of Trade and to mobilise trade related technical assistance through the enhanced integrated framework to ensure that these objectives are realised.

2.3 Update on the social situation

Progress against MDG indicators and trends

Poverty alleviation in Malawi has shown very little progress in the last decade. In 2005, about 6.4 million of Malawians (or 52.4% of the population) were estimated to be living below the Government calculated poverty line of approximately USD 0.35 per day against a figure of 53.9% in 1998. Some 80 to 85% of the population live in “deeply rural” areas, mostly engaged in subsistence rain-fed agriculture. Poverty is

³ Reserve Bank of Malawi, Monthly Economic Review, October 2005.

pervasive and Malawi is unlikely to achieve the 50 percent poverty reduction target by 2015.

Progress towards achieving the MDGs is mixed. Achieving universal enrolment in primary education appears to be within reach, but the primary completion rate is off-track driven by the poor quality of teaching as a result of the insufficient number of teachers and consequently large class sizes, very low level of teacher qualifications, a high teacher attrition rate largely due to HIV/AIDS and poor school infrastructure. The estimated HIV/AIDS prevalence in adults (15 to 49 years) in Malawi (2005) is 14% with a range from 12 to 17%, giving a total estimated number of 790,000 infected adults⁴. Access to ant-retroviral therapy has increased from 4,000 in 2004 to 80,000 (65,000 alive) by end-2006. The level of HIV infection in the adult population has remained stable during the last nine years, and is lower in urban areas and declining amongst youth. Although maternal mortality has decreased in recent years, the figure is still one of the highest in the world at 984 deaths per 100,000 live births in 2004⁵. There has been slow progress in increasing the proportion of births attended by a doctor, clinical officer, nurse or mid-wife⁶ and a decrease in the percentage of underweight children (under five years of age), with a drop from 30% in 2000 to 22% in 2005. However the prevalence of protein energy malnutrition (PEM) remains high, with stunting in 48% of under-five children. There has also been a decrease in the childhood mortality rate, with Malawi on-track to meet the child mortality MDG. At present, the figure is still high with one in eight children born in Malawi dieing before reaching their fifth birthday. Malaria is a major killer, accounting for up to 40 % of all under-five hospitalizations and 40% of under-five hospital deaths in Malawi⁷, while diarrhoea ranks second.

The SWAP in the health sector was launched only in 2005, and there is need for time before reforms produce results. The same goes as regards the positive effects, which may come from the achievement of the HIPC completion point. This was achieved in August 2006 and the 2007/08 budget will be the first one where savings made could be re-allocated to social sectors. In particular the situation of human resources within the sector was dramatic and the SWAP has focused on training of health and medical personnel and trying to retain them through improved conditions of service. The SWAP and budget support constitute a combined solution to the many challenges faced by the health sector in Malawi. The global fund resources have complemented efforts in health systems strengthening that includes training of medical personnel in local colleges and universities. As a result the intake of medical students has almost doubled in nursing and medical colleges. However, the impact of this support will be felt in the next few years.

Government pro-poor expenditures, access to services and addressing the needs of poor and vulnerable groups

The present fiscal policy aims at reducing the weight of government's domestic debt, whilst allowing for increases in pro-growth (infrastructure and agriculture) expenditure mainly. The proportion of budget spent on pro-poor expenditure in 2005/06 was 23.1%

⁴ "HIV and Syphilis Sero-Survey and National HIV Prevalence Estimates Report 2005", December 2005, Ministry of Health National Aids Commission

⁵ Joint Country Programme Review, Report on the Health Sector, Financial Year 2005/2006, GoM, May 2007.

⁶ "Poverty in Malawi from the Second Integrated Household Survey 2005". An extract of findings by the Ministry of Economic Planning and Development, National Statistical Office, end of 2005

⁷ Annual Report of the work of the Malawi Health Sector (July 2004-June 2005), Planning Department Ministry of Health, 15.09.2005

with agriculture representing 41% – mainly due to fertilizer scheme – of that amount, education and health 28% and 22% respectively. The remaining 9% of PPE includes some governance institutions and other sectors. The delivery of health services is improving with the SWAp, but serious challenges still remain including a shortage of health personnel and drugs. At present, HIV/AIDS-related conditions account for over 40% of all in-patient admissions⁸, putting enormous pressure on the health system. Access to formal health services in Malawi is very low with only 54% of the rural population having access to formal health services within a 5-kilometre radius⁹. The access to basic services remains very low despite the significant funding of the Global Fund for Aids, Tuberculosis and Malaria (GFATM) one of the highest per capita in the world which places AIDS support at a similar or even higher level than the overall public funding for health. There is effectively no social security system in Malawi. The main elements for addressing the needs of poor and vulnerable groups (such as orphans and elderly people) consist of subsidized/free food distribution, public works (cash-for-work) and subsidised/free agricultural inputs. Challenges remain in relation to lack of co-ordination in the design and implementation of safety net programs and lack of capacity of District Assemblies to effectively supervise all programs at district level.

2.4 Update on the environmental situation¹⁰

Malawi has a high average population density of 105 people per km², reportedly one of the highest in Africa. Approximately, 90% of households depend on income derived from smallholder farming whilst most of the population depend on firewood for cooking. This has exerted pressure on the environment leading to deforestation with the resultant high rates of soil erosion and decline in soil fertility¹¹. The total forest cover has declined from 47% in 1975 to 26% in 2006 and is continuing at an annual rate of about 3%. Further, soil erosion has an adverse impact on water supplies (quantity and quality), fisheries and hydroelectric power generation (due to siltation of rivers). Biodiversity in Malawi is seriously threatened. While there are over 4,000 species of animals, including the greatest freshwater biodiversity in the world with over 500 endemic species of fish, little has been done to protect or ensure the sustainable use of such resources. Fish account for approximately 70% of the animal protein intake, yet there is little management of the fisheries stock and as a result annual per capita fish catches have declined from 12.9 kg in 1972 to 6.4 in 2003. This decline in fish stocks has serious nutritional consequences in a country with already high malnutrition rates. Habitat encroachment, the introduction of alien species and poaching, have reduced animal populations, even in the National Parks and reserves, undermining the government drive to increase tourism in Malawi. The overall national policy goal is to promote sustainable and economic development through the sound management of the environment and natural resources. Implementation of the policy has not been effective due to limitations of the Environmental Management Act (1996). The Act is now in the process of being reviewed in order to address its short shortcomings.

⁸ “A Joint Programme of Work for a Health Sector Wide approach (SWAp) (2004-2010)”, Dept of Planning, MoH, December 2004.

⁹ Situation Analysis on Human Resource in the light of the EHP Implementation June 2003, Health Services Planning Department, Ministry of Health and Population. Lilongwe: Ministry of Health and Population.

¹⁰ “Country Environmental Profile for Malawi”, B. Halle & J. Burgess, Agrifor Consult, August 2006.

¹¹ The EC supports re-afforestation through IGPWP and FIDP programmes.

3. OVERVIEW OF PAST AND ONGOING COOPERATION

Brief summary of results of the ETR

The ETR was successfully completed at country level in late 2006, approved by the EDF in March and officially signed in May 2007. The main conclusions are to:

- i) Maintain the country strategy for Malawi, as contained in the CSP and NIP for the period 2002 to 2007;
- ii) Maintain the funds available under envelope A of €284.4 million^{12, 13} following the Mid-term review, but refine the balance between sectors:
 - (a) Focal sectors: budget support is increased to € 60.10 million from € 31.50 million; the road sector programme is maintained at € 65.5 million and the agriculture sector is reduced to € 60.14¹⁴ million from € 89.80 million;
 - (b) Programmes outside focal sectors are increased from € 89.86 million to € 98.66 million including: (Governance/NSA - €37.67 million; Capacity Building, support to NAO, studies - €20.62 million; Microprojects - €35.0 million; Trade - €1.6 million; Health - € 3.77 million)
- iii) Maintain the funds available under envelope B (committed 100%)

Three main programmes are to be approved in 2007, including the feeder roads programme (€ 15 million) – already signed as of now – the Technical Co-operation Facility II (€ 8.85 million) and the second phase of the IGPWP programme (€ 9.487 million).

Assessment of results achieved at sectoral level focussing on key successes and failures

The main significant achievements under programmes and projects in 2006 are:

- i) The European Commission contributed with its food security operations to avert a major food and humanitarian crisis in Malawi. A joint evaluation by GoM and development partners highlighted that the impact of the 2005/06 crisis was significantly less than that of the 2002/03 food crisis notwithstanding the fact that the magnitude and severity of the recent crisis exceeded that of the previous one.
- ii) The European Commission, which re-launched its budgetary support to Malawi in the second half of 2005, has contributed with its budgetary support to the Malawi's achievement of the HIPC completion point and access to the Multilateral Debt Initiative (August 2006);
- iii) The long awaited separation of functions of the Road Authority and Road Fund Administration was finally approved by Parliament in May 2006 and the State President appointed the Boards of Directors in November 2006.

Lessons learnt from strategy, sectoral or project evaluations

The European Commission is part of the Common Approach to Budget Support (CABS) group, which constitutes a formal forum of discussion and exchange for

¹² The €284.4 million comprises €280.89 million (including transfers from previous EDFs until 31.12.2005), plus a further expected €3.51 million decommitments from previous EDFs.

¹³ Some €58 million was disbursed in 2006 (see “Annex 9- Financial situation for ongoing EDF projects”). The distribution is as follows: 46,5% for general budget support, 20% for rural development, agriculture and food security, 12% for transport infrastructure and the Income-Generating Public Works Programme, 9% for microprojects, 4% for good governance projects, 3% for capacity building, 3% or technical assistance (e.g. studies) and 2,5% for health projects.

¹⁴ Reduction is mainly due to the postponement of the second phases of two projects under the 10th EDF and the deletion of the second phase of the land project.

development partners involved in budget support¹⁵. CABS has allowed for a better alignment of donor assistance with donor funds increasingly channelled through GoM systems. By conducting joint reviews and sharing analyses and studies, members of the CABS have gradually been drawn into collaborating further in sector areas and have been able to provide the GoM with coordinated responses on a number of topics from macro-economic to social sector issues and good governance.

For agriculture and food security, the main lesson learned is that there is an urgent need to develop a sectoral approach where GoM, NSAs and development partners can act in coordinated manner. The Ministry for Agriculture and Food Security has started the development of a sector wide programme, which is expected to represent the framework for interventions aimed at supporting agriculture and food security under the 10th EDF.

For transport infrastructure, the main lessons learned are that: 1) a balanced multi-modal transport sector policy and programme is required to foster competition and reduce transport costs; b) emphasis on road maintenance operations rather than upgrading is critical, since the current road network overall is not sustainable; 3) local contracting and consulting capacity is limited and that project implementation without careful design and implementation is going to suffer; 4) capacity of relevant organizations needs to be improved so as to make it possible to provide sector budget support and, in particular, supervision capacity at NRA needs to be strengthened to avoid claims and disputes potentially leading to arbitration. Claims administration is considered to be part of the role of the Supervisor (usually Roads Authority). Considerable Technical Assistance support is foreseen under INSTAP, in particular to the Roads Authority, to reinforce this role and deal with legal and claims issues in a timely manner. INSTAP also foresees legal expertise, if necessary, to complement this.

A more systematic approach is needed in order to ensure the integration of cross-cutting issues in programme formulation, implementation and monitoring. External monitoring has shown that NGO projects are particularly successful, not least in terms of longer-term sustainability, specifically in the area of food security and water and sanitation. Moreover, evaluations have shown that infrastructure projects, like the construction of large hospitals in a country like Malawi lack sustainability due to lack of availability of necessary financial and medical staff resources to operate and maintain large facilities.

The main co-operation challenges, which may affect the absorption capacity, are:

- Possible negative repercussions in the co-operation area deriving from political tensions within the country;
- Reinforcement of the capacity of the Government of Malawi in all sectors so that achievements made become less fragile;
- Peak in the implementation of projects and programmes approved in the period 2005-2007 (75% of EDF resources) with time limitations due to the “date+3” rule for contractualisation;

¹⁵ The CABS currently consists of 4 full members (DFID, Norway, EC and AFDB) and four observers (Germany, World Bank, IMF, and UNDP) World Bank is expected to formally join the Group as full member in the very near future.

- Continue to prepare the ground for sector programmes in focal areas of co-operation like the transport sector and agriculture/food security;

3.1 Focal sectors (and macroeconomic support)

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

a) Results

Malawi has been affected by recurrent food crises in particular in 2002/03 and 2005/06. These crises underscore that there are structural issues to be addressed such as dependence on rain-fed agriculture, weak linkages to input and output markets as well as isolation of produce from markets due to poor rural infrastructure. Further, there are weaknesses in the current public agricultural extension service, which have undermined productivity, with the public extension worker to farmer ratio standing at 1:3000. The national ratio may well be lower considering that non state actors also provide extension services to rural communities. The major problem is that the supply of extension workers from agricultural training colleges is well below the national demand. There is need to facilitate access to credit, to foster increased investments, improve security for land tenure, promote diversification of produce, promote marketing and post harvest techniques.

In early 2006, distribution of targeted food aid and the various donor safety net programmes benefited an estimated 4.9 million people, successfully mitigating the worst impacts of the 335,400 metric tonnes of maize shortfall. In 2006, the EC contributed i) €4.8 million from the B-envelope to the WFP for an “*Emergency Food Aid Programme*”, ii) 16,000 tonnes of maize from the SGR iii) the implementation of the €3 million SPRINT programme focused on short-term ‘cash-for-work’ interventions in road rehabilitation, forestry and irrigation in food insecure communities identified by the Malawi Vulnerability Assessment Committee (MVAC), and iv) a €4 million contribution to the WFP Protracted Relief and Recovery Operation (PRRO). These operations were additional and complementary to the very significant efforts deployed since April 2005 to provide an early answer, under the GoM leadership, to the food crisis.

The harvest for 2005/6 was 2.51 million tonnes, about 500,000 in excess of the national requirement of approximately 2 million tonnes. This was the first surplus of maize in the last 3 years and the best harvest since 2000 resulting from a combination of good rains and the timely availability of subsidized fertilizers (approx. 100,000 tonnes). Encouraged by this success, the GoM continued the fertiliser subsidy scheme for the 2006/7 season allocating MK 7.5 billion (about €40 million) in the 2006/7 budget with the aim of distributing 150,000 metric tonnes of fertiliser.

In 2006, it is estimated that 1.5 million smallholder households have received coupons enabling them to purchase fertiliser at a third of the market price. In parallel a seed subsidy scheme was jointly supported by EC, DfID and Norway. The 2006/2007 harvest is projected at about 3.5 million tonnes with an estimated surplus of 1.5 million metric tonnes. The fertiliser subsidy is widely perceived to have made a significant contribution to crop productivity and it is clear that the GoM will continue its implementation in the future.

The Food and Nutrition Security Policy, adopted by the Cabinet in July 2005, was split by the Office of the President’s Cabinet (OPC) into two separate policies i.e.: The Food Security Policy under the Ministry of Agriculture (MoA) and the Nutrition Security Policy under the Department of Nutrition, HIV and AIDS in the Office of the

President's Cabinet (OPC). The objective of the two policies is to permit the Government of Malawi and other stakeholders to systematically monitor resource allocation, soundness of implementation process, and impacts of their food and nutrition security interventions, respectively. Development of these policies involved all key stakeholders within Government, donors and the civil society hence ownership was secured. While the Food Security Policy has been adopted, an action plan to implement the policy is currently being developed. The Nutrition Security Policy and its action plan have been developed and are awaiting adoption by Cabinet.

Substantial activities began in 2006 for major 9th EDF rural development programmes approved in 2004/2005. The projects for a total global amount of €33 million are *Institutional Development Across the Agri-Food sector (IDAF)*, *Improved Forestry Management for Sustainable Livelihoods (IFMSL)*, and *Farm Income Diversification Programme (FIDP)*. Rate of implementation of the projects, delayed in 2005 due to the focus of the GoM and the Delegation on the food crisis and a possible humanitarian crisis, improved in the year 2006. Nevertheless an extension of the implementation period is envisaged for all the three projects and focus is in making sure that financial resources are indeed contractualised by the end of "date+3", which is approaching fast for all of them.

b) Progress in activities¹⁶

Food Security Budget Line (FSBL)

2002 Emergency Food Aid (€16.0 million, 2002 – 2006) – The Programme was designed to help the GoM to respond to the 2002 food crisis. In April 2006, € 571,000 of funds was provided to WFP for emergency food distribution. Some € 0.5 million of the €16.0 million remains uncommitted.

The Multi-annual Food Security Programme for Malawi (MAFSP 1999-2001) (€53 million, duration 1999 -2009) – The programme began in 2001 with a global allocation of €53 million including €15.6 million for NGO activities and €32,4 million for food security programmes (for which activities are detailed in 3 Memorandum of Understanding signed between the GoM and the European Commission), and €5,0 million for technical assistance. A total amount of €32.4 million has already been disbursed on food security activities¹⁷, while the funds already disbursed in support of NGO activities amount to € 10.35 million (see Annexe on FSBL NGO projects). By the end-2006, € 3.8 million has been contracted on technical assistance (out of the € 5 million initially allocated) for support to NFRA, APIP, Joint Task Force Secretariat and NAO as well as mid-term evaluation and audit of the programme.

The Food Security Programme for Malawi 2004-2006(FSP 2004-2006) (€45 million, duration 2005 –2012) – The financing agreement for the implementation of the first year was signed in August 2004 and the Memorandum of Understanding with the GoM was signed in August 2005, describing activities under the decentralized management component of €13.75 million. Of this amount, €10.65 million was transferred to the Reserve Bank of Malawi as of end-2005. Some € 5,5 of this amount has been contracted to support the Technical Secretariat Joint Task Force, the emergency Public Works Programme (SPRINT), the World Food Programme (payment of indirect costs for emergency food aid 2005/06) and a Programme to support the Government of Malawi seed subsidy programme. In addition to this operation, a €4 million centrally managed contribution to the WFP PRRO Malawi was approved and disbursed in 2006.

¹⁶ Refer to Annexe ...on rural development and food security project fiches.

¹⁷ There are balances available in food security bank accounts.

The financing agreement for the second year of implementation was signed in December 2005 for an amount of €15 million. The Memorandum of Understanding for the implementation of the second year's decentralized part is yet to be signed while the call for proposals for the centralised part (€ 5.7 million) was finalised before the end of the year and launched in early 2007. The FA for the implementation of the third year was signed in December 2006. The centrally managed “*Annual Work Programme 2006 - NGO Food Security Programme for Malawi*” was also approved in 2006 for an amount of €5.0 million, which was added to the above referenced € 5.7 million thus preparing the largest for call for proposal ever launched in Malawi. No foreign exchange disbursement was made in 2006 having frontloaded the disbursement of € 10.65 million in December 2005.

European Development Fund

Sustainable Nutrition Rehabilitation Programme (SNRP) (9.ACP.MAI 20, €6.5 million, July 2005- December 2012) – The project aims at strengthening the national nutritional surveillance system (€1.5m) and assist at community level with child care practice and treatment for malnutrition (€5.0m). In April 2005, Action Against Hunger was awarded a grant contract for the development of an integrated nutrition and food security surveillance system at national level. So far approx. € 1.0 million has been disbursed and utilized to build the capacity of 48 Nutritional Rehabilitation Units countrywide to detect and treat malnutrition and associated HIV/AIDS, and also to reinforce the referral system. In December 2006, CARE International Deutschland Concern Worldwide Malawi, Cooperazione International, and Danish Church Aid were awarded grant contracts (total amount of approx. € 4.5 million of which. € 1.6 disbursed) to address malnutrition at community level over a period of 36 months.

Improved Forestry Management for Sustainable Livelihoods (IFMSL) (9 ACP MAI 16, Phase I €9.0 million, February 2005 – February 2009) – The programme addresses poverty and forest degradation by i) paying local communities to rehabilitate forests via tree planting and ii) supporting the creation of income generating activities for local communities from forest resources by providing direct inputs, capacity building in the areas of technical, financial and administrative management as well as through support for marketing of products. The programme operates in 16 ‘Impact Areas’ in 12 Districts. A Long term Technical Assistance Team, comprising four advisers, has been in place since March 2006. The main activities in 2006 were i) the implementation of a capacity building programme for 120 front-line staff of the Forestry Department; and ii) a baseline livelihoods survey was carried in all Impact Areas and an M&E system for the project developed. Some €7.6 million has been committed and € 1.87 million disbursed to end-2006.

Farm Income Diversification Programme (FIDP) (9 ACP MAI 015, Phase I, €16.2 million, February 2006 – February 2009) – The programme, covering 11 districts, is designed to increase smallholder farmers and rural communities’ incomes by teaching them to grow, to market and trade a range of produce. One of the principal expected results is the development of a grassroots extension service using extension workers of the MoA, NGOs and private companies. The first operational PE started in February 2006 and training activities began in 1,297 villages. The management and implementation of programme activities at district level by the District Agriculture Officer and the District Commissioner is proving to be a challenge, and the programme is working to strengthen local capacity. Some €6.5 million has been committed and €2.0 million disbursed to end-2006.

Institutional Development Across the Agri-Food sector (IDAF) (9 ACP MAI 19, €7.97 million, June 2005-June 2009) – The programme aims at improving institutional capabilities within the MoAFS and at district level by implementing the recent core-function analysis and providing support systems to promote the agri-food business. Progress has been slow, with the first operational PE starting only in June 2006. Approximately 50% of the budget is allocated to District level activities, where the aim is to strengthen and diversify current extension delivery systems in order to link smallholder farmer organisations to developing value chains. Some €2.3 million has been committed and € 0.4 million disbursed to end-2006. There are concerns on the absorptive capacity of this specific project.

Support to the Implementation of the Malawi Land Reform Programme (9 ACP MAI 012, €1.97 million June 2004- February 2009) – This programme supports a large scale effort in Malawi to initiate and implement a new land policy. The draft Land Bill is still under review and will be presented to Parliament probably by end-2007. The programme aims to set up a Technical Land Services Secretariat (TLSS) to develop financial management and monitoring and evaluation systems for dealing with land-based revenue. The recruitment process for TLSS staff began in 2006. Other activities included land administrator certificate training at the Natural Resources College for 55 students and short-term land-related training for 38 students. Some €1.5 million has been committed and € 0.9 million disbursed to end-2006.

c) Degree of integration of cross-cutting themes

Cross-cutting issues such as children and gender equality, HIV-AIDS, environmental concerns and institutional development have been integrated in the majority of EC-funded programmes in the areas of food security, agriculture, and nutrition. Institutional development initiatives have been developed in the agriculture sectors (by providing technical assistance to the MoAFS). In particular, in the food security budget line call for proposals it is a requirement that issues of gender are addressed. These include women empowerment by targeting them as beneficiaries. Similarly, in EDF projects there are deliberate efforts to involve and target women as beneficiaries. Women have been organised in groups to engage in mushroom production, bee keeping and fruit juice enterprises, just to mention a few.

3.1.2 Focal sector 2: Transport

a) Results

In May 2006, to address the institutional weaknesses in road management, the Government separated the functions of the road fund administration from the road management operations with the establishment of a new Road Authority remaining under the Ministry of Transport and Public Works (previously the National Roads Authority managed the Road Fund). Boards were appointed in November 2006. This significant institutional reform places the Road Fund under the authority of the Ministry of Finance, thus enabling more accountable and efficient direction of Road Fund¹⁸ resources. However, there is currently still no mechanism for systematic adjustments of the fuel levy to offset the effects of kwacha depreciation and inflation.

¹⁸ The fuel levy is the main source of internal revenue for the NRA, contributing approximately 87% of the total income to the Road Fund, the remainder coming from transit charges levied at border posts on foreign registered commercial vehicles entering the country

In 2006, the NRA completed the setting up of an inventory and analysis software system¹⁹ for managing and prioritising road maintenance operations and expansion of the paved network (financed by the WB and EDF). A road inventory and condition survey (funded under the EDF Road Management Support Programme) was also completed in early 2006 including measurements of International Roughness Index (IRI)²⁰ for the entire 15,451 km network. For the paved road network (4,038km), the IRI data indicates around 79% in good condition, 19% in fair condition and only 2% in poor condition. Furthermore, as concerns the regional corridors²¹, nearly 100% of the roads are in good condition. However, for the 11,413 km of unpaved network, only 14% is in good condition, 46% in fair condition and 40% in poor condition.

With the current level of investment in the road network²², it is anticipated that the condition of paved road network can be maintained, but that the condition of the unpaved network will further deteriorate without increased resources targeted to backlog and recurrent maintenance needs. Currently, the total Road Fund revenue is about €10 million per year, which approximately covers NRA operating costs, emergency works and routine maintenance. This falls far short of meeting all maintenance needs most especially periodic maintenance for which the total requirement is approximately €25 million per year. Periodic maintenance, rehabilitation, bridge replacement and upgrading are generally funded from donor resources, with total funding for the road sector averaging about €35 million per year. There is a significant maintenance backlog (possibly as much as €200 million) where deferred maintenance has led to accelerated deterioration to the extent that pre-mature rehabilitation is required. For the unpaved network, the current funding for a total of about 7,000 kms²³ of the C Class roads (mostly small rural roads) from Central Government and Local Revenue is minimal. The funding gap for all unpaved roads is estimated at €7.5 million per year. The decentralisation of responsibility for C-roads to local assemblies remains to be implemented. Under the Local Government Act No. 42 of 1998, responsibility for maintenance, rehabilitation and construction of district and urban roads passes to the District and City Assemblies. Currently, local Assemblies propose maintenance work to the National Roads Authority and the NRA manages road maintenance through the Road Fund on behalf of the assemblies.

The development of a Road Sector Programme (RSP) is a key objective agreed by Government and donors. It includes establishment of the components necessary for sector budget support by the beginning of the 10th EDF in 2008. The first draft of the Government's Road Sector Support Programme (RSP), prepared with technical

¹⁹ The system comprises HDM-4 (Highway Design and Maintenance Standards Model-4) and Road Data Manager (RDM).

