EVALUATION OF THE EUROPEAN COMMISSION’S COUNTRY STRATEGY FOR MALAWI

Volume 1: Final Report

September 2003

The analysis and recommendations are based on an assessment of European Commission assistance to Malawi implemented since 1995 or under consideration.

An extensive review of policy and strategy documents and of selected programme files was undertaken, as well as interviews with European Commission staff, other donors, Malawi Government officials, actors and independent observers. However, the scope of the exercise did not permit a detailed review of all interventions funded or co-funded by the European Commission in the Malawi since 1995.

This report has been prepared by a team led by Frans Ronsholt (MWH), and included Jean Bossuyt (ECDPM) John Townend, John Cliffton, Robert Grose and Ivanka Lakova (MWH). Quality control and backstopping have been carried out by Peter Hall and Arnaud Pasquali.

This Report has benefited from the active involvement of European Commission officials in Brussels and at the Delegation in Lilongwe, Malawi Government officials, as well as the assistance of members of the civil society and the private sector.

This Report comprises two volumes: a free-standing Volume 1 – Final Report, and Volume 2 – Supporting Documentation, which includes annexes relating to background and detailed analysis.
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<td>ADMARC</td>
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<td>ASYCUDA</td>
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<td>COMESA</td>
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<td>EBA</td>
<td>Everything-But-Arms (EU Trade scheme for LDCs)</td>
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<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit (German Bilateral Aid Agency)</td>
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<td>GVM</td>
<td>Gross Vehicle Mass</td>
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<td>Health &amp; Safety</td>
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<td>Health, AIDS and Population</td>
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<td>Highways Development Model</td>
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<td>Highly Indebted Poor Countries</td>
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<td>HIV/AIDS</td>
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<td>Institutional Support to the Private Sector</td>
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<td>JC</td>
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<td>JICA</td>
<td>Japanese International Co-operation Agency</td>
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<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>LDC</td>
<td>Least Developed Country</td>
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<td>LICUS</td>
<td>Low Income Country under Stress</td>
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<td>MAFSP</td>
<td>Multi-Annual Food Security Programme</td>
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<td>Malawi Safety. Security and Access to Justice Programme</td>
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<td>MCCCI</td>
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<td>MCI</td>
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<td>MDC</td>
<td>Malawi Development Corporation</td>
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<td>MOAi</td>
<td>Ministry of Agriculture and Irrigation</td>
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<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MoHP</td>
<td>Ministry of Health and Population (Malawi)</td>
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<td>MOTPW</td>
<td>Ministry of Transport and Public Works</td>
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<td>MPP</td>
<td>Micro-Projects Programme</td>
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<td>MPRSP</td>
<td>Malawi Poverty Reduction Strategy Paper</td>
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<td>MS</td>
<td>Member State(s)</td>
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<td>MSE</td>
<td>Micro and Small Enterprises</td>
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<td>NABW</td>
<td>National Association of Business Women</td>
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<td>National Authorising Officer</td>
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<td>National Smallholder Farmer Association of Malawi</td>
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<td>National Food Reserve Agency</td>
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<td>Non-motorised Transport</td>
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<td>National Roads Authority</td>
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<td>Non-State Actors</td>
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<td>NTP</td>
<td>National Transport Policy</td>
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<td>OPC</td>
<td>Office if the President and Cabinet</td>
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<td>OPEC</td>
<td>Organisation of Petrol Exporting Countries</td>
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<tr>
<td>OVI</td>
<td>Objectively Verifiable Indicator</td>
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<tr>
<td>PAM</td>
<td>Physical Assets Management</td>
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<td>PAP</td>
<td>Poverty Alleviation Programme</td>
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<td>PI</td>
<td>Performance Indicator</td>
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<td>PMU</td>
<td>Project Management Unit</td>
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<td>PROFOR</td>
<td>Programme on Forests</td>
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<td>PROSCARP</td>
<td>Promotion of Soil Conservation &amp; Rural Production</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PVHO</td>
<td>Public Vehicle Hire Organisation</td>
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<td>PWP</td>
<td>Public Works Programme</td>
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<td>QM</td>
<td>Quality Management</td>
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<td>RF</td>
<td>Road Fund</td>
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<td>RIFF</td>
<td>Regional Integration Facilitation Forum</td>
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<td>RIP</td>
<td>Regional Indicative Programme</td>
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<td>RMI</td>
<td>Road Maintenance Initiative</td>
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<td>RMSP</td>
<td>Road Management Support Programme</td>
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<tr>
<td>ROMARP</td>
<td>Road Management &amp; Rehabilitation Programme</td>
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<tr>
<td>RSA</td>
<td>Republic of South Africa</td>
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<tr>
<td>RTC</td>
<td>Roads Training Centre</td>
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<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
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<tr>
<td>SAF</td>
<td>Structural Adjustment Facility</td>
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<td>SFTE</td>
<td>Social Forestry Training and Extension</td>
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<td>SGR</td>
<td>Strategic Grain Reserve</td>
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<td>SME</td>
<td>Small and Medium-sized Enterprise</td>
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<td>SP</td>
<td>Strategy Paper</td>
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<td>SPI</td>
<td>Starter Pack Initiative</td>
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<td>SSATP</td>
<td>Sub-Saharan Africa Transport Policy Programme</td>
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<td>SWAP</td>
<td>Sector Wide Approach Programme</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TIP</td>
<td>Target Input Programme</td>
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<td>TIS</td>
<td>Transport Infrastructure Sector</td>
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<tr>
<td>TOR</td>
<td>Terms of Reference</td>
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<tr>
<td>UDF</td>
<td>United Democratic Front</td>
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<td>UK</td>
<td>United Kingdom of Great Britain &amp; Northern Ireland</td>
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<td>UN</td>
<td>United Nations</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>VCF</td>
<td>Venture Capital Fund</td>
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<td>VOC</td>
<td>Vehicle Operating Costs</td>
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<td>World Bank</td>
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<td>World Trade Organisation</td>
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EXECUTIVE SUMMARY

SCOPE AND METHODOLOGY OF THE COUNTRY STRATEGY EVALUATION (CSE)

i. The scope and coverage of this evaluation comprise an ex post evaluation of the impact of all the Commission’s confirmed European Development Fund (EDF) and budget line Programmes from 1995 to 2002 including any programmes implemented by “non state actors”; and an assessment of the relevance of the 2001-2007 Country Strategy Paper (CSP) and Indicative Programme (signed in August 2002). In the absence of a central database of interventions, for the period 1995 – 2002, European Commission commitments of € 629 million have been identified, mainly arising from the 8th and 9th EDF, but with substantial commitments from balances of 6th and 7th EDF.

ii. The methodology is based on an initial identification and prioritisation of the programming objectives of the strategy at the different levels of intervention, a deconstruction of the strategy and an assessment of the appropriateness of their intervention logic in the context of Malawi. On this basis a number of intervention clusters are identified. Thereafter the main instruments used for conducting the evaluation are Evaluation Questions (referring to each of the clusters), broken down into Judgement Criteria, each of which are assessed on the basis of quantitative and qualitative Indicators. Subsequently, an assessment of the relevance, intended and achieved impact, the effectiveness, efficiency and sustainability of the Commission’s activities is provided in relation to each Judgement Criterion. For that purpose, the field coverage of the Commission’s interventions is established, related to the clusters and a sample of important interventions, representing all clusters, examined in detail. Conclusions and recommendations are then developed by combining findings on Judgement Criteria into answers to the Evaluation Questions and assessing achievement of Commission objectives on that basis.

iii. The Evaluation was initiated in November 2002 and the Desk phase completed at the end of January 2003. A field phase of 2½ weeks followed in February-March. This Final Report takes account of discussions with the Commission’s Steering Group; comments received from the Malawi Government and other Malawi stakeholders during and after the presentation of the Report in the capital, Lilongwe, on 17 June 2003; and final discussions with the Evaluation Unit.

CONTEXT

iv. Malawi’s economy is based primarily on agriculture, which accounts for about 40 percent of Gross Domestic Product (GDP), and more than 90 percent of exports earnings, employing slightly over 80 percent of the rural labour. More than two thirds of agricultural produce is generated by smallholder farmers, who cultivate 70 percent of the overall agricultural land, the remaining being occupied by large estates. Major export crops include tobacco, tea, cotton, coffee, and more recently paprika and citrus fruit. Tobacco accounts for the majority of export earnings. Malawi’s agriculture is almost entirely rain-fed and therefore extremely susceptible to weather conditions, equally harmed by recurrent droughts and floods.

v. Malawi is among the poorest countries in the World (GDP estimated at $ 160-220 per capita) and has one of the most skewed income distributions in Africa. About two thirds of the 11 million population live in poverty, not having enough to meet their most basic necessities. The health status of people remains low, which coupled with increasing population pressure, the HIV/AIDS pandemic and the mutually reinforcing AIDS and hunger-related illnesses, is severely hampering the productive capacity and any development prospects.
vi. This widespread poverty and lack of alternative income generating activities has reinforced the dependency of poor people on their immediate natural resources for subsistence. The exploitation and degradation of limited land and water resources has further contributed to the depletion of the country’s natural resource base. The country is highly dependent on aid, receiving about $42 per capita per annum.

vii. Up to the first free Parliamentary elections of 1994, Malawians lived under the autocratic leadership of President Banda. A referendum held in 1993 led to the first multiparty elections in May 1994, which the United Democratic Front (UDF) of Dr. Bakili Muluzi won. A new democratic constitution was promulgated in 1995, which enshrines the separation of powers. In practice, however, the executive exercises considerable influence over the legislative branch. Dr Muluzi and his UDF party were re-elected in the country’s second multiparty elections of June 1999. Although the practices of open repression and persecution of the Banda period have been replaced by a nascent democratic rule and a multi-party system of government, governance and accountable administration are still highly controversial issues in Malawi.

viii. The overriding objective of the Commission’s Strategy for the period 1995-2000 was support to the Government policy of poverty alleviation to be achieved through:

- national and household food security, with complementary actions in natural resource management, health and transport infrastructure;
- the establishment of a stable macro-economic framework conducive to private sector development.

ix. In addition, the Strategy emphasised a priority purpose of the assistance being strengthening the transitional process towards a fully democratic society by means of developing viable democratic institutions and economic empowerment of the people.

x. The Country Strategy Paper for 2001-2007 maintains the overall objective as to support the Government’s poverty reduction efforts through interventions in:

- agriculture and natural resources;
- transport infrastructure (focusing on road maintenance).

xi. In addition, macro-economic support was to be provided with the purpose of improving Malawi’s macro-economic stability and implementation of the priority policies chosen.

xii. In the non-focal areas, continued assistance was to be directed to the micro-projects programme, civic education in support of democratisation process and support to non-state actors, in particular for capacity building.

**EVALUATION QUESTIONS**

xiii. The analysis was based on 11 Evaluation Questions (EQ) chosen for their likelihood to provide answers on which to base the Country Strategy Evaluation for Malawi. The subjects were:

- **Development policy themes**: EQ 01 Human Rights, Democracy and Civil Society; EQ 02 Good Governance; EQ 03 Health; EQ 04 Food Security.
- **Focal sectors**: EQ 05 Natural Resources Management; EQ 06 Transport Infrastructure (National); EQ 07 Transport Infrastructure (International); EQ 08 Economic Growth, Trade and the Private Sector.
- **Means**: EQ 09 Effectiveness and Efficiency; EQ 10 Relevance; EQ 11 Co-ordination, Coherence and Complementarity.
xiv. The main finding in respect of development policy themes was that the democratic transition in Malawi is structurally fragile, with the overall political situation deteriorating. The Commission has established highly relevant pilot projects, but they are not part of a comprehensive and coherent strategy. The Commission response to governance needs has been limited, partly explained by the activities of other donors and the lack of a governance specialist in the Delegation. The Commission’s interventions in health have been insufficient to reach the objectives set in 1996; decentralisation support is problematic because of a lack of capacity at district levels. Overall, external support to the health sector is unlikely to decrease (following the dropping of health as a focal sector in 2001) as other donors increase their funding. There have been few sustainable improvements to food security at the national level, but at the local level, food production has increased. Commission interventions have been substantial, but their effects have been generally short-term.

xv. The main findings in respect of the focal sectors were that the relevance was good but sustainability uncertain. The relevance of the Commission’s interventions in natural resources management (improving land use, reducing soil degradation, promoting the sustainable use of forests) was high. However, to achieve sustainable results, capacity building is needed at central and local and institution. Commission interventions have significantly contributed to physical access and reduction of transport costs on the main network, but sustainability is doubtful because of the government’s unwillingness to meet the network maintenance costs. Commission interventions have improved road links to international borders, but related interventions in neighbouring countries have had a greater impact on costs. Support to Malawi’s international transport corridors still lacks an overall approach. The Commission interventions in support of private sector investment, employment creation and trade have achieved success in a number of specific areas, but broader impact has failed, in the absence of clearer strategic objectives and more selective use of instruments.

xvi. The main findings in respect of means are mixed. The choice of instruments has for the most part been adequate for the purpose, with the major exception of support for the Nacala Corridor in Mozambique, which is not seen as a Mozambique priority, and the Food Security Budget line, which is being used for long-term objectives for which it is not well suited. Although relevance is good, there are major doubts about the government ownership of underlying policies, with the general perception that policies are externally driven. Furthermore, many government policies are not implemented as intended. Progress in local ownership has been observed although this is at risk due to serious human resources capacity constraints. The Commission is commitment to donor co-ordination and complementarity, which has facilitated its planning and choice of focal areas. The Commission is anxious to continue to strengthen its capacity to develop strategies and integrate cross-cutting issues, but lacks capacity and staffing to do so effectively.

GLOBAL EVALUATION OF THE COMMISSION’S STRATEGY

xvii. The Commission has consistently had as its main strategic objective the support of the Government policy on poverty alleviation, reduction and eventual eradication. Poverty data available in Malawi does not offer a clear picture of any trends. Different sources often come to conflicting conclusions. Overall the national income per capita has increased by only 1 percent since 1995 with recent performance being even less. However, developments in income distribution and in the status of the most vulnerable groups are not known. Indicators of well-being and social services show trends in different directions, the positive changes often being triggered by aid funded subsidy programmes (cash, food or inputs). Overall, it appears unlikely that poverty in general has been reduced on a sustainable basis during the period.

xviii. At the sectoral level, the achievement of the Commission’s objectives is very mixed. Food security may have slightly improved at household level, but hardly on a sustainable basis and mainly due to donor grants. At the national level, food security remains volatile due to inappropriate management of strategic reserves and major Government market interventions spurred by emerging
cises, which hinders development of private sector capacity. In natural resource management, substantial progress has been made within project target areas, but the wider dissemination of the successful approaches to the rest of the country has not been effectively addressed.

xix. The programmes in the health sector appear insufficient to achieve the desired results and signs of impact from the major interventions cannot yet be detected. Access to effective health care has improved only in localities, where externally-funded facilities have increased their services. Where such facilities have depended on government inputs such as staff and supplies, even those services have suffered. Effectiveness is undermined by lack of health personnel (running at only 50 percent of establishment), poor communications, and irregular and inadequate supplies of drugs and other supplies. Planning ability has improved, but will be put increasingly to the test as health service management is decentralised. The decision to drop the sector as a focus in the CSP 2001-2007 appears manageable without creating a gap in overall donor support.

xx. The Commission has managed to protect earlier investment in the transport sector, but overall sustainability of the road network is far from achieved and there is doubt as to the feasibility of achieving this, unless the maintainable road network is re-assessed and the scope reduced. Government commitments to road maintenance funding are not being met. Appropriate institutional and legislative frameworks have been created, but implementation and enforcement is far from adequate. Most road (but not rail) connections to Malawi’s borders have been completed and some international transport corridors to the sea have been improved, but the most important improvement of the Nacala Corridor, being a specific sector objective, has made little progress.

xxi. A macro-economic environment conducive to private sector development has not been established. Rather, recent developments indicate lapses from previous achievements. Private sector investment is extremely low due to prohibitive interest rates and high foreign exchange risks. Exports are stagnant and show few signs of diversification.

xxii. A basic democratic fabric has been formally put in place in Malawi, including all traditional ingredients. However, all indicators suggest that the democratic transition is far from being consolidated in Malawi. In recent years, civil society organisations have been able to carve out space for increased participation in policy processes, the government sends out mixed signals. While it allows new openings for dialogue, these co-exist with attempts to restrict the space for the emergence of a strong, autonomous civil society sector. The evolution of most indicators point to a further decline in public sector performance, which is also a reason for the non-achievement of overall macro-economic objectives.

