

USAID/Malawi

Country Strategic Plan
2001-2005

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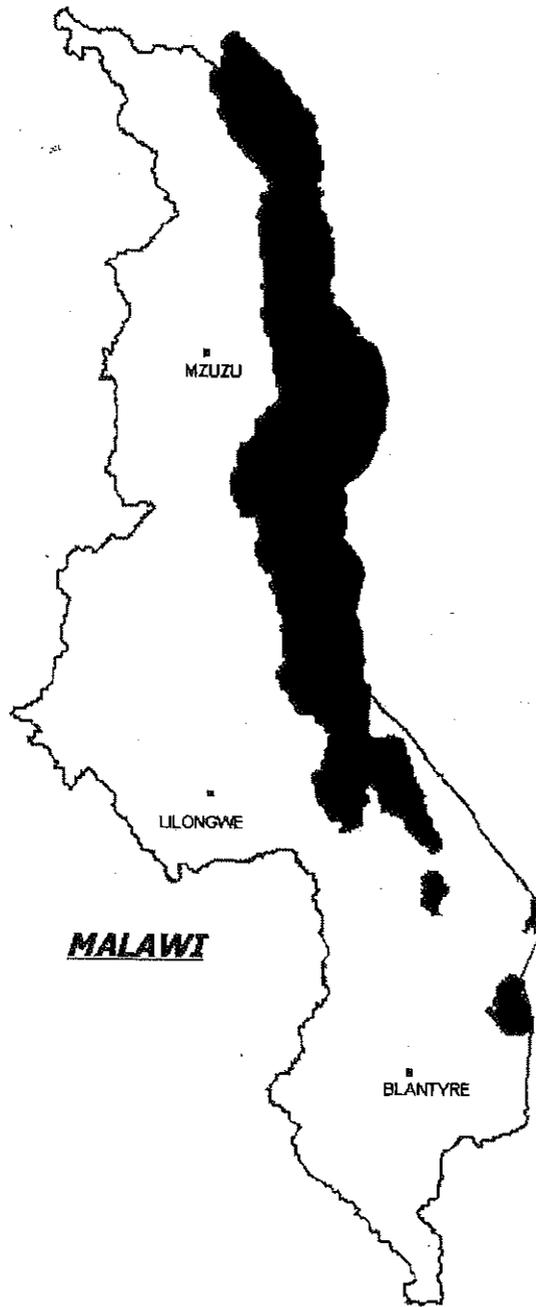


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Part I:

Summary Analysis of

the Assistance Environment

and

Rationale for Focusing

Assistance in Particular Areas

A. How USAID/Malawi's Development Partners and Stakeholders Influenced the Strategic Plan

In developing the Country Strategic Plan (CSP) for 2001-2005, USAID/Malawi undertook extensive consultations with our development partners and stakeholders including: Government of Malawi (GOM) officials, donor community representatives, USAID/Washington representatives, U.S. Embassy/Lilongwe staff, Malawian civil society and development partners tasked with implementing our current portfolio.

The CSP process occurred simultaneously at many levels. Mission management actively engaged the GOM and the donor community as to the most relevant issues facing Malawi over the strategic planning period. These consultations affected the "big picture" perspective and helped define the USAID niche vis-à-vis other donors. The Mission also consulted with USAID/W regarding the expected number of strategic objectives, program funding, operating expenses (OE) funding and staffing requirements which have been factored into the current strategic planning equation.

USAID/Malawi's sectoral specialists met with their colleagues amongst the GOM, the donor community, civil society and development partners to identify constraints at the sectoral level. Each of these groups then made various recommendations.

The final draft of the USAID/Malawi Strategic Plan was then reviewed with our stakeholders in the government, the donor community and the Embassy/Lilongwe to ensure that the Strategic Plan is consistent with the common understanding of the issues and USAID's role in addressing those issues. The current strategic plan thus integrates the ideas and perspectives of our stakeholders and partners.

B. Relationship of the USAID/Malawi Strategic Plan to U.S. Foreign Policy Interests and Goals

The USAID/Malawi 2001-2005 Strategic Plan is fully consistent with the International Affairs Strategic Plan (IASP) and the United States Government's (USG) Mission Performance Plan for Malawi (MPP). The interests of the USG in Malawi include the promotion of: democracy and good governance; broad based economic growth and agricultural development; human capacity building through education and training; health benefits for all, environmental protection and disaster preparedness.

As discussed in the Chief of Mission Statement to the 1999 MPP, the heart of the official U.S. agenda in Malawi is our bilateral assistance, to which the sizable USAID program is a major contributor. The U.S. Peace Corps and the Public Affairs Office (PAO) also make important contributions. This effort is first and foremost to promote sustainable economic growth to raise rural incomes, facilitate Malawi's transition to a market-based economy, and improve basic social services. USAID's proposed objectives under the 2001-2005 CSP will serve as an important vehicle for achieving the US's foreign policy interests in Malawi.

The USAID/Malawi Strategic Plan focuses on reducing poverty and increasing food security through broad-based, market-led economic growth. Such growth requires the sustainable creation of economic opportunities (both on and off the farm), and the supply of productive (healthy and educated) individuals to take advantage of these opportunities. Citizen involvement is indispensable for achieving the economic expansion so urgently needed. Malawians freely exercising their rights and responsibilities will bring about a more effective marketplace, an active civil society, a strengthened rule of law, and institutions that are transparent and accountable to those whom they serve. These conditions all feed into

one another and create a synergy capable of bettering the lives of all Malawians. The CSP will also contribute indirectly to the IASP goal of improving the global environment, achieving a sustainable world population, and protecting human health.

Finally, the Strategic Plan will contribute indirectly to the IASP goal of providing humanitarian assistance. While our analysis does not suggest that a crisis is imminent, the Mission is fully aware that even a modest drought may represent a localized disaster. We therefore intend to continue to improve the Famine Early Warning System (FEWS) monitoring capacity and to support economically sensible safety net measures for the relatively disadvantaged members of society to ensure that if humanitarian assistance is required, it will be delivered in an efficient, effective and timely manner.

With respect to U.S. foreign policy, particularly in the area of peacekeeping, Malawi contributes to promoting peace and stability in the region. Malawi, for example, is the only southern African country to participate in the African Crisis Response Initiative (ACRI).

C. Country Overview

1. Background

Malawi is a small, narrow and land-locked country about the size of Pennsylvania in southeastern Africa. Its neighbors are Mozambique (East, South, and West), Zambia (West) and Tanzania (North and East). The population as reported in the 1998 census is 9.84 million with an average annual population growth rate of 1.9% since the previous census in 1987. Of the country's 45,747 square mile land area (94,000 square kilometers or 9.4 million hectares [ha.]), 32% is arable, but approximately 50% is cultivated – meaning some marginal and unsuitable areas are under cultivation. The population density is high; the national average has risen from 85 persons per square kilometer in 1987 to 105 in 1998. The 1987 census stated there were 171 persons per square kilometer of arable land. In 1998 the southern region with 34% of the land area and 47% of the population had the highest population density ranging between 230 and 460 persons per square kilometer of arable land, varying from district to district.¹ The National Agricultural Survey (1992/93) found that some 72% of smallholders cultivate less than 1 hectare (ha) of land. Recent estimates state that 40% cultivate less than one-half ha (equivalent to 1.2 acre).

The country has three regions (Northern, Central and Southern) which are divided into 27 districts. About 1.2 million people live in the Northern Region, 4 million in the Central Region and 4.6 million in the Southern Region. The 1998 Census reveals that 14% of Malawi's population live in urban areas. Malawi is experiencing only a slight rate of urbanization in that in 1970 only 6% of the population was urban. The Census also reports that 11 of the 14% urban population lives in the four major urban areas of Blantyre (4.9%) Lilongwe (4.4%), Mzuzu (0.9%) and Zomba (0.7%).

The majority of the population, 86%, lives in rural areas and agriculture provides the most employment. The economy is heavily dependent upon the agricultural sector which contributes 37% of the Gross Domestic Product (GDP) and 85% of export earnings. Agricultural employment in Malawi, however, is constrained by a mono-season rainfall which results in significant dry-season underemployment.

Maize, burley tobacco, tea and horticulture are the principal cash crops. Agriculture, however, is highly dualistic, with a large subsistence sector and a relatively small estate sector that grows most of the country's export crops – tobacco, tea, sugar and coffee. Over 65% of Malawi's export earnings come

¹ The figures cited are from the State of the Environment Report 1998 (Dept. of Environmental Affairs) and the Preliminary Results of the 1998 Population and Housing Census (National Statistical Office).

from tobacco. Under the late President Banda's government estate farms had a monopoly on growing tobacco. This policy was abolished in 1994, and smallholders' share of tobacco yields went from 0 to 12% in two years.

There are approximately 500,000 persons employed in the formal sector. Of these, about 150,000 work in Malawi's small formal manufacturing or industrial sector, and another 130,000 are civil servants. In 1995 the total workforce was estimated at 5,000,000, 35% being between the ages of 10-14. The GDP is about US\$ 2.0 billion and is dominated by a few firms that hold monopoly or near-monopoly power over trade, agribusiness, and the financial sector. Per capita GDP is \$200 per annum. About 60% of the population is considered to be living below a poverty line defined in 1994 as \$40 per year.²

Malawi's economic performance is adversely affected by a poorly educated and trained workforce. The World Bank (WB) has stated that in 1995 28% of males and 58% of females were illiterate. Only 23% of students entering primary school complete all eight standards. Secondary school achievement is also low – over each of the last five years fewer than 20% have passed the national secondary school examination, the Malawi School Certificate of Education (MSCE). It should be noted that while a member of the workforce may be considered literate, proficiency and productivity may be of sub-standard quality. Other factors constrain economic performance: the nation's economy is at risk as much from HIV/AIDS and other crippling illnesses as it is from population pressures and drought. The National AIDS Control Program of Malawi estimates that the HIV sero-prevalence rate for people aged 15-49 is 14%. Life expectancy appears to be dwindling: in 1990 it was 48.1 years (Human Development Report 1993) and was estimated by the World Bank in 1997 to be 43 years – nine years less than the 52 years expected without AIDS (GOM-WB 1998). However, further analyses of the 1998 Census results may lead to revisions in life expectancy estimates. A statistical consequence of the HIV/AIDS pandemic is that population growth has fallen to 1.9% from 2.7% (1987 Census), yet the total fertility rate appears to be unchanged. Infant mortality is among the highest in Africa (135 per 1,000). Malaria and tuberculosis are widespread, and World Bank estimates indicate that 47% of all Malawians lack adequate sanitation facilities and 55% lack access to a safe source of water.

2. Macroeconomic Environment and Trends

Since the time of the submission and reviews of the 1995-2000 USAID/Malawi Strategic Plan, Malawi has implemented some stabilization policies and has begun to undertake the more difficult structural reform issues. Table 1 presents a tabular view of Malawi's economic structure and performance statistics over the past five years.

As noted in the 2001 R4, Malawi's macroeconomic performance began to slip in early 1997, mainly because of poor fiscal discipline and loss of budgetary controls. Higher than budgeted wage outlays, higher maize imports, excessive travel expenditure, and extra-budgetary expenditures – e. g. hosting the Southern African Development Community (SADC) Summit – and a shortfall in income tax collections resulted in a higher than anticipated 1997/98 budget deficit. Simultaneously, foreign exchange reserves declined to about 2 months of imports of goods and non-factor services. These factors exerted pressure on the Malawi Kwacha which depreciated from MK15.3 to the dollar in July 1997 to about MK21.5 in December 1997, to MK25 in April 1998, and to MK43 in August 1998. The inflation rate rose from less than 7% in 1996 to 15% in 1997 to 29% in 1998, and in 1999 has been projected to be 43%. Real GDP growth declined from nearly 14.5% in 1996 (following the recovery from drought) to 5.2% in 1997, and provisional estimates have indicated a GDP growth of 4.2% in 1999.

² Situation Analysis of Poverty (1993), GOM.

Table 1: A Summary of Malawi's Economic Structure

Source: IMF October 1999 Midterm Review

Economic Indicators	1994	1995	1996	1997	1998	1999
GDP at market prices (MK m)	10,308	22,638	34,853	41,313	52,441	78,093
Real GDP growth (%)	-11.6	15.1	9.6	4.9	3.1	4.2
Consumer price inflation (avg%)	34.7	83.1	37.7	9.1	29.7	43.0
Population ^a (m)	9.46	9.79	10.14	10.44	10.81	11.0
Exports fob (\$ m)	327	404	483	567	476	470 ^e
Imports fob (\$ m)	536	474	624	783	646	646 ^e
Current-account balance (\$ m)	-159	-25	-176	-234	-136	-138 ^e
Reserves excl gold (\$ m)	37	106	218	155	258	279 ^e
Total external debt (\$ m)	2,083	2,081	2,156	2,258	2,479	2,607 ^e
External debt-service ratio, paid (%)	22.7	19.2	16.5	13.8	19.8	20.4 ^e
Tobacco production ('000 tons)	93	99	96	112	134	N.A.
Exchange rate (avg; MK:\$)	8.736	15.284	15.309	16.444	31.073	43.124

(September 10th 1999: MK43.58:\$1)

Sectors of Gross Domestic Product 1999 ^c (Source: E.I.U. 4 th Quarter, 1999)		Components of Gross Domestic Product, 1996	
	% of Total		% of Total
Agriculture	37.4	Government consumption	18.9
(Small-scale agriculture)	31.1	Private consumption	61.8
Transport & distribution	28.6	Gross fixed capital formation	11.5
Manufacturing	12.7	Change in stocks	2.3
Government	9.5	Net exports of goods & services	5.5
Utilities & construction	3.1		
GDP at factor cost (incl others)	100.0 ^d	GDP at market prices	100.0

Principal exports fob 1998 ^b	\$ m	Principal imports cif 1996 ^c	\$ m
Tobacco	178	Industrial	151
Tea	49	Petroleum	60
Sugar	24	Transport equipment	43
Coffee	12	Foodstuffs	40
Cotton	5		

Main destinations of exports 1997 ^d	% of total	Main origins of imports 1997 ^d	% of total
South Africa	12.8	South Africa	34.1
US	11.9	Zimbabwe	17.0
Germany	10.2	Zambia	7.5
Netherlands	9.2	UK	4.1

^a UN estimates; excludes Mozambican refugees; preliminary results from the 1998 census point to a lower population of 9.8m in 1998, but revisions are expected. ^b EIU estimates. ^c Official estimates. ^d Based on partners' trade returns, subject to a wide margin of error. IMF October 1999. ^e Figures overlap and total 122.4%.

Performance also fell short of expectations due to higher-than-anticipated imports and large cash outflows. The current account deficit (denotes current account in Balance of Payments (BOP) including grants, specifically unilateral transfers) rose to 12.5 percent of GDP. The capital account also deteriorated

resulting in the overall balance of payments deficit of \$50 million, against an IMF programmed \$20 million surplus.

In addition to the macroeconomic instability of 1997-98, there was disappointing progress in addressing other pressing issues of the Malawian economy. Efforts to strengthen fiscal discipline (public expenditure control) and prioritization have proceeded slowly as has civil service reform which is not yet completed. Only 3,200 unskilled government employees were retrenched compared to the target of 7,000. In addition, reforms in the agricultural sector stalled. Furthermore, policies to enhance the private sector are inadequate.

In response to the difficulties mentioned above, the Government in April 1998 agreed to an IMF staff-monitored program (April-September, 1998) to restore fiscal balance. The objectives were to achieve real GDP growth of 5% in 1998, to reduce inflation to 12% by end-December 1998, and to hold the budget deficit (before grants) to 7.5% of GDP by June 1998, and 7% for the following year. The program further sought to strengthen fiscal management and restore the foreign exchange reserve position to 4.5 months of imports.

In late 1998 and early 1999 (following a significant devaluation of the Kwacha in August 1998 from 25 to 43 per USD), the government renewed its commitment in the macroeconomic arena. The most notable developments include: the increase in foreign exchange reserves (from two to 4.5 months of imports) and the exchange rate with the dollar has increased by less than 10% over a year's period. The inflation rates for 1997, 1998 and 1999 have been 29%, 29%, and 35% respectively.

The joint IMF/World Bank Missions of May and September 1999 found Malawi's macroeconomic performance to be "back on track." The basis for this optimism includes: the expected implementation of the Civil Service Reform Program, the announcement of export-parity maize producer prices, the establishment of an autonomous National Food Reserve Authority, the direct importation of petroleum products by oil companies, the elimination of government subsidies on petrol and diesel, and the continued efforts to streamline the GOM budget. It appears that the GOM has largely held to its budget targets in 1999. The 1999/2000 budget shows that the government intends to continue to restrain overall spending, while boosting investment in infrastructure and social services. While the GOM may not meet all of its macroeconomic targets, the clear signals are that it intends to push ahead with reforms.

Preliminary estimates indicate that real GDP should increase to approximately 4.2% in 1999 as a result of the strong expansion in smallholder agricultural output associated with good rains and availability of agricultural inputs. The government officially projects real GDP growth of 5.5% in 2000 which is slightly higher than the 4.5-5.0% figure that many experts believe is likely. Growth will be led by the agricultural sector. The manufacturing sector, which has remained sluggish, is expected to begin to recover in 2001 as the effects of a weaker Kwacha and the tax incentives in the current budget are realized and the much needed fiscal discipline is improved.

Year-on-year inflation has continued its gradual decline falling from a peak of 56.6% in March 1999 to 50.2% in July and 32.5% in November 1999. However, with the prices of some basic goods and utilities continuing to rise, modest upward pressure on inflation will remain. The government projects single-digit inflation in 2000 and 2001. Given the Kwacha's weakness putting pressure on the price of imported goods, single-digit inflation may be difficult to achieve.

Malawi's current account deficit is estimated to have been \$136 million in 1998 (\$150 million targeted), down from \$234 million the previous year as a result of a recovery in exports combined with lower imports. It is projected to be \$135 million in 1999, \$121m. in 2000 and \$133m. in 2001. Exports are

forecast to increase to \$500 million in 2000, although tobacco receipts are not expected to be higher than \$180 million.

In 2001 we expect exports to be boosted by the recovery in the manufacturing sector, and a shift to non-tobacco agriculture should allow modest growth in non-traditional exports. Imports, however, are likely to increase more quickly than exports, as international oil prices rise and import demand is renewed as the manufacturing sector begins to re-equip. The invisibles balance is also expected to deteriorate slightly in 2000 because of the increased-cost of import-related services and debt payments.

3. Democratic Governance

During the era of President Banda, rule was by presidential fiat rather than by the law equitably applied. The irregular use of the legal system (Banda claimed he was "the law in Malawi") led to a loss of public faith in it. The arbitrary nature of the regime, its lack of transparency and accountability, and intolerance of any dissent created an environment which was politically stifling and an overall public attitude that remains essentially passive and is a barrier to meaningful public participation. Over the past five years public participation in the political life of the country has increased. However, the consolidation of democracy will require improved transparency, accountability and tolerance of dissent on the part of the Government and civil society.

Malawi is one of our best development partners in the areas of Democracy and Governance (D/G) in Africa (Freedom House Index). A remarkably peaceful transition from dictatorship to democracy was achieved in 1994. The peaceful process continues partly as a result of a reasonably pragmatic posture adopted by the people of Malawi. The repression and fear that were pervasive in the old regime are gone. The major political parties vie for attention through the press and in Parliament. Under the Constitution adopted in 1995 there is an effective separation of powers, whereas previously Parliament, the Judiciary and the Executive were subject to absolute presidential control.

In June 1999, President Muluzi was elected for a second five-year term. His ruling party, the United Democratic Front (UDF), won 93 seats in Parliament, the Malawi Congress Party (MCP) won 66, Alliance for Democracy (AFORD) won 29, and four independents were elected. The four independents have since declared themselves members of UDF and the party won three seats in by-elections, giving it a majority in Parliament. The opposition in Parliament has healthy numbers and is a force for the ruling party to reckon with. There are few significant differences between the parties in their positions on domestic or international issues. Regional identification serves as the primary basis for party affiliation with UDF being the dominant party in the southern region, MCP dominating the central region, and AFORD having hegemony in the northern region. There were more votes cast for opposing parties within the regions than in 1994 and there is thus a modest hope that as political parties continue to evolve in Malawi, other issues will assume greater importance.

International observers deemed the elections "free and substantially fair." The opposition parties filed suit in July in the High Court of Malawi contesting the results of the Presidential poll as well as alleged irregularities in the electoral process. The suit on the Presidential election is based on the interpretation of the word electorate in that the law states "the President shall be elected by a majority of the electorate." The issue (now referred to the Supreme Court) is: does "electorate" mean those who voted or those who are registered? Out of 5.071 million registered voters, 4.755 million voted (93.7%) in the Presidential race. President Muluzi received 51.3% of the votes cast for President and was declared duly elected by the Malawi Electoral Commission. It is important to note that the Constitution does not provide for any type of run-off contest for President or Member of Parliament.

Some strengthening of democratic institutions has taken place including the growth of civil society, the improved capacity of the Parliament as a separate arm of government. Important institutions such as the Judiciary, the Auditor General and the Anti-Corruption Bureau remain somewhat weak; however they have shown increasing independence and are strengthening their internal capacity. Similarly, the broadcast media has been heavily government controlled, but legislation³ has been enacted which safeguards the media's professional independence. However, the application of the legislation to all entities including the Malawi Broadcast Corporation is not yet complete. The Electoral Commission proved itself to be vulnerable to government influence as evidenced in the 1999 elections. The Commission is undertaking reforms to strengthen its independence in anticipation of the 2000 local government elections. Institutionally, from civil society groups to the government, Malawi is weak.

The Executive branch continues to effectively dominate the Parliament, but the quality of parliamentary debates has remarkably improved over the past two years. Furthermore, there is relatively more opposition (depending on the issue) from within party ranks which suggests an evolving democratic forum in which Members of Parliament are increasingly concerned with the interests of their constituencies. During the past several years the Judiciary has demonstrated some independence from the Executive with a number of rulings which went against it and its majority UDF party.

We approach this CSP period with a confidence that we believe is well-founded given the following post-election observations:

- The citizens of Malawi have demonstrated a clear commitment to entrenching democracy, registering and voting in exceptionally high numbers.
- The Malawian electorate displayed impressive patience and perseverance during what were often long and cumbersome polling procedures.
- Civil society provides an effective avenue for issues to be addressed. Civil society groups have made a positive impact on the democratic process even though they are in need of further capacity building.
- Civil society groups played a key role in voter mobilization and education.
- There was active dialogue and consultation among stakeholders (which includes government) which was initiated and sustained by civil society. Issues key to the electoral process were kept on the table and in the public domain, even if they were not popular in certain quarters.
- There is a willingness to use the courts to resolve issues. The courts have demonstrated their ability to judge without fear or favor on several key election cases.
- All political parties give tacit and express approval to the Constitution and the system that it enshrines.

In sum, the democratic governance environment in Malawi has flaws, some of them serious. However, we believe that when viewed in the context of Malawi's past and future, the trends are quite positive and encouraging.

³ The Communications Act of 1998, Government of Malawi.

D. Analysis of Constraints and Opportunities

1. Low Productivity

Performance in the agricultural and rural economy is the critical component of overall economic growth in Malawi. Raising agricultural productivity and enhancing the transformation process will help strengthen the intra- and inter-sectoral linkages which are critical in addressing pervasive rural poverty.

Malawi's rural sector is split between some 1.75 million smallholder farm families cultivating an estimated 4.3 million hectares and about 30,000 estate farms occupying 740,000 hectares. Agricultural policies of the colonial regime which continued through the Banda era (1964-1994) were extractive in nature with rural households cultivating for household consumption. Estate farms range in size from 10 to over 500 hectares and account for 70% of agricultural exports (mainly tobacco, tea, coffee and sugar).

Female-headed households make up some 35% of the total population, but they are disproportionately represented in the lower income distribution levels. They typically have smaller landholdings, fewer productive members and fewer employment opportunities than households headed by men. Providing women with economic options would be of great assistance in relieving poverty in Malawi; the most likely strategy for this is through increased education.

Malawi's immediate and short-term economic future is tied to the agricultural sector. For agriculture to serve as an engine for growth, contribute to the transformation of the economy and reduce the number of people living in poverty, a structural transformation of the rural economy is needed. It encompasses: (1) increased utilization of land – especially in the estate sector; (2) increasing yields (crop intensification); (3) shifting of land and labor resources from lower valued to higher valued commodities; (4) increasing employment opportunities off of the farm. Economic growth in Malawi must come from a combination of these four factors.

Better Utilization of Land. For most Malawians – those living in the smallholder sector – increasing the amount of land available is not likely unless they resort to terracing. The small size of plots and the necessary fallow periods required in traditional agriculture limit the ability to expand the hectareage planted. There are some possible indirect improvements that may be associated with the introduction of leguminous crops into the cropping-system, but the expansion of area in the smallholder sector is very limited. There is, however, scope for intensifying land utilization on many of the estates provided that the costs and prices are attractive.

Crop Intensification (Increasing Yields). There is considerable potential for increasing yields of food crops (especially maize) within Malawi. While there is significant variation in yields due to the reliance upon rain-fed agriculture, Malawi generally produces lower yields than neighboring countries and significantly less than the genetic potential of most crops. The most significant issues affecting crop intensification are the availability and use of inputs, especially fertilizer. Conventional wisdom in Malawi is that fertilizer use is not economically profitable on maize. While this argument has been true when prices have been pegged artificially low to protect the consumer, the analysis for the 1998/99 market year shows that fertilizer was indeed profitable (the valued-added of maize production exceeded the costs of fertilizer). Other factors further complicating crop intensification are: (1) the lack of an input market capable of delivering seeds, fertilizers and other agricultural inputs at reasonable prices before the agricultural season; (2) the lack of competitive output markets for agricultural commodities; (3) the availability of financial markets to alleviate seasonal financial constraints.

Shifting of Land and Labor Resources from Lower-Valued to Higher Valued Commodities. The shift of land and labor resources from lower-valued to higher-valued commodities complements the need for agricultural intensification. Briefly, those farmers who have a comparative advantage in maize production should specialize in maize production. As consumer markets for maize develop, farmers who do not have a comparative advantage in maize due to rainfall, soil-type or adoption of less efficient cultivation practices should shift the allocation of land and labor to other commodity systems which will yield higher value (especially per labor unit) than maize. Following the initial liberalization of the agricultural economy in the early 1990s, there was a significant shift of smallholder land and labor resources to the production of burley tobacco. As Malawi approaches the 21st century, however, there is increasing recognition that the economy is overly dependent on a fragile export commodity. Accordingly there is a need to shift to other higher-valued crops for which the market will expand within the sub-region.

Increasing Employment Opportunities Off the Farm. Off-farm employment can be another means of increasing productivity and/or income. This has often been accomplished through migration to cities, but there are many instances throughout the world where rural incomes have been increased while urban migration was minimized. Malawi has thus far avoided significant rural-to-urban migration. Currently 35% of households are involved in some type of off-farm work, and 31% are involved in rural micro-enterprises. Trade-based enterprises are most common and seem to have grown significantly since 1994. If this trend is going to continue, non-farm investment in rural areas needs to be increased. Non-farm investment contributes to the rural economy in a number of ways: (1) when agricultural inputs are made available rural smallholders make use of them; (2) the presence of agro-processors raises the demand for agricultural output; and (3) the availability of non-agricultural goods and services leads to a demand for income and contributes to the smallholder's decision to produce for the market or for home consumption or for both.

To date, there has been reluctance in investing in the rural off-farm sector. Individualism and entrepreneurship were discouraged throughout the Banda era. In recent years, inconsistent policies which alternatively encouraged and displaced the private sector have led to confusion and apprehension in investment. We find that in the past the Government has had a tendency to confuse agricultural policy with social-welfare policy. While this is understandable in that the rural sector is poor, and the targeting mechanisms are poorly developed, this policy has tended to limit Malawi's growth prospects. We believe, however, that as the Government faces decreased revenues as a result of its reduction in tariffs, there is an increasing awareness that it must create an environment which contributes to growth and expansion of the private sector. This attitude has been confirmed by Government's acceleration of privatization activities, including the re-shaping of ADMARC and numerable speeches which have focused on "Poverty Alleviation through Private Sector Growth."

2. Underdeveloped Private Sector

Under its various economic liberalization programs, Malawi has put considerable emphasis on the role of the private sector as the engine for growth and development. However, numerous constraints still remain, especially for small and medium size enterprises which find it difficult to take advantage of the new opportunities. The constraints cited are numerous and include: unpredictable macroeconomic environment; lack of working capital and medium-term finance; inadequate roads, transport, electric power and water; increased competition from cheap imports; inadequate telecommunications infrastructure; a legal, regulatory and judicial environment that is slow, costly, and uncertain; limited market opportunities; costly and often monopolized transportation services; high levels of taxation.

Unstable Macroeconomic Environment. The relatively unstable macroeconomic environment of Malawi has had a negative influence on private sector development. High rates of inflation and unstable

exchange rates have meant that returns on private sector activities are uncertain, and this has impeded the utilization of existing capacity and the attracting of new investment.

An unstable exchange rate biases the allocation of resources away from the export sector, because of low export prices measured in terms of local currency, and it encourages measures to protect against imports, which in turn further distorts resources and encourages rent-seeking behavior. It also results in enormous uncertainty for producers and investors.

This unstable macroeconomic environment affects the whole economy. A recent study conducted under the EAGER/PSGE project found that the majority of sampled firms, especially those selling on the domestic market, complained about sharp devaluations and the lack of trust and inconsistencies in government exchange rate policies. To cover these risks, firms seek to include a premium in their selling prices based on their expectation of the exchange rate at the time that sale realizations are converted into hard currency.

Disincentives Created by the Tax Regime. By 1995, the GOM had put in place tax policy reforms needed to encourage the growth and diversification of nontraditional exports, which had been stagnant despite a cheap labor force that could make Malawi competitive for export product and attract export oriented foreign investment in labor-intensive sectors. A number of tax reform measures were put in place that sought to reduce the anti-export bias and high protection for inward looking import substitution created through high customs duties. Particular attention was paid to inputs used in the production of exports. Tax incentives in Malawi pertain to concessions with respect to indirect and/or direct taxes. Some of the arrangements that are in effect are indirect taxes (customs duties, excise taxes, and surtax – a variant of the value added tax) and direct taxes. Export processing zones (EPZ)/Bonded Warehouses Scheme (BWS) involve concessions of both types.

The various schemes for granting exemption on indirect taxes paid on inputs used in the production of exports work imperfectly. The rationale behind the Industrial Rebate Scheme is unclear in that it does not offer an incentive to export. The scheme also favors larger producers over smaller producers. The Duty Drawback and Surtax Schemes are appropriate in their incentive structures, but do not work well administratively. The EPZ/BWS works reasonably well, but is biased against smaller firms. None of the schemes effectively allows for exemption on taxes paid on inputs produced locally which are subsequently incorporated into products that are exported.

High Cost and Lack of Availability of Capital. Macroeconomic mismanagement has given rise in Malawi to very high interest rates, partly because of expectations regarding future inflation and partly because the GOM has tended to crowd the private sector out of capital markets. Even when real rates of interest measured relative to inflation are not very high, potential borrowers are frightened by high nominal rates. Thus improving the macroeconomic management should lead to lower borrowing costs and greater incentives for the private sector.

In addition to high rates of interest, lack of competition among financial institutions results in high margins between borrowing and lending rates. Part of this problem is also due to the fact that most financial institutions are tied directly or indirectly to the State. Thus there is a need for liberalization of the banking sector, promotion of greater competition within the sector, and the establishment of more non-bank financial institutions. Especially important are institutions that are able to mobilize long-term savings such as insurance and pension funds. Also important is the creation of specialized institutions that can service the Small and Micro-Enterprises (SMEs), and especially those requiring export financing.

A final concern is the lack of financial institutions throughout much of the country. Currently there are only 12 branches of the National Bank of Malawi and most are in urban areas. Rural areas, in part due to

security and low levels of savings and loan applications, have been consistently under-served. This has resulted in a tendency for rural people to “save their money under the mattress” – which contributes to the concerns of rural theft. It has also resulted in the necessity of small savers and borrowers having to undertake day-long travels to get to the nearest financial institution. A healthy economy encourages savings, and as overall rates increase the economy can expand.

Unreliable Utilities and Telecommunications Infrastructure. Unreliable and costly utilities are a critical obstacle cited by firms in various surveys. Reliable energy supply is vital for the development and promotion of the private sector. In addition to severely constraining the performance of existing firms, poor infrastructure acts as a deterrent to foreign direct investment.

In November and December of 1997 as a result of several years of drought the water level of Lake Malawi dropped so as to result in low water flow down the Shire River which diminished the capacity of hydroelectric generation. The entire country had to go onto programmed revolving outages. These electricity outages severely impacted economic activities and aggregate losses were large.

With the advent of the technological revolution, telecommunication is the core of the information infrastructure needed to participate and compete in the global economy. There is a major need to increase the development of wireless communications by a competitive private sector and to link that with the existing cable network. This will require complete liberalization of wireless communication and investment by Malawi Posts and Telecommunications Corporation (MPTC) in the hardware and software required for linkage. It will also require implementation of the Communications Act of 1998, which allows for the establishment of a regulatory authority independent of MPTC. Recent developments indicate the creation of an enabling environment for technology innovation and competition which will allow new entrants and operators into the communication industry. These developments should lead to improvements in the quality and prices of services delivered.

The passage of the Electricity Act enabling private investment in power distribution is also a step in the right direction. Consideration should be given to do the same with the generation of power. This would allow private investors to invest in alternative sources of energy. To ensure fairness in competition, it is essential to set up a regulatory body to oversee the sector. This body should be separate from any public investment in or operation of power generation and distribution facilities. Equally important will be the ability of utility suppliers to charge prices that reflect the cost of production and distribution.

Transportation. As a landlocked country, Malawi is highly dependent on the overland movement of exports, imports and domestic trade. The transportation network and its connections to neighboring countries is of the utmost importance. Malawi has four (4) major outlets to the sea: the northern corridor via Mbeya, Tanzania which gives access to the port of Dar es Salaam; the Nacala corridor with access to northeastern Mozambique; the southern route to Beira with access also to Mozambique, and the southern route via Mwanza (Malawi) to Durban, South Africa. Until 1982, about 95% of Malawi’s trade passed by railway through Nacala and Beira, but the Mozambican civil war severely disrupted these vital trade routes, forcing most export and import traffic to be rerouted through the more distant ports in South Africa and Tanzania. The northern route carried 15% of Malawi’s trade in 1996, but its traffic has declined since the ports of Nacala and Beira returned to regular service. Malawi’s sole rail connection to the sea is through Nacala, and 20% of freight has been rerouted through that corridor.

Air freight is extremely important for highly perishable nontraditional exports such as cut flowers and aquarium fish. It is believed that air freight capacity currently exceeds the demand by a large margin. Small operators complain about Air Cargo’s practice of not accepting shipments smaller than one metric ton. Private operators also complain about the lack of reliable service between Nairobi International Airport and the European markets. The reliability of flight schedules is another issue. When flights are

delayed, firms are rarely notified and goods may be left unattended resulting in the degradation of perishables. Another issue raised by firms is the high cost of air freight. In high demand season, the freight cost is \$2.20/kg for a palette that weighs about 2 tons, compared to \$1.60/kg out of Nairobi. Import and export procedures at the airport do not create too many problems. If a flight arrives after business hours, however, prior arrangements have to be made with custom officials so that goods can be cleared in a timely fashion.

Within Malawi, trunk roads are of adequate quality, but deteriorate during the rainy season. Road maintenance fees are raised from revenues collected from the fuel tax. Maintenance contracts are awarded competitively. Inland and regional transport is partly handled by a Malawian fleet, which faces increasing difficulties due to the fact that its rates are much higher than those in surrounding countries. While the trunk roads are adequate, there remains a significant lack of secondary and tertiary roads which would facilitate the increase in local trade volumes. This lack constitutes a serious impediment to the economy of the nation – goods do not move easily to markets within the country, and thus potential expansion of productive activity is untapped.