²⁰ International Roughness Index (IRI) is the mathematical quarter car simulation of the motion of a vehicle at a speed of 80km/hr over a measured profile and is calculated directly from road levels measured at frequent intervals.

²¹ The regional corridors are: Lilongwe-Mzuzu-Karonga-Songwe; Lilongwe-Mchinji; Lilongwe-Blantyre; Blantyre-Mwanza and Blantyre-Muloza

²² As concerns the paved network, there are significant structural problems which are not revealed by road condition assessments based on IRI measurements. These include problems of edge-break (failure of the edge of the sealed strip), lack of drainage maintenance in form of structural protection and river training resulting in frequent loss of parts of roads through washouts or bridge collapse. There is a need for regular assessment of structures, the establishment of bridge management system linked to the RDM, and a review of hydrological design criteria for bridges.

²³ A road re-classification study was finalised in 2006 the main recommendation being that some 9,073km of previously undesignated roads be added to the designated road network of 15,856 km (as opposed to the 15,451km previously reported). Of the 9,073km, the proposal is to classify some 6,590km as Community roads (mostly small rural roads) and 2,473km as district roads.

assistance financed by the EC, was released on 15.12.2006. For the first time the sector has an over-arching document that brings together policy, operating and monitoring issues, a realistic overview of investment and management planning based on quantitative analysis using the new HDM-4 network planning and management tool. The RSP has yet to be endorsed by the GoM and development partners. There are emerging issues of concern which have been raised by the MoTPW and its agencies including the NRA. Some of the concerns include jurisdiction of the network, parameters for prioritisation of investment, proposed indicators and targets for monitoring progress, and limited consultation of stakeholders during the RSP preparation stage. The RSP is also linked to the performance agreement which was concurrently drafted to define the operational roles of the Road Fund Administration and the implementing agencies, including the Road Authority. Taking into account their respective legal mandates, concerns have been expressed regarding the overlapping roles of some of the institutions. This demonstrates a continuing need for a structured consultation process within government, its agencies, development partners and all stakeholders. The Consultative Roads Forum continues to provide a leading role in developing consensus across the sector and ownership of the RSP. However, this forum does not include key stakeholders such as the private sector, and its effectiveness is called into question by NSAs.

The development of a Road Sector Programme (RSP) must be firmly put into the framework of a Multimodal (including railways, water and aviation) Transport Sector programme. The latter is urgently required in Malawi.

b) Progress in activities²⁴

The EDF road sector programme for Malawi is balanced portfolio of backlog and periodic maintenance, rural road rehabilitation and capacity building.

Road Management Support Programme (8 ACP MAI 005, 9 ACP MAI 031(ex 6 ACP MAI 078)), €17.4 million, January 1998 – December 2006) – The largest component of this programme was some €9.5 million for backlog road maintenance/rehabilitation completed in 2003. Other components are technical assistance support to the NRA, road safety schemes and rehabilitation of weigh stations for axle load control. In 2006, weigh stations and related infrastructure were installed at Mchinji, Mwanza, Songwe, Muloza border posts and one inland at Balaka. The end of project evaluation was launched in December 2006. Some €17.1 million has been committed and €15.6 million disbursed to end-2006.

Lakeshore Infrastructure Support Programme (7 ACP MAI 130, 8 ACP MAI 030, 9 ACP MAI 032 (ex 6 ACP MAI 087), 9 ACP MAI 034(ex 6 ACP MAI 088)), €17 million, December 2001- December 2008) – The main component of this programme is the €6,7 million replacement of five bridges on the main M1 and M5 roads at Dwambazi, Liwaladzi, Kasangadzi, Lisasadzi, and Kalwe. The Dwambazi Bridge was completed in 2004. The remaining four bridges were completed in mid-2006. Another major component is the rehabilitation of Mangochi – Monkey Bay road (€5,2 million) and works supervision (€1,9 million). The tender was launched in 2006 and contract is expected to be awarded in the first half of 2007. The programme also encompasses capacity development of the National Roads Authority (NRA). Some €9.6 million has been committed and € 8.8 million disbursed to end-2006.

²⁴ Refer to Annexe ...on transport sector project fiches.

MI-Masasa-Golomoti-Monkey Bay Rehabilitation (7 ACP MAI 131, 8 ACP MAI 021, 9 ACP MAI 014, €26 million, February 2000 – December 2009): The contractor abandoned the site in November 2005 resulting in a dispute with the contracting authority (NRA). The case was referred to arbitration in 2006. The arbitration hearing is expected to be held in 2007. A tender for the completion works was launched in 2006 and contract is expected to be awarded in the first half of 2007. Some €18.5 million has been committed and €16.7 million disbursed to end-2006.

Income Generating Public Works Programme (9.ACP.MAI 017, Phase I €15.5 million, June 2005 – June 2007) – During 2006, tenders were launched for 1300 km road rehabilitation and works supervision (Programme Estimate 2). Tenders were still being evaluated at the end of the year. The first phase of the programme is expected to end in June 2008 and the FA for the second phase is already in preparation. The sole possible obstacle is the respect of the pre-conditions foreseen for the second phase. A mid-term assessment was carried out in November 2006 and a positive analysis of the programme was reported. At the date of December 2006, a total of 212 irrigation clubs were established covering 1,077 treadle pump farmers and 936 stream diversion farmers, while under the Forestry component, a total of 280 new forestry clubs were assisted representing a forest area of about 2,600 ha. Some €13.5 million has been committed and €5.5 million disbursed to end-2006

Malawi Backlog Maintenance and Rehabilitation project (MABARM, 9 ACP MAI 021, €38,000,000, September 2005 – December 2010) – Implementation has been very slow and there are concerns that there may be significant challenges in committing funds before the end date for contractualisation (1 September 2008) As maintenance needs and road condition change with time the existing design documentation and cost estimates had to be submitted to a detailed check and re-estimate during 2006. This was revealing and calls for the preparation of a rider to the existing financing agreement. Technical assistance was provided to the GoM to expedite both the re-design and the preparation of necessary tender dossiers. Tenders were launched for urban roads in Lilongwe and Blantyre, with contracts for Lilongwe signed in early 2007. No commitments or disbursements took place in 2006. Substantive work and supervision tenders (Lilongwe – Nsipe; Chikwawa – Nchalo – Bangula; Liwonde – Mangochi; Salima – Balaka) are expected to be launched in the second half of 2007.

Institutional Support to Transport Sector Public Bodies (9 ACP MAI 027, €7.5 million, May 2006 - December 2010) – The project purpose is to establish a comprehensive Road Sector Programme with an adequate and realistic financial strategy principally by providing technical assistance to the MoTPW. In 2006, procurement of the TA was launched. Some € 0.25 million was committed for the purchase of vehicles in 2006.

c) Degree of integration of cross-cutting themes

Cross-cutting issues relating to transport projects will be rolled into one action with dedicated TA provided by INSTAP to provide a systematic approach to HIV/AIDS, other social issues, environment and project visibility. Integration of gender issues is slow and difficult in infrastructure projects particularly due to the nature of activities versus the social status of women in Malawi. However, contractors are encouraged to employ workers on the basis of skills and accommodate women wherever possible. As a result there has been a notable improvement in recruitment of women technicians such as plumbers and electricians.

3.1.3 Macroeconomic support

a) Results

During 2006, the IMF completed the second quarterly review of the on-going three year PRGF programme signed in August 2005. The GoM met most of the economic targets, and consequently, the EC continued to disburse funds under the Poverty Reduction Budgetary Support (PRBS I- €41.5 million). In order to provide continuity of budget support, a new programme for €34 million (PRBS II) was signed in the last quarter of 2006 to cover fiscal years 2006/07 and 2007/08. Donor budget support provided since 2004/05 has assisted the GoM in achieving macro-economic stability, with the interest rate falling from 45% in 2003 to 20% in 2006. This is expected to have a positive impact on private sector investment and on growth. Budget support has been instrumental in helping the country to achieve the HIPC Completion point at the end of August 2006.

Common Approach to Budget Support donors conducted two positive reviews in 2006 based on the Performance Assessment Framework (PAF). The PAF specifies 28 mutually agreed indicators and targets in the area of Public Finance Management, Social Sectors (health and education) and Governance. Assessment is also based on IMF-PRGF quarterly reviews.

b) Progress in activities²⁵

Poverty Reduction Budgetary Support Programme 1 (9 ACP MAI 024, €41.5 million, October 2005-June 2010) – Under this budget support, €38.5 million is earmarked for direct support in the budget (including €10.0 million for the FLEX facility) and €3.0 million for technical assistance in strengthening public finance management. The release of the budget fund under PRBS I was in line with the programme schedule. The first disbursement of €14.76 million, comprising the first and second tranche was made in October 2005. Of the remaining €23.74 million, €15.1 million (fixed plus variable tranche) was released in June 2006. This disbursement comprised a fixed tranche of €8.5 million, released on the basis that the PRGF was on track, and a variable tranche of 6.6 million. The maximum variable tranche amount of €12 million was not disbursed because the GoM did not meet all targets based on selected indicators from the PAF. The remaining balance of €5.4 million from the variable tranche was decommitted and added to the NIP for commitment to projects. The final tranche of €3.2 million FLEX was released in December 2006.

As concerns the €3.0 million under PRBS I for technical assistance in strengthening public finance management, a contribution agreement for an amount of €800,000 was signed with the UNDP in September 2006 on efforts to strengthen the national and sub-national capacities for the monitoring and evaluating development policies, programmes and strategies as elaborated in the M&E Master Plan. A €2 million contribution agreement is expected to be signed in the first half of 2007 with the World Bank to finance the capacity building FIMTAP programme.

Poverty Reduction Budget Support II (9 ACP MAI 030, €34 million) – The purpose is to provide continuity of PRBS I budget support to fiscal years 2006/07 and 2007/08. Some €30.0 million is earmarked for direct support into the budget, while €4.0 million is for technical assistance in the area of PFM reforms, monitoring and evaluation, and social sector. Disbursements are made up of fixed and variable tranches. The GoM

²⁵ Refer to Annexe ... project fiches.

received the first fixed tranche of €8.0 million under the PRBS 2 in December 2006 according to schedule. The next disbursement composed of fixed and variable tranche is expected in the second quarter of 2007.

- c) Degree of integration of cross-cutting themes (capacity building and institutional development)

In relation to macro-economic support, the variable tranche component of PRBS 1 is designed to ensure that government gives due attention to efforts in critical areas of health, education, HIV-AIDS and gender equality. The technical assistance component (€3.0 million) of PRBS I programme supports i) PFM reforms through capacity building in the National Audit Office, the Department of the Accountant General and the Internal Audit Office via the FIMTAP programme and ii) the Ministry of Economic Planning and Development in its objective to implement a GoM Monitoring and Evaluation system.

3.2 Projects and programmes outside focal sectors

Projects in non-focal sectors cover health, institutional capacity building, good governance, civic education and micro-projects²⁶.

Malawi Blood Transfusion Service (8 ACP MAI 020, 9 ACP MAI 026), €9.36 million, January 2000 – March 2009). Since the beginning of 2005, all four central hospitals and 80% of district hospitals in Malawi have been receiving 100% of their blood supplies from the MBTS. In 2006, work to handover the operations of the MBTS to Malawi (Ministry of Health and NAC) has progressed. At the same time the preparatory work on the tender dossiers for the construction of three blood transfusion centres began. Tenders were finalised and launched in the first quarter of 2007. Construction of the three blood transfusion centres is foreseen to begin by the end 2007. Some €6.8million has been committed and € 5.3 million disbursed to end-2006.

Capacity Building for Economic Management and Policy Co-ordination (8 ACP MAI 027, €9.0 million, January 2001- December 2007) – The project's overall objective is to build capacity for economic planning, policy formulation and financial management in the public sector. The project also supports specific implementation of priorities in the PFM Action Plan hence complementing the general budgetary support. The principal beneficiaries are the Ministry of Finance and Ministry of Economic Planning and Development. The project has given remarkable contributions in the process of elaboration of the MGDS and in the improvements registered in the area of public finance management. Some €8.9 million has been committed and €6.9 million disbursed to end-2006.

Fourth Microprojects Programme (MPP4 - 8. ACP MAI 041, €35 million, March 2003-June 2008) – In 2006 the programme has reached full speed with regards to implementation. Up to end-December 2006, MPP4 supported the implementation of a total of 755 micro-projects of which 398 were new projects in 2006. The 2006 projects were implemented in the following sectors: 126 health, water and sanitation; 209 education services; 12 community development; 28 production and income development; and 23 grants. An evaluation of NGO activities piloted in 2005 was positive and led to the signing of a further programme estimate for NGO projects for 3 million Euro. A mid-term review of the programme was carried out in October 2006 and a number of recommendations were made with regard to strengthening the

²⁶ Refer to Annexe ... on non-focal sector project fiches

Monitoring & Evaluation system, increasing participation of NGOs in programme implementation, and strengthening MPP4 decentralized approach to project delivery. In 2006, an extension of the implementation period to December 2009 was requested. Some €28.8 million has been committed and € 14.3 million disbursed to end-2006.

Technical Co-operation Facility (TCF, 9 ACP MAI 011, €7.5 million, June 2004 - June 2007) – The programme is aimed at facilitating the implementation of the EDF National Indicative Programmes and other EU sponsored projects and programmes as well as capacity building and studies requested by the Malawi Government. In 2006, some 25 contracts were signed ranging from project preparations, implementation, evaluations, and audits in the areas of trade, capacity building, gender, environment, good governance, programming and Public Finance Management. Some €5.5 million has been committed and €2.8 million disbursed to end-2006.

Capacity Building for NAO Support Unit in the Ministry of Finance (9 ACP MAI 018, €3.9 million, June 2005 - June 2009) – The project is aimed at building capacity at the NAO Support Unit to take a lead role in the preparation, implementation and monitoring of government-EC joint development programmes and to enable more effective and timely disbursement and management of European Commission funds. The NAO Office is in the process of being reinforced with more civil servants, seconded from line ministries. As of now it has relied mainly on contractual staff. Some €2.0 million has been committed and €1.0 million disbursed to end-2006.

Support to the National EPA Secretariat (9 ACP MAI 022, €1.6 million, 2006-2009) – The main expected results of the support are the development of trade negotiating position(s) and impact assessment studies for Malawi, the increased competence of national negotiators and stakeholders in negotiating processes, trade analysis and assimilation of technical issues, and the consultation and involvement of stakeholders and general public at all stages of the EPA negotiating process. The first Programme Estimate was approved in November 2006 for a total amount of €0.671 and an advance payment of 0.2 million made.

Promotion of the Rule of Law and Civic Education in Malawi (9 ACP MAI 23, €28 million, 2006 -2009) –The project builds onto the previous Rule of Law project which ended in December 2005 and the Civic Education project which ended in June 2006. This new project once more targets the legal and judicial systems aiming thereby to strengthen the democratic process and good governance in Malawi, improve accountability and transparency in public institutions and provide information and access to justice and to human, economic and social rights to the majority of the largely rural population. In particular, the project supports capacity building activities of the Malawi Electoral Commission to improve on administration and management of elections. In addition, the project has allocated €1.5 million to support the election processes that include by-elections, local government elections and general elections. The Start-up activities began in July 2006 for both components, but progress for the Rule of Law component is slow due to limited capacity to implement the project at the Ministry of Justice and Constitutional Affairs. The implementation of the civic education programme by NICE is instead fully on track. Some €5.3 million has been committed and €1.7 million disbursed to end-2006.

3.3 Utilisation of resources for NSAs

There are at present several hundred Non State Actors (NSAs) in Malawi. NSAs in Malawi are effective vehicles for both advocacy and implementation of development

co-operation. The challenges facing NSAs are *inter alia* the need for a more enabling policy and regulatory environment, addressing organisational and capacity weaknesses, the need to achieve greater financial self-reliance and the need to define strategic plans and advocacy agendas independent from donor priorities. Against this background, the “*Capacity Building Programme for NSAs in Malawi*” (9 ACP MAI 28) financing agreement was signed in August 2006 with a budget of €5 million for a period of 3 years. The main focus is on building capacity in programme identification and management; fundraising; service delivery; research; lobbying; and advocacy. The provision of grants to NSAs following calls-for-proposals and project evaluation will be the principal financing mechanism. Beneficiaries of the programme will be grassroots/community based organizations, legally registered service delivery organizations, umbrella and platform organizations as well as thematic networks. The new EC initiative follows a long tradition of support to NGOs through the Food Security and NGO co-financing budget lines, as well as the mainstreaming of NSA involvement in a number of ongoing programmes (including NICE, Micro-projects and Income Generating Public Works Programme). Activities are due to start in April 2007.

3.4 Utilisation of B envelope

The B-Envelope of €26.5 million is fully committed comprising: a) €5.17 million contribution for the Africa Peace Facility b) €6.5 million for the “Sustainable Nutrition Rehabilitation Programme (SNRP)” c) €10 million to mitigate the adverse effects of export revenue instability (“FLEX”) and d) €4.8 million for the Emergency Food Aid Programme to purchase and distribute food during the 2005/06 food crisis.

3.5 Other instruments

3.5.1 STABEX

The financing of all STABEX projects was put on hold in December 2005. During 2006, the EC made payments on commitments already taken prior to 31.12.2005. A final administrative audit of all the old Frameworks of Mutual Obligations was contracted in 2006. A specific audit of the Venture Capital Fund, funded under STABEX and a final evaluation of all STABEX programmes are to be contracted in 2007. These audits and evaluation are necessary before preparing a new FMO, which will cover all un-disbursed funds, balances and interest (estimate of approx. €5 million maximum) to be transferred into a single STABEX bank account (reducing STABEX accounts from 14 accounts to one).

3.5.2 Community budget lines (excluding the food security budget line and sugar support programme)²⁷

During 2006, there were 9 ongoing NGO projects funded from the Co-financing Budget Line, and 2 from the Sexual and Reproductive Health Budget Line for a total EC contribution of €10.79 million. The projects cover the fields of water and sanitation, hygiene and health, including eye care, rehabilitation of disabled people and child and youth health. The projects related to health have in general progressed more slowly mainly due to lack of capacity and resources of the local partners. Three new grant contracts were signed in 2006, one under the Co-Financing Budget Line, one under the Environment and Tropical Forests in Developing Countries Budget Line, and one under the Promoting Gender Equality in Developing Countries Budget Line for a total EC contribution of €1.65 million. The activities under these three projects began in January 2007.

²⁷ See Annexe ...on NGO project summaries.

3.5.3 European Investment Bank

During the ten years of the Lomé Conventions, the EIB signed loan commitments for a total of €73 million, of which €6.5 million were from the Bank's own resources. Debt service to the Bank has been satisfactory. EIB's operations in Malawi have been concentrated on the public sector infrastructure like water and power (€38 million) and on the support to private sector with global loan facilities (€16.5 million). Under the Cotonou Agreement, in 2006 the Bank appraised two projects, for a total combined amount of €61 million:

The Malawi Peri-Urban Water and Sanitation Project, which will address safe and sustainable water supply and basic sanitation services to low-income areas in the cities of Blantyre and Lilongwe. It is a joint effort of different actors (the Government, the Water Boards, the EIB and WaterAid) and has a high development content. The project amounts to € 31.8 million, half of which to be financed by an ACP-EU Water Facility grant – following a joint proposal by the EIB and the Water Boards - and the remainder by an EIB subsidised loan, plus a contribution from the Water Boards;

The Malawi Global Loan III, which is a €30 million credit line to a number of commercial banks, will provide long-term funding to small and medium sized enterprises, mainly operating in the export sector.

Both projects were approved by the EIB board in early 2007 and are presently being negotiated with the local promoters. Other sectors in which the EIB engaged in during 2006 was the sugar sector, where continued support to small-scale cane growers is being explored together with the European Commission; and the energy sector through ESCOM, for which EIB support could be possibly combined with the EU-Africa Infrastructure Trust Fund.

4. ASSESSMENT OF PERFORMANCE INDICATORS

In response to the food crisis of 2001/2002, a Food Crisis Task Force was created in 2002 under the Authority of the Ministry of Agriculture²⁸. In the course of 2006, the FSJTF established a baseline data for 57 indicators (16 impact indicators, 27 output indicators and 14 general indicators/cross-cutting, see Annexes 6 & 7 for details) to serve as a benchmark for monitoring the impact of the Food Security and Nutrition Policies (FSNP). A Working Group co-chaired by MoH and MoEPD has been set up to serve as a forum for coordination of the different stakeholders involved in data collection and analysis and carry out bi-annual reviews. Also in 2006, the MoAFS agreed a core set of (21) key indicators (10 impact and 11 output indicators) with more than 190 donor projects and programmes and MoUs were signed between the MoAFS and some 80 projects concerning data to be collected by the projects (see Annex...). Data collection will begin in 2007 and be consolidated at the level of the MoA&FS.

The Roads Sector Programme has identified a set of indicators to measure progress toward achievement of policy objectives and results. The key performance indicator for monitoring the effect of investments in the transport sector is the International Roughness Index (IRI). Since 2006, this can be very well monitored as the National Roads Authority has installed HDM-4 (Highway Development and Maintenance) data inventory software and established a Road Data Management Unit charged with

²⁸ The EC funds the Food Security Joint Task Force Technical Secretariat.

operating the system. The first data run of the road condition survey covering 2005/2006 period has significantly contributed to the preparation of the road sector programme. The Road Sector Programme proposes to have 81% of the paved road network and 50% of unpaved road network in good condition by the year 2016.

Common Approach to Budget Support donors conducted a review on the 28 PAF indicators and targets in September 2006. As concerns the PFM indicators, and the Government developed and approved in October 2006 a new Public Finance and Economic Management (PFEM) Action Plan with the assistance from various donors including the European Commission. This will entail timely submission of financial information and proper selection PFM indicators to be incorporated in the PAF. As concerns social sector indicators, national systems within government ministries, departments and institutions are the main sources of data. Data for most of the social indicators in the 2006 PAF is available on an annual basis except for female literacy rate whose data is generated through surveys normally conducted after every 4 to 5 years such as the DHS and HIS. The assessment of governance indicators was carried out with the active participation of non state actors. Both Government and CABS agreed to revise the PAF to ensure that only those indicators that can be assessed on an annual basis are included. This revision is expected to be completed by the end of the first half of 2007. The EC and other donors are supporting the GoM in developing the national Monitoring and Evaluation (M&E) Road Map.

5. DONOR COORDINATION AND HARMONISATION

The total donor global financial commitment (grants and soft loans) to Malawi in the period 2002 to 2006 is in the order of €1,700 million (or about €300 million per year). The main donors are the UK, EC and the World Bank who provide about 70% of the aid. The three Member States represented in Malawi are the UK, Germany and France.

The UK (via DfID) is the largest bilateral donor providing half of its funding via general budget support and sectoral support to health. Other areas of UK support are in education, growth, social protection, good governance and justice. The total UK financial commitment (2002-2006) is above € 300 million. France and Germany, as the two principal contributors to the European Development Fund, pursue most of their aid objectives in Malawi via the EU. Germany has a bilateral programme of some €37 million (2005 to 2006) focusing on education, health, decentralisation and good governance projects.. France has no formal bilateral programme, but has provided funds for the maize purchases in times of food shortages, is providing a cultural assistance and has participated in the debt relief. The WB has a large portfolio covering many sectors, notably health, education, infrastructure, private sector development, public sector management and recently re-engaged in agriculture. Coordination between the UK's bilateral programme and the EU is well established for budget support (within the CABS group), as well as for other sectors like food security and good governance where regular donor coordination meetings are established. The relevant rules and regulations do not at present allow joint financing between the EC and Member States. Division of labour is also established in the sense that the EC focus is on infrastructure and agriculture, whereas the UK focus is on health and education. The new World Bank Country Assistance Strategy (FY 2007 to 2010) has been developed in tandem with the present EDF Country Strategy Paper, with dialogue and consultations at all stages of the programming. The new WB Country Assistance Strategy focuses on infrastructure, agriculture and Rural Development; Public Sector Management and HIV/AIDS. In the area of infrastructure there is an agreement between the EC and WB that the EC takes the lead in road infrastructure while the WB

leads on energy infrastructure. The possibility of joint funding is being explored either via the budget of the Government or through common funding arrangements.

In March 2006, and in keeping with the spirit of the Paris Declaration on Aid Effectiveness, the Government of Malawi carried out its first annual Joint Programme Review (JPR) with DfID, EC, WB, GTZ and Norway. The review focused on identifying linkages and gaps between MGDS medium-term expected outcomes in different sectors (rural development and food security, infrastructure, governance, trade and private sector development, education, health and HIV/AIDS) and current donor/GoM support programs. The main conclusions of the first JRP process outlined the need for the Government of Malawi to have clear sector strategies. The Government, in close consultation with donors, is developing a Development Assistance Strategy (DAS) that will provide a co-ordination framework for development partners. The Government has also planned for a second Joint Programme Review to be conducted in early May 2007.

6. DIALOGUE IN COUNTRY WITH THE NAO AND NSAS

Overall the state of partnership is good. Government has enhanced the level of relations with the EU as regards the European Development Fund. Since January 2006, following a Cabinet's decision, the EDF NAO in Malawi is for the first time ever the Minister of Finance. In May 2006, the NAO re-activated the Malawi Growth and Development Strategy Task Force (composed of line ministry officials) to work in conjunction with the Delegation in the preparation of the Country Strategy Paper and National Indicative Programme for the 10th EDF. This decision was taken to secure alignment between the MGDS and the CSP and NIP. The programming exercise involved weekly technical meetings of the Task Force (NAO, line ministry officials, EU Delegation), monthly Steering Committee meetings and Ministerial meetings.

As concerns policy dialogue with NSAs, it is now well established that each year the draft Government of Malawi /EC Joint Annual Report is sent to a broad selection of NSAs and their comments and inputs discussed in a joint NSA/GoM/EC one day seminar. During the drafting of the Country Strategy Paper 2008-2013, and in the context of the Cotonou Agreement and its provisions on the involvement of Non-State Actors in the development process, the Government of Malawi and the EC Delegation organised three regional consultation meetings with Non State Actors in July 2006. An issues paper formed the basis for discussions and was circulated to invited civil society organisations prior to the meetings. The main objective of the meetings was to solicit comments, views and inputs of local authorities and NSA representatives on the areas proposed by the Government for EC support.