**Efficiency in using means**

xxiii. The Government has formulated comprehensive policies in most areas. These policies are welcomed by the Commission and the donor community at large, and have been taken fully into account in preparation of the Commission’s programmes. A major concern is, however, that those government policies often are not enforced and implemented as stated.

xxiv. Progress in local ownership has mainly been noted in terms of local institutional involvement in implementation of Commission interventions. This achievement is, however, at risk due to the serious human resource capacity constraints, in the public institutions. Local ownership in Commission strategy formulation is marginal due to quite limited direct involvement of the Government and the civil society in the formulation process.

xxv. Cross cutting issues (mainly HIV/AIDS, gender and environment) are not systematically integrated into projects and programmes. Often, they only receive a mention rather than being substantively addressed and tackled through specific measures.

xxvi. Choice of instruments and modalities has for the most part been adequate for the intended purpose, with a few major exceptions being the Nacala Transport Corridor (where adequate financial
instruments have not been available), Structural Adjustment Facility (SAF) (being stretched across too many different objectives) and EC Food Security Budget Line (where unclear management principles led to inefficient implementation and long term objectives have been targeted with a relatively short term instrument). Trade co-operation has been virtually absent except for sugar, and the Everything-But-Arms (EBA) initiative is unlikely to have any impact in Malawi until 2007.

While the Commission’s programme in Malawi expanded rapidly after 1995 to become one of the largest in Asia, Caribbean, Pacific (ACP) countries the capacity of the Delegation did not increase correspondingly. The inability to establish a NationalAuthorising Officer (NAO) support unit has further aggravated the management capacity problem.

Overall Assessment

The Commission invested heavily in social and economic development in Malawi from 1995 to 2002. More than € 600 million has been committed to interventions, one of the highest levels in any ACP country.

Many interventions have been effective in delivering the planned results, but much of the expected impact from these interventions has failed to materialise, since many results have been achieved within a national context in which Government’s stated policies and commitments frequently remain unimplemented or ignored. This has been a particular concern since 1999.

Sustainability of interventions is seriously at risk in most intervention areas, due to very limited public resources available, poor fiscal and inadequate public financial management as well as poor accountability. As the revenue effort is already quite respectable, higher levels of growth are required to increase the potential for enhanced revenue collection, and thus sustained levels of improved services. With poor expenditure efficiency and absence of significant growth, continuous large scale funding tends to substitute for Government recurrent expenditure rather than create true development. Achievement of the overriding goal of poverty reduction is becoming elusive.

The Commission seems condemned to adopt a much more pro-active, strategic and comprehensive approach in addressing both its poverty agenda (as the central objective of co-operation) and the governance crisis (as a pre-requisite to achieve sustainable impact in poverty reduction). A way forward for the EC (as for other donors active in Malawi) will be to define new, creative strategies to engage constructively with a ‘difficult partnership’, so as to achieve progress in relation to fundamental objectives of its development co-operation.

RECOMMENDATIONS

In this situation where the governance issues constitute a major hindrance to achieving sustainable social and economic development towards the objective of reduced poverty, continuation of the co-operation along the lines of the current country strategy is not advisable. The Commission will have to make a choice of which path to follow in its future co-operation with Malawi. The Report considers two options, before proceeding with sector strategy recommendations.

Main Recommendation

The Commission will have to make a choice of which path to follow in its future co-operation with Malawi. The Report considers two options.

Option (a): Good Governance as the Overarching Theme of the Country Strategy Paper (CSP). This option would be to engage the Government in a comprehensive dialogue on governance issues and jointly identify solutions to the problems that would appear realistically achievable and have a reassuring level of potential impact. This would require that the CSP be reoriented to have good
governance (as defined in the Cotonou Agreement) and accountability as its overarching theme (across focal and non-focal areas). The Commission services will be required to adequately staff the Delegation in terms of both numbers and relevant skills and experience, particularly in terms of a new governance unit. Close collaboration with Member States representatives on politically sensitive governance issues, and flexibility in use of support instruments, are other important factors.

**Option (b): Continue C-operation on a reduced scale.** A more cautious approach would reduce the financial envelope of the programme and reorient its utilisation. Investment in improved infrastructure and new institutions do not make sense, if the funds necessary to operate and maintain the facilities and institutions are unavailable. This would be the least risky option in terms of accountability for funds and impact and sustainability of interventions.

(R1) The evaluation team has decided to proceed with its recommendations for a reorientation of the CSP on the basis of Option (a), well aware that it is based on a spirit of trust in the Government’s intentions to improve its governance record and on the willingness of the Commission to provide adequate staff resources and flexibility of financing instruments. Consequently, the approach may be considered high-risk. [see xxix, xxxi]

**Supporting Recommendations**

**Governance at central and local level**

(R2) The quality and impact of political dialogue with the government should be enhanced. [see xxiii, xxxi]

(R3) Support country-led assessment processes on governance, amongst others through dialogue with all relevant stakeholders. [see xvi, xxi, xxvii]

(R4) Opportunities to improve governance at local level should be better exploited. [see xxiv]

(R5) The Rule of Law Programme should be expanded and gradually embedded in a sector wide approach. [see xxii]

**Democracy, human rights and civil society** [see xxii – xxiv]

(R6) Civil society and private sector participation should be mainstreamed in the CSP.

(R7) The Commission needs to clarify its strategy towards the ongoing decentralisation process. While decentralisation could yield important development benefits over time, the process in Malawi also faces major constraints. This, combined with the EC’s capacity limitations, may justify a cautious approach. Building on the efforts of lead donors in the field, the EC could in an initial stage seek to support decentralisation in an indirect manner by promoting good governance at central level, building a vibrant civil society at the grassroots level, and promoting the constructive involvement of local governments in different programmes at local level (for example, the Micro-Projects Programme).

(R8) Gains obtained with EC supported local initiatives should be consolidated by moving away from “project approaches” to broader forms of strategic support including institutionalisation of the National Initiative for Civic Education (NICE) programme and incorporation of the Micro-Projects Programme into the strategic approach. [see xxiv]

**Food Security and Natural Resources** [see xviii]

(R9) Simplify the Intervention framework to focus on fewer and more clearly defined results.

(R10) Continue technical support to important reforms in the sector, while linking financial support to progress on relevant governance issues.
(R11) Work with the Government and other donors in establishing a coherent approach to agricultural productivity promotion.

(R12) Continue support for capacity building and institutional development at community and local/district level.

(R13) Identify and explicitly document a co-ordination tool that will establish links between related interventions to create synergies and more coherent development approaches.

(R14) Develop an approach to promote extension of successfully adopted technologies and management systems beyond present project areas, in order to create a national impact.

Transport Infrastructure [see xx]

(R15) Work with the Government and other transport stakeholders to ensure adequate levels of sustainable road maintenance funding. Any further investments should be linked to implementation of this commitment.

(R16) Work with the Government and other transport stakeholders on the prioritisation of the maintainable and affordable road network including rural access.

(R17) Clarify with the governments of Malawi and Mozambique the priorities given to international transport corridor development through Mozambique and, if required, establish a comprehensive approach to support of such corridor development.

(R18) Integrate gender, HIV/AIDS and environmental issues into the sector strategy and its interventions.

Health Sector [see xix]

(R19) Develop an effective exit strategy to ensure effective completion of the sector programme, facilitation of sustainability of results and integration of follow up activities in a sector wide approach supported by other donors.

Recommendations regarding the Means [see xxiii – xxvii]

(R20) Focus of the macro-economic instrument on fiscal and public finance performance as a main instrument for rewarding improved financial governance in line with the Malawi Poverty Reduction Strategy Paper (MPRSP).

(R21) Enhance the capacity to adequately manage the EC Programme at its current scale and with the new priority focus on governance, both at the EC Delegation and the NAO’s office (a precondition for the strategic option (a)).

(R22) Develop a strategy on how to deal with the institutional development and human resources problem across the programmes, as a crucial cross-cutting issue.

For a more comprehensive description of the Recommendations, refer to Sections 5 of the main report.
1. EVALUATION METHODOLOGY

1.1. SCOPE

1. The scope and coverage of this evaluation is as follows (see also the Terms of Reference in Appendix 1):

   (i) An *ex-post* evaluation of the impact of all the Commission’s confirmed European Development Fund (EDF) and budget line Programmes from 1995 to 2000 including any programmes implemented by “non state actors”;

   (ii) An assessment of the relevance of the 2001-2007 Country Strategy Paper (CSP) and Indicative Programme, including any revisions, and highlighting evidence of expected impact, where this is feasible.

2. The evaluation is aimed at examining the extent to which the Commission’s interventions in all areas of co-operation have achieved their objectives, produced the intended impact and whether they have done so in the most efficient and effective manner. The results of the above assessments will: (i) be fed by the Commissions Services into the next programming round and (ii) form the basis for a contribution to a framework for eventual final and ex-post evaluations of the 2001-2007 Country Strategy and associated programmes. In the absence of a central database of interventions, for the period 1995 – 2002, European Commission commitments of € 629 million have been identified, mainly arising from the 8th EDF (1995 – 2000) (but in practice 1997 – 2002), the 9th EDF (2001 – 2007), and substantial commitments from balances of 6th and 7th EDF (see Annex F).

1.2. METHODOLOGY

3. The methodology is based on an initial identification and prioritisation of the programming objectives of the strategy at the different levels of intervention, a deconstruction of the strategy and an assessment of the appropriateness of their intervention logic in the context of Malawi. On this basis a number of intervention clusters are identified. Thereafter the main instruments used for conducting the evaluation are Evaluation Questions (referring to each of the clusters), broken down into Judgement Criteria, each of which are assessed on the basis of quantitative and qualitative Indicators. These instruments are used in the process of data collection, and at the same time represent the major guidelines along which the evaluation exercise is conducted. Subsequently, an assessment of the relevance, intended and achieved impact, the effectiveness, efficiency and sustainability of the Commission’s activities is provided in relation to each Judgement Criterion. For that purpose, the field coverage of the Commission’s interventions is established, related to the clusters and a sample of important interventions, representing all clusters, examined in detail.

4. The five DAC evaluation criteria used are identical to the ones applied in the evaluation of individual projects. While the Malawi country strategy evaluation has had to examine a representative sample of projects implemented (as they remain the only tangible units of assistance that allow for actual impact and, to a lesser extent, sustainability to be measured), it has done so within the broader framework and context of the overall strategy. Projects are examined with the purpose of ascertaining that they are in line with the Commission and country’s priorities and that they actually deliver against strategic priorities.

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1 DAC – the Development Assistance Committee (OECD).
5. In general terms, the evaluation consists of addressing the major issues relating to the main objectives and instruments of the co-operation strategy with Malawi and measuring their levels of success. To this end, the evaluation questions relate to: (i) all areas and sub-areas of co-operation with Malawi, and (ii) to cross-cutting issues (such as gender, the environment, capacity building, and governance) and the question of co-ordination, coherence and complementarity.

1.3. WORK PLAN

6. The evaluation was carried out through three different stages - desk phase, field phase and final report writing stage. During the desk phase the evaluation team produced an Inception Note (November 2002) setting the team’s understanding of the Terms of Reference (TOR) and the general approach to the evaluation exercise. This was followed by the production of an Interim Methodological Note (December 2002), including a deconstruction of the Commission’s assistance to Malawi over the period examined, assessment of the logic, context and overall coherence of the Commission’s objectives in relation to country needs and other donors’ activities and the assumptions and risks attached. The production of the Interim Note followed a first round of interviews and meetings with the Steering Group and preliminary collection of documentation in Brussels. The team then produced a Draft Desk Phase Report (January 2003), defining the evaluation questions, judgement criteria and indicators with a proposed method of data collection and analysis to be used in the subsequent field phase.

7. The desk phase was followed by a two and half week field phase (February-March 2003) during which the evaluation team proceeded with data collection against all judgement criteria and indicators in country, drawing it from the largest possible scope of sources. These included national authorities, Non-Governmental Organisations (NGOs) and civil society organisations, Member States and other bilateral and multilateral donors present in country, the private sector, beneficiaries of Commission’s projects and programmes, and the European Commission (EC) Delegation. In addition, some important officials not located in Malawi or in Brussels were interviewed by telephone and email. Altogether some 100 interviews were undertaken (See list of persons interviewed Appendix 2). After the completion of the field phase, the team presented a debriefing to the Delegation on their preliminary findings and prepared a Field Mission Note (March 2003) and followed up on a number of issues with Commission officials in Brussels (during April 2003). The field phase was followed by a final report writing phase, which following discussions of the draft in the Commission’s Steering Group and a Stakeholder Seminar in Malawi will result in a Final Report.
2. CONTEXT

2.1. THE COMMISSION’S GLOBAL OBJECTIVES

EU Development Policy

8. European Union (EU) Development Assistance is based upon Article 177 of the EU Treaty of Amsterdam. This states that development assistance will be based on three principles:

- Fostering of sustainable economic and social development of the developing countries, and more particularly the most disadvantaged amongst them.
- The smooth and gradual integration of the developing countries into the world economy.
- The campaign against poverty.

9. In April 2000, the Commission sent a communication to the Council and the European Parliament proposing an updating of EC Development Policy. This led to a joint statement issued by the European Council and the Commission, which specified that the overriding objective of EU Development Policy must be “to reduce and eventually eradicate poverty”. In other words the objectives of the original treaty were to be reprioritised, with poverty eradication now taking greatest precedence. Five guiding principles were to be mainstreamed into all aspects of EC development co-operation: (i) the effect on poverty reduction (ii) support for institutional development and capacity strengthening, (iii) gender equality, (iv) sustainable management in the use of environmental and natural resources, and (v) enhancement of economic, social, political and cultural rights.

From Lomé to Cotonou

10. As in the Lomé Conventions, Cotonou’s ultimate objective is to eradicate poverty through development assistance and improved prospects for trade. Whilst similar principles apply to this agreement as in the Lomé Conventions, there are a number of important innovations:

- The instruments under Lomé are rationalised and a new system of rolling programming is introduced, thereby allowing the Community and the beneficiary state to regularly adjust their cooperation programmes.
- Greater emphasis is put on good governance and political dialogue.
- The role of civil society, the private sector and other non-state actors is reinforced.
- An investment facility for support to the development of the private sector is created.
- A specific procedure is being established for the suspension of assistance when cases of significant lack of financial discipline arise, hence basing the allocation of funds not only on the country’s needs, but its overall policy performance.

11. The first protocol of the Cotonou Agreement will be funded by the 9th European Development Fund (EDF), and will be managed largely in the same way as before. As well as a global commitment to the Asia, Caribbean, Pacific (ACP) countries, unspent balances from previous EDFs will be incorporated and committed under this new agreement. Allocation of funds will be done on the basis of a rolling programme approach, which will be subjected to regular reviews, and results based management. As well as rationalisation of the many instruments available under Lomé, the European

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3 The European Community’s Development Policy. Statement by the Council and the Commission, 10th November 2000. Published by the European Commission DE105, December 2000.
Investment Bank (EIB) will become more closely involved in programming, establishing a Revolving Investment Fund, which will be directed at improving the competitiveness of the private sector including Small and Medium-sized Enterprises (SMEs) in the recipient states.

12. The key features of the agreement are summarised in Annex A.

2.2. OVERALL POLITICAL, ECONOMIC AND SOCIAL SITUATION IN MALAWI

13. Malawi is a small landlocked country situated in the southern part of the East African Rift, with a considerably varied landscape and diverse climatic conditions. The country is divided into three administrative regions with 27 districts and 6 urban authorities. Each of these is subdivided into traditional authorities covering several villages. The population is estimated at about 11 million with a density that differs significantly between regions, with the Southern districts being the most densely populated, followed by the Centre, with the North having a population density only one third of the South. According to the last population census (1998), 14% of the population live in urban areas, mainly in the four biggest urban centres – Lilongwe, Blantyre, Mzuzu and Zomba. Disparities between urban and rural areas are also high, with an estimated 67% living under the poverty threshold in rural areas, compared to less than 54% in urban ones.

Political Context

14. Malawi gained independence from British rule in 1964 and became a Republic in 1966. Up to the first free parliamentary elections of 1994, Malawians lived under the autocratic leadership of President Banda. A referendum held in 1993 lead to the first multiparty elections in May 1994, in which the United Democratic Front (UDF) of Dr. Bakili Muluzi won. A new democratic constitution was promulgated in 1995, which enshrines the separation of powers. In practice, however, the executive exercises considerable influence over the legislative branch. Dr Muluzi and his UDF party were re-elected in the country’s second multiparty elections of June 1999.