Security. The security issue is not an easy one to identify or sufficiently address. However, threats to personal safety as well as thefts of property do have a long-term detrimental effect on the investment climate of a country. This has a potentially devastating impact on the rural economy, where some services such as banking and distribution of goods are being withdrawn on the grounds of security considerations. The current GOM effort to tackle the rise in criminality by increasing the level of available resources to law enforcement officers, including the police and judiciary, should be encouraged.

Sectoral Linkages. The lack of strong linkages between the sectors of the economy – whether they are agriculture versus industry, formal versus informal, or large firm versus SME is believed to be more pronounced in Malawi than in most other African countries (EAGER/PSGE Study September 1999). In Malawi, the SME and informal sector appears to be less well developed than in many other African countries. Certainly, its linkages with the formal sector are weak, perhaps due to the way in which the formal sector has been dominated by a conflux of strong political and business interests for so many years, which allowed few opportunities for the entry of small and medium firms. Today, this lack of linkage is often expressed by managers in the formal sector in terms of unreliability of input supply and a rising cost of raw materials. This is a very serious problem – most studies show that usually economic growth occurs from the expansion of larger firms, with overall benefits spreading more broadly through their hiring and sourcing of supplies to SMEs. Unless addressed, this lack of linkages can be very detrimental to growth in equity in Malawi.

3. Deteriorating Natural Resource Base

As indicated above, there is potential to increase Malawi's productivity. For increased productivity to be sustainable, the natural resource base must be maintained and if possible enhanced. Malawi's population growth and density have created immense pressures on land, water resources and farming conditions, especially in the southern and central regions. These pressures have led to a lack of additional arable land and severe environmental degradation. Soil erosion and deforestation have reached alarming proportions. Soil productivity is declining due to erosion and the depletion of nutrients. These factors have a negative impact on food security (limiting both access to and availability of food), health, and labor productivity.

Other serious concerns of environmental degradation are the loss of biodiversity and diminishing surface and ground water supplies. Siltation and contamination of streams, rivers, dams, and lakes have far-reaching effects which include dangers of flooding. The traditional land-use practices that once preserved the integrity of the natural resource base have changed in response to the population's struggle to survive.

Together, these factors are undermining the country's agricultural foundation for sustainable food security.

As the activities which damage the natural resource base are better understood and the consequences of the destructive actions in terms of reduced productivity in the medium-term are better appreciated by farm households, it is expected that these households will address the underlying problem. This assertion however assumes that lost income is of importance to the household. It also assumes that alternative, environmentally-friendly production technologies are available and cost effective. Our analyses show that this assumption is valid and that improved environmental practices may be satisfactorily introduced and adopted by rural households.

4. Low Health Status

Improving the country's overall health is an end in itself, but the health of individuals and families is also linked to a nation's productivity. Health is a variable that directly affects the allocation of one's time; healthy people are more productive than sick people. Lower health status generally results in lower household income, higher health costs, fewer resources for savings and investment or consumption and higher rates of absenteeism.

The GOM with input from its development partners has recently completed its National Health Plan (NHP). The overall goal of this plan is to "raise the health status of all Malawians." The NHP has identified four key health problems for attention during the next five years: (1) high child mortality and morbidity; (2) high maternal mortality and morbidity; (3) high HIV seroprevalence and deaths due to HIV/AIDS related illnesses; and (4) high morbidity and mortality in the general population due to infectious diseases.

High Child Mortality and Morbidity. According to the Demographic Health Survey (DHS) of 1992, children under five make up 17% of the population of the country and account for 60% of all deaths. Infant mortality was last estimated at 135 per 1000 births and the under-five mortality rate was 239.5 per 1000 live births – these are some of the highest figures in the world. Disease prevention and the use of simple treatments are inhibited by the lack of knowledge, the availability of supplies, and the lack of basic health infrastructure. Half of all Malawian children are stunted (chronically undernourished) and a third are underweight. Even when children survive, they carry the affects of early poor nutrition and some illnesses throughout their lives.

High Maternal Mortality and Morbidity. Death also claims the mothers of these children, many of whom die in childbirth when there is no means of transporting them to a medical facility. Child bearing begins early in Malawi. Data in the 1992 DHS showed that 34% of women age 15-19 were either pregnant or had already given birth. Early motherhood, inadequate attention to child spacing and heavy workloads (especially during the agricultural season) increase women's health risks. Young mothers are dying of AIDS-related diseases. In urban areas, the prevalence of HIV among pregnant women was estimated at between 23-27% (Sentinel Surveillance Report, 1998). USAID's *Children on the Brink* (1998) study estimated that in Malawi 36% of children under the age of 15 have lost one or both parents.

High HIV Seroprevalence and Deaths Due to HIV/AIDS Related Illnesses. Nationally, the HIV seroprevalence rate is estimated to be 14% for 1998 for adults aged 15-49 (the most productive age group), and HIV/AIDS and related diseases are the leading cause of adult mortality. The HIV seroprevalence rate appears to be highest in the heavily populated southern region of the country, which is also the area where average income is the lowest. The Ministry of Agriculture counted deaths among its staff over a three year period and found the number to be rising – 48 in 1996, 78 in 1997, 100 in 1998. HIV/AIDS-related diseases account for 70% of all in-patient hospital admissions. This figure places a

significant strain on the health care system, and home care alternatives are being explored. In 1997, the GOM and World Bank conducted a situation analysis which found that HIV/AIDS alone was negatively affecting GDP by ½% per annum. This negative effect is likely to increase during the life of the 2001-2005 CSP unless the situation is effectively addressed in the immediate term.

High Morbidity and Mortality in the General Population Due to Infectious Diseases. AIDS is not the only disease that is taking its toll on Malawi's population. Malaria is also a significant cause of morbidity together with pneumonia, tuberculosis, anemia, diarrhoeal diseases, complications of pregnancy, nutritional deficiencies, accidents and diseases of the nervous system. While the challenges facing the health sector remain daunting, USAID/Malawi is encouraged by the GOM's efforts. The development of the NHP was a significant undertaking. Similarly, the GOM has demonstrated its commitment to the health sector through real (adjusted for inflation) increases in the health budget. Health care reform including the rationalization of policies, plans, resources (including staff), and practices remains a high priority to both the GOM and USAID.

A very significant step has been President Muluzi's leadership in increasing health awareness in general and HIV/AIDS in particular. This level of active Government ownership gives reason to believe that many of the issues and challenges discussed above will be addressed in such a fashion that individuals and families will be empowered to better their health status.

5. Low Educational Attainment

Quality educational attainment, along with improved health status, is the foundation for alleviating poverty in the medium to long term. Improvements in the educational system are expected to yield economic and social benefits: evidence shows that education is associated with increases in agricultural productivity, lower fertility rates, and improved nutritional and health status. The World Bank has identified "low education and nutrition levels which lower labor productivity" as one of the country's three main impediments to growth. Improvements in the educational system are urgently needed to enable the country to develop the skilled workforce base required to compete in the sub-regional and international economy.

Over the past five years the GOM has achieved considerable success in improving initial access to primary schools. While in the early 1990s fewer than 50% of children age 6-13 were enrolled in school, this has increased to nearly 85% today. Similarly the gender gap in enrollment has virtually been eliminated. It should be noted, however that while access is improving, the efficiency of the educational system is not. Both repeater rates (by Standard Eight, 62.6% of the pupils have repeated at least one grade) and dropout rates (only 40% complete standard four) are quite high. Central to the challenge of quality and efficiency in Malawi's education sector is the fact that only 23 out of every 100 children who enroll in Standard 1 graduate from Standard 8. As long as only a quarter of Malawi's school-age population actually finish primary school, the country's low level of literacy and the inadequate qualifications of its workforce will not substantially improve.

Secondary schools are confronted with similar constraints on their effectiveness, and poor exam results indicate there are serious problems at that level. Form Four students annually sit for a national examination for the Malawi School Certificate of Education (MSCE); if they pass, they are awarded the certificate and in effect "graduate" from secondary school. The 1999 MSCE results were recently released by the Malawi National Examinations Board (MANEB) and the Ministry of Education (MOE) – 39,000 out of 45,416 failed (87%). In 1998 36,000 out of 43,000 failed (84%). In 1997 20,000 of 28,000 failed (71%), including 6,000 disqualified for cheating. In 1995, 79% of candidates failed.

A low level of learning in schools fosters high drop out and repeater rates and is partly attributable to poor attendance, sometimes in the 50% range. The declining quality of teaching and learning and high absenteeism, are caused by many factors (The impact of HIV/AIDS cannot be ignored), both within and beyond the school system. USAID's analysis of the problem suggests that this list includes at a minimum: (a) children have to walk a long distance to school as there are too few schools; (b) classes are overcrowded as there are too few teachers; (c) teachers are poorly trained; (d) teacher absenteeism is high; (e) supervision of teachers is weak and Head Teachers (principals) lack management skills; (f) students do not have textbooks; (g) school communities are rarely involved in their children's education; (h) parental interest is low.

In addition to these constraints within the school environment, there are several policy and management constraints facing the Ministry of Education (MOE). In spite of the increase in educational funding, the MOE does not have sufficient financial resources to support a free primary education system. Planning and management capacity within the MOE are improving but still not well developed. Finally, there has been a tendency to develop policies and programs in response to short-term priorities. The country is in need of a framework which provides direction to the educational sector as it strives to meet the human resource requirements of the 21st Century.

Progress has been made in recent years. In particular, we note: (1) the GOM's commitment to universal education and the expansion of the primary school system along with increased funding; (2) the completion of the Policy Investment Framework (PIF) within the Ministry of Education which will serve as the basis for resource allocation and implementation decisions; and (3) the virtual parity across genders within primary schools. The educational sector is in a better position to contribute to Malawi's social and economic future than it was five years ago. USAID can help ensure that the primary education sector continues to receive significant allocations of resources. USAID has a comparative advantage in terms of community participation and working with the GOM to strengthen institutional capacity and teacher training.

6. Poor Workforce Skills

A constraint that cuts across sectors and includes government, private sector, and NGOs is the issue of inadequate workforce development. As a very poor country, one would expect firms to take advantage of low wage rates in order to produce and export labor-intensive goods, such as garments, to the world market. In fact firms claim that they have substantial problems in hiring and retaining workers who are reliable and capable of upgrading their skills. Absenteeism is high and very elementary industrial skills are frequently lacking. On the other hand, there appears to be a considerable under-investment in labor. For many, labor training is generally perceived to be a government responsibility and corporations are reticent to train because they expect they will not be able to retain the workers after they are trained.

The same general situation prevails within the public sector. Currently it is estimated that 16% of teachers leave their profession annually. The lack of civil service reform has meant that for many the GOM Scheme of Service is no longer attractive. The GOM is thus no longer able to recruit or retain the skilled professionals required. Others have health problems (including HIV/AIDS) themselves or within their families which necessitate long and/or frequent absences. The result is a very fragile labor capacity in both private and public sectors.

E. Overall Development Prospects

It will take time, innovation and determination for the citizens of Malawi to reduce poverty and improve their lives. A multitude of serious obstacles must be overcome if they are to succeed. The GOM's role is that of a facilitator, an enabler. It must create conditions so that the people can generate wealth through their productive activities. Government's performance is more important than its promises; the reality on the ground is more important than the rhetoric in the offices. The on-going efforts to decentralize government functions are consistent with the USAID/Malawi program that strives to empower Malawians to control their own destiny.

Potential opportunities for growth lie within the sub-region and the on-going trade and economic liberalization efforts that are taking place. Malawi and its neighbors have a combined population of 125 million people. Increased trade should enable Malawian producers to identify and capture niche markets. It will also enable them to escape the low effective demand trap within Malawi that has impeded economic development since independence. To fully take advantage of this opportunity, however, the GOM must take a hard look at its macroeconomic management and policy frameworks including fiscal, monetary and sectoral policies.

Many of the most serious economic distortions have been or are being addressed. The GOM needs to actively proceed with the outstanding issues associated with agricultural marketing and financial sector concentration. The GOM, after halting steps, recognizes that the failure to mobilize the private sector and reduce rural poverty will undermine the expectations raised by its campaign to alleviate poverty. Malawi's experience after 30 years of dualistic development has demonstrated that economic growth does not "trickle down," it must begin with sustained increases among the intended beneficiaries from the bottom up.

Growth can only be achieved and sustained if Malawians become better educated and healthier. Recognition of this fact has led the GOM to increase the investment in the social sectors. It has also led to the development of increased awareness of the responsibility of line ministries to develop prioritized budgets which can be effectively implemented.

The government is not alone in its efforts to alleviate poverty. This indeed is echoed by virtually every donor and NGO as the ultimate goal of broad-based development. USAID's goal of broad-based economic growth is consistent with the GOM's efforts to improve its relationship with civil society and to bring the poor, disadvantaged and marginalized groups into the mainstream of the economy. These broad principles are closely linked to the government's planning process, including the Vision 2020 document, and the Vice Presidential Policy Analysis Initiative. They are reflected in the policy and implementation level at the sectors, e.g. the National Health Plan and the Ministry of Education's Policy Investment Framework. Given the limited means available, the Government has done an admirable job of incorporating objectives and policies within the implementation of its activities at the grass-roots level.

F. Conflict Prevention Considerations

The USAID Administrator has directed the Agency to identify sources of vulnerabilities to violent conflict in countries in which we work, and to deploy our resources and programs more deliberately and proactively to help prevent existing tensions and conflicts from turning into widespread violence. Conflict exists in all societies and is often a natural by-product of change and development. Societies with structural weaknesses – economic, political and social – are particularly vulnerable to "accelerators" that, if unchecked, can exacerbate underlying tensions, and quickly elevate them to the point of violent

conflict. USAID/Malawi believes that unlike some of the countries in the region, the probability of “crisis” within Malawi is considered low.

USAID/Malawi and the Embassy/Lilongwe have used the Forum for Early Warning and Early Response (FEWER) indicators of potential violent conflict or political breakdown as the basis for the current assessment. As shown in Table 2, we find that the economic structural factors – the prevalence of poverty, income disparities, high rates of unemployment and inflation, chronic food insecurity, environmental degradation, corruption and macroeconomic instability – are such that a crisis is possible. However, when we review the accelerator column, we find that most of the conditions which would accelerate conflict in Malawi are not present. On the political front, the biggest concern is a sense of unfulfilled expectations. We also note a growing disillusionment or confidence in the security institutions. The GOM shares this concern and has increased resources with substantive British assistance going to institutions of security, most notably the Police. On the economic front, there are concerns with the issues of debt and currency stability as well as the underlying factors of inflation, civil service reform and macroeconomic management.

An area that may cause instability is the possibility of food shortages in the event of a severe drought. USAID/Malawi will continue to monitor the food situation closely and will manage available food resources carefully to alleviate any crisis that might emerge. Finally, we note that there is an extremely high disparity in incomes within Malawi with a significant (40%) of the population living in absolute poverty. This structural issue is not believed to fall into the class of being an accelerator, due to the fact that the level of poverty is relatively static and has not increased significantly.

As we examine other possible “triggers” of crisis, one source may come from increased tension between the regime supporters and opposition groups as a result of court decisions with regard to the 1999 Presidential elections. It is the Mission’s assessment, however, that this is unlikely to result in a crisis situation, other factors being absent. A second “trigger” may be the purging of career civil servants for reasons of doubtful loyalty. It is our assessment, however, that this event will more likely erode confidence in the Government than trigger an actual crisis.

The USAID/Malawi Strategic Plan through its Strategic Objectives directly and constructively addresses critical issues of education, health, economic structure, and democracy and governance. These efforts should contribute to meeting many of the citizens’ unfulfilled expectations. We are therefore confident that a crisis in Malawi is unlikely to occur, and that the United States Government is taking all steps within our manageable interest to minimize the possibility of a crisis.

TABLE 2: Indicators of Crisis

Structural Factors	Accelerators	Triggers
<p>Political</p> <ul style="list-style-type: none"> -security expenditure -human rights abuses -constitutional abuses -abuse of power -illegitimacy 	<p>Political</p> <ul style="list-style-type: none"> -dissatisfaction with management of state affairs -general despair -increased opposition activity -increase in size/cohesion of opposition groups -security forces on streets -restriction of movement (journalists) -proliferation of opposition groups -political arrests up -trivialization of dissent -disillusionment with security apparatus 	<p>Political</p> <ul style="list-style-type: none"> -freedom of expression -freedom of assembly -politically motivated arrests -electoral fraud -voter intimidation -purging of dissent and opposition loyalists -dominant political positions/ideologies -human rights abuses -new discriminatory policies -widespread military dissatisfaction/mutiny -military build-up -attempted coup -state of emergency
<p>Economic</p> <ul style="list-style-type: none"> -presence of poverty -debt -unemployment -inflation -instability -inequality -land distribution -poor natural resource management -economic instability -mismanagement -corruption 	<p>Economic</p> <ul style="list-style-type: none"> -capital flight -debt -currency stability -foreign exchange reserves -increasing poverty/economic disparity -food access problems -large scale retrenchment -drought/floods -business failures -growing number unemployed school leavers 	<p>Economic</p> <ul style="list-style-type: none"> -banking system collapse -severe food shortages -massive land invasion -severe fuel shortages -transport disruption -demonstrations spark violence
<p>Socio-cultural</p> <ul style="list-style-type: none"> -inflammatory statements 	<p>Socio-cultural</p> <ul style="list-style-type: none"> -ethnic tension -historical grievances -HIV/AIDS pandemic -increased crime 	<p>Socio-cultural</p> <ul style="list-style-type: none"> -widespread racial/ethnic violence
<p>Institutional</p> <ul style="list-style-type: none"> -link between populace-government 	<p>Institutional</p> <ul style="list-style-type: none"> -shut down of media -public better informed on government actions &/or mismanagement 	

Table from: "A Manual for Early Warning and Early Response" developed by the Forum for Early Warning and Early Response (FEWER) London, 1999.

Coding:

A Current Concern in Malawi, December 1999

A Lesser Concern in Malawi, December 1999

G. Other Donor Activities and Coordination

Malawi is highly dependent on external aid with about 85% of its development budget financed by donors. The average annual donor assistance (grants) to Malawi in the 1994-99 period was \$400 million. Table 3 presents the external assistance to Malawi for the 1995-99 period, while Table 4 shows the distribution of external financing to Malawi by type of activity (see pages 24 and 25).

The largest bilateral donors are the United Kingdom, the United States, Japan and Germany; also providing significant bilateral assistance are the governments of Denmark, Norway, Sweden, Canada and the Netherlands. The largest multilateral donors are the World Bank, the European Union (EU) and the International Monetary Fund (IMF). Other multilateral donors are the United Nations organizations (UNDP, UNICEF, UNFPA, UNFAO, WHO, WFP and UNAIDS), the African Development Bank (ADB), and the African Development Fund (ADF),

The US presence in the country has allowed it to maintain a continuing dialogue with both the government and the private sector and thus contribute to the intellectual and technical leadership of the donor community. Table 4 shows the present donor involvement in the various sectors. Agriculture, health and population, and education command the highest amounts of donor assistance. A substantial amount of the aid to Malawi is in the form of Non-Project Assistance, used to finance major policy-based reforms. Despite large inflows and extensive management and reporting requirements, Malawi's absorptive capacity and management of development resources have generally been effective. One of the reasons is that the donors make an effort to coordinate and harmonize their activities and approaches.

Donors closely monitor the developments in the various sectors and keep each other informed of important developments at both the sectoral and Mission Management level. USAID has served as the chair of the health, education, agricultural, environmental and private sector coordination groups and continues to serve as the co-chair for the health and education groups while participating actively in the other sectors.

Donors and Chiefs of Mission meet bi-weekly to coordinate views across sectors and to discuss major issues of donor policy. The specific role USAID plays vis-à-vis other donors in the different sectors is presented in Part II of this CSP under the discussions of the respective strategic objectives.

H. Lessons Learned from the 1995-2000 Strategy

Increased Agricultural Incomes on a Per Capita Basis

In the early 1990s, USAID/Malawi addressed the problem of smallholder exploitation. It chipped away at the economic control of the Agricultural Development and Marketing Corporation (ADMARC) and gained legal access for smallholders to market cash crops. In doing so, it began to weaken the dualistic agriculture structure in Malawi. Throughout most of the 1990s, the USAID agricultural program has helped increase smallholder production and incomes without adversely affecting domestic food production. Smallholder farmers are growing more cash crops of their own choice, marketing those crops, and retaining a higher proportion of the selling price. We have also witnessed the growth of a reasonably strong business association – the National Smallholder Farmer Association of Malawi (NASFAM) which is beginning to provide technical and market assistance to Malawian farmers in their efforts to increase productivity through crop diversification.

Tobacco and maize are likely to be the dominant crops in Malawi for the next 10-20 years. However, as farmers become familiar with other cropping options and the economic viability of those options, we expect to see increased incomes as a result of reducing the dependence on one or two crops as well as increased total food availability. Already, we have witnessed a significant increase in hectareage planted to cassava and sweet potatoes. At first blush, this does not appear to be a shift to the higher-valued crops that economic planners would prefer. However, there is a growing urban market for these products and a possibility of exporting them to neighboring countries such as Zambia. Similarly, we have witnessed local investments in pigeon peas and ground nuts with a view to expanding production and increasing exports. We are therefore confident that the potential for agricultural diversification exists. The issue before the Mission and Malawi is how to accelerate the process to the point that agricultural diversification makes an attractive difference to most Malawians.

Increased Sustainable Use, Conservation and Management of Malawi's Renewable Natural Resources

Under the 1995-2000 CSP this Strategic Objective (SO) works with nine separate government agencies to develop and implement a comprehensive policy and institution reform agenda leading to a unified national policy and legal framework governing natural resource management. After considerable delay due in part to the design of the NPA component and the difficulty of coordinating the separate government agencies, we have witnessed very good progress over the past year. The GOM and USAID worked closely to revise the NPA conditionality to make the program more results-oriented and to eliminate redundant actions while maintaining the overall objectives. For better control, each conditionality is tied to the release of a tranche. All policy actions have been forwarded for cabinet approval. The endowment trust has been officially registered and the institutional review completed for all concerned agencies. Also, as a result of the tranche release, local currency is being provided by the GOM to assist with the implementation of the policy initiatives. We are therefore confident that within the next 2-3 years, USAID will have contributed to the implementation of the national policy and legal framework governing natural resource management. We also find that 19,594 farm families have adopted soil conservation practices in the 1998/99 cropping year which represents a 67% increase over the previous year.

Increased Adoption of Measures that Reduce Fertility and Risk of HIV/AIDS Transmission including Improved Health Practices

Malawi's fertility, HIV infection, and infant mortality rates are among the highest in the world. Based on the distribution records of family planning commodities which have doubled between 1997 and 1999, the target of 20% contraceptive prevalence rate by 2000 will be fully met or surpassed (DA/POP funding). The acceptability, distribution and use of condoms continue to rise. Results from an evaluation in Chikwawa District showed an increase in the distribution of condoms from all sources from 400,000 in 1996 to 774,000 in 1998. That same study also reported an increase in the percentage of men and women using a condom during last sexual act with a non-regular partner. In the targeted villages the percentage of women and men who said they had used one increased from 24% to 60% for women and from 60% to 84% for men. Maternal and child health services have been improved in both quantity and quality. Advertising and sales of insecticide-treated bednets and oral rehydration salts have resulted in increased knowledge and correct use of these products. The strengthening of six district health offices to improve management and service delivery has resulted in improved health services for children and mothers and increased participation of community health committees and volunteers to manage drug revolving funds and organize construction of water systems and latrines.

Improved Quality and Efficiency of Basic Education, Especially for Girls

In terms of primary education, we have found that the country has made significant progress in terms of educational access. The net enrollment rate in primary school for both boys and girls is 98% (MOE). This reflects the equality of access which has been attained across gender lines. It also demonstrates a significant increase over the enrollment rates of 1991 which were 55% overall and only 52.4% for girls. The primary repetition rate has improved from 20% in 1991 to 13% in 2000. Primary education spending (from public and private funds) has increased rapidly between 1994 and 1999. However, per pupil expenditures are still very low and educational attainment remains weak. This is largely due to GOM budgetary constraints and the massive influx of students into the system since 1994 when the GOM introduced free universal primary education. The MOE has completed the draft of its Policy Investment Framework which establishes its vision and funding priorities. This document is currently being reviewed and is expected to be approved early in 2000.

An important lesson learned within the educational sector – which can be applied to other sectors as well – is that local participation is essential. Central Ministry support is important, but the simple fact is that the children who learn best are those who are fortunate enough to attend schools which have active parents, teachers, and community participation. The impact of the Girls' Access to Basic Literacy and Education Social Marketing Campaign (GABLE-SMC) has been significant and has taken root in all regions in Malawi. The result is that increasing numbers of Malawians are no longer willing to passively send their children to school, but are actively engaged and demanding the provision of a learning environment which will prepare their children for the future.

Institutional Base for Democratic Participation Broadened and Strengthened.

Clear gains have been made over the last five years in strengthening some of the key institutions of democracy such as the growth of civil society; improved capacity and independence of Parliament as a separate arm of government; the opening up of the printed press; a climate where various ideas can be discussed without fear of losing a job or of being imprisoned. A police state has been dismantled, and even its former proponents maintain they would never revert to such a system. On June 15, 1999, Malawi held its first national elections since the political transition of 1994. International and local observers agreed that these elections were "free and substantially fair". In the year 2000, local government elections, installing an entirely different system of local government, will be held. This will mark a definitive point in the process of decentralization upon which the GOM has embarked.

These successes are encouraging and in many ways Malawi has made remarkable progress in distancing itself from its totalitarian history, but the legacy of the Banda years is profound. Mistrust and suspicion are still prevalent in many levels of society. Too often bureaucrats hoard information rather than freely exchange it. There is a view in some quarters that consulting with stakeholders is a nuisance and that government does not have to be transparent and accountable. A climate of non-compliance sometimes exists which allows established procedures and regulations to be ignored.

One of the lessons learned during the 1995-2000 Strategic Plan is that in the realm of democratic governance, Malawi is facing a situation of transition without transformation. The foundations for transformation are not yet entrenched. The framework for democracy – the rule of law – needs to be strengthened and further developed. A second lesson learned within the D/G Sector is that it is imperative that the Mission concentrate on those activities which promote the transformation of civil society and not the window dressing of transition. It is the Mission's conviction that by embracing the principles of good governance the GOM will be better poised to develop and implement the economic and social programs necessary to achieve Malawi's development objectives.

I. Other Lessons Learned

Non-Project Assistance Program

Under the 1995-2000 CSP and following the commitment demonstrated by the democratically elected government in 1994, USAID/Malawi has made use of NPA in three key sectors, corresponding to three of the five strategic objectives: agriculture, natural resources and environment, and primary education. All of these sector programs were appropriately complemented by project assistance. NPA was to support critical policy and institutional reforms. The expected benefits from the policy and institutional reforms supported by the three NPA programs in Malawi are of three types:

- Redressing inequities resulting from past policies and development strategies that were statist and biased against girls and women (in the case of primary education), smallholder farmers (70 percent of whom are women) and rural workers;
- Improving the efficiency of investment, markets, and social service delivery;
- Reorienting sectoral development priorities consistent with broad-based, pro-poor economic growth and longer term sustainability through changes in budgetary allocations and private sector led development.

USAID's NPA programs have achieved the first type of benefit as mentioned above. However, the results, in general, with respect to the other two types of benefits were mixed. This is in large measure due to the fact that in order to achieve the other benefits, there must be accompanying institutional change and development. The institutional reform and development to sustain the implementation of policy reform in a consistent manner proved to be harder. The longer term commitment and vision on reforms were distracted arguably by non-economic objectives – such as the presidential election and the campaign leading to it – and by differences among donors in their approaches to respond to the daunting challenge of rural poverty.

USAID/Malawi continues to endorse the strategic choice of Non-Project Assistance when certain conditions are in place. These include:

- (1) a common vision of what is to be achieved with active GOM commitment and leadership;
- (2) a relatively short time frame (no more than 2-3 years) with concrete and tangible intermediate actions;
- (3) effective coordination between the Ministry of Finance and the implementing Ministries and among donors.

Moreover, it has been the USAID/Malawi experience that the initial year one and year two benchmarks are generally well defined and achievable. The tendency has been to develop long-term NPA activities that perhaps cannot be implemented in the out-years. While flexibility is essential, a long term commitment with undefined intermediate steps does not contribute to achieving program expectations. It also results in time-intensive redesign efforts that take scarce USAID and GOM staff time away from implementation.

As we look to the future, we will continue to implement the ongoing NATURE NPA (re-designed in FY 99) and ASAP (to be re-designed in FY 2000). We do not anticipate undertaking further NPA activities until such time as the conditions presented above can be fulfilled.

Participation and Indigenous Capacity Building

Participation in USAID/Malawi's programs is both a product and a process. As a product, the Mission actively promotes the development of indigenous private and voluntary organizations and Non-Governmental Organizations (NGOs) including the transfer of responsibilities from U.S. based institutions to Malawian counterparts. USAID meets regularly with groups drawn from the private sector, government, NGOs, and sectoral interests to test new ideas and approaches to development and to discuss the design and implementation of its programs and strategies. In all these groups the Mission has achieved nearly equal participation of men and women – an approach that has paid dividends. Finally, USAID's regular use of local consultants has enhanced the useful role these institutions play to bring about public policy formulation and debate.

Linkages Across Strategic Objectives

As we come to the completion of the 1995-2000 Strategic Plan, USAID/Malawi's self-assessment is that we have achieved the performance expectations in our management contract in the two Strategic Objectives that address agriculture and the management of natural resources. We find that within each of these fields there are reinforcing linkages which can enhance future performance if the two Strategic Objectives are merged and focus on sustainability within agriculture. This structural change should stimulate the flow of information to Malawian agricultural producers and improve cost effectiveness; parallel systems need not be implemented.

We also note in hindsight that the Mission may not have pursued the agricultural linkages to the non-agricultural sector as vigorously as was appropriate. As the government progressively withdraws from economic activity by pursuing privatization and liberalization policies, the private sector – which can better serve the commercial needs of the country – should further develop. These factors have led the Mission to focus on a more encompassing Sustainable Economic Growth Strategic Objective for the future.

The Role and Importance of Targeted Safety Nets

Over the past several years, USAID/Malawi has become increasingly aware that broad-based, market led growth is a requisite for the realization of the GOM's goal of poverty reduction. Given the number of impoverished people and the inability to develop and implement effective targeting mechanisms, there has been a tendency to provide general relief via input and output subsidies within the agricultural sector. These actions result in non-productive GOM expenditures and undermine the development of markets and price incentives which are key to the medium-term reduction in poverty levels. At the human level, untargeted assistance means that the people who need help the most, aren't getting it – most of the beneficiaries of subsidies are those who are not the poorest of the poor.

This awareness has refined USAID/Malawi's goal and strategy. We are firmly committed to broad-based, market-led economic growth as the means to poverty reduction. However, we recognize that we must work with the GOM and our development partners to better target assistance to those who are unable to benefit from the increase in economic opportunities.

Table 3: Donor Assistance to Malawi in 1996-2000

DONOR	1996	1997	1998	1999	2000 (Proj.)
WORLD BANK	65.3 142.1 ¹	65.3 54.4 ¹	65.3 110.8 ¹	65.3 185.3 ¹	N.A.
IMF	15.27 ¹	7.63 ¹	12.78 ¹	7.6 ¹	N.A.
UN AGENCIES	33.24	25.18	13.4 ³	11 ³	10 ³
EUROPEAN UNION	57.38	49	82.6	115.8	135
CANADA	10.08	10	10	10	10
DENMARK	11.05	12.76	19	21	21
GERMANY	30.8	19.75	19.75	15	15
JAPAN ²	35	N.A.	30.22	8.86	N.A.
NETHERLANDS	8.9	13.9	N. A.	N. A.	N.A.
NORWAY	0	4.3	16.3	8.1	N.A.
UK	59	42	76.8	128.	143.3
USA	36.6	38	36.5	37	28.5
TOTAL	505	342	493	613	362

Figures reported directly by individual agencies and are approximate due to variances in exchange rates and fiscal years. This list is not exhaustive, as NGOs and PVOs provide additional assistance.

¹Loans

²Japan channels its loans through multilateral agencies.

³UNDP and UNCDF only.

Table 4: Sectoral Emphases of Donors in Malawi

<u>Sector</u>	<u>Bilateral</u>	<u>Multilateral</u>
Agriculture and Natural Resources	US, UK, Denmark, Canada, Japan, GTZ	EU, UNDP, WB, EU
Health, child spacing, water and Sanitation	US, UK, Canada, Germany, Japan, Netherlands	WB, UNFPA, UNICEF, EU
Education and culture	US, UK, Germany, Denmark	UNICEF, WB
Democracy and governance	US, UK, Germany, Denmark, Netherlands	UNDP, WB, EU
Enterprise development	US, Germany	IFAD, UNDP, WB, EU
Structural adjustment and general commodity aid	US, Japan, Germany, Denmark, UK, Netherlands	IMF, WB, EU
Energy, communication, transport and other infrastructure	US, Denmark, Japan, Germany	EU, WB

Part II

Country Strategic Plan, 2001-2005

A. Introduction

Given Malawi's constraints to broad-based, market-oriented economic growth, the absorptive capacity and capabilities of the GOM and local development partners, other donor programs, and USAID's experience and comparative advantage, USAID/Malawi considered the following questions as it developed this new Country Strategic Plan.

- What are USAID's strategic choices in Malawi?
- Are the choices consistent with the Inter-Agency Strategic Plan, the Agency Goals, other USG priorities, and Malawi's development needs?
- Are there clear linkages between and among the strategic elements?
- Is the Mission with its development partners addressing the necessary and sufficient conditions to achieve the stated strategic objectives?
- What impact is within USAID's manageable interest to achieve over the next five years in each strategic area?
- Is the impact sufficient to justify the investment?

Throughout the development of this CSP, groups of citizens broadly representative of Malawian society inside and outside of government (including church, civic and women's groups, businesses and traditional leaders) have assisted the Mission in establishing its development priorities. Their involvement and advice in formulating priorities have been instrumental in the design of this Strategic Plan. Government at all levels has participated in formulating the strategy as have USAID's many development partners (NGOs, PVOs, and other donors) have likewise exerted considerable influence on the strategic choices incorporated within this plan.

The proposed strategy is also based on USAID's extensive experience in Malawi. Since the mid-1980s, USAID has worked with the GOM and the private sector to address many of the problems facing Malawi. Together, we have made progress in a number of key areas because we have common goals and aspirations. The fundamentals of Malawi's macroeconomic framework are sound. Since 1994, when the emergence of a democratically elected government took office, it has recognized that economic stability and growth are essential to its survival. Public and private pronouncements made by President Muluzi and political leaders have shown that Malawi's leaders have a vision for a better future for all Malawians. This vision has been articulated in Vision 2020 (1998) and the Vice Presidential Policy Analysis Initiative (1999). Perhaps most significant, however, is the willingness to translate vision into action as exemplified by instituting universal primary education, the National Health Plan, and HIV/AIDS awareness campaigns.

USAID proposes to continue assisting Malawi in areas where there are demonstrated development needs and where other human, technical and financial resources are inadequate to address the constraints. This involves using the Mission's comparative advantage vis-à-vis its development partners and continuing what the Mission has done well in the past in order to achieve significant results in the future. We thus propose a CSP strategy that reduces the Mission's strategic objectives from five to four with the integration of the agricultural, private sector, and natural resource activities into one strategic objective. All of these objectives are within the Mission's manageable interest given expected program, workforce and Operating Expense (OE) levels. The following part of this section presents the program goal and a statement of each of the strategic objectives approaches, expected program outcomes at the

Key Intermediate Result level, performance indicators, and other supportive information. The Strategic Plan and each of its elements are also illustrated in results frameworks and other charts.