7. CONCLUSIONS

The overall implementation of co-operation between the Republic of Malawi and the European Commission progressed at a very good rhythm in 2006, in line with the quantitative targets agreed at the beginning of the year. Main significant achievements under programmes and projects being implemented in 2006 are: a) The European Commission contributed with its food security operations to avert a major food and humanitarian crisis in Malawi, with an immediate positive impact on the Malawian population ; b) The European Commission, which re-launched its budgetary support to Malawi in the second half of 2005, has definitely contributed with its budgetary support to the Malawi's achievement of the HIPC completion point and access to the Multilateral Debt Initiative (August 2006). This constitutes a unique opportunity for the country in its fight against poverty, opening new opportunities for investments within

its budget; c) the long awaited separation of functions of the Road Authority and Road Fund Administration was finally approved by Parliament. The End of Term Review of the 9th EDF was successfully completed maintaining the country strategy and the funds available. The programming of the 10th EDF advanced smoothly and the quality of the relevant documents (CSP & NIP) was praised by the Inter-service Quality Support Group.

Annex 1: “Country at a glance” table

Table of Macroeconomic indicators

Indicator	2002	2003	2004	2005	2006 proj.	2007 proj.	2008 proj.
1. Population (million) ¹	10.6	10.8	11.9	12.3	12.8	13.0	13.3
2. Population growth (%) ¹	1.9	1.9	1.9	1.9	1.9	1.9	1.9
3. GDP per capita (USD) ²	160.3	143.1	150.9	161.4	170.7	179.8	188.6
4. Growth of GDP – constant market prices (%)	2.1	3.9	5.1	2.1	8.5	5.7	5.5
5. Gross capital formation as % of GDP ²	10.4	10.8	14.4	13.0	14.6	19.2	24.5
Of which FDI	1.9	2.4	2.4	1.3	1.4	1.4	1.4
6. External debt as % of GDP ²	148	164	155	143	51	33	34
7. External debt service (int. plus amort.) as % of GDP ²	4.7	5.5	4.9	4.9	1.8	0.8	0.8
8. Arrears on domestic debt as % of GDP ²	Na	0.7	0.6	1.0	0.6	0.8	0.7
9. Exports as share of GDP (in %) ²	21.4	24.5	26.2	24.4	20.7	19.2	18.6
10. Trade Balance as % of GDP ²	-14.3	-14.5	-16.3	-27.0	-18.8	-15.5	-15.3
11. Government income as % of GDP (FY data 2002/2003... 2008/2009) ²	26.7	34.7	37.5	42.5	42.1	42.3	40.7
Of which Domestic revenue ²	20.0	22.6	25.1	24.4	24.2	24.5	24.1
Foreign grants ²	6.7	12.2	12.4	18.1	17.9	17.8	16.6
12. Government expenditure as % of GDP (FY data 2002/2003... 2008/2009) ²	38.3	42.5	42.9	43.5	43.5	42.7	42.4
Of which Debt service (interests) as % of GDP ²	6.9	10.6	8.7	6.6	4.5	2.9	2.1
13. Budget deficit as % of GDP (FY data 2002/2003... 2008/2009) ²	-11.6	-7.8	-5.4	-1.0	-1.4	-0.4	-1.7
14. Inflation (average) ²	14.9	9.6	11.4	15.5	14.0	8.4	7.5
15. Exchange Rate (average) MK/USD ²	76.7	108.6	108.9	118.4	136.3	145.3	154.1

Source (s): ¹Malawi National Statistical Office

²Malawian authorities and IMF staff estimates and projections

na = not available

Economic situation, structure and performance

In the past ten years, the growth rate remained substantially below the level required (around 6%) to have a significant impact on the reduction of poverty in the country and showed quite an erratic trend with a maximum of 5% in 1997 and a minimum of – 4.1% in 2001. The average annual rate of growth from 2001 to 2005 was 1.8 %. These data demonstrate: a) the urgent need for a solid growth oriented strategy if poverty has to be tackled in a meaningful way; b) the fact that the economy of Malawi is highly vulnerable to weather conditions and that mitigating measures have to be taken as a matter of priority. In this framework, the introduction and expansion of irrigation schemes, based on appropriate technologies, is strongly advocated by Government. In 2005 the harvest of Malawi’s food staple was badly affected due to a prolonged dry spell during the growing

season in early 2005 and lack of adequate resources, which negatively affected the agriculture sector. This caused a serious food crisis possibly the worst in decades. This was addressed in a much more effective and efficient manner than previous food crisis due to the prompt GOM reaction and strong response of the donor community. In 2006, Malawi experienced one of the best harvests in terms of maize (400,000 tons estimated surplus) and other produces as well (cassava, potatoes, pulses, etc). This notwithstanding the recent MVAC underlined that a number of isolated areas fail to benefit from the increase of maize harvest and of overall agricultural production due to dry spells or devastating floods, while household access to food is undermined by low incomes perpetuating their vulnerability¹.

The average annual inflation fluctuated between a minimum of 10.1% in 2003/04 and a maximum of 27.2% in 2001. The annual average inflation rate is primarily influenced by the food consumer price that constitutes 55.5% of the CPI. The non-food consumer price is largely influenced by fuel prices that have recently been on the increase. In 2005 the annual average inflation increased from 11.4% to 15.5% largely due to increased maize prices following the poor harvest and the sharp increase in the world fuel prices. The experience of 2005 re-confirms that food insecurity influences high inflation levels in the country, with its negative effects in terms of real economy and in terms of fiscal performances for the country, which has a domestic debt to serve.

In the first half of 2006 the Malawi Kwacha depreciated by 22% against the Euro and by 12% against the USD. Malawi has finally achieved the HIPC completion point at the end of August. Achievement of the HIPC completion point has enabled Malawi to qualify for further debt relief from the World Bank and International Monetary Fund under the Multilateral Debt Relief Initiative. This will reduce pressure from foreign debt repayment and release resources for poverty reduction and economic development related activities. The weight of foreign interest payments is expected to decline from 1.16% of GDP in 2005/06 to 0.57% of GDP in 2006/07 and amortization is expected to decrease from 2.83% of GDP to 1.88% of GDP.

With regard to the investment climate, unfavourable macro-economic environment has hindered private sector investment. These include high interest rates, volatile exchange rates, high tax levels, interventionist approach by Government and poor utility services². In particular, electricity supply is erratic due to limited power generation capacity and lack of connectivity to regional networks.

Furthermore, Malawi is a landlocked country with nearly all goods being transported via the road network³ and limited use of the railways. Transport costs are reportedly much higher than neighbouring countries⁴ and Malawi's export performance constrained by the high cost of trade, of which transport costs account for an average of 56%⁵. This is due to a combination of factors: over-reliance on road transport because of a non-functional rail network; limited competition amongst the few road transporters; cyclical nature of Malawi's exports, which negatively affects possibility of synergies between imports and exports flows.

The reduction of transport of costs as regards the country's imports and exports is a primary objective so as to increase the competitiveness of the country and its potential to grow, thus contributing to the overall objective of poverty reduction. Import costs are high, critically for agricultural inputs. Transport costs for exports, mainly agricultural commodities at present, are also high (a 2005 SADC report indicates that transport costs as a percentage of landing costs are at least double those of the SADC region). This is due to over-reliance on the road transport mode, cyclical nature of Malawi's exports and imports with impact on transport costs (trucks

¹ According to Malawi Vulnerability Assessment C----- Forecast for 2006-2007, about 833,000 people will not have adequate food, while the economic and living conditions of a further 147,800 people need to be closely monitored.

² According to the 'Doing Business in 2006-Malawi Country Profile' indicators (WB/IFC), Malawi ranks 96th (out of 155 countries) in terms of Economy (aggregate) rankings. Bank interest rates have remained unchanged at 25% since June 2004.

³ The international routes are by rail through Mozambique to the ports of Nacala (Nacala Corridor) and Beira (though currently dysfunctional), by road to the ports of Beira (Beira Corridor) in Mozambique, Dar-es-Salaam (Northern Corridor) in Tanzania and Durban (Southern Corridor) in Republic of South Africa.

⁴ Transport costs in landlocked countries in Africa are generally high, though in Malawi they are higher than most other countries in the continent. According to Comesa, transport costs expressed as a percentage of the value of exports were 56% for Malawi, compared with 14% for the average for Africa (17% for Zambia), and an average of 8.6% for all developing countries. Clearly this illustration highlights an unacceptable situation for Malawi. The Malawi Transport Costs Study in 2005 cited many varying reasons for the high transport costs. In this context, lack of competition between transport modes particularly with the rail sub-sector was shown as a major factor. The transport cost study advocated some measures to reverse the trend and these include creating one stop border post on all major transport corridors to allow for the smooth flow of traffic, investigation into VAT rebates for Malawi international carriers, improvement to regulatory instruments and procedures for customs clearance, regional integration and standardisation of freight tariffs. Additionally the establishment of Regulators is needed for those sub-sectors where concessions are granted. Ref: The Case for a National Export Strategy: Key Issues and Possible Response, MoTPSD, September 2005

⁵ The Case for a National Export Strategy: Key Issues and Possible Response, MoTPSD, September 2005

may make one journey empty), and limited competition amongst service providers within the road transport sector. Prime recommendations of a World Bank funded transport costs study, carried out last year, concerned improvements to the Nacala corridor rail link, which offers potentially the cheapest export route to the coast and can reduce freight volumes on the roads with positive effects on road maintenance needs. Rail transport has, however, been decreasing in importance. In 2002 about 20% of exports by weight were by rail, but this reduced to practically zero following the Rivi Rivi bridge washout in 2003. The reinstatement and improvement of rail operations depends largely on effective concession arrangements and good sector regulation. Capital investments are required for rehabilitation of rail infrastructure. Assumption is made that Government should aim at attracting private sector funding for the railway network, on the one hand, and at reinforcing co-operation with Mozambique, on the other hand.

Structure and management of public finances

The new government (since mid 2004) has shown a strong commitment to improve fiscal performance, bring government expenditure under control and achieve a reasonable degree of macro-economic stability. The most important achievement was stopping the fiscal latitude of the past, which has left the country with a high domestic debt burden⁶. In the fiscal year 2004/05, for the first time in more than ten years, the Government managed to stay within the budget approved by Parliament.

Since 2004/05, the country has developed its budget within the framework agreed with IMF Staff Monitoring Programme (SMP) in 2004/05 and Poverty Reduction Reduction Growth Facility (PRGF) since August 2005. The successful completion of the SMP and the satisfactory performance under PRGF, re-confirmed by the IMF Board on 30 August 2006, helped to unlock the flow of aid from donors, including DFID, Norway, Sweden, WB and the European Commission. The present fiscal policy aims at reducing the weight of government's domestic debt, while allowing for increases in pro-poor (health and education) and pro-growth (infrastructure; agriculture) expenditure. Nevertheless, the proportion of budget spent on pro-poor expenditure in 2004/05 was 16.2% below the target of 18.9%⁷. In the fiscal year 2005/06, government was under pressure to control expenditure whilst faced with pressing need to respond to the food security crisis by importing maize and fertilizer⁸. However it is now expected that this policy will be pursued with an even higher commitment and vigor in the current fiscal year and the following ones. In the FY2006/07, the PRGF has programmed the Net Domestic Debt/GDP ratio at 16.5% down from 20.0% in FY2005/06 and 23.8% and 24.8% in FY 2004/05 and 2003/04 respectively. The PRGF has further set targets of 12.8% and 8.6% for FY2007/08 and FY2008/09, respectively. The programmed proportion of domestic interest payments to GDP has likewise followed a declining trend. In the FY 2006/07, the PRGF has programmed domestic interest payments/GDP ratio at 4.3% down from 5.4% during FY2005/06 and 7.4% and 9.1% in FY 2004/05 and 2003/04 respectively. The PRGF has further set targets of 3.1% and 2.2% for FY 2007/08 and FY 2008/09.

Assessment of the reform process

According to the PEFA based PFM Assessment report of June 2006, although the PFM system in Malawi remains weak, some aspects of it has improved since the last similar exercise completed in July 2005. This was also noted during the CABS reviews held in March and September 2006. The improvement is attributable, among other things, to the recent implementation of the Integrated Financial Management Information System (IFMIS) thus leading to some improvements in expenditure control and timely financial reporting... According to the IMF, the implementation of the IFMIS system has been an impressive achievement particularly when viewed against international experience in implementing similar systems. However the PEFA review confirmed that internal and external audit capacity is extremely limited in Malawi and this has implications for control over the data being maintained in the IFMIS system. Currently there is little capacity to perform systems audits and this is an area that the Auditor General should address through training of staff and procurement of suitable system audit software. The situation with procurement has improved, although according to CABS remains of concern for some specific procurement processes. A number of donors are supporting the office of the Director of Procurement and progress is expected soon.

Within this framework the Government has pursued with vigor the anti-corruption campaign. Moreover the Government has developed a new action plan on public finance management, approved at the end of October 2006. The plan focuses on priority measures [i.e: a) Planning (systems and models for national and sector planning; coordination of planning processes); b) Resourcing the national development strategies (effective revenue mobilization; strategic approach towards resource allocation); c) Budgeting for the MGDS (efficiency

⁶ This is a heavy inheritance from the past that the government is trying to manage under the present difficult situation – political, weather condition, oil prices - domestic interests accounted for more than 9.0% of GDP in 2003/2004

⁷ March 2006, CABS Review, Aide Memoire

⁸ According to CABS Estimates, unforeseen food security operations (food imports) account for the largest increase in unbudgeted expenditure, being forecast to cost MK 6.0 billion more than the approved MK 5.6 billion budget, though most of the excess was funded by donors. Furthermore, expenditure on fertilizer is expected to be MK 2.1 billion higher than the MK 4.8 billion originally budgeted.

of budget preparation; accounting and financial procedures); d) Monitoring systems for management decision taking (strengthen internal controls and accounts reconciliations; baseline parameters and data sourcing); e) Reliable reporting system (reporting for accountability and control); f) Directing improved proficiency in Public Finance and Economic Management (steering the PFM process; managing the MGDS)] to be taken so as to address the main weaknesses and indicates activities to be implemented with a clear timetable to be jointly monitored.

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

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

Tobacco remains Malawi's largest foreign exchange earner accounting for approx. 50% of total exports while sugar is second accounting for approximately 10% of total exports. Malawi has experienced declining competitiveness in a number of products (mainly tea, textiles and cotton). Apart from low investment incentives due to macro-economic instability, low saving rates, high interest rates and low annual manufacturing value added, Malawi's export performance is constrained by (i) high costs of trade, mostly due to high transport costs (on average, 55% of the cost of production),⁹ (ii) weak institutions in trade support network involved in enforcing the regulatory framework. The formulation of the National Export Strategy was a notable development in 2005 together with the establishment of a Competition Commission. The challenge ahead lies in the implementation of the strategy and the level of involvement of the private sector.

While Malawi's participation in EU trade remains extremely limited (0.01% to 0.02% of the total EU exports/imports), the EU continues to be Malawi's largest trading partner in terms of the country's exports, as approx. 37% of Malawi's exports are destined to the EU¹⁰. The overall balance of trade in 2005 with the EU remains in Malawi's favor with a trade surplus of close to € 60 million. The main products being exported by Malawi into the EU are tobacco (67 %), sugar (17%) and tea (9%). These three products alone make to 93% of Malawi's total exports to the EU valued at € 172 million. After the EU, Malawi's main trading partners for its exports are South Africa (14%), the USA (12%) and Egypt (8%). The remaining 29% constitutes mainly of SADC and ESA member states. In terms of imports Malawi's main trading partner is South Africa (38%) followed at a great distance by the EU (18%), India and Mozambique (at 8% respectively), Zimbabwe at 7% and Tanzania at 5%.

Malawi's eagerness to pursue regional trade agreements has resulted in membership of a number of overlapping preferential arrangements. The most notable of these is the membership of COMESA and SADC – which are both expected to establish free trade areas and aiming for their respective full customs union in the near future. This is not unique to Malawi and is instead a feature in the sub-region where the majority of countries are members of different regional organizations, thus over-complicating the regional integration process. Although Malawi is a member of SADC, it has decided to pursue the Economic Partnership Agreement (EPA) negotiations with the EU with its COMESA partners under the Eastern and Southern Africa (ESA) grouping. The decision of the government of Malawi to pursue the EPA negotiations with the EU under the ESA grouping is mainly motivated by the fact that the ESA Secretariat seems more efficient and may lead towards a more comprehensive EPA agreement with the EU. However there is no doubt that Malawi will continue to follow closely the developments within the SADC group and may envisage a rapprochement between the two regional groupings, bearing in mind the strategic role of South Africa. Concerning the EPA negotiation process, Malawi's (EPA) Impact Assessment Study (IAS) revealed that the recommendations offered were too general and not practical and relevant in terms of what Malawi's approach to the negotiations process should be. Further on developmental issues and agriculture in particular they are not specific and not detailed enough.

At WTO level over the past three Ministerial meetings¹¹, there has been a positive shift in the quality of Malawi's participation and representation in trade negotiations. Trade and trade-related capacity building in Malawi has contributed to this development, as have regional and international organisations in assisting with the development of common negotiating strategies and positions.

⁹ The Case for a National Export Strategy: Key Issues and Possible Response, MoTPSD, September 2005. Value added per capita in Malawi is rated at US\$25, one of the lowest figures in the region (2000 figures from UNIDO 2004 study).

¹⁰ External Trade, Volume 6 fiches pays 2005, The European Commission Directorate General for Trade.

¹¹ Doha (2001); Cancun (2003) and Hong-Kong (2005).

Social situation

Table of indicators for the Millennium Development Goals								
	Indicator	1998 ¹²	2000 ¹³	2002 ¹⁴	2005 ¹⁵	2011 MGDS Target	2015 MDG Target	
Impact	1. Proportion of population below the poverty	53.9%	---	---	52.4%	44.4%	28%	
	2. Prevalence of underweight children (Under-five years of age)	---	30%	---	22%	15%	15%	
	3. Under Five mortality	---	189 per 1000 live births	---	133 per 1000 live births	36/1000		
Outcome	4. Net enrolment ratio in primary education	---	78%	81%	93% ¹⁶	95%		
	5. Primary Completion rate	---	---	---	28%	48%		
	6. Ratio of girls to boys in:	-primary education	---	1:1	1:1	1:1	1:1	
		-secondary education	---	1:1.1	1:1.1	1:1.1	1:1.1	
		-tertiary education	---	---	---	---	--	
	7. Proportion of births attended by skilled personnel	---	56%	---	38% ¹⁷	75%		
	8. Proportion of 1 year old children immunized against measles	---	70%	---	82% ¹⁸	85%		
	9. HIV/AIDS prevalence amongst 15 – 24 year old pregnant women	---	17% ¹⁹	---	16.9% ²⁰	14.7%		
10. Proportion of population with sustainable access to improved water source	---	---	65.6 ²¹	66.3 ²²	80%	85%		

Since the introduction of free primary education in 1993/1994, enrolment has increased from 1.9 million to over 3 million at present. Net Enrolment Rate (NER) in primary education (EP1) has reached 80% in 2005 according to government statistics (IHS2). Gross enrolment rate at 140 % (UIS statistics for 2002/03) is the highest in the world, indicating inefficiencies and a high burden of under-aged and over-aged children (due to repetition) on the primary education system. However, only three out of 10 children starting primary school reach grade 5, the survival rate of 32.8 % being one of the lowest in sub-Saharan Africa. While progress was made in terms of access there is a unanimous criticism of the declining quality, which is monitored and reported by all Malawians. The root causes are the insufficient number of teachers and consequently large

¹² 1998 Integrated Household Survey – 1.

¹³ 2000 Demographic and Health Survey 2000.

¹⁴ 2002 Demographic Health Survey Education Data Survey.

¹⁵ 2005 Integrated Household Survey.

¹⁶ Assessment of PFM, economic and social indicators governing the disbursement of the variable tranche of the PRBS1. GoM Draft report - February 2006.

¹⁷ Ministry of Health, Health Management Information System (HMIS) figure for 2004/2005 as reported in the Performance Assessment Framework (PAF) of August 2006.

¹⁸ Ministry of Health, Expanded Programme of Immunization (EPI) figure for 2005 as reported in the Performance Assessment Framework (PAF) of August 2006.

¹⁹ "HIV and Syphilis Sero-Survey and National HIV Prevalence Estimates Report 2005", December 2005, Ministry of Health National Aids Commission.

²⁰ "HIV and Syphilis Sero-Survey and National HIV Prevalence Estimates Report 2005", December 2005, Ministry of Health National Aids Commission.

²¹ MPRS Comprehensive Review First Draft Report, November 2005.

²² MPRS Comprehensive Review First Draft Report, November 2005.

class sizes, a high teacher attrition rate largely due to HIV/AIDS, the very low level of qualification of teachers recruited, the poor curriculum and poor school infrastructure. Whilst the gender gap in primary education is small, girls' secondary school enrolments are below those of boys, particularly for girls from poor households. In this context, additional efforts are needed to reduce primary school dropouts and improve completion rates of primary schooling.

Education, or lack of it, is a key factor for women's empowerment. The IHS-2 asserts that in general, more women, especially female-headed households are poorer than their male counterparts due to various social, cultural, economic and/or political factors. Women are also likely to have less access to education, credit, land, and property than men. Further and due to their relatively higher lack of education women have less access to employment opportunities, in both the public and private sectors and do not have equal access to technology and other key market information to support their business activities. However, 2005 has seen some small progress in the proportion of women in decision making positions with a rate reaching 14% in 2005, a percentage point increase when compared with 2004 figure²³. Moreover in April 2006 Parliament passed the bill on domestic violence.

The delivery of health services remains one of the worst in the world. As is to be expected in a poor country, Malawi's health system is grossly under-funded. Progress is expected for FY06/07 and FY 07/08 with a strong increase in nominal terms due to the implementation of a SWAP in the Health sector. Actual per capita expenditure is approximately USD14, which is insufficient for the delivery of even a narrow package of essential health services. Many nurses and doctors prefer to work abroad where they are much better remunerated. Recently the Government has launched a donor-sponsored programme to retain as much as possible health personnel in the country. Some questions are raised about the sustainability but the urgency of immediate needs call for intervention. While the majority of Malawians live in the rural areas, 97% of government-employed clinical officers and 82% of government-employed nurses are in the urban areas. Only 54% of the rural population has access to formal health services within a 5 kilometers radius²⁴. This, taken together with already very low aggregate level of health expenditure and the non-even distribution of health personnel means that access to formal health services in Malawi is very low. In any case, the health system throughout the country is in a state of disrepair. The limited availability of drugs and medical supplies in hospitals is due to a lack of a properly functioning national procurement, distribution and stock management systems²⁵.

Millennium Development Goals

Maternal mortality ratio doubles in the period 1992-2000 and only recently has possibly declined but still remains one of the highest in the world (984 per 100.000 live births in 2004). A closely related issue is that there has been slow progress made in increasing the proportion of births attended by a doctor, clinical officer, nurse or mid-wife. There is also a significant difference between urban and rural areas where traditional practices still prevail²⁶.

On a more positive note, the prevalence of underweight children (under five years of age) has dropped from 30% in 2000 to 22% in 2005. However the prevalence of malnutrition remains high²⁷ and much remains to be done to accelerate the trend. Protein energy malnutrition (PEM) is very high in Malawi with under five children stunting at 48%.The problem of malnutrition in children under age five is spread throughout the population and there is not much difference in the prevalence of malnutrition between urban and rural areas. Another positive note is that childhood mortality has decreased. During the 1990s there was a gradual decrease in infant mortality and under-five mortality. This trend appears to have accelerated in the last five-year period. Infant and under five mortality were about 76 and 133 deaths per 1000 live births respectively in the 2000-2004 period, as compared to the higher figures of 104 and 190 deaths per 1.000 live births in the 1990-1994 period. Despite this improvement, one in eight children born in Malawi dies before reaching their fifth birthday. Malaria is a major killer, accounting for up to 40 % of all under-five hospitalizations and 40% of under-five hospital deaths in Malawi²⁸, while diarrhoea ranks second. It is clear that improved mosquito net coverage, access to safe water supplies, access to rehydration therapies and nutrition education could save the lives of many under-five children.

²³ Assessment of PFM, economic and social indicators for the PRBS1 variable tranche – Draft GoM 2006

²⁴ Situation Analysis on Human Resource in the light of the EHP Implementation June 2003, Health Services Planning Department, Ministry of Health and Population. Lilongwe: Ministry of Health and Population.

²⁵ A Joint Progr.of Work for a Health Sector Wide approach (SWAp) (2004 –2010)", Dept of Planning, MoH, December 2004, p.9

²⁶ "Poverty in Malawi from the Second Integrated Household Survey 2005". An extract of findings by the Ministry of Economic Planning and Development, National Statistical Office, end of 2005

²⁷ "Malawi Demographic and Health Survey 2004", Preliminary Report, National Statistical Office. End 2005.