15. Although the practices of open repression and persecution of the Banda period have been replaced by a nascent democratic rule and a multi-party system of government, governance and accountable administration are still highly controversial issues in Malawi. Equally, President Muluzi came under sharp criticism both at home and abroad for his effort to change the Constitution in a way that would allow him to run for President for a third term in the elections in 2004. A bill proposing the amendment failed both at its first introduction in July 2002 and again in January 2003, amid serious demonstrations by Non-Governmental Organisations (NGOs), churches and the public. Following a nationally broadcast announcement at the end of March 2003 that he would not seek a third term in office, President Muluzi dismissed his entire administration in early April 2003, only days after naming an outsider as his successor for the elections scheduled for 18 May 2004.

16. In 1998 Parliament approved the Decentralisation Policy and Local Government Act thereby laying the grounds for decentralisation as a continued effort to strengthening the new political system. A number of new democratic institutions, provided for in the new Constitution, have been created – the Human Rights and Law Commissions, the Office of the Ombudsman, the Anti-Corruption Bureau. Despite being relatively autonomous and able to develop and establish their own programmes of action, these institutions remain still weak and with little room for manoeuvre due to severe shortage of qualified personnel, inadequate government funding, and considerable donor dependency.

17. Similarly, real participation from the different non-state sectors of society remains limited, partly due to cultural characteristics resulting from the autocratic past and the relatively limited channels and

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4 Sources: World Bank and UN publications and Commission Joint Annual Reports.
structures for political participation. Civil society is striving, a number of watchdog organisations and networks have recently emerged and have been able to consolidate their organisational and functional structures. However, the participation of civil society in the development and democratisation process is far from being mainstreamed as is its participation in a structured dialogue with government at central and district level. Much remains to be done to develop civil society in its capacity of a watchdog “organisation” able to hold government accountable.

Socio-Economic Context

18. Despite the continuous development reform, structural adjustment policies and support for the agricultural sector, finance and infrastructure, the basic structure of the economy has remained almost unchanged. Malawi’s economy is based primarily on agriculture, which accounts for about 40 percent of Gross Domestic Product (GDP), and more than 90 percent of export earnings, employing slightly over 80 percent of the rural labour. More than two-thirds of agricultural produce is generated by smallholder farmers, who cultivate 70 percent of the overall agricultural land, the remainder being occupied by large estates. Major export crops include tobacco, tea, cotton coffee and, more recently, paprika and citrus fruit. Tobacco accounts for the majority of export earnings and the country’s foreign exchange. However, the changing trends of marketing tobacco on international markets and the insignificant diversification into alternative crops make the economy highly dependent on international market performance and irregular weather conditions. Similarly, despite the fact that Malawi’s land is one of the most fertile in the region, its agriculture is rain-fed and therefore extremely susceptible to weather conditions, equally harmed by recurrent droughts and floods.

19. Apart from declining tobacco revenues and mixed agricultural prospects, economic growth has also been stifled by decreased pace of reforms, high annual inflation and increasing interest rates. The severe drought in the 2001/2002 agricultural season has further adversely affected the economy, which still remains dependent on external donor funding. In late 2000, Malawi was approved for relief under the Heavily Indebted Poor Countries (HIPC) programme.

20. The majority of the population (around 65 percent) live in poverty, with households not having enough to meet their most basic necessities. The health status of people remains low, which coupled with increasing population pressure, the Human Immuno-Deficiency Virus/ Acquired Immuno-Deficiency Syndrome (HIV/AIDS) pandemic and the mutually reinforcing AIDS and hunger-related illnesses, is severely hampering the productive capacity and any development prospects. Despite considerable investment in hospitals, schools and other physical infrastructure, the country’s overall infrastructure remains inadequate due to insufficient government budget for maintenance.

21. This widespread poverty and lack of alternative income generating activities has reinforced the dependency of poor people on their immediate natural resources for subsistence. The exploitation and degradation of limited land and water resources has further contributed to the depletion of the country’s natural resource base and re-enforced the circle of poverty.

2.3. Commission Strategies and Programmes for Malawi

2.3.1. The Period 1995-2000

22. Programming for the 8th EDF took place in two stages:
   • A Strategy Paper was developed during 1995 through an internal procedure of the EC without direct involvement of the Malawian Government and approved in January 1996.
   • Subsequently a National Indicative Programme (NIP) was prepared as a collaborative effort by the Government and the EC. It was finalised March 1997 and signed by the two parties in May 1997.
23. These documents are summarised in cluster form in Tables 1.a and 1.b of Annex B.

24. The Strategy Paper for 1995-2000 (SP) is a comprehensive and well thought out document, which emphasises the extremely high dependence of the economy on an agricultural sector under stress from overpopulation, the high level of inequality in incomes and land distribution and the human development performance, as illustrated by the human development indicators (health, literacy and gender disparities). The political situation was assessed on the basis of a democracy in its infancy, having in the previous two years (1993 and 1994) gone through a transition from autocratic rule to a multi-party system accompanied by improvements in the human rights, the independence of the judiciary and freedom of speech. The levels of poverty were mainly blamed on the policies and management practices of the former autocratic government leading to misuse of public funds, skewed land distribution and suppression of the private sector. The effect of the civil strife in Mozambique was recognised as having added to the stress on the economy and natural resources by having hosted large numbers of refugees and having the most direct transport routes to the sea via Mozambican ports blocked by hostilities leading to extremely high freight costs for exports and imports.

25. Consistent with its analysis, the SP set the overall objective for aid co-operation to be support for the Government’s poverty alleviation programme to be achieved through:

- national and household food security, promoted by complementary actions in natural resource management, health services and transport infrastructure improvements, and
- the establishment of a stable macro-economic framework conducive to private sector development.

26. At the same time, and with direct reference to the EC co-operation policy, it accords priority to “strengthening of the transitional process towards a fully democratic society with maximum opportunity for exercising choice”.

27. The chosen focal sectors are consequently:
- Natural Resource Management including food security promotion.
- Health and Population.
- Transport Infrastructure.

28. Non-focal interventions included:
- Development of democratic government institutions and organs of civil society.
- Social and income-generating small scale projects (micro-projects).
- Structural adjustment support.
- Promotion of the private sector via Cross Border Initiative (CBI) and EIB projects.

29. The Commission had chosen the EIB as intermediary for financing SME development through local financial intermediaries and investment in revenue-generating infrastructure, such water and electricity supply systems. A section of the strategy is focused on explaining the education sector will be supported via a range of different instruments without constituting a focal sector. A deconstruction of the logic of the strategy is attempted in Table 2 in Annex B.

30. The NIP (with a programmable envelope of € 174 million) is consistent with the SP in its choice of focal sectors and allocates 40% of the envelope to Transport Infrastructure, 20% to Natural Resource Management and 20% to Health and Population. Outside the focal sectors 4% of NIP is set aside for Democracy and Human Rights, which is also receiving funding from EC Budget lines. Customs Reform is supported as a continuation of a 7th EDF programme (no allocation indicated). Structural adjustment and Stabex resources were foreseen but could not be programmed at the time.

31. An annex on Regional Co-operation funded by the EC (to be co-ordinated through SADC5) outlines co-operation as broadly supportive of the Malawi NIP and recognises Malawi’s land-locked

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5 The Southern African Development Community.
position and its dependence for access to the sea on development of transport corridors through neighbouring countries. The Regional Programme specifically mentions two priority projects: rehabilitation and management of the Nacala railway corridor, and the completion of a rail link into Zambia. Another annex to the NIP on EIB operations adds areas to those foreseen in the SP, namely tourism and agro-industry.

32. Whereas there was good consistency between the SP and the NIP at the overall level, there are a number of differences between the two at the intervention level. Under Transport Infrastructure, the SP emphasised road maintenance and road/rail connections via Malawi’s external borders and the Nacala railway, whereas the NIP mentions trunk road rehabilitation, secondary rural feeder roads, Chipoka Port rehabilitation as well as the road maintenance initiative. Under Natural Resource Management, the NIP adds wildlife and national parks. The Customs Reform was not referred to in the SP, but is essentially carried forward from 7th EDF.

33. The SP 1996 lists national and household food security strategies as one of the two main factors in achieving poverty alleviation in Malawi, in line with the Government’s Poverty Alleviation Programme (PAP), stating that “… the major task in the fight against poverty and hence support for a sustainable democratic system remains to increase national and household food security through all instruments at our disposal (EDF, food aid, Stabex and counterpart funds)…” As the time a multi-annual food security instrument was not available, but this new instrument was established and considered for Malawi by the time the NIP was signed in 1997.

34. The SP appears to be fully in line with the principles of the Lomé IV Convention including the amendment that were made in the revised version signed in Mauritius in November 1995. The latter emphasises democracy, human rights and rule of law as fundamental assumptions for and as an area of potential support under aid co-operation. Trade promotion and private sector development are similarly given great importance in the revised Convention. However, the SP appears to be lacking an assessment of the strengths and opportunities for economic growth in Malawi and thereby the basis for poverty reduction in any real sense.

35. Two areas of the SP appear to lack focus in terms of strategy and clarity of their interventions. There is some confusion as to the status of the micro-projects programme. This instrument is alternately referred to as a non-focal intervention area in its own right and a component of Health and Population (water supply and sanitation), of Transport (rural feeder roads) and of Natural Resource Management (small scale irrigation etc) as well as the education sector (construction of schools, teacher houses and student hostels) and private sector development (small income-generating projects). This probably reflects the main sectors in which micro-projects were funded in the past based on the needs of communities. However in the future, additional or fewer sectors maybe covered.

36. Secondly, the structural adjustment funding, which turned out as a major part of the financial programme, has a very ambitious set of objectives. It is mentioned as a means of improving access to foreign exchange for financing of imports; as a source of funding for the Government’s social sector expenditures (in health and education by means of counterpart funds), as a means of inducing structural changes in the agricultural sector through conditionality and on the assumption of (or incentive to instil) stringent fiscal and monetary discipline. No specifics are given, however, on how to achieve such a wide range of objectives with one single instrument, which even if important in the context of the Commission strategy, would provide limited leverage in relation to the overall Government finance and external aid context.

2.3.2. The Period 2001-2007

37. The Country Strategy Paper 2001-2007 for Malawi was the first one to be produced under the Cotonou Agreement. As a new feature, and to promote the concept of ownership, it was jointly agreed by the EC and the recipient state and therefore combined strategy and indicative programme in one
and the same document. The document was officially approved in September 2001, but not signed until August 2002, largely because of concerns over political developments. The document is summarised in cluster form in Table 2 in Annex B, and hereafter referred to as CSP 2002.

38. The Commission’s response strategy is to support the Government’s poverty reduction efforts through interventions in agriculture and natural resources as well as transport infrastructure (focusing on road maintenance), these two areas constituting the focal sectors. In addition, macro-economic support will be provided with the purpose of improving Malawi’s macro-economic stability and implementation of the priority policies chosen. In the non-focal areas, continued assistance will be directed to the micro-projects programme, to civic education in support of democratisation process and to support to non-state actors, in particular for capacity building. Furthermore, the EIB will focus on finance for SMEs, power & water infrastructure and large projects in, for example, the agro-industry, tourism and mining. The financial envelope allocated to Malawi is fixed at € 345 million, one of the largest allocations to an ACP country. This high amount is a result Malawi’s high score on almost all criteria in the Commission’s allocation formula: such as low GDP per capita, ‘landlockedness’ and high utilisation of earlier allocations. The programmable part of the allocation (€ 276 million A envelope) is allocated among focal areas, with € 90 million for transport, € 70 million for macro-economic support, € 60 million for agriculture and natural resources, and the remaining € 56 million for the non-focal area.

39. Like the SP 1996 for the 8th EDF, the CSP appears to be lacking an assessment of the strengths and opportunities for economic growth and thereby the basis for poverty reduction in any real sense. However, the development of the CSP for the 9th EDF has been limited by two policy constraints: (i) the limitation of two focal sectors (agriculture and transport/infrastructure) in line with the new programming guidelines (ii) the need to include agriculture to avoid exclusion of the Food Security Instrument. It has also been influenced by the known comparative advantage that the Commission has in the transport infrastructure field. The CSP presents a strategy, which will attempt to reduce inequalities and slow the already deteriorating trends (for example, in soil and forest resources and AIDS) without seeing a way towards real progress. In other words, a case of continued relief with little prospect for development.

40. For the response strategy and the indicative programme, substantial elaboration of government policies and intervention logic are available for the two focal sectors though limited emphasis is placed upon the Nacala corridor (which has the potential to cut 50% off current transport costs for imports and exports, and give the economy a real boost). This may be because the regional programming exercise had yet to be carried out at the time of CSP preparation.

41. The CSP 2002 takes a different approach to food security than the SP 1996 by seeing this as a result of rural development in general. The Commission states its intention to concentrate on achievement of two (out of four) objectives in rural development, through: (i) improving and diversifying rural income opportunities, and (ii) economic and environmentally sustainable management of natural resources with supplementary interventions (to other donors) in (iii) creating institutional enabling environment. Safety net interventions are largely to be co-ordinated by UK with some Commission contributions. The CSP 2002 is very ambitious in its attempt to focus on 21 results, many of which will be difficult and involving for the Commission. At the same time, practically none of the indicators of expected achievement are adequately defined and objectively verifiable. The CSP

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6 It was observed that such a ‘joint document’ is not necessarily the best way to produce a realistic, down-to-earth assessment of the country’s political performance. In between the lines and with the use of diplomatic language, the CSP raises concerns with regard to regression in the democratic transition process, to governance and to the growing levels of corruption, etc. However, the delays incurred in signing the document (one year) suggest that the disagreements on the political situation were actually very deep between the two parties. The same inhibition to openly discuss political issues, may explain why both the CSP and the NIP provide hardly any guidance on concrete implementation strategies and performance criteria for EC assistance in this area.
would be re-formulated to focus on fewer results, which are more specific and have clear medium and longer term targets. The CSP should also state the approach to dovetailing the use of the Food Security Programme (FSP) instrument and NIP resources, so that long term support for interventions (such as rural credit) is secured.

42. In terms of macro-economic support, it does not seem clear what the Commission wants to achieve with this significant part of the financial envelope. Given the serious concerns about fiscal stability and public finance management, it would be expected that improvement in those areas would constitute the objective of support or preconditions. Budget support targeted at specific sectors (health is repeatedly mentioned) is unlikely to be feasible until those problems are reasonably resolved through a Sector Wide Approach (SWAP).

43. The CSP does not contain a strategy or intervention framework for the € 56 million earmarked for interventions outside the focal sectors. This is a substantial amount, which should cover one of the most important objectives of co-operation (democracy) but is given just two lines in the response strategy section and virtually nothing in the NIP section. Like the SP for 8th EDF no strategic objective is attached to the micro-projects programme.

2.4. REGIONAL STRATEGIES AND PROGRAMMES RELEVANT TO MALAWI

44. Malawi is currently member of two regional organisations - the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) and one co-operation agreement - the Cross-border Initiative (CBI). As such it benefits from the Southern African Development Community (SADC) Regional Indicative Programme (RIP) (both under the 8th and 9th EDF) and the East Africa RIP (under the 8th EDF) and the Eastern/Southern Africa and the Indian Ocean RIP (under the 9th EDF). The overall objective of both regional programmes is to increase economic growth in the region and reduce poverty through higher levels or regional economic integration, including liberalisation of trade policy, the promotion of investment and provision of supply-side measures aimed at boosting production. The specific objective of SADC is the full implementation of the SADC free trade area by 2008 while the specific challenge under COMESA is the implementation of a Customs Union by 2004. Annex C illustrates the plethora of regional integration organisations and the current extent of their overlapping.

45. The strategy under SADC is based on two main focal sectors- (i) Regional Integration, Trade and Investment and (ii) Transport and Communications, complemented by a number of non-focal areas including capacity building, food agriculture, natural resources; and peace and security, among others. Under COMESA, three focal sectors have been identified, namely; (i) Economic Integration, (ii) Natural Resources Management, and (iii) Transport and Communications. These are complemented by programmes in non-focal areas including conflict prevention, capacity building, higher education and culture.

46. The Strategy Papers for SADC and COMESA for the 8th EDF are extremely broad and beset with general statements as to both strategic objectives in the region and their accomplishment. The 9th EDF ones are more structured and coherent, and offer more profound analysis. But in the case of Malawi they establish no link between the regional priorities for the country or its place in the overall regional economic co-operation and the strategies and policies determined under its NIP. Regional and national strategies are compatible as far as they both concentrate on the same focal sectors. However,

7 However the evaluation team have subsequently been informed that the use of the € 56 million has been carefully defined. € 35 million has just been allocated to the 4th Micro projects programme (EDF Committee of November 2002). There is a second phase of the Rule of Law Programme in the design process, which is likely to be around € 12-15 million. A decentralised co-operation (i.e. the involvement of civil society) is to be developed. However until the necessary resources for preliminary research can be provided to the Delegation, detailed design will have to wait.
no complementarity between the different actions undertaken under the national programmes on the one hand and the regional on the other are clearly spelled out.

