

USAID/MALAWI COUNTRY STRATEGIC PLAN (CSP) FY 2001-2005 TRIENNIAL REVIEW: EXECUTIVE SUMMARY

1. DEVELOPMENT HYPOTHESIS

The Goal of USAID Malawi's FY 2001-2005 CSP is: *Poverty Reduction & Increased Food Security through Broad-Based, Market-Led Economic Growth*. The development hypothesis to achieve this goal is stated in the original CSP. In summary, **if** there is: sustainable creation of economic opportunities (both on and off the farm), **and** a continued supply of productive (healthy and educated) individuals to take advantage of these opportunities, **and** citizens freely exercising their rights and responsibilities, an active civil society, a strengthened rule of law, and institutions that are transparent and accountable to those whom they serve, **then** these conditions will create a synergy capable of bettering the lives of all Malawians.

Half-way into the planning period, the Mission reconfirms this hypothesis. Simply, the needs in Malawi are so great that a multi-sectoral and multi-dimensional approach is indicated to begin to reduce the pervasive poverty and foster food security. In fact, the needs today are greater than ever before.

2. STRATEGIC OBJECTIVES & CRITICAL ASSUMPTIONS

The Mission's Strategic Objectives (SOs) and Intermediate Results (IRs) as of 1999 and today are presented in Figure 1 at the end of this Executive Summary. The four SOs are:

- SO-6: Sustainable Increases in Rural Incomes
- SO-7: Increased Civic Involvement in the Rule of Law
- SO-8: Health Behaviors and Services Improved
- SO-9: Improved Quality and Efficiency of Basic Education

Figure 2 on the next page summarizes the critical assumptions in the original CSP (1999); at this mid-point review (2003); and the next 4 years.

In summary, the CSP was developed during 1999, when Malawi was completing the "honeymoon" of its first five years of democracy. The citizens had turned out in record numbers to vote -- over 93% of registered voters cast their ballots -- and President Muluzi was elected for a second term with 51% of votes cast. Although there were some irregularities, the elections were considered generally free and fair by international observers. The economy, which had begun to slip in the 1997-98 period, was considered back on track. Two joint IMF/World Bank teams reported positive movement, and there was an expectation that the GOM would hold to its budget targets. There had been poor rains in 1997, but no major droughts. HIV/AIDS seroprevalence was high and the GOM and donor community were beginning to mobilize, but the catastrophic and pervasive impact of the epidemic was only beginning to be understood.

As of the end of 2003, it is clear that this relatively optimistic scenario was not to be. On the positive side, the democracy has endured and, indeed, become stronger. Increasing levels of citizen participation and "demand" for accountability have progressed. As demonstrated by the national debate over a proposed amendment to enable the President to stand for a third term, civil society has become more engaged in politics.

However, economic performance has been poor, with average real GDP growth at less than 1% and average inflation at 12% since 2001. Poor expansionary fiscal performance, with overall fiscal deficits (including grants) averaging above 5% of GDP, stalled Malawi’s macroeconomic program with the IMF over the past two years, prompting bilateral donors to withhold donor support, which accounts for about 40% of Malawi’s national budget.

In addition, the catastrophic and pervasive impact of the cumulative toll of death and illness due to HIV/AIDS is much more widely felt than in 1999. A recent survey of 2030 households in six zones of the country found that one-third of all households and one-half of female-headed households host at least one orphan, and 30% of households care for at least one chronically ill person. Public and private sector workforces have been decimated.

Finally, in 1999 it was widely believed that the rural economy was sufficiently strong to cope with a seasonal drought. However, when production was off by only 8% in the 2001-2002 season, an estimated 3.3 million people became destitute and dependent on international food aid. The USG alone provided over 150,000 MT of food aid valued at about \$90 million. This food emergency brought home the significant decline in purchasing power of Malawi’s poor, and highlights the need to incorporate increased attention to vulnerable populations in the future strategy.