²⁸ Annual Report of the work of the Malawi Health Sector (July 2004-June 2005), Planning Department Ministry of Health, 15.09.2005

ANNEX 2-9th EDF Global commitments by sector

	Transport	Agriculture	Budgetary	Governance	MPP	Health	Capacity Building	Trade	Total
9 ACP MAI 1							79750		
9 ACP MAI 2				1200000					
9 ACP MAI 3						1823185			
9 ACP MAI 4						390284			
9 ACP MAI 5				1990000					
9 ACP MAI 6							94914		
9 ACP MAI 7							16457		
9 ACP MAI 8							49105		
9 ACP MAI 9							67333		
9 ACP MAI 10							68000		
9 ACP MAI 11							7500000		
9 ACP MAI 12		1969065							
9 ACP MAI 13				1480000					
9 ACP MAI 14	5000000								
9 ACP MAI 15		16200000							
9 ACP MAI 16		9000000							
9 ACP MAI 17		15512500							
9 ACP MAI 18							3900000		
9 ACP MAI 19		7970000							
9 ACP MAI 21	38000000								
9 ACP MAI 22								1600000	
9 ACP MAI 23				28000000					
9 ACP MAI 24			36100000						
9 ACP MAI 26						1560000			
9 ACP MAI 27	7500000								
9 ACP MAI 28				5000000					
9 ACP MAI 30			34000000						
9 ACP MAI 35	15000000								
OLAS Apr 2007	65000000	5065165	70100000	37670000	0	3773469	11775559	1600000	241070593
Rectifications									
MPP					35000000				
FLEX			-10000000						
Pipeline									
IDPWP II		9487500							
TCF II							8850000		
Revised end 04/07	65500000	60139065	60100000	37670000	35000000	3773469	20625559	1600000	284408093

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Rural Development

Support to the Implementation of the Malawi Land Reform Programme

Project no	9 ACP MAI 012
Global commitment: Government Of Malawi	€ 1,969,065 € 180,230
Disbursements	€897,527
Financing agreement	15.06.2004
Period of execution	54 months ending 31 Dec 2010
Implementing agency	Ministry of Lands, Housing and Surveys

Project description

In 1995, the World Bank initiated land policy reforms in Malawi as part of a structural adjustment programme. The principal purpose was to have clearly defined rights of ownership, thereby encouraging the operation of land markets and the allocation mechanism enabling innovative and energetic farmers to acquire more land. Lack of access of local communities and more specifically, of farmers to land and other productive assets impact negatively on their productivity, resulting in perpetuation of poverty and social exclusion.

In 2003, the government approved a new comprehensive Land Policy, the aim of which was to ensure land tenure security and equitable access to land. A fundamental principle of the policy is to codify the tenets of customary land law and to elevate the customary estate (customary law) to full ownership status. In addition, a comprehensive Land Bill is being developed, under the aegis of a Special Law Commission instituted in early 2003 to review all land-related legislation.

The objective of the Programme is to contribute to the sustainable use and management of land and land-based resources by strengthening the institutional framework to implement the Land Reform Programme (LRP). One of the project's main activities is to set up a Technical Land Services Secretariat (TLSS). TLSS is responsible for the development and operationalisation of a computerised monitoring and evaluation system and a financial management system for LRP, including a system for cost recovery from land services. Some €1,300,000 is allocated under the programme for the setting up of the TLSS and a further €300,000 is allocated for the development of a computerised monitoring and

evaluation system for registration and land data management. The programme also supports the establishment of an information, education and communication unit within the Ministry of Lands to increase public participation in the land reform process; it also provides student bursaries in land management aiming at helping address the acute shortage of trained and experienced land administration personnel.

Project Implementation

Due to human resource constraints at the Ministry of Lands, the setting up of the TLSS has been delayed and thus the project implementation has been slow. But now, after the extension of the period of execution has approved, the recruitment process for staff has been initiated and an M&E officer already employed.

The draft Land Bill is still under review. Due to delays in the revision by the Special Law Commission on Land Issues, the draft Bill will be presented to the Parliament probably only by end of 2007. Once approved there is need for civic education on the New Land Law.

Bursaries have been paid to 55 students who have graduated from their certificate training as land administrators at the Natural Resources College and 14 B.Sc Land Surveying students who have successfully completed their course at the Polytechnic. Short-term training for 38 students in various land related was also funded. One student of Development Economics still remains at Chancellor College.

Three consultancies have been conducted: a) to assess the possibility of establishing a cost recovery system for land services, b) to establish and operationalize a system for mainstreaming cross-cutting issues in the LRP activities, and c) to conduct a countrywide assessment of the institutional development needs for LRP implementation.

€897,528 has been spent to the end of December 2006 on: technical assistance (€72,000), start-up programme estimate (€19,000) and programme estimate No.1 (€347,616). Main activities under PE 1 were: bursaries for land administrators €171,812, consultative meetings with stakeholders €93,960, equipment and supplies €21,528, operating costs €17,312, crosscutting issues and sectorwide approaches workshops €44,442 and supervisory visits €6,257. It is estimated that there will be a balance of approximately €477,000 at the end of the project. A project fiche for a three year programme has also been prepared for the period beyond December 2008. To end-December 2006, commitments totaled €1,559,530 and payments €897,527.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Farm Income Diversification Programme (FIDP) – Phase 1

Project no	9 ACP MAI 015
Global commitment	Phase 1: € 16.2 million
Disbursements	€2,040,619
Financing agreement	31.03. 2005
Period of execution	Phase 1 - 3 years ending 15.02.2011
Implementing agency	Ministry of Agriculture, Irrigation and Food Security

Project description

The Farm Income Diversification Programme (FIDP) is a successor to PROSCARP. The PROSCARP (Promotion of Soil Conservation and Rural Production) programme started in July 1997 with the objectives of reducing land degradation and improving the nutritional status of smallholders through soil and water conservation, soil fertility improvement, water supply and sanitation. An evaluation of PROSCARP at the end of 2002 recommended an expansion of the programme to adjacent zones with more focus on crop diversification and reform of agricultural extension services.

The FIDP programme, covering 11 districts, is designed to increase smallholder farmers and rural communities incomes by teaching them to grow, market and trade a range of produce. One of the principal expected results is the development of a grassroots extension service using extension workers of the MoAFS, NGOs and private companies. The programme will inter alia teach smallholder farmers how to produce and use organic fertilizer as a complement to inorganic fertilizers, livestock production and set up farmers' associations/cooperatives for marketing produce. The programme will also support the development of a market information system for rural communities; undertaking of regional and international studies to identify potential markets for fresh and processed products; training for farmers in horticulture; as well as capacity building of horticultural teaching staff at Bunda College and Natural Resources College.

Over €6.5 million will be allocated to programme activities, including capacity building and support at village level. €3.35 million will be used for operating costs (including personnel costs) and over € 3.5 million for technical assistance. The programme will co-operate closely with another EC-funded project, the 'Institutional Development across the Agriculture-Food sector' (IDAF).

Project implementation

The total cost of the programme is estimated to €36.5 million. A second financing Agreement will

be required for the additional operational implementation period of 36 months. The Financing Agreement related to Phase I (36 months) was signed by the GoM on 31 March 2005. A start up PE of 6 months was signed only in August and concentrated on procurement and establishing the external programme management unit. The first operational PE was signed in February 2006. The recruitment process for the TA team was finalized in late 2006 and the three TA team is expected to be in place beginning of 2007.

One of the principal expected results is the development of a grassroots extension service using extension workers of the MoA, NGOs and private companies. The programme is operating within the framework of decentralization policy and to support this framework satellite bank accounts have been opened in each district and are being managed by the District Agriculture Officer and the District Commissioner who are responsible for implementation of programme activities at district level. 415 staff are involved at district level. During the implementation of PE1 the programme reached 34 EPAs and started implementing activities in 1,297 villages with training activities at district and farmers level. The shift to managing programmes through district offices and authorities is proven to be a challenging and the programme is working to strengthening local capacities. Close link with the MoA&RD is maintained particularly for extension services, training and input to the new established data base at the FSJTF. The project completed the organisational set up and it is now expected to reach full speed implementation. A new PE is to be **finalised shortly**. A request for a rider is being made to extend the period for implementation of the Financing Agreement from 15th February 2009 to 31st December 2010.

The Operational Programme Estimate No.1 of €3,365,000 started on 24th February 2006 and will end on 28th of February 2007. To end-December 2006, commitments totaled €6,478,490 and payments €2,040,619.

Improved Forest Management for Sustainable Livelihoods (IFMSL)

Project no	9 ACP MAI 016
Global commitment	Phase 1: € 9 million
Disbursements	€1,865,644
Financing agreement	31.03.2005
Period of execution	6 years to 15.02.2011
Implementing agency	Department of Forestry in the Ministry of Mining, Natural Resources & Environment

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Project description

Increasing demand for land and energy resources combined with worsening poverty levels has placed extreme pressure on the

remaining forest areas in Malawi. The Improved Forest Management for Sustainable Livelihoods (IFMSL) Programme builds on the experiences of the GoM/EC Social Forestry Training & Extension Project, which was implemented between 1997-2003. This project was aimed at developing capacity of the Department of Forestry (DoF) to implement the National Forest Policy of 1996 focusing on participation of rural communities in forestry services.

IFMSL aims at contributing to increased household income and improved food security through more sustainable management of natural resources. The programme addresses poverty and forest degradation through promoting greater community involvement in forest management both in forest reserves and customary land, while formalising local communities' access to and control of forest resources. The programme covers forests of major importance within 12 Districts: Nsanje, Chikwawa, Zomba, Machinga, Ntcheu, Dedza, Ntchisi, Kasungu, Mzimba, Rumphu, Karonga and Chitipa.

The programme will support the establishment of collaborative partnerships between local extension agencies, civil society and other development programmes as well as the creation of income generating activities for local communities from forest resources (including tree planting and forest rehabilitation). Local communities will also be supported through direct inputs, capacity building in the areas of technical, financial and administrative management as well as through support to marketing opportunities for their products.

Governance of key forest resources will be strengthened through: the establishment of multi-stakeholder local forums comprising District Assemblies, Traditional Leaders, community and civil society representatives, who will be in charge of developing local forest management and land use plans; conclusion of co-management agreements with 120 communities for the shared management of State Forest Reserves and protected areas; review of forestry legislation; capacity building of Regional and District staff at the Department of Forestry for decentralisation of forestry services.

The programme will be implemented in two phases: The first phase is of three-year duration (up to the end of 2007), while the second phase is expected to begin sometime in 2008 depending on results achieved during the initial three years of programme implementation.

Project implementation

A start up PE of 6 months was signed only in August 2005 and concentrated on procurement and establishing the management unit in the

Department of Forestry and the three regional offices (in Mzuzu, Lilongwe and Limbe (Blantyre) and the first operational PE was signed in February 2006 and ran until the end of 2006. A Long term Technical Assistance Team, comprising four advisers, has been in place since March 2006. The programme operates in 16 'Impact Areas in 12 Districts, addressing poverty and forest degradation with community involvement in forest management. Implementation has been slower than anticipated. Therefore, request for a rider is foreseen to be made to the EC Delegation early 2007 to extend the period for implementation of the Financing Agreement from 15th February 2009 to 31st December 2010.

The main progress achieved during 2006 includes the implementation of a capacity building programme with 120 front-line staff of the Forestry Department; the carried out of baseline livelihoods surveys in all Impact Areas and development of an M&E system for the programme and the Development of strategic and action plans for communication on participatory forest management within the forest sector.

The Programme had experienced delays in procurement, especially of vehicles and motorcycles, which although put to tender during the start-up phase had not yet been received at the end of PE1. The programme had no operational funding for about 4 months due in part to delays in submitting replenishment requests. Implementation of the training programme and the preparation of forest management plans has been slower than anticipated. A mid-term review is planned for the second quarter 2008 to assess progress and provide recommendations for phase II. To end-December 2006 commitments totaled €7,589,232 and payments €1,865,644.

Institutional Development Across the Agri-Food Sector (IDAF)

Project no	9 ACP MAI 019
Global commitment	€ 7,970 ,000
Disbursements	388,985
Financing decision	29.06.2005
Period of execution	6 years ending 30.06.2011
Implementing agency	Ministry of Agriculture and Food Security

Project Description

There is a critical need to strengthen the institutional capacities of the key GoM Ministries and parastatals mandated to foster growth and development in agricultural production, processing and marketing. Also, institutions in the private/NGO sector and civil society such as

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

farmer organizations need sustained capacity development if the acknowledged potential for growth in the national agri-food sector is to be realized.

The programme has two major components: institutional development and agribusiness development. Under the institutional development component, functions and organizational structures of the Ministry of Agriculture (MoA) will be reviewed in the context of defined core functions of all stakeholders across the agri-food value chain. Capacity building programmes for the Ministry's staff in policy formulation and strategic planning (in support -among other areas- of the decentralisation process) will be developed and implemented on the basis of the reviewed functions. The programme, in collaboration with the recently launched Farm Income Diversification Programme (FIDP), will support development of farmer organizations, cooperatives and farmers associations to optimize production systems, market orientation and access to markets.

Under agribusiness development, institutions and support systems to promote agri-food trade and realise access to export markets will be developed and strengthened through the following activities: review of mandates, structures and capacities of Ministry of Trade, MEPC and MIPA; the development of a national strategic plan for food exports; enterprise development training programmes; the design and implementation of an agribusiness and food industry management development programme and the promotion of appropriate processing facilities, technologies and systems for the food industry. Beyond that, the systems, facilities and personnel needed to ensure compliance with international standards, quality assurance and market accreditation for agri-food exports will be identified and promoted as investment needs both within Government and within the private sector. Due to the very nature of the programme, which is focused on institutional change within the MoAFS, its success is very dependent on the active enagement of Government and civil society

Project Implementation

There has been a delay in the commencement of programme implementation because the Ministry of Agriculture was not able to appoint a programme coordinator. The project coordinator was only appointed in mid-June 2006. The project is supported by two TAs, one starting in July 2006 (Institutional Development Specialist) and the other in October 2006 (Agribusiness Development Specialist)

The programme started the first operational PE in June 2006. Approximately 50% of the budget is allocated to District level activities, where the aim is to strengthen and diversify current extension delivery systems in order to link

smallholder farmer organisations to developing value chains. District Offices developed works plans and budgets, opened accounts and started implementing their activities in December 2006. Consultants were recruited to support the establishment of a monitoring system and the establishment of baseline information. The programme is being implemented in the context of a number of current MoAFS processes, including development of an Agricultural Development Programme, evolving from recent agricultural policy analysis, development of a Ministry wide strategic plan and a core function analysis process being led by the IDAF programme. The programme has suffered some delays during the first six months due to difficulties in accomodating the project within the MoAFS, as well as a number of procurement related issues.

Due to the very nature of the programme, which is focused on institutional change within the MoA, it has suffered more than other programmes from the fact that MoA is being understandably focused on the immediate and urgent needs of the current food crisis. The organizational set up is now in place, personnel recruited and major results are expected in the coming year. To end-December 2006, commitments totaled €2,293561 and payments €388, 985.

Food Security

Multi-Annual Food Security Programme for Malawi

Project no	MAFSP 1999-2001
Global commitment	€ 53 million (of which €32,4 million for food security programmes, €15.6 million for NGO activities) and €5,0 million for TA
Disbursements	€ 45.7 million
Financing decision (for food security activities and TA)	1999/2323-2000/3478-2001/2341
Financing decision NGOs	2002/3021
End date of financing agreement	31/12/2005-31/12/2007-31/12/2009
End date of financing agreement NGOs	31/12/2009
Project duration	1999 -2009
Beneficiaries	Ministry of Agriculture, NFRA, NGOs, APIP, WFP, FAO, Action Against Hunger, IGPWP

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Programme description

The programme provides support for a number of safety nets that address poverty including (i) Free distribution of inputs to poor farmers; (ii) The implementation of a public works programme for those without land and the urban poor; (iii) The implementation of targeted nutrition programmes for malnourished vulnerable groups and (iv) The provision of direct welfare to the chronically ill, the elderly, and the chronically disabled persons. The project includes a large number of activities both on the ground and support to the Government of Malawi for capacity building. Main elements are:

- Support to the Technical Secretariat of the Joint Task Force on Food Security, attached to the Ministry of Agriculture (MoA), to support the development and implementation of the Food and Nutrition Security Policy (FNSP, which was approved by the Malawi Parliament in June 2005) and collaboration between the FSJTF/TS, the MoA, civil society and the private sector.
- Support to the FNSP Working Group to build capacity of MoA to formulate and coordinate an integrated FNSP for Malawi.
- Support to the National Food Reserve Agency (NFRA) to manage the Strategic Grain Reserve (SGR).
- Replenishment of the SGR upon government requests.
- Support to the World Food Programme (WFP) to implement nutritional support programmes by purchasing and distributing food for most vulnerable population groups (therapeutic and school feeding programmes).

The MAFSP also supports the Smallholder Seed Multiplication Action Group (ASSMAG), its core activity being the coordination of production and marketing of improved open-pollinating varieties (OPV) of maize and legume seed. The Agricultural Productivity Investment Programme (APIP), which is basically a credit-in-kind scheme, providing fertilizer and seed to smallholder farmers also falls under the umbrella of the programme. The programme also funds the international NGO "Action Against Hunger" in capacity building activities to prevent, detect and treat malnutrition. Funds are also channelled to the Food & Agriculture Organisation (FAO) for its programme on diet diversification for malnourished and HIV/AIDS affected groups. Furthermore, the programme funds 10 food security projects implemented by NGOs with the aim of improving food security through crop diversification, land care, formation of cooperatives, rural communication campaigns, small holder dairy development and livestock rearing.

Programme implementation

The €53 million global commitment includes €15.6 million for NGO activities and €32,4 million

for food security programmes, for which activities are detailed in 3 Memorandum of Understanding signed between the GoM and the European Commission. The total amount of €32,4 million has already been disbursed on food security activities, while the funds already disbursed in support of NGO activities amount to € 10,353 million. By the end of 2006, € 3.1 million has been contracted on technical assistance (out of the € 5 million initially allocated) for support to NFRA, APIP, Joint Task Force Secretariat and NAO as well as mid-term evaluation and audit of the programme.

2002 Emergency Food Aid

Project no	Decision 2359 -2002 emergency food aid
Global commitment	€ 16 million
Disbursement	€ 15,8 million
Financing agreement	2002, decision 2359
End date of the financing agreement	31/12/2006
Implementing agency	Government of the Republic of Malawi, NFRA and WFP

Programme Description

This programme was designed to help the Government of Malawi to respond to the 2002 food crisis. Some € 13 million was allocated for the procurement, transport and distribution of around 30 000 MT of maize to an estimated one million suffering Malawians, especially those living in the most affected districts. Particular attention was paid to the most vulnerable households, such as single female or elderly headed households or poor families affected by HIV/AIDS. The programme also included a financial reserve of € 3 million to purchase maize in case of future emergencies.

Programme implementation

During the 2002 food crisis, 28,000 MT of maize was purchased through the programme. The € 3 million financial reserve was used in 2005 to purchase 18,000 MT of maize in order to replenish the Strategic Grain Reserve. € 571,000 was provided to WFP for an emergency food distribution in April 2006.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Food Security Programme for Malawi 2004-2006

Project no	FSP 2004-2006
Global commitment	€ 45 million
Disbursements	€ 10.65 million
Financing decision	04/08/2004-Decision 6173 for € 15 million 23/12/2005-Decision 17793 for € 15 million
End date of financing agreement	- 06/08/2007 for decision 6173 - 31/12/2008 for decision 17793
Project duration	2005 –2012
Beneficiary	Government of the Republic of Malawi

Project Description

The “Food Security Programme for Malawi 2004-2006” aims to reduce chronic food insecurity at national and household level.

The proposed programme is designed to take into account the lessons learnt from the 2002 food crisis, the recommendations of the mid-term review evaluation of the on-going Multi-Annual Food Security Programme and the chronic food insecurity situation in Malawi.. The five components will aim to achieve the following objectives: (i) Improvement of the Food Security and Nutrition Policy implementation and management; (ii) More efficient management of the Strategic Grain Reserve; (iii) Improvement of the institutional capacity to set trade policy; (iv) Increase of households’ farm and non-farm incomes and (v) Improvement of the nutritional status of vulnerable groups.

The programme for a total amount of €45 million, consists of a foreign exchange facility of €21.3 million and €23.7 million for special commitments. The foreign exchange facility generates counter value funds in local currency that is used for local expenditure. The €23.7 million of special commitments includes €3 million for technical assistance to support the following: Principal Secretary of the MoAIFS in charge of the implementation of the Food and Nutrition Security Policy; NFRA; the NAO Support Unit in the Ministry of Finance and the Nutrition Department in the Ministry of Health. The programme also supports an analysis and monitoring system of the national food security situation. Some €5.7 million is allocated for NGO implemented projects and €0.3 million for monitoring and evaluation.

In relation to SGR, financial resources are required to replenish and maintain the stocks. The programme also covers the cost of production and distribution of nutritional products as well as the purchase of basic equipment, and rehabilitation for nutrition units. The programme

aim also at strengthening community capacities in term of nutrition through education and trainings. The programme will support SPRINT-an Emergency Public Works Programme that focus on income generating activities. The programme is also supporting the Government’s voucher seed subsidy programme with the objective to promote diversification by providing the possibility to the farmers to choose the type of subsidies seed he would like to acquire.

Programme implementation

Three global commitment amounts of €15 million each have been committed. The first global commitment includes €1.25 million for technical assistance and €13.75 million for food security programmes for which activities are detailed in a Memorandum of Understanding signed between the Government of Malawi and the European commission in August 2005.

Under this MoU, €865, 005 has been allocated to support the Technical Secretariat Joint Task Force (TSJTF) at the Ministry of Agriculture, €122,708 in support of office running costs of TSJTF, over €3 million to SPRINT, € 700,000 to support the Government of Malawi’s seed subsidy programme and € 176,614 as support to WFP.

A first tranche of €2.6million has been released to support of FSNP management (€0,1million), procurement of 16,000mt for the replenishment of the SGR and quality control (€1 million), an emergency public work programme (€0,8 million for SPRINT and seeds subsidy) and seed subsidy and for WFP for distribution agreement for the crisis in Kasungu (€0,7 million). Progresses achieved were satisfactory in road rehabilitation, forestry and irrigation: 227 village roads were rehabilitated, 1,310 Ha of tree planted and 105 fish ponds were constructed. In total more then 55,000 persons were able to increase their wages. The final SPRINT report shows that the programme was very effective and that cash-for-work can be an alternative to food aid in Malawi. Therefore 2nd tranche of € 3.1 million will be requested early 2007 for the support of the enhanced Food Security through SPRINT PE 2, FSNP and SGR management, trade, and further commitment of €1,623,386 with WFP for humanitarian interventions and nutrition support to District Assembly to be implemented in 2007.

A further € 2 million will be committed for the purchase of 13 000 MT of Maize to replenish the Strategic Grain reserve and € 1,6 million will be provided to WFP in order to implement an emergency food for assets or work programme in drought affected areas.

The second global commitment includes € 1.4 for technical assistance and monitoring/evaluation, €5.7 million for NGO implemented activities and €7.9 million for food security programmes. A call for proposal will be launched early 2007 to implement the NGO €5,7 activities, the MoU to implement the €7,9 is still

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

to be signed. One technical assistance to NAO has been contracted in 2006 under this programme.

The third global commitment includes € 0.65 for technical assistance and € 14.35 for food security activities implemented under a contract (MoU) signed between the GoM and the European Commission. This contract is yet to be signed.

Sustainable Nutrition Rehabilitation Programme (SNRP)

Project no	9 ACP MAI 20
Project amount	€ 6.5 million
Project duration	5 years
Financing agreement	25.07.2005
Period of execution	7 years to 31.12.2012
Implementing agency	NGOs in close collaboration with the Ministry of Health

Background

The SNRP finds its origin in the desire to sustain the ECHO nutritional interventions initiated during the 2002/2003-food crisis in Malawi. The ECHO-funded nutrition programme which ran from June 2002 to June 2004 helped *inter alia* to develop the necessary expertise in 45 (Ministry of Health managed) Nutritional Rehabilitation Units for the treatment of severe acute malnutrition. It also facilitated the establishment of a nationwide nutrition monitoring system. The SNRP project will ensure the continuity of the achievements of the 2002-2004 ECHO interventions (as well as the successor projects) and will complement the forthcoming Food Security Programme (FSP) for Malawi for the period 2004-2006 which foresees a specific component on nutrition. The added value of the present project lies in the high degree of integration with other more short-term initiatives as well as longer-term programmes, thus substantially contributing to linking relief, rehabilitation and development LRRD.

Project description

The SNRP provides a link between the short-term support that the European Union, other donors and the Government of Malawi have made available in order to address the current food insecurity in Malawi as well as longer-term programmes aimed at stabilizing and diversifying rural livelihoods. The programme fits into the safety net intervention framework, as its specific objective is to strengthen the ownership and capacity of local and national actors, including communities, by enabling them to recognise, respond to and adequately address malnutrition.

The expected result of the programme's national component (€1.5 million) will be to strengthen the national nutritional surveillance system, in order to provide timely information about the nutrition situation to all stakeholders. This component ensures continuance of the work that was being undertaken by Action Against Hunger (financed by the EC) in collaboration with the Ministry of Health. At community level, the project component (€5 million) is expected to contribute to the adoption of diversified household diets, improved mother and child care practices, and appropriate community based treatments for malnutrition. Up to 4 NGO projects will be supported.

Implementation

In April 2006 Action Against Hunger was awarded a grant contract to implement the programme at national level. So far €990,000 has been disbursed towards the development of an integrated nutrition and food security surveillance system. The funds have also been utilized to build the capacity of 48 Nutritional Rehabilitation Units countrywide to detect and treat malnutrition and associated HIV/AIDS, and also to reinforce the referral system. Action Against Hunger's progress to hand over the project to the Ministry of Health has been slow. This has mainly been attributed to high turn over of Ministry of Health staff in the Nutritional Rehabilitation Units. Action Against Hunger will engage an external evaluator in January 2007 to conduct a mid-term review of the programme. The exercise is expected to explore further similar programmatic issues.

In December 2006, the following NGOs were awarded a grant by EC to implement the SNRP at community level: CARE International Deutschland eV, Concern Worldwide Malawi, Cooperazione International, and Danish Church Aid. The implementation period for the programme is 36 months. All the four NGOs are expected to start implementing the programme activities in January 2007.

To end-December 2006 commitments totaled €5,987,212 and payments €2,128,353.