B. Goal of the Strategy

The USAID Mission has chosen as its goal statement “Poverty Reduction and Increased Food Security through Broad-Based, Market-Led Economic Growth.” This statement modifies the current goal of “Broad-Based Economic Growth,” by incorporating the themes of food security and poverty reduction (eradication) which are prominent in discussions with Malawian government and civic leaders. It is the USAID view that poverty reduction and food security must be addressed in a broad-based fashion – one that is people-oriented. The choice of interventions and technologies should focus on labor intensity and productivity to achieve improvements in economic equity. The Malawian and USAID strategy ought also to be explicitly market-led. Markets are key to informing decision makers at all levels of society with regard to the costs and benefits of economic, social and leisure activities. For this reason market-led development can be understood to comprise an environment in which individuals are empowered to pursue their own well-being and allocate their time and resources as they decide. USAID’s program additionally aims to facilitate Malawi’s integration into the world economy. The Mission recognizes the value of safety nets and targeted assistance to those unable to participate in the country’s economic development, and we will participate in a multi-donor process to improve the delivery of services to the most needy.

In view of government priorities, donor commitments, various assessments and consultations, and the judgements of technical observers, USAID believes that Malawi can take definite steps toward this goal over the next five years. Success, of course, will depend on many factors. These include political stability, the GOM’s commitment to a sound, outward-oriented macroeconomic framework with emphasis on policy reform, and concerted efforts on the part of all stakeholders in both public and private sectors. Barring any national disasters, the two greatest challenges will be: (1) to balance limited resources between short-term political goals and long-term development objectives and (2) to diversify and expand the sources of economic growth at a rate which results in people-level impact and fuels further increases in the years ahead.

Progress towards achieving the strategy’s goal will be measured by the following indicators:

- ◆ Increased per capita incomes;
- ◆ Increased gross food crop production per capita;
- ◆ Increased savings and investment as percent of GDP;
- ◆ Increased literacy rate;
- ◆ Reduced total fertility rate;
- ◆ Reduced infant mortality rate;
- ◆ Increased life expectancy at birth;
- ◆ Reduced HIV seroprevalence rate.

C. Proposed Strategic Objectives (SOs)

- SO1: Sustainable Increases in Rural Incomes;
- SO2: Increased Civic Involvement in the Rule of Law;
- SO3: Behaviors Adopted that Reduce Fertility and Risk of HIV/AIDS, and Improve Child Health; and
- SO4: Improved Quality and Efficiency of Basic Education

The Mission Goal and Strategic Objective Relationships are shown in Chart 1. Chart 2 demonstrates how the proposed strategic objectives contribute directly to the Agency's goals. They are also complementary and mutually reinforcing. For example, an increase in the adoption of measures that reduce fertility will have positive impacts on per capita incomes and food availability and access. Similarly, improvements in basic education will help reduce fertility, improve child survival and enhance productivity and per capita incomes and facilitate civic involvement in the rule of law.

Finally, economic stability, democratic consolidation, and a supportive macroeconomic and political environment are prerequisites to achieving the strategic goal and objectives. While the Mission will continue its sectoral focus, it will work closely with the GOM and the international community to influence and monitor macroeconomic and political developments.

CHART 1: USAID/MALAWI STRATEGIC PLAN

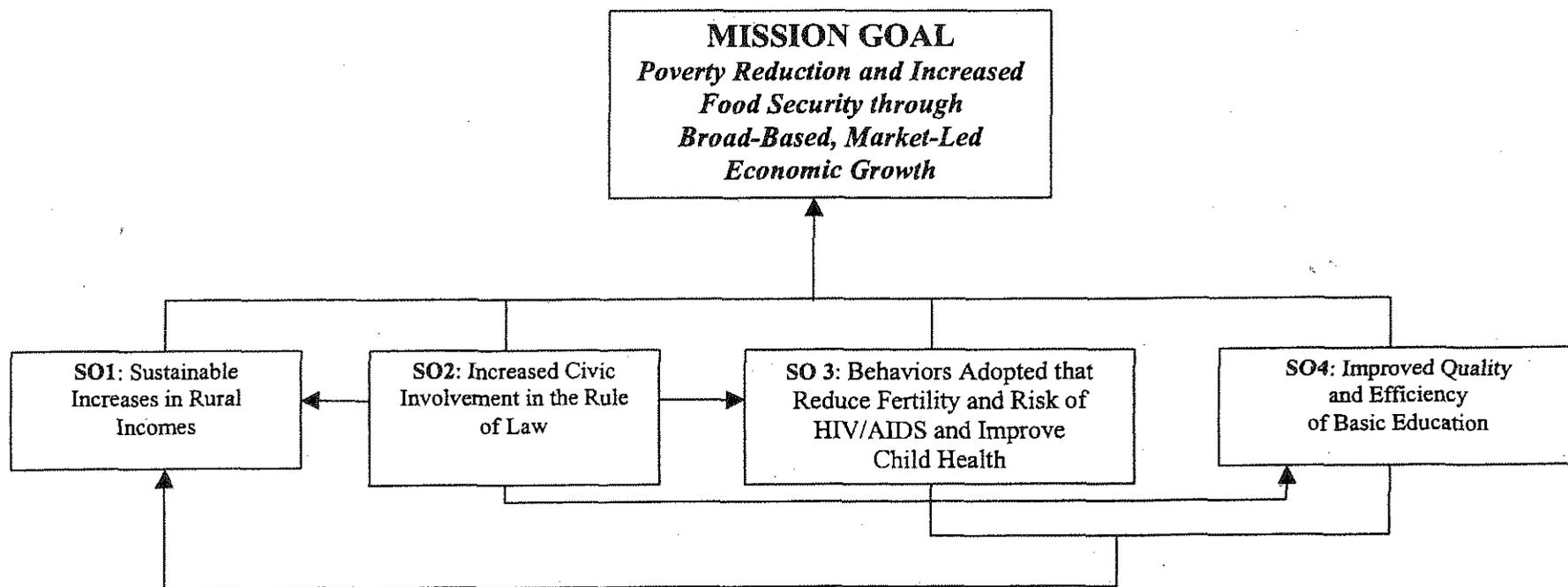
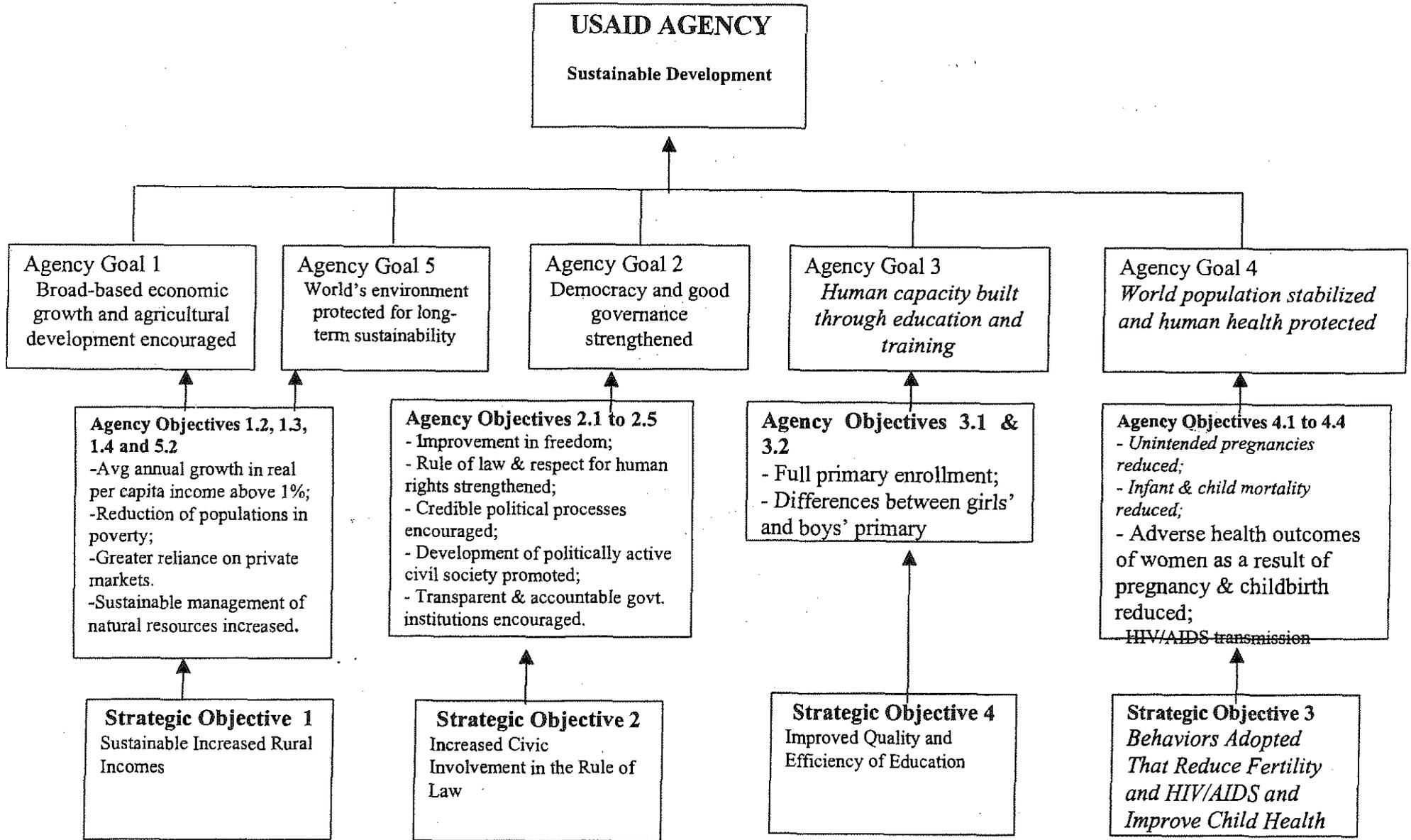


CHART 2: LINKS TO AGENCY GOALS AND OBJECTIVES



USAID AGENCY STRATEGIC PLAN GOALS

Goal One: Broad-Based Economic Growth and Agricultural Development Encouraged

- Average annual growth in real per capita income above 1%;
- Reduction in the share of country populations in poverty;
- Average annual growth in agriculture at least as high as population growth; and
- Increased openness and greater reliance on private markets.

Goal Two: *Democracy and Good Governance Strengthened*

- Improvement in overall freedom
- Rule of law and respect for human rights of women as well as men strengthened;
- Credible and competitive political processes encouraged;
- The development of politically active civil society promoted; and
- More transparent and accountable government institutions encouraged.

Goal Three: *Human Capacity Built Through Education and Training*

- National primary enrollment ratios increase to attain full primary enrollment by 2015;
- The difference between girls' and boys' primary enrollment ratios virtually eliminated.

Goal Four: *World Population Stabilized and Human Health Protected*

- Unintended and mistimed pregnancies reduced;
- Infant and child mortality reduced;
- Death and adverse health outcomes of women as a result of pregnancy and childbirth reduced;
- HIV transmission and the impact of the HIV/AIDS pandemic reduced; and
- The threat of infectious diseases of major public health importance reduced.

Goal Five: *The World's Environment Protected for Long-term Sustainability*

- Conservation of biologically significant habitat improved; and
- Sustainable management of natural resources increased.

Goal Six: *Lives Saved, Suffering Reduced and Conditions for Political and/or Development Reestablished.*

- N/A

Goal Seven: *USAID Evolves Into a Model 21st Century International Development Agency.*

USAID/Malawi with our development partners in-country will:

- Provide leadership and strengthen our own capacity to achieve results; and
- Improve management and delivery of assistance and other resources.

STRATEGIC OBJECTIVE 1

Sustainable Increases in Rural Incomes

RATIONALE FOR SELECTING THIS STRATEGIC OBJECTIVE

To improve the state of Malawi's economy, one of the poorest in the world, the people of Malawi must create more employment and raise their household incomes. The nation's ability to accelerate growth depends on a number of factors, but the *sine qua non* lies in the productive activities of its citizens. This Strategic Objective addresses the central deficiency of the country's economy – limited economic productivity – by expanding and enhancing the economic opportunities available to Malawians.

USAID/Malawi, in consultations with partners and stakeholders, has devised this first Strategic Objective to achieve broad-based economic growth through the creation of jobs in the private sector. Activities under this SO will be directed towards: 1) optimizing smallholder agricultural productivity and diversification; 2) improving the environment for private sector productivity; and 3) increasing revenues earned from natural resource management. These interventions fit together as a single integrated program, one which also coincides with the GOM's primary objectives of poverty alleviation and assuring food security.

USAID/Malawi intends to act as a catalyst to invigorate the economy, building upon past successes in agriculture and natural resources management, together with the potential for expanding private sector employment. Malawi's economy is currently narrowly based, being dominated by agriculture and two main activities within agriculture: growing maize for subsistence and growing tobacco for cash. These two crops or activities are the linchpins of the economy, but as they are presently constituted, they do not provide for the needs of the overall population nor do they create a strong basis for a vibrant economy. The transformation of the rural sector – including the diversification of crops, expanded commercialization, and a vibrant agribusiness sector to serve the needs of Malawian farmers – offers the best potential for increased productivity in the short to medium term. There are untapped possibilities in this area, for the recently liberalized environment fosters innovation, experimentation and even new associations – smallholder farmer groups have been formed to better pursue their members' interests. New products, new technologies and new attitudes promise increasing productivity.

Additional opportunities for growth are found through increased community management of natural resources. USAID's previous experience in this area indicates that meaningful contributions to conservation, rural productivity and local markets will continue. Community based natural resources management (CBNRM) will focus on building community capacity and participation in the context of conserving the environment – a healthy economy and people require an environment that can sustain their activities. Private sector and NGO involvement will be strongly encouraged.

Under SO 1 the Mission will engage in activities designed to invigorate Malawi's private sector. USAID's interventions will encourage policy reform, infrastructure improvements, promote linkages between business and government (and among businesses themselves), and skills training in business administration, marketing, and research and development. A growing private sector that supplies high-yielding agricultural inputs, provides processing and marketing services, and absorbs surplus labor from agriculture will help transform the country's economy. This SO will contribute to bringing about a wide range of options for increasing household incomes and will enable consumers to purchase goods at affordable prices and generate demand for goods and services.

This economic growth objective does not neglect the critical need to protect the livelihoods of a large number of households that do not have the capacity to satisfy their minimum basic human needs. In this regard, USAID/Malawi understands the need to work closely with the GOM and other donors to devise safety nets for the most impoverished segment of the population. These safety nets will be designed to ensure household food security and to enable families to regain their livelihoods in a sustainable manner.

USAID's knowledge of the entire southern African region places the Agency in a unique position to make contributions to the advancement of regional trade and commercial alliances. Mozambique and South Africa have only recently been emancipated from civil war and apartheid respectively; with these advancements the coming years ought to see a new era of peace, cooperation, stability and trade throughout the entire region. Land-locked Malawi is in this area which has a combined population of 125 million (including Tanzania), a market with vast potential for the consumption of Malawian products. Much of Malawi's present and future well being lies not only inside its own borders but with its neighbors.

HOST COUNTRY GOALS

The government elected in May 1994 and re-elected in June 1999 has adopted a development strategy that says "*poverty alleviation is the operative development philosophy of the country.*" Within the Malawi context poverty is defined in the broadest manner.

"Households are lifted out of poverty when they have adequate food, adequate housing, access to health services, are literate, have equal access to income opportunities, are gainfully employed, participate effectively in their own development, have access to health services, credit, ownership of land, safe water, and roads and communication networks. The strategy adopted focuses on promoting community participation, improving livelihood/employment opportunities, improving access to credit, developing safety net programs, and information and training targeted at economic planners, politicians, administrators, and the general public to instill the spirit of poverty consciousness."⁴

The GOM's strategy is based on:

- a) Increased smallholder agricultural productivity as the central element;
- b) Reliance on the private sector and competitive markets to provide incentives for growth, rather than on parastatals, private oligopolies and regulations;
- c) Restoration of macroeconomic stability and a competitive exchange rate; and
- d) Reorientation of expenditure policy toward social services which benefit the poor.

The principal role of government is seen as providing a conducive environment for poverty reduction, and the success of the program depends on strong partnerships with NGOs, donors and the private sector.

To achieve its goals government has adopted an economic framework based on a liberalized, free market approach. Controls on most prices and subsidies have been removed, notably on fertilizer. The government has improved its economic planning methods, set in place mechanisms to control its spending

⁴ "Poverty and Human Development in Malawi," UNDP, 1997.

and lower the fiscal deficit, and supported the expansion of the private sector by privatizing government enterprises and parastatals. In the last five years 14 out of a targeted 30 enterprises have been privatized or brought to the point of sale, and the process continues.

The Vice President's Policy Analysis Initiative, May 1999, states: "Broad based and sustainable economic growth will require macroeconomic stability, prudent fiscal and monetary management and a focus on priority investments. Economic growth also requires a supportive environment where democracy is consolidated, where the rule of law prevails and where the private sector takes the leading role."

In its draft Policy Framework Paper, September 1999, the GOM states it "will endeavor to create an improved environment for the private sector through trade and investment policy measures which will ensure a level playing field, fair domestic competition, and efficiency including economic diversification and achieving external competitiveness."

PROBLEM ANALYSIS

Malawi's immediate and short-term economic future is tied to the agricultural and rural sector. For agriculture and the rural sector to serve as an engine for growth, contribute to the transformation of the economy and reduce the number of people living in poverty, a structural transformation of the rural economy is needed. It encompasses: (1) better utilization of land; (2) crop intensification (increasing yields); (3) shifting of land and labor resources from lower-valued to higher-valued commodities; (4) increasing non-farm employment opportunities.

Better Utilization of Land

For most Malawians – those living in the smallholder sector – increasing the amount of land utilized is not a practical possibility. Both the small size of plots and the fallow periods required in traditional agriculture limit the ability to expand the hectareage planted unless terracing is adopted – not a likely option in the near or mid-term. There is, however, scope for increasing efficiency and production, especially on many of the estates provided that the costs and prices are attractive. Further, the adoption of agro-forestry techniques and the introduction of leguminous crops into the cropping-system can make demonstrable improvements in land utilization.

Crop Intensification (Increasing Yields)

There is considerable potential for increasing yields of food crops (especially maize) within Malawi. While there is significant variation in yields due to the reliance upon rain-fed agriculture, one finds that in almost all commodities the yields in Malawi are lower than in neighboring countries and significantly less than the genetic potential of the crop. The most significant issues affecting crop intensification are the availability and use of inputs, especially fertilizer. Conventional wisdom in Malawi is that fertilizer use is not economically profitable on maize. While this argument has been true when prices have been pegged artificially low to protect the consumer, the analysis for the 1998/99 market year shows that fertilizer was indeed profitable (the valued-added of maize production exceeded the costs of fertilizer). Other factors further complicating crop intensification are: (1) an input market not always capable of delivering seeds, fertilizers and other agricultural inputs at reasonable prices before the agricultural season; (2) the lack of competitive output markets for agricultural commodities; (3) the availability of financial markets to alleviate seasonal financial constraints.

Shifting of Land and Labor Resources from Lower-Valued to Higher-Valued Commodities

The shift of land and labor resources from lower-valued to higher-valued commodities complements the need for agricultural intensification. Briefly, those farmers who have a comparative advantage in maize production should specialize in maize production. As consumer markets for maize develop, farmers who do not have a comparative advantage in maize due to rainfall, soil-type and/or reliance on less efficient cultivation practices, should shift the allocation of land and labor to other commodity systems which will yield higher value (especially per labor unit) than maize. Following the initial liberalization of the agricultural economy in the early 1990s, there was a significant shift of smallholder land and labor resources to the production of burley tobacco. As Malawi approaches the 21st century, however, there is increasing recognition that the economy is dependent on a fragile export commodity. Accordingly there is a need to shift to other higher-valued crops for which the market will expand within the sub-region.

Increasing Employment Opportunities Off the Farm.

Another means of increasing productivity is through off-farm employment. This has often been accomplished through migration to cities, but there are many instances throughout the world where rural incomes have been increased while urban migration was minimized. Malawi has thus far avoided significant rural-to-urban migration. Currently 35% of households are involved in some type of off-farm work, and 31% are involved in rural micro-enterprises. Trade based enterprises are most common and seem to have grown significantly since 1994. If this trend is going to continue, non-farm investment in rural areas needs to be increased. Non-farm investment contributes to the rural economy in a number of ways: (1) when agricultural inputs are made available rural smallholders make use of them; (2) the presence of agro-processors raises the demand for agricultural output; and (3) the availability of non-agricultural goods and services leads to a demand for income and contributes to the smallholder's decision to produce for the market as opposed to home consumption.

THE PROPOSED USAID RESPONSE

CRITICAL ASSUMPTIONS

The analyses summarized above argues that the key to Malawi's goals of broad-based economic growth and poverty reduction require an increase in productivity. It further argues that for productivity gains to be achieved, the farm household must shift or alter the pattern of resource (land, labor, capital) allocation.

Malawi's future fundamentally rests with her people. While GOM and donor efforts are important to facilitating sustainable economic growth, at the end of the day it is what people do, how the rural population adjusts its production, marketing and consumption decisions, that will affect Malawi's development. For this reason, assumptions regarding Malawian rural household decision-making are most critical to the achievement of the Strategic Objective. USAID/Malawi has a high degree of confidence that the desired shift in resource allocation will be achieved for the following of reasons which have been demonstrated in Malawi and throughout Southern Africa:

- (1) The rural population maximizes household utility or well-being subject to the constraints of land, labor, and capital and the efficiency of the markets with which it interacts.
- (2) Households are consumers first. Resources are allocated to maximize welfare. If a household wants to consume a given good or commodity, it implicitly examines the probable cost and availability of the good on the market vis-à-vis the cost of home production. If the desired good

is available, reasonably priced, and affordable the good will be purchased -- if not, it will be produced at home;

- (3) In the short-term, resources (land, labor and capital) are virtually fixed. Household utility or well-being is optimized by adjusting the allocation of resources along the production frontier;
- (4) Households may increase their utility or well-being over time by shifting the production/productivity frontier to the right as the result of introducing higher-yielding technologies or higher-valued commodities.

The most important non-household assumption for the success of this strategic objective is the adoption and implementation by the GOM of those actions and policy reforms needed to correct and maintain an environment conducive to expanding economic growth opportunities, principally through a private sector approach. This assumes the practice of good governance, national leadership, sound fiscal policies and political will that gives first priority to the interests of the Malawian people. Improvements in the "rule of law" achieved under the Mission's SO 2 and the efforts of other donors to encourage the GOM to create an attractive investment environment favor the satisfaction of this key assumption.

Throughout, assumptions are being made that improved infrastructure, training and extension services, credit, input and market outlets will be available in the desired quality and quantity. The occurrence of at least one annual drought in the five-year period of this strategy has to be allowed for. It is also assumed that no major crisis (e.g., a catastrophic earthquake) will occur to seriously impede the implementation of this Strategic Objective.

OPTIONS CONSIDERED FOR THE STRATEGIC OBJECTIVE AND PREFERRED APPROACHES

In developing the proposed Strategic Objective, USAID had to consider a number of issues including: (1) an integrated approach which focuses on the natural synergies between agriculture, natural resource management and the off-farm sector vs. a sub-sectoral approach with 2 or 3 strategic objectives; (2) an approach which emphasizes government functions vs. a more non-governmental focus; and (3) the most effective approach to support institutions of policy change. After considerable debate and frequent consultations with our development partners, the Mission has chosen to develop this strategic objective as one which integrates the agricultural, natural resource management and off-farm sub-sectors of the economy. The approach chosen is one which focuses on areas of USAID comparative advantage and hence focuses relatively more on strengthening institutional capacity with a balance between government and non-government focus.

Integration vs Sub-Sectoral Approach

After extensive deliberation the Mission has decided that an integrated strategic objective is more likely to improve performance and is more cost effective than pursuing components of the SO separately. The studies by the International Food Policy Research Institute (IFPRI), Michigan State University, Harvard Institute for International Development (HIID), and Abt Associates commissioned by AFR/SD provide conclusive evidence that rural economies grow fastest when there is investment in both the farm and the off-farm sector. The SO's focus is on the rural population and increasing farm and off-farm incomes. It is consistent with the Malawian environment where the classification of individuals as "farmers," "traders," or "investors" is often misleading in that most people are performing diverse economic functions.

Government vs. Non-Government

The philosophy of USAID is that sustainable economic growth requires a concerted effort by both government and non-government entities. Government should do what it does best which is establish policies and regulations that permit the growth of a dynamic private sector. Government also has a role in conducting public research and extension for those commodities/technologies for which the social good is high, but the private return to investment is unattractive. The private sector (including NGOs and pre-cooperatives), however, has a very important role in making investment decisions and converting inputs to outputs to deliver a product that the ultimate consumer desires. As USAID examined its areas of comparative advantage vis-à-vis the other donors, we found that we are relatively better at providing technical assistance, training, and cooperative development. We also found that due to the limitations of other donors in working with non-governmental entities, USAID, by definition, had a comparative advantage. Therefore, as discussed in the results framework, the focus of the proposed Strategic Objective will be oriented to the non-governmental sector as a part of a balanced approach to the overall sector.

Institutional Support for Policy Change

Since the democratic transition in 1994, Malawi has made significant progress in liberalizing and deregulating the economy by moving away from control, administrative fiat, and a statist approach to private sector and market-based approaches. Major policy reforms have included trade, capital, and exchange rate liberalization, privatization or divestiture of public enterprises, deregulation of the telecommunications sector, and the opening up of the smallholder agricultural sector. Formerly smallholder farmers were restricted from growing certain cash crops and the only marketing channels available to them were through public marketing boards.

However, these policy changes are only the initial phase of a transformation process. Arguably, some of these reforms that involved repealing laws or regulations on the books or by public pronouncement were easier to carry out than those that may require institutional changes or new institutions to implement them. Further progress in the economic transformation will require building up or strengthening existing institutions in order to sustain and deepen the reforms. Institutional development is also needed to regulate, monitor, and make any mid-course adjustments deemed necessary in light of unforeseen or unintended consequences from economic liberalization in order to ensure sustainability,

RESULTS FRAMEWORK (RF)

As depicted in the results framework graphic, we will achieve the objective of “Sustainable Increases in Rural Incomes” through accomplishing the key intermediate results of: (1) sustainable increases in agricultural productivity; (2) increased off-farm earnings by rural households; and (3) increased local participation in natural resource management. It should be noted that the proposed Strategic Objective is an integrated whole, the achievement of which is greater than the sum of the Key Intermediate Results (K.I.R.) due to the synergistic linkages and multiplier effects. The performance of each of the KIRs contributes to the performance of the others and the achievement of the overall objective.

KIR 1.1 Sustainable Increases in Agricultural Productivity

Increases in agricultural productivity are achieved by increasing yields within the current crop mix and/or by shifting the crop mix to the production of higher-valued commodities. Efforts to maximize short-term productivity which do not account for longer-term consequences may undermine the gains made and should be avoided.

As shown in the results framework of KIR 1.1, USAID/Malawi's development hypothesis is that increased agricultural productivity requires two fundamental conditions: (1) the increased adoption of improved technologies and practices; and (2) efficient and lower cost agricultural input and output markets. The first of these conditions is required to shift the production frontier, while the second permits intra-annual changes as producers respond to relative prices.

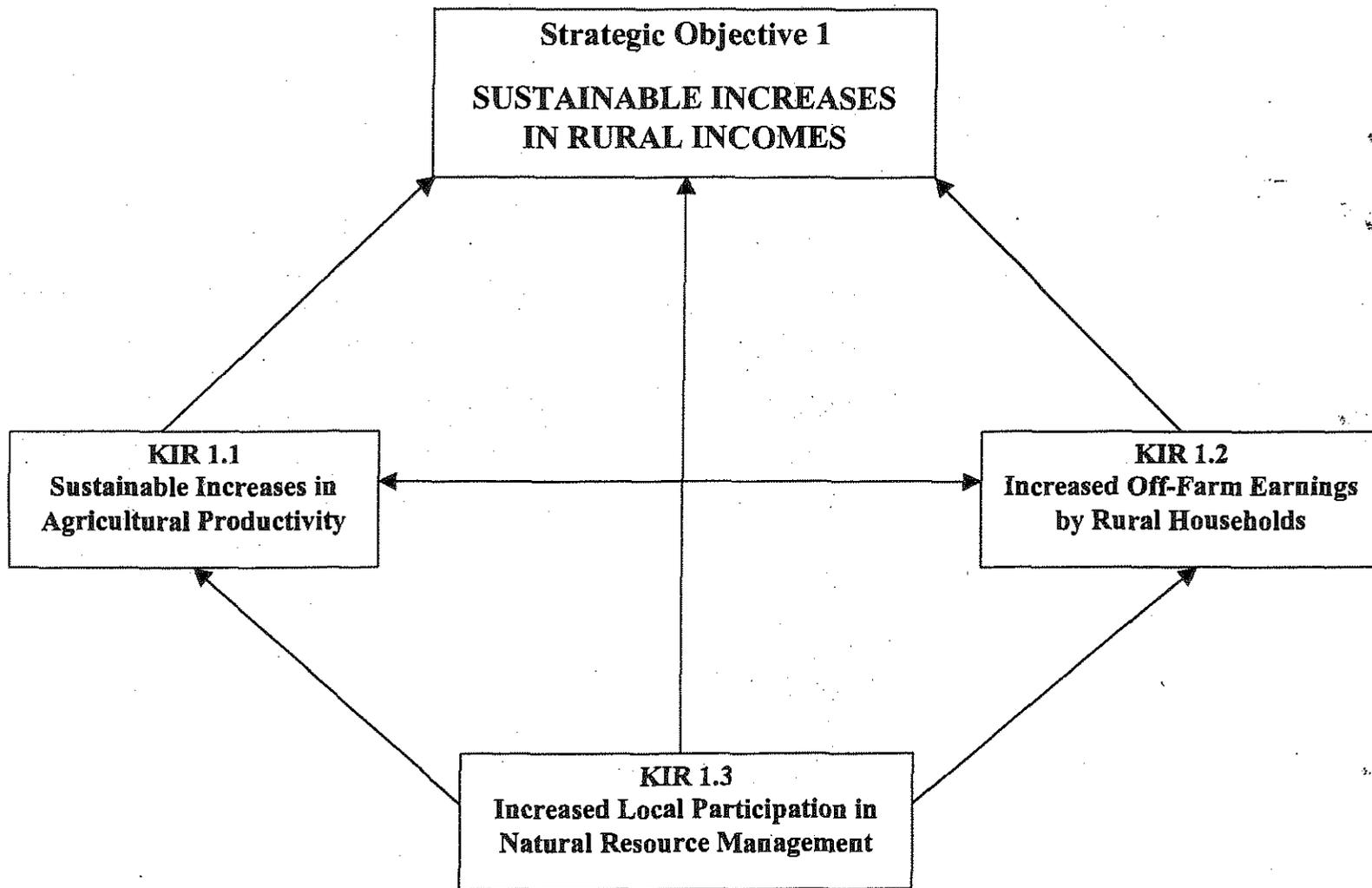
If one is to achieve the desired increased adoption of improved technologies and practices, one has to have both a supply of yield enhancing technologies available and a demand for those technologies. The supply of agricultural technologies is generated by the International Agricultural Research Centres (IARCs), the National Agricultural Research System (NARS), the private sector, NGOs, etc. It is USAID/Malawi's assessment that given the current stock of technologies in Malawi which remain under-utilized, the availability of technology is not a binding constraint in the short-term. Furthermore, given the efforts of our development partners in this domain, USAID/Malawi does not perceive that we have a comparative advantage and hence does not anticipate investing in the supply of technologies.

A key factor to recognize is the role that efficient and lower cost agricultural input and output markets play with regard to the decision to adopt technologies and practices. As discussed in the section on assumptions, all evidence is that rural households are economically rational.

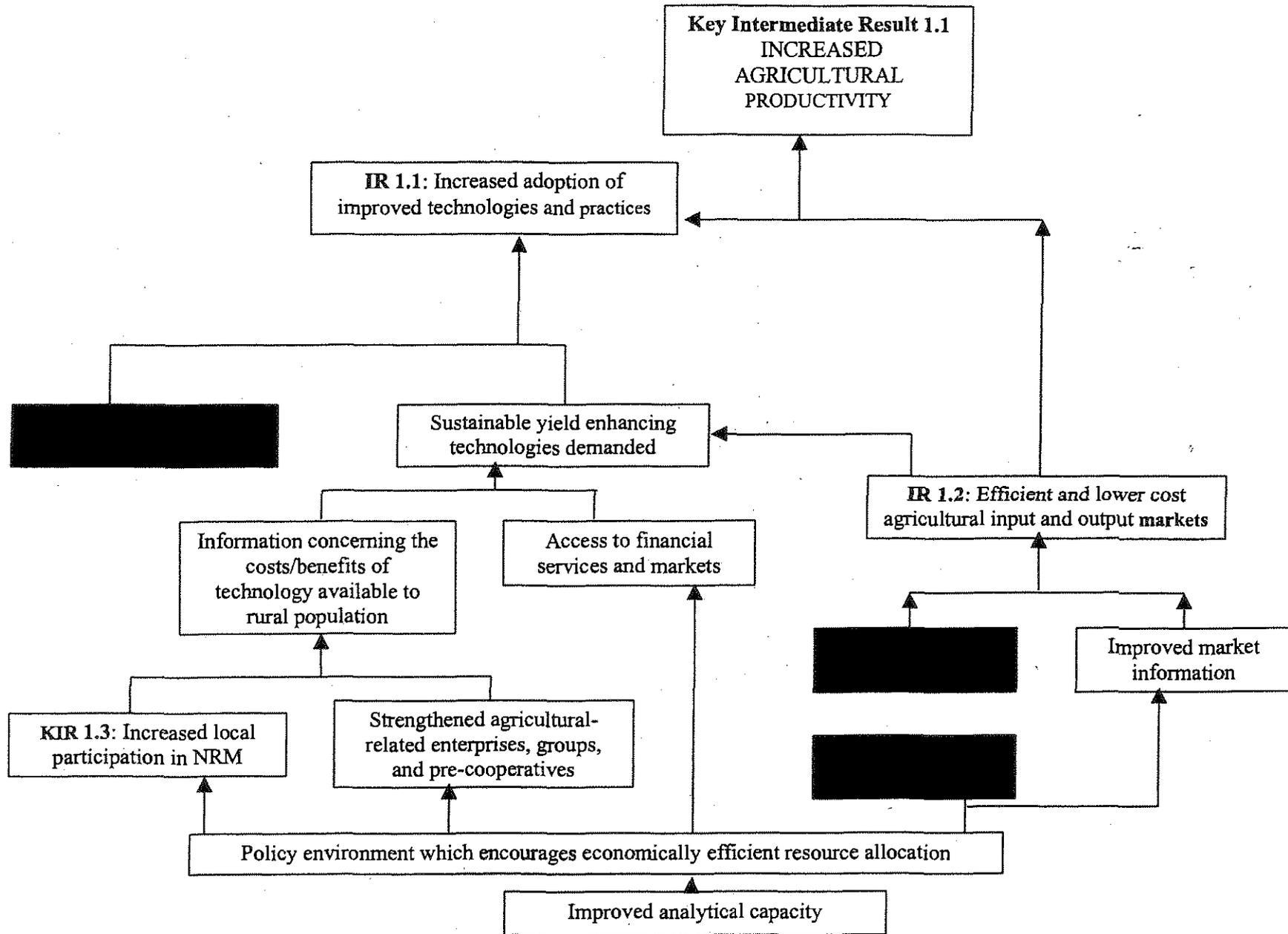
Households make their resource allocation decisions at the time of planting as they try to make the best use of limited land, labor and capital resources. They therefore implicitly calculate: (1) Am I likely to buy maize and other food stuffs in the market? (2) Will I be able to afford to buy what I need? (3) Where will I get the money to buy these things? (4) If I need this amount of money, what is the allocation of resources that will allow me to earn the money needed? Market development is therefore the key in providing rural producers and consumers with the information they need for decision-making, including the decision to adopt productivity-enhancing technologies and practices. USAID/Malawi therefore proposes to address market performance within this CSP. This assistance will focus largely on improved market information which not only generates current market information in key localities, but disseminates it to the public in order that producers, consumers and traders have access to the information which is critical for efficient decision-making. Closely related to market information is the need for accurate and reported crop forecasts. USAID will work with the GOM and other donors to ensure that crop reporting is not only improved, but disseminated in order that producers, consumers and traders as well as GOM policy makers may have the information necessary for making the decisions which are vital to the performance of the economy.