47. The 9th EDF CSP is silent on how regional co-operation strategies and programmes would include Malawi and how they relate to those activities receiving national funding.
3. EVALUATION QUESTIONS

3.1. SELECTION OF EVALUATION QUESTIONS

48. The number of evaluation questions (EQ) should, according to terms of reference, be limited to about ten. The limited number would help to maintain focus in the evaluation while still being able to provide an assessment for each of the focal sectors of support and the overarching themes of Commission’s development policy. A few evaluation questions would focus on the means of development cooperation at overall programme management level.

49. The subject of the questions were on that basis decided to comprise

Development policy themes
- Human Rights, Democracy and the Rule of Law
- Economic growth and Trade (Integration into the World Economy)

Focal sectors
- Transport Infrastructure
- Health and Population
- Food Security/ Natural Resource Management

Means
- Relevance
- Co-ordination, Coherence and Complementarity
- Effectiveness and Efficiency

50. The transport focal sector, which features as a focus both in the SP 1995-2000 and the CSP 2001-2007, is quite dominant in terms of financial allocations, has been made the subject of two evaluation questions. The two questions concern the national transport network and the transport linkages to the regional/international markets respectively. Food security and natural resource management has been accorded one question each due to significant differences in subject, approach and instruments used for those two parts of fundamentally one focal sector. Furthermore the theme of Human Rights, Democracy and the Rule of Law was assessed by means of two questions due to its prominent position in the Cotonou Agreement. The first of those two questions look at democracy and civil society, the second at governance and the rule of law. All other subjects were basically covered by one question each, although linkages exist at many levels between the individual questions and the various sectors/themes. No question was related to ‘Population’ due to its virtual absence from the intervention portfolio.

51. A full list of the evaluation questions with the respective Judgement Criteria (JC) and Indicators is presented in Annex D. The following sections of the Report (3.2 and 3.3) attempt to provide the answers to each of the evaluation questions. These answers are based on detailed evidence, analysis and assessments presented in the Judgement Criteria Forms in Annex E. In addition, Section 3.4 discusses the effectiveness of addressing cross-cutting issues in order to provide an overview beyond the cases where cross-cutting issues are specifically addressed by the EQs and JCs.
The structure of the response per question:

Evaluation Questions (EQ) can be defined as (long-term) objectives and Judgement Criteria as (medium term) operational sub-objectives or steps towards the achievement of the long-term objectives. The strategic importance of the question vis-à-vis the overall Commission strategy or particular country needs is explained in the paragraph “Rationale for the question as regards the strategy” under each EQ.

The answers to EQs consist of:

a) Assessing the (positive or negative) evolution of the country situation toward the achievement of each Judgement Criteria (JC) (sub-objectives), regardless of the Commission’s intervention. This is done in the paragraph “Observed development in indicators for the judgement criteria”.

b) Evaluating the “Contribution of the Commission intervention to evolution in the indicators” comprise three sections:

   (i) Describing the Commission interventions which could potentially contribute to an evolution of the JC - “Intervention Coverage”

   (ii) Evaluating the effects of the Commission intervention in terms of relevance, impact, sustainability, effectiveness and efficiency - “Evaluation Findings”

   (iii) Presenting a global judgement on the achievements - “Conclusion”
3.2. **ANSWERS TO QUESTIONS ON OBJECTIVES**

3.2.1. **EQ 01 - Human Rights, Democracy and Civil Society**

To what extent have Commission-supported interventions (including their implementation modalities) contributed to a human rights culture, to the consolidation of democratic institutions and processes as well as to the strengthening of civil society?

**Rationale for the Evaluation Question as regards the Strategy**

52. Since the end of the Cold War, the promotion of human rights and the consolidation of democracy have become key objectives of the foreign and development policy of the EU. They have been integrated in the different co-operation agreements, including in the ACP-EU partnership as ‘essential elements’. The Cotonou Agreement reinforces the political dimension of co-operation and acknowledges the key role of civil society in development and democratisation processes. Since the demise of authoritarian rule in Malawi, the promotion of human rights, democracy and civil society are recognised priorities in Malawi-EU co-operation (and a key ingredient of the Malawi Poverty Reduction Strategy Paper (MPRSP)). A variety of programmes have been supported by the EC through the EDF and EU budget lines. Further support is envisaged in the new CSP (9th EDF) and related NIP.

**Observed developments in the indicators for the judgement criteria**

**JC 01.1 Significant progress has been achieved in the consolidation of a human rights culture and democratic institutions and processes**

53. As a result of the political liberalisation process, a basic democratic fabric has been *formally* put in place in Malawi, including all traditional ingredients (for example, a progressive Constitution; a clear division of powers between legislative, executive and judicial systems; regular electoral processes; constitutional supervisory bodies, etc.). However, most indicators suggest that the democratic transition is far from being consolidated in Malawi, if not regressing. The tensions around a possible constitutional change to allow the President a third term suggest a return of the “ghosts of the past”, including restrictive government attitudes towards ‘opposition’ forces and civil society activists; re-centralisation of power into the hands of the executive; limited scope for constitutional bodies to defend human rights or combat corruption; firm (monopoly) grip on the broadcasting media; widespread use of patronage; growing political intolerance (along party/regional lines), etc. The decentralisation process is still in its early stages of implementation and there is no shortage of concerns and risks involved in the planned devolution (including very low levels of legitimacy, capacity, funding and accountability mechanisms at decentralised levels). All this, combined with high levels of poverty and disillusionment among citizens on the outcomes of the democratisation process, provides for an explosive cocktail that could rapidly evolve into overt conflict.

**JC 01.2 Significant progress has been achieved in the empowerment of the population as well as in mainstreaming civil society participation**

54. In order to underpin the democratisation process, civil society organisations, constitutional bodies and donors have made major (albeit largely dispersed) efforts to address the high levels of ignorance on human rights and democratic process among ordinary Malawians. In recent years, civil society organisations have been able, despite the many weaknesses still affecting their sector, to carve out space for increased participation in policy processes, particularly in the context of the PRSP process (which served as a major catalyst). While substantial progress has been achieved in civic awareness (including
through the EC sponsored civic education programme) and civil society participation (particularly in terms of advocating for policy change and ensuring public accountability), the legacy of the past is daunting, both at societal and individual level. In addition to this, the Government sends out mixed signals. While it allows new openings for dialogue, these co-exist with attempts to restrict the space for the emergence of a strong, autonomous civil society sector. However, these worrying trends should not obscure the fact that advances have been made in rooting democratic practices among citizens and promoting civil society participation in policy processes. These (sometimes intangible) gains may help to prevent a further escalation of political in-fighting, intolerance and conflict.

**Contribution of the Commission’s interventions to evolution of indicators**

**a) Intervention Coverage**

55. Support to the political transition process before 1995 appeared to be rather ad hoc. Under the 8th EDF it evolved into a more strategic approach, initially geared at promoting voter and civic education (i.e. the National Initiative for Civic Education (NICE) programme) and at strengthening the effective functioning of key institutions in the justice sector (i.e. the Rule of Law programme). Considering the novelty of this type of interventions for both official parties, a pilot-oriented implementation approach was followed. This would allow the EC to ‘learn-by-doing’; to develop expertise and to gradually move towards more comprehensive support programmes. Additional activities were funded through EC budget lines, yet these seem to have existed largely on their own.

56. The CSP/NIP for the 9th EDF reserves € 56 million for future support (under the non-focal areas). More than half of these resources (€ 35 million) have been put aside for a new Micro-Projects Programme (MPP) while the second phase of the Rule of Law programme is due to absorb € 12-15 million. Preparations are underway to allocate the remaining funds to a support programme aimed at strengthening the capacity of civil society to act as a “change agent” (by performing advocacy and watchdog roles), especially given the legal openings for such support in the Cotonou Agreement. EC involvement with the Malawian decentralisation process has so far been limited to project support in specific areas (for example, the health sector) or in promoting weak forms of co-operation between local governments and civil society in EC-funded programmes.

**b) Evaluation findings**

57. The two main priority areas of intervention (civic education, rule of law) are highly relevant, taking into account the needs of the Malawian democratisation process, stated government priorities as well as EC objectives. The implementation approach adopted by NICE (non-partisan, development-oriented, decentralised) is very relevant for the Malawian context. Investments in the ‘software’ of democracy are crucial if the democratic transition is to imply more than a political regime change, but an ongoing process of societal transformation. The Rule of Law programme was conceived as a pilot project, aimed at exploring the complex field of justice reform in a resource-constrained environment. After a difficult start, mainly due to poor management by the contractor, a new Project Management Unit (PMU) succeeded in drastically improving the quality of implementation and the outputs of the programme.

58. While other democratisation challenges were adequately addressed by multilateral and bilateral initiatives (for example, strengthening of parliament), the current EC strategy has two major gaps that limit its overall relevance and contribution to indicator evolution. First, the EC lacks a coherent response strategy in support of civil society in its dual role of ‘change agent’ and development actor. Admittedly, participation of non-state actors is a recent policy orientation, introduced by the Cotonou Agreement. Yet considering the current political crisis situation, a solid strategy towards promoting civil society engagement seems urgently required. The NICE experience provides useful building blocks for such a strategy. Second, a clear EC position is also missing with regard to the Malawian decentralisation process. This process, including the planned devolution of responsibilities, has major implications for different components of EC support. What is the potential of decentralisation in the
Malawian context for poverty reduction - for the rooting of a democratic culture and improved governance at local level? for EDF financed programmes (including the MPP, NICE, future SWAPs)? The EC Delegation is fully aware of these gaps in its strategy and would be willing to properly address them, yet argues (convincingly) that it did not have the human resources (before deconcentration) to firmly engage in these sensitive and complex areas.

59. There is broad evidence that NICE has achieved impacts among ordinary Malawians’, which cannot be undone. EC interventions have had much less impact on the evolution of indicators with regard to the rule of law/justice sector; the emergence of a vocal and capable civil society and the establishment of effective local governments. It proves hard to assess (or even track) the impact of projects supported through EC budget lines.

60. The sustainability of donor supported democracy programmes is problematic when the democratisation process is jeopardised by a return of semi-authoritarian practices, political intolerance, clampdown on opposition, high levels of corruption, etc. Typically, there are calls in some government circles to discontinue NICE on the basis that its constitutes an opposition force. It also remains to be seen how NICE (as a project) can be embedded in a sustainable way into the Malawian institutional landscape. The problem seems less acute for the Rule of Law programme, as future activities (envisaged under the 9th EDF) could be linked to a potential sector-wide approach in the framework of the DFID-supported Malawi Safety. Security and Access to Justice Programme (MaSSAJ).

61. While effectiveness and efficiency in delivering planned outputs has been high in the NICE programme, the Rule of Law programme has been hampered in an initial phase by management problems at the level of the PMU. Both programmes could have done more to fully exploit possible linkages with other government, donor or EC supported programmes. Effectiveness in addressing cross-cutting issues has been mixed. The NICE programme has directly targeted HIV/AIDS as one of the five thematic areas for its civic education work in districts across the country. The wide range of activities undertaken suggests that the issue is managed as a cross-cutting concern. NICE and the MPP programme have components that have addressed gender and environmental issues, yet not in a systematic way. The limited use of ‘rights-based’ approaches partly explains these gaps in addressing cross-cutting issue

Conclusions

62. The democratic transition in Malawi has proven its structural fragility in recent years. After a promising start (1994-98), the overall political situation has deteriorated.

63. Highly relevant pilot projects were set up by the Commission during the period under review, which are in line with the country’s policies (such as the MPRSP); with the Delegation’s staffing constraints and limited experience in this area; as well as with efforts done by other donors. While promising results and impact were achieved (particularly with NICE), the interventions are not part of a broader, well-defined and coherent strategy. The jointly agreed CSP 2001-2007 raises major concerns with regard to regressive tendencies in democratisation, but offers little guidance on possible response strategies. The choice to allocate the lion’s share of the resources for interventions outside focal areas to a new MPP fits uneasily with the crisis in the democratic process. While MPPs have proven to be a useful tool for alleviating poverty, they tend to have less impact in promoting political empowerment of people or institutional change. Furthermore, the potential of some new provisions of the Cotonou Agreement, that seem particularly relevant in case of difficult partnerships, is still to be fully tapped. This holds true for the participation of non-state actors (article 4) and conflict prevention (article 11).

64. These gaps threaten the sustainability of EC supported projects. They contribute to a major tension between EC ambitions (as reflected in the SP and the CSP) and effective action. The absence of a solid strategic intervention framework becomes more acute as the political situation in the country deteriorates.
3.2.2. EQ 02 - Good Governance

**How far have EU supported interventions (including their implementation modalities) contributed to improved governance at both central and local levels?**

**Rationale for the Evaluation Question as regards the Strategy**

65. The principle of ‘good governance’ is another cornerstone of EU partnerships with developing countries. While there is little consensus on its precise content, it has come to complement the strategic objectives related to the promotion of human rights and democracy. Experience has demonstrated the critical importance of adequate governance systems to promote an effective functioning of the democratic fabric; to ensure a transparent and accountable use of resources; to promote economic growth and private sector development as well as to fight effectively against poverty (the central objective of ACP-EU co-operation). The Cotonou Agreement provides a definition of the concept of good governance\(^8\) and considers it as a ‘fundamental element’ underpinning the partnership. Governance reforms also constitute the fourth pillar of the MPRSP. In this context, the EC has sought to support improved governance as a specific objective and a cross-cutting concern in focal areas.

**Observed developments in the indicators for the judgement criteria**

**JC 02.1 - Overall public sector performance has improved**

66. The evolution of most indicators point to a decline in public sector performance. The list of systemic bottlenecks includes weak political leadership in macro-economic and public expenditure management; a shortage of human and financial resources at all levels; a major gap between policy formulation and effective implementation; growing levels of corruption; poor private sector incentives/taxation; dominance of patronage culture in the public sector; lack of solid checks and balances and accountability mechanisms; limited absorption capacity, including in the NAO Office; poor access of citizens to central and local governments (in their role as providers of services). These structural weaknesses are compounded by the devastating effects of HIV/AIDS. All this suggests that the Malawian state is not in a position now, or indeed in the near future, to promote an enabling environment for development. It also indicates that Malawi is increasingly exposed to a high degree of political and institutional vulnerability.

**JC 02.2 - A culture of public accountability is gradually institutionalised at all levels**

67. The GOM has been unable to uphold financial discipline over the past years, resulting in stalled relations with the International Monetary Fund (IMF) and with donors providing budget support. Corruption is on the increase, partly because controlling bodies such as the Parliament, the judiciary and the Anti Corruption Bureau lack the necessary political, institutional and financial means to act as checks and balances. Pressure from below for improved governance and accountability is mounting, as reflected in the growing number of civil society organisations and networks involved in advocacy work. Yet their collective impact is limited so far, as civil society faces major capacity constraints. Donor support to these actors remains rather ad hoc and project-oriented.

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\(^8\) According to Article 9, good governance is the “transparent and accountable use of human, natural, economic and financial resources for the purposes of equitable and sustainable development. It entails clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of the rule of law in the management and distribution of resources and capacity building for elaborating and implementing measures aiming in particular at preventing and combating corruption”. 
JC 02.3 - *Significant progress has been achieved in promoting effective governance at local level in the framework of the decentralisation policy*

68. The potential of democratic decentralisation as a vehicle to empower people for effective participation and to ensure greater efficiency and accountability is recognised in the MPRSP. Recently, progress has been achieved in preparing the ground for the devolution of functions to districts, with the support of different donor agencies (excluding the EC). However, the process is still in its early stages. It will take time before devolution works effectively on the ground. The challenge of building local governments that operate according to democratic and good governance principles is even more daunting. For progress to be achieved, a wide range of constraints will need to be tackled, including limited human and financial resources; role conflicts between different local actors; resistance from central governments; lack of mechanisms for civil society participation and local accountability, etc.