Transport and Infrastructure

Road Management Support Programme (RMSP)

Project no	6 ACP MAI 078 & 8 ACP MAI 005
Commitment	€3,000,000 & €14,100,000 respectively - Total €17,100,000
Disbursement	€ 15,551,490
Financing agreement	22.01.1998
Period of execution	3 years to 31.03.01 extended by Rider 1 to 31.3.03; Rider 2 to 31.12.05 and Rider 3 to 31.12.06
Beneficiaries	National Roads Authority (NRA); National Construction Industry Council

Project Background

In 1996, Malawi's road infrastructure was in a poor state of repair. Donors expressed an unwillingness to finance new road construction and rehabilitation until the problem of declining expenditure on road maintenance had been addressed. The Road Management Initiative (RMI) at the 8th RMI Committee meeting in June 1997 highlighted inadequate financing and institutional capacity, the poor condition of the country's road network, endemic vehicle overloading and one of the worst road safety records in the world. With EC funding, a reform package was developed that was supported by government and other leading donors. The process culminated in 1998 with the establishment of a dedicated road fund (for road maintenance) financed by a fuel levy and an implementing agency, the National Roads Authority (NRA) was set up. The RMI recognised the need to provide external support to NRA.

Project Description

The Road Management Support Programme began in 1999 to run until 2001 with the principal objective of assisting the NRA in establishing sound management and operational systems. The programme resources (total commitment of €17,400,000) were allocated as follows: Institutional Support (€3,990,000), private sector support (€1,065,000), axle load control & road safety (€2,385,000) and backlog road maintenance (€9,445,000). The balance covers audits, evaluation and contingencies (€515,000).

An end of project evaluation will report in early 2007.

Project Implementation

Around 90% of the programmed commitments had been disbursed by end 2006.

Over 55% of the programme covered backlog maintenance and was implemented within the first two years of the FA. As evidenced by the three extensions, the other activities were implemented through five programme estimates. The progress of those activities was slow due to shortcomings in management of EDF procedures.

Institutional Reform (€ 3,990,000) – Technical assistance (5 persons) was provided to the NRA from January 1999 to Jan 2002, with the objective of setting up sound management systems and guiding the NRA through the initial years of operations. For some of this period, and due to staffing problems within NRA, 3 of the technical assistants performed the tasks of Finance Director, Operations Director and Technical Director, deviating from a support function as originally foreseen. Some progress was made in establishing sound management and operational systems during this period. From mid-2002, a second consultancy has provided continuity of technical assistance (3 persons) to the NRA. The component also provided support for preparation legislation separating the operational management (Road Authority) and financial (Road Fund) functions of the NRA. These new Acts were passed and enacted in parliament in May 2006 with the respective boards being appointed in November 2006. It is expected that these will be gazetted in early 2007. The NRA also set up a Road Data Management (RDM) unit charged with implementing a computerized road management and maintenance system (with links to HDM-IV-Highway Development and Management Tool-IV software) for its planning and programming function. The baseline road network condition surveys continued in 2006.

Private sector capacity building (€1,065,000) – With the objective of improving private sector capacity and participation the programme provided technical assistance (2 persons) to the National Construction Industry Council (NCIC). The focus was provision of an efficient training implementation unit within the NCIC and to enhance the effectiveness of the bitumen training and production Unit (BTPU). The TA established that GoM policy direct on the BTPU need elaboration. Support was also provided to the Central Materials Laboratory (CML). The programme has delivered training to over 300 participants, carried out a labour market information study and skills audit of the construction sector and provided input to the NCIC 5-year business plan.

Axle load control/road safety – The principle objectives of this component are to re-construct and re-equip the country's weigh stations, and to

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

provide targeted interventions at known road safety black-spots. The works and supervision contracts for the weighing stations at Mchinji, Mwanza, Songwe, Muloza and Balaka awarded in June 2005 were substantially completed in December 2006. A memorandum of understanding was signed between GoM, EC and NRA to ensure conclusion of the works post expiry of the FA. Four mobile sets of weighing equipment were procured in November 2005 with three sets transferred to the Road Traffic Directorate for enforcement and one set retained by NRA for survey work.

A series of low cost road safety designs, including traffic calming, junction improvements, signage and road painting, which were prepared for implementation on works contracts were not awarded due to unsuccessful tenders Road safety improvement works were completed in early 2005 at one accident black spot, the busy Mbayani market area in Blantyre.

Backlog Maintenance/Rehabilitation (€9,445,000) – This component provided support to deal with some of the substantial backlog of road maintenance works. Periodic maintenance works comprising mainly resealing were completed in 2003 on road links between Balaka-Lirangwe-Mwanza, Blantyre- Lirangwe and Blantyre-Chikwawa.

To end-December 2006 commitments totaled €17,067,882 and payments €15,551,490.

Rehabilitation/construction of M1-Golomoti-Monkey Bay Road

Project no	7 ACP MAI 131, 8 ACP MAI 021 & 9 ACP MAI 014
Commitment	€2,000,000, €19,000,000 & €5,000,000 respectively – Total €26,000,000
Disbursement	€ 16,729,303
Financing agreement	28.02.2000
Period of execution	3.5 Years to 31.12.04 extended by Rider 3 to 31.12.06. Prolongation granted to 31.12.09.
Beneficiaries	National Roads Authority (NRA)

Project Description

The Rehabilitation/Construction of M1-Golomoti-Monkey Bay Road project was decided on 28.02.2000. The road serves the main fishing and tourist area of Malawi on the southern

shores of Lake Malawi. The works cover two sections: Section 1 which is 30 km in length going from Masasa (on the M1) down the Rift Valley escarpment to Golomoti (on the M5); and Section 2 which is 58 km in length going along the floor of the Rift Valley from Golomoti to the junction with the Monkey Bay to Mangochi road (M10). The result will be a 90 km bituminised link between the M1 and the Mangochi-Monkey Bay Road, reduced vehicle operating costs and improved tourist access to the lakeshore area.

Project Implementation

The works commenced on 17.03.2003 with an expected completion date of 16.03.2005. Serious discrepancies in the survey information contained on the drawings were identified soon after commencement of works. This necessitated a complete re-design of Section 1, resulting in a projected increase in costs by €5 million, with the completion date pushed to November 2005. In early 2005 the contractor requested a further extension of the programme to August 2006. The contracting authority rejected this request and the contractor abandoned the site at the end of October 2005 resulting in a dispute which was referred for arbitration, with the hearing is expected to be held in mid-2007 in South Africa. Some €16 million of the total global commitment of €26 million has been disbursed.

With the onset of the rainy season due in November 2005, a small works contract was negotiated with a local contractor to cover emergency maintenance needs and to complete some critical outstanding works. The contract commenced in December 2005 for a period of six months. This contract proved very successful in limiting damage due to rains.

The current set of circumstances, required that an extension to the period of validity of the Financing agreement be sought A request to extend the validity of the FA to 31st December 2009 has been approved.

Tenders for the completion works was launched in August 2006 with submission of bids in mid-January 2007. Tenders for the supervision services were received on 15th December 2006 and evaluated.. Award of contracts for both the works and supervision is expected in the first semester of 2007.

Around 65% of the programmed commitments had been disbursed by end 2006.

To end-December 2006 commitments totalled €18,550,259 and payments €16,729,303.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Lakeshore Road Infrastructure Programme (LSIP)

Project no	6 ACP MAI 087 & 088; 7 ACP MAI 130 and 8 ACP MAI 030
Commitment	€3,134,738; €138,762; €1,770,620 & €11,955,880 respectively - Total €17,000,000
Disbursement	€ 8,834,039
Financing agreement	12.07.2001
Period of execution	3.75 years to 31.12.05 extended by Rider 1 to 31.12.08.
Beneficiaries	National Roads Authority (NRA)

Project Background

Road transport in Malawi is the most important mode for the movement people and goods. There is, however, a build-up of backlog maintenance and continued seasonal damage caused by flooding and unpredictable hydrology. The principal aim of programme is to re-open the Northern Transport corridor to Tanzania and provide access to the southern lakeshore areas along the M5 route. The programme also provides technical assistance to the National Roads Authority.

Project Description

The programme resources (total commitment of €17,000,000) support

- Works on the replacement of five bridges on the main M1 and M5 roads at Dwambazi, Liwaladzi, Kasangadzi, Lisasadzi, and Kalwe; (€6,723,850)
- Rehabilitation of Mangochi – Monkey Bay road (€5,244,550) and works supervision (€1,879,800);
- Capacity development of the National Roads Authority (NRA) (€1,929,000) with the balance covering audits, evaluation and contingencies (€1,222,800).

The programme began in 2002 and is scheduled for completion on 31.12.2008. The National Roads Authority is the project supervisor. The key programme elements are design, works, supervision, training and technical assistance.

Project Implementation

The project has been the subject of one Rider extending the implementation period from December 2005 to 31 December 2008. *Replacement of Bridges (€6,723,850)* - The construction of 140m dual lane composite steel and reinforced concrete bridge across

Dwambazi river and 4.2 km of road approaches including related drainage works commenced on 17.04.2002 and were completed on 30.04.2003. The road was constructed to Class I standard carriageway of 6.7m with sealed shoulders. The final inspection at the end of maintenance period has been completed and the final acceptance certificate issued. The final cost of the works was €3,938,550.

Four bridges on the M1/M5 – A number of bridges along the M1 and M5 were damaged beyond repair due to a serious flooding in the late 1990s. Works commenced on 12.05.2004 at Liwaladzi and Kasangadzi and on 19.04.2004 at Lisasadzi and Kalwe. Works have been completed on all four bridges despite construction difficulties and site flooding during the 2004/05 rainy season. Final acceptance for all the four bridges was issued in mid-2006. The disbursement to end December 2006 was € 2,623,029 and the total cost is expected to be €2,864,872.

Capacity Development - NRA (€ 1,929,000) – Provision of Technical Assistance (TA) to the NRA is intended to facilitate maintenance planning. The provision of support to NRA commenced on 12.10.2002 with a team comprising three engineers supported by additional short-term specialists. This input was completed in December 2006. An important element of the work has focused on assisting NRA in its planning and programming function and has culminated in the implementation a computerized road management and maintenance system (with links to the Highway Development and Management Tool HDM-IV). The TA also provides assistance with NRA's strategic planning, implementation of its quality management and management information systems, provision of standard contract documentation and training. The TA programme has also been instrumental in progressing the reform process that has seen the National Road Authority Act of 1997 being replaced in mid-2006 with a new Bill that effectively separates the operational functions of the National Roads Authority and establishment of an autonomous Road Fund Administration.

Mangochi – Monkey Bay road (€5,244,550) – The Mangochi-Monkey Bay Road follows the M10 from Mangochi to the junction of M10 and S128 at Mangoma (51.5 km), and then on to the S128 to Monkey Bay (12 km). The road is paved, though in poor condition, with some short sections ripped and returned to gravel. The works tender was launched in August 2006 and receipt of tenders on 5th January 2007. The rapid deterioration on the road led to a re-design of the planned intervention, which has slowed the procurement process. This necessitated the request to extend the implementation period of the FA to 31.12.2008. The implementation period for the works is 12 months with a recommendation for award expected in the first semester of 2007. Around 50% of the

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

programmed commitments had been disbursed by end 2006.

To end-December 2006 commitments totalled €9,595,854 and payments € 8,834,039.

Malawi Backlog Maintenance and Rehabilitation project (MABARM)

Project no	9 ACP MAI 021
Commitment	€38,000,000
Disbursement	€0.00
Financing agreement	14.09.2005
Period of execution	5.3 years to 31.12.2010
Beneficiaries	Ministry of Transport and Public Works and National Roads Authority (NRA)

Project Description

Malawi is land-locked and good internal and cross-boarder road links are vital. EDF support in the transport infrastructure has centred on institutional reforms, capacity building in the public and private sectors, and the elimination of backlog maintenance to bring the core network up to standard. The overall objective of the programme is to improve mobility of goods and people through sustainable improvement of the road network. The programme is based on five result areas:

- Backlog maintenance on main and urban roads
- Increased road maintenance competence in NRA and MoTPW by training of GoM engineers and administrative staff
- Increased capacity of local contractors and consultanting industry
- Road safety improved on repaired sections and
- Accompanying measures for increased HIV/AIDS, gender, environmental, road safety awareness.

Project Implementation

Backlog maintenance on main and urban roads (€34,000,000) - The works component comprises various interventions which include patch and fog spray (144km), patch and reseal, chip seal (254km), asphaltinc overlay (145km) recycle of existing base (98km) sub-base improvement (20km) and washaway rehabilitation. Specifically the project targets periodic and backlog maintenance works on about 600 km of main and urban roads including

- Lilongwe urban roads, Chikwawa-Nchalo-Bangula, (73 km); Lilongwe-Nsipe and

Salima-Balaka (324 km), Mzuzu urban roads and the Mzuzu-Bwengu road (79 km); Mangochi-Liwonde road (70 km); Karonga-Songwe and Bwengu-Chiweta roads (102 km).

Tenders for the works and supervision of the Lilongwe and Blantyre Urban roads were launched in mid-2006. Contracts will be awarded in early 2007. The Blantyre tender was annulled because alternative funding from the Japanese Government was identified that captured the same suite of roads.

Cost estimates were based on existing designs and tender dossiers held by NRA.. As these were some years out of date, a design review, with preparation of tender documentation was initiated for the Mzuzu urban roads, Mzuzu – Bwengu, Chikwawa-Bangula-Nchalo, Lilongwe – Msipe, Balaka – Salima, Chiromo washaway and the Mangochi – Liwonde road. Preparation of revised designs and tender dossiers is well progressed.

Training of GoM engineers and administrative staff – A detailed training programme was produced for the training of various personnel in the transport sector with input from the technical assistance to the planning department in the ministry of transport and public works. The document is under review by GoM. It is planned that resources will be identified to provide some of the training of engineers through the supervision of the works contracts under the programme.

Promotion of involvement of Malawi contractors and consultants –The recently awarded works for rehabilitation of urban roads in Lilongwe were placed with a local contractor and the supervision is a partnership of international and local consulting firms. Other contracts under the programme are envisaged to promote such partnerships.

Road safety improvements actions – The design review currently undergoing with technical support by the EC has taken key attention to include engineering measures that promote road safety. One key cause of accidents in Malawi is cyclist-vehicle collision. Introduction of paved shoulders will therefore go a long way in addressing the problem. The shoulders in Mzuzu city urban roads have been provided with sealed shoulders. Such initiatives and others are also being introduced in the other designs.

HIV/AIDS, gender, and environmental actions – Environmental, HIV/AIDS and gender issues have been incorporated on the recently awarded contract in Lilongwe. The community will be sensitized on HIV/AIDS prevention, gender related issues and environmental protection. Financial responses would be provided to service providers by the contractor identified by the NRA to undertake the exercise. This is being incorporated in the other design reviews.

No commitments or disbursements were made by end 2006.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

INSTAP – Institutional Support to Transport Sector Public Sector Bodies

Project no	9 ACP MAI 027
Commitment	€7,500,000
Disbursement	€0.00
Financing agreement	15.05.2006
Period of execution	4.6 years to 30.12.2010
Beneficiaries	Ministry of Transport and Public Works, National Roads Authority (NRA), National Construction Industry Council,

Project Background

Transport infrastructure was identified as a focal sector in the Malawi-European Community Country Strategy Paper (CSP) and the National Indicative Programme (NIP). The current government (elected in May 2004) reconfirmed, during the 9th EDF Mid-Term Review (MTR) in October 2004, that this remains a top priority issue. Building strong institutional capacity to deliver effective and sustainable road management and maintenance conforms fully to the development strategies outlined in the Cotonou Partnership Agreement.

The 9th EDF Malawi NIP indicative commitment (chapter 6.7) for Transport Infrastructure included an allocation of €7.5million for transport sector capacity building, reconfirmed at the time of the 9th EDF MTR.

Project Description

The overall objective is to achieve a safe, efficient and sustainable road network while the project purpose is to establish a comprehensive Road Sector Programme with an adequate and realistic financial strategy

INSTAP will address a number of areas critical to the Sector Programme: Institutional structure and efficiency, coordination and monitoring, maintenance and investment planning and financing. These activities will underpin the substantial progress already made and will develop new initiatives.

The main results had been identified as follows:

Strengthen the lead role of the MoTPW- The planning department in the Ministry of Transport and Public Works will be supported in order to take a lead role in the transport sector through facilitation of Road Consultative Forum (RCF) and Road Sector Donors' Forum, coordination of the Road Sector Programme and monitoring of Agency performance and adherence to

standards. Procurement of ST and LT technical assistance to facilitate implementation of PE 1 was launched

Enhance road asset management – The Roads Authority will be supported in road asset management through network survey and survey optimization, data input, HDM strategic and maintenance analysis, and technical input to other EDF projects in road sector.

Establish and improve enforcement of road traffic and safety regulations - Vehicles were procured for the future road traffic authority during the start-up period.

Strengthen Private Sector participation and improve the human resource base – The National Roads Authority and T2 centre will be supported through intensive training courses.

Project Implementation

The project began in 2006 and is scheduled for completion on 31.12.2010. The INSTAP programme is implemented by Technical Assistance to public sector departments supported by Programme Estimates where necessary to meet urgent demands for equipment and vehicles. The first programme estimate is under preparation

An international restricted tender procedure was initiated with a call for expressions of interest for the main technical assistance programme. The preparation of the tender dossier for the implementation of the programme is well advanced.

To end-December 2006, commitments totalled €260,279.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Income Generating Public Works Programme (IGPWP) – Phase 1

Project no	9 ACP MAI 017
Project amount	Phase 1: €15,512,500
Disbursements	€ 5,516,023
Financing agreement	18.07.2005
Period of execution	6.5 years ending 31.12.2011
Implementing agency	Ministry of Local Government and Rural Development

Project description

The Income Generating Public Works Programme is the successor to the successfully concluded Public Works Programme, which came to an end in July 2005. The programme aims to improve the livelihoods of targeted rural and peri-urban communities by promoting their access to labour-intensive income generating activities in road rehabilitation and maintenance, forestry and irrigation.

The activities being carried out include dry season gardening through treadle pump irrigation and provision of agricultural inputs; developing sustainable fuel wood and timber supplies; as well as upgrading and maintenance of feeder roads to improve access to rural areas.

Expected results by the end of the programme include:

- 3,240 kms of rural roads will be upgraded and 80 bridges will be rehabilitated;
- 4,050 kms of rural roads will be maintained;
- 3050 village forestry and agricultural clubs will be established;
- Approximately 27 million trees will be planted;
- Approximately 1040 water harvesting projects will be established and 6,940 treadle pumps will be supplied to local communities;
- The income earned by local communities will reach MK 698 million (approx. €4.65 million).

Project implementation

The programme is currently operational in 9 Districts of the Central Region and is expected to rollout to other 6 Districts in the first semester of 2006. A national coordinator as well as the company, which provides long-term Technical Assistance (TA) to the programme have been recruited. The programme will be implemented in two phases aiming at ensuring the scaling up of District Assemblies' involvement and their capacity to implement most of the activities themselves during the second phase of the programme (especially in the area of road maintenance). The capacity of DAs will be enhanced both through co-ordination and by

direct provision of capacity building relating to development planning and implementation.

The first Programme Estimate with a total budget of €5 million commenced in August 2005 and implementation of activities is expected to finish in March 2006. IGPWP started operating with mostly the same infrastructure and staff as its predecessor. Three main areas of intervention are covered small-irrigation, road maintenance and forestry. The transport-related component of IGPWP includes rehabilitation and maintenance of earth, rural roads. Activities are identified in co-operation with District Assemblies and Village Development Committees (VDCs) in line with priorities set under the District Development Plans (DDPs). In the same context, village road maintenance, forestry and irrigation clubs are formed, equipped, supplied with inputs, and trained in relevant techniques. This element will ensure local ownership of the programme and active involvement of local communities in the formulation and implementation of programme activities.

During 2006, tenders were launched for 1300 km road rehabilitation and works supervision (Programme Estimate 2). Tenders were still being evaluated at the end of the year. The first phase of the programme ends in June 2007 and the FA for the second phase is on preparation. A mid-term assessment was carried out in November last year and generally a positive analysis of the programme was reported: a total of 212 irrigation clubs were established covering 1,077 treadle pump farmers and 936 stream diversion farmers, while under the Forestry component, a total of 280 new forestry clubs were assisted representing a forest area of about 2,600 ha.

To end-December 2006 commitments totalled €13,502,389 and payments €5,516,023.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Projects outside focal sectors

National Blood Transfusion Service

Project no	8 ACP MAI 020, 9 ACP MAI 26
Global commitment	Total: € 9,36 million
Disbursements	€ 5,339,127
Financing agreement	31 December 1999
Period of execution	9 years to 31.03.2009
Implementing agency	Ministry of Health, MBTS Trust

Project description

Against the background of a growing HIV/AIDS pandemic, the project was initiated to create a Malawi National Blood Transfusion Service with the mission of providing adequate supplies of safe blood to meet the needs of all central and district hospitals. Voluntary and unremunerated blood donation from low risk donors is one of the key elements of the project.

Project implementation

Implementation of project activities was delayed for two years mainly due to lack of expertise by the Ministry of Health in this area, late recruitment of a Project Manager and delays in the recruitment of necessary key personnel. A MBTS Trust was finally established in August 2002, but implementation of activities started only with the arrival of the Project Manager in March 2003.

Since this time, rapid progress has taken place. In 2003, a temporary MBTS Headquarters in Blantyre was set up with offices for Finance and Administration, a laboratory, teaching and conference facilities and a Blood Donor Centre for Static and Mobile Donor Teams. Today the MBTS is a fully functional organization with some 110 staff members. The management structure of the MBTS is as follows: Project Manager, Finance and Administration Director, Medical Officer and Quality Manager.

A revised Constitution for the Trust is operational and a Parliamentary Bill has been drafted in 2005 and is awaiting approval. Once approved, the Act will ensure the sustainability of the project, mainly by guaranteeing the autonomy of the MBTS and Government funding in support of the project. The formation of Blood Donor Association in Malawi

(BDAM) has been approved and incorporated into the MBTS Trust Constitution.

The biggest successes of the project lie in the establishment of 2 temporary Blood Transfusion Centres (in Blantyre in September 2003 and Lilongwe in January 2005) and the fact that since the beginning of 2005, three out of four Central Hospitals have received 100% of their blood supplies from MBTS and 90% of the needs of one central hospital and the main District and mission Hospitals in Malawi are covered by MBTS. Five mobile teams collect more than 2,500 units of blood per month from voluntary unpaid blood donors from low risk populations. In 2006, the quality of project implementation increased further, testing of all donated blood for disease markers was achieved and a National Quality Assessment Scheme was developed for all Hospital Blood Banks.

The extension of the financing agreement for a period of three years as well as an increase of 20% to the initial global commitment (by €1.56 million) was signed early February 2006 to allow for the building of three permanent Blood Transfusion Centres in Lilongwe, Blantyre and Mzuzu. Construction should start in the second half of 2007.

On the level of sustainability, two major achievements were made in 2006: The last Programme Estimate to run under this Project which started in July 2006, contains 31.3% funding from other sources than the EC. And at the end of 2006, the external manager of MBTS prepared to hand over the management to the newly appointed Malawian Chief Executive Officer.

To end-December 2006 commitments totaled €6,757,878 and payments € 5,339,127.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Capacity Building for Economic Management and Policy Coordination

-Other Project Common Activities	€ 0,14 million
-Project Set-Up	€ 0,3
-Other Technical Assistance	€ 1.69 million

Project no	8 ACP MAI 027
Global commitment	€9,000,000.00
Disbursement	€6,857,749
Financing agreement	9 January 2001
Period of execution	7 years to 31.12.2007
Implementing agency	Ministry of Finance, Ministry of Economic Planning and Development, Department of Economics at Chancellor College

Project description

The project's overall objective is to build capacity for economic planning, policy formulation and financial management in the public sector. As such, the focus of the programme is on training, secondments to other countries, workshops, seminars, studies, consultancies and supporting development of management systems. The purchase of equipment such as computers and the improvement of building facilities are also within the project scope. The principal beneficiaries are the Ministry of Finance and Ministry of Economic Planning and Development. The Department of Economics of Chancellor College also became a full beneficiary in 2004/2005.

Project implementation

The project became operational only in June 2003 due to difficulties in establishing the Project Support Unit (PSU). As a result, the project end-date has been extended from 31.12.2005 to 31.12.2007. The € 9 million has been nearly fully committed and some €5.4 million has been disbursed. The amount disbursed can be broken down approximately as follows:

- Ministry of Economic Planning and Development (MEPD) € 1,257 million
- Ministry of Finance (MoF) € 1,012million
- Technical assistance to the NAO Support Unit (part of the MoF) € 0,670 million
- Extension to the MoF building to house the NAO Support Unit (Works completed Dec 2005) € 0,351 million
- Department of Economics of Chancellor College (DOECC) € 0,350million
- Project Support Unit (PSU) running costs (including Technical Assistance) € 1,305 million

As concerns the Ministry of Economic Planning and Development, about a half of the expenditure has been for training. This ranges from sending officials abroad to pursue postgraduate studies, to carrying out induction and refresher courses for economists, and office skills training for secretaries and other staff. About a third of the expenditure has been on studies and consultancies such as the African Peer Review Mechanism study and the preparation and further development of the Malawi Poverty Reduction Growth and Development Strategy (MPRSMGDS). For the Ministry of Finance, the expenditure pattern is somewhat similar. Under the training component, the MoF has sent some 20 officers on short-term secondments to Tanzania to gain practical experience on topics ranging from budgeting and financial monitoring to treasury operation and debt management. The MoF studies carried out range from a study on expenditure monitoring and accounting for and a strategic review of the Medium-term expenditure Framework (MTEF), ministry, to training needs assessment for both the ministry and the Accountant-General's Office. An important part of the support to the MoF has been in developing a framework for improving public finance and economic management. As concerns the DOECC, about half the expenditure has been for the construction of a library and computer room and the purchase of furniture. The remainder has been spent on various aspects of teaching and research programmes. There has also been support to policy coordination to the Office of the Vice President and this will be now under the Office of the President and Cabinet.