The areas of market infrastructure and a competitive market structure are also vital to the achievement of the KIR and Strategic Objective. Given the limited resources available to USAID/Malawi and the interest of other donors in addressing these issues, we do not envision the Mission participating actively in these areas. We will, however, consult on a regular and frequent basis. When opportunities arise, e.g. the expansion of farm-to-market road infrastructure, we will share our experiences freely. The issue of a competitive market structure will also be high on the list of our analytical agenda.

Results Framework for SO 1: Sustainable Increases in Rural Incomes



Results Framework for KIR 1.1 Sustainable Agricultural Productivity



We will also work diligently to ensure that rural households have access to information concerning the costs/benefits of technology, especially Natural Resource Management Practices. Given shortcomings in the public sector extension service and significant participation of other donors in this effort, USAID will utilize the extension capacity of agricultural-related enterprises, groups, and pre-cooperatives. These institutions have a vested interest in ensuring that their clients and members succeed. USAID will support the National Association of Smallholder Farmers of Malawi (NASFAM) and other actors involved with the promotion of smallholder farming. USAID will provide management services to NASFAM and other organizations to facilitate linkages between the smallholders and estate farms, markets, processing firms, exporters and other agricultural-related businesses. Within this center, there will be an "operational constraints" component that will provide "tailor-made" assistance needed by selected businesses to overcome specific problems hampering their success.

NASFAM and agricultural-related enterprises have access to the lessons from comparable regions and are expected to provide the information and council that smallholders require to make productivity enhancing decisions. Not only are such groups the most effective means of providing production technology, improved practices, and market information to smallholders, but cooperative development, information management and capacity building are areas of USAID comparative advantage.

Rural financial markets are a serious problem in Malawi. Banking institutions under-serve the country and the track-record of government supported seasonal credit has not proven to be sustainable (negative real interest rates and only 70% repayment). These are both areas that we propose to address within the policy and regulatory arena. Given, these constraints, USAID will continue to support the rural savings and credit movement by assisting the Malawi Union of Savings and Credit Cooperatives (MUSSCO).

The final area of expected USAID/Malawi investment will be in terms of strengthening Malawian capacity to identify critical policy and regulatory constraints which affect rural investment and productivity decisions and analyze the social and private benefits/costs of the existing policy vis-à-vis alternative policies for consideration. Currently, due to the lack of good information and supporting analyses, decisions taken by the GOM and her development partners tend to be uninformed with regard to the consequences of any given policy change. This leads all parties (including USAID) to turn to development lessons learned elsewhere for insights. These insights, however, are never sufficient to predict what will happen in Malawi. Given the human fear of uncertainty, this has led to the continuation of policies and practices which may no longer be relevant to Malawi in the year 2000. Strengthening Malawi's analytical capacity is expected to yield substantive debate and informed decisions which will make a positive contribution to rural investment decisions and productivity gains. One of the key areas to be explored will be the targeting of assistance to the disadvantaged through safety net mechanisms. There is no issue with regard that a safety net should exist. There are serious outstanding issues with regard to the scale, targeting mechanisms, and the dilemma of developing short-term social responses that do not adversely affect medium-term development goals. USAID will continue its efforts with FEWS, CRS (Title II) and CARE pilot programs in order that we may learn relevant lessons.

KIR 1.2 Increased Off-farm Earnings by Rural Sector Households

This KIR directly complements the increase in on-farm agricultural productivity. As stated above the distinction between farmer and non-farmer in Malawi is arbitrary and artificial. Everyone farms and a significant percentage (35%) earn wages from either off-farm agricultural or non-agricultural employment.

As noted in the depiction of the Strategic Objective and KIR, growth in the off-farm sector is directly connected to growth in the agricultural sector. The relationship is one of reinforcing synergies. The Agribusiness sector provides inputs for agricultural production and markets outputs. The income received

by both the farm household and agribusiness can be used for savings/investment or consumption. As rural incomes increase, the demand for more and more diverse non-agricultural goods arises. This in turn reduces the dependency of the economy on the agricultural sector and reduces the risk of drought decimating the overall economy.

As in the case of KIR 1.1, we have presented the Results Framework and causal linkages on the following page. In simple form, increased off-farm earnings is a function of the supply and demand of off-farm labor. This Strategic Objective can contribute to the supply of efficient and skilled labor force (for instance, through improved policy, support to labor groups, and facilitating public and private sector dialog) which is primarily addressed by Strategic Objective 3 (Health) and Strategic Objective 4 (Basic Education).

demand for off-farm labor is a function of the increased demand for Malawian products within the country, within the Eastern and Southern Africa, sub-region, and internationally. The increased demand for Malawian products is met by a corresponding increase in the goods/services provided by Malawian firms. The critical questions then are: (1) how do we encourage an increase in the demand for Malawian products; and (2) what is necessary to expand domestic production to meet this need.

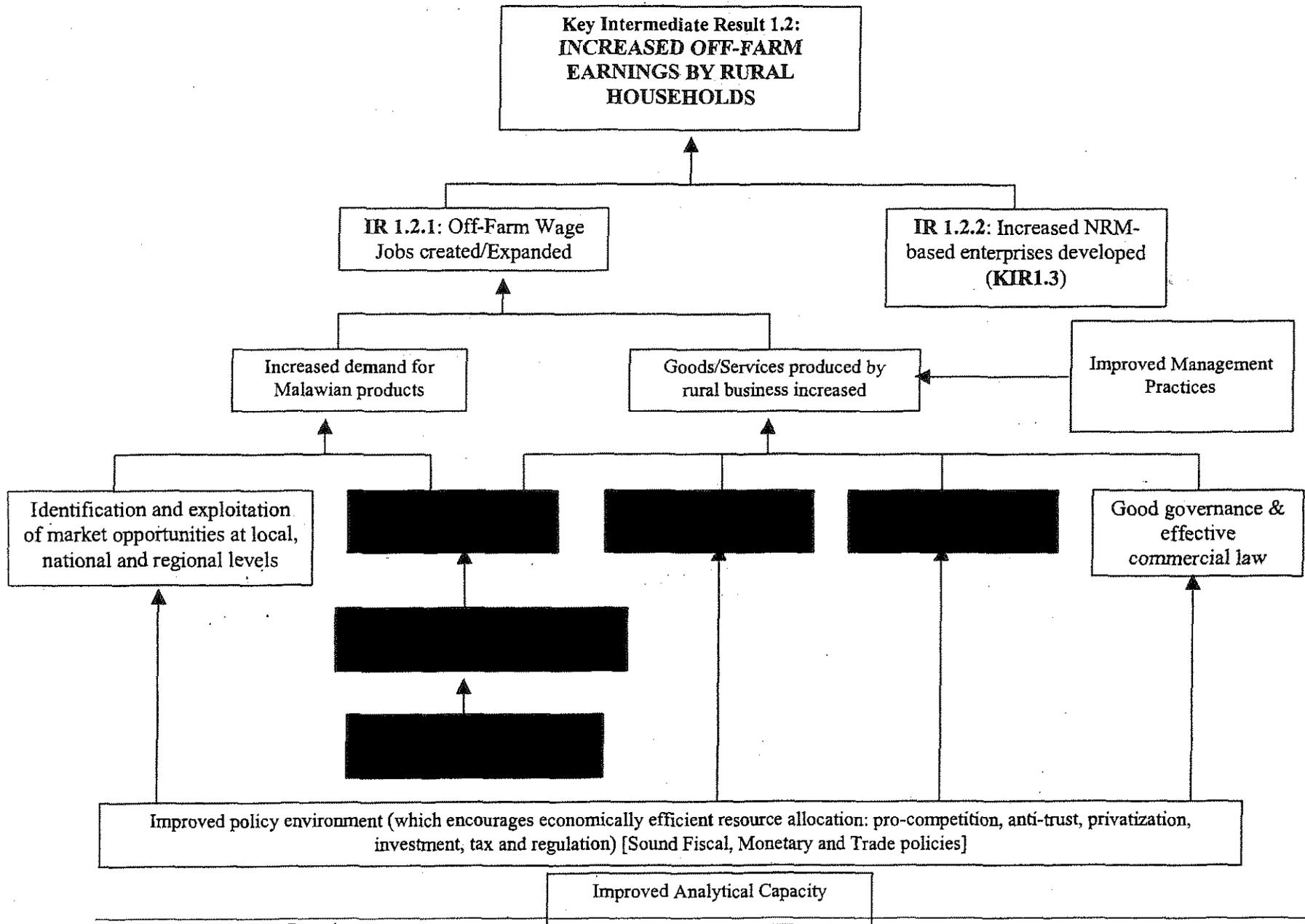
The domestic demand for Malawian products is expected to grow, albeit at unacceptably low levels, as a function of population growth and incomes. Efforts to improve the supply of an efficient, skilled and healthy work force should contribute to the increase in disposable incomes as well increased on-farm productivity. However, Malawi will not achieve the target growth rate (6% per annum) needed to begin to reduce poverty if she does not turn to the international market, especially Southern Africa and to some extent Eastern Africa.

International markets are dynamic and continually changing. As an inland country with high transportation costs, Malawi faces serious obstacles in cracking the market. Yet, given the relatively low labor costs within the country, especially in rural areas, we are optimistic that Malawi can identify and exploit market opportunities at the sub-regional level. Given USAID's comparative advantage in trade and investment and the regional structure of the Africa Bureau organization including the interest of the Regional Centre for Southern Africa (RCSA) in Gaborone and the Regional Development Support Office for Eastern and Southern Africa (REDSO/ESA) in Nairobi, we will be involved in assisting the Malawian public and private sectors identify and if possible exploit emerging export opportunities.

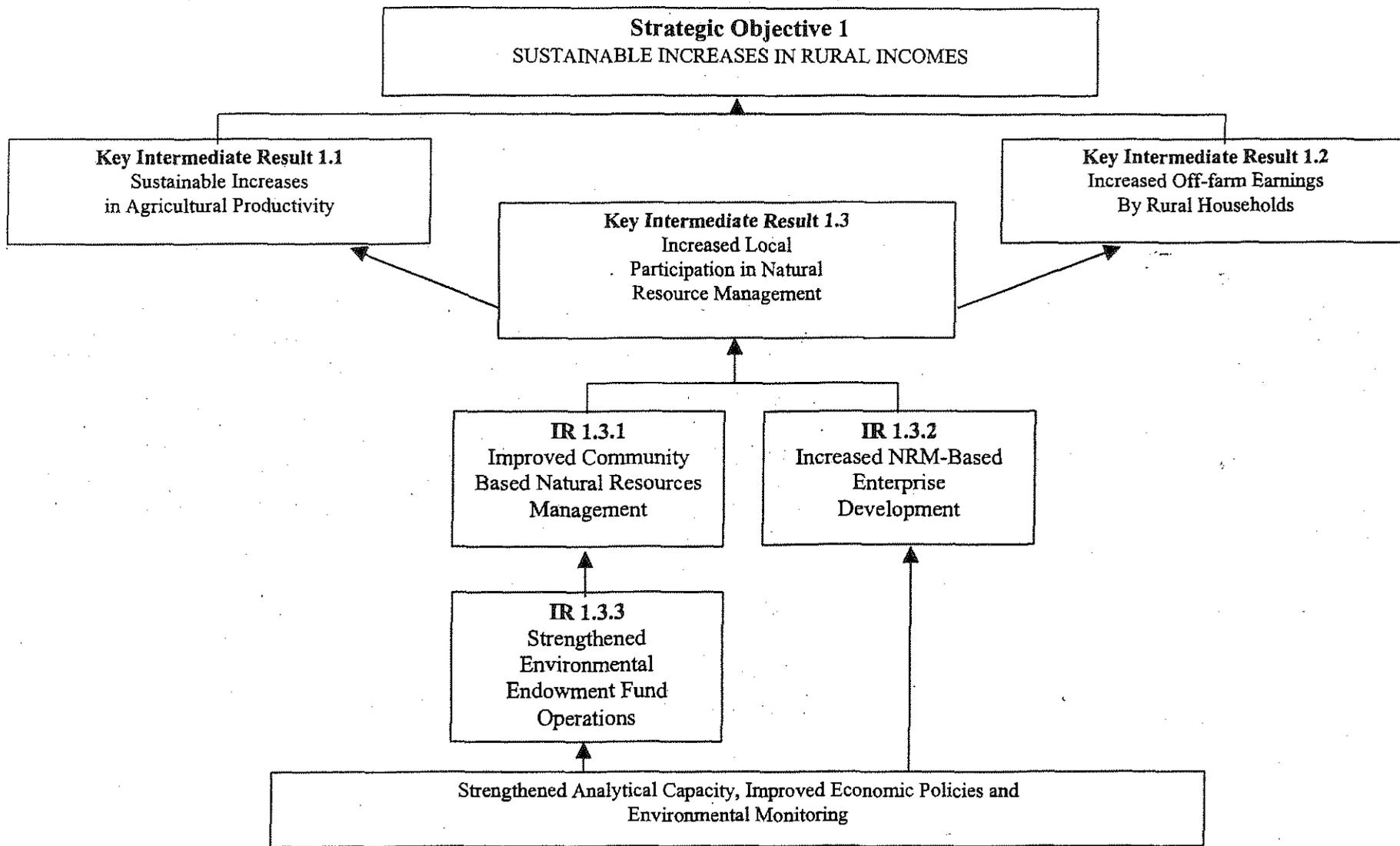
As we consider measures to increase the domestic supply response, our development partners believe that in addition to the need for an efficient and skilled labor force, the critical constraints are improved management practices to better allow Malawian firms to take advantage of emerging opportunities, the expansion of a full-service banking sector, a reduction in crime and insecurity, and good governance especially with regard to fiscal matters.

Foremost on this particular agenda is improved management practices. The Malawian business community (including agribusiness) is starved for information which (s)he needs for basic business decision-making whether it be expected production costs, marketing costs, market opportunities, etc. The sector is also impacted by its lack of experience (enterprises were not encouraged during the Banda era). Therefore the learning curve of the small and medium enterprises in Malawi is by trial and error. USAID will work with the Malawian Investment Promotion Agency, the Chamber of Commerce and others to provide management services to various business entities.

Results Framework for KIR 1.2 Increased Off-farm Earnings by Rural Sector



Results Framework for KIR 1.3 Increased Local Participation in Natural Resource Management



We do not believe that crime and security concerns are within our manageable interest. Similarly, the development of the financial sector is beyond our capacity at the expected funding levels, however, financial sector reform is one of the key topics on the analytical agenda. It is expected that as this issue is addressed, the GOM will be able to implement a policy and regulatory framework which encourages the financial sector to more actively support the creation and expansion of businesses.

Good Governance and effective commercial law is a shared outcome with SO2 and is closely related to macroeconomic performance. Essentially, Malawians are asking for the government to live within its means and not squeeze the private sector out of the capital markets as a result of fiscal deficits. A second element is that the government is currently wringing the inflation out of the system by restricting the money supply. While this is a sound response to the macroeconomic crisis that emerged in 1997/98, it is hoped that fiscal and monetary discipline will be restored once the current crisis subsides. The country is in dire need of financial stability in order that investment decisions may be made. A final element of the good governance intermediate result is the need to have confidence that contracts will be enforced. While Malawi's track record has been generally good, there is the concern that there may be occasional opportunities for a conflict of government and business interests to occur. If Malawi hopes to achieve the creation or expansion of businesses, then the business community has to have confidence that in a business-related conflict its members will be assured of fair and impartial treatment under the law.

As with the agricultural issue, the most important issues confronting Malawi concern macroeconomic stability and structural reform. In Malawi there is a very close linkage between the macroeconomic which is clearly within the domain of the IMF and the World Bank and the sectoral which is within the domain of the other multilateral and bilateral donors. Malawi's history is one of mixed performance on stabilization issues and a deeply ingrained reluctance to undertake the structural reforms necessary to achieve broad-based sustainable growth. These issues which include pro-competition, anti-trust, investment, tax and revenues will be included within the 2001-2005 Analytical Agenda.

KIR 1.3 Increased Local Participation in Natural Resource Management

The Natural Resource Management Component of the proposed Strategic Objective is fully integrated into the Sustainable Agricultural (soil and water management) and the Off-farm Earnings (NRM-based enterprises developed) intermediate results. However, given that the proposed Strategic Objective requests significant environmental funding, we believe it is appropriate to be transparent in presenting the NRMS-dimension of the Strategic Objective. Within this KIR the results packages and activities will be linked to increased rural productivity of resource products and a broader, and thus more successful, participation in resource conservation and management.

Strengthening the capacity of rural communities and/or organizations to manage natural resources better and more productively links directly to the concept promoted under KIR 1.1 of increasing responsibilities of and opportunities for rural groups. The improved management of these resources, principally forests, fisheries and wildlife will contribute to raising rural productivity and increasing household incomes, as well as the conservation of the resources.

Private sector participation will provide additional stimulus to community and/or entrepreneur development by enhancing the contribution of natural resources to income growth. Natural resource based business development (such as village wood lots, fisheries or nurseries) are expected to serve as a source of community revenues while contributing to the sustainability of its resource base.

SO 1 PERFORMANCE INDICATORS AND TARGETS

Strategic Objective/ Key Intermediate Results	Performance Indicator	Performance Targets	Data Source
SO 1 : Sustainable Increases in Rural Incomes	Real per capita incomes (MK)	To be determined	Contractor
KIR 1.1: Sustainable Increases in Agricultural Productivity.	Share of (total) smallholder crop area planted to non-maize and non-tobacco	Share of total smallholder crop area planted to non-maize and non-tobacco increased from 36.9% in 1998 to 47.0% in 2005	Ministry of Agriculture and Irrigation, FEWS
	Hectares under soil-improving technologies	Hectares under soil-improving technologies increased from 20,000 in 1998 to 35,500 in 2002	Implementing Agencies
KIR 1.2 Increased Off- Farm Earnings by Rural Sector Households	Increased off-farm income	To be determined	Implementing Agencies
KIR 1.3 Increased local participation in natural resource management (NRM).	Number of community agreements for managing natural resources	Number of community agreements for managing natural resources increased from 0 in 1998 to 500 in 2003	Implementing Agencies
	Number of NRM-based enterprises	Number of NRM-based enterprises increased from 0 in 1998 to 30 in 2003	Implementing Agencies

CUSTOMERS TARGETED BY THE STRATEGIC OBJECTIVE

This SO focuses on reaching an important mass of emerging smallholder farm families and private entrepreneurs who have the potential to increase their productivity and who are amenable to being organized into functional groups which will permit extending to them the assistance they need to increase the sustainability of their household livelihood systems. Some of these families are involved with the management of their community's natural resources. Female-headed households will receive special attention under the SO.

This focus will entail strengthening selected farmer organizations and support institutions that are capable, or can be made capable, of providing essential services and goods (e.g., credit, inputs, technology, market information) to smallholder and community groups. It will also entail working with appropriate organizations to identify markets for the agricultural and natural resource commodities that Malawi can produce competitively.

The focus on increasing economic growth by helping smallholders and communities with high potential does not mean that the sizeable segment of the population that falls below this level will be neglected. It is envisioned that a number of activities will be undertaken to protect the livelihoods of this more disadvantaged group. These programs will experiment with the effective transfer of resources in a way that moves people above the poverty line and provides them new income generating opportunities.

Business productivity in general will be targeted through the improvement of the overall policy environment for private sector investment. GOM policies should be formulated so as to facilitate private sector growth and investment. However, policy reform does not automatically lead to businesses being competitive and successful. Businesses themselves need to acquire skills, vision, and an innovative, opportunistic attitude towards the provision of goods and services to the domestic market as well as the regional/international ones. Effective participation in regional economic bodies such as SADC and COMESA needs to be ensured. Technical assistance to businesses, including MSMEs, comes in different forms and takes place at different levels and is usually better accomplished by the private rather than the public sector. The Mission might consider funding for analyses/reviews of some of the following:

- Restrictions and hindrances for business entry. This review could analyze cumbersome bureaucratic requirements and delays as well as attitudinal problems and procedures on the part of civil servants and suggest legal or procedural improvements.
- Trade regimes -- duties, taxes, import inspections, etc. and alternatives which facilitate the practice of business rather than obstruct it.
- Transport in Malawi and its high costs.
- Removal of drought levies still in effect which were instituted in the early 1990s.
- Practices of the banking sector. Why are bank margins high? Why such a difference between lending and borrowing rates and do some companies receive preferential, below-market interest charges?
- Security in the cities and especially the countryside as it impacts financial institutions. Many branches in the countryside have closed due to security concerns, making simple financial transactions difficult.
- Industrial pollution in (mainly) urban rivers, streams and water table.

DONOR ACTIVITIES AND COMMITMENTS

The major donors active in Malawi with programs closely related to this SO are the World Bank, the United Kingdom (UK), the European Union (EU) and Denmark. Several donors will have much more combined funding during the 2001-2005 CSP period than will be available to USAID. In addition to these major donor agencies, the UNDP, FAO and GTZ are also undertaking a number of activities that are supportive of the aims of this SO. Although the resources being provided by the donor community may appear to be significant, Malawi's needs continue to surpass the generosity of donors by a large margin.

Within the next few years the World Bank will start a comprehensive agricultural policy reform program. The Bank will contribute to the preparation of an Agricultural Sector Investment Program (ASIP) framework and a micro-finance strategy framework. The Bank will also continue some support to the Malawi Rural Finance Corporation and the GOM's land tenure reform efforts. The Bank is a major contributor to the Malawi Social Action Fund (MASAF) that involves communities in the improvement of local infrastructure. The Bank is also working with the GOM and donors (including USAID) to develop a coherent safety net strategy for targeting the most impoverished segment of the population in a way that is consistent with broad-based economic growth. The World Bank and the IMF are also developing structural adjustment facilities which are as yet undefined but are expected to address macroeconomic issues, public sector reforms and the privatization of key parastatals.

DONOR	ACTIVITY AREAS
World Bank (WB)	Ag. policy reform; Ag. Sector Investment Program; micro-finance strategy framework; Social Action Trust Fund; environmental information; safety net strategy support
United Kingdom, Department for International Development (DFID)	Land reform; soil fertility improvements; rural public works; forestry action plan; NRM; credit & training programs; environmental plan for Mount Mulanje; Assistance to lakeshore communities; food security ("starter packs")
European Union (EU)	Ag. productivity; management information systems; household livelihood security; income diversification; NRM; soil conservation; strategic grain reserve; STABEX for coffee and tea exports.
Denmark, Danish International Development Agency (DANIDA)	Ag. Sector Investment Program; livestock improvement; small-scale irrigation; district environmental plans; loan fund for communities and private entrepreneurs.
Germany	Post-harvest losses; horticulture; livestock health; food security in Mulanje District
Japan	Irrigation (Bwanje Valley) and aquaculture
Republic of China	Horticulture; seed multiplication; treadle pumps for small-scale irrigation
African Development Bank (AFDB)	Rural income enhancement; livestock
International Fund for Agricultural Development (IFAD)	Smallholder food security and floodplain development
U.N. Agencies (FAO, WFP and UNDP)	Soil and water conservation; palm oil processing; food-for-work; household livelihood security interventions

The UK plans to increase its assistance to Malawi significantly, and much of this assistance will be for activities directly related to this SO. These include: assistance with land reform, soil fertility improvements, rural public works; a forestry action plan; NRM; credit and training programs. The UK is also assisting with an environmental plan for Mount Mulanje, an especially rich bio-diversity site, and a program to assist communities along the shores of Lake Malawi. The UK is a lead donor involved with a food security scheme to distribute freely to all small holder families a 20-kilogram "starter pack" containing fertilizer and maize and legume seeds.

The EU's main focus is on improving food security. This includes providing credit inputs and extension services to help raise agricultural productivity, improve the management of information systems, protect household livelihoods and provide opportunities for diversifying income sources. The EU focuses on preserving productive potential, improving NRM and establishing an institutional framework for directing services toward the small holder. An important EU activity is the Promotion of Soil Conservation and Rural Production (PROSCARP) that is introducing and disseminating soil conservation techniques. The EU is working with the GOM to develop recommendations for the reform its strategic grain reserve. The EU also provides funds under its STABEX program to compensate the GOM for losses on the export of coffee and tea.

Denmark focuses on reducing poverty by improving the living conditions of the poorest population groups and supporting the re-distribution of productive resources. Denmark gives high priority to building the institutional capacity needed within the GOM to elaborate and implement the ASIP. Denmark plans to continue its work with livestock improvement and small-scale irrigation in highland sites. Denmark has also undertaken an ambitious effort to prepare district environmental plans and is providing funds to local institutions and NGOs for lending to communities and private entrepreneurs.

Germany assists with post-harvest loss reduction, horticulture, livestock health in the north, and a food security activity in Mulanje District. Japan is contributing to irrigation activities in the Bwanje Valley (in Ntcheu District) and the development of aquaculture. The Republic of China has assisted with horticulture development, seed multiplication and the provision of treadle pumps for small-scale irrigation. AFDB is involved with rural income enhancement and national development livestock projects. IFAD is supporting smallholder food security and floodplain development activities.

The FAO is funding activities designed to transfer soil and water conservation technology to small holders and introduce palm oil processing in the north. WFP is promoting improved household food security through various food-for-work activities in a number of rural districts. The UNDP is undertaking an effort to assist local communities determine and implement household livelihood security interventions.

SUSTAINABILITY

Empowering farm, community and business groups to effectively manage their own business affairs is the key to ensuring the sustainability of the approaches chosen. The fundamentals of good business practice require having the capacity to deal with operational constraints and taking advantage of opportunities presented by a liberalized market. Equipping farmers, communities and entrepreneurs to be able to seek out and take advantage of income making opportunities as they occur and to manage their activities in a business-like manner are fundamental to sustainability.

Involving customers and partners in all stages of strategy and activity formulation and implementation will help ensure the sustainability of this SO. In other words, making Malawian farmers, communities and entrepreneurs owners of the development approach supported by this SO is essential to sustainability.

The success of this approach will be highly dependent on the GOM adopting and applying policies that favor individual participation in the economy and rapid growth of the private sector. The current constructive engagement by USAID and other donors with the GOM in support of needed policy reforms favors early action in this regard on the part of the GOM.

More specifically, the development approach supported by this SO will attempt to instill a constant learning process that will endure well beyond the period of this CSP. The benefits of being organized into farm, community and business groups, practicing improved land management techniques and knowing how to cultivate and market new food and cash crops should be so convincing that there is no question about their merits. Important to this process is reducing dependence on government and learning more effective and profitable ways to manage farm, community and business enterprises.

This invaluable learning process entails changes in values, behavior and practices on the part of Malawians. The sustainability of this SO will depend on the degree and the depth of these crucial changes. Instilling renewed self-confidence and self-reliance in a manner that enables Malawians to deal successfully with private market forces are important hallmarks of this pursuit of sustainability. It is realized, however, that the five-year period covered by this CSP is only one phase in this long-term pursuit, and that true sustainability will take many more years of good development performance.

LINKAGE OF THE SO TO AGENCY GOALS AND OBJECTIVES

The Proposed Strategic Plan is explicitly linked to the following Agency Goals and Objectives.

Goal One: Broad-Based Economic Growth and Agricultural Development Encouraged

- Average Annual Growth in Real Per Capita Income above 1%;
- Reduction in the Share of Country Populations in Poverty;
- Average annual growth in agriculture at least as high as population growth; and
- Increased openness and greater reliance on private markets.

Goal Two: Democracy and Good Governance Strengthened

- More transparent and accountable government institutions encouraged.

Goal Five: The World's Environment Protected for Long-term Sustainability

- Conservation of biologically significant habitat improved; and
- Sustainable management of natural resources increased.

STRATEGIC OBJECTIVE 2

Increased Civic Involvement in the Rule of Law

“Malawi has undergone a transition without transformation.”

(Wiseman Chirwa, Chancellor College, University of Malawi)

RATIONALE FOR SELECTING THIS STRATEGIC OBJECTIVE

Malawi’s political regime is no longer malicious but essentially the mindset of the people (the government and the governed) has not changed much. The attitudes learned over a thirty-year period of dictatorship are still firmly in place, at least beneath the surface. This presents a critical constraint to truly entrenching democracy. In working to involve citizens in the Rule of Law, the intended beneficiaries of the democratic transition become involved in the framework for a functioning democracy. Politicians, government officials and others in authority will be held more accountable and the ‘game’ of democratic governance will increasingly be played according to the rules by everyone.

During the past five years, USAID has been supporting Democracy & Governance activities in Malawi through the Strategic Objective, *“Institutional Base for Democratic Participation Broadened and Strengthened.”* This five-year strategy will end in October 2000; it originated in response to the democratic transition that took place in Malawi in 1993, and sought to support this transition by assisting in the development of institutions of democratic governance. Malawi’s political situation in September 1999 is substantively different from that which prevailed in 1993, and therefore some adjustment in the program was deemed necessary to respond to these changes.

The hypothesis put forward by USAID/Malawi is that the **foundation** of democracy is an informed citizenry. Democracy will not flourish without the understanding, consent and participation of the governed. Democracy is a social contract between citizens of a nation whereby they designate how they are to be governed. Laws are enacted for this purpose, for the common good and for justice, and these laws –*in toto*, the Rule of Law – constitute the **framework** of democracy. When citizens give assent (direct or indirect) to the laws of the land, the likelihood increases that government will be strong and stable. Democratic institutions themselves do not constitute the framework of democracy, they are established to promote, protect and enforce it. USAID/Malawi seeks to address both the foundation and framework over the next CSP period, building on the lessons learned and the gains in institutional strengthening made over the last five years.

In preparation a new CSP for the period 2001-2005, the Democracy Team has engaged in a consultative and analytical process with local, international partners and other donors aimed at determining what the program focus in D/G. The new Strategic Objective: *“Increased Civic Involvement in the Rule of Law”* addresses the situation that exists after the first five years of Malawi’s democracy. This objective responds to priority areas identified by Malawians and the team’s own analysis of the current situation of democracy and governance in Malawi. It is closely coordinated with the activities of other donors and with them contributes to the larger goal of *Improved Rule of Law in Malawi*. The objective of *“Increased Civic Involvement in the Rule of Law”* is also an end in itself, responding to the critical issue of the need for greater engagement of Malawians (particularly women) with the nation’s new system of democratic governance.

This SO has cross-sectoral links with other USAID SOs. For instance, efficient commercial case resolution will support activities in SO1 which deals with sustainable economic growth. Training programs in various sectors supported by the other SOs will provide entry points for raising awareness of legal and human rights and the channels available for their enforcement, protection and advocacy. Through this improved awareness the involvement of civil society and citizens will be expanded, and democratic governance will increasingly be conducted in accordance with rules that are applicable to all participants.

The altered focus from institutional strengthening to citizens' participation will build upon gains made thus far, using organizations which have benefited from USAID/Malawi activities as active partners in implementing the proposed program. The Rule of Law is the overarching concept that provides the framework for consolidating democratic practices and culture. If it is equitably applied, citizens' confidence in democracy will increase and the environment for investment and growth will be improved.

The strategic planning process of the D/G Team has been conducted for more than a year. Frequent discussions with partners on successes and remaining challenges have been held, culminating in July 1999 when the team convened a meeting of an array of partners from government and civil society to determine the most critical challenges seen for democratic governance in Malawi. Participants included representatives from civil society and the following accountability agencies: Parliament, the Law Commission, the Anti-Corruption Bureau, the Auditor General and the High Court. Two follow-up meetings were held to validate the problems and prioritize them as areas that the new D/G Strategic Objective could address. This Malawian-led process resulted in the development of the four areas discussed below. In addition, the D/G team met with representatives of the donor community to determine the areas in which they would be working, with an aim to achieving complementary programming. The following have been identified as key themes:

- Participation
- Access to justice
- Accountability
- Transparency

These were agreed upon by participants to be the most critical for strengthening democratic governance in Malawi. Of these themes the participants were unanimous that public participation, including civic education was the first priority. The second priority area was the issue of access to justice. The proposed strategic objective addresses all the key themes that were identified at these consultations, but is simultaneously focused enough to be achievable; integrated with other donor sponsored activities this SO will have a higher impact over time.

With the benefit of hindsight, we see that the strategy adopted in the 1995 CSP gave inadequate attention to the framework of democratic governance: the Rule of Law. The assumption was that there would be a sufficient level of acceptance of the principles of democracy and that the institutions would uphold the framework. What has been learnt in the last five years is that, while their capacity has been strengthened to a degree, the institutions of democracy will never be effective if ordinary citizens, through an active civil society, are not involved. These institutions derive their real power through the participation and oversight of ordinary people.

The May 1995 Constitution provides the legal framework (Rule by Law) on paper. It provides strong protections for fundamental freedoms and a good basis for an operational democracy. The separation of powers is entrenched and there are limits upon the powers of the executive, including a fixed term for holders of the office of President. The challenge is to ensure that the principles of the Constitution, the

supreme law of the land, are followed in practice. This will not be achieved without the understanding, support and involvement of ordinary people.

The rule of law provides for the genuine consolidation of democratic governance and is also an important pre-requisite for socio-economic development. An efficient and fair system of laws applied equitably is the mechanism whereby justice is dispensed to all citizens and nobody is above the law. The rule of law encompasses more than the courts and the judiciary. It demands that ordinary citizens have access to and confidence in the process of justice. It demands that government be accountable to the citizens by whom it was elected, and this includes engaging in dialogue with supporters and detractors alike. It expects tolerance for dissenting views from all quarters. It demands transparency and accountability in the conduct of all business, from the government to the private sector to civil society. It safeguards the rights and enforces the responsibilities of citizens. It addresses concerns that center around decreasing security and a rising crime rate.

HOST COUNTRY GOALS

With regard to the consolidation of democratic governance, the Host Country goals are perhaps best articulated in the Constitution of Malawi adopted in February 1995 (after the May 1994 elections). The Preamble sets the tone: "...*desirous* of creating a constitutional order in the Republic of Malawi based on the need for an open, democratic and accountable government."

Chapter III of the Constitution states Fundamental Principles:

- (i) All legal and political authority of the State derives from the people of Malawi and shall be exercised in accordance with this Constitution solely to serve and protect their interests.
- (ii) All persons responsible for the exercise of powers of State do so on trust and shall only exercise such power to the extent of their lawful authority and in accordance with their responsibilities to the people of Malawi.
- (iii) The authority to exercise power of State is conditional upon the sustained trust of the people of Malawi and that trust can only be maintained through open, accountable and transparent Government and informed democratic choice.
- (iv) The inherent dignity and worth of each human being requires that the State and all persons shall recognize and protect fundamental human rights and afford the fullest protection to the rights and views of all individuals, groups and minorities whether or not they are entitled to vote.
- (v) As all persons have equal status before the law, the only justifiable limitations to lawful rights are those necessary to ensure peaceful human interaction in an open and democratic society.
- (vi) All institutions and persons shall observe and uphold the Constitution and the rule of law and no institution or person shall stand above the law.

Several of the stated principles of national policy bear directly upon the Host Country position with regard to democracy and good governance. Paragraph 13 sets out these principles:

"The State shall actively promote the welfare and development of the people of Malawi by progressively adopting and implementing the policies and legislation aimed at achieving the following goals –

(a) Gender Equality

To obtain gender equality for women through-

- (i) full participation of women in all spheres of Malawian society on the basis of equality with men;
- (ii) the implementation of the principles of non-discrimination and such other measures as may be required; and
- (iii) the implementation of policies to address social issues such as domestic violence, security of the person, lack of maternity benefits, economic exploitation and rights to property.

(l) Peaceful Settlement of Disputes

To strive to adopt mechanisms by which disputes are settled through negotiation, good offices, mediation, conciliation and arbitration.

(m) Administration of Justice

To promote law and order and respect for society through civic education, by honest practices in Government, adequate resourcing, and the humane application and enforcement of laws and policing standards.

(o) Public Trust and Good Governance

To introduce measures which will guarantee accountability, transparency, personal integrity and financial probity and which by virtue of their effectiveness and transparency will strengthen confidence in public institutions.

Chapter IV of the Constitution follows with a comprehensive and entrenched Bill of Rights.

PROBLEM ANALYSIS

Background

President Hastings Kamuzu Banda ruled Malawi for some 30 years after independence from Britain in 1963. Through the Malawi Congress Party (MCP), he exerted tight control over the political, social and economic life of the country. This had a number of important consequences that continue to affect the nature and quality of political and social interaction in the country today.