**Contribution of the Commission’s interventions to the evolution of indicators**

a) *Intervention Coverage*

69. Different phases can broadly be identified in EC support for improved governance in Malawi. In the initial period after the transition, governance was largely equated to establishing the basic (formal) foundations of a democratic society, including through activities in the field of civil education and the rule of law. It should also be noted that in these first years, Malawi was considered strongly committed to political reform as well as a ‘good performer’ (from an EDF perspective). In a second phase (from 1998 onwards), a more specific ‘governance’ agenda emerges, more closely related to the transparent and accountable use of public resources. This leads the EC to focus the Rule of Law programme more sharply on governance issues in the justice sector; to promote governance and institutional reforms in focal areas of intervention (for example, transport, health); as well as to invest in improved customs revenue collection (i.e. ASYCUDA⁹) and in capacity development (i.e. Capacity Building for Economic Management and Policy Co-ordination). A new phase emerges as the overall governance conditions in the country continue to deteriorate. It has pushed the EC to become more vocal and critical in its political dialogue with Government and in the Common Approach to Budget Support (CABS).

70. The CSP 2001-2007 reflects this new political climate. The jointly produced document argues that “while the democratic framework has been put in place, at least three supporting components (the rule of law, public accountability and transparency in decision-making) require to be strengthened in order that democracy will be truly embedded and functioning and to avoid that backsliding occurs”. It also makes a fairly critical assessment of the overall governance situation. Thus, the need to tackle the “fundamental problem […] of central government’s lack of fiscal discipline” as well as the “huge losses in the parastatals” is emphasised. It is recognised that this will be difficult, taking into account of “the lack of consistent, principled and farsighted political leadership”. In the assessment of sector policies, governance concerns also prop up. The existence of major institutional weaknesses is acknowledged, including the lack of “sufficiently robust processes and procedures […] for proper accountability of the use of public funds”. Good governance is seen as a cross-cutting issue, requiring action in terms of strengthening the reputation and capacity of Parliament, the judiciary and constitutional bodies (such as the Anti Corruption Bureau). There is also a clear call for “an active role of the EU” to stimulate and support governance reforms in Malawi.

71. However, this highly critical analysis in the new CSP has not been matched so far with a clear response strategy on how best to address these major governance bottlenecks in a comprehensive and coherent way.

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⁹ ASYCUDA - Automated System for Customs Data.
b) Evaluation findings

72. The direct and indirect EC interventions in the field of governance are highly relevant, particularly in the current political context. Shortage of staff and expertise prevented the EC Delegation so far to invest in civil society advocacy work for pro-poor policy and governance reforms or to fully engage in promoting improved governance at local level.

73. On the whole, the nature, scope and scale of the EC strategy is simply too limited for achieving a meaningful impact. However, in making this assessment, it should be recognised that there are limits to what can be achieved by external agencies in this area, in the absence of a genuine commitment of the Government to work towards the same objectives. The track record of donors attempting to ‘buy reforms’ has not been impressive.

74. The challenge of ensuring the sustainability of the gains obtained with the (pilot) project on the Rule of Law is fully recognised by the EC Delegation. In this context, the Commission explores how the project could be embedded in a (slowly emerging) sector-wide approach to safety, security and justice reforms and considers support to civil society (watchdog) organisations in the promotion of the rule of law. The sustainability of EC-supported policy and institutional changes in key sectors (for example, the National Road Authority) is not evident when the overall governance conditions continue to deteriorate. While the Rule of Law programme presents a mixed track record in terms of effectiveness and efficiency, the political leverage exercised by the Commission on different aspects of the governance agenda, is considered to be highly effective and efficient by EU Member States and other donors.

Conclusions

75. In the initial period after the transition, the first priority (shared by donors) was to establish the basic formal foundations of a democratic society. As time moved on, the need to also invest in the processes of democracy became clear. This led to the emergence of a specific governance agenda, encompassing a wide range of issues to be tackled in order to improve the transparent and accountable use of resources at both central and local level.

76. Commission support has so far been rather limited in terms of response strategy, actions and impact achieved. The low-profile approach adopted by the Commission can partly be explained by the active involvement of other donor agencies; the lack of experience in EC-Malawi co-operation with governance reforms; the shortage of expert staff at the level of the EC Delegation; as well as perceived procedural problems to engage in governance programmes.

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10 While the Commission is perceived to have an added value in political matters considering its relatively neutral” position (compared to bilateral agencies), it needs to be granted enough space and autonomy in order to be effective. In Malawi, the preparedness of EU Member States to accept a lead role of the Commission seems rather limited.

11 It was observed that procedures and institutional incentives push the Commission (like other donors) to ensure the speedy, efficient and result-oriented disbursement of funds. This may be difficult to achieve with governance programmes. They tend to ‘consume’ rather limited amounts of funds, while being very demanding in terms of human resources and management. Their effective implementation requires the adoption of iterative ‘process approaches’, which again may lead to slower disbursements. On the whole, governance work is risky, with tangible results unlikely to be achieved in the short-term.
3.2.3. EQ 03 - Health

To what degree have the Commission’s objectives been reached in supporting sustainable development in the health sector, with particular emphasis on development of human resources?

Rationale for the question as regards the strategy

77. Assistance to the health sector was included as a focal area in the 8th EDF strategy because poor health status and increasing population pressure were hampering productive capacity and the possibilities of development (strategy paper section 3.2). The Commission’s Health, AIDS and Population (HAP) policy also gives a high profile to the sector. Although the MPRSP was developed at a later stage, the core of the Commission strategy for health, as reflected by the major HSRD and PAM project, is wholly in keeping with the MPRSP approach to health sector development.

Observed development in the indicators for the judgement criteria

JC 03.1 - Access to effective services for major health conditions has increased, and prospects for the future are positive.

78. With the significant exception of tuberculosis, the indicators for major health conditions have improved little since 1995. Some have deteriorated. HIV prevalence has risen and is among the highest in the world, with AIDS-related illness and death having significant impacts on human capital. Maternal mortality appears to have doubled in the past decade.

79. Evidence for changes in access to effective health care is mixed. Health management information is scanty. While the Malawi Demographic and Health Survey 2000 showed that indicators such as child mortality improved slightly between 1990 and 2000, it also showed that others such as vaccination coverage and maternal mortality became significantly worse. Key informants reported that conditions in government health facilities have declined, and that access to effective health care has improved only in localities where externally-funded facilities have increased the availability of services. But even these facilities face major constraints. In addition to shortages of clinical, administrative and management staff, service effectiveness continues to be undermined by poor communications and irregular and inadequate supplies of drugs and other supplies. Planning ability has improved but will be put increasingly to the test as health service management is decentralised. The epidemic of AIDS-related illness and death will continue to rise as it follows the trend of HIV prevalence, thereby having a long-term negative impact on health indicators. This will affect women in younger age groups than men, with men tending to catch up in older age cohorts, reflecting the trends in HIV infection.

JC 03.2 - The severe shortage of personnel in the health service is being consistently and effectively addressed.

80. Public sector reforms, including decentralisation, may reduce the establishment size, but the shortage (presently about 50%) will still be critical unless Malawi downsizes its health service (a political impossibility). The Ministry of Health and Population (MoHP) is increasingly taking the human resource situation seriously, including in the nascent programme of work for the forthcoming SWAP. Therefore, while the underlying problem is extremely severe, the Government has accepted it as a priority policy issue and has begun to implement plans to deal with it. Development partners share the MoHP’s view and are likely to support plans for dealing with it. However, the AIDS-related illness and death and other causes of attrition are so severe that human resources are unlikely to be adequate in the current decade; the problem could take much longer to solve.
JC 03.3 - A coherent national health service, working to national objectives and priorities, is being developed and has widespread buy-in from external partners.

81. Progress towards a coherent national health service, i.e. one focused on national health priorities, with structures and systems that enable public and private sectors to deliver effective services, is limited. Progress has been subject to factors such as availability of external resources and dependence on government-supplied inputs. Improvements have depended on a fragmented project approach rather than a commonly-accepted overall strategy.

Contribution of Commission interventions to evolution in the indicators

a) Intervention coverage

82. The project portfolio includes a mixture of the Health Sector Reform and Decentralisation (HSRD) project, the Physical Assets Management (PAM) project and hospital construction, the latter to include upgrading of a number of related health centres. In addition, structural adjustment counterpart funds were earmarked to a large extent for earmarked financing of budgetary non-salary expenditure for district health services. HSRD, while originally focused on four districts, has provided inputs all districts. The PAM project, national in scope, focuses on MoHP, referral maintenance units and maintenance capacity at district levels. It complements GTZ inputs at facility level. The HIV/AIDS education project was national in scope. The HSRD and PAM projects complement MoHP and other donor actions. There is some duplication between the HSRD project and other reform initiatives financed by DFID, but these have been manageable in the climate of partner co-ordination. While the portfolio has not, apart from the Bottom Hospital refurbishment, had an explicit gender focus, any general improvement in access to primary services would be expected to have a positive impact on maternal health.

b) Evaluation findings

83. The shortfall in public-sector staff and mutually reinforcing AIDS and hunger-related illness and death have increased the strategic relevance of the health sector. Both the HSRD and PAM projects are relevant to the problems they attempt to address and to national priorities. The durability of their relevance is reflected in their high fit to the policy environment as captured initially in the 1995 Health Policy Framework, more recently in the MPRSP and the national health plan. They are also relevant to the EC’s HAP policy, which has an increasing focus on control of priority diseases, knowledge generation, systems’ development and sector support including SWAPs. Other components of the EC health portfolio have also been relevant to priority national policy needs as set out in the 4th National Health Plan, such as the Chiradzulu and Thyolo hospital construction, refurbishment of Bottom Hospital’s maternity wing and the HIV/AIDS education project.

84. Despite the relevance of key health projects, the Commission’s portfolio has been insufficient for making a significant contribution to achieving strategic objectives in health as expressed in the SP 1996. In particular, the Commission contributed little to addressing the human-resource development issues. There is also concern that the funding may be insufficient for investment foreseen in health centres in the catchment areas of the EDF funded hospitals. This could lead to use of a major share of the hospital capacity for primary health care and thereby undermine the effectiveness of the hospital investments.

85. Dropping of health as a focal sector in the 2001-2007 CSP may appear to have reduced the relevance of the EC country strategy to the MPRSP and to the EU Development Council’s Conclusions of the Evaluation of EC Development Instruments, May 1999. However, there is likely to be a net increase in funding from other donors for the sector, though whether this is sufficient (and could have been foreseen by the EC) is very hard to ascertain. The CSP focus on two other priority sectors, highly relevant to the MPRSP, mean that EDF resources will be transferred to them and that EC strategy may also contribute to beneficial health outcomes through its land policy and rural roads
interventions, so long as they deal effectively with some of the underlying causes of poverty. Overall relevance of the CSP is not affected by the decision to exit the health sector.

86. It is too early to see signs of impacts on the health of poor people, but the two projects closely examined have potential to have an impact if MoHP and its service-delivery partners are able to continue implementation of the reforms. This could help to improve the appalling state of maternal health. Decentralisation, however, is highly likely to constrain the development of effective services, because District Assemblies and local management structures lack capacity. The human-resource shortage will continue to constrain the delivery of services, to some degree, into the long term.

87. The sustainability of HSRD-project achievements and potential achievements are hard to predict, given the uncertainties related to decentralisation and the attempts to shift towards a health SWAP. Some of its influence, for example on development of national health accounts and district health plans, is likely to persist. PAM achievements have had less MoHP “ownership” and may be less likely to survive. The SWAP will provide useful fora for partners to keep them on the agenda.

88. The HSRD project has benefited health-system managers nation-wide by including them in training courses and the roll-out of planning tools. It has contributed effectively to the policy dialogue. It should therefore have indirect effects on the development of a coherent sector and on improved access to health care. The PAM project is contributing to improved maintenance through institutional development as well as practical skills-development, though its effectiveness has been limited by lack of Government progress towards agreed objectives. The HIV/AIDS education project was reported to have contributed to high nation-wide awareness about the infection.

89. Several interlocutors mentioned the value of Delegation support and co-operation in policy dialogue (though this often referred to participation of technical advisers). The Delegation appears under-resourced in relation to its responsibilities.

Conclusions

90. The Commission’s intervention portfolio has been insufficient to reach the ambitious objectives set in the SP 1996. The human resources development aspects, in particular, have not been addressed. Impacts of Commission interventions cannot yet be seen, but the main interventions are likely to show impact if the health sector reforms are sustained. In this respect the decentralisation component is contentious due to lack of capacity at district level, which, combined with the overall gloomy outlook on human resource availability, will be difficult to resolve. The decision to drop health as a focal sector from 2001 may not reduce external funding for the sector, as other donors appear to be increasing funding. The funding of the Essential Health Package will, however, require a significant increase in both government and external health budgets over the next six years. However, a well planned exit strategy would help to ensure that ongoing interventions are completed and that follow up actions for ensuring their sustainable impact are integrated in the sector support framework.
3.2.4. **EQ 04 - Food Security**

**What contributions have Commission-supported interventions made to improved food security at both household level (particularly for the most vulnerable rural households) and at national level in terms of access to food supplies and cost of food?**

**Rationale for the question as regards the strategy**

91. Sustainable rural development and food security are an important component of the anti-poverty strategies of the Community, which subscribes to the undertakings entered into at the World Food Summit and remains a major partner under the London Food Aid Convention. Community action must develop in the light of the ongoing discussions on the relationship between food security as an objective, which contributes to reducing poverty, and food aid as an instrument of humanitarian aid.

**Observed development in indicators for the judgement criteria**

*JC 04.1 - Food reserves at district and national levels are adequate and effectively managed.*

92. A few steps in the right direction have been taken such as the establishment of the National Food Reserve Agency (NFRA) in 1999 and transfer of the Strategic Grain Reserve (SGR) and central storage facilities from the Agricultural Development and Marketing Corporation (ADMARC) to the organisation in 2002. No facilities at regional or district level have been transferred to NFRA, but part of the SGR is kept in rented depots. However, the impact of those steps is very limited, since the Government maintains full control of NFRA and uses the institution for the Government’s continued high interventionist approach in the maize market, often in non-transparent ways and with substantial implications for the public finances. An inadequate crop forecasting system, unclear mandate and lacking operational guidelines of NFRA, inadequate capitalisation and no medium term business plan as well as lacking accountability of the NFRA, combined with a yet undecided future role of ADMARC, all combine in hampering effective management of the SGR.

*JC 04.2 - The poor have the means to purchase/retain food*

93. The impression is (bearing in mind that different data sources provide contradictory estimates) that food crop production per household may have increased slightly in recent years, with potential for increasing retention for domestic consumption. This would largely have been achieved by the substantial hand-outs of free or highly subsidised (for example, via subsidised credit) agricultural inputs. The poor remain extremely vulnerable, however, as the average food production hardly covers national needs and weather conditions create large annual fluctuations. Cash-for-work programmes, where they exist, appear to be fairly effective at targeting the rural poor but such programmes are temporary and only cover selected parts of the country.

*JC 04.3 - Delivery systems in place to ensure that food reaches remote areas.*

94. Indications are that food grain distribution systems in the rural areas have not improved since the early 1990s. If anything, they may have deteriorated with the rural population being served by fewer traders and consequently less competition. Impressions of growing margins in grain trading tends to confirm this, but could also be a result of increasing trading costs, for example, due to deteriorating standards of the rural road network.
**Contribution of Commission interventions to evolution in the indicators.**

*a) Intervention coverage*

95. The Commission committed over € 100 million to food security related interventions in Malawi during the period under review and is one of the leading donors in the sector.

96. The Commission has been the main donor supporting the government in maintaining and effectively managing food reserves. The Multi Annual Food Security Programme (MAFSP) introduced in 1997 a range of policy measures related to the SGR and its management (including the establishment of NFRA) as conditionality for disbursement. Since 2001 the assistance to NFRA has intensified and covered replenishment of the SGR, institutional support in all areas of NFRA operation and management, and specific technical assistance to enhance the NFRA’s capacity. Support also included food security assessments since the mid 1990s and strengthening of the annual crop estimates system under the Ministry of Agriculture and Irrigation (MOAI) with annual funding from the MAFSP.

97. Cash-for-work was supported through labour intensive rehabilitation of feeder roads through the National Road Authority (NRA) during 1998-2000, followed by the Public Works Programme from 2000 onwards. Support targeted at the most vulnerable groups has also been provided in terms of food aid to mothers and children and through contributions to the Starter Pack Initiative (SPI).

98. Increasing smallholder food grain production has been a main objective of the Agricultural Production Investment Programme (APIP), providing credit in kind for seed and fertiliser, of support to seed multiplication and organic fertiliser technologies. No EC interventions have been targeted directly at improving food distribution systems outside food aid distribution in years of crisis.

99. The current MAFSP (1999-2001) was re-oriented in July 2002 to place much higher emphasis on food reserve management, and support to the most vulnerable groups as well as creation of a sustainable rural credit system.