To end-December 2006 commitments totaled €8,942,441 and payments € 6,857,749.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

GoM/EU Microprojects Programme (4th MPP)

Project no	8 ACP MAI 041
Global commitment	€ 35,000,000
Individual Commitments	€ 28,828,956
Disbursements	€ 14,285,522
Financing agreement	17.03.2003
Period of execution	5 Years to 30.6.2008
Implementing agency	MoLG&RD

Project Description

Consecutive Microprojects Programmes (MPPs) have been implemented in Malawi since 1995, completing over 1,700 projects up to 2003. Following the success of previous programmes, a 4th MPP started being implemented in 2003 with field activities starting in early 2004. The objective of the programme is to provide basic social infrastructure facilities. The programme, operating in support of the National Decentralisation Programme (NDP), responds to diverse community initiatives in the following areas: education, health, community development, water and sanitation, production and income generation, environment and agriculture.

Micro-project grants can be for up to 75% of the total cost of the project, matching the efforts and resources of communities who provide land, labour and locally available materials. The maximum grant for a microproject is the equivalent of € 300,000; however, most grants are for much smaller amounts in accordance with communities' capacities and own resources. MPP links communities, Community Based Organisations (CBOs) and local government structures (District Assemblies-DAs, Village Development Committees) in respect to the formulation of proposals and evaluation of micro-projects, implementation and supervision.

MPP 4 differs from previous MPPs in that it places increased emphasis on community sensitization, mobilization and capacity building. Construction of facilities (such as school blocks and health centres) is complemented by initiatives promoting education and health services such as adult literacy classes, community education on hygiene etc. aiming at further increasing the positive impact on local communities. The revision to the MPP Financing Agreement first presented in 2004, provides for a phased increase in cooperation with local partners (such as CBOs) and development

planning structures (including DAs and VDCs), supported by capacity building activities of the programme. Those activities aim at strengthening the roles and functions of the above mentioned stakeholders in the identification and implementation of local development projects. The revision to the FA was finally approved in late 2005, much later than envisaged and halfway into the implementation period of the programme.

The programme operates country-wide. The Programme Management Unit is based in Lilongwe and there are four regional offices in Lilongwe, Balaka, Mzuzu and Blantyre. Local communities apply directly to regional offices or through the District Assemblies.

Project Implementation

Due to reviews, restructuring of the programme management unit as well as the establishment of MPP regional structures and an extended period of recruitment, programme start-up was delayed for over a year. Despite the late start-up, the programme supported implementation of a total of 755 micro-projects, of which 398 were new projects in 2006. The projects were implemented in the following sectors: 126 health, water and sanitation; 209 education services; 12 community development; 28 production and income development; and 23 grants. When considering the cumulative physical outputs at the end of 2006 it is: 286 school classroom blocks, 174 teachers' houses, 23 health centres, 156 boreholes, and 67 bridges. In 2006, 137 school classroom blocks, 80 teachers' houses, 11 health infrastructure projects, 81 water supply projects, 43 bridges and 10 other infrastructures were constructed. At the end of December 2006 a total cumulative number of 2480 projects were supported by EC in Malawi since the implementation of MPP1 in 1995.

In 2006, the programme financed 4 regional level information seminars where issues of enhanced collaboration were discussed. In addition to this, all Regional Staff collaborated with DA staff and Non State actors in project appraisal, supervision and monitoring of projects. A total of 98 water Point committees with 910 members were trained in community based management. In addition to this, 309 project implementation committees with 3,796 members were trained in project management.

A mid- term review of the programme was done in October 2006 by Agrisystems Consortium. A number of recommendations were made as follows: to recruit M&E staff at Regional level and equip all Regional offices adequately, increase the involvement of NSAs in programme implementation and strengthening MPP4 decentralized approach to project delivery. MPP 4 also hosted a monitoring mission from Brussels¹ in

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

April, 2005 which noted that although the programme was highly relevant, the design over estimated the institutional remnants of MPP3 and therefore the FA needed to be amended and LF, indicators to be re-planned to consider the required changes. In terms of structural programme organization,

A comprehensive monitoring and evaluation system is being organised with the support of an M&E TA to provide a comprehensive management information system. The work is on going to be finalised in the course of the year 2007.

The continued huge demand from communities for development assistance in 2005 MPP launched a Call for Proposals for NGOs, CBOs and FBOs.. As a result, in the beginning of 2006 grant contracts for micro-projects were awarded to 23 development partners amounting to € 1.65 million and covering all the result areas of the programme. A call for proposals will be launched also in 2007 to support a planned 50 large size grant (less than €100,000) for a provisional value of about € 3.0million.

To end-December 2006 commitments totaled €28,828,956 and payments € 14,285,522.

Technical Co-operation Facility

Project no	9 ACP MAI 011
Global commitment	€ 7.5 million
Disbursement	€2,781,153
Project duration	4 years
Financing agreement	26.06.2004
Period of execution	4 years to December 2008
Implementing agency	Ministry of Finance

Project description

Malawi's 9th EDF NIP amounts to €276 million (A Envelope) and is focused on transport, agriculture and natural resources (focal sectors) and good governance as a non-focal sector. The country also benefits from budget support. External aid, most of which comes from the European Commission and EU Member States, accounts for close to 38% of the country's overall national budget and 80% of its development project.

The programme aims at facilitating the implementation of the 9th EDF National Indicative Programme. The programme provides:

a) A Technical Assistance Facility (TAF) – a facility for the engagement of short to medium-term

consultants to assist in the main phases of the project cycle, in particular, project identification and design, preparation and assistance with tender procedures as well as evaluation, monitoring and audits. The allocation of this component is €6 million.

b) Training Support for Projects and Programmes (TSPP) – financing of various educational activities such as seminars or awareness raising activities e.g. a project cycle management or EDF procedures for stakeholders identified in the NIP prior to and during the formulation of a project or programme; The allocation of this component is €0,4 million.

c) Conferences and Seminars (CS) – these include: i) training activities for ACP officials and/or Non-State Actors on topics related either to the priorities of the ACP-EU Partnership Agreement (democracy, trade, environment etc) or to EDF or other EU administrative and financial procedures; ii) participation by ACP officials or non-state actors in international meetings or seminars on development and trade themes. The allocation of this component is €0,56 million.

Project implementation

Some €5.3m of the €6 million under the Technical Assistance Facility (TAF) has been committed as at December 2006. 25 contracts representing circa €2.3M were committed during the year covering all aspects of EC cooperation in Malawi. With regards to Rural Development and Food Security, one initiative should be highlighted: the review of the stakeholder response to the food crisis on 2005/06. The initiative contracted in April 2006 for €198,835 was an example of donor coordination at work: the ToR were developed jointly with GoM and other donors and the final report was widely circulated and commented on by all partners. A similar joint approach was used to conduct the second Public Expenditure Financial Accountability (PEFA) review for Malawi in May 2006 for a total cost of €87,453. As in 2005, a number of contracts were signed to conduct project reviews and evaluations (for the Health Reform and Decentralization programme, the Public Works Programme, the National Initiative for Civic Education and Rule of Law Programmes), while 7 commitments were made to conduct audits (for a grand total of circa €28,000). The TA Facility was also used to complement the provision of technical assistance under 8 ACP MAI 27 to the Ministry of Finance and Ministry of Economic Planning & Development through a specific commitment of €410,480. Also, support was provided on trade related matters through technical assistance to the design of the Malawi Sugar adaptation strategy in February 2006 (€84,930) and a study conducted on the Comesa Common Investment Area in November 2006 (for €93,989).

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

Of the €0, 4 million under the Training Support for Projects and Programmes (TSPP), no commitments were made in 2006.

Of the €0.56M million of Conferences and Seminars, one commitment was made for €150,000 to support National Constitutional Review process through a contribution agreement with the UNDP.

To end-December 2006 commitments totalled € 5,495,192 and payments € 2,781,153.

Capacity Building for NAO Support Unit in the Ministry of Finance

Project no	9 ACP MAI 018
Global commitment	€ 3,900,000
Disbursements	€994,810
Financing agreement	18 June 2005
Period of execution	4 years to 17 June 2009
Implementing agency	Ministry of Finance

Project description

In 2005/2006, the European Commission disbursed some €4326 million of European Development Funds in Malawi. A further €12 million was disbursed under the Multiannual Food Security Programme (MAFSP). Apart from an amount of €14,76 million which was disbursed to the Government of Malawi in the form of budgetary aid, the rest of the funds disbursed were in the form of contracts, with the Government of Malawi in the person of the NAO (National Authorising Officer) as the contracting authority. In Malawi, the NAO is the Secretary to the Treasury, who reports to the Minister of Finance. To facilitate the work of the NAO in the management of European Commission aid, a NAO Support Unit was set up in 2003 within the Planning and Information Section of the Debt and Aid Management Division of the Ministry of Finance. The Director of the Debt and Aid Management Division reports to the Secretary of the Treasury. The current project is aimed at building capacity at the NAO Support Unit to take a lead role in the preparation, implementation and monitoring of GoM-EC joint development programmes and to enable more effective and timely disbursement and management of European Commission funds. Furthermore, the project is aimed at strengthening co-operation and dialogue between Government of Malawi, the EC and Non-State Actors as well as between the Ministry of Finance, NAO Support Unit and Line Ministries on different issues related to GoM-EC development co-operation. In this

context, a number of co-ordination meetings took place between the above-mentioned stakeholders in 2005/2006.

Project Implementation

The NAO Support Unit is structured as follows: Under the Head of Unit there are three Divisions, the Accounts and Administration Division, the Project Operations Division and the recently established Economics/Dialogue/NSAs and Cross-cutting issues Division. The Project Operations Division is responsible for EDF and Food Security Budget Line Operations. It is divided in three sections: Agriculture/Food Security/Natural Resources; Transport/Infrastructure; Good Governance (and other sectors).

The first programme estimate (work programme) for an amount of €1,072,000 began on 01.09.2005 and is due to run to 31.08.2006. Of the €1,072,000 under the first programme estimate running from 01.09.2005 to 31.08.2006, €992,052.12 has been paid. This was followed by the second programme estimate running from 01.01.2007 to 31.12.2007 amounting to €1,008,000. The activities to be financed are:

- Provision of technical assistance to the NAO Support Unit;
- Recruitment and staff training for efficient implementation and monitoring of EDF programmes;
- Periodic meetings between Ministry of Finance, Ministry of Economic Planning and Development, Line Ministries, EC and other donors on preparation/revision of key policy documents and reports (including Country Strategy Paper, National Indicative Programme and Joint Annual Report);
- Information and co-ordination meetings with Non-State Actors (NSAs).

To end-December 2006 commitments totaled €1,956,300 and payments € 994,810.

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

National Initiative for Civic & Voters Education (NICE) – Phase II

Project no	8 ACP MAI 025, 8 ACP TPS 092 & 9 ACP MAI 013
Global commitment	8 th EDF: €7,400,000 9 th EDF: € 1,480,000 Total: € 8,880,000
Disbursements	€ 8,191,655
Financing agreements	8 th EDF: 27.7.2000 9 th EDF: 20.7.2004
Period of execution	5 years & 10 months to 31.7.2006
Implementing agency	Ministry of Finance

Project description

The National Initiative for Civic Education (NICE) was designed to help consolidate the process of democratisation in Malawi which began in 1994. Following the success of a one-year pilot project in 1999, a fully-fledged second phase was designed to stabilise the social and economic development in Malawi by strengthening the capacity of local structures to both disseminate and embed the principles, values and benefits of a democratic society. Since its inception, one of the main tasks of NICE has been to contribute to voters' education and cooperate with the Malawi Electoral Commission (MEC). NICE activities are implemented through an established network of 30 district offices and 3 regional offices (Blantyre, Lilongwe and Mzuzu) with a total of some 40 district and regional officers. District officers are supported by a network of 6,000 para-civic educators that work on a voluntary basis, linking the district offices with remote rural areas.

Project implementation

The dissemination of information on policies affecting the livelihoods of local communities is an essential element of the project. All of the 10,000 solar & wind-up radios bought by the project have been distributed and around 100 radio listening clubs as well as 125 'rural libraries' have been established in remote areas of the various districts. The quarterly newspaper produced by NICE, "Tilime", has a circulation of 300,000 copies per issue and is printed in English and the 2 main vernacular languages (Chichewa and Tumbuka).

NICE resource centres are frequented by more than 500,000 people on an annual basis and the project through its decentralised implementation structure carries out on average 180 activities per month reaching around 10,000 people. These activities are in the form of adult literacy classes (specifically women's literacy classes); capacity

building for organised clubs (e.g. on irrigation, women's fishing); training of young and senior politicians as well as of traditional and religious leaders on different issues including local governance and decentralisation, human rights and rule of law, modern sustainable farming; as well as awareness raising seminars on HIV/AIDS, gender and the environment. NICE also focuses on capacity building and supports activities of local NGOs and CBOs for the design and implementation of voter and civic education activities.

NICE works with a variety of international, national, local and regional partners, including the Malawi Public Affairs Committee (PAC), National AIDS Committee (NAC) and the Anti-Corruption Bureau (ACB) and the Malawi Electoral Commission (MEC). NICE has also partnered with a number of Government ministries and departments in relation to its activities on different issues, including agriculture, water etc. NICE's District Officers form part of the District Executive Committees within the context of the Malawi's Decentralization policy.

This phase of NICE came to an end in June 2006, in line with the end of the Financing Agreement, and a third phase started for NICE under the new "Promotion of the Rule of Law and Civic Education in Malawi" project.

To end-December 2006 commitments totaled €8,877,422 and payments € 8,191,655.

Promotion of the Rule of Law and Civic Education in Malawi

Project no	9 ACP MAI 23
Global commitment	€ 28,000,000
Disbursement	€ 1,696,747
Financing decision	28 November 2005
Period of execution	4 years
Implementing agency	Ministry of Finance & Min. of Justice

Project Description

Following the success of two previous projects, the Promotion of the Rule of Law project and the National Initiative for Civic and Voter Education project, it was agreed that a combined project would contribute to the strengthening of the democratic process and the increase of good governance in Malawi for accelerated economic growth and poverty reduction. The specific purpose of the project is to improve the legal and

Annex 3 - Project fiches for rural development and food security, transport and infrastructure, projects outside focal sectors

regulatory framework, the delivery and access to justice, in order to create a suitable environment conducive to economic growth and poverty reduction, and promoting sound governance with the participation of citizens, encouraging and empowering them to exercise their democratic rights and responsibilities. The project is clearly divided into two components, both implemented independently.

Rule of Law (RoL) component

The RoL component works with eight (8) main beneficiary institutions, which are the Ministry of Justice, Parliament, Judiciary, Faculty of Law of the University of Malawi, Law Commission, Malawi Electoral Commission, Malawi Prison Service, National Archives.

NICE component

Main focus during this current phase is the role of NICE as a facilitator, also for the Rule of Law institutions, focusing on networking and cooperation and now not only working with the rural population, but also with duty bearers on their understanding of Democracy.

Project Implementation

Rule of Law component

Due to delays in the finalisation of the tender process, the external management unit for this component is not yet in place. Therefore, the Government delegated the implementation in the meantime to the Ministry of Justice as a direct labour operation. During its six-month Start-up Programme Estimate, only very little progress was made and expenses were below 20%.

NICE component

NICE started its first fully fledged PE in July 2006 straight after closing the previous project. It works with a variety of local, regional, national and international partners, but implementation is based on the established network of 30 district and 3 regional offices, managed and coordinated by a central Management Unit. NICE applies a variety of measures ranging from provision of information in resource centres, to activities with and through local organisations, signposting and participation in local, regional and national civic and voter education activities. In all its activities NICE is strictly impartial, non-partisan and neutral. The project, through its decentralised implementation structure, carries out an average of 150 activities per month, all under the theme "Local Democracy", thus reaching more than 10,000 people per month. The Project also supports 125 local initiatives in the form of Rural Resource Centres which serve as information centres.

To end-December 2006 commitments totaled €5,305,632 and payments €1,696,747.

Annex 4 – Macroeconomic Support

Poverty Reduction Budgetary Support (PRBS1)

Project no	9 ACP MAI 024
Global commitment	€41,500,000
Budgetary Support	€38,500,000
Technical Assistance	€3,000,000
Disbursements	€33,679,935
Project duration	2005 – 2010
Execution Period	October 2005 – 30 June 2010
Financing agreement	11.10.2005
End date of the financing agreement	30.06.2010
Beneficiary	Government of the Republic of Malawi

Background

Malawi has been under successive structural adjustment programmes since 1981. The EC's Structural Adjustment support started in 1993 with the overall objective of supporting the reform programmes and mitigating the impact of the existing adjustment programmes' fiscal austerity. Counterpart funds from all four programmes (Structural Adjustment Facility I to SAF IV) supported the government's recurrent account expenditures in health, education, debt repayments and road maintenance.

The last Structural Adjustment Facility operation (SAF IV) covered the period 2001 to 2004. The last two tranches (totaling €15.49M) were disbursed in early 2004 following the completion of the first IMF PRGF review in October 2003. The SAF IV programme ended in December 2004 and the present Poverty Reduction Budget Support programme (PRBS1) was prepared in 2004/2005 to provide funding for FY 2005/2006 in the expectation that a new IMF Poverty Reduction Growth Facility (PRGF) would be in place as from mid-2005. The expectation proved to be correct and after one year of successful implementation of an IMF Staff Monitored Programme (SMP), IMF approved a 3 year PRGF amounting to \$ 55 million in August 2005.

Programme description

The EC contribution of €41.5 (including €3M for a Technical Assistance component) is to be provided in the form of direct budgetary support mainly to support the implementation of GoM development programme and its reform programmes. In addition to providing external; resources for the execution of the national budget and the maintenance of macro-economic stability, the programme supports the implementation of the Malawi poverty reduction programme, with a particular emphasize on GoM effort in improving public finance management. The programme will contribute to the country's foreign exchange requirements for the import of goods and services, foreign debt servicing requirements and the maintenance/build up of international reserves. The funds generated in Malawi Kwacha will also contribute to the government's programme of expanded social services, particularly in the health and education sectors.

To ensure more robust public sector financial management, budgeting, accounting and auditing need to be improved. The PRBS programme therefore allocates €3 million to strengthen Government Public Finance Management principally through technical assistance to the Accountant General Office, the Internal Audit Department and the National Audit Office. The Monitoring and Evaluation of the MPRS (Malawi Poverty Reduction Strategy) through the GoM M&E Road Map is also assisted by the programme.

Programme implementation

The €41,5 million global commitment includes €10 million from the FLEX (Fluctuations in Export Earnings) programme. Of the €41,5 million, €38.5 million is for general budget support and €3 million for institutional support. The release of the budget support funds is in line with programme schedule: €14.7 million were released in November 2005, €15.1million in June 2006 and the final tranche of €3.2 million was released in December 2006. However, only €6.6 million out of an expected €12million of variable tranche was paid to the GoM due to partial achievement of the agreed targets. The actual disbursements for the programme were as per schedule and shown in the table below:

	Actual disbursement	Amount (€ million)	Observations
Disbursement of first tranche (FLEX 100%)	November 2005	€ 6,76 million	Tranche released on the basis of FY2002/2003 exports statistics and disbursed for 100% of the amount due.
Disbursement of second tranche (fixed)	November 2005	€ 8,0 million	Released upon signature of the Financing Agreement between the Government of Malawi and the EC
Disbursement of Fourth tranche (fixed +variable)	June 2006	€ 15.1 million	The fixed tranche is €8,5 million, released based on the IMF programme being on track. Of the variable tranche only €6.6M out of an expected €12M of variable tranche was paid to the GoM due to partial achievement of the agreed targets indicators from the Performance Assessment Framework.
Disbursement of third tranche (FLEX 100%)	December 2006	€ 3.24 million	The installment released was the PRBS1 third tranche (FLEX) based on consolidated export statistics for FY 2003/2004 and disbursed 100% of the amount

The € 3 million for strengthening public finance management in the period 2005 to 2007 is tentatively allocated as indicated in the table below. Under this TA component, €520,000 and €59,935 were disbursed through a financial agreement with UNDP in support for the implementation of the joint programme support to the National Monitoring and Evaluation Systems in Malawi and to a consultancy firm (DFC) to assist GoM with its first assessment of the PRBS 1 variable tranche, respectively.

	Projections	Payments to date	Balance
PFM Capacity Building Activities	€ 1.550.000	0	€ 1.550.000
Support to the National Audit Office	€ 450.000	0	€ 450.000
Support to MPRS Monitoring & Evaluation	€ 800.000	€ 520.000	€ 280.000
Studies, PFM Audit/Assessment	€150.000	€59.935	0
Contingencies	€50.000	0	€50.000

The PRBS 1 programme was amended through a Rider 1 in June 2006. This will allow for the implementation of the component 1 and 2 of the TA envelop (PFM and National Audit Office support) to be implemented through an Administrative Agreement with the World Bank. The Agreement is expected to be signed by Mid 2007.

Poverty Reduction Budgetary Support (PRBS2)

Project no	9 ACP MAI 030
Global commitment	€34.0 million
Budgetary Support	€30.0 million
Technical Assistance	€4.0 million
Disbursements	€8.0 million
Project duration	2005 – 2010
Execution Period	November 2006 – 31 December 2012
Financing agreement	20.11.2006
End date of the financing agreement	31.12.2012
Beneficiary	Government of the Republic of Malawi

Background

The budget support operation PRBS2 followed the PRBS1 which was to assist GoM implementation of its FY 05/06 budget. The PRBS 2 was prepared in 2006 to cover FY 06/07 and FY 07/08 with a maximum of €13M in FY 06/07 and a maximum of €17M for FY 07/08. A Technical Component of €4M is earmarked under the project. The Financing Agreement was signed in November 2006 and release of funds was in line with programme schedule.

Programme description

The EC contribution of €34.0 (including €4M for a Technical Assistance component) is to be provided in the form of direct budgetary support and provides a continuity with PRBS1. The PRBS2 supports the implementation of GoM development programme (MGDS) and its reform programmes, with a particular emphasize on GoM effort in improving public finance management and social sector financing. The programme will contribute to the country's foreign exchange requirements for the import of goods and services, foreign debt servicing requirements and the maintenance/build up of international reserves. Together with all CABS donor support, the EC funds will support GoM to implement the PRGF arrangement within the agreed fiscal framework, thus leading to pro poor and pro growth expenditures by reducing the burden of domestic debt on government budget.

It has been demonstrated through several PFM studies and assessments that PFM is an area that needs to be strengthened. The experience of PRBS1 variable tranche has also shown that assistance in the preparation of reliable indicators was needed, in addition to supporting the existing GoM Monitoring & Evaluation Road Map that will guarantee that a result oriented MGDS can fully develop in Malawi over the next years. Consequently, the PRBS 2 programme allocates €4 million to strengthen GoM PFM, to support GoM M&E Road Map while providing for additional funds to tailor the assistance required on a certain number of key indicators. PFM and M&E issues were already supported under the PRBS 1 programme and PRBS 2 will ensure that achievements are consolidated and further enhanced up to until 2010.

Programme implementation

The €34.0 million global commitment includes €30.0 million for general budget support and €4 million for institutional support. The first fixed tranche of €8.0 million was disbursed in December 2006 upon satisfactory completion of programme requirements and signature of the Financing Agreement. The implementation of the disbursement plan for 2006 was as scheduled and shown in the table below.

	Actual disbursement	Amount (€ million)	Observations
Disbursement of first tranche (Fixed 100%)	December 2006	€ 8,0 million	Tranche released on the basis of satisfactory completion of F.A. requirements.

The € 4 million for strengthening public finance management in the period 2007 to 2010 is tentatively allocated as follows:

Support to Public Finance Management Action Plan	€ 1.500.000
Support to MGDS Monitoring & Evaluation programme (2 nd Phase)	€1.000.000
Studies, PFM Assessment, TA on Indicators, Evaluation and Audits	€1.000.000
Contingencies	€500.000

There was no disbursement made as at Dec 2006 on the TA component of the PRBS2.

Annex 5 - NGO Projects funded from the Food Security Budget Line

Contracting party (CRIS contract number)	Title	Starting date of activities	End date of activities	EC Contribution	Amount paid by 31/12/2006	Description
1. SHMPA Shire Highlands Milk Producers Association (51285)	Smallholder Dairy Development Project	07/08/2002	31/12/2006	994,043 €	894,639 €	The project assists new farmers (especially poorer female headed households) to rear dairy cows. It also improves the viability of smallholder dairy farming through provision of training for farmers, veterinary and breeding services, input supply and credit..
2. SWET – The Story Workshop (51286)	Rural Development Communications Campaign (RDCC)	06/08/2002	07/12/2006	1,142,363 €	1,028,127 €	RDCC is a nationwide communications campaign, which facilitates information sharing among smallholder farmers on best practices for sustainable agriculture in Malawi. This is done through a popular weekly radio soap opera, radio debates and documentaries, and competitions for media and listeners on food security related issues.
3. COSPE – Cooperazione per lo Sviluppo dei Paesi Emergenti (51287)	Ngolowindo Self Help Irrigation Scheme (SHIS)	01/10/2002	31/12/2005	599,750 €	586,543 €	The project has upgraded irrigation infrastructure and facilities benefiting some 140 smallholder farmers. New crops and crop varieties were introduced and farmers were trained in cultivation techniques, business management and in marketing produce. The Ngolowindo cooperative has successfully been established as a result of this project.
4. MOVIMONDO (51288)	Mangochi Food Security and Land Care Project	13/01/2002	13/09/2006	1,981,974 €	910,377 €	The project aims at reducing dependency on fishing while promoting agriculture development and diversification. Implementation is through four farmers' associations. Activities include: provision of credit, extension services and storage facilities; technical assistance (plot preparation, fertilization); training on loan schemes management and natural resources and water management.
5. COOPI - Cooperazione Internazionale (in co-operation with COSPE and MALEZA-Malawi Enterprise Zone Association) (51289)	Improvement of farming systems through the promotion of small-holder farmers	16/09/2002	28/02/2006	1,030,234 €	1,025,860 €	This project provides eight farmers' co-operatives (originally farmers' associations) with fertilizer and seed on credit, identifies market opportunities for produce and processed products, and provides training on management and best agricultural practices.