Banda's rule weakened to the point of irrelevance institutions which existed in form only. Although there was Separation of Powers on paper – that is, separate branches of government – Parliament, the Judiciary and the Executive were subject to absolute presidential control. Rule was by presidential whim, not according to the law equitably applied. Banda's irregular use of the legal system (he claimed he was "the law in Malawi") led to a loss of public faith in these institutions. The arbitrary nature of the regime, its lack of transparency and accountability, and intolerance of dissent of any kind created an environment that was politically stifling and an overall public attitude that is essentially passive and therefore a barrier to meaningful public participation. The long term effects on the 'national psyche' of the Banda era are persistent and not quickly dissolved in a few short years.

In 1993, the Malawian public voted in a referendum for a multi-party system of government. The first multi-party elections held in June 1994 were largely free and fair and were won by President Bakili Muluzi and the United Democratic Front (UDF). The UDF was formed mainly by disaffected one-time members of the Malawi Congress Party (MCP), and this fact has clear implications for the style of government under the new political dispensation.

The Current Situation

In June 1999, Muluzi and the United Democratic Front (UDF) won the Presidential and Parliamentary elections defeating the alliance of the two main opposition parties, the MCP and the Alliance For Democracy (AFORD). Voting was generally split along regional lines – Muluzi and the UDF dominated in the south, and MCP/AFORD in the central and northern parts of the country. Although the UDF did not win a majority of seats in Parliament they now enjoy a majority of five seats. The four victorious ‘independent’ parliamentary candidates have declared allegiance to the UDF, and it has since won victories in by-elections. The opposition parties filed suit immediately following the election on the issue of the presidential result, citing electoral regularities. That case has yet to be resolved.

Clear gains in strengthening some key institutions of democracy have been made over the last five years. Parliament has improved its capacity and sees itself more and more as a separate, independent arm of government. The printed press has opened up, with all political persuasions being expressed. Civil society has grown in depth and breadth. The judiciary remains weak although on the path towards improvement. The broadcast medium is still heavily government controlled even though comprehensive legislation is now in place safeguarding its professional independence – the challenge in the near future lies in enforcing this law. The Electoral Commission proved itself to be vulnerable to government influence in the 1999 elections. Institutionally, from civil society groups to the government, Malawi is weak but has made progress.

However, the most fundamental problem that besets this young democracy is the matter of transition without transformation. Several comprehensive studies as well as USAID consultations have identified this as the leading constraint to furthering the consolidation of democracy. The **foundations** for effective transformation are not yet entrenched, and the **framework** for democracy – the Rule of Law – needs to be strengthened and further developed.

There is a significant gap between the guarantees on paper, and the practical realities. It is not surprising that after only five years the principles of accountability and transparency and equitable treatment for all have not yet been absorbed into the attitudes of the majority of Malawians, be they villagers or politicians. The legacy of authoritarian rule and values, combined with a hierarchical traditional culture, persist. This has particularly severe implications for the position of women in society.

The Approach to Democracy and Governance Support Over the Last Five Years

The transition to democracy in Malawi occurred within a vacuum as far as institutions were concerned. USAID/Malawi’s previous strategy following the multi-party elections in 1994 was designed to build and strengthen institutions to support democratic governance. For this reason it sought to assist the following institutions of democracy: Parliament, the Judiciary, the Electoral Commission and Civil Society.

In the dispensation that followed the 1994 elections **Parliament** was certainly not a new institution, but it was important to change the mindset of parliamentarians from one of rubber stamping everything the President said, to acting as a check on the power of the executive. Additionally, Members of Parliament needed to take on the responsibilities of an independent, professional and scrutinizing legislature, engaging in thoughtful deliberations and constructive debate. Hence the decision to work with Parliament through the National Democratic Institute (NDI). There have been evident improvements in the way in which parliamentary business is conducted, the quality of debate, and the use of committees as a result of this support.

The **Judiciary** was also not a new institution, but it did need significant re-vamping. Cases of any political consequence, even capital cases, were handled by the traditional courts (a bench without any legal training). Judges and magistrates had been the servants of the Banda regime, never daring to render any independent judgement. They did not have to judge according to the tenets of natural justice; they had to follow orthodox thought. Also, like most other institutions, the Judiciary was impoverished in both human and physical resources. For this reason, together with the crucial role which it should play in the enforcement and protection of human rights, the Judiciary was also targeted for assistance. Progress in this regard has been slower, but patience and targeted support is paying off. The Judiciary is now on the threshold of implementing significant reforms in its administrative and management systems which will have far-reaching effects for efficiency and therefore access to justice.

The **Electoral Commission** played an impressive role in the conduct of the 1994 elections. The challenge was to ensure that the capacity for conducting regular free and fair elections could now be institutionalized. The Commission has succeeded in establishing a full-time secretariat for the on-going administration of electoral matters. Capacity building efforts still need to be directed towards the Electoral Commission (reviews have been mixed on its performance during the June 1999 elections), but that area will be taken up by other donors rather than USAID/Malawi. Local government elections are scheduled to be conducted sometime after July of 2000.

With the advent of the new Strategic Objective, the SHARED project (an NGO strengthening activity) began activities focused on NGOs involved in democracy and governance. A new human rights NGO was also established. This, in addition to the technical assistance that NDI provided to such NGOs, formed USAID/Malawi's support to the development of **Civil Society**.

Support from other donors was forthcoming. There was general agreement that strong institutions would provide a lasting framework for the consolidation of democracy in Malawi. There have indeed been gains made over the past five years. Capacity at an institutional level has been strengthened, for example civil society groups, the Parliament, and a more independent printed press. However, perhaps because of the euphoria surrounding Malawi's remarkably peaceful transition, less emphasis was placed upon educating the public at large as an essential element of establishing a democratic culture. Civic education on the values, rules and procedures of democracy has been taking place, but it has not been given the same weight as institutional development. Mass programs have not been sufficiently emphasized, and the tangible benefits the new era can bring to ordinary citizens are not clearly understood.

THE PROPOSED USAID RESPONSE

CRITICAL ASSUMPTIONS

Looking over the past five year period, the D/G team evaluated the impact of the gains made and the areas where satisfactory progress has not been made, particularly with regard to modifying our critical assumptions. It is clear that the government is no long a transition government. It is equally clear the national attitude has not yet been fully transformed. Political intolerance remains an issue. Personal security is a serious concern. Civil society, while stronger than at the time of transition, remains nascent. Rule by law is not consistent. There is mass ignorance – particularly among women – about laws and rights and responsibilities, about how to interact with government and how to make use of democratic political institutions. Many institutions themselves have inadequate capacity and remain fragile and vulnerable to manipulation and corruption. There is no entrenched culture of transparency and accountability.

The 'development hypothesis' of the previous SO was that by strengthening key institutions of democracy, democracy would be consolidated. This was not unreasonable in the circumstances, but what was suitable at the beginning of the transition is no longer appropriate. The present times and conditions call for new approaches. The lessons learned over the past five years indicate that focussing alone on institutions is insufficient. Institutions which operate without input, support and scrutiny from the public are going to play a relatively insignificant part in promoting authentic democratic governance. For effective democratic participation citizens must have knowledge, information and understanding, particularly when the majority of the population is uninformed as is the case in Malawi. For these reasons USAID/Malawi has chosen to focus on addressing the underlying foundation of democracy – knowledge and understanding – and linking it with strengthening the framework for democracy and good governance: the Rule of Law.

OPTIONS CONSIDERED FOR THE SO AND PREFERRED APPROACHES

There are a number of different approaches that could be taken in order to achieve the SO. Thus far the Mission has mainly relied on grant agreements with US-based PVOs to implement its program. There are advantages in this approach in that the management burden is significantly reduced. However, in the context of significantly reducing budget levels, and against a background of local expertise and capacity now being available, this is an extremely expensive and not very cost-effective option. It is incumbent upon USAID to explore the most cost-effective approaches, those that will have the highest impact.

During this current strategy USAID has also experimented with supporting local civil society organizations (CSOs) directly, specifically the Center for Advice, Research and Education on Rights (CARER), as well as smaller projects in civic education with other D/G CSOs. These activities were successful, capacity has been built and USAID/Malawi enjoys a close relationship with and the confidence of some of the main D/G groups. Each of these has benefited from the support provided by the SHARED project, and training and technical assistance provided by NDI over the past five years. In the case of CARER, it is now recognised as a leading human rights group which has pioneered paralegalism in Malawi. It was established at the end of 1994 and USAID provides core funding.

We are strongly of the view that we have a responsibility to support local groups, especially since USAID money has been invested in their development during the last strategy and they are capable of rising to challenge, probably imperfectly, but adequately. We see this as an additional, or next stage, opportunity for capacity building through 'learning by doing'. It is only through this approach that a measure of sustainability and a greater degree of local ownership can be expected.

While this may present more of a management burden in the early stages, the experience with CARER has been that this: a) builds a much stronger relationship which leads to a more meaningful and consultative partnership; and b) the burden reduces as confidence and competence increase. The implementation will not be as slick, but unless these local groups are given the direct responsibility to carry out programs in support of the democratization process, the true impact of capacity building efforts and their real ability to make a difference will be difficult to assess. There are of course risks attached, but they are reasonable risks to take and the learning process will itself be an important factor.

With regard to the work expected with the High Court, there are very few local resources of expertise. Neither is the High Court's management capacity at a standard to manage the reform program and attendant funding itself. In addition, the High Court is situated in Blantyre, four hours drive from the USAID office in Lilongwe, making protracted involvement logistically difficult. Any capacity building activities which may be undertaken with agencies dealing with accountability and governance will likely be contracted out to regional entities with support from the USAID/Malawi office. Finally, the last year of

the 1995 strategy will be used as a testing period to explore different opportunities and more closely define activities which will have a significant impact.

RESULTS FRAMEWORK

The strategic objective, "*Increased Civic Involvement in Rule of Law*" has three necessary components: (1) Increased mass awareness of legal and human rights and responsibilities, (2) Improved access to justice, and (3) Accountability institutions more responsive to citizens.

It should be noted that while the strategy targets all Malawians, women will be particular beneficiaries of this strategy as they have the least knowledge about and access to the democratic political system. In addition, they are especially disadvantaged in terms of the protection which the law has to offer. As such, where possible, data from this results framework will be reported on a gender disaggregated basis.

KIR 2.1 Increased mass awareness of legal and human rights and responsibilities

One of the greatest areas of concern regarding the strengthening of democratic governance in Malawi is inadequate participation by citizens in public affairs. Assuming that there are no legal impediments to participation, and that people can participate if they choose to do so, this KIR addresses the question of knowledge. If people are unaware of their legal and human rights and responsibilities, they will be unable to participate effectively. This KIR deals with the "demand" side of participation in two ways: through training to individuals and NGOs to improve knowledge, and by supporting efforts to advocate those rights and responsibilities in support of the rule of law. Illustrative activities include: civic education, training of trainers and public debates. The use of mass media and organisations with genuine outreach will be critical to achieving this KIR. There are strong links to other SO training activities by promoting the inclusion of a "democracy" module in training sessions, and promoting greater interaction with relevant government institutions by civil society.

KIR 2.2 Improved Access to Justice

In order for citizens to participate in the Rule of Law and, by extension, to make their democracy work more effectively, they must not only have the knowledge and desire to do so, it must also be accessible to them. Lack of access to the system can be as great a barrier as lack of knowledge, and therefore this KIR works to address that need through a three-part approach. Dealing with both the formal and informal justice systems, there will be a focus on:

- access to alternative dispute resolution (ADR),
- increasing the efficiency of the courts to improve responsiveness,
- promoting greater utilization of traditional authorities and others for conflict resolution at the local level.

Illustrative activities of KIR 2.2 include:

1. support for the High Court adoption of ADR for resolution of commercial disputes;
2. training paralegals and traditional authorities;
3. implementing administrative and management reforms in the High Court which will improve the efficiency of the formal court system, thereby facilitating citizens' access to justice.

This program of reforms arises from a report commissioned by USAID and the Chief Justice of Malawi and has the firm support of the Chief Justice and the rest of the judiciary.

There is a clear link to the private sector SO with a focus on ADR leading to resolution of commercial disputes. The private sector will also benefit from increased efficiency since cases will be resolved within a shorter time.

KIR 2.3 Accountability institutions more responsive to citizens

Another key theme that was identified in discussions with partners is the lack of a culture of accountability and transparency as a consequence of the Banda legacy. Although accountability institutions exist within the government, they are not adequately responsive to or engaged with citizens at this time. This IR works to address this concern through a four-part approach. There will be a focus on improving the interaction between the Executive, accountability institutions, and civil society; support to increase the efficiency of selected accountability institutions; support for increased monitoring of the performance of these institutions by civil society; and support for increased transparency of selected institutions (these may include: Parliament, the Ombudsman, the Auditor General or the Anti-Corruption Bureau).

Illustrative activities include: technical assistance to selected institutions to build capacity and increase efficiency; technical assistance and training for civil society organizations; support to efforts geared towards dialogue and information-sharing between stakeholders. As lead agency in the DAC/PPDG initiative USAID/Malawi is in a strong position in this regard. It is currently chairing the Civic Education Task Force of the Donor Sub Committee on Democracy and Human Rights. This group is leading a tri-partite dialogue process between the Electoral Commission, donors and civil society organizations in order to avoid the polarization of positions which hindered co-operation during the 1999 Presidential and Parliamentary Elections.

SO 2 PERFORMANCE INDICATORS AND TARGETS

Strategic Objective/ Key Intermediate Results	Performance Indicator	Performance Targets (2001-2005)	Data Source
SO 2: Increased Civic Involvement in Rule of Law	<i>Number of complaints about legal and human rights violations brought to the attention of CSOs.</i>	Number of complaints about legal and human rights violations brought to the attention of CSOs increased to 500 in 2005	Implementing Partners
	<i>Number of complaints filed with accountability agencies.</i>	To be determined	Implementing Partners
KIR 2.1: Increased mass awareness of legal and human rights and responsibilities	Number of public debates on issues pertaining to the rule of law.	Number of public debates on issues pertaining to rule law increased to 5 in 2005	Implementing Partners
	% of people trained that retained key points after 6 months (Pre and post testing)	To be determined	Implementing Partners
KIR 2.2: Improved access to justice	Number of cases brought to conclusion by a) arbitration b) Courts	Number of cases brought to conclusion by high courts increased from 1,068 in 1996 to 3,500 in 2005	Implementing agents Judiciary (GOM)
	% people appearing at Courts who have received prior legal advice. a) Male b) Female c) Total	To be determined	Implementing agents Judiciary (GOM)
KIR 2.3 Accountability institutions more responsive to citizens	% investigated violations/ grievances that are prosecuted	Investigated violations/ grievances that are prosecuted will be increased to 50% in 2005	Implementing agents
	% investigated violations/ grievances that are NOT prosecuted due to no case to answer.	To be determined	Implementing agents

CUSTOMERS TARGETED BY THE SO

This SO responds to key concerns voiced by partners during the consultative process and addresses two significant constraints to the promotion of democratic governance: the public's lack of understanding and access to justice. The beneficiaries of this approach will be the citizens of Malawi. Through these activities they will begin to 'own' their democracy, and make it work for them.

In the last five years, USAID/Malawi has laid the groundwork for effective local partnerships through sustained dialogue, consultation and training. The investment in building the capacity of civil society groups has paid off. While it is true to say that they are still in the early stages of development and further capacity building will be required, our programs have nurtured a core of effective and motivated civil society organizations. These groups are geared towards raising the awareness and participation of citizens in the democratic process, creating opportunities for dialogue between stakeholders and improving the access to justice through the provision of free advice and the training of paralegals. Another potential partner is the Law Society of Malawi which now has new and more active leadership than previously.

USAID/Malawi has a long-established relationship with the High Court of Malawi. In the past five years there have been significant shifts in attitude: the 'old school' mindset which was resistant to change and criticism has given way to accepting reforms and being committed to taking them forward. There is high level commitment from the Chief Justice and support for this course throughout the judiciary. It can be said that the judiciary is now ready to make reforms which was not the case in preceding years.

Transparency and accountability in the public sector are new and far-from-entrenched concepts. Broadly the legal framework is in place, but the challenge is full acceptance in attitudes and behaviors. USAID/Malawi plans to work with both the 'supply' and 'demand' sides to foster and encourage a culture of transparency and accountability in Malawi. There are some actors and agencies that support this approach, but they are likely in the minority. Others would view this as restricting their ability to function and would oppose it.

DONORS' ACTIVITIES AND COMMITMENTS

There is close coordination in Malawi on democracy and governance issues, through the Donor Sub-Committee on Democracy and Human Rights. The key donors active in the Rule of Law sector are DFID and the EU. DFID's approach complements that proposed in this framework. Through improving the police service, concerns regarding safety, security and access to justice will be addressed. An improved police service is also an important component in the courts improving their overall service. DFID also seeks to involve communities in the Rule of Law through community policing. In addition, support will be provided for improvements to the prisons in Malawi, and schemes that promote remedies other than imprisonment where appropriate. DFID is also keen to support the implementation of reforms in the court's administration. Through activities supported by USAID/Malawi and DFID, and assuming the level of commitment from the judiciary remains the same, a full raft of reforms will be implemented by the end of this strategy period.

The EU program focuses on improving the capacity of other key actors in the sector and addressing the personnel crisis in the public defense and prosecution services. It provides assistance to increase the intake of law students at Chancellor University. It is also training members of the judiciary, the Law Commission and the Ministry of Justice as well as paralegals who will be attached to the Ministry. Finally, assistance to prisons is also being provided by the EU in the form of physical infrastructure improvements.

Jointly, the contributions from the EU, DFID and USAID will contribute towards attaining the higher level goal of Improved Rule of Law in Malawi. Other key actors in democracy and governance in the donor community are UNDP, the Danish government and GTZ. A Norwegian Embassy has recently been established and the Norwegian government has provided financial support to the democratization process.

UNDP works primarily through the Inter-Ministerial Committee for Democracy Good Governance and Human Rights, which was established with UNDP's support to implement the democracy consolidation program. Through this committee support is given to the Electoral Commission, the decentralization process and some activities geared towards civic education. UNDP is also involved in providing training to Parliament.

The Danish government have been providing support to civil society and institutions such as the Law Commission, Ombudsman and Anti-Corruption Bureau. It is currently reviewing the impact of its program; there is not yet a clear picture of Danish assistance in the next five-year period. However, some support for general civic education is anticipated along with assistance to Parliament, the Law Commission, the Auditor General's office and other agencies.

The GTZ support to democracy has the Department of District Administration and Local Government as its key partner. It also provides support to civil society groups geared towards civic education and skills building. This aspect of the program will continue, but some assistance to Parliament is as yet unspecified.

Various donors plan to provide support for Constitutional bodies such as the Law Commission, Human Rights Commission, Ombudsman, and the Anti-Corruption Bureau. Support for these institutions, particularly the newly established Human Rights Commission, will be coordinated through the donor sub-committee. The task force of the sub-committee, which incorporates donors and implementing partners and is chaired by USAID, proved to be a very effective coordination tool for efforts towards the 1999 elections. It has wide potential for assisting in the formulation of effective civic education in the future.

SUSTAINABILITY

USAID/Malawi has considered the merits and demerits of different approaches in achieving the proposed SO. We would argue that the course we have chosen is the best route towards achieving real sustainability.

The activities envisaged in furtherance of *Increased Civic Involvement in the Rule of Law* are geared towards achieving and sustaining the SO. The approach adopted reflects the objective itself – civic involvement. These are areas of intervention identified as critical to entrenching democratic governance by Malawians who have been active in the democratization process.

The key to the sustainability of the SO lies in its very description. Once citizens participate in the framework for democratic governance it becomes entrenched. By using local groups to foster understanding, advocacy, advice and mediation within the communities; this resource becomes part of local life. In focussing on increased accountability and responsiveness to citizens, a process of dialogue and transparency becomes a natural part of doing business. A focus on improving the management and administration of the formal court system which is based on consensus within the legal profession and on sound management and sensible allocation of resources has realistic potential for achieving a sustainable impact.

Finally, USAID/Malawi is building on relationships, structures and approaches which are already in place and which have already been tried and tested to a greater or lesser extent. By supporting and strengthening already existing structures and initiatives which respond to locally-identified needs, the sustainability of the program will be safeguarded.

LINKAGE OF THE SO TO AGENCY GOALS AND OBJECTIVES

This SO links directly with USAID Agency goal number two: *Democracy and Governance Strengthened*.

- Improvement in overall freedom
- Rule of law and respect for human rights of women as well as men strengthened;
- Credible and competitive political processes encouraged;
- The development of politically active civil society promoted; and
- More transparent and accountable government institutions encouraged.

STRATEGIC OBJECTIVE 3

Behaviors Adopted That Reduce Fertility and Risk of HIV/AIDS and Improve Child Health

RATIONALE FOR SELECTING THIS STRATEGIC OBJECTIVE

In May 1999, the Ministry of Health and Population (MOHP) published Malawi's National Health Plan (NHP) for 1999 to 2004. The NHP identifies four key health problems for attention:

1. High child mortality and morbidity
2. High maternal mortality and morbidity
3. High HIV seroprevalence and deaths due to HIV/AIDS related illnesses
4. High morbidity and mortality in the general population due to infectious diseases

This represents the Ministry's first attempt to develop a national plan from the bottom-up. It draws upon district-level planning efforts carried out by Malawi's 26 District Health Offices (DHOs)¹ through community interviews and focus group discussions in selected villages in each district.

Recognizing the important step the MOHP has taken in using a participatory and analytic process to develop a comprehensive health care plan, USAID began its CSP planning process by making a public commitment to build upon this effort in its own forward planning exercise. A definitive assessment of Malawi's health situation is impeded by inadequate flows of up-to-date information. Malawi does not have a national birth and death registry system, having allowed the system that was in place before independence to lapse. Nor is the analysis of data from the MOHP's health information system current at the national level. As a result, the MOHP and donors are inordinately dependent on periodic national surveys for basic health statistics. USAID used the NHP, the draft strategies for Human Resources, Reproductive Health, and Health Financing, and the draft of the National HIV/AIDS Strategic Framework for 2000 to 2004 in order to carry out its examination of the work of other donors and its own options for the future. The Mission's efforts to validate the MOHP's problem analysis confirmed the four findings listed above.

The SO 3 Team examined the health and development problems faced by Malawians as well as the areas of USAID's technical expertise and determined the geographical coverage of priority health interventions that could be achieved given the amount of USAID funds that might be available. The priority activities that should be supported by USAID were then identified, being careful not to duplicate assistance provided by other donors. The team determined that the most crucial problems for USAID's attention are: 1) lowering the risk of HIV/AIDS, because of the epidemic's tremendous impact on human resources and productivity; 2) reducing fertility and population growth, which are essential for attaining broad based economic growth; 3) lowering infant and child mortality rates, which if left unchecked will continue to foster high fertility as parents try to compensate for under-5 mortality. These inter-related elements comprise USAID/Malawi's third Strategic Objective: "Behaviors Adopted That Reduce Fertility and Risk of HIV/AIDS and Improve Child Health."

¹ Malawi's recently established 27th district, Likoma Island, does not yet have a DHO.

HOST COUNTRY GOALS

For each of the eight objectives listed in the NHP the MOHP has defined a set of national targets, many of which focus on performance indicators that USAID has also been monitoring for Malawi.

Malawi National Health Plan 1999-2004

The overall goal of the plan: *Raise the Health Status of All Malawians* will be realized by achieving eight medium-term objectives:

1. Expand the range and quality of health services focused on maternal health and children under the age of 5 years;
2. Improve the general health status of the population by strengthening, expanding and integrating relevant health services;
3. Increase access to health care facilities and basic health care services;
4. Increase, retain and improve the quality of trained human resources, and distribute them efficiently and equitably;
5. Provide better quality health care in all health facilities;
6. Improve efficiency and equity in resource allocation;
7. Strengthen collaboration and partnership between the health sector, communities, other sectors (e.g., Local Government and Tourism), and private providers (allopathic and traditional);
8. Increase overall resources in the health sector and allocate them efficiently and equitably.

PROBLEM ANALYSIS

The MOHP is the dominant provider of health care in Malawi, accounting for 60% of services delivered. Facilities managed by member institutions of the Christian Health Association of Malawi (CHAM) account for 30% of service delivery, but they are not private sector institutions in the conventional sense. The MOHP has a policy oversight role with respect to CHAM institutions and provides major funding to them. The Ministry of Finance transfers to CHAM the resources that cover the base salaries of all local CHAM personnel. In addition to MOHP and CHAM facilities there are only a limited number of private medical practices in the country. Outside the framework of modern preventive and curative medicine, traditional healers – including herbalists – still have a large following throughout the country.

There is no question about the fundamental condition of the nation's health: for most Malawians, death is often very close at hand.² A large portion of the deaths of children under-5 result from largely preventable or treatable diseases. Disease prevention and the use of simple treatments are inhibited not only by lack of knowledge and the unavailability of relevant supplies but also by an inadequate basic infrastructure. Estimates indicate that 97% of all Malawians do not have adequate sanitation facilities and 53% lack access to a safe source of water.

Malaria prevalence among under-five children was estimated at 40% in 1992 and 45% in 1996, suggesting that the situation may be growing worse. This is not inconsistent with data that indicate that in 1996 roughly 50% of the population was not aware of the fact that malaria is transmitted by a mosquito bite. Only 8% of Malawian households use bednets (which significantly reduce the incidence of malaria according to a recent study carried out by the CDC in Kenya).

Even when children survive their first five years, many are negatively affected by the experience of these early years. Half of all Malawian children are stunted (chronically undernourished) and a third are underweight. The problem starts at birth, with 20% of infants registering a low birth weight.³ Exclusive breastfeeding to six months of age, a key means of ensuring adequate nutrition as well as disease protection for infants, is rarely practiced. As of 1992 it was estimated that 96% of all infants receive supplements by the time they are 4 to 5 months of age, and many receive a supplement of liquid mixed with a maize-based staple called *nsima* well before that.

The impact of HIV/AIDS on people's lives is catastrophic. Presently over 70% of hospital beds on medical wards are occupied by patients with HIV/AIDS-related conditions. The health care system does not have the capacity or supplies to care for such a high number of patients with serious medical problems, and referral of many of these patients to "home based care" simply means that they die at home with little or no medical care. In addition to directly affecting the health care system, the AIDS epidemic has already had a profound impact on the health care human resources of Malawi. At present, 40% of posts in the MOHP are vacant and severe shortages of health personnel can be observed at every health care facility in the country.

It is estimated that over 210,000 children have lost their mothers to AIDS, and this is projected to increase to over half a million children by the year 2005. These children's lives are severely traumatized by experiencing the death of their mothers, and in many cases the deaths of their fathers, and their subsequent deprivation as orphans. USAID's 1998 *Children on the Brink* study estimated that in Malawi 36% of children under the age of 15 have lost one or both parents.

AIDS is now the leading cause of death in adults. More than 80,000 die annually – double what the number would be without AIDS. This figure is projected to rise to over 100,000 adult deaths annually by 2005. The National AIDS Control Program with assistance from the Policy Project indicates that annually there are already about 70,000 new cases of AIDS. The high rates of HIV/AIDS infection and the magnitude of adult deaths have a profoundly negative impact on all sectors of Malawian society. Life expectancy has dropped over the last decade and fewer adults are working to support the young and the elderly.

Dealing with this overwhelming problem requires emphasis on both prevention of new HIV infections and mitigation of the impact of the epidemic. Most studies indicate that there are high rates of knowledge

² A 1998 account of focus group discussions on family health and sexual reproduction revealed that more than half of the 17-25 year old participants stated they did not think they would be alive in five years.

³ "Report on Policy Issues and Donor Activities for Malawi Donor Coordination Group on Nutrition," 1988. p. 5.

about AIDS in Malawi, with over 97% of adults of both sexes being aware of AIDS. Knowledge of how to prevent transmission is not as high, however. In 1996, women cited sex with multiple partners as a means of transmission more frequently than did men (72% versus 49%), but far fewer women than men identified use of condoms as a way to avoid getting AIDS (23% versus 47%). There are also anecdotal reports of misconceptions and incorrect beliefs that air, water and witchcraft spread HIV.

Since knowledge of AIDS is high in Malawi, the next step is to deliver specific services and commodities to prevent new infections and to bring about behavior change. These services include voluntary counseling and testing (VCT), which has been well documented to help people adopt risk reduction behaviors. Testing of pregnant women with the aim of reducing the rate of mother-to-child transmission is receiving increasing attention throughout the region. Although VCT is available in a few locations in Malawi, to date these services have not been well funded, and supplies of HIV test kits have been erratic. USAID-funded VCT centers in Blantyre and Lilongwe are attracting an increasing number of clients, but for this intervention to be more effective, significantly more clients need to be served. Newer testing technologies are resulting in HIV testing that is done outside of laboratory settings, and thus can be extended to rural areas. Increasing the availability of, and access to VCT, is a high priority, and is an intervention in which USAID has a comparative advantage in supporting.

The contraceptive prevalence rate (CPR) rose from 7.4% in 1992 to 14.4% in 1996, suggesting a potential slowing of the fertility rate which stood at 6.7 in 1992 and which will not be re-estimated on a statistically sound basis until 2000. Candid and effective sex education for young people is also needed, and though primary and secondary school curricula have been developed, by and large they are not being taught. Most school teachers, like many others in the society, are uncomfortable discussing HIV/AIDS or acknowledging AIDS as the cause of family or neighborhood deaths.

The direct involvement of Malawi's President in efforts to halt the spread of AIDS is a welcome step. The National AIDS Control Program has completed its Strategic Framework for the years 2000-2004, and efforts are underway to mobilize the resources to implement the Framework. Thus, this is an ideal time for USAID to intensify efforts to respond to the AIDS epidemic.

Development Challenges

Addressing these problems, even for a subset of the population, involves action on a number of fronts simultaneously, as the NHP's box below indicates. USAID's analysis of constraints, which complements the analysis outlined in the Plan, suggests that many of these problems are highly correlated. Service delivery is constrained by an inadequate system for supplying drugs and other needed materials. Quality services are constrained by personnel shortages – a massive problem – and poor knowledge and skills of health care providers in disease prevention. Recent quality assessments carried out in six districts under USAID's CHAPs activity show, among other things, that health care providers do not consistently wash their hands between clients. Improvements in the quality of service depend upon the flow of new, well trained personnel into the health care system, adequate supervision of service providers, and the provision of drugs and other supplies to all levels throughout the system. As USAID's 1998 study of health care management at the district level showed, these constraints are also impacted when equipment and vehicles sit idle, sidelined because they are in need of repair. Lying behind many, but not all, of these problems are: a) a basic scarcity of resources; b) a less than optimal system for analyzing and allocating the resources; c) financial constraints. To cite an example of the last, in 1998 there was an erratic flow of funds to districts: some months saw no funds coming in and other months saw more than usual amounts coming in.

Intrinsic to health care reform, which is both a NHP and USAID priority, is the rationalization of policies and practices and the efficient use of resources. Many basic policies need to be addressed, not simply

those on cost recovery and AIDS. Integrated planning for prevention and care services across provider lines (MOHP, CHAM and private facilities) is urgently needed. Intake into schools that train health care personnel is grinding to a halt as a result of decisions that lack realism given Malawi's circumstances – for instance, some of the requirements to upgrade the skills of service providers and school entrants are premature and/or unaffordable. The GOM's policy of decentralization will be implemented during the period covered by this CSP, and significant preparation will be required for the transfer of health facilities and responsibilities to district level government. Efforts to provide quality health care services to the general population (and target groups) should not be confusing and disorganized.

Malawi National Health Plan 1999-2004

Challenges and Impediments to Solving Malawi's Main Health Problems:

- 54% of the population lives more than 5km from a health facility.
- Most services targeted at populations at risk are delivered in a vertical manner that is fragmented and does not adequately impact on mortality and morbidity.
- Secondary and tertiary services which consume over two thirds of the ministry's budget are largely providing primary care services, sometimes to the detriment of the backup services they are supposed to provide.
- There are shortages and poor allocation of trained health personnel.
- There are shortages of essential drugs, medical supplies and equipment.
- In areas not served by public health care facilities, the poor who lack funds to pay for non-governmental health services are often discouraged from seeking any medical care.
- Health sector resources are inadequate given the magnitude of Malawi's health problems, and those resources that are available are allocated inequitably and inefficiently.

THE PROPOSED USAID RESPONSE

CRITICAL ASSUMPTIONS AND CAUSAL RELATIONSHIPS

The cause and effect model implicit in the NHP (and explicitly shown in the SO3 RF) posits that adoption of behaviors necessary for improving the health status of Malawians depends upon the availability of health services (supply) and the ability of Malawians to access them (demand). There are also behavioral changes that can improve health which require no delivery of services, e.g., abstaining from sex, practicing safe sex, improving basic sanitation practices, providing adequate nourishment to pregnant mothers and babies.

Some of the critical assumptions follow directly from USAID's experience in implementing the partnership between international PVOs and DHOs under the Community Health Partnerships (CHAPS)

Project in five districts. The purpose of the activity is to strengthen the capacity of the District Health Management Team (DHMT) to manage the support systems related to transportation, communication, training, supervision, health and management information system (HMIS), logistics and financing. While the central level is consulted regarding policies, the financing is focused at the district level and the results have shown increases in the quantity and quality of services. The assumption that these improvements will result in reduced mortality and morbidity for mothers, infants and children under five will be proven or not by the Malawi Demographic and Health Survey of 2000.

It is also assumed that the decentralization process, which is unfolding at different rates depending on the line ministry and district, will require even more capacity building at the local level. USAID will continue to build on the investments made in strengthening DHMTs under CHAPS and, will expand that support to reach up to ten districts if sufficient funds are made available.

The RF is designed to strengthen the delivery and quality of services at health centers and to assist health center staff to provide needed services to mothers and children. At the same time, communities are being encouraged to organize themselves, to identify major health problems as well as solutions, and to contribute time and energy as volunteers to help their neighbors. The assumptions here are that community mobilization will result in the adoption of behaviors that lead to improved health status because key services become more accessible and the quality of those services is improved. More healthful behaviors within communities reduce the causes of morbidity and mortality.

Another critical assumption is that a balance must be maintained between activities that increase the *demand* for services and those that support development and *delivery* of health services. The DHS provides basic information on the latent demand for key maternal, child and reproductive health services. Since there was already a large unmet need for family planning services, the recent amendment of the Support to AIDS and Family Health project emphasized the financing of service delivery. It is anticipated that as health services become more available social mobilization and information campaigns will need to be developed to assure the optimal use of these services.

It is assumed that the process of health reform will continue to evolve at central level and staff will be able to adapt to their new roles related to making policies and assuring more efficient and equitable resource allocation, including the development of two autonomous hospitals and a program of cost sharing.

A final critical assumption is that the severe shortage of human resources will be vigorously addressed by the MOHP. This includes working with the pertinent training institutions to resolve the serious and growing shortage of instructors and nursing students. The full implementation of the GOM's civil service reform is expected to result in an overall improvement in working conditions, especially for health workers posted to the most rural areas.

OPTIONS CONSIDERED FOR SO3 AND PREFERRED APPROACHES

The SO team felt the need to focus not only on AIDS prevention, but also on mitigation of the impact of AIDS in the community. The prevention activities supported by USAID have shifted from bio-medical sexually transmitted diseases (STD) activities to greater emphasis on behavior change related to knowledge of HIV sero-status and increasing AIDS awareness and empowerment of key target groups such as religious and political leaders and youth. Current AIDS mitigation activities related to identification and support for orphans should be continued and expanded, while home-based care activities require further research to improve the quality of these services. Identifying other donors to support expansion of home-based care was recommended.

As with family planning and reproductive health, there are many donors supporting child health activities at national and local levels. Malnutrition, malaria and diarrhea were identified as key problems that need greater attention. The new approach of integrated management of childhood illness (IMCI), which the MOHP wishes to expand to all 27 health districts in the next five years, provides an opportunity to better focus on reducing the main causes of infant and child morbidity and mortality. USAID is already a leader in introducing IMCI through the Blantyre Integrated Malaria Initiative (BIMI). Nutrition is an important element of IMCI which needs further development. By focussing on IMCI at the health facility and at the community levels, the SO3 Team determined that USAID could have the greatest impact on reducing under-5 mortality in target districts where PVO-district partnerships have already been established.