Figure 2: CSP Assumptions: 1999, 2003, Next 4 Years

ASSUMPTIONS	1999	2003	Next 4 Years
GDP growth rate	4% - 5% p.a.	1.5% average 00-03	Slow movement back up to 4%-5% p.a. ¹
Macroeconomic performance	“On track”	Poor – 2 years of no IMF program; now hopeful.	Uncertain. New SAP will be launched in early 2004.
GOM Policy Reform	80% of critical reforms complete	Stalled	USAID can influence policy directly and indirectly
Democracy	Flawed, but trends positive & encouraging	Flawed, but vibrant with increasing citizen participation	Uneven, but increasingly robust. Transition to a new administration will not create undue disruption to USAID program.
HIV/AIDS – Seroprevalence	Estimated at 14%	15%	Stable and/or slight decrease
HIV/AIDS – Impact	Catastrophic, but not widely understood	Catastrophic, pervasive, felt in all aspects of life	Effective mobilization of increased resources by GOM to mitigate impact should begin to relieve some of the pressures
Food availability	One annual drought, but no major crises	2001-03 food emergency	High likelihood of at least one natural and/or man-made crisis within next 5 years

¹ GOM estimates/targets agreed under the IMF program. The Economic Intelligence Unit (EIU) forecast for 2004 is 2.6 percent. Thus, a more realistic estimate could be in the range of 2 to 3.5 percent.

3. PROGRESS TOWARD ACHIEVING RESULTS

In spite of the uncertain and deteriorating development context, the Mission has made good progress toward achieving results.

Under its Sustainable Economic Growth (SEG) SO-6:

- ***The National Association of Smallholder Farmers of Malawi (NASFAM) is linking Malawian men and women farmers with world markets*** for high-value products such as chilies, groundnuts, paprika, cotton, and rice. The value of agricultural products marketed by the NASFAM group increased to \$650,000 in 2002. Of note is that women constitute about 38% of NASFAM's 100,000 members and 58% of chairpersons of associations.
- ***Malawi's dairy industry is being rebuilt:*** Development of efficient milk producer associations has been quite successful, with the number of viable agribusinesses and cooperatives engaged in dairy increased, and milk produced by members of the associations has increased to 1.6 million liters/year.
- ***457 communities engaged in community-based natural resources management accrued benefits totaling \$156,930*** for FY 2003, and – as woodlots mature and products are harvested -- are expected to increase to a total of \$511,130 by the end of FY 2004.

Under USAID's Democratic Governance (DG) SO-7:

- ***The Center for Advice, Education, and Research on Rights (CARER) provided legal services to Malawi's poor and resolved 800 cases in 11 districts***, up from 3 rural districts in 2000. Of particular importance is CARER's work in protecting women against the common problem of "property grabbing" by a husband's family after death. Where more than 500,000 people have died of HIV/AIDS, this practice can be devastating for women. CARER teaches people that the constitution prohibits the practice, and mediates disputes.
- ***USAID's local NGO, FBO, and CSO partners are providing topic-specific civic education to the masses***, including translation and distribution of civic education materials, nation-wide training of volunteer community trainers, weekly national radio broadcasts and development of listener clubs in selected areas.
- ***Civil society organizations successfully lobbied Parliamentary committees*** for significant changes in the budget such as reductions in the amount for the Office of the President and Cabinet, and State Residences.

USAID's Health, Population, Nutrition, and HIV/AIDS (HPN) SO-8 has exceeded expectations:

- ***Sales of insecticide treated bednets increased 56% in a two year period*** after USAID and the vendor launched a new marketing strategy that targets pregnant women. Increased use of the bednets is expected to lead to a significant decrease in the incidence of malaria, which is a key contributor to child morbidity and mortality in Malawi.
- ***Malawians are increasing using contraception.*** The 2000 Malawi Demographic & Health Survey recorded a 26.1% contraceptive prevalence rate among married women using modern methods, and a 30% rate for all methods. Since that time, couple years of protection (a composite measure of contraceptive use) have continued to increase sharply, from 398,000 in 2000 to 620,000 in 2002 – a more than 55% increase in only two years.
- ***Sales of socially marketed condoms are taking off.*** USAID began supporting condom social marketing in 1992, with only about 140,000 condoms sold the first year. By the mid-decade, sales had increased dramatically to about 5.8 million per year, but then leveled off.

In 2001-2002 USAID and its implementing partner undertook a major brand repositioning exercise, including repackaging and targeting messages to unmarried, sexually active adults. The strategy worked, with an over 25% increase in sales in a two year period.