6. Concern Universal (51290)	Njala Yithe Food Security Project	02/09/2002	02/09/2007	1,385,532 €	1,005,739 €	The objective of the project is to improve food production, environmental protection, income generation and nutritional status of rural households in the Mayani Extension Planning Area through "traditional" food security and agricultural activities.
7. Concern Universal (51294)	Dedza Food Security Improvement Project	02/09/2002	02/09/2007	2,757,155 €	1,974,150 €	The project aims to increase the agricultural productivity, income and nutritional status of some 8000 poor rural households in A Kachere, Dedza.. Activities include promoting agricultural diversification, better agricultural techniques, and nutrition education.
8. CISP (51291)	Food Security Improvement through Economic Diversification	29/08/2002	29/06/2006	866,224 €	779,602 €	The project supports entrepreneurs in peri-urban areas by providing training in business skills, giving small loans (in co-operation for example with Malawi Rural Finance, a developmental organisation) and by establishing Business Information Service Centres (BISCs). The BISCs are run by local partner CADECOM (ex CARITAS Malawi).
9. INTER AIDE (51292)	Food Security Project in Lilongwe East and Zomba South	20/08/2002	20/10/2006	1,166,351 €	1,049,716 €	The aim of the project is to increase smallholder agricultural productivity and crop diversification through provision of training on farming practices, promotion of improved varieties of crops and soil fertility technologies and provision of agricultural services.
10. World Vision UK (51293)	Malawi Food Security Project	25/09/2002	25/09/2007	2,999,877 €	1,098,266 €	The project covers selected vulnerable areas in Chiradzulu district and tackles diverse issues such as agriculture productivity and diversification, natural resources management, rural enterprise development, access to markets, HIV/AIDS and nutrition.

NGO Projects funded from the Co-financing Budget Line (Areas: Health, Water and Sanitation, Environmental Protection and Sustainable Livelihoods)

Contracting party (CRIS contract number)	Title	Starting date of activities	End date of activities	EC Contribution	Amount paid by 31/12/2006	Project Description
11. Sight Savers International (11718)	Malawi Ophthalmic Outreach Programme	02/01/2001	02/01/2006	€ 963,247	€698,557	The project (implemented in co-operation with the Ministry of Health) aims to reduce the prevalence of preventable and curable blindness and visual impairment. It provides eye care services to rural people, provides training for eye care personnel and improves eye care infrastructure and equipment in local hospitals.
12. STICHTING Cordaid (20945)	Rehabilitation for Persons with Disabilities in Malawi	01/05/2003	01/05/2006	€750,000	€675,000	The objective of the project is to improve the quality of life of disabled people by improving accessibility and quality of services available to them. The project is also provides organisational capacity building to the local implementing partner, MAP (Malawi against Physical Disabilities).
13. Concern Universal (65398)	T/A Ganya Water and Sanitation Project	01/10/2004	01/10/2007	€750,000	€536,122	The project's aim is to build local capacity to develop, use and maintain safe water supplies and sanitation facilities. Hygiene education in villages and schools of upper TA Ganya are also carried out.
14. INTER AIDE (65425)	Project for the Health of Youth and Children in the Central and Southern Regions	01/12/2003	01/04/2007	€750,000	€540,294	The objective of the project is to improve the health status of the rural population by targeting the youth from 15 to 24 years (on issues related to HIV/AIDS, STDs, early pregnancies) and children under five (aiming at reducing malaria, diarrhoea and malnutrition), while improving access to health services.
15. INTER AIDE (11701)	Water Supply Project- Central and Northern Regions	01/09/2000	31/08/2005	€1,000,000	€1,000,000	The project aimed at reducing prevalence of water borne diseases through the provision of protected and durable water points for the rural communities. The project promoted co-operation with local communities for the maintenance of water points, water usage and improvement of hygiene.
16. INTER AIDE (20905)	Hygiene, Sanitation and Provision of Potable Water in the Districts of Zomba,	01/04/2002	01/02/2006	€750,000	€750,000	The objective of the project is the improvement of hygiene, sanitation and access to potable water in three districts in Southern Malawi by providing of support to local community initiatives (drilling of

	Mulanje and Chiradzulu					boreholes, rehabilitation of water points etc).
17. Concern Universal (94801)	Msamala Environmental Rehabilitation and Livelihoods Improvement Project	01/01/2006	31/12/2010	€737,242	€150,620	The project will build capacities of communities and local government to rehabilitate the environment and promote sustainable agricultural practices, while increasing income and improving local communities' livelihoods.
18. Concern Universal (94803)	Mkhumba Boundary Communities Livelihoods Improvement Project	01/01/2006	31/12/2010	€750,000	€ 171,550	The action will support the sustainable co-management of Mulanje Mountain's natural resources by the government and local communities. It will also increase food security and income generation for local communities through environmentally friendly activities.
19. INTER AIDE (96903)	Access to safe water, sanitation and better hygiene in the central and southern regions of Malawi.	01/01/2006	31/08/2008	€990,000	€266,169	The project aims at improving the health status of rural population by providing access to safe water, sanitation and better hygiene. The project will build on experience of two previous Inter-Aide projects (see projects 15 and 16).
20. Concern Universal (118709)	Kasumbu Food Security Project	01/01/2007	31/12/2011	€750,000	€157,868	The project aims to contribute towards poverty reduction through improvement of livelihoods of vulnerable households TA Kasumbu, Dedza District. It will increase the food security and nutrition status of 3000 households.

NGO Projects funded from the Sexual and Reproductive Health Budget Line

Contracting party (CRIS contract number)	Title	Starting date of activities	End date of activities	EC Contribution	Amount paid by 31/12/2006	Project Description
21. MSF Belgium (100657)	Promotion of behaviour change and increase of access to sexual and reproductive health services in the rural District of Thyolo, in the south of Malawi.	01/01/2006	01/01/2009	€1,350,000	€ 850,000	The overall objective of this action is to reduce HIV transmission in the rural population of Thyolo by: increasing access to services of voluntary counselling and HIV testing (VCT); increasing access to prevention of mother to child transmission services (PMTCT) in all health facilities; and raising awareness regarding sexual and reproductive health.

22.UNFPA (100350)	Scaling Up Sexual Reproductive Health and HIV/AIDS Services for Young People of 10-24 Years	01/01/2006	01/01/2009	€2,250,000	€360,000	The project aims at improving the Sexual and Reproductive Health (SRH) of young people aged 10-24 in Malawi through increased utilisation of youth friendly sexual and reproductive health services; advocacy and community mobilisation; as well as training of youth clubs on sexual and reproductive health.
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NGO Projects funded from the Environment and Tropical Forests in Developing Countries Budget Line

Contracting party (CRIS contract number)	Title	Starting date of activities	End date of activities	EC Contribution	Amount paid by 31/12/2006	Project Description
21.MALEZA (114803)	Participatory Sustainable Management of Forest and Natural Resources of Lilongwe River Watershed	01/01/2007	30/04/2010	€499,613	€182,979	The project will contribute to the sustainable management of natural resources in Lilongwe District through the sustainable and participatory management of forest and natural resources of Lilongwe River watershed. Project activities will include: capacity building at various levels, agroforestry, IGAs, and sensitization of communities.

NGO Projects funded from the Promoting Gender Equality in Developing Countries Budget Line

Contracting party (CRIS contract number)	Title	Starting date of activities	End date of activities	EC Contribution	Amount paid by 31/12/2006	Project Description
22.CRECCOM (117827)	Violence against women and girls - an enemy to development	01/01/2007	01/01/2011	€449,600	€114,445	The main goal of the project is to stimulate sustainable development in Malawi in order to eliminate poverty through the promotion of Gender equality by dealing with gender-based violence. The overall objective is to strengthen the civic society's involvement and participation towards building sustainable institutions that promote gender equality and contribute to the changes in attitudes and behaviours of adolescent boys and girls as well as the community members for the reduction and elimination violence against women and girl children.

Annex 6 -Food Security and Nutrition Policies (57) Monitoring Indicators

N°	FNSP Impact Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
Pillar No. 1: Sustainable Food Availability, Quality and Variety			
1	Domestic Food Gap (energy foods)	(i) MoAFS assisted by FEWSNET	Already collected by MoAFS but MoAFS needs capacity building to include sweet potatoes and cassava in Food Balance Sheet. MoAFS needs a supervision budget to monitor and improve data quality. Data collection on farm storage and changes in consumption patterns also requires that MoAFS undertakes a Food Survey once every two years
2	Average monthly price for maize and pulses by market and at national level ^a	MoAFS assisted by FNSJTF Technical Secretariat and by FEWSNET	Already collected by MoAFS part of Weekly Price Monitoring Survey. MoAFS needs new scales, calculators for the enumerators and a supervision budget to maintain data quality.
3	Average number of meals per person per day at district and national levels	Ministry of Health assisted by Action Against Hunger	<u>New indicator</u> - data to be collected using AAH Household Survey and complemented by a food survey carried out by Ministry of Agriculture. MPRSP Indicator No. 44 NGO Impact Indicator No. 8
4	Quantity of commercial food imports of staples and pulses by formal and informal sector	(i) FEWSNET (ii) NFRA	Already collected by FEWSNET from a sample of 17 border posts. MRA figures to corroborate FEWSNET findings.
5	Share of different food groups in total calorie intake at district and national levels	Malawi Vulnerability Assessment Committee (MVAC)	Raw data already collected and supplied by MVAC members. MVAC to compute statistic on the basis of the supplied information.
Pillar No. 2: Sustainable Access to Food			
6	Total quantity of food aid and total value of food aid and cash transfers distributed by type and source (MT and US\$) (FNSP Impact Indicator No. 6) at national level)	DoPDMA assisted by World Food Programme assisted by MoAFS through FNSJTF Technical Secretariat	<u>Already collected</u> but DoPDMA needs support to systematically capture data from all pipelines and all types of HA interventions. DoPDMA to set up a system to capture data for all HA programmes in Malawi. In the past, data was collected by WFP through food aid coordination meetings. Data on past HA delivery is available from WFP's INTERFAIS Database.
7	Population at risk of food insecurity by district and at national level (# and %)	MVAC	Already computed by Malawi Vulnerability Assessment Committee on the basis of data supplied by members.
8	Quantity and value of Missing Food Entitlements at district and national levels (MT and USD)	MVAC	Already computed by Malawi Vulnerability Assessment Committee on the basis of data supplied by members.
9	Percent of households that are adopting irreversible/undesirable coping strategies by district and at national level	CISANET (NGO Consortium) complemented by WFP and supported by MoAFS through FNSJTF/TS	Already collected in WFP districts. NGOs to be trained on how to collect data in other districts to complement what WFP is already collecting in order to achieve national coverage. Data collection to take place in 30 Traditional Authorities to be sampled and proportionately distributed between regions based on the total number of TAs in a region (North, South and Central). NGO Impact Indicator No. 3

N°	FNSP Impact Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
Pillar No. 3: Nutrition and Health Status through Food Utilisation			
10	Percentage of children under 5 that are stunted by district and at national level	MOH assisted by AAH and UNICEF	Already collected by MOH with assistance from Action Against Hunger and UNICEF. MOH needs further support with training, and resources for supervision and logistics (such as equipment and stationery) to maintain accuracy and reliability of data. Health Sector SWAP Indicator
11	(a) Number of children admitted to Nutrition Rehabilitation Units (NRU's) month and year at national level (b) Number of children admitted to Community Therapeutic Centres (CTC) by month and year at national level (c) Number of children admitted to Supplementary Feeding Program (SFP) by month and by district (d) Number of adolescents and adults with acute malnutrition admitted to the nutrition programme at ART sites by month and by district	MOH assisted by AAH and UNICEF. Measurements to be collected from NRU,CTC, SFP and ART sites.	Already collected by MOH. Data can be provided monthly but with a one-month time lag. Health Sector SWAP Indicator
12	<u>Global Acute Malnutrition:</u> (a) Percentage of children under 5 that are wasted by district and at national level (b) Oedema prevalence rate	MOH assisted by AAH and UNICEF	Already collected by MOH with assistance from Action Against Hunger and UNICEF. MOH needs further support with training, and resources for supervision and logistics (such as equipment and stationery) to maintain accuracy and reliability of data. Health Sector SWAP Indicator
13	Prevalence of micronutrient deficiency disorders by district and at national level	MOH /MOE	Some of the indicators are already collected by MOH and available from HMIS Database. The World Bank is funding a new school nutrition programme which is collecting data on some of the indicators.
14	Malnutrition rates for women of reproductive age (15-49 yrs) by district and at national level by district and at national level	MOH assisted by AAH and UNICEF	<u>New indicator</u> - MOH needs support to include this indicator in the MINFSSS (e.g., training, equipment and stationery). NGO Impact Indicator No. 5
15	Percentage of low birth weight babies by district and national levels	MOH	Already collected through clinics by Ministry of Health. Data available from the HMIS Database. Health Sector SWAP Indicator
Pillar No. 4: Stability in Food and Nutrition			
16	Percentage of children under 5 that are under-weight by district and at national level	MOH assisted by AAH and UNICEF	Already collected by MOH with assistance from Action Against Hunger and UNICEF. MOH needs further support with training, and resources for supervision and logistics (such as equipment and stationery) to maintain accuracy and reliability of data. MPRSP Indicator No. 5 Health Sector SWAP Indicator

	FNSP Output Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
1	Percentage of Strategic Grain Reserve lost in storage per year	NFRA	Already collected. Data readily available from the NFRA Accounts Department
2	Storage costs per tonne handled in SGR	NFRA	Already collected. Data readily available from the NFRA Accounts Department
3	Monthly draw down from Strategic Grain Reserve for emergency operations and for market stabilisation purposes	NFRA in collaboration with MOF/Department of Public Procurement and MoAFS	Already collected. Data readily available from the Planning Department, NFRA.
4	<u>Land under irrigation</u> (a) Land under irrigation in the smallholder farming sector by technology per year (b) Land under irrigation in the estate farming sector by technology per year (c) Proportion of total irrigable land under irrigation per year	(i) NGO Consortium/MoAFS through the FNSJTF Technical Secretariat will collect data for smallholder irrigation (ii) Ministry of Irrigation and Water Development's Department of Irrigation to complement NGO data by providing statistics on government and donor projects (e.g. JICA, IFAD, ADB, etc) projects	<u>Already collected</u> by Department of Irrigation but system needs to be strengthened for timeous collection, delivery and reporting of the statistics by field and national office staff. NGO Output Indicator No. 6¹
5	Proportion of maize cultivated area planted to hybrid seed per year	(i) MoAFS (ii) Seed Traders Association of Malawi (STAM)	<u>Already collected.</u> MoAFS already collects parameters to calculate this indicator but not regularly reported.
6	Total credit disbursed to agriculture sector per year	(i) NSO to provide data on commercial banks advances to agricultural sector. (ii) Malawi Microfinance Network (MAMN) to provide complementary data on disbursement by microfinance institutions especially from its own members ² .	<u>Already collected</u> by NSO. MoAFS through the FNSJTF/TS to complement commercial bank data provided by NSO with additional data from microfinance institutions through MAMN. Baseline and methodology to be provided by a consultant.

¹ About 35 NGOs may participate, 24 have already confirmed willingness to participate in the M&E System.

² As of October 2005, the membership of MAMN included: Concern Universal Operations (CUMO); Development of Malawi Enterprises Trust (DEMAT); Ecumenical Church Loan (ECLOF); Finance Trust for the Self Employed (FITSE); Foundation for International Community Assistance (FINCA) Malawi; Malawi Rural Finance Company (MRFC); Malawi Savings Bank (MSB); Malawi Union of Savings and Credit Co-operatives (MUSCO); National Association of Business Women (NABW); Opportunity International Bank of Malawi (OIBM); Project HOPE; Promotion of Rural Initiatives and Development Enterprises (PRIDE) Malawi; and Small Enterprise Development Organisation of Malawi (SEDOM).

	FNSP Output Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
7	Proportion of male and female farmers who secured a loan for agricultural production purposes during previous year by district and at national level	AAH	<u>New indicator.</u> To be included in the Annual "Baseline" Household Survey. NGO Output Indicator No. 5
8	Proportion of farmers practicing soil fertility management by district and at national level	Action Against Hunger with the support of the Department of Land Resources Management and Conservation at ADD level	<u>New indicator.</u> To be included in the AAH Annual "Baseline" Household Survey Annual updates on donor projects to be given by the DLRMC
9	Proportion of smallholder farmers owning different types of livestock by district and at national level	(i) MoAFS, DAHLP (Once every two years) NSO (Five Yearly) (ii) WFP in targeted districts only for verification	<u>New indicator.</u> MoAFS already has plans to include indicator in Agricultural Production Estimates Surveys. MoAFS to start collecting the information within one year. Will train its field-level cadres to collect the data.
10	Average number of livestock units (LU) owned per smallholder farmer by district and nationally	(i) MoAFS, DAHLP (Once every two years) NSO (Five Yearly) (iii) WFP in targeted districts only for triangulation	<u>New indicator.</u> MoAFS already has plans to include indicator in Agricultural Production Estimates Surveys. MoAFS to start collecting the information within one year. Will train its field-level cadres to collect the data. Data could be corroborated with M&E data collected by NGOs on their projects. ³

³ This is linked to NGO Project Output Indicator No. 9.

	FNSP Output Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
11	<p><u>Fisheries catch, size of resource and fish quality:</u></p> <p>(a) Total fish catch, MT</p> <p>(b) Output from fish farming, MT</p> <p>(c) Size of fisheries resource by species</p>	Department of Fisheries through Institute of Fisheries Research	<p>(a), (b) and (c) are already collected by the Department of Fisheries.</p> <p>The System however needs calibration. DOF needs financial assistance to purchase new scales; and to carryout a once-off "total count" survey to determine raising factor for night catch.</p> <p>Additional staff will be deployed to all fishing districts for data collection.</p> <p>Due to the isolated nature of the Department of Fisheries' data sources and retrieval system, a main frame computing unit will be established at the Fisheries Research Unit in Monkey Bay.</p> <p>(d) is <u>new indicator</u></p>
12	Fish quality		
13	Percentage of rural households that consume fish by district and at national level	Action Against Hunger supporting MoH and Department of Fisheries, Institute of Fisheries Research	<p>Already collected by Action Against Hunger.</p> <p>Include in the AAH questionnaire as suggested for FNSP Impact Indicator No. 3.</p>
14	Percentage of TAs that are receiving food aid from more than one pipeline	DoPDMA to coordinate data collection with technical assistance from WFP. WFP and I-Life and Government Voucher System to collect this data using household surveys.	<p><u>New indicator</u></p> <p>WFP agreed to include indicator in the CHS hopefully starting next September.</p> <p>DoPDMA to sign MOUs with HA agencies and the agreements to include M&E responsibilities.</p> <p>(Retention of this indicator to be discussed at the 3rd M&E Working Group Meeting, March 2007)</p>

	FNSP Output Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
15	Total fertiliser imports	<p>(i) NSO to provide data on formal imports of fertiliser.</p> <p>(ii) Ministry of Agriculture to be assisted by FEWSNET to collect informal fertiliser imports data.</p> <p>(iii) MoAFS through Technical Secretariat to supplement data through database on agricultural commodity imports.</p>	<p>Already collected.</p> <p>Baseline data available.</p> <p>Fertiliser imports and domestic demand data used to be collected by IFDC. IFDC is closing down and passing on the responsibility to the newly formed Agricultural Inputs Suppliers Association of Malawi (AISAM).</p> <p>FEWSNET continues to collect data on informal fertiliser imports that can complement that from NSO.</p> <p>Technical Secretariat to manage a database on agricultural commodity imports and feed into FSNP system.</p>
16	Average price differential between districts and the capital for staple food crops (maize and beans) expressed in real terms and nominal USD per kg	MoAFS – Agro Economic Survey Unit assisted by FEWSNET and FNSJTF/TS.	Already collected by MoAFS as part of the Agro-Economic/Weekly Price Monitoring Surveys with support of the FNSJTF Technical Secretariat.
17	Income per capita for low and medium-income groups in rural and urban areas expressed in real terms	NSO	<p>Already collected.</p> <p>Baseline data will come from the NSO Integrated Household Survey conducted in 2004..</p> <p>MPRSP Indicator No. 3</p>
18	National smallholder output for cash crops	MoAFS, Department of Crop Production and Planning Department	<p>Already collected.</p> <p>Data on tobacco, cotton, beans is already collected by the MoAFS. But Horticultural production data needs improvement. Training and supervision resources may be required.</p>
19	Sustainability of farmer organisations	Farmers Union of Malawi (FUM)	<p><u>New indicator</u></p> <p>There is a new project approved for funding by the EU and JICA to collect data on this indicator. The FNSJTF/TS is providing technical assistance to the project.</p>
20	Proportion of national budget effectively spent on pro-poor expenditures (PPE's) by sector	Ministry of Finance	<p>MPRSP Indicator No. 23</p> <p>Common Approach to Budget Support (CABS) Indicator No. 3</p>

	FNSP Output Indicator	Focal Point for Data	Linkages with existing M&E Systems and Capacity Building Needs
21	Total quantity of Food and Cash Transfers delivered to PLWHA and OVCs	DoPDMA assisted by World Food Programme	<u>New indicator</u> WFP to collaborate with NGOs on other pipelines to achieve national coverage.
22	(a) Proportion of children 0-6 months exclusively breastfed at national level	MOH assisted by AAH and UNICEF	<u>New indicator</u> MOH/Department of Nutrition to collect data with the assistance of AAH and UNICEF.
	(b) Proportion of children 7-24 months still breastfeeding by district and at national level	MOH assisted by AAH and UNICEF	<u>New indicator</u> MOH/Department of Nutrition to collect data with assistance of AAH and UNICEF.
23	<u>Micronutrient supplementation:</u> (a) Vitamin A Supplementation coverage by district and at national level including postnatal women within 8 weeks after delivery	MOH-Nutrition Section	Health SWAP Indicator
	(b) Use of iodised salt by district and at national level	MOH-Nutrition Section	Already collected. Routinely collected through the DHS and National Micronutrient Surveys
24	Proportion of pregnant women receiving iron supplementation by district and at national level	MOH-HMIS	Health SWAP Indicator
25	Incidence of diseases that have an impact on nutrition (Malaria, diarrhoea, ARIs, and HIV/AIDS) by district and at national level	(i) MOH (ii) National Aids Commission (NAC)	Already collected. Department of Community Health Services also keeps record of these data.
26	Proportion of households with access to potable water disaggregated by district and by rural and urban areas	Ministry of Irrigation and Water Development (MoIWD) assisted by AAH and UNICEF	MPRSP Indicator No. 38 Include in AAH Baseline Survey as for Impact Indicator No. 3 Cross check with MoIWD annual district updates on water points
27	Primary school drop out rate for up to standard 5 (females and males) by cohort and by standard	MOE	Already collected. MPRSP Indicator No. 33 CABS Indicators No. 8 Proxy for MDG indicator “% of cohort reaching grade 5”

Cross cutting Indicator	Focal Point
<i>Economic environment</i>	
1. GDP Growth rate per annum, %	Reserve Bank of Malawi
2. Compliance with IMF Programme	MOF and IMF
3. Prices on international markets of top five cash crops for Malawi (USD/kg)	MOAFS Planning Department and NSO
4. Exchange rate (MK/USD)	Reserve Bank of Malawi
5. Balance of payments (USD)	Reserve Bank of Malawi
6. Headline inflation rates (%)	NSO
7. Domestic and external debt as percentage of GDP (%)	RBM
<i>Climatic environment</i>	
8. Rainfall as a proportion of normal at district and national levels (%)	National Meteorological Department (MET)
9. Crop water requirement index (CWRI)	MET
<i>External environment</i>	
10 a) Usable foreign currency reserves (USD) (months of import cover)	Reserve Bank of Malawi
(b) Gross official reserves (months of import cover)	Reserve Bank of Malawi
<i>Political environment</i>	
11. Number of refugees into/out of Malawi	UNHCR
<i>Social environment</i>	
12. (a) Poverty head count	NSO
(b) Extreme poverty head count	NSO
13. Proportion of Population with HIV and AIDS	NAC
14. Proportion of the population with access to sanitation (%)	MOH and MoIWD assisted by UNICEF and AAH

Annex 7 - Summary of impact and output indicators for agriculture food security and nutrition project/programmes

No.	Impact indicator	Frequency of data collection
1	Proportion of households with energy food reserves in critical months (December to March)	December
2	Percentage increase in real household income	April
3	Percent of households that are adopting irreversible coping strategies	April
4	Percentage increase in production of livestock products	April
5	Percentage change in cases of malnutrition in vulnerable groups (under-five children, pregnant women and lactating mothers) in Malawian communities	Monthly
6	Proportion of people within vulnerable groups (under-five children, pregnant and lactating women) displaying signs of nutrition related disorders in the Malawian communities	February
7	Percentage of children under five that are stunted in the Malawian Population	Monthly
8	Average number of meals per person per day	February
9	Average number of livestock units owned per household	April
10	Percentage increase in total annual food crop production	April
	Output Indicators	
1	Percentage increase in the number of households that practice recommended nutritional practices	February
2	Number of children admitted and readmitted to nutritional rehabilitation units (NRUs)	February
3	Proportion of project targeted households that have access to high quality improved seed varieties and / or planting materials	April
4	Proportion of farmers that have access to fertilisers	April
5	Number of male and female farmers who secured a loan for agricultural production purposes during previous year	April
6	Annual increase in land under irrigation in smallholder sector	September
7	Annual increase in production per unit area of irrigated crops	September
8	Proportion of households adopting specific recommended technologies / practices	April
9	Proportion of smallholder farmers owning different types of livestock	April
10	Proportion of HIV/AIDS affected households involved in productive enterprises	April
11	Sustainability of farmer organisations	April

ANNEX 8 –Performance Assessment Framework – AUGUST 2006

The Joint Framework for budget support cooperation reflects the respect for human rights, democratic principles, sound macro-economic management, good governance, including sound public financial management, accountability and effective anti-corruption programmes, and the rule of law, that govern the domestic and international policies of the signatories. The PAF provides a jointly approved set of indicators for measuring progress, derived mainly from Malawi’s poverty reduction monitoring and evaluation framework. Each Donor’s bilateral agreement will outline how the PAF will be used. The PAF may be revised from time to time, but no more than once a year, if deemed necessary by any signatory. The revised PAF forms the basis for the next February Review. The PAF is a public document. (See MoU of Joint Framework for budget support cooperation between GoM and CABS Group). While the February Reviews can discuss collaboratively the wider context of a number of the above areas without setting agenda or targets (such as support for the focus on growth; support for re-orienting the public sector towards achieving results; support for improving Parliament’s performance and reform agenda ; support for decentralisation – all in line with the Malawi Growth & Development Strategy), the PAF provides for clear mutually agreed indicators and targets in the areas of Public Financial Management, Social Sector Delivery and Governance.