Options for focussing Mission efforts at the central and district levels were discussed by the team and various partners. This helped the team to better understand the new roles that government workers would play at each of these levels as the decentralization process moves forward. Implementation will be a district responsibility; therefore the team decided to focus on specific districts where investments have already been made while possibly adding one or two districts, the total number not to exceed ten. Support for policy reform and for logistics and management information systems needs to continue to emanate from the central level, where data are gathered and analyzed and goods are ordered and shipped out.

RESULTS FRAMEWORK

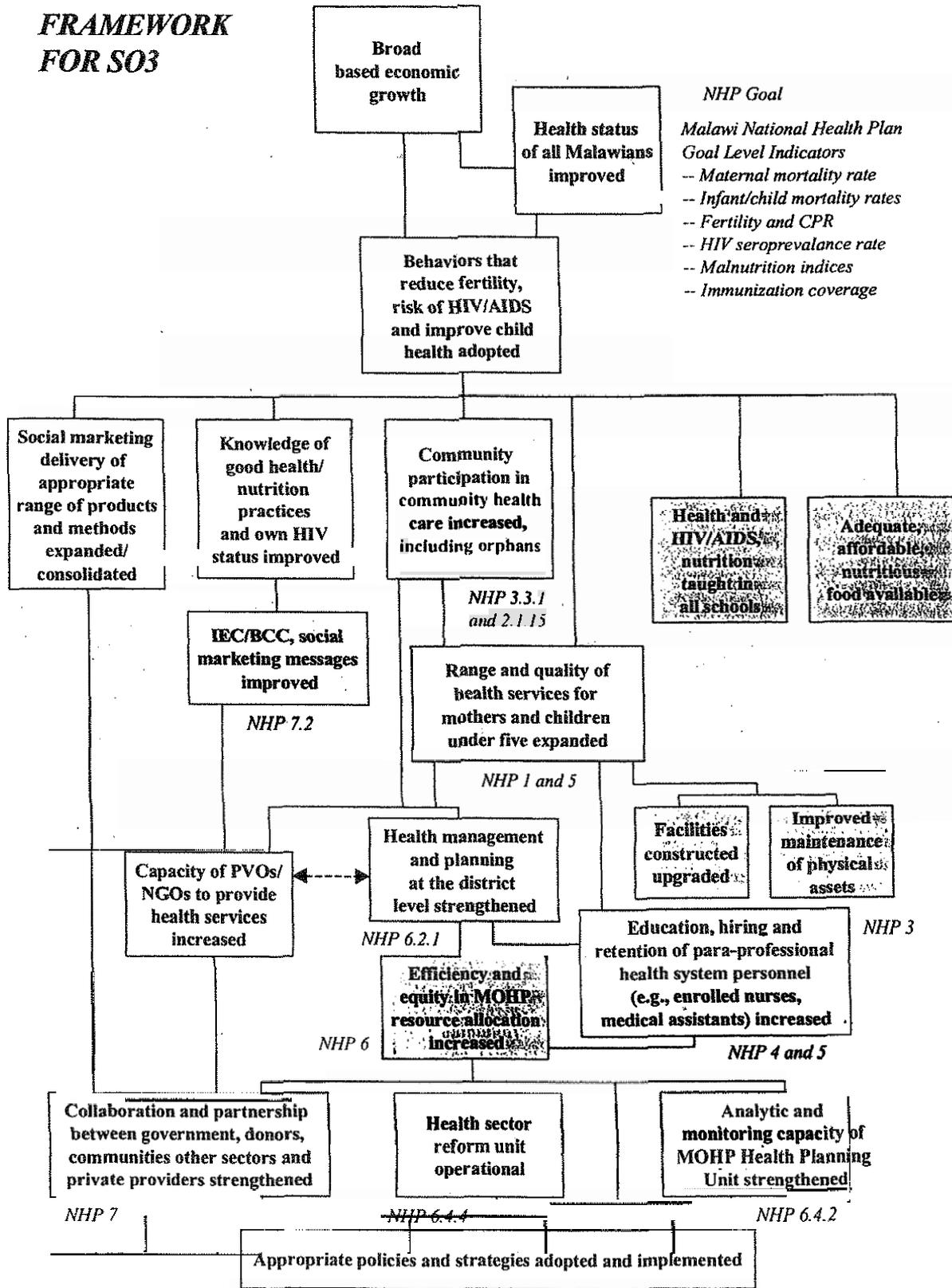
The detailed RF for Health, Population and Nutrition illustrates how USAID/Malawi SO3 directly supports Malawi's NHP. Many of the results shown on the USAID RF exactly parallel results identified by the MOHP as medium-term objectives or as tasks which the NHP articulates as intermediate steps that must be accomplished in support of one or more of the medium-term objectives. The correspondence between USAID's RF and the Ministry's NHP is noted through numerical references to NHP results which are visible under some of the boxes that display the cause and effect relationships in USAID's RF for this sector.

The SO3's program management framework comprises the Strategic Objective, KIR and the lower level IR. The progress made toward achieving the above objectives will be measured through carefully selected indicators that most accurately depict performance. Each indicator will have baseline data and targets. Performance will be compared to targets set. Performance monitoring shall focus on whether and to what extent objectives (the SO, KIRs, and IRs) are being achieved. The core SO3 team will be the prime vehicle for monitoring the SO3 program; together with partners and customers we will establish performance monitoring systems that will regularly collect and analyze data as stipulated in the Performance Monitoring Plan.

Performance monitoring information, evaluation findings, and additional information from formal and informal sources will be used regularly during the SO3 program management process to improve the performance, effectiveness, and design of development assistance activities. In R4, the reporting framework will comprise indicators that depict the progress made towards achieving the SO and KIRs. At least one indicator through which to track performance will be reported in the R4. The Mission will use both qualitative and quantitative indicators to report performance.

USAID's Strategic Objective "behaviors adopted that reduce fertility and risk of HIV/AIDS and improve child health" represents the highest level on the RF at which the SO team is confident that its work, when combined with the efforts of the MOHP, other donors and implementing partners, will produce measurable changes over the next five years. The following graphic gives preliminary performance indicators for the SO and the KIRs that are to be monitored during the implementation of CSP 2001-2005.

**RESULTS
FRAMEWORK
FOR SO3**

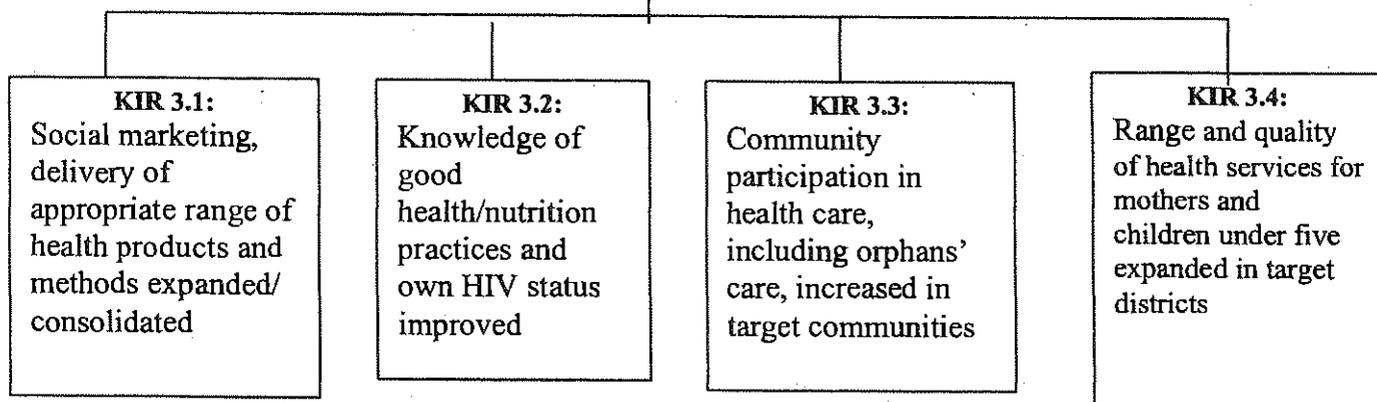


PERFORMANCE INDICATORS AND KEY INTERMEDIATE RESULTS

SO Indicators:

1. Contraceptive Prevalence rate
2. Couple-years of protection
3. Exclusive breastfeeding rate
4. ORT use rate
5. % of households with bednets;
6. % under-5s sleeping under bednets
7. # of Clients at VCT Centers
8. Condom use with non-regular partner

**Strategic Objective 3:
Behaviors Adopted That
Reduce Fertility and Risk of
HIV/AIDS
and Improve Child Health**



KIR 3.1:
Social marketing,
delivery of
appropriate range of
health products and
methods expanded/
consolidated

KIR 3.2:
Knowledge of
good
health/nutrition
practices and
own HIV status
improved

KIR 3.3:
Community
participation in
health care,
including orphans'
care, increased in
target communities

KIR 3.4:
Range and quality
of health services for
mothers and
children under five
expanded in target
districts

KIR 3.1 Indicators:

1. # of condoms sold
2. # of packets of ORS sold
3. # of bednets sold
4. # of insecticide retreatment kits sold

KIR 3.2 Indicators:

1. Knowledge of malaria transmission
2. Range of modern methods of contraception known
3. # of persons reached with messages

KIR 3.3 Indicators:

1. # of CBDs providing FP info and services
2. # of Drug Revolving Funds
3. # of Village Health Committees
4. # of Village AIDS committees
5. # of patients receiving home care
6. # of TBAs providing services
7. # of village orphan committees

KIR 3.4 Indicators:

1. # of Functional VCT centers
2. # of district & CHAM hospitals with functional District Quality Assurance a/o Infection Prevention committee
3. # of district & CHAM hospitals with proper waste disposal
4. # of district & CHAM hospitals with Integrated health services
5. # of district & CHAM hospitals that provide post-abortion care services
6. # of service delivery facilities that experienced STD drugs or contraceptive stock out.

SO3 PERFORMANCE INDICATORS AND TARGETS

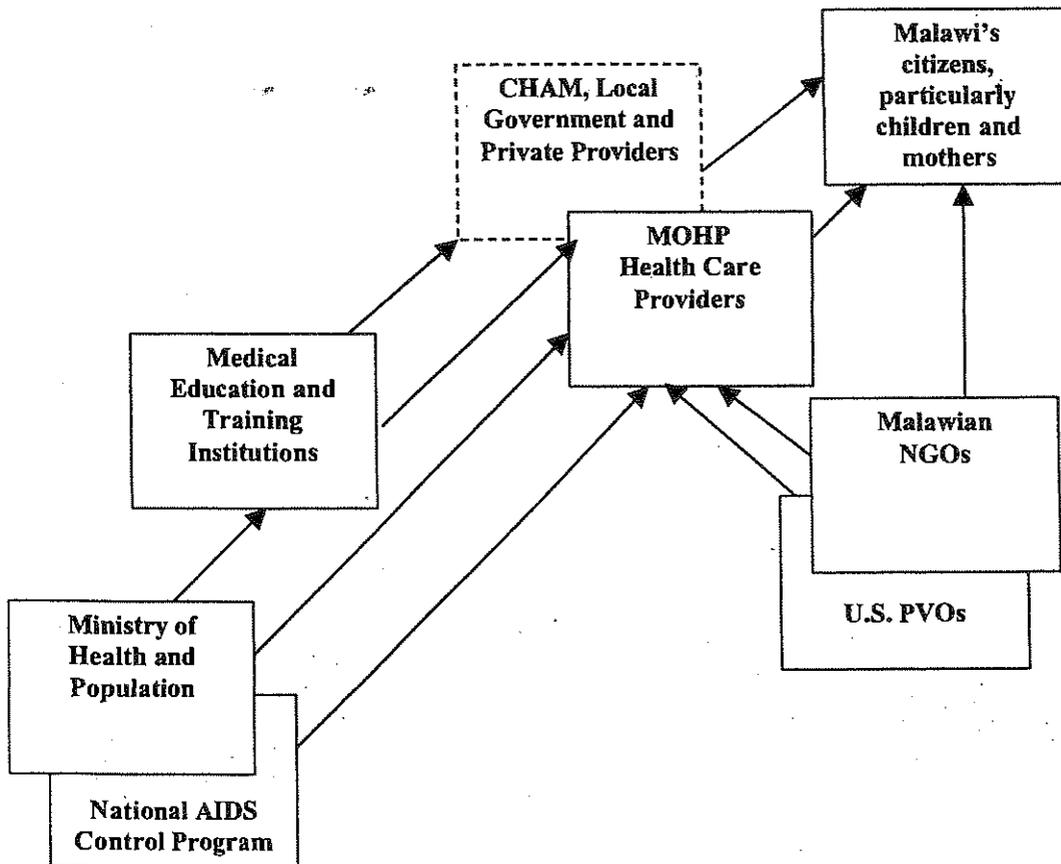
Strategic Objective/ Key Intermediate Results	Performance Indicator	Performance Targets (2001-2005)	Data Source
SO 3: Behaviors adopted that reduce fertility and risk of HIV/AIDS, and improve child health	Contraceptive Prevalence Rate (CPR) - Percentage of married women using a modern contraceptive method	CPR for married women using modern contraceptive methods increased from 14.4% in 1996 to 33% in 2005	Demographic and Health Surveys (DHS)
	Condom use with non-regular partner during last sexual intercourse (percent) a) Male b) Female	Percentage of males/females using condoms with non-regular partners during last sexual intercourse increased from 42.7%/23.7% in 1996 to 70%/40% in 2005	Demographic and Health Surveys (DHS)
	Exclusive Breastfeeding Rate	Percentage of women who exclusively breastfeed for 6 months increased from 3% in 1992 to 15% in 2005	Demographic and Health Surveys (DHS)
	Number of VCT Clients served	Number of VCT clients served annually increased from 5,663 in 1999 to 20,000 in 2005	Implementing agents
	ORT use rate	Oral Rehydration Therapy use rate of under fives with diarrhea increased from 70% in 1996 to 95% in 2005	Demographic and Health Surveys (DHS)

Strategic Objective/ Key Intermediate Results	Performance Indicator	Performance Targets (2001-2005)	Data Source
KIR 3.1 Delivery of appropriate range of health products and methods through Social Marketing expanded and consolidated	Number of condoms sold	Number of condoms sold annually increased from 6.4 million in 1999 to 8.4 million in 2005	Implementing agents
KIR 3.2 Knowledge of good health/nutrition practices and own HIV status increased	Percentage of target population who can name at least 3 modern methods of contraception a) Male b) Female	Percentage of population who can name three modern contraceptive methods increased from baseline (1996 MKAP- to be provided from raw data) to 80% for males and 65% for females in 2005	DHS
	Knowledge of malaria transmission a. Males b. Females	Percentage of males/females who know that malaria can be transmitted by mosquito bite increased from 67%/43% in 1996 to 80%/70% in 2005	DHS
KIR 3.3 Community Participation in Health Care including AIDS and orphans activities increased in target communities	# of Community Based Distribution Agents (CBDA) providing FP info and services	Number of Community Based Distribution Agents (CBDAs) providing FP info and services increased from approximately 600 in 1998 to 3,000 in 2005	Implementing agents
	# of drug revolving funds (DRFs)	Number of drug revolving funds (DRFs) increased from 320 in 1998 to 600 in 2005	Implementing agents
	# of active Village Health Committees (VHC ⁴)	Number of active Village Health Committees increased from 164 in 1998 to 3,000 in 2005	Implementing agents
KIR 3.4 Range and Quality of health services for mothers and children under five expanded in target districts	# of Functional VCT centers	Number of Voluntary Counseling and Testing centers increased from 2 in 1998 to 10 in 2005	Implementing agents
	Number of district and CHAM hospitals that have active Quality Assurance or Infection Prevention Committees	Number of district and CHAM hospitals that have active Quality Assurance or Infection Prevention Committees increased from 2 in 1999 to 10 in 2005	Implementing agents
	Number of district and CHAM hospitals that have proper waste disposal practices	Number of district and CHAM hospitals that have proper waste disposal practices increased from 0 in 1999 to 10 in 2005	Implementing agents

⁴ VHCs include AIDS/orphans and water committees.

CUSTOMERS TARGETED BY THE SO

The primary beneficiaries of USAID's SO3 during the 2001-2005 CSP period will be women of child-bearing age and children under the age of five. USAID's primary beneficiary target group for this CSP period is identical to the target group on which Malawi's NHP focuses.



Some current SO3 funded activities such as the social marketing of contraceptives and Thanzi ORS reach these customers directly, and it is anticipated that social marketing during the 2001-2005 CSP period will build on what the Mission has learned in this field. This target population is also reached by health care providers who work in MOHP and CHAM hospitals, local government health centers and private practices. SO3's work will support this flow of services, particularly through MOHP operations at the district level and through the National AIDS Control Program. As in the current CSP period, the SO3 team anticipates that it will also reach mothers and children through programs run by Malawian NGOs that are supported by Umoyo Networks, a program element designed to foster organization-to-organization learning and skills transfer, and by U.S. PVOs that are funded by BHR/PVC. USAID's SO3 views all health care providers in Malawi as a second important set of program customers. SO3 currently reaches these providers indirectly through Malawian NGOs and U.S. PVOs and directly through national educational and training institutions whose curricula are periodically upgraded and expanded with SO3 support, and it is expected that this kind of work will continue into the upcoming CSP period. Analytic and management improvement assistance within the MOHP, as well as support for new health reform initiatives including decentralization, can be expected to translate into better services and a more reliable flow of critical supplies to primary care sites.

DONOR ACTIVITIES AND COMMITMENTS

Health and population are areas of high interest for a number of donors in Malawi. USAID is not the biggest donor in this field, but it is an influential one. Other major donors – across the full range of objectives articulated in the NHP – are the World Bank, and the African Development Bank; the United Nations agencies (UNICEF, WHO, UNFPA, UNDP, UNAIDS, and WFP); the European Union; and the bilateral programs of the United Kingdom (DFID), Germany (GTZ and KFW), Norway (NORAD) and Japan (JICA). Beyond these donors there are additional specialized organizations, including other bilateral donor agencies, foundations and non-governmental organizations, i.e., both international PVOs and local NGOs.

Some important aspects of the NHP, such as construction and renovation of facilities, improvements in the management of physical assets, and the transformation of the Central Medical Stores, are being addressed by other donors. UNICEF and USAID are currently piloting the introduction of a new approach to the delivery of health services for children, Integrated Management of Childhood Illness (IMCI), which was initially promulgated by the World Health Organization (WHO), in four districts. USAID's role in this area will expand as the program moves to a national level and moves into more of the CHAPS districts. Similarly, DFID is playing a lead role in integrating Safe Motherhood activities into a more comprehensive approach to reproductive health services – a National Health Plan focus on which USAID is also working.

As the foregoing suggests, donors in the health and population areas are working together – today, more than ever before. From the MOHP's perspective, this is exactly the kind of substantive coordination – i.e., an integrated sector-wide strategy that is collaboratively implemented – that is needed to replace “vertical” donor programs. The Mission has provided assistance to the MOHP to develop a Logical Framework for the NHP and a companion document that maps donor activity relative to specific objectives and outputs identified in the Plan.

SUSTAINABILITY

We must admit that none of these interventions will be sustainable for a long time. That is why support for health sector reform is a key component in our RF. Only through a reorganization and prioritization of the entire health sector can sustainability be approached. Supporting efforts of the two largest central hospitals to become autonomous will demonstrate that it is possible to collect fees and to better manage and deliver higher quality services. Achievements of these objectives at central hospitals will pave the way for further health reforms at central and district levels, which will eventually lead to sustainable programs in future years.

LINKAGE OF THE SO TO AGENCY GOALS AND OBJECTIVES

This SO is directly linked to USAID/W/G/PHN objectives related to HIV/AIDS, Child Survival, Infectious Diseases and Population Control.

Goal Four: World Population Stabilized and Human Health Protected

- Unintended and mistimed pregnancies reduced;
- Infant and child mortality reduced;

- Death and adverse health outcomes of women as a result of pregnancy and childbirth reduced;
- HIV transmission and the impact of the HIV/AIDS pandemic reduced;
- The threat of infectious diseases of major public health importance reduced.

STRATEGIC OBJECTIVE 4

Improved Quality and Efficiency of Basic Education

RATIONALE FOR SELECTING THIS STRATEGIC OBJECTIVE

The fundamental issue facing Malawi's education sector is quality. The introduction of free primary education in 1994 was an enormously popular policy of the new government that resulted in a massive increase in enrollment as well as a further strain upon Malawi's under-resourced education system. In a relatively short time enrollment skyrocketed from 1.9 million pupils to 2.9 million. There were not enough classrooms or teachers to handle such an influx. Classes sometimes had to be conducted under trees and it was not uncommon for them to have 100 students, especially the lowest grades. Teachers were called back from retirement and others were brought on board who were not qualified. Many donors came forward with programs and funds to support this expansion of primary education.

The introduction of free primary education has resulted in a dire shortage of basic physical and human resources, especially of trained and capable teachers. Consequently a rapid decline in the attainment of learning has occurred, and the quality and efficiency of Malawi's primary education has deteriorated to a critically low point. Fewer than half the children who enter primary school make it to grade six, and a recent analysis of reading attainment reveals that almost 80% of children in grade six cannot comprehend grade-level texts at even minimal levels. The overall budget for primary education has increased dramatically, but expenditure has dropped to approximately \$12 per child in 1999.

USAID has actively supported the MOE in developing the Policy Investment Framework (PIF) as a sector-wide approach to improving access, quality and efficiency in the education system. The current draft PIF reflects an increasing focus by government on realistic strategic planning and coordination of external financing. The education investment strategy will be submitted to the Cabinet early in 2000 and will ultimately become a government White Paper providing guidance for education reform over the next decade. The management of programs articulated within the PIF will be a critical challenge for the GOM as it will take the lead in managing for results within the tight resource constraints established by the Medium-Term Expenditure Framework (MTEF).

This approach to improving the education system includes: 1) continued policy reform; 2) a joint development and review by government and its development partners of conditionalities for tranche disbursements of NPA; 3) USAID's participation in annual expenditure reviews and analyses of progress towards achieving sector objectives; 4) less direct USAID responsibility for technical elements or sub-sectors; 5) the monitoring and evaluation of programs as a joint exercise (rather than as a USAID-specific exercise).

USAID's Strategic Objective for the education sector – improved quality and efficiency of basic education – will continue to assist government in implementing and managing the recently formulated investment program, paying particular attention to the quality of teaching and learning within the schools.

HOST COUNTRY GOALS

The Ministry of Education, Sports and Culture, Malawi Policy Investment Framework, August 1999, stated:

“The broad policy of the Malawi Government is to alleviate poverty. Education is the centerpiece of this policy. Increased investment in education can yield economic and social benefits. Evidence shows that education is associated with increased agricultural productivity, higher incomes, lower fertility rates and with improved nutrition and health. The education of parents especially mothers, has been shown to affect the cognitive, affective and physical development of the child. In addition, the expansion of scientific knowledge and technologies that are necessary for development depend on education.”

PROBLEM ANALYSIS

In its 1997 report on “Accelerating Malawi’s Growth,” the World Bank identified low education and nutrition levels that lower labor productivity as one of the country’s three main impediments to growth. Malawi’s low level of educational attainment has three dimensions: 1) access and efficiency; 2) quality; 3) policy and management.

Access and Efficiency

Until 1994 only about 50% of the 6-13 year olds attended primary school. With the announcement of free primary education in that year, enrollment increased from 1.9 million to 2.9 million in a single year, and virtually all girls and boys now enter primary school. However, central to the challenge of quality and efficiency in Malawi’s education sector is the fact that only 23 out of every 100 children who enroll in Standard 1 graduate from Standard 8. As long as only a quarter of Malawi’s school-age population actually finishes school, the country’s low level of literacy and the inadequate qualifications of its workforce will not substantially improve.

1996-1997 Drop-Out Rates		
	Girls	Boys
Std. 1-2	28%	28%
Std. 2-3	15%	16%
Std. 3-4	17%	18%
Std. 4-5	12%	14%
Std. 5-6	14%	13%
Std. 6-7	13%	11%
Std. 7-8	9%	0

Repetition Rates				
Location	Std. 1	St Std. 2	Std. 3	Std. 4
Malawi - all	47.3%	22.4%	23.3%	17.6%
North	47.1%	18.0%	19.4%	18.6%
Central	48.3%	21.4%	21.6%	21.6%
South	46.4%	24.1%	25.3%	14.2%

High repeat and dropout rates persist. Nearly half of all pupils in Standard 1 have repeated it, and by Standard 8 62.6% of pupils have repeated at least one grade. Dropout rates are highest in the lowest standards – only 40 percent of entering students complete Standard 4. At the secondary level enrollments are lower for Malawi than for many

other Sub-Saharan countries. Whereas fewer than 20 % of young people enroll in secondary school in Malawi, the average for Sub-Saharan Africa is 24%. Malawi’s secondary schools are able to accept only 10.5% of the Standard 8 candidates who qualify, and with the expansion of primary enrollments, this percentage will decline. Evidence indicates that there is unsatisfied demand in the private sector for skilled and semi-skilled manpower, a reflection of inadequate provision of technical and vocational training.

overcrowded classrooms. Given the large size of classes in Malawi, even the most seasoned teachers have difficulty monitoring the progress of individual students.

The gender balance of teachers in primary schools is also an issue. While Malawi's teacher cadre is 1/3 female, most of them work in urban rather than rural schools. Most rural schools thus have a predominantly male faculty, a situation that is less than optimal when an important objective is to increase girls' interest in school and their educational attainment.

- c. **Teachers are poorly trained.** The 1994 decision to make primary school free to all Malawian children created a need for teachers that Malawi has not begun to catch up with. Teachers hired to meet the initial wave of demand lacked both training and teaching experience. During the past several years the MOE, with donor assistance (principally DFID and GTZ), has adopted urgent measures to provide in-service training to teachers. The curriculum of a teacher training college has been condensed into a three month "crash course" followed by twenty-one months of on-the-job supervision. Clearly this training provides teachers with minimal qualifications and capabilities. DFID has noted that while 16,000 teachers have received this training, there are at least another 16,000 who need it urgently. Another 11,000 teachers are needed for the opening of school in January 2000, and the MOE is in the process of hiring them. There is little expectation that candidates for these positions will have had appropriate training.

Teacher training institutions in Malawi lack: 1) adequate and appropriate materials; 2) research and experimentation capacity; 3) a fixed set of standards for teacher training. Teacher candidates do not enter pre-service training with a common foundation (some have two years of secondary education and some have four) and teacher instructors are themselves undereducated for their task of preparing capable teachers. Those teachers who do complete a pre-service teacher education program are simply not graduating with an adequate level of preparation.

- d. **Teacher absenteeism is high.** While this problem is not formally documented, it is well known and believed to be associated with few incentives and low pay for teachers. Teachers are civil servants (except those at private schools) and are entitled to the recent pay increase of 25% for the civil service. This should begin to address one of the underlying problems in this area.
- e. **Supervision of teachers is weak and Head Teachers lack management skills.** Responsibility for teacher supervision lies with the MOE at the Division level, but in practice teachers receive little supervision. The MOE Primary Education Advisors (PEAs) with whom this responsibility resides are not selected on the basis of substantive criteria, and they visit individual classrooms and schools only rarely. In addition Head Teachers (principals) generally lack management and supervisory skills. Well trained Head Teachers can play an important supervisory role as well as develop systems for managing class schedules when teachers are absent and PEAs don't visit.
- f. **Students do not have textbooks.** The MOE does not have adequate resources to buy all the books that are needed, and donors have not found a consistent way to address this problem. Both the World Bank and the Canadian Government have stepped in with book purchases, but these have been "one shot" efforts.
- g. **Schools lack functional Parent-Teacher Associations (PTAs), School Committees and other appropriate means for becoming involved in their children's education.** Both a significant body of research internationally and practical experience in Malawi indicate that the absence of parental involvement in the educational process has a direct and negative impact on attendance, achievement and completion rates. Interest has to be stimulated to create such organizations and to keep them going. Cultural practices, e.g. initiation ceremonies which are at times at odds with school calendars

and priorities, are a significant factor in the way parents view the educational process and their children's relationship to it.

Policy and Management

The issues mentioned above are also evident at secondary and tertiary levels; they reflect a system that is not serving the country well in its development of human resources. This is a central policy issue, and one that the government is determined to address. There are several aspects to the policy and management constraints facing the MOE.

Inadequate resources are a chronic problem that directly affects pupil attainment. Despite the relatively large share of GOM resources that are devoted to education, the MOE does not have the funds it needs to finance all aspects of a free primary education system. Within the overall MOE budget, the share devoted to primary education has risen from 44.7% in 1992 to 65% in 1998. The Ministry is heavily dependent upon donors for capital expenditures, e.g. new and refurbished schools, as well as for important recurrent expenses, e.g. teacher training and textbooks.

Weak planning and management at the central level. Given the limited resources available for education in Malawi, sound planning and good management are imperative, yet these capacities are not well developed in the MOE. Work is underway on a Policy Investment Framework (PIF) for the sector, but progress is slow. In addition, the Ministry lacks such basic framework documents as a national human resources development plan for the education sector.

Erratic policy. In the absence of a strong public framework to guide its development, education suffers. Policy decisions have little constancy and consistency and are viewed by donors as being inherently unstable. This situation negatively affects donor investment planning and coordination.

THE PROPOSED USAID RESPONSE

CRITICAL ASSUMPTIONS

The design and implementation of activities under SO 4 are based on the following assumptions: There will be no change in government; education will remain a major pillar of the GOM's program of poverty alleviation; the government will not rescind its policy of free primary education; economic stability will allow the government to maintain or modestly increase current levels of investments (30% of the recurrent budget goes to primary education); the government will accept the PIF and provide leadership in implementing it using the MTEF to guide annual strategic reviews, planning and budgeting.

During the past five years the government has resolutely maintained its financial and political commitment to free primary education. Achievement of this SO depends on the GOM's continued funding at sufficient levels. The Mission recognizes the hard choices that such a commitment will require. While the policy is extremely popular, it has come at a very high price. The quality of teaching and learning has suffered, and the growth of the student population has placed considerable pressure on government resources such as the ability to provide educational materials and professional teacher development services.

OPTIONS CONSIDERED FOR THE SO & PREFERRED APPROACHES

There are several major gaps in the current donor program for helping the MOE to ensure that primary school students receive a quality education. Results are needed in a number of areas which by definition, are options for USAID's consideration – notable among these are:

Improved MOE Policy, Planning and Management. USAID is already heavily involved in this area, specifically on the policy side. Continued involvement at the policy level is critical to the success of any other substantive work the Agency might choose during the next CSP period. During the transition from this CSP period to the next, USAID will help the MOE to finalize the PIF. It will also encourage the MOE to move forward with a National Human Resource Development plan for the Education sector that develops a vision and a practical plan for teacher education.

Improved Pre-service Teacher Training. This aspect of ensuring quality education has not been significantly addressed by the MOE or the donor community. There are a total of nine institutions that provide teacher training in Malawi. This is an area in which USAID has a comparative advantage, and the MOE has already requested USAID's assistance in developing improved curricula for these institutions.

Improved Community Involvement. Functional school committees and parental involvement result in more effective schools. USAID and other donors have made progress on this aspect of improving educational quality on an experimental basis in some districts. The lessons coming out of this work warrant analytic review and consideration by the MOE for national level replication. USAID's experience in expanding the program for promoting girls' education nationwide after an experimental period put the Mission in a unique position to move forward in this area.

The Mission's current SO4 portfolio includes a number of successful pilots. During the 2001-2005 CSP period there is logic in trying to take the successes from this CSP period and apply them on a national scale. One option that was considered was "lab schools" in connection with possible investments in pre-service teacher training. Attaching a research (and experimentation) component to the program in the next CSP period might build on a USAID comparative advantage.

Each activity that has been identified as a proposed intervention is in the language of USAID a "necessary and sufficient ingredient to bring about long-term systemic policy reform in the education sector," and subsequently improve the quality and efficiency of service provided to the children and parents of Malawi. The team believes that each intervention is part of a systemic approach; if prioritization is required we see the activities as follows:

1. Policy Reform, including the implementation and monitoring of the Policy Investment Framework (PIF) and the establishment of an Education Management Information System;
2. Teacher Development/Education Program;
3. Strengthening Institutional Capacity;
4. Community Participation in School Management.

RESULTS FRAMEWORK

The SO4's program management framework includes the Strategic Objective, three KIRs and the lower level IRs. The progress made toward achieving the above objectives will be measured through carefully selected indicators that most accurately depict performance. Each indicator will have baseline data and

targets. Performance will be compared to targets set. Performance monitoring shall focus on whether and to what extent objectives are being achieved. The SO4 team with partners and customers will establish performance monitoring systems that will regularly collect and analyze data as stipulated in the Performance Monitoring Plan.

DONOR ACTIVITIES AND COMMITMENTS

Primary education is viewed as offering the best hope for improving Malawi's literacy rate and levels of educational attainment. Within the education sector donor involvement is greatest at the primary school level. DANIDA and the Canadian International Development Agency (CIDA) are notable exceptions in that they are working with the MOE on secondary school issues. Donor investments are concentrated on the following set of problems: the declining quality of teaching and learning; student and teacher absenteeism; high rates of repetition and dropouts. Upon the announcement of free primary education in 1994, over \$130 million was provided by the World Bank, UNICEF, UNDP, the European Community and the governments of the United Kingdom, Canada, Germany and Norway for classroom construction, teacher housing and training, procurement of textbooks, resources centers, and community education. The United States Government through USAID, has provided \$25.5 million in program and project funds under GABLE II for primary education. Donor activity on such a scale constitutes extremely positive support for the GOM's education policy. Key donors have collaborated closely in designing and implementing a comprehensive program for teacher training and support, especially in the area of emergency teacher training (MIITEP).

SUSTAINABILITY

In the past ten years the GOM has consistently demonstrated its commitment to improving access to quality education. Sustainability will be further achieved through a series of interdependent key interventions that are critical to systemic reform. First, implementation of the PIF, in conjunction with support for the Education Management Information Systems (EMIS), will create a positive environment in which reforms can be implemented and maintained. Second, sufficiently qualified teachers will increase the capacity of Malawian schools to provide quality education. Third, the increased involvement of parents and communities will bring about more effective schools.