- USAID is collaborating with the U.S. Centers for Disease Control (CDC) to support expansion of voluntary counseling and testing (VCT) for HIV/AIDS. **Since 2000, the number of clients seen at USAID/CDC VCT sites has more than doubled for men and more than tripled for women.** These increases correspond to the 2000 DHS data that indicate that almost 73% of Malawian women wanted to be tested. USAID is working with its partners to try to meet that demand, supporting 12 VCT sites as of late 2003, with an eventual expansion to 20 sites planned.

The Basic Education (ED) SO-9 is also on track.

- **For Math, pupils enrolled in USAID target schools consistently performed, on average, 17.4% higher than pupils in non-target schools, and for Chichewa and English, Standard 3 pupils performed at least 20% points higher.** These impressive gains were achieved through establishment of school cluster networks and a mentor teacher program as points of entry for in-service teacher professional development, mobilization and empowerment of School Committees, facilitation of dialogue among School Committees, District, Divisional, and Central authorities.
- 4,280 primary teachers in the target districts received in-service training in pedagogical skills; **longitudinal research on a small sample of these teachers completed in 2003 found that their pupils had a dramatic increase in learning** during the school year. USAID is supporting 62 teachers' pursuit of US academic degrees in primary education. Those who return work in Malawi's teacher training colleges to improve the quality of instruction.
- With USAID assistance, **the Ministry of Education completed the draft National HIV/AIDS and Education strategy and implementation plan**, which are awaiting government approval. USAID is also supporting the development of a pre-service teacher training curriculum which will allow teachers to implement the new Life Skills curriculum, including HIV/AIDS, in the primary schools as well as give teachers the skills they need to protect themselves from infection with HIV.

USAID was **a leader in the multi-donor response to Malawi's FY 2001-2003 food emergency**. An NGO consortium fostered by USAID became a model of efficient collaboration for Southern Africa. Together with the World Food Programme, **over 150,000 MT of food aid was provided to relieve suffering of about 3.3 million people.**

4. PROGNOSIS FOR THE NEAR FUTURE

Given the assessment of the original assumptions above, and its success in achieving results despite the uncertain environment, USAID/Malawi's prognosis for the future is to accelerate achievement of results in all areas, based on the following assumptions.

Uncertain Economic Performance

Based on Malawi's broad satisfactory progress in establishing a record of performance during the first half of 2003, the IMF, World Bank, and several bilateral donors approved resumption of financial support to Malawi in October 2003 – after two years of stalled negotiations under the

GOM's Poverty Reduction and Growth Facility (PRGF) program with the IMF. Real GDP growth is estimated to accelerate to 4.3% in 2004 and exceed 5% the following two years².

USAID sees Malawi's potential to set the foundation for moderate growth, however, satisfactory performance depends on key economic decisions to be made in the coming months. Growth may rebound by 4% this year following a major decline due to a severe drought last year. A more realistic estimate of economic growth in the next 4 years could be less than 4%.³ The GOM needs to improve fiscal performance under the IMF program, and fully implement the Malawi Poverty Reduction Strategy – whose four pillars resemble USAID's four Strategic Objectives. It also needs sustained political commitment to reverse the economic deterioration, ensure macroeconomic stability, improve public service delivery, and promote poverty reduction. Political commitment to the steadfast execution of government's strategy to control expenditure, reduce high real interest rates and ultimately revitalize the private sector remains a daunting challenge, especially in the run up to the general elections in May 2004.

2004 Elections are Key

Obviously, much will depend on the outcome of the May 2004 Presidential and Parliamentary elections. Thus far the citizens, led by civil society groups, have managed to head off the President's bid to amend the Constitution to allow him to stand for a third term. The Mission is fairly confident that the elections will again be substantially free and fair, with strong voter turnout and minimal conflict, and will be highly competitive with no one party likely to win an outright majority. What the outcome will be, and what effect it has on macroeconomic and other governance issues, cannot be predicted.

HIV/AIDS Resource Mobilization Expected to Yield Results

In 2003 Malawi was informed that its proposal to the Global Fund for AIDS, Tuberculosis, and Malaria (GFATM) was approved at \$196 million – the largest award to date worldwide. The Mission assumes that the GFATM, as well as Malawian and other resources, will be available at planned levels and that their effective disbursement will begin to mitigate some of the extreme pressure that AIDS is placing on Malawi.