EC	No	Indicator	Baseline	Target for 2007 review	Indicative Target for 2008 review	Comments
Public Finance Management Indicators						
	1	Overall macroeconomic programme implemented	PRGF programme signed in August 2005	On track with IMF as of the latest IMF quarterly review.	On track with IMF as of the latest IMF quarterly review.	
	2	Financial information	FY 05/06 for Feb	For FY 2006/07:	For FY 2007/08: Same	Source: MoF

		provided by donors (within GoM deadline) for budgeting and reporting on project and program aid to government is reflected in budget documentation.	2007 review. FY 06/07 for Feb 2008 review.	World Bank (IBRD), AfDB and from HIPC, DFID, EU, Norway, Sweden, Germany, USAID, Global Funds.	as for FY 06/07 + UN-system, JICA and CIDA	Definition: PEFA Performance Measurement Framework - June 2005.
	3	Composition of expenditure out-turn compared to original approved budget.	FY 05/06 for Feb 2007 review. FY 06/07 for Feb 2008 review.	Variance in expenditure composition exceeded overall deviation in primary expenditure by no more than 10%.	Variance in expenditure composition exceeded overall deviation in primary expenditure by no more than 10%.	Primary expenditures exclude debt service repayment and donor funded project expenditure. Deviation is calculated for the 20 largest headings. ¹ Source: MoF Definition: PEFA 2005 Primary expenditure comprises: (i) Wages & salaries, (ii) Generic goods & services, (iii) Transfers & subsidies, (iv) Development part II
	4	Composition of expenditure out-turn compared to original approved budget: for PPEs.	FY 05/06 for Feb 2007 review. FY 06/07 for Feb 2008 review.	Variance in actual expenditure exceeds overall deviation in primary expenditure by no more than 5%.	Variance in actual expenditure exceeds overall deviation in primary expenditure by no more than 5%.	Primary expenditures exclude debt service & donor funded project expenditure. Deviation is calculated for PPE expenditures as per Table 11, Budget Document No.3 for FY 2006/07. Source: MoF Definition: PEFA 2005
	5	Composition of expenditure out-turn compared to original approved budget: for Health ORTs.	FY 05/06 for Feb 2007 review. FY 06/07 for Feb 2008 review.	Variance in actual expenditure exceeds overall deviation in primary expenditure by no more than 5%.	Variance in actual expenditure exceeds overall deviation in primary expenditure by no more than 5%.	Primary expenditures exclude debt service repayment and donor funded expenditure. Deviation is calculated for health ORTs expenditures. Source: MoF Definition: PEFA 2005
	6	Composition of expenditure out-turn compared to original approved budget: for Education ORTs.	FY 05/06 for Feb 2007 review. FY 06/07 for Feb 2008 review.	Variance in actual expenditure exceeds overall deviation in primary expenditure by no more than 5%.	Variance in actual expenditure exceeds overall deviation in primary expenditure by no more than 5%.	Primary expenditures exclude debt service repayment and donor funded expenditure. Deviation is calculated for education ORTs expenditures. Source: MoF Definition: PEFA 2005
	7	Effectiveness of payroll	Situation as of end	Reconciliation of the	Payroll audit is	Source: MoF

¹ 20 largest headings are: Judiciary, National Assembly, National Audit, Ministry of Agriculture, National Statistical Office,, Ministry of Health, Ministry of Education, Ministry of Women and Child Welfare, Ministry of Finance, Police, Prisons, ODPP, ACB, Ministry of Irrigation and Water Development, Ministry of Transport and Public Works, Department of Nutrition HIV/AIDS, DHRMD, MEPD, Ministry of Justice, Ministry of Local Government

		controls	December 2006 for Feb 2007 review. Situation as of end of December 2007 for Feb. 2008 review.	payroll with the backlog of personnel data takes place by Dec. 2006.	conducted by June 2007. Payroll for FY 07/08 is supported by full documentation for all changes made to personnel records on a monthly basis.	Note: Reconciliation of the payroll is an on-going exercise
	8	Effectiveness of Internal Audit	No action is being taken on audit findings by management	Internal audit is operational for central government entities representing at least 50% of primary expenditure. Reports are issued regularly to audited institutions, NAO & MOF.	Internal audit is operational for all central government entities. Reports adhere to fixed schedule and distributed to audited entity, NAO, MOF.	Source: MoF
	9	Timeliness of annual financial statements	For FY05/06 for Feb 2007 review. For FY 06/07 for Feb 2008.	Consolidated GoM statement is submitted for external audit within 6 months of the end of FY.	Consolidated GoM statement is submitted for external audit within 6 months of the end of FY. IPSAs or corresponding national standard are applied.	Public Finance Management Act specifies that financial statement should be communicated within 4 months of the end of FY. Source: MoF
	10	Scope, nature and follow up of external audit.	For FY04/05 for Feb 2007 review. For FY05/06 for Feb 2008.	Central GoM entities representing 50% of expenditures are audited. FY 04/05 Audit Report submitted to legislature by Dec 2006	Central GoM entities representing 75% of expenditures are audited. Audit report submitted to legislature within 4 months from receipt of consolidated government statement by NAO. Clear evidence of effective and timely follow up.	Public Audit Act requires audit report to be submitted to parliament within 6 months from end of FY. Source: MoF Definition: PEFA 2005
	11	Legislative Scrutiny of	For FY 02/03 for	Scrutiny of Audit	Scrutiny for FY 03/04	Source: MoF, NAO, Parliament

		external audit report	Feb 2007 review. For FY 03/04 & 04/05 for Feb 2008.	Report for FY 02/03 is completed by the legislature by Feb. 2007.	and 04/05 is completed by the legislature by Dec. 2007. Recommendations to the executive are issued and evidence of implementation exists.	
Social Sector Indicators						
	12	Pupil per qualified teacher ratio in primary schools in rural areas	2005 baseline for rural 74:1 School Year 2006 for 2007 review. School Year 2007 for 2008 review.	2006 SY 75:1 or less	2007 SY is 75:1 or less	Target for 2006 on the basis that there will be no new trained teachers in 2006. Source : EMIS. Definition: number of pupils divided by number of qualified teachers, in rural areas.
	13	Female Literacy rate	50.5% in 2005	55% in Dec 2006	60% in Dec 2007	MGDS 2011 target is 85% Source : NSO Definition: Proportion of female adult popn. aged 15 years & over which is literate
	14	Drop out in standard 5	44.8 % in 2005 for Boys 50.5% in 2005 for Girls	49.8% in 2006 47.6% in 2006	51% in 2007 50% in 2007	Source : EMIS. Definition: number of student who promoted minus number of students who are repeating, out of total number of student In the future consider monitoring survival rate.
	15	Proportion of one year-old children immunized against measles.	82% in 2005 - EPI	85% by June 2006	86% by June 2007	MGDS Target based on 2011 target at 85% Source : MoH / EPI Definition: Number of children administered Measles vaccine by their first birthday during the reporting period divided by the estimated under one population for the same year. In future consider monitoring immunisation rates in the worst affected districts.
	16	Proportion of birth attended	38% in 2005 –	40% by June 2006	50% by June 2007	MGDS

		by skilled health personnel.	HMIS	MGDS and SWAp framework	MGDS	2011 target is 75% Source: MoH/HMIS. Definition: Births attended by skilled health staff are the percentage of deliveries attended by personnel trained to give the necessary supervision, care, and advice to women during pregnancy, labour, and the postpartum period, to conduct deliveries on their own, and to care for the newborn. (WHO)
	17	Nurse population ratio	1:4000 in 2005	1:3,900 by June 2006	1:3,700 by June 2007	MGDS 2011 target at 1700 Source: MOH Definition: Total population divided by the total number of nurses (including midwives). In future consider monitoring 'nurse to population ratio in rural areas'
	18	Number of people who are alive and on ART at end of the year	28,110 in December 2005	60,000 in 2006	90,000 in 2007	MGDS 2011 target is 208,000 Source : MOH/HMIS. Definition: total number of people alive and on ART at end of year. In future consider using an indicator on PMTCT in rural areas.
	19	Women in Decision Making Positions	15% in 2005	16% as at December 2006	19% as at December 2007.	MGDS 2011 target not available. Source : MOGWC Definition: Women in decision making positions in government sector, i.e. from P5 (Asst. Dir) to P2 (Principal Secretary) and in Parastatals (Deputy General Manager, Director or Chief Executive, Executive Secretary
Governance indicators						
	20	MGDS implementation	N/A	Approval by December 2006, including M&E Road Map adapted to MGDS	1st Annual Review (FY 2006/07) report available.	
	21	Government compliance	(a) Local elections	(a) Position on local	(a) Preparations for	Constitution currently requires elections to Local

		Average number of months for corruption cases to be completed				Number of cases times duration of case in court in months divided by total number of cases brought to court. For this indicator, cases start when pleas is taken in court (Source ACB).
	24	% of corruption cases completed within 12 months	As at December 2005=33%	As of December 2006=50%	As of December 2007=60%	Definition: Total number of cases completed brought to court after July 2004 and completed in 12 months divided by total number of cases brought to court since 2004 Source: ACB
	25	Corruption: Transparency of DPP's response to requests for consent to prosecute corruption cases and adherence to Corrupt Practices Act in cases where consent is refused	DPP has not refused any requests from ACB Some delays in processing requests	Continued agreement to consent requests or compliance with CPA if a request is refused. Monitor length of time for consents to be processed		Source: ACB, DPP and Legal Affairs Committee of Parliament
	26	Procurement: Number of Govt Ministries complying with quarterly reporting to ODPP on procurement, as set out in Public Procurement Act, and action taken by ODPP & line ministries to address problems raised in reports	Only MoF and ACB complying with reporting in 2005	In addition to MoF & ACB, quarterly reporting requirements met by Health, Education, Agriculture, Transport, Irrigation & Water & Privatisation Commission	Quarterly reporting requirements met as in 2006 and action taken by ODPP and line ministries to address problems raised in 2006	Source: ODPP, line ministries
	27	Actual recurrent expenditure to Governance institutions	Actual disbursements for FY 2004/05	At a minimum actual recurrent expenditure in FY 2005/06 is maintained at 2004/05 level in real terms	At a minimum actual recurrent expenditure in FY 2006/07 is maintained at 2004/05 level in real terms	Governance institutions monitored: Parliament, Law Commission, MEC, ACB, MHRC, Ombudsman, Auditor General's Office, Legal Aid Department Definition: Expenditure 'in real terms' measured by applying headline inflation rate to 2004/05 figures. Source: MoF / Accountant General's Department, NSO (inflation)
		Prison conditions :	3,580 on average	1,790 average for	50% of 2006 figure	Definition: total number of Pre-trial detainees /

	28	<p>(a) Number of pre-trial detainees (remand prisoners) in prisons exceeding the maximum permitted remand period</p> <p>(b) No of deaths in prison – as result of poor nutrition, HIV / AIDS, etc</p>	<p>in 2005</p> <p>14 deaths per 1,000 prison population in 2005</p>	<p>2006</p> <p>8 per 1,000</p>	<p>57% of the 2006 figure</p>	<p>remand prisoners in prisons exceeding the maximum permitted remand period</p> <p>Source: Malawi Prisons</p>
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Annex 9 -Financial situation for ongoing EDF projects

Project number(s)	Project name	Global commitment	Cumulated individual commitments to end-2006	Cumulated payments to end-2006	Individual commitments in 2006	Payments in 2006
7 ACP MAI 072	Support to Health Reform and Decentralisation	18,700,000	18,536,442	17,943,302	-	268,729
8 ACP MAI 014	Support Health Reform/decentralization: Chiradzulu Hospital	14,000,000	13,995,168	13,776,587	-	198,855
9 ACP MAI 003	Augm. plafond 7 ACP MAI 072	1,823,185	1,823,185	1,788,529	-	6,697
9 ACP MAI 004	Augm. plafond 8 ACP MAI 014	390,284	390,284	348,957	-	54,758
8 ACP MAI 005	Road Management Support Programme	14,100,000	14,079,395	12,654,910	270,888	776,218
9 ACP MAI 031 (ex 6 ACP MAI 078)		134,590	123,078	31,171	123,078	31,171
6 ACP MAI 078		2,865,409	2,865,409	2,865,409	-	86,964
7 ACP MAI 130	Lakeshore Road Infrastructure Support	1,770,620	1,692,635	1,692,635	-	-
8 ACP MAI 030		11,955,880	4,729,568	4,160,404	48,474	331,360
9 ACP MAI 032 (ex 6 ACP MAI 087)		276,658	192,651	-	192,651	-
6 ACP MAI 087		2,858,079	2,858,079	2,858,079		
9 ACP MAI 034 (ex 6 ACP MAI 088)		15,840	-	-	-	-
6 ACP MAI 088		122,921	122,921	122,921	73,538	93,963
7 ACP MAI 094	Promotion of Rule of Law	6,375,000	6,343,325	6,298,486	-	162,972
8 ACP TPS 004		2,125,000	2,071,729	1,889,162		
9 ACP MAI 002	Augm. plafond 7 ACP MAI 094 & 8 ACP TPS 004	1,200,000	1,200,000	1,023,757	-	42,772
7 ACP MAI 131		2,000,000	1,700,000	1,522,755	-	-
8 ACP MAI 021	Rehabilitation and construction of Golomoti-Monkey Bay road	19,000,000	16,252,495	14,675,086	12,563	260,388
9 ACP MAI 014	Rider No 4-Increase of ceiling of 8 ACP MAI 021 & 7 ACP MAI 131	5,000,000	597,764	531,462	-	531,462
8 ACP MAI 020	National Blood Transfusion Service	7,800,000	6,757,878	5,339,127	1,272,492	992,997
9 ACP MAI 026	Rider No 1 to FA 6228/MAI-Budget Increase	1,560,000	-	-	-	-
8 ACP MAI 025	National Initiative for Civic Education –Phase II +8 TPS 092	5,080,000	5,079,524	4,820,218	-	112,364
8 ACP TPS 092	National Initiative for Civic Education –Phase II +8 MAI 025	2,320,000	2,319,415	2,120,192		
9 ACP MAI 013	Augm. plafond 8 ACP MAI 025 & 8 ACP TPS 092	1,480,000	1,478,483	1,251,245	-	221,981
8 ACP MAI 027	Capacity Building for Economic Management, Rider No 1 to FA 6362/MAI	9,000,000	8,942,441	6,857,749	1,281,671	853,221
8 ACP MAI 041	4th Microprojects	35,000,000	28,828,956	14,285,522	7,408,130	5,315,095
9 ACP MAI 011	Technical Cooperation Facility	7,500,000	5,495,192	2,781,153	2,369,703	1,737,597
9 ACP MAI 012	Implementation of Malawi Land Reform	1,969,065	1,559,530	897,527	42,554	459,006
9 ACP MAI 015	Farm Income Diversification Programme	16,200,000	6,478,490	2,040,619	5,806,855	1,637,953
9 ACP MAI 016	Improved Forestry Management for Sustainable	9,000,000	7,589,232	1,865,644	4,810,888	

	Livelihoods					2,189,279
9 ACP MAI 017	Income Generating Public Works Programme-Phase I	15,512,500	13,502,389	5,516,023	8,313,709	4,542,548
9 ACP MAI 018	Capacity Building - NAO Support Unit	3,900,000	1,956,300	994,810	884,300	954,294
9 ACP MAI 019	Institutional Development- AGRI Food Sector (IDAF)	7,970,000	2,293,561	388,985	2,293,561	388,985
9 ACP MAI 020	Sustainable Nutrition Rehabilitation	6,500,000	5,987,212	2,128,353	7,257,739	2,128,353
9 ACP MAI 021	Malawi Backlog Road Rehabilitation & Maintenance Prog.	38,000,000	-	-	-	-
9 ACP MAI 022	Support to National EPA Secretariat	1,600,000	671,000	196,779	671,000	196,779
9 ACP MAI 023	Promotion of Rule of Law & Civic Education in Malawi	28,000,000	5,305,632	1,696,747	5,305,632	1,696,747
9 ACP MAI 024	Poverty Reduction Budgetary Support Programme 1	41,500,000	33,959,935	33,679,935	800,000	18,919,935
9 ACP MAI 025	Emergency Food Aid Programme for Malawi (WFP contribution agreement, prefinancing)	4,800,000	4,799,771	4,559,783	4,799,771	4,559,783
9 ACP MAI 027	Institutional Support for Transport Public Sector Bodies	7,500,000	260,729	-	260,279	-
9 ACP MAI 028	Capacity Building Programme for NSAs in Malawi	5,000,000	-	-	-	-
9 ACP MAI 030	Poverty Reduction Budget Support	34,000,000	8,000,000	8,000,000	8,000,000	8,000,000

Annex 10 - Financial situation of counterpart funds

bankname	accountname	accountnumber	currency	source-ec	close	Euro equivalent
National Bank of Malawi	EC FOOD AID	0141140260100	MWK	BUDGET	10,449,401.09	57,001.50
National Bank of Malawi	1998 EI Nino Programme	0112440930400	MWK	BUDGET	778,125.77	4,244.68
Commerzbank AG	EU Food Security (mirror acc)	400878307800	EUR	BUDGET	unknown	
Reserve Bank of Malawi	EC/MW Food sc program	300-343-2208-06 3003430048	MWK	BUDGET	40,387,457.44	220,313.65
ING BELGIUM	EC/GOM emergency food aid 2002 fixed deposit (res)	301-0103473-55-EUR	EUR	BUDGET	74,690.02	74,690.02
ING BELGIUM	RBoM EU/GOM emergency food aid 2002 current acc	301-0103408-87-EUR	EUR	BUDGET	260,542.97	260,542.97
ING BELGIUM	Food security fixed deposit (mirror account)	301-0004988-25	EUR	BUDGET	2,201,417.62	2,201,417.62
ING BELGIUM	Food security current account (mirror account)	301-0010409-14	EUR		670,102.53	670,102.53
Reserve Bank of Malawi	EU Food secu. Program	001 300343 MWK 2208 24	MWK	BUDGET	43,296,744.81	236,183.82
Reserve Bank of Malawi	Food security prgmme 2004-2006	001-300343-EUR-2208-01	EUR	BUDGET	6,566,490.54	6,566,490.54
Reserve Bank of Malawi	EU/GOM FD SECU 04-06	001 300343 MWK 2208 28	MWK	BUDGET	10,135,224.64	55,287.67
Reserve Bank of Malawi	STABEX ACCOUNT	001 300343 MWK 2041 06	MWK	FED	793,875.03	4,330.59
National Bank of Malawi	STABEX NOTICE 7DAY DC	0112140313300	MWK	FED	1,453,789.30	7,930.42
Fortis Bank NV	MALAWI GOVERN STABEX ECU	291-1141573-77	EUR	FED	54,360.48	54,360.48
National Bank of Malawi	EU 1994 STABEX ACC - CAC	0141140262300	MWK	FED	31,396.15	171.27
National Bank of Malawi	EU 1994 STABEX ACC - NOTICE 7DAY DC	0112140262300	MWK	FED	203,354.26	1,109.30
Fortis Bank NV	MALAWI GOVERN STABEX 94	291-1134398-80	EUR	FED	1,459,208.78	1,459,208.78
National Bank of Malawi	1995 STABEX TRANSFERS - CAC	0141140986401	MWK	FED	9,897,070.66	53,988.54
National Bank of Malawi	1995 STABEX TRANSFERS - notice 7days d-c	0112140986400	MWK	FED	2,063,394.17	11,255.82
Fortis Bank NV	MALAWI GOVERN STABEX 1995	291-1140410-78	EUR	FED	1,005,010.55	1,005,010.55
National Bank of Malawi	1996 E.U. STABEX TRANSFERS - CAC	0141141449001	MWK	FED	30,639,772.93	167,140.01
National Bank of Malawi	1996 E.U. STABEX TRANSFERS - NOTICE 7DAYS	0112141449000	MWK	FED	12,856.93	70.13
Fortis Bank NV	MALAWI GOVERN STABEX 1996	291-1141240-35	EUR	FED	725,467.60	725,467.60
National Bank of Malawi	1998/1999 EU STABEX TRANSFERS - CAC	0141141778300	MWK	FED	79,269,290.91	432,414.12
Fortis Bank NV	MALAWI GOVERN STABEX 98	291-1123679-31	EUR	FED	174,082.46	174,082.46
Reserve Bank of Malawi	EU/GOM SAF IV 99-2000	001-300343-MWK-2208-22	MWK		23,511,905.80	128,257.49

Annex 12 - Financial situation for Food Security Budget Lines and indicative forecasts

Decision	contract number	Project	Committed amount	Contracted amount	Situation end 2006	Payment										comments	
						Paid during 2006	Decommitments	Forecast S1 2007	S2 2007	Total 2007	S1 2008	S2 2008	Total 2008	S1 2009	S2 2009		
FSBL (excluding NGOs)																	
MAFSP FOOD/1999/2323		Technical assistance	1,000,000	819,078	819,078		180,922				0						
MAFSP FOOD/2000/3478		Technical assistance	2,000,000	1,551,917	1,474,149	20,325			440,000	440,000				0			
MAFSP FOOD/2001/2341		Technical assistance	2,000,000	1,504,640	1,272,420	188,813	5,360	200,000	60,000	260,000	230,000		230,000				
FSP FOOD/2004/6173	FOOD/2005/099565	MoU FSP Ministry of Finance 2004	13,750,000	13,750,000	10,650,000	0			3,100,000	3,100,000			0				
FSP FOOD/2004/6173		FSP special commitment (TA) 2004	1,250,000			0		400,000	70,000	470,000	300,000	70,000	370,000				
FSP FOOD/2005/17792		MoU FSP Ministry of Finance 2005	7,900,000			0			4,500,000	4,500,000		3,400,000	3,400,000				
FSP FOOD/2005/17792		FSP special commitment (TA,NGOs) 2005	7,100,000			0					1,300,000		1,300,000	2,000,000			
FSP FOOD/2006/18500		MoU FSP Ministry of Finance 2006	14,350,000											8,750,000			
FSP FOOD/2006/18500		FSP special commitment (TA) 2006	650,000											390,000	260,000		
FOOD/2006/18044		NGO Food Security Programme	5,000,000						1,200,000	1,200,000			0	1,650,000			
Total			55,000,000	17,625,636	14,215,647	209,138	186,282	600,000	9,370,000	9,970,000	1,830,000	3,470,000	5,300,000	12,790,000	260,000		

Annex 13 - Indicative forecast for 9th EDF commitments and disbursements¹

MALAWI

	FORECASTS 2007										
	1st SEMESTER	LOW	MEDIUM	HIGH	Target 100%L+50%M	2nd SEMESTER	LOW	MEDIUM	HIGH	Target 100%L+50%M	TARGET ANNEE
New Global Commitments	33,337,500					0					33,337,500
New Individual Commitments	53,641,824	33,299,498	16,845,784	3,496,542	41,722,390	34,130,000	13,340,076	12,798,972	7,990,953	19,739,561	61,461,951
Payments	24,759,411	15,370,021	7,775,494	1,613,896	19,257,768	37,938,967	14,828,851	14,227,359	8,882,757	21,942,531	41,200,299
Decommitments back to the NIP	9,719,582										9,719,582
Decommitments to recommit	11,851,649										0
Reduction of Old RAL	8,962,822	6,887,352	1,822,882	252,588	7,798,793	6,322,409	2,130,020	1,159,450	3,032,939	2,709,745	10,508,538

	FORECASTS 2008										
	1st SEMESTER	LOW	MEDIUM	HIGH	Target 100%L+50%M	2nd SEMESTER	LOW	MEDIUM	HIGH	Target 100%L+50%M	TARGET ANNEE
Engagements Individuels	43,570,000	23,188,151	13,787,715	6,594,134	30,082,009	26,550,000	17,026,176	3,048,874	6,474,950	18,550,613	48,632,621
Payments	45,798,250	24,374,036	14,492,844	6,931,370	31,620,458	29,694,732	19,042,852	3,410,000	7,241,880	20,747,852	52,368,310

R A L	SITUATION on 01/01/2007		SITUATION on 31/12/2007		Amount	Nbr
	ALL PROJETS	PROJETS decided before YEAR 2002	ALL PROJETS	PROJETS decided before YEAR 2002		
Σ Ongoing GLOBAL COMMITMENTS	483,309,116	203,766,332	509,034,539	201,569,743	0	0
R A C	157,253,015	13,710,145	121,516,487	38,572		4
R A P	60,479,972	12,285,451	78,634,120	15,448,486		3
R A L	217,732,987	25,995,598	200,150,607	15,487,058		2
% RAL / Σ GLOBAL COMMIT.	45%	13%	39%	8%		6
Nbr of years to absorb RAL	5		5			

GLOBAL COMMITMENTS ON AVAILABLE EDF ALLOCATIONS UNTIL END 2007

SUMMARY of	AMOUNT
CUMULATED TOTAL GLOBAL COMMITMENTS on 31/12/2006	242,770,593
TOTAL NEW GLOBAL COMMITMENTS FORSEEN in 2007	33,337,500
TOTAL GLOBAL COMMITMENTS	276,108,093

SUMMARY of	
COUNTRY ENVELOPE A & B AT 31-12-2006 avant ETR	288,247,881
DECOMMITMENTS OVER THE PERIOD OF 2007	9,719,582
TOTAL EDF AVAILABLE COUNTRY RESOURCES	277,987,483
USE OF AVAILABLE RESSOURCES in %	99.33%
EDF COUNTRY RESSOURCES THAT COULD BE LOST	1,859,370

¹ The 2007 target in terms of new individual commitments has recently been increased by HQ to €66 million.