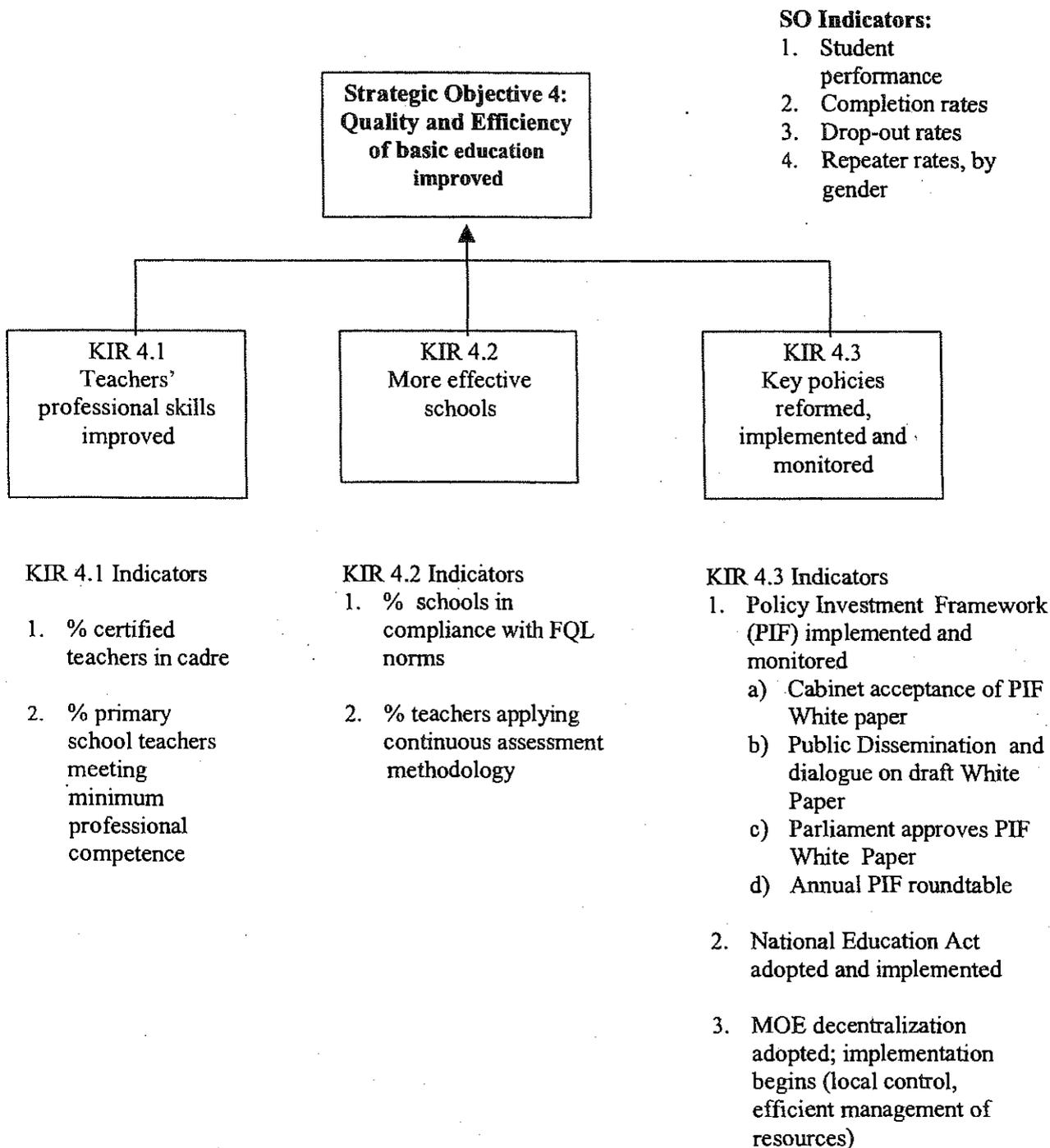
LINKAGE OF THE SO TO AGENCY GOALS AND OBJECTIVES

This SO directly fulfills the following goal of USAID:

Goal Three: Human Capacity Built Through Education and Training

- National primary enrollment ratios increase to attain full primary enrollment by 2015; and
- The difference between girls' and boys' primary enrollment ratios virtually eliminated.

RESULTS FRAMEWORK FOR SO4



SO4 Performance Indicators and Targets

Strategic Objective/ Key Intermediate Results	Performance Indicator	Performance Targets (2001-2005)	Data Source
SO 4: Quality and efficiency of basic education improved	Pass rates in standard 8 a) Boys b) Girls c) All	Pass rates in standard 8 increased a) Boys: from 77% in 1998 to 85% in 2005 b) Girls: from 70% in 1998 to 84% in 2005 c) All: from 74% in 1998 to 85% in 2005	Ministry of Education Malawi National Examination Board
	Completion rates a) Boys b) Girls c) All	Primary School completion rates increased a) Boys: from 37% in 1998 to 55% in 2005 b) Girls: from 37% in 1998 to 56% in 2005 c) All: from 37% in 1998 to 55% in 2005	Ministry of Education
	Drop out rates i) Standard 1 a) Boys b) Girls ii) Standard 3 a) Boys b) Girls	Primary School drop out rates in standard 1 and 3 reduced i) Standard 1 a) Boys: from 26% in 1998 to 20% in 2005 b) Girls: from 26% in 1998 to 19% in 2005 ii) Standard 3 a) Boys: from 18% in 1998 to 14% in 2005 b) Girls: from 17% in 1998 to 14% in 2005	Ministry of Education
	Repeater rates i) Standard 1 a) Boys b) Girls ii) Standard 3 a) Boys b) Girls	Primary School repeater rates in standard 1 and 3 reduced i) Standard 1 a) Boys: from 17% in 1998 to 14% in 2005 b) Girls: from 18% in 1998 to 14% in 2005 c) All: from 17% in 1998 to 14% in 2005 ii) Standard 3 a) Boys: from 16% in 1998 to 12% in 2005 b) Girls: from 17% in 1998 to 13% in 2005 c) All: from 16% in 1998 to 13% in 2005	Ministry of Education

KIR 4.1 Teachers' professional skills improved	Percent certified teachers in cadre	Certified primary school teachers in cadre increased from 51% in 1998 to 70% in 2005	Ministry of Education
	% primary school teachers meeting minimum professional competence	Targets to be determined	Ministry of Education
KIR 4.2 More effective schools	% primary schools in compliance with Fundamental Quality Level standards (FQL).	Targets to be determined	Ministry of Education, Implementing partners
	% of teachers applying continuous assessment methodology as an evaluative tool of student performance	Primary school teachers applying continuous assessment methodology increased from 0% to 70%	Ministry of Education, Implementing partners
KIR 4.3 Key policies reformed, implemented and monitored	Policy Investment Framework (PIF) implemented and monitored	PIF implemented and monitored every year beginning in year 2001 to 2005.	Ministry of Education, Implementing partners
	National Education Act adopted and implemented	National Education Act adopted and implemented beginning in year 2001 to 2005.	Ministry of Education
	MOE decentralization adopted and implementation begins (Local government Act)	Ministry of Education decentralization adopted and implemented beginning in year 2001 to 2005.	Ministry of Education

Part III:

Estimated Resource Requirements

to Achieve Mission Objectives

Part III: Estimated Resource Requirements to Achieve Mission Objectives

A. Program Resources

This section provides estimated resource requirements needed to achieve the results described in the Strategic Plan. The resource requirements for the Malawi Mission are largely driven by the two scenarios outlined in the Parameters Cable from the Africa Bureau.

Table 1 shows the proposed allocation of program resources for the period 2001-2005 under the base scenario of \$29.6 million annually. This proposed allocation is consistent with Agency and Bureau trends, donor activities, and the relative needs and absorptive capacity of Malawi.

Table 2 presents the allocation of program resources for the period 2001-2005 under the reduced funding scenario of \$26.0 million annually. As shown in this table, the brunt of the cuts would affect SO1 "Sustainable Increases in Rural Incomes." Should a scenario of further reduced funding occur, we would:

- Reduce agricultural funds by \$1.0 million from \$5.5 million to \$4.5 million (18.2%);
- Reduce environment funding by \$1.5 million from \$6.0 million to \$4.5 million (25.0%);
- Eliminate the \$600,000 currently anticipated for micro-enterprise funding;
- Reduce the infectious disease funding by \$500,000 from \$800,000 to \$300,000 (62.5%).

We would not reduce the funding to either SO2 "Increased Civic Involvement in the Rule of Law" or SO4 "Improved Quality of Basic Education." These two objectives are both modest in terms of funding levels, but are key to addressing the long-term goal of sustainable development.

Tables 3 and 4 present these funding scenarios in relation to the agency goal areas.

B. Workforce Requirements

Table 5 presents the expected end-of-year staffing for FY 2000 which reports an expected staff size of 89 including: 10 USDH, 2 PASA/TAACS, 4 OE funded PSC, 3 Program funded PSC, 56 OE funded FSN, and 14 Program funded FSN.

Table 6 shows a breakdown under the base scenario. The total staff under this scenario increases to 92 and includes: 10 USDH, 2 PASA/TAACS, 4 OE funded PSC, 4 Program funded PSC, 51 OE funded FSN and 21 Program funded FSN. The increase in the total non-USDH personnel reflects the need to replace the elimination of 1 USDH position, the emphasis in the CSP on private sector development, and the need to strengthen the D/G and education teams. Significant changes between FY 2000 and FY 2001 include:

- The increase of 1 Program funded PSC and 1 Program funded FSN to assume the responsibilities of economic growth, trade and investment, and private enterprise development.
- The increase of 1 Program funded FSN to assume the responsibilities of assistant team leader for our D/G SO;
- The increase of 1 Program funded FSN to assume the responsibilities of the education policy portfolio;

- The reduction of 1 OE funded position in the Financial Management Office; and
- The transfer of 4 drivers from OE to Program funding.

Table 7 presents the breakdown under the low scenario which is the same as the base. The rationale for this decision is that while there are programmatic cuts affecting SO1 (Sustainable Economic Growth) under the low scenario, the mix of skills proposed under the base scenario will be required.

Table 8 presents the profile by USDH staffing requirements. As shown in this table, we do not anticipate any changes in the technical backstop requirements for the Mission through the FY 2001-2005 period. The General Development Officer Position must be filled by a person who can assume the responsibilities of Agriculture, Private Sector and Economic Policy.

C. Trust Funds and Operating Expenses Required

As discussed within the Strategic Plan, USAID/Malawi does not envision any new Non-Project Assistance (NPA) activities in the near term. The GABLE and Railway activities, however, will have final disbursements in FY 2000, and the ASAP and NATURE NPA programs are expected to continue through FY 2003 and FY 2004 respectively.

As a result of these activities we expect trust fund generations totaling \$2.55 million for the period FY 2000 – 2005. This total is broken down as follows: FY 2000 -- \$950,000; FY 2001 -- \$150,000; FY 2002 -- \$500,000; FY 2003 -- \$400,000; and FY 2004 -- \$550,000.

Table 10 presents the expected Trust Fund and OE Disbursements through FY 2005.

TABLE 1: SUMMARY OF BASE SCENARIO (DFA/CSD) FUNDING

	Funding Sector	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Life of SO Total	
SO1: Sustainable Increases in Rural Incomes	AGR	6,003	5,500	5,500	5,500	5,500	28,003	
	EG	1,876	2,500	2,500	2,500	2,500	11,876	
	Micro	600	600	600	600	600	3,000	
	ENV	7,183	6,000	6,000	6,000	6,000	31,183	
	SO1 Sub-Total	DFA	15,662	14,600	14,600	14,600	14,600	74,062
		PL-480¹	1,938	2,148	2,116	3,239	0	9,441
SO2: Increased Civic Involvement In the Rule of Law	D/G	2,095	2,000	2,000	2,000	2,000	10,095	
	EG	500	500	500	500	500	2,500	
	SO2 Sub-Total	2,595	2,500	2,500	2,500	2,500	12,595	
SO3: Behaviors Adopted that Reduce Fertility and Risk of HIV/AIDS and Improve Child Health	Pop	2,316	2,200	2,200	2,200	2,200	11,116	
	CS	1,519	2,500	2,500	2,500	2,500	11,519	
	ID	1,000	800	800	800	800	4,200	
	HIV/AIDS	2,408	3,000	3,000	3,000	3,000	14,408	
	SO3 Sub-Total		7,243	8,500	8,500	8,500	8,500	41,243
SO4: Improved Quality and Efficiency Of Basic Education	Basic Ed	4,111	4,000	4,000	4,000	4,000	20,111	
	SO4 Sub-Total		4,111	4,000	4,000	4,000	20,111	
DFA/CSD TOTAL		29,611	29,600	29,600	29,600	29,600	148,011	
PL 480 Title II Total		1,938	2,148	2,116	3,239	0	9,441	
TOTAL		31,549	31,748	31,776	32,839	29,600	157,452	

¹ The PL-480 Title II Program was intended to be fully integrated within SO1 during the initial phase. Recent developments have encouraged the Mission to consider a modification of the program in order that Title II Resources may be used in addressing child health and HIV/AIDS under SO3.

TABLE 2: SUMMARY OF LOW SCENARIO (DFA/CSD) FUNDING

	Funding Sector	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Life of SO Total	
SO1: Sustainable Increases in Rural Incomes	AGR	6,003	4,500	4,500	4,500	4,500	24,003	
	EG	1,876	2,500	2,500	2,500	2,500	11,876	
	Micro	600					600	
	ENV	7,183	4,500	4,500	4,500	4,500	25,183	
	SO1 Sub-Total	DFA	15,662	11,500	11,500	11,500	11,500	61,662
		PL-480²	1,938	2,148	2,116	3,239	0	9,441
SO2: Increased Civic Involvement In the Rule of Law	D/G	2,095	2,000	2,000	2,000	2,000	10,095	
	EG	500	500	500	500	500	2,500	
	SO2 Sub-Total	2,595	2,500	2,500	2,500	2,500	12,595	
SO3: Behaviors Adopted that Reduce Fertility and HIV/AIDS and Improve Child Health	Pop	2,316	2,200	2,200	2,200	2,200	11,116	
	CS	1,519	2,500	2,500	2,500	2,500	11,519	
	ID	1,000	300	300	300	300	2,200	
	HIV/AIDS	2,408	3,000	3,000	3,000	3,000	14,408	
	SO3 Sub-Total		7,243	8,000	8,000	8,000	8,000	39,243
SO4: Improved Quality and Efficiency Of Basic Education	Basic Ed	4,111	4,000	4,000	4,000	4,000	20,111	
	SO4 Sub-Total		4,111	4,000	4,000	4,000	20,111	
DFA/CSD TOTAL		29,611	26,000	26,000	26,000	26,000	133,611	
PL 480 Title II Total		1,938	2,148	2,116	3,239	0	9,441	
TOTAL		31,549	28,148	28,116	29,239	29,600	143,052	

² The PL-480 Title II Program was intended to be fully integrated within SO1 during the initial phase. Recent developments have encouraged the Mission to consider a modification of the program in order that Title II Resources may be used in addressing child health and HIV/AIDS under SO3.

**TABLE 3: USAID/MALAWI FY 2001 – 2005
PROGRAM SUMMARY BY AGENCY GOAL AREA**

BASE SCENARIO

USAID/Malawi Strategic Objectives	Economic Growth & Agriculture	Population & Health	Environ- ment	Democracy	Human Capacity Develop- ment	Human- itarian Assistance	TOTALS
SO1 Sustainable Increases in Rural Incomes							
- DFA	42,879	0	31,183	0	0	0	74,062
- CSD	0	0	0	0	0	0	0
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II ³	9,441	0	0	0	0	0	9,441
SO2 Increased Civic Involvement in the Rule of Law							
- DFA	0	0	0	12,595	0	0	12,595
- CSD	0	0	0	0	0	0	0
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	0	0	0	0	0	0	0
SO3 Behaviors Adopted that Reduce Fertility and Risk of HIV/AIDS and Improve Child Health							
- DFA	0	11,116	0	0	0	0	11,116
- CSD	0	30,127	0	0	0	0	30,127
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	0	0	0	0	0	0	0
SO4 Improved Quality and Efficiency of Basic Education							
- DFA	0	0	0	0	0	0	0
- CSD	0	0	0	0	20,111	0	20,111
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	0	0	0	0	0	0	0
Totals							
- DFA	42,879	11,116	31,183	12,595	0	0	97,773
- CSD	0	30,127	0	0	20,111	0	50,238
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	9,441	0	0	0	0	0	9,441

³ The PL-480 Title II Program was intended to be fully integrated within SO1 during the initial phase. Recent developments have encouraged the Mission to consider a modification of the program in order that Title II Resources may be used in addressing child health and HIV/AIDS under SO3.

TABLE 4: USAID/MALAWI FY 2001 – 2005

PROGRAM SUMMARY BY AGENCY GOAL AREA

LOW SCENARIO

USAID/Malawi Strategic Objectives	Economic Growth & Agriculture	Population & Health	Environ- ment	Democracy	Human Capacity Develop- ment	Humani- tarian Assistance	TOTALS
SO1 Sustainable Increases in Rural Incomes							
- DFA	36,479	0	25,183	0	0	0	61,662
- CSD	0	0	0	0	0	0	0
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II ⁴	9,441	0	0	0	0	0	9,441
SO2 Increased Civic Involvement in the Rule of Law							
- DFA	0	0	0	12,595	0	0	12,595
- CSD	0	0	0	0	0	0	0
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	0	0	0	0	0	0	0
SO3 Behaviors Adopted that Reduce Fertility and Risk of HIV/AIDS and Improve Child Health							
- DFA	0	11,116	0	0	0	0	11,116
- CSD	0	28,127	0	0	0	0	28,127
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	0	0	0	0	0	0	0
SO4 Improved Quality and Efficiency of Basic Education							
- DFA	0	0	0	0	0	0	0
- CSD	0	0	0	0	20,111	0	20,111
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	0	0	0	0	0	0	0
Totals							
- DFA	36,479	11,116	25,183	12,595	0	0	85,373
- CSD	0	28,127	0	0	20,111	0	48,238
- ESF	0	0	0	0	0	0	0
- P.L. 480 Title II	9,441	0	0	0	0	0	9,441

⁴ The PL-480 Title II Program was intended to be fully integrated within SO1 during the initial phase. Recent developments have encouraged the Mission to consider a modification of the program in order that Title II Resources may be used in addressing child health and HIV/AIDS under SO3.

TABLE 5: USAID/MALAWI STAFFING REQUIREMENT,

FY 2000

Office/ Objective	USDH	PASA/ TAACS	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	1				2		3
Program Development & Analysis	1				1		2
-- Project Development Unit	1				3		4
-- Analysis Unit	1				2	1	4
SO 1: Agriculture	1			1		3	5
SO 2: Natural Resources	1					2	3
SO 3: Population, Health and HIV/AIDS	1	2		1	0	5	9
SO 4: Basic Education	1					2	3
SO5: D/G				1		1	2
Financial Mgmt Office	1				12		13
Executive Office	1		1		7		9
-- ADP			1		1		2
-- C&R					4		4
-- General Service/ Motorpool					12		12
-- Maintenance			1		9		10
-- Property Systems			1		3		4
Total	10	2	4	3	56	14	89

**TABLE 6: USAID/MALAWI STAFFING REQUIREMENT,
FY 2001 – 2005**

BASE SCENARIO

Office Objective	USDII	PASA/TAACS	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	1				2		3
Program Development & Analysis	1				1		2
-- Project Dev Unit	1				3		4
-- Analysis Unit	1				2	1	4
SO 1: Sustainable Economic Growth	2			2		6	10
SO 2: D/G				1		2	3
SO 3: Population, Health and HIV/AIDS	1	2		1		5	9
SO 4: Basic Education	1					3	4
Financial Mgmt Office	1				11		12
Executive Office	1		1		7		9
-- ADP			1		1		2
-- C&R					4		4
-- General Service/ Motorpool					8	4	12
-- Maintenance			1		9		10
-- Property Systems			1		3		4
Total	10	2	4	4	51	21	92

**TABLE 7: USAID/MALAWI STAFFING REQUIREMENT,
FY 2001 – 2005**

LOW SCENARIO

Office Objective	USDH	PASA/ TAACS	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	1				2		3
Program Development & Analysis	1				1		2
-- Project Devl Unit	1				3		4
-- Analysis Unit	1				2	1	4
SO 1: Sustainable Economic Growth	2			2		6	10
SO 2: D/G				1		2	3
SO 3: Population, Health and HIV/AIDS	1	2		1		5	9
SO 4: Basic Education	1					3	4
Financial Mgmt Office	1				11		12
Executive Office	1		1		7		9
-- ADP			1		1		2
-- C&R					4		4
-- General Service/ Motorpool					8	4	12
-- Maintenance			1		9		10
-- Property Systems			1		3		4
Total	10	2	4	4	51	21	92

Table 8: USDH Staffing Requirements by Backstop, FY 2000 – 2005

Functional Backstop (BS)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Senior Management-						
SMG - 01	1	1	1	1	1	1
Program Management						
Program Mgt - 02	2	2	2	2	2	2
Project Dvpm Officer - 94	1	1	1	1	1	1
Support Management						
EXO - 03	1	1	1	1	1	1
Controller - 04	1	1	1	1	1	1
Legal - 85						
Commodity Mgt. - 92						
Contract Mgt. - 93						
Secretary - 05 & 07						
Sector Management						
Agriculture - 10 & 14						
Economics - 11						
Democracy - 12						
Food for Peace - 15						
Private Enterprise - 21						
Engineering - 25						
Environment - 40 & 75	1	1	1	1	1	1
Health/Pop. - 50	1	1	1	1	1	1
Education - 60	1	1	1	1	1	1
General Dvpm. - 12*	1	1	1	1	1	1
RUDO, UE-funded - 40						
Total	10	10	10	10	10	10

General Development includes Agriculture, Private Sector and Economic Responsibilities

**TABLE 9: EXPECTED TRUST FUND GENERATIONS,
FY 2000 – FY 2005**

A. NPA Disbursements (\$ 000)

Activity	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
ASAP		3,000	3,000	8,000			14,000
NATURE	5,000		7,000		11,000		23,000
GABLE	6,000						6,000
Railway	8,000						8,000
TOTAL	19,000	3,000	10,000	8,000	11,000	0	51,000

B. Trust Fund Generations (\$ 000)

Activity	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
ASAP		150	150	400			700
NATURE	250		350		550		1,150
GABLE	300						300
Railway	400						400
TOTAL	950	150	500	400	550	0	2,550

**TABLE 10: EXPECTED OE DISBURSEMENTS
(INCLUDING TRUST FUNDS)**

FY 2001 – FY 2005

	FY 2001			FY 2002			FY 2003		
	OE	TF	Total	OE	TF	Total	OE	TF	Total
11.1 Personnel -- FNDH	0	0	0	0	0	0	0	0	0
11.3 Other Personnel -- FNDH	0	0	0	0	0	0	0	0	0
11.5 Other Personnel -- FNDH/USDH	0	0	0	0	0	0	0	0	0
11.8 Special Personal Service Payments	671	0	671	730	0	730	800	0	800
12.1 Personnel Benefits	164	0	164	165	0	165	170	0	170
13.0 Benefits for Former Personnel	0	0	0	0	0	0	0	0	0
21.0 Travel and Transportation	272	0	272	286	0	286	286	0	286
22.0 Transportation of Things	115	0	115	190	0	190	130	0	130
23.2 Rental Payment to Others	0	358	358	0	346	346	0	340	340
23.3 Communication, Utilities, & Misc.	7	108	115	8	120	128	8	120	128
24.0 Printing and Reproduction	6	0	6	6	0	6	6	0	6
25.1 Advisory and Assistance Services	0	0	0	0	0	0	0	0	0
25.2 Other Services	92	12	104	172	0	172	158	22	180
25.3 Purchase of Goods/Services from Goyt Accts (Including ICASS)	226	0	226	226	0	226	226	0	226
25.4 Operation/Maintenance of Facilities	45	0	45	45	0	45	45	0	45
25.6 Medical Care	0	0	0	0	0	0	0	0	0
25.7 Operation/Maintenance of Equip.	31	0	31	32	0	32	32	0	32
25.8 Subsistence/ Support Of Persons	0	0	0	0	0	0	0	0	0
26.0 Supplies and Materials	100	0	100	100	0	100	110	0	110
31.0 Equipment	120	0	120	150	0	150	160	0	160
32.0 Lands and Structures	0	0	0	0	150	150	0	150	150
42.0 Claims and Indemnities	0	0	0	0	0	0	0	0	0
TOTAL	1,849	478	2,327	2,110	616	2,726	2,131	632	2,763

**TABLE 10: EXPECTED OE DISBURSEMENTS
(INCLUDING TRUST FUNDS)**

FY 2001 – FY 2005 (Continued)

	<i>FY</i> 2004			<i>FY</i> 2005			Total		
	OE	TF	Total	OE	TF	Total	OE	TF	Total
11.1 Personnel -- FNDH	0	0	0	0	0	0	0	0	0
11.3 Other Personnel -- FNDH	0	0	0	0	0	0	0	0	0
11.5 Other Personnel – FNDH/USDH	0	0	0	0	0	0	0	0	0
11.8 Special Personal Service Payments	880	0	880	968	0	968	4,049	0	4,049
12.1 Personnel Benefits	175	0	175	175	0	175	849	0	849
13.0 Benefits for Former Personnel	0	0	0	0	0	0	0	0	0
21.0 Travel and Transportation	290	0	290	160	0	160	1,294	0	1,294
22.0 Transportation of Things	190	0	190	130	0	130	755	0	755
23.2 Rental Payment to Others	0	374	374	400	0	400	400	1,418	1,818
23.3 Communication, Utilities, & Misc.	8	120	128	102	26	128	133	494	627
24.0 Printing and Reproduction	6	0	6	6	0	6	30	0	30
25.1 Advisory and Assistance Services	0	0	0	0	0	0	0	0	0
25.2 Other Services	190		190	190		190	802	34	836
25.3 Purchase of Goods/Services from Govt Accts (Including ICASS)	226	0	226	226	0	226	1,130	0	1,130
25.4 Operation/Maintenance of Facilities	45	0	45	45	0	45	225	0	225
25.6 Medical Care	0	0	0	0	0	0	0	0	0
25.7 Operation/Maintenance of Equip.	32	0	32	32	0	32	159	0	159
25.8 Subsistence/Support Of Persons	0	0	0	0	0	0	0	0	0
26.0 Supplies and Materials	110	0	110	110	0	110	530	0	530
31.0 Equipment	140	0	140	260	0	260	830	0	830
32.0 Lands and Structures	0	0	0	0	0	0	0	300	300
42.0 Claims and Indemnities	0	0	0	0	0	0	0	0	0
TOTAL	2,292	494	2,786	2,804	26	2,830	11,186	2,246	13,432

ANNEX A:

Acronyms & Abbreviations

ACRONYMS AND ABBREVIATIONS

ACDI	Agricultural Cooperative Development International
ADB	African Development Bank
ADF	African Development Fund
ADMARC	Agricultural Development and Marketing Corporation
ADR	Alternative Dispute Resolution
ADRA	Adventist Development and Relief Agency
ADS	Agricultural Development Strategy
AEPRP	African Economic Policy Reform Program
AFDB	African Development Bank
AFORD	Alliance for Democracy
AFR/DP	Bureau for Africa Office of Development Planning
AFR/SA	Bureau for Africa Office of Southern African Affairs
AFR/SD	Bureau for Africa Office of Sustainable Development
AHL	Auction Holdings Limited
AIDS	Acquired Immune Deficiency Syndrome
API	Assessment of Program Impact
AREO	Assistant Regional Educational Officer
ASAP	Agricultural Sector Assistance Program
ASIP	Agricultural Sector Investment Program
ASP	Agricultural Services Project
ATLAS	African Training for Leadership and Advanced Skills
CARER	Center for Advice, Research and Education in Rights
CBD	Community-Based Delivery
CHAM	Christian Health Association of Malawi
CHAPS	Community Health Partnerships
CIF	Cost, Insurance and Freight
COMESA	Common Market of East and Southern Africa
CPR	Contraceptive Prevalence Rate
CSO	Civil Society Organization
CSP	Country Strategic Plan
CY	Calendar Year
CYP	Couple Years of Protection
DAC/PDGG	Development Assistance Committee (of the OECD) /Participatory Democracy & Good Governance
DC&E	Department of Customs and Excise
DECIDE	Democratic and Civic Institutional Development
DEVPOL	Development Policy
DEO	District Education Office
DFA	Development Fund for Africa
D/G	Democracy and Governance
DHO	District Health Office
DHS	Demographic and Health Survey
EC	European Commission
EMIS	Education Management Information System
EP&D	Economic Planning and Development
ESF	Economic Support Fund
ESP	Economic Support Program

EU	European Union
FCDA	Foreign Currency Denominated Account
FAO	Food and Agriculture Organization
FMO	Financial Management Office
FEWS	Famine Early Warning System
FOB	Freight on Board
FSNs	Foreign Service Nationals
FSNPSC	Foreign Service Nationals, Personal Service Contractor
FTEs	Full Time Equivalents
FY	Fiscal Year
GABLE	Girls' Attainment of Basic Literacy and Education
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GOM	Government of Malawi
GSO	General Services Office
GTZ	Germany Technical Cooperation Agency
HSA	Health Surveillance Assistant
HIID	Harvard Institute for International Development
HIV	Human Immune-Deficiency Virus
HRDA	Human Resource Development Assistance
HRID	Human Resource and Institutional Development
HYV	High Yielding Variety
IBs	Intermediate Buyers
IE&C	Information, Education, and communication
IFA	Invitation for Application
IFES	International Foundation for Electoral systems
IMF	International Monetary Fund
IQCs	Indefinite Quantity Contracts
ISA	Initiative for Southern Africa
JICA	Japan International Cooperation Agency
KAP	Knowledge, Attitudes and Practices
KFW	German Economic Cooperation Agency
LOP	Life of Project/Program
MACS	Mission Accounting and Control Systems
MANEB	Malawi National Examinations Board
MASAF	Malawi Social Action Fund
MASTEP	Malawi Special Distance Teacher Education Program
MCP	Malawi Congress Party
MDC	Malawi Development Corporation
MED	Malawi Enterprise Development
MEEP	Malawi Economic Empowerment Program
MER	Monitoring, Evaluation and Reporting
MIE	Malawi Institute of Education
MIS	Management Information System
MPs	Members of Parliament
MOALD	Ministry of Agriculture and Livestock Development
MOE	Ministry of Education
MOEPD	Ministry of Economic Planning & Development
MOF	Ministry of Finance
MOH&P	Ministry of Health and Population

MOREA	Ministry of Research and Environment
MRFSF	Malawi Rural Financial Services Project
MRRP	Malawi Railways Restructuring Project
MSME	Micro, Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MYP	Malawi Young Pioneers
NASFAM	National Smallholder Farmers' Association of Malawi
NATURE	Natural Resource Sector Program
NCC	National Consultative Council
NDI	National Democratic Institute
NEAP	National Environmental Action Plan
NFWC	National Family Welfare Council
NCWID	National Council for Women in Development
NGOs	Non-Governmental Organizations
NPA	Non-project Assistance
NRM	Natural Resource Management
NSCM	Natural Seed Company of Malawi
NSO	National Statistical Office
ODA	Overseas Development Administration
OE	Operating Expenses
OMS	Office of Management Support
OPC	Office of the President and Cabinet
ORS	Oral Rehydration Solutions
OYBs	Operational Year Budgets
O/AFS	Office of Agriculture and Food Security
O/DIR	Mission Director's Office
O/EID	Office of Education and Institutional Development
O/PHN	Office of Population, Health and Nutrition
O/PPD	Office of Program and Project Development
PA	Project Assistance
PAC	Public Affairs Committee
PACD	Project Assistance Completion Date
PAP	Poverty Alleviation Program
PD&S	Program Development & Support
PFP	Policy Framework Paper
PHICS	Promoting Health Investment in Child Survival
PHN	Population, Health and Nutrition
PIR	Project Implementation Report/Review
PSCs	Personal Service Contracts/Contractors
PSI	Population Services International
PSIP	Public Sector Investment Program
PSLE	Primary School Leaving Examination
PTA	Parent-Teacher Association
PVOs	Private and Voluntary Organizations
QECH	Queen Elizabeth Central Hospital
RBM	Reserve Bank of Malawi
ROC	Republic of China (Taiwan)
RRSS	Regional Rail Systems Support
SADC	Southern Africa Development Community
SAEDF	Southern Africa Enterprise Development Fund

SARRNET	Southern Africa Root Crop Research Network
SCF	Save the Children Federation
SDR	Special Drawing Rights
SFFRFM	Small Farmers Fertilizer Revolving Fund of Malawi
SGR	Strategic Grain Reserve
SHARED	Support to Health, Agriculture, and Rural Enterprise Development
SMC	Social Mobilization Campaign
SOW	Scope/Statement of Work
SPR	Semi-annual Portfolio Review
STAFH	Support to AIDS and Family Health
STD	Sexually Transmitted Disease
TBA	Traditional Birth Attendant
TCC	Tobacco Control Commission
TCN	Third Country National
TIDE	Training for Institutional Development
TTC	Teacher Training Center
UDF	United Democratic Party
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commission for Refugees
UNESCO	United Nations Educational, Scientific and Culture Organization
USAID	United States Agency for International Development
USAID/W	Agency for International Development, Washington
USDH	United States Direct Hire
VCT	Voluntary Counseling and Testing
WB	World Bank
WFP	World Food Program
WHO	World Health Organization
WOCCU	World Council of Credit Unions

ANNEX B:
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PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by management event	Responsible person(s) and team
KIR 1.3 Increased local participation in natural resource management (NRM).							
1. No. of people participating in NRM a) Male b) Female c) Total	Definition: Number of people managing renewable natural resources in a sustainable way on public and communal lands. Unit: Number	USAID/Malawi Implementing partners	Monitoring Records	Annually	NRM Sector Results Package Team	R4	SO I Team
1. No. of CBRNM groups	Definition: Number of communities that have organized themselves with the purpose of managing communal renewable natural resources in a sustainable way. Unit: Number	USAID/Malawi Implementing partners	Monitoring Records	Annually	NRM Sector Results Package Team	R4 & SOPIR	SO I Team

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by management event	Responsible person(s) and team
2. No. of community agreements for managing natural resources	<p>Definition: Number of rural communities that have agreements with public sector agencies for sharing income from protected areas or jointly managing natural resources in those areas.</p> <p>Unit: Number</p>	USAID/Malawi Implementing partners	Monitoring Records	Annually	NRM Sector Results Package Team	R4 & SOPIR	SO 1 Team
3. No. of NRM-based enterprises	<p>Definition: Number of rural enterprises that are based on co-managing natural resources with an aim of sustainable harvesting of products such as fish, timber and firewood in water-bodies, parks, forest reserves, game reserves etc.</p> <p>Unit: Number</p>	USAID/Malawi Implementing partners	Monitoring Records	Annually	NRM Sector Results Package Team	R4 & SOPIR	SO 1 Team

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by management event	Responsible person(s) and team
4. No. of farm families adopting recommended Ag. Technology/ practices	Definition: Number of farm families that are practising Ag. Technology/ practices. Unit: Number	USAID/Malawi Implementing partners	Monitoring Records	Annually	Agriculture Sector Results Package Team	R4 and SOPIR	SO 1 Team
5. No. of ha. under recommended Ag. Technology/ practices	Definition: Number of hectares put under recommended Ag. Technology/ practices Unit: Number	USAID/Malawi Implementing partners	Monitoring Records	Annually	Agriculture Sector Results Package Team	R4 & SOPIR	SO 1 Team

PERFORMANCE MONITORING PLAN
Strategic Objective 2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				schedule/frequency	responsible person(s) and team	schedule by management event	responsible person(s) and team
Strategic Objective 2: Increased Civic Involvement in Rule of Law							
1. Number of complaints about legal and human rights violations brought to the attention of CSOs.	Definition: These complaints are those reported to CSOs filed against government, individuals and certain groups. Unit: Number	USAID/Malawi Contractors or Grantees	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2
2. Number of complaints filed with accountability agencies.	Definition: These complaints are those reported to Ombudsman, Anti-Corruption bureau, Human Rights Commission and Auditor General filed against government, individuals and certain groups. Unit: Number	Implementing Partners	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				schedule/frequency	responsible person(s) and team	schedule by management event	responsible person(s) and team
3. Number of referrals between formal and informal justice systems	Definition: Cases directed to formal or informal justice system as appropriate Unit: Number	Judiciary (GOM)	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2
KIR 2.1: Increased mass awareness of legal and human and responsibilities.							
1. Number of public debates on issues pertaining to rule law.	Definition: Number of debates with agenda involving rule of law issues organized and facilitated by CSOs Unit: Number	Implementing Partners	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2
2. % of people trained that retained key points after 6 months (Pre and post testing)	Definition: % people who remember key messages concerning rule of law after 6 months of training or awareness campaign. Unit: Percentage	USAID/Malawi Contractors or Grantees	Survey	Semi-annual	SO2	R4	SO2
3. Number of issues/slots relating to rule of law in print and electronic media.	Definition: Number of media stories, articles, slots and broadcasts covering rule of law. Unit: Number	Implementing Partners	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				schedule/frequency	responsible person(s) and team	schedule by management event	responsible person(s) and team
KIR 2.2: Improved access to justice							
1. Number of cases brought to conclusion by a) arbitration b) Courts	Definition: Number of case hearings concluded by arbitration and Courts Unit: Number	USAID/Malawi Contractors or Grantees, Judiciary (GOM)	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2
2. % people appearing at Courts who have received prior legal advice. a) Male b) Female	Definition: Number of people appearing in court hearings who are provided with legal advice before the case hearing Unit: Percentage	USAID/Malawi Contractors or Grantees, Judiciary	Monitoring Records	Quarterly	SO2	R4 and SOPIR	SO2
KIR 2.3: Accountability agencies more responsive to citizens							
1. % investigated violations/grievances that are prosecuted	Definition: Number of reported violations or grievances investigated and prosecuted to disposal expressed as a percentage of total number of violations investigated. Unit: Percentage	Implementing Partners	Monitoring Records	Annually	SO2	R4	SO2



PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				schedule/frequency	responsible person(s) and team	schedule by management event	responsible person(s) and team
2. % investigated violations/ grievances that are NOT prosecuted due to no case to answer.	<p>Definition: Number of reported violations or grievances investigated; but not prosecuted due to no case to answer expressed as a percentage of total number of violations investigated.</p> <p>Unit: Percentage</p>	Implementing Partners	Monitoring Records	Annually	SO2	R4	SO2

PERFORMANCE MONITORING PLAN
Strategic Objective 3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
Strategic Objective 3: Behaviors Adopted That Reduce Fertility and Risk of HIV/AIDS and Improve Child Health							
Contraceptive Prevalence Rate (CPR)	Definition: Percent of married women who are currently using a modern method of family planning Unit: Percent	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
Couple-Years of Protection (CYP) -- <i>proxy</i>	Definition: Number of couples protected per year based on reported contraceptive consumption data Unit: Number	CDLMIS (GOM contraceptive logistics and management system)	Monitoring reports	Annually	HPN	The R4	HPN
VCT Clients Served	Definition: No. of clients who learn their HIV status at VCT centers a) male b) female Unit: Number	USAID/Malawi contractor Reports/GOM Monitoring System	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN

		DATA ACQUISITION BY MISSION			ANALYSIS AND REPORTING		
Exclusive Breastfeeding Rate	Definition: Percent of women who exclusively breastfed newborns to 6 months of age Unit: Percent	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
Condom use with non-regular partner	Definition: Percentage males/females reporting condom use with last non-regular sexual partner a) Male b) Female Unit: Percent	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
ORT use rate	Definition: Percentage of children <5 years with reported diarrhea in last 2 weeks receiving ORT (fluids and food) Unit: Percent	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
Use of bednets	Definition: Percentage of children <5 years sleeping under bednets on the preceding night Unit: Percent	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
	Definition: Percentage of households using bednets Unit: Percent	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
KIR 3.1: Social Marketing Delivery of Appropriate Range of Health Products and Methods expanded/consolidated							
Number of condoms sold	Definition: <i>Chishango</i> condoms sold to wholesalers and retailers Unit: thousands of units per calendar year	USAID/Malawi Contractor Reports	Sales records	Annually	HPN	The R4 and SOPIR	HPN
Number of sachets of ORS sold	Definition: Sachets of <i>Thanzi</i> ORS sold to wholesalers and retailers Unit: Thousands per calendar year	USAID/Malawi Contractor Reports	Sales records	Annually	HPN	The R4 and SOPIR	HPN
Number of insecticide re-treatment kits sold	Definition: Treatment kits of <i>M'bwezera Chitetezo</i> sold to retailers Unit: Thousands per calendar year	USAID/Malawi Contractor Reports	Sales records	Annually	HPN	The R4 and SOPIR	HPN
Number of bednets sold	Definition: <i>Chitetezo</i> bednets sold to wholesalers and retailers Unit: Thousands per calendar year	USAID/Malawi Contractor Reports	Sales records	Annually	HPN	The R4 and SOPIR	HPN

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
KIR 3.2: Knowledge of good health/nutrition practices and own HIV status increased							
Knowledge of modern methods of contraception	Definition: Percentage of the target population who can name at least 3 modern methods of contraception (a) men (b) women Unit: Number	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
People receiving messages on health, nutrition, HIV/AIDS information and services	Definition: People receiving messages on health, nutrition, HIV/AIDS information and services a) number of people reached b) number of events Unit: Number	USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN

People who know their HIV sero-status	<p>Definition: Males/Females who know their HIV sero-status</p> <p>a) Males b) Females</p> <p>Unit: Percentage</p>	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
Desire to know one's HIV sero-status	<p>Definition: Percentage of males/females who want to know their HIV sero-status</p> <p>a) Male b) Female</p> <p>Unit: Percent</p>	DHS 2000, 2004 (National Statistical Office)	Sample survey	Every 4 years	HPN	The R4	HPN
Knowledge of how malaria is transmitted	<p>Definition: Percentage of males/females who know that malaria is transmitted by mosquito bites</p> <p>(a) men (b) women</p> <p>Unit: Percentage</p>	DHS 2000, (National Statistical Office)	Sample survey	Every 5-years	HPN	The R4	HPN

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
KIR 3.3: Community Participation in Health Care Increased (including AIDS and orphans activities)							
Community Based Distributing Agents providing FP info and services	Definition: a) Number of CBDAs providing FP info and services b) No. of people served by CBDAs Unit: Number	MOHP reports and USAID/Malawi contractor reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN
Number of drug revolving funds (DRFs)	Definition: DRFs consist of basic medications including ORS and SP for malaria, which are sold on cost recovery basis to villagers. a) Number of DRFs b) No. of people served by DRFs Unit: Number	MOHP reports and USAID/Malawi contractor reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN
Village Health Committees (VHC ¹)	Definition: Number of active Village Health Committees Unit: Number	USAID/Malawi contractor reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN
Trained Traditional Birth Attendants (TBA) providing services	Definition: TBAs trained and supervised by Health Workers Unit: Number	MOHP reports and USAID/Malawi contractor reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN

¹ VHC includes AIDS, orphans and water committees

Latrines constructed	Definition: Pit latrines and sandplats built and installed Unit: Number	MOHP reports and USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN
Water systems constructed	Definition: a) Number of water systems built b) Size of population served Unit: Number	USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN
Number of patients receiving Home-based care	Definition: No. of patients receiving Home- based Care Unit: Number	USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION SCHEDULE/ FREQUENCY	ANALYSIS AND REPORTING		
					RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event Responsible Person(s) and Team	
KIR 3.4: Range and Quality of Health Services for Mothers and Children under five Expanded in Target Areas							
People served by HIV voluntary counseling and testing (VCT)	Definition: Males/Females who have used VCT services a) No. of VCT centers b) No. of males/females served Unit: Numbers	NACP records and USAID/Malawi contractor reports	Monitoring records	Annually	HPN	The R4	HPN
Number of district and CHAM hospitals with active Quality Assurance or Infection Prevention committees	Definition: Number of district and CHAM hospitals that have active Quality Assurance or Infection prevention committees Unit: Number	MOHP, CHAM and USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN
Number of district and CHAM hospitals that have proper waste disposal practices	Definition: Number of district and CHAM hospitals with proper waste disposal practices Unit: Number Percent	MOHP, CHAM and USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN

Number of health facilities that have stock-outs of STD drugs a/o any contraceptive method during the previous 6 months	Definition: Number of service delivery facilities that have STD drugs q/o contraceptive method stock-outs during the previous 6 months Unit: Number	MOHP, CHAM and USAID/Malawi contractor reports	Sample surveys	Annually	HPN	The R4 and SOPIR	HPN
Number of district and CHAM hospitals that provide post-abortion care services	Definition: Number of district and CHAM hospitals that provide post-abortion care services Unit: Number	MOHP, CHAM and USAID/Malawi contractor Reports	Monitoring records	Annually	HPN	The R4 and SOPIR	HPN

PERFORMANCE MONITORING PLAN
Strategic Objective 4

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
Strategic Objective 4: Quality and Efficiency of Basic Education Improved							
1. Student performance a) Scores on MIE achievement tests for Standards 2,3 and 6 for target area i) Boys ii) Girls iii) All b) Pass rates by standard i) Boys ii) Girls iii) All	Definition: a) Mean scores: gain on MIE achievements tests --for Standards 2, 4 and 8 --for English, Chichewa and Maths b) students passing end of year exam Unit: a) Percent b) Percent	MIE MOE/ MANEB	Achievement test	Annually	SO#4 Team	The R4	MIE & SO#4
2. Completion rates a. Boys b. Girls	Definition: Number of pupils who finish standard 8 expressed as a percentage of the total number that entered standard 1. Unit: Percent	MOE	EMIS - Annual School Census	Annually	EMIS-MOE	The R4	EMIS-MOE and SO#4 Team

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
3. Drop out rates for standards 1 and 3 a) Boys b) Girls	Definition: Number of pupils who do not enroll as repeaters or new entries in standard X at year expressed as a percentage of total number of pupils who enrolled in standard x-1 at year t-1 Unit: Percent	MOE	EMIS – Annual School Census	Annually	EMIS-MOE	The R4	EMIS-MOE and SO#4 Team
4. Repeater rates for standards 1 and 3 a) Boys b) Girls	Definition: Number of pupils repeating a standard at year t expressed as a percentage of that standard's enrolment in year-t Unit: Percent	MOE	EMIS Annual School Census	Annually	EMIS-MOE	The R4	EMIS-MOE and the SO#4 Team
KIR 4.1 Teachers' professional skills improved							
1. Certified teachers in cadre	Definition: Total number of trained or qualified primary school teachers expressed as a percentage of total number of primary school teachers. Unit: Percent	MOE and TTCs	Review TDU and HRDM profile of teacher cadre	Annually	SO#4 Team	The R4	TDU and SO#4 Team

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
2. % primary school teachers meeting minimum professional competence	Definition: Percentage of teachers meeting minimum academic preparation and performance standards as set by the ministry of Education Unit: Percent	MOE and implementing partners	Monitoring reports	Annually	SO#4 Team	The R4	TDU and SO#4 Team
KIR 4.2 More effective schools							
1. % schools in compliance with Fundamental Quality Levels norms.	Definition: Total number of schools meeting minimum quality standards expressed as a percentage of total number of schools Unit: Percent	Implementing partners	Program/Activity Review	Annually	SO#4Team	The R4	SO#4 Team and TDU
2. % of teachers applying continuous assessment methodology as an evaluative tool of student performance	Definition: Total number of teachers applying continuous assessment methodology as an evaluative tool of student performance expressed as a percentage of total number of primary school teachers. Unit: Percent	MOE: Teacher Development Unit/Division --integrated into standardized curriculum	Program/Activity Review	Annually	TDU =MOE	The R4 and SOPIR	The SO#4 Team

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
KIR 4.3 Key policies reformed, implemented and monitored							
1. Policy Investment Framework (PIF) implemented and monitored a) Cabinet acceptance of PF White Paper b) Public dissemination and dialogue on draft white paper c) Parliament approval of PIF white paper d) Annual PIF roundtable	Definition: The PIF is adopted by the GOM and Implemented through EMIS/M&E plan Unit: yes/no	MOE (EMIS UNIT)	MOE Annual Sector Analysis Policy Brief	Annual	MOE and SO#4 Team	The R4 and SOPIR	MOE Planning Division and SO#4 Team
2. National Education Act adopted and implemented	Definition: Malawi revised education act is adopted by Parliament and implemented by MOE Unit: yes/no	MOE and Education Cabinet Education Committee	Interview and Observation	Annual	MOE and SO#4 Team	The R4 and SOPIR	SO#4 team

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD/ APPROACH OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				SCHEDULE/ FREQUENCY	RESPONSIBLE PERSON(S) AND TEAM	Schedule by Management event	Responsible Person(s) and Team
3. MOE decentralization adopted and implementation begins (Local government Act)	Definition: MOE decentralization is adopted by Parliament and implemented by MOE Unit: yes/no	MOE and Education Cabinet Education Committee	Interview and Observation	Annual	MOE and SO#4 Team	The R4 and SOPIR	SO#4 team

ANNEX D:
Parameter Setting Cable

APPR VLD ()

DRAFT MLD ()

CLEAR VN ()

UNCLASSIFIED

CLEAR ()

CLEAR ()

AID/AFR/SA:MDULA:O:CABLE

CLEAR ()

7/22/1999 712-5162

AID/AFR/SA:VIVIAN LOWERY DERRYCK

CLEAR ()

AFR/DAA:VNEWTON

AFR/DP:JSMITH [IN DRAFT]

AFR/SD:JWOLGIN [IN DRAFT]

AFR/GC:JPOWER [IN DRAFT]

AFR/SA:WJEFFERS [IN DRAFT]

AFR/AMS:JWINFIELD [IN DRAFT]

M/BUD:JRUDASILL [IN DRAFT]

DOBBINS [IN DRAFT]

ROUTINE

AIDAC FOR LILONGWE

E.O. 12958: N/A

TAGS:

SUBJECT: USAID/MALAWI PARAMETERS FOR COUNTRY STRATEGIC PLAN FY2001-2006

I. BEGIN SUMMARY. A REVIEW OF THE MALAWI COUNTRY STRATEGIC PLAN PARAMETER SETTING PAPER WAS HELD ON JULY 21, 1999, AND CHAIRED BY JAY SMITH, AFR/DP. THE PURPOSE OF THE MEETING WAS TO REACH AGREEMENT BETWEEN USAID/W AND USAID/MALAWI ON THE PROGRAM AND BUDGET PARAMETERS THAT THE MISSION WILL USE IN PREPARING IT'S COUNTRY STRATEGIC PLAN (CSP) SUBMISSION FOR THE PERIOD FY2001-FY2006. MISSION DIRECTOR, KIERT TOH, REPRESENTED THE MISSION AND PROVIDED AN OVERVIEW OF SOME OF THE EMERGING TRENDS IN MALAWI SINCE THE LAST CSP. MR. TOH SPOKE OF THE LEGACY OF EXTREME POVERTY, CENTRALIZED DECISION MAKING AND UNEQUAL INCOME DISTRIBUTION LEFT BY THE FORMER BANDA ADMINISTRATION. SINCE 1995, THE NEW GOVERNMENT HAS BEEN ADDRESSING THESE CHALLENGES IN MALAWI AND ESTABLISHING COORDINATED POLICIES AND PROGRAMS FOR POVERTY ERADICATION. KEY TO THE ERADICATION OF POVERTY ARE 1) LIBERALIZING THE ECONOMY, 2) ALLOWING SMALL HOLDER FARMERS TO GROW CASH CROPS, 3) PUSHING FOR PRIMARY EDUCATION (WITH AN EMPHASIS ON GIRLS EDUCATION), 5) ALLOWING

CIVIL SOCIETY ORGANIZATIONS TO DEVELOP 6) AND A DEVOLUTION OF POWER AND DECISION MAKING. MR. TOH EXPLAINED THAT, WHILE THE LIBERIZATION OF THE ECONOMY IS APPEARING TO WORK, THE PAST COUPLE OF YEARS HAVE BEEN DIFFICULT AS THE COUNTRY HAS HAD LITTLE EXPERIENCE IN MANAGING A MORE LIBERALIZED ECONOMY. END SUMMARY.

II. STRATEGY OVERVIEW.

A. USAID/MALAWI'S CURRENT CSP 1997-2001 SUPPORTS FIVE STRATEGIC OBJECTIVES: INCREASED AGRICULTURAL INCOMES ON A PER CAPITA BASIS; INCREASED SUSTAINABLE USE, CONSERVATION AND MANAGEMENT OF MALAWI'S RENEWABLE NATURAL RESOURCES; INCREASED ADOPTION OF MEASURES TO REDUCE FERTILITY AND RISKS OF HIV TRANSMISSION, INCLUDING IMPROVED CHILD HEALTH PRACTICES; INCREASED ACCESS TO, AND IMPROVED QUALITY AND EFFICIENCY OF BASIC EDUCATION, ESPECIALLY FOR GIRLS; AND INSTITUTIONAL BASE FOR DEMOCRATIC PARTICIPATION BROADENED AND STRENGTHENED. AVERAGE ANNUAL OYB HAS BEEN APPROXIMATELY THIRTY-TWO MILLION DOLLARS. THE GOAL OF THE NEW STRATEGY IS INCREASED FOOD SECURITY AND POVERTY REDUCTION THROUGH BROAD-BASED ECONOMIC GROWTH. THIS IS A SLIGHT MODIFICATION TO THE CURRENT GOAL OF BROAD-BASED ECONOMIC GROWTH. THE RATIONALE FOR THIS MODIFICATION IS RECOGNITION THAT BROAD-BASED ECONOMIC GROWTH IS A MEANS AND NOT AN END IN ITSELF. THIS NEW WORDING OF THE MISSION'S OBJECTIVE RECOGNIZES THAT ECONOMIC GROWTH MUST BE PEOPLE ORIENTED, AND THUS CAPTURES THE CONCEPTS OF FOOD SECURITY AND POVERTY REDUCTION. THESE CONCEPTS ARE RECOGNIZED KEY THEMES IN DISCUSSIONS WITH THE MALAWIAN GOVERNMENTAL AND CIVIL SOCIETY LEADERS. ALSO INCLUDED IN THE CONCEPT PAPER IS A SUB-GOAL WHICH IS STATED AS THE EFFECTIVE TRANSFER OF RESOURCES AND OPPORTUNITIES TO THE MOST DISADVANTAGED. IN MALAWI'S DEVELOPMENT CONTEXT, IT IS CRITICAL TO FURTHER ECONOMIC LIBERALIZATION WHILE BEING SENSITIVE TO THE NEEDS OF THOSE WHO ARE MOST DISADVANTAGED. EACH OF THE PROPOSED STRATEGIC AND SPECIAL OBJECTIVES WAS DESIGNED TO CONTRIBUTE TO BOTH THE STATED GOAL AND SUB-GOAL. IT IS ANTICIPATED THAT THE BULK OF THE MISSION'S PORTFOLIO WOULD CONTRIBUTE TO THE PRIMARY GOAL OF INCREASED FOOD SECURITY AND REDUCED POVERTY THROUGH BROAD-BASED ECONOMIC GROWTH. A LESSER EMPHASIS WOULD BE ON THE SUB-GOAL OF EFFECTIVE TRANSFER OF RESOURCES AND OPPORTUNITIES TO THE MOST DISADVANTAGED.

B. THE CONCEPT PAPER CONTAINS USAID/MALAWI'S REQUEST FOR \$42 MILLION IN FY2001, WITH A REQUEST OF DA/CSD \$35 MILLION; TITLE II \$6 MILLION, AND ESF \$1 MILLION. A DISCUSSION OF OE REQUIREMENTS WAS NOT INCLUDED IN THE RESOURCE REQUIREMENTS SECTION OF THE CONCEPT PAPER. USAID/MALAWI DOES NOT ANTICIPATE SIGNIFICANT LONG-TERM CHANGE IN TOTAL OPERATING COSTS. THERE IS, HOWEVER, A PERCENTAGE OF OPERATING COSTS CURRENTLY SUPPORTED BY LOCAL CURRENCY TRUST FUNDS GENERATED BY NPA. IT SHOULD BE NOTED THAT IF CURRENT PROGRAMS END, A LACK OF TRUST FUNDS MAY CREATE OE SHORTAGES IN THE OUT-YEARS OF THE PROPOSED CSP, WHICH WOULD REQUIRE THE SUBSTITUTION OF U.S. DOLLAR RESOURCES.

III. ISSUES AND FINAL DECISIONS

A. THE PARAMETERS MEETING FOR USAID/MALAWI'S 2001-2006 STRATEGY WAS HELD JULY 21, 1999, ATTENDED BY REPRESENTATIVES OF AFR/DP, AFR/SA, AFR/SD, M/B, G/WID, BHR/FFP/DP AND G/DG. MISSION DIRECTOR KIERT TOH REPRESENTED THE MISSION. JAY SMITH, AFR/DP, CHAIRED THE MEETING. THE MISSION DIRECTOR PROVIDED AN OVERVIEW OF THE USAID/MALAWI PROGRAM, THE CURRENT SOCIOECONOMIC SITUATION IN

MALAWI, AND RATIONALE FOR THE PROPOSED CHANGES IN THE STRATEGY. A DISCUSSION OF THE ISSUES AND DECISIONS FOLLOWS.

B. ISSUE 1: RATIONALE FOR DEFINING STRATEGIC PARAMETERS.

THE MISSION SUBMITTED A CONCEPT PAPER THAT PROVIDES A USEFUL DESCRIPTION OF MALAWI'S OVERALL ECONOMIC NEED, BUT DOES NOT PROVIDE THE BACKGROUND RATIONALE FOR WHY EACH OF THE FIVE STRATEGIC OBJECTIVES AND THE NEW SPECIAL OBJECTIVE HAVE BEEN SELECTED FOR USAID SUPPORT. IT DOES NOT PROVIDE A DETAILED JUSTIFICATION EITHER FOR CONTINUING CURRENT ACTIVITIES OR FOR LAUNCHING THE NEW OBJECTIVE. IT WOULD BE USEFUL IN THE STRATEGY IF THE MISSION WOULD DISCUSS THE STATE OF DEVELOPMENT IN EACH OF THE PROPOSED AREAS OF INTERVENTION, WHAT OTHER DONORS ARE DOING OR NOT DOING, WHY EACH SECTOR IS CRITICAL TO THE SUCCESS OR FAILURE OF THE MALAWIAN ECONOMY, AND WHY USAID'S CONTRIBUTION TO THAT SECTOR IS ESSENTIAL.

IT WAS NOTED THAT THE R4 FOR FY2000 DISCUSSED MANY OF THESE POINTS IN THE CONTEXT OF THE CURRENT CSP.

DECISION: THE CSP WILL ADDRESS THESE CONCERNS AND UPDATE THE ANALYSES, AS NECESSARY, PROVIDING CLEAR DESCRIPTIONS OF THE PROBLEMS EACH SO ADDRESSES.

ISSUE 2: SCOPE OF NEXT FIVE YEAR STRATEGY.

USAID/MALAWI PROPOSES TO CONTINUE EACH OF ITS CURRENT FIVE STRATEGIC OBJECTIVES MOSTLY AS THEY ARE NOW DEFINED, WITH TWO EXCEPTIONS: REORGANIZATION OF SO1 (ECONOMIC GROWTH/AGRICULTURE) AND SO2 (NATURAL RESOURCE MANAGEMENT) TO INTEGRATE THE SO2 ACTIVITIES THAT CONTRIBUTE TO AGRICULTURAL PRODUCTIVITY INTO SO1; AND ELIMINATION OF ELECTION AND PARLIAMENTARY SUPPORT UNDER SO5 (DEMOCRACY/GOVERNANCE). USAID ALSO PROPOSES TO ADD A NEW SPECIAL OBJECTIVE, "OFF-FARM EMPLOYMENT OPPORTUNITY INCREASED." THIS RAISED THE FOLLOWING CONCERNS: WHAT IS THE MISSION'S STRATEGIC THINKING AND HOW WOULD THE AGENCY'S MANAGEABLE INTERESTS BE LIMITED? COULD THE SPECIAL OBJECTIVE BE MADE AN IR? THE RATIONALE IS STRONGLY STATED IN TERMS OF THE ECONOMIC NEED OF ONE OF THE WORLD'S POOREST COUNTRIES, AND THE STRONG, COLLABORATIVE PARTNERSHIP USAID ENJOYS WITH THE GOVERNMENT OF MALAWI. WHAT ARE THE REAL PROBLEMS IN AGRICULTURE THAT WE ARE GOING TO ADDRESS AND WHAT ARE THE OTHER DONORS DOING? IN THE DEMOCRACY SO, WHAT ARE THE INTERPLAYS BETWEEN DEMOCRATIZATION AND THE ECONOMY?

THE PAPER PROPOSES AN OPERATING YEAR BUDGET (OYB) OVER THE FIVE YEARS OF THE STRATEGY OF \$35 MILLION DA/CSD WITH AN ADDITIONAL \$6 MILLION IN PL 480 TITLE II AND \$1 MILLION IN ESF (FOR PARTICIPATION IN THE EDUCATION FOR DEVELOPMENT AND DEMOCRACY INITIATIVE). OF THE DA/CSD TOTAL, \$10 MILLION WOULD BE ECONOMIC GROWTH FUNDS, \$8.5 MILLION IN ENVIRONMENT, \$2.5 MILLION IN DEMOCRACY FUNDS, \$5 MILLION HUMAN CAPACITY DEVELOPMENT FUNDS, AND \$9 MILLION POPULATION, HEALTH AND NUTRITION.

DECISION: THE BUDGETARY OUTLOOK IS NOT PROMISING. FUTURE LEVELS OF DA/CSD ARE LIKELY TO FALL WITHIN A SIGNIFICANTLY LOWER RANGE THAN THE MISSION FY2001 R4 REQUEST OF \$35 MILLION. PROJECTED LEVELS INCLUDE \$32.3 MILLION IN FY99, \$30.09 MILLION IN FY2000, AND \$29.6 MILLION IN FY2001 FOR THE BASE SCENARIO. THE AFR DECREMENT SCENARIO FOR FY2001 WOULD LOWER THIS TO \$26 MILLION. GIVEN THE DOWNWARD TREND IN RESOURCE LEVELS, THE PROPOSED STRATEGY, INCLUDING THE NEW SPECIAL OBJECTIVE, MAY BE TOO AMBITIOUS.

WHILE PROSPECTS FOR PL480 FUNDS ARE GOOD, PROSPECTS ARE POOR FOR ANY ADDITIONAL DA AND ESF FUNDS BEYOND THE LEVELS IDENTIFIED ABOVE. IN THE CSP, THE MISSION SHOULD DISCUSS VARIOUS OPTIONS FOR RATIONALIZING THE PROGRAM SCOPE, WITH MORE REALISTIC BUDGET PROJECTIONS. THE MISSION NEEDS TO MAKE CLEAR IN THE CSP WHAT OUR COMPARATIVE ADVANTAGES ARE VIS A VIS OTHER DONORS.

THE MISSION IS ENCOURAGED TO RATIONALIZE THE ACTIVITIES ASSOCIATED WITH ECONOMIC GROWTH, AGRICULTURE, OFF-FARM EMPLOYMENT, AND ENVIRONMENT IN A WAY THAT DOES NOT ADD ANOTHER OBJECTIVE TO THE STRATEGIC FRAMEWORK.

ISSUE 3: STAFFING PARAMETERS.

THE PARAMETERS PAPER PROPOSES 11 OE-FUNDED U.S. DIRECT HIRE STAFF, 2 ADDITIONAL OE-FUNDED U.S. STAFF, 58 OE-FUNDED FOREIGN SERVICE/THIRD COUNTRY NATIONALS, AND 19 PROGRAM FUNDED STAFF. THE BUDGET TABLE ALSO INCLUDES 3 TAACS AND 1 INTERNATIONAL DEVELOPMENT INTERN (IDI). THIS LEVEL INCLUDES THE ADDITION OF AN IDI AS PROPOSED IN THE RECENT RESOURCE REQUEST (R-4), AND INCREASES THE PROGRAM-FUNDED FSN/TCN STAFF BY TWO.

DECISION: THIS LEVEL OF STAFF MAY NOT BE FEASIBLE GIVEN THE ANTICIPATED AGENCY AND BUREAU WORKFORCE REDUCTIONS. THE MISSION SHOULD RECONSIDER THE LEVEL OF OPERATING EXPENSES NECESSARY IN LIGHT OF THE DIMINISHING TRUST FUND LEVELS AS THE NON-PROJECT ASSISTANCE PHASES OUT. WITH A DECREMENT SCENARIO IN MIND, THE MISSION NEEDS TO ADDRESS ASSIGNMENT OF PEOPLE TO MANAGE THE SOS AND SHOULD COME IN WITH A MINIMUM SCENARIO. AT THE MEETING, BHR OFFERED TO HELP TRAIN FSN STAFF TO MANAGE PL480 PORTFOLIOS.

ISSUE 4: CONTINUING NON-PROJECT ASSISTANCE (NPA).

THE PARAMETERS PAPER DISCUSSES PHASING OUT NPA SUPPORT IN THE AGRICULTURE AND NRM SECTORS, BUT PROPOSES TO CONTINUE NPA IN THE EDUCATION SECTOR. THE AFRICA BUREAU HAS BEEN SEEING AN INCREASE IN CONGRESSIONAL OPPOSITION TO NPA IN LIEU OF PROJECT ASSISTANCE.

DECISION: BUREAU CONTINUES TO SUPPORT NPA IF IT IS THE TOOL THAT IS BELIEVED TO BE MOST EFFECTIVE IN ACHIEVING THE STRATEGIC OBJECTIVE. CONGRESSIONAL OPPOSITION TO NPA HAS GENERALLY BEEN LIMITED TO THE HEALTH AND CHILD SURVIVAL PROGRAMS.

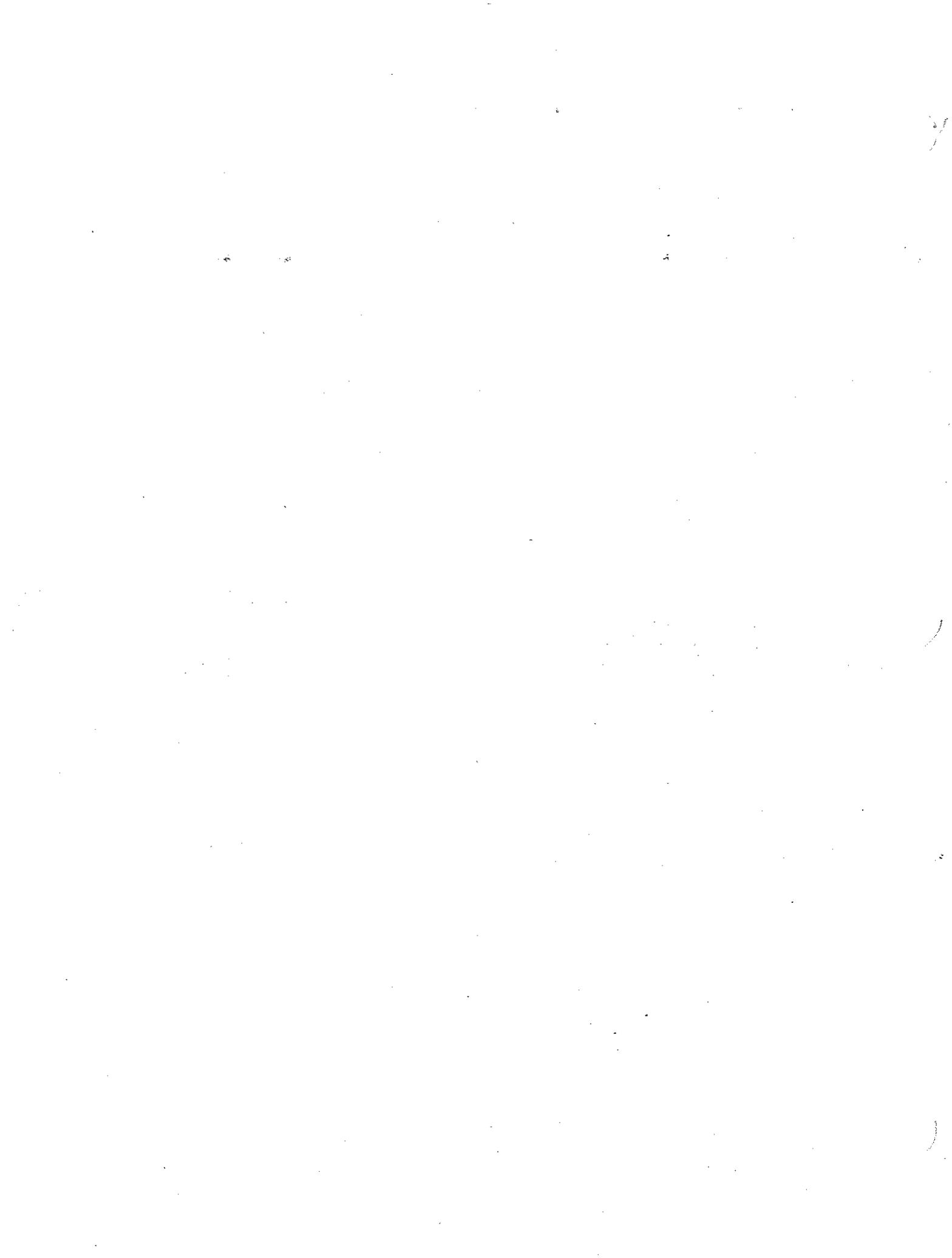
ISSUE 5: MALAWI PARTICIPATION IN EDUCATION FOR DEVELOPMENT AND DEMOCRACY INITIATIVE (EDDI).

THE CONCEPT PAPER PROPOSES THAT MALAWI PARTICIPATE IN EDDI AT THE LEVEL OF \$1 MILLION ESF PER YEAR. THE MISSION WOULD LIKE TO INTEGRATE PROPOSED ACTIVITIES UNDER THIS INITIATIVE WITH ITS SO4, WHICH FOCUSES ON IMPROVING EDUCATIONAL QUALITY. THE MISSION REQUESTS GUIDANCE FROM WASHINGTON ABOUT ELIGIBILITY REQUIREMENTS AND THE PROCESS FOR APPLYING TO JOIN THE INITIATIVE.

DECISION: PROCEDURES FOR APPLYING FOR EDDI FUNDS ARE STILL BEING DEFINED. ELIGIBILITY IS LIKELY TO EXPAND BEYOND POTUS COUNTRIES. USAID/W AGREES MALAWI SHOULD BE CONSIDERED FOR EDDI FUNDING ONCE IT BECOMES AVAILABLE TO NON-POTUS COUNTRIES.

IV. CONCLUSION: THE MISSION IS COMMENDED FOR PREPARING AN EXCELLENT CONCEPT PAPER TO INFORM THE PARAMETERS DISCUSSION. THE AFRICA BUREAU LOOKS FORWARD TO RECEIPT OF AN INNOVATIVE CSP.

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ANNEX C:

Performance Monitoring Plan

PERFORMANCE MONITORING PLAN
Strategic Objective 1

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	METHOD OF DATA COLLECTION OR CALCULATION	DATA ACQUISITION BY MISSION		ANALYSIS AND REPORTING	
				Schedule/frequency	Responsible person(s) and team	Schedule by management event	Responsible person(s) and team
Strategic Objective 1 : Sustainable Increases in Rural Incomes							
1. Real per capita incomes	<p>Definition: Measures income of Malawi rural households using a representative sample covering various economic clusters in most districts of Malawi.</p> <p>Current Per Capita incomes are deflated to 1990 Malawi Kwacha using GDP deflator</p> <p>Unit: (MK)</p>	<p>USAID/Malawi Contractor</p> <p>Bunda College (APRU)</p>	Primary data (Sample survey)	Annually	SO 1 Team	R4	SO 1 Team
KIR 1.1: Sustainable Increases in agricultural productivity.							
1. Increased on-farm income	<p>Definition: Measures on-farm income of Malawi rural households using a representative sample covering various economic clusters in most districts of Malawi.</p> <p>Current Per Capita incomes are deflated to 1990 Malawi Kwacha using GDP deflator</p>	USAID/Malawi Implementing partners	Secondary data Analysis	Annually	Agriculture Sector Results Package Team	R4	SO 1 Team

2. Yields of selected food crops (maize, pulses, roots & tubers)	Definition: Selected crop output per land area Unit: Kg/ha	USAID/Malawi Implementing partners	Monitoring Records	Annually	Agriculture Sector Results Package Team	R4	SO 1 Team
3. Crop Diversification: share of smallholder crop area planted to non-maize and non-tobacco	Definition: Percentage of total smallholder area planted to all other crops other than maize and tobacco. Unit: Percent	USAID/Malawi Implementing partners	Secondary data Analysis	Annually	Agriculture Sector Results Package Team	R4	SO 1 Team
4. Milk yield in target areas	Definition: Cow milk yield in target areas Unit: lt/cow/year	USAID/Malawi Implementing partners	Primary data Analysis	Annually	Agriculture Sector Results Package Team	R4	SO 1 Team
KIR 1.2 Increased Off-Farm Earnings by Rural Sector Households.							
1. Increased off-farm income	Definition: Measures of off-farm income of Malawi rural households using a representative sample covering various economic clusters in most districts of Malawi. Current Per Capita incomes are deflated to 1990 Malawi Kwacha using GDP deflator Unit: (MK)	USAID/Malawi Implementing partners	Secondary data Analysis	Annually	Agriculture Sector Results Package Team	R4	SO 1 Team