100. There is some, but rather weak, links between the use of the food security instrument (EC budget lines) and NIP funding from EDF. Such links are mainly seen in support of smallholder productivity improvement, though the technology promoted has not always been consistent across interventions. NIP funded technical assistance has in a number of cases been used to assist food aid and SGR contributions.

*b) Evaluation findings*

101. Interventions are generally highly relevant, but programmes to achieve the desired goals under MAFSP were not well prepared and evolved only recently as a response to the NFRA’s inability to effectively mitigate the 2001 and 2002 food crises and the virtual collapse of APIP credit due to high, continuous capital losses. Design of interventions relating to productivity improvement in maize is hampered by lack of consensus among donors (in other words: substantial disagreements) on choice of technology, use of grants or varying types of credit systems as well as targeting systems. Often these different approaches are used in the same localities and send confusing messages to the beneficiaries. The Government has been unable to ensure a coherent approach.

102. The interventions (particularly APIP) appear to have had important impact on food grain production in the short term, but these effects were depending on capital injections, which could not be continued, to finance explicit and implicit subsidies.

103. The support to strengthening the crop estimates systems has not had the intended impact. Rather, the inadequate crop forecasting has contributed to deepening the food supply emergencies during the last two years.

104. The establishment of an independently operating NFRA with clear guidelines on how and when to carry out market interventions could improve market efficiency and stabilise inter-year and
intra-year maize prices, but such impact is far from achieved. Establishment of an institution such as the NFRA requires substantial institutional support, which was not provided initially.

105. The inability to make the SGR function properly is likely to have affected supply reliability and pricing of food grain across the country and will have had most impact on the most vulnerable groups, including female and child headed households, the latter mainly being a result of HIV/AIDS. The seed/fertiliser grants provided through SPI and later TIP will have had proportionally the largest impact on the most vulnerable and resource poor farmers. Gender balance was not explicitly addressed in the credit scheme design of APIP, but indications are that the beneficiaries turned out to be almost 50/50 men and women. In the Public Works Programme (PWP) about 40% of beneficiaries are women, indicating a fairly high achievement of gender balance. The specific EC food aid programmes for pregnant and lactating women have been able to target very vulnerable groups. Apart from direct food aid distribution programmes, other specific targeting of these vulnerable groups proved impractical.

106. The EC interventions have generally seen effective delivery of results in the short term. However, programme design has in several instances been deficient, typically ignoring institutional capacity and sustainability issues. As these problems have caught up with implementation, effectiveness has been seriously reduced. Hardly any of the interventions in this area show signs of sustainability as yet. Work is ongoing on creating sustainable systems for SGR management through NFRA and agricultural credit through APIP based on a substantial re-orientation in mid-2002 of the MAFSP, with much higher emphasis on building of institutional capacity. However, the interventions have not progressed sufficiently into the implementation stage to be able to judge any potential impact of this re-orientation.

Conclusions

107. Food security at national level does not show signs of lasting improvements. Access to food in the rural areas is improving only to the extent that food production locally is increasing and allowing retention for home consumption, but that is hardly a general trend. The already high margins between maize prices at harvest and during the ‘hungry’ season show signs of expanding to the detriment of rural households.

108. Commission interventions have been many, and often very substantial in scope and financing. Effects of the interventions have at best been short term, though in some cases quite substantial (for example, APIP’s impact on maize production). Attempts to create income for the poorest rural population strata have been successful, where implemented, but cover only parts of the country and are unsustainable. The interventions so far have been characterised more by a humanitarian relief approach than by sustainable development.
3.2.5. EQ 05 - Natural Resources Management

To what extent have Commission sponsored interventions improved land use, reduced soil degradation and led to sustainable management of forest resources, particularly in areas of high population pressure.

Rationale for the question as regards the strategy

109. As food insecurity has resulted from declining agricultural productivity (which has mainly been the product of declining soil fertility), reduced soil degradation and improved land husbandry are justly seen as vectors for increased land productivity and improved rural livelihoods. In turn, improving rural livelihood is considered to be the only way out of the vicious circle of poverty leading to further poverty and resource depletion, as smallholder farmers’ insufficient resources are stripping them of both the means and motivation to apply mitigation measures for soil erosion control and improved soil fertility.

Observed development in indicators for the judgement criteria

JC 05.1 - Soil losses and degradation on slopes are significantly reduced.

110. Since the late 1990s the Government has sought to promote a strategy for combating soil degradation and reducing soil loss, basing it on physical conservation measures through construction and alignment of contour ridges, use of fertiliser, mulching, and increased planting of grain legumes in crop rotation. Although it is too early to observe any tangible decrease of soil losses and slope degradation, incremental developments are being recorded in intervention target areas (for example, more that 88,000 ha. have been realigned and protected with vetiver grass hedgerows). Such areas, however, constitute only a small proportion of the total area available for smallholder agriculture (6.5 million ha.). There is a considerable potential for further degradation and soil losses to be mitigated, given farmers who have adopted and applied ridging techniques and fertility enhancement measures continue to utilise them and spread them through peer pressure.

JC 05.2 - Productivity of small farmers is increasing

111. Smallholder farmers’ productivity has been increasing in terms of diversification into other crops (especially tobacco since 1996, groundnuts, cotton, and rice, with a most recent diversification into export crops, including paprika, vegetables and citrus fruit). Crop diversification as a means to improving soil fertility has also been noted. However, in terms of quantities produced and crop yield enhancement, productivity has continued to decline, with the notable exceptions of some project target areas. With the investments needed for improved crop production still unaffordable to most small farmers’ coupled with the lack of incentive to invest in land because of the current tenure system and some deep-rooted cultural peculiarities, increase in productivity of the smallholder sector will remain problematic.

JC 05.3 - Deforested areas are recovering, where forestry management schemes have been put in place

112. Recovering deforested areas as a result of forestry management schemes being put in place has varied significantly from area to area (due to different community participation and differing conditions across districts, among others). Although overall good results have been achieved in community empowerment and training, and raising awareness of the need to preserve natural resources, the very long time needed for noticeable recovery of deforested areas is making it impossible to currently measure any impact.
**Contribution of Commission interventions to evolution in the indicators**

*a) Intervention coverage*

113. The interventions of the European Commission in natural resources management are comprehensive and well balanced. They have reinforced Government strategies on promoting physical conservation measures and complemented them by additional soil and water conservation measures, widespread training and extension. They seek to reduce soil erosion and deforestation, increase rural production, and create and stabilise income generation activities among the rural poor. The interventions are equally providing the necessary means for community empowerment through community based resource management, continuous training and awareness-raising. These, combined with the considerable financial resources allocated to the sector, will enable the Commission to promote significant incremental changed in the livelihood of the rural poor in the medium to long run and the way they use and protect their immediate environment. The main interventions have been the Social Forestry Training and Extension Project (SFTE), the Promotion of Soil Conservation and Rural Production Project (PROSCARP) and some components of the PWP.

114. Although complementarity with Member States is generally good and coherence among the different Commission’s interventions in the field ensured (in terms of non-duplication of effort and resources), there is still a considerable lack of synergies and co-ordination tools established between the different Commission interventions (i.e. between the large scale interventions and public work programmes and/or micro-projects). They continue to operate as separate units in distinct spheres.

115. Commission’s interventions have been less successful in mainstreaming cross-cutting issues. Gender disparities are particularly apparent in agriculture, where women represent more than 70% of the working force, and contribute to more than 85% of agricultural labour, but continue to have limited access to extension and training. Gender issues have: (i) been addressed only indirectly - in that a significant proportion of the final beneficiaries are women and (ii) with varying levels of success and in ways that acknowledge to a different extent the cultural traditions and their limitations (i.e. insisting on increased women representation in mixed village communities, where women are rapidly sidelined, whereas they discuss critical issues freely and openly in an all-women milieu). Similarly for HIV/AIDS, despite the negative impact it is having on productive labour among the rural poor, the projects in the sector have not addressed it as a cross-cutting human resource issue. Some training on the consequences of HIV/AIDS has been provided though NGOs, but occurrences remain isolated and insignificant on a larger scale.

*b) Evaluation findings*

116. Commission’s interventions in the area of natural resource management, in their ensemble, are found to be highly relevant and conductive to in-country needs and EC objectives and reflective of government policy in the sector. The way they are designed and implemented allows them to address and/or alleviate future transformation at different levels of society (particularly related to decentralisation), as certain capacity at local level has been built and skills have been enhanced. This process, however, is at a very early stage and future support is needed in order to ensure that positive achievements are maintained and replicated elsewhere and momentum kept.

117. The majority of the developments in the judgement criteria listed above have been significantly influenced by the Commission’s interventions in the sector, mainly through the SFTE and PROSCARP and, to a lesser extent, the PWP (due to its recent inception). Despite the significant achievements accomplished in the field, through the various components of the projects (see Annexes E and G for detailed account) their concentration remains exclusively centred in project target areas, with no instrument put in place to ensure their replication outside these areas. Nevertheless, notable results have been achieved through the examined interventions, despite the fact that some of their objectives have been very ambitious, and that frequent restructuring during implementation has taken place. Had the Government duly provided the inputs initially planned within the different interven-
tions (i.e. provision of extension services, allocation of counterpart funds, etc.) the projects’ effectiveness could have been higher. This suggests there is certain overestimation of the Government’s ability and commitment to provide their part in the process.

Conclusions

118. The relevance of Commission’s interventions in the sector of natural resources management is high. They are centred at improving land use, reducing soil degradation and promoting sustainable use of forests through physical preservation and training. At the same time they address problems related to the health status of rural populations (through improved drinking water facilities and sanitation at the areas of intervention), their asset status, issues related to improved livelihoods and income generating activities, and the environment in which the related strategies are developed and adopted. Capacity has been built, especially at village level, where recipient populations have been receptive to introduced techniques and approaches, and community based management of resources has started to yield results. But for it to lead to continued local empowerment, increased outreach and ultimately poverty reduction at national level, the role and performance of public institutions at central and local level should radically change. This would need continued support.
3.2.6.  EQ 06 - Transport Infrastructure (National)

To what extent have Commission supported interventions in the transport sector contributed to better physical access, reduction in transport costs and sustainability of the sector?

Rationale for the question as regards the strategy

119. Government objectives stress poverty reduction as an over-riding objective with measures that include reduction of transport costs and improved access available to smallholder agriculture. According to the MPRSP, roads (primarily rural roads but also the core trunk network) constitute the first priority in infrastructure development for pro-poor growth. Commission CSP strategies have been in accordance with GOM transport guidelines which adhere to the RMI, a priority of which has been to support reform of the road sector management institutions and the road maintenance management systems to make them self-sustainable. This support has included interventions in backlog maintenance, road rehabilitation and rural feeder roads through the National Roads Authority (NRA).

Observed development in indicators for each judgement criteria

JC 6.1 - Functional, competitive transport service to rural and urban areas – at national level.

120. Transport services have been deregulated and are now entirely in the private sector. Increased frequency of services has resulted from privatisation (for example, rail network concessions) and increased passenger and freight usage is reported (for example, international freight increased by 17% per annum between 1999 and 2001). It should be noted here that roads cover over 98% of total movement of people and goods in Malawi. Many rural areas remain access deficient and thus denying reasonable transport services to a large proportion of the 85% of Malawi’s population, who live in rural areas including the poorest and most disadvantaged.

JC 6.2 - Management of the national road network is comprehensive and well prioritised

121. NRA (and the Road Fund) is managing and prioritising needs of the core road network (which comprises mainly the surfaced, higher category roads) better than previously managed by the line ministries. The recent Five-Year Business Plan for NRA is effectively a rolling investment programme, but is based on an increase of fuel levies by a factor of 3 over present levels over the next 5 years, which may not be attainable in the present economic and political climate. The remaining portion of the network, consisting mainly of rural gravel roads and comprising almost 50% of the gazetted network, remains largely untouched by NRA activities to date.

JC 6.3 Road network maintenance is adequate and sustainable

122. Road network maintenance is not proven to be adequate or sustainable. Assessment of condition trends is difficult as condition surveys of the network are not undertaken regularly and detailed information relates only to the core road network, for which indications are that the condition has roughly been maintained between 1997 and 2000, possibly to date due to donor funded backlog maintenance projects. However, there are (contested) reports of premature deterioration of recently reconstructed roads due to deficient maintenance. Sustainability will not be achievable without increase in fuel levies, to which the Government has committed itself. However, these commitments have not been fulfilled over the past two years and currently NRA is only receiving around 50% of its approved budget and the efficiency in use of even this reduced budget is questionable with reduced value-for-money as a result of government interference in contract awards.
JC 6.4 Road sector regulation is consistent with protecting the investments and the users, and with creating a level playing field for operators.

123. Malawi has adopted SADC and COMESA standards on gross vehicle mass and axle loads. Road safety legislation exists in line with regional norms. However, road sector regulation remains weak due to insufficient enforcement of road safety or axle loading. Detailed figures on road user taxation compared to economic costs are not available but, from information available and interviews, it is considered unlikely that users cover economic costs.

JC 6.5 Measures taken to reduce the spread of HIV/AIDS through the vector of transport sector operations.

124. No sector-wide programme of HIV/AIDS awareness has been initiated although some sensitisation has been carried out on individual construction projects, but these are uncoordinated efforts with local coverage only. Interviews with sector management revealed that the issue was seen as of only peripheral importance (or interest) that should be covered by a health sector initiative.

JC 6.6 Increased employment generation (with gender equality in conditions of employment) from road construction and maintenance programmes.

125. All construction activities have generated short-term employment during the contract period and to a lesser degree long-term maintenance and operation. Most works have been undertaken by plant based methods which, while probably the most appropriate choice of technology for larger contracts, generates less opportunities for employment of local unskilled persons than labour intensive technologies (and there is usually a gender imbalance in that most skilled workers in the civil engineering industry are men). There is a history of labour intensive methodologies in Malawi stretching back to the 1980s, particularly for rural road rehabilitation and maintenance (with more equitable gender balance), although these programmes appear to have been discontinued.

**Contribution of Commission Interventions to Evolution of Indicators**

a) Intervention coverage

126. Transport infrastructure is the dominant sector of the Commission’s programme in Malawi in terms of financial support. Between 1995 and 2002 a total of €179 million was committed in the sector (excluding earmarked budget support under the Structural Adjustment Facility (SAF)), corresponding to 29% of all commitments made. The Commission is also the dominant donor in the sector in Malawi. Significant interventions to general management of the sector and institutional reform include RMSP, TA to NRA and NAO, studies and institutional support to the Road Maintenance Initiative (RMI) and preparatory studies on implementation of 9th EDF. These projects supported phased institutional change but these changes are not complete and will continue for some years to come. Complementary GOM interventions are limited but have involved legislation change, reorganisation of line ministry functions and establishment of new institutions. EC continues to give major support to RMI through interventions designed to assist key sectoral institutional change. Individual road construction projects constitute the bulk of the Commission’s interventions in financial terms and relate mainly to upgrading and rehabilitation of major roads thus contributing to the condition of the major road network and there is an increasing trend towards backlog maintenance. The PWP is providing substantial amounts (including funding allocations from the MAFSP) to labour intensive rural road improvement. Counterpart funds from SAF programmes have been channelled to the NRA as earmarked budget support for road maintenance, while little support has been provided to rail and lake transport. In the Joint Annual Report 2000-2001 it was noted that few discussions had taken place on cross cutting themes, such as HIV/AIDS prevention, and their integration into projects in the transport sector.
b) Evaluation findings

127. The Commission’s interventions are highly relevant for roads of all categories and to Government policy and are relevant to sustaining the condition of the paved road network. However, interventions have not yet incorporated the wider unpaved rural road network to any significant degree and it is reported that staffing constraints in the Delegation have impeded focussed engagement in rural roads. EC interventions using labour intensive methodology for road construction and maintenance are likely to generate significant local employment but such implementation has so far been limited. National policy regarding road safety and axle load control includes strategies for enforcement of weight limits and road safety regulations and EC funded studies have been directly supportive of these policies but enforcement effort is practically nil and the legislative position of NRA towards these issues remains unclear. A strategy for reduction of the spread of HIV/AIDS would be potentially highly relevant with good focus upon proven infection vectors (such as construction sites and public service vehicles), but there has been little implementation effort to date.

128. Significant impacts have been noted regarding institutional and legislative reform, privatisation and deregulation. Strategies for decentralisation and revised roles for line ministries remain work-in-progress. More of the paved network is now in maintainable condition. This is partly due to the substantial progress made by government on fulfilling commitments on road sector reform during the 1995-1999 period. Since then, fulfilment of commitments has been less pronounced and in certain areas there has been regression, for example, on expenditure efficiency.