Chronic Food Insecurity Needs Increased Attention

The Mission also assumes that food insecurity in Malawi has become a chronic, rather than short-term, problem, and that there is a high likelihood of another natural and/or man-made crisis within the next five years. Given the extreme vulnerability of the rural population that was exposed in the 2001-2003 crisis, it is clear that resilience to shock is minimal, and that planning for crisis must be integrated into future plans. The Mission assumes that incorporation of more attention to food security/crisis mitigation in future programming will limit the amount of emergency resources needed in the future.

5. MISSION ISSUES

- ***Extend CSP Two Years:*** Given time lost due to the demands of the 2001-2003 food emergency and (anticipated) the May 2004 elections, and the generally slow start-up of

² GOM estimates/targets agreed under the IMF program.

³ The Economic Intelligence Unit (EIU) forecast for 2004 is 2.6 percent. Thus, a more realistic estimate could be in the range of 2 to 3.5 percent given the necessary political commitment to reverse the economic deterioration and promote poverty reduction.

current implementation instruments, the Mission requests that one of the conclusions of the Triennial Review be that AA/AFR approves its proposed two-year extension.

- **Endorse a longer-term provision of Title II resources for Malawi** to address the development needs of vulnerable households and to establish a “crisis readiness” for the future. A consortium of P.L. 480 Title II partners are submitting a Development Assistance Program (DAP) in February 2004 which the Mission hopes will result in DAP start-up in 2005.
- **HPN** – Revision the HPN Results Framework (SO-8) to reflect the re-packaging of the SO activities.

**Figure 1: USAID Malawi Country Strategic Plan FY 2001-2005
Original and Current Results Framework**

CSP 2001-2005 (Approved April 2000)	CURRENT (October 2003)
<p>SO-6: Sustainable Increases in Rural Incomes IR6.1 Sustainable increases in agricultural productivity IR6.2 Increased off-farm earning by rural households IR6.3 Increased local participation in natural resource management</p>	<p>SO-6: Sustainable Increases in Rural Incomes IR6.1 Agricultural productivity increased (? notified FY 2003 AR) IR6.2 Employment in agriculturally linked enterprises increased (? notified FY 2003 AR) IR6.3 Increased household revenue from community based natural resource management activities (? notified FY 2003 AR)</p>
<p>SO-7: Increased Civic Involvement in the Rule of Law IR7.1 Increased mass awareness of legal and human rights and responsibilities IR7.2 Improved access to justice IR7.3 Accountability institutions more responsive to citizens.</p>	<p>SO-7: Increased Civic Involvement in the Rule of Law (? in order of IRs and new IR2 notified FY 2003 AR) IR7.1 Increased access to justice. IR7.2 Increased advocacy in support of rule of law IR7.3 Selected accountability institutions more responsive with citizen participation.</p>
<p>SO-8: Behaviors Adopted that Reduce Fertility and Risk of HIV/AIDS and Improve Child Health IR8.1 Social marketing, delivery of appropriate range of health products and methods expanded/consolidated IR8.2 Knowledge of good health/nutrition practices and own HIV status improved IR8.3 Community participation in health care, including orphans' care, increased in target communities IR8.4 Range and quality of health services for mothers and children under five expanded in target districts.</p>	<p>SO-8: Health Behaviors and Services Improved (intent to ? alerted in FY 2002 and FY 2003 AR; ? proposed as part of Triennial Review, to be confirmed in FY 2004 AR) IR8.1 Behavior change enabled IR8.2 Quality of services improved IR8.3 Access to services improved IR8.4 Health sector capacity strengthened</p>
<p>SO-9: Improved Quality and Efficiency of Basic Education IR9.1 Teachers' professional skills improved IR9.2 More effective schools IR9.3 Key policy reforms implemented</p>	<p>SO-9: Improved Quality and Efficiency of Basic Education IR9.1 Teachers' professional skills improved IR9.2 More effective schools IR9.3 Key policy reforms implemented IR9.4 Impact of HIV/AIDS mitigated in education sector (new IR notified FY 2002 AR)</p>