129. Sustainability of the road network is seriously at risk mainly due to insufficient recurrent funding (and noted inefficiencies in use) for maintenance of the presently defined core network. Maintenance deficiency will rapidly result in deterioration of road conditions, increasing journey times and vehicle operating costs. Affordability of road user taxation is crucial and strategies for increasing NRA revenues appear to be failing. Consideration should be given to other options in case commitments remain unfulfilled, for whatever reason, and funding is inadequate to sustain the network condition and functionality. Other threats include institutional and human resource weaknesses and outstanding decentralisation issues.

130. Despite increasing effects of backlog maintenance interventions it is not clear whether sufficient maintenance is actually being carried out to maintain the expanding maintainable network. The length of time required for institutional change has been underestimated, while institutional capacities (and perhaps commitment to change) as well as human resource capabilities have been overestimated. This has led to delayed progress and reduced efficiency.

131. To date most of the works undertaken by NRA have been undertaken by plant-based methods. This is realistic considering the nature of the works – major road works and bridgework including backlog periodic maintenance. Only for reconstruction and maintenance of low-cost unsurfaced roads are labour intensive methods likely to be technically and economically feasible to achieve industry standards of quality. PWP is the only current EC supported intervention that is active in rural areas using labour intensive methodology and generating significant short-term employment. No wide scale PWPs or micro-projects for rural infrastructure have yet been incorporated in national investment or maintenance plans.

Conclusions

132. EC supported interventions have significantly contributed to physical access and reduction in transport costs on the major road network. However there has been only limited engagement on the non-core network that includes most rural roads serving many of the 85% of the national population who are rural dwellers. EC interventions have contributed to sustainability by improving institutional capacity and expanding the maintainable network but longer-term sustainability by national resources is seriously in doubt. This is due to Government failure to meet existing budgetary commitments, inefficiency in NRA’s use of funds and doubts regarding the political will and economic feasibility of raising the fuel levy sufficiently to fully meet network maintenance costs.
3.2.7. EQ 07 - Transport Infrastructure (International)

**To what extent have Commission supported interventions in the transport sector reduced the transport cost element of imports and exports and contributed overall competitiveness of the traded goods in the region and internationally?**

**Rationale for the question as regards the strategy**

133. The SP 1996 has specific sector objectives comprising (i) completion of road/rail connections to Malawi’s external borders and (ii) improvement of the Nacala rail corridor. The Nacala Corridor is identified in the National Transport Policy (NTP) for movement of bulk commodities, as is Malawi’s support for development of Nacala port. The NTP anticipates this route might recapture a considerable proportion of the freight carried by road (a reduction of 50 percent in transport costs are quoted in various sources).

134. RSP/RIPs (both pre- and post 2001) stress that infrastructure investments will be covered by NIPs while regional emphasis is placed upon a transport and communications master plan and transport facilitation measures. The SADC RSP specifically identifies the investment needs of the Malawi/Mozambique (Mocuba/Mulanje and Quelimane) axes.

135. Under the CSP for 2001-2007 the Commission’s response in the transport infrastructure sector focuses on improvement of infrastructure providing links between Malawi’s internal, regional and global markets. Again, this strategy is fully in line with national sector policies including Road Sector Policy 1999-2004 that prioritises (inter alia) financing of high return improvement and upgrading/rehabilitation projects.

**Observed development in the indicators for each judgement criteria**

**JC 7.1 Progress in harmonisation of national legislation, standards and regulations with regional and international norms**

136. There has been reasonable action on harmonisation of legislation and standards relevant to the transport sector with regional and international norms covering such issues as international conventions on maritime safety and environmental protection, national railway policy and restructuring and, in connection with restructuring of the road sector, road infrastructure policy, institutional and legislative framework, road fund and dedicated user charges, road agencies, transport legislation and liberalisation, model road safety regulations and road safety. However, implementation of revised norms by GOM is somewhat patchy and the reform process remains incomplete.

**JC 7.2 Improvement in access to regional and international markets and services through improvement in competitive international corridor routes - road, rail, river/lake - with adequate transshipment facilities**

137. The Mozambican civil war closed the direct rail routes from Malawi to the Indian Ocean (the Nacala and Sena Line/Beira Corridors). The road route through the Tete Corridor was threatened thus impeding road connection to the Beira Corridor and the link via Zimbabwe to Durban. After the cessation of hostilities in Mozambique the last 10 years have seen access restored or facilitated to international and regional markets through improved corridor conditions although most of these improvements have been through actions outside Malawi. The Tete Corridor is now in reasonable condition (although previous impediments owed more to security concerns than road condition defects), the Beira Corridor has been completely rehabilitated (road and to some extent railway), the link between the corridors is under reconstruction and the alternative Northern Corridor route through Mbeya in Tanzania is functional (road and rail) if little used. However, although the Nacala railway...
has been refurbished from Nacala to Cuamba the remaining link to Malawi (Cuamba - Entre Lagos) remains in poor condition, and, as the road links were never of good standard, the corridor remains dysfunctional with recent flood damage now being reported from the Malawi side. The Sena line remains closed and thus there continues to be no rail link between Malawi and Beira. The ports of Beira and Nacala have recently been the subject of a concession after some refurbishment of facilities (as has CFM), but significant delays are still reported. Quelimane port is not a viable alternative due to poor road links and limited port capacity and facilities and in any case, all freight shipped from Mozambique is trans-shipped at the Durban hub.

138. The Republic of South Africa (RSA) is Malawi’s main source of imports, which facilitates cheap backhaul rates for exports (see also JC 08.3). The great majority of freight is now carried by road to/from Durban and there is little intermodal competition.

**Contribution of Commission Interventions to Evolution of Indicators**

*a) Intervention coverage*

139. Interventions have concentrated on infrastructure projects including backlog maintenance and rehabilitation/improvement of major roads, some of which improve the condition of international corridor linkages, but these interventions are not specifically identified as being aimed at regional linkages as such. However, the EC has been a major funding agency for various components on the Northern Corridor route as such for example, the road from Karonga to Mbeya (Tanzania) and Karonga-Chiweta. In spite of the Nacala rail corridor being a specific sector objective, no interventions from the Malawi programme have been directly aimed at its improvement nor has there been manifest promotion or facilitation of this objective.

140. Interventions in the lake transport sector have been limited to plans for Chipoka port (which involves trans-shipment facilities) and there have been no EC supported interventions in the Malawi railways sector. These planned interventions were deliberately dropped in 2000 in order to improve the intervention focus.

141. There have been no EC supported interventions aimed at wider harmonisation of legislation as such although secondary benefits from institutional reorganisation and support funded by the Commission have contributed to the harmonisation work.

*b) Evaluation findings*

142. The Commission’s interventions have been directly relevant as regards Tete, Northern and Beira Corridors. The Nacala Corridor continues to operate at low capacity. Other functional links (Beira and Northern Corridors) have not significantly attracted freight from the Durban road route.

143. With or without EC support as result of other interventions, much has been done by way of harmonisation of national legislation and regulations with regional and international norms although enforcement and delivery by GOM remains inconsistent. However, real easing of restrictive practices on the ground is the true facilitator including import/export restrictions, border/customs procedures, roadblocks etc. In road transport little has changed except for some documentary procedures for freight. The heaviest traffic traverses the Durban route crossing three international borders and many roadblocks and controls (these diminish with travel south) causing substantial delays.

144. EC interventions have contributed to reducing transport costs by means of continuing serviceability of major roads. Adequate economic rates of return and reduced transport costs are reported for major investments.

145. Sustainability is doubtful and dependent on adequate maintenance of infrastructure and sector management, as already discussed under EQ 6. Potentially rail links are more resistant to maintenance neglect due to a usually higher degree of over design, but the condition of rolling stock is reported to be poor on both Nacala and Beira lines.
146. The logic of development of the Nacala rail corridor remains compelling but even with this rail link fully functional, goods loaded at Nacala will have to be trans-shipped at the Durban hub. Port efficiency may improve with privatisation or concessions, but delays are still common. Costs are also high compared to the Durban route. Continuing this logic, a road route to Nacala might also be a very desirable short connection, but would require very considerable upgrading especially between the Malawi border and Nampula. So far little has been done and a major problem is that Malawi’s interests are closely linked to improvements needed in Mozambique over which Malawi has no control. Such improvements will happen only to the extent that they are also seen as priorities by the Mozambican Government or can be funded without drawing on that government’s resources (domestic or donor funded). That said, neither Malawi nor Mozambique has been especially pro-active in advocating re-development of Nacala Corridor, and it can only be concluded that neither government views this issue as being among their highest priorities.

147. Individual projects have generally been effectively delivered, though often with significant time overruns. Efficiency of interventions has been limited due to shortfall between clear strategy and less clear implementation efforts.

Conclusions

148. EC supported interventions in Malawi have improved the condition of road linkages to the borders thus speeding passage and reducing transport costs. However, similar physical interventions outside Malawi (at least some of which were supported under NIPs of neighbouring countries) have had greater impact on reducing transport costs. Adequate rates of return are reported for such investments, but there is no quantification of improved competitiveness arising from such reduced transport costs.

149. Legislation and institutional reform supported by EC also facilitates transport movement leading to cost reductions but half-hearted enforcement and implementation of such change has reduced impact.

150. Support to development of transport corridors for landlocked countries such as Malawi require a well-planned regional approach, which fully reflect the intermodal and inter-corridor competition, the dynamics of international trade and its influence on transport flows, priority setting of countries involved and the availability of sufficient funding. These factors have not been sufficiently considered in planning support to Malawi’s international transport corridors, and this has particularly affected the (lack of) Nacala corridor development.
3.2.8. EQ 08 - Economic Growth, Trade and the Private Sector

To what extent have Commission-supported strategies, and the selection and co-ordination of instruments used, contributed to the creation of an environment conducive to private sector investment and trade, both from internal and cross-border operations?

Rationale for the question as regards the strategy

151. The EC development co-operation policies assume that ‘integration into the world economy’ will be an important vehicle for economic growth and poverty reduction, and achieved primarily through development of the private sector and of trade. One of the two major strategies in pursuit of the overall objective of poverty alleviation in the SP 1996 is “establishment of a stable macro-economic framework conducive to private sector development”. In relation to viability of the strategy the role of the market and the private sector is emphasised in terms of the government’s commitment to implementing market oriented reforms both at macro and sector level.

Observed development in the indicators for the judgement criteria

JC 08.1 - Substantial progress towards macro-economic stability has been achieved.

152. Some positive developments have been achieved in terms of enhancing domestic revenue collection, reducing inflation and stabilising the real exchange rate. However, continuous fiscal deficits combined with strict mopping up of liquidity by the Reserve Bank has resulted in extremely high interest rate levels and crowding out the private sector lending from the credit market. Exchange rate risks are increasing due to recent decline in foreign reserves.

JC 08.2 - Business finance on attractive terms is widely accessible

153. Provision of business finance on attractive terms is ranked as the number one constraint to private sector development by a several sources. Little progress has been made in this respect since 1995. Through domestic financing of its substantial budget deficits the government is crowding out the private sector. The formal financial sector remains shallow and dominated by a few large operators, still with significant government ownership and control. Some improvements have been noted in the area of micro-finance. Female business proprietors in particular appear to have obtained improved access to formal credit systems.

JC 08.3 - Cross-border trade (other than in primary agricultural commodities) has increased and been diversified.

154. Malawi is participating in all trade fora open to the country, have negotiated regional and bilateral trade agreements and implemented trade liberalisation measures at least to the same (average) extent as its trading partners. Yet, the level and structure of Malawi’s foreign trade have changed very little during the period under review, except for its relations with RSA, which has increased its importance as supplier of inputs and also caused a collapse in Malawi’s textile exports.

JC 08.4 - Creation of a business friendly environment, favouring broad private sector participation, also from SME’s.

155. At the beginning of the 1990s commercial operations were dominated by large state-controlled corporations, administering wide-ranging price control mechanisms. Since the mid 1990s there has been progress in reducing the influence of these corporations, partly through privatisation, and liberalising market access and pricing. Also a significant number of SMEs have been created and the private sector is becoming gradually involved in social service delivery. Most progress in these areas was experienced up to 1999. Hereafter, progress has been much slower, in some respects sliding
backwards. There is still a long way to go in order to create an environment conducive to private sector growth. Apart from the domestic financing costs, the business environment suffers from unreliable utility services, high levels of government intervention in many sectors, excessive bureaucracy combined with an overstretched judiciary, a poor legal framework, and many discretionary government powers, that create an uneven playing field and fuels corruption.

**Contribution of Commission interventions to evolution in the indicators**

*a) Intervention coverage*

156. The SP 1996 is almost silent on how Commission supported interventions are expected to contribute and mentions that “… structural adjustment support and promotion of the private sector, namely via the Cross Border Initiative and EIB projects, will have to continue.” Assumptions and interventions related to private sector development and cross-border trade are incorporated in the three focal sectors of the strategy, and furthermore assume important contributions towards this objective from the Commission’s regional programmes and the EIB. However, the strategy of the SP lacks coherence in that the three major intervention areas (macro-economic, trade and private sector investment finance) are covered by numerous different instruments, managed by different EC/EU institutions, without specifying how they will be linked and what synergies should be created. The approach of the CSP 2002 follows the same lines, except that government undertakings (assumed policy and reform measures) are not clearly spelled out in this case.

157. The Commission is supporting a large range of interventions that affect the business environment. It appears, however, that most of the interventions have been designed and implemented in isolation from each other, partly because they fall under the responsibilities of different EU institutions with little practical co-ordination (the Commission DG Development (DEV/AIDCO) and DG Trade, the EIB, the Centre for Development of Enterprises (CDE), the EU-ACP Business Assistance Scheme (EBAS) and the ACP Secretariat), partly because the interventions are seen as belonging to different sectors in the EC programme. The interventions have been prepared and implemented largely as foreseen in the SP 1996, the major interventions being SAF macro-economic support and EIB loans. Some smaller and less significant projects have been implemented as well, mainly left-overs from the 7th EDF, such as the ASYCUDA project and Institutional Support to the Private Sector (ISPS). Interventions listed under other sectors have in several cases important potential impact on the business environment, but have not been co-ordinated with private sector support per se (for example, the Rule of Law Programme).

*b) Evaluation findings*

158. Due to the specific use of the macro-economic support instrument in relation to sector policy and funding, its relevance to creation of macro-economic stability has been indirect, in the sense that, through its linkage to IMF conditionalities, it has provided the IMF (and more recently the CABS group) with enhanced leverage in its negotiations with the Government of the content of and assessment of progress in the structural and fiscal reform programmes. EIB interventions were in principle highly relevant to private sector development, but relevance diminished sharply as the Government’s privatisation programme went into low gear and real interest rates of loans became excessive. NIP interventions have been marginal and not part of a coherent strategy towards private sector, trade development and growth.

159. The combined efforts of the IMF and the CABS group of donors, in terms of signalling disapproval of budgetary discipline through withholding macro-economic support since mid 2001, appear to be having some effect on the fiscal discipline during fiscal year 2002/03. As a significant contributor of budgetary aid, the EC’s intervention will have made an important contribution to this achievement. A domestic debt burden has been created, but this may have happened also if budget aid had continued. With the Government’s apparently close ties to part of the private sector, it is likely
that the ceiling on domestic borrowing, which the Government can justify without losing this essential support, has been reached.

160. The Commission has through EIB made substantial funds available for private sector investment, but after the first year of the Global Loan Fund, largely assisting in financing a number of smaller state enterprises, the interventions turned out to be of little relevance to the business sector and consequently utilisation of the funds remained limited. Investment promotion initiatives through the ISPS project, EBAS and CDE/Pro-invest have been small and isolated with no common synergies, but have in selected cases been effective in establishing or improving small businesses.

161. Commission assistance may have helped in bringing the regional trade co-operation agreements about, but these agreements are not particularly favourable to Malawi. Malawi is in an unfavourable negotiating position in relation to most of its trading partners and lacks the capacity to clearly determine its interest and successfully negotiate on that basis. EC interventions have done little to assist in that respect. The Everything-But-Arms initiative does not appear to be bringing any benefits to Malawi in the short to medium term, and is more restrictive in its rules of origin than AGOA. Sugar, being the main potential sector to benefit from EBA in Malawi, has been deferred in EBA, as it is considered a ‘sensitive’ product in European agricultural politics, though its development is being supported by EIB. While tobacco is the export commodity with the highest potential for short-term gains, it is no longer being assisted by Commission aid. Preparation of the Economic Partnership Agreements (EPAs) has hardly started.

162. Given the poor level of economic growth, the great uncertainties with respect to macro-economic stability, budgetary discipline and the future role of the state in the markets, as well as the overstretched judiciary and still important weaknesses in the legal framework, sustainability is seriously in doubt. In certain areas (level of foreign reserves, real interest rates and business perception of corruption) developments in recent years have been negative.

163. Balance of payments and budget support under SAF has generally been delivered effectively until the 2001 suspension, which was caused by serious accountability problems both at the macro-level and in relation to accounting for use of specific Commission funding. EIB funding appears to have been both effective in relation to demand and efficient in terms of transaction costs of administration. Traditional project support has suffered from substantial delays in implementation, and cases of poor utilisation of funds, though there are also examples of effective support, for example, matching grants to SMEs and establishment of a tourism association.

Conclusions

164. Creation of an environment conducive to private sector investment, employment creation and trade has made very limited progress since 1995. In some areas it is fair to say that conditions have deteriorated and in fact domestically financed capital investment has basically ceased. The Commission’s interventions have achieved successes in a number of specific but secluded areas, but often, where results have been delivered, broader impact has failed due to other more important factors (for example, the RSA’s trade policy and capacity as opposed to Malawi’s achievements in participation in regional trade arrangements). This points to the need for having fewer but clearer strategic objectives and for a more selective use of instruments.
3.3. ANSWERS TO QUESTIONS ON MEANS

3.3.1. EQ 09 - Effectiveness and Efficiency

To what extent have the Commission’s procedures for design, implementation and delivery (including the choice of beneficiaries, the donor mix, the selection of implementing institutions, and the funding instruments used) resulted in strategies, which gave clear direction to EC support to Malawi, determined the interventions undertaken, and facilitated the achievement of strategic and project objectives?

Rationale for the question regards the strategy

There has been much criticism of EC procedures in the past that in principle, they are slow and cumbersome. Staffing problems at Delegation level combined with frequent reorganisations at Headquarters have further exacerbated procedural problems. Loss of momentum can result in a drop in morale and commitment of programme operatives and interlocutors. Some instruments such as Stabex and Budgetary Support are considered simpler to administer and fast disbursing. The situation has in the past been further complicated by a plethora of budget lines, some of which have a direct impact on the EU’s aid programme, which are directly administered from Brussels, for example, assistance to the NGO/CBO organisations etc. Under Cotonou, attempts are being made to rationalise and simplify the many instruments that are available.

Observed development in the indicators for the judgement criteria

Implementation modalities chosen to facilitate effective execution.

In most cases been appropriate for the objective addressed, well understood by all levels of management and properly documented. However, implementation periods are generally underestimated due to general lack of appreciation of the time required (particularly for TA procurement) during the start up period.

There are a number of prominent exceptions to this general impression:

- The Nacala Corridor development is difficult to fund with the current instruments available, due to most investments needed in Mozambique, where the corridor is not seen as a national priority (see also EQ 7). Changes in the principles for programming and allocation of regional EDF funds have exacerbated this problem;
- The macro-economic instrument has been spread over too wide a range of objectives, offering less than optimum leverage in relation to each one (see Annex E JC 09.1). It has inter alia served directly as a (health and roads) sector budget support instrument, while more indirectly (through support for IMF negotiated programmes) for its stated strategic objective of creating a conducive economic environment for private sector development. Over time, however, the focus has increased;
- The EC budget line instrument used for MAFSP resulted in poorly clarified management arrangements and convoluted financial arrangements rendering implementation less effective and efficient. It has also been used in pursuit of long term objectives for which is it not well suited, without establishing a way of eventually incorporating the MAFSP activities into EDF/NIP, though improvements have been noted with the re-oriented approach since mid 2002;
- Trade co-operation has been virtually absent as an instrument in EC-Malawi co-operation. In the early years regional trade fair participation was funded and later a few trade related studies under-
taken. Otherwise direct trade arrangements have been noted only for sugar through quota negotiations. The EBA initiative is unlikely to have any impact in Malawi until 2007 since sugar is exempt in the initial years.

**JC 09.2 - EC Delegation’s capacity to manage the strategy and programmes is adequate**

168. The Delegation is affected by capacity problems and is therefore incapable of taking on additional responsibilities and tasks unless either additional capacity can be identified or staff time saving made within the exiting work schedule. Considering the size of the programme in Malawi, an additional post of advisor would have been justified (possibly to have covered health). The failure to fill an advisor post (infrastructure) for 18 months, due to internal Commission staff policy issues, has further compounded the problem in the largest focal sector and where the Commission is the dominant donor.

169. A major reason for this felt capacity constraint could be the lack of a properly resourced support unit to the NAO. This has meant that the Delegation has had to spend staff time on tasks that could have been fully or partly carried out by the NAO’s office. A solution to this problem is apparently on the way under the ‘Capacity Building for Economic Management and Policy Coordination’ project.

170. A combination of effectively phasing out of health, establishment of a NAO support unit and an additional operational section for governance in the Delegation is likely to improve the situation significantly.

**JC 09.3 - Technical assistance and training is used effectively.**

171. TA personnel are being widely used within the EC programme, with many placed in PMUs. Long term TA placed within government’s ordinary structures is occasionally being used by the Delegation as well as within the government structures to fill capacity gaps and carry out routine administrative tasks, with decreasing contributions to training and other capacity building measures.

172. Inability to provide counterparts with continuity and the high levels of attrition among those initially appointed make effective training and capacity building extremely difficult. The situation is far better where local counterparts form part of a separate PMU, where employment benefits are more attractive. The implication is however, that PMUs drain ordinary structures of professional personnel in extremely short supply. Training programmes have in general not taken into account the implications of the human resource crisis and HIV/AIDS impacts.

**JC 09.4 - Projects and programmes are adequately monitored.**

173. The Commission’s programme interventions are subject to quite frequent external monitoring, review and evaluation with good coverage and in most cases with reports of high quality. Progress reports appear to be submitted regularly, but it was difficult to get evidence of this. The reports produced through these means are often subject of extensive discussion.

174. What has been missing is a tool to provide monitoring of progress in implementation and towards achieving strategic objectives at the overall CSP and NIP level. This deficiency may have contributed to the Delegation’s predominant focus on details of daily decisions with monitoring of progress towards overall objectives becoming insufficient, only to be reviewed at the end of the strategy’s validity period when it is too late to take corrective measures. The annual reviews and mid term review foreseen for the period 2001-2007 are likely to fill this gap but development of a proper instrument to guide the process (linked to the CSP’s intervention framework) could be helpful.

175. Financial management and accounting is more problematic. Accounting standards and discipline in the government institutions are seriously deficient, whereas adequate systems are usually established within PMUs, where they exist. Even in PMUs, however, the systems and management can be very weak as illustrated by the (now disbanded) Food Security Unit.
176. Audits are regularly undertaken by local firms, but rarely go beyond financial audit. International auditors, when they occasionally arrive, tend to identify more serious accounting issues. Audit findings are generally respected and action taken. However, the repayment by government of counterpart funds for budgetary support under SAF and MAFSP were subject to lengthy contradictory procedures, which could indicate a lack of awareness on the part of the Government about the Commission accounting requirements and insufficient follow up by the Delegation.

JC 09.5 - Planned project results are achieved.

177. Achievement of project results among Commission interventions is quite mixed with approximately one third falling in each of the categories ‘high’, ‘fair’ and ‘mediocre’ achievement. High achievers are generally to be found among interventions working at a decentralised level (not necessarily with local governments) with substantial inputs by the ultimate beneficiaries themselves, being relatively independent on Government policy implementation and budgetary provisions. Natural resource management is the only area in which there is a quite consistently high degree of achievement.

Conclusions

178. The overall achievement of project results among Commission interventions is quite mixed. Choice of instruments and modalities has for the most part been adequate for the intended purpose, with a few major exceptions being the Nacala Corridor (where adequate instruments have not been available), SAF (being used for too many different purposes with resulting lack of focus), EC Food Security Budget Line (where poorly clarified management arrangement resulted in ineffectiveness, while the instrument is being used for long term objectives for which it is not well suited) and trade co-operation being virtually absent except for Malawian sugar exports.

179. Monitoring of interventions is quite comprehensive, but monitoring of progress towards achieving strategic objectives at overall strategy level has been missing.

180. While the Commission’s programme in Malawi expanded rapidly after 1995 to become one of the largest in ACP countries the capacity of the Delegation did not increase correspondingly. The lack of a properly resourced NAO support unit is likely to have aggravated this problem.
3.3.2. EQ 10 - Relevance

**To what extent have EC Strategies been in line with the Government’s objectives, and promoted country ‘ownership’ of Commission-supported interventions, thereby improving the prospects for impact and sustainability?**

**Justification as regards the strategy**

181. Under the Cotonou Agreement, particular emphasis is placed upon ”ownership” of development programmes by the recipient, if they are to be perceived as successful. It is therefore important to test how much credence has been given to ownership in formulating and implementing the strategy papers.

**Observed development in the judgement criteria**

**JC 10.1 - GOM has formulated development policies and strategies at macro-level and in all sectors relevant to EC interventions and implements these effectively**

182. While Government policies and strategies are generally comprehensive and well formulated, implementation has been problematic with numerous examples of official policy statements lacking enforcement or being overruled by ad hoc decisions, not least in terms of budget allocations. This confirms the existence of major capacity and governance problems at different levels, which may need to be addressed more forcefully in the near future (including through a new generation of donor supported programmes). Policy dialogue between the Government and the EC in the current focal sectors has been comprehensive and has substantially influenced government policy formulation/revision and implementation, for example, in transport and possibly in food security. In other sectors, the EC is mainly contributing through sector co-ordination groups.

**JC 10.2 - The Commission’s CSPs take due account of GOM policies/strategies and their evolution**

183. Formulation of the SP and NIP for the 8th EDF happened to dovetail well with presentation of the government’s overarching policy development and used this as a basis. At sectoral level, however, coherence between this government policy and the SP/NIP is of substantially varying degree (ref. Annex E indicator 10.2.1). The CSP 2002 is better aligned with the MPRSP even though the latter was still in early drafting by the time the CSP was completed. Thus the CSP focal sectors and their sub-sector objectives feature prominently in the MPRSP’s Pillar 1 “Sustainable Pro-Poor Growth”. In fact, the specific results expected of Commission interventions coincide almost completely with the first priorities listed under each of the sub-goals listed in Pillar 1 (though rural transport appears to be a top-priority which Commission interventions do not quite address, ref. EQ 6).

184. However, government and civil society involvement in CSP formulation has been very limited and thereby reduced local ownership of the CSP. This is due to capacity constraints at the level of both governments and civil society, but also to the lack of properly managed dialogue processes among the different actors involved. Understaffing prevented the EC Delegation to play a pro-active role in facilitating a structured dialogue between government and civil society on the CSP (as this is done in some other ACP countries).

**JC 10.3 - Local ownership ensured in the implementation of the EC strategies**

185. Local ownership is increasing in relation to the implementation of programmes and projects, with the prevalence of PMUs decreasing, while still being prominent. The experience of the Rule of Law Programme is interesting in this respect. After an initial top-down approach by the PMU, the team was changed. A major shift was done from a directive style towards a management approach aimed at ‘building local ownership’ through participation, strategic planning, and elaboration of
in institutional development roadmaps by the actors themselves. At the identification and formulation stages, however, local ownership remains weak, though the EC is making attempts to increasingly involve government and local non-state stakeholders in the processes, to the extent that representatives for the latter can be identified (for example, in transport - see Annex E indicator 10.3.1). The final handing over of responsibility to local institutions at the end of the development and investment phases requires that sustainability is assured and a viable exit strategy prepared and implemented. The EC should be more focused on the exit stage, which is particularly relevant to the phasing out of engagement in the health, now that it has been dropped as a focal sector.

**Conclusions**

186. The Government has formulated comprehensive policies in most areas. These policies are appreciated by the Commission and the donor community at large, and have been taken fully into account in preparation of donors’ programmes.

187. However, there are major doubts on the extent to which the government really ‘owns’ these policies. First, there is widespread perception that most policies in Malawi are ‘externally driven’, with substantial amounts of TA involved in the formulation process (partly also in response to the capacity constraints on the Malawian side). Second, many government policies often are not enforced and implemented as stated. The importance of the policies themselves is thereby limited and donor programmes based on them, including the Commission’s intervention, become irrelevant to the Government’s actual agenda. With quite limited direct involvement of the Government and the civil society in the process of strategy formulation, local ownership risks becoming marginal.

188. Progress in local ownership has mainly been noted in terms of local institutional involvement in implementation of Commission interventions. This achievement is, however, at risk due to the serious human resource capacity constraints, in the public institutions in particular due to high levels of attrition caused by morbidity, mortality and poor remuneration.
3.3.3. EQ 11 - Co-ordination, Coherence and Complementarity

**Has the Commission ensured co-ordination with the bilateral and multilateral interests assisting Malawi; has it ensured the complementarity of its interventions with those of others, and has it ensured the overall coherence of its interventions?**

**Rationale for the question as regards the strategy**

189. Both the Treaty of Maastricht and the Cotonou Agreement stress the need for co-ordination, coherence and complementarity of EC development support. This is consistent with concerns to promote country ownership of policies and programmes as well as with recent moves towards budget support and SWAPs. It is therefore important to assess how the ‘3 C’s’ (co-ordination, coherence and complementarity) are implemented in Malawi and the role of the EC therein.

**Observed development in the indicators for the judgement criteria**

**JC 11.1 - Donor co-ordination mechanism are in place at different levels**

190. Partly facilitated by the limited number of donor agencies present in the country, co-ordination generally works relatively well. It operates through a range of sectoral or thematic donor co-ordination mechanisms, with varying levels of intensity and effectiveness. For instance, the CABS has been an effective tool for the co-ordination of macro-financial support, less so the group on agricultural development under MASIP. This co-ordination, in turn, has helped to promote donor complementarity, mainly through specialisation, task division and joint action in different sectors. On the whole, the EC is perceived to be a committed and constructive player in policy co-ordination and in the search for greater complementarities, although staff limitations prevent it to invest meaningfully in all relevant groups. The progression towards the adoption of genuine SWAPs is slow and limited, mainly because of a less than conducive overall political and institutional environment (for example, poor governance, limited government ownership of policies, capacity constraints). While the health sector is moving towards a SWAP, efforts in other sectors have at best resulted in a fairly consistent ‘Sector Investment Programme’ (for example, in the road sector where the main donors, including EC and the World Bank work together in the framework of the Road Maintenance Initiative). At the other extreme is the agricultural sector, where years of attempts to create a common approach have failed to ensure coherent donor responses.

**JC 11.2 - Internal co-ordination at the level of the EC is strengthened**

191. At the day-to-day level, internal co-ordination mechanisms exist within the EC Delegation, where an open, informal working culture seems to prevail. However, staff and time constraints have prevented the Delegation so far to put in place a more systematic and institutionalised approach to strategy development and programme management. Confronted with the need to manage a relatively huge portfolio with limited human resources (before deconcentration) and with an NAO Office that functions less than optimally12, the EC Delegation has made a deliberate choice to concentrate its efforts on the effective delivery of its ‘core business’. While such a pragmatic approach seems a most legitimate choice under prevailing conditions, it also leads to important gaps in the overall EC response capacity. Thus, little time is available for strategy development and/or adaptation in key areas of direct concern for the EC (for example, macro-economic support, governance, institutional development). There is also limited capacity to develop appropriate linkages between EC supported programmes; to systematically focus on cross-cutting issues; to develop adequate responses in ‘new’

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12 Plans to upgrade its capacity have been on the table for a while but no agreement was reached so far on action to be undertaken.
policy areas (for example, decentralisation, support to non-state actors); to ensure that the appropriate tools are in place for a systematic follow-up of strategy and NIP implementation in terms of both financial performance and achievement of planned physical results; or to build cost-effective internal systems for managing knowledge and learning.

192. Internal co-ordination between EC Delegation and headquarters could also be improved at both strategic and management levels. Thus, the point was made that policy guidance received from Brussels on the challenge of working with non-state actors tends to be of a generic nature and easily falls into the ‘one-size fits it all’ category. In management terms, fears were expressed at field level that some of procedural changes introduced in the context of the ongoing EC reform, may actually reduce the scope for Delegation staff to intervene in a truly strategic, flexible and effective way in supporting governance reforms or non-state actor capacity building. This perception is not necessarily shared at the level of the EC headquarters. The problem is not seen to lie with the procedures but with a capacity to use them properly and creatively.

**JC 11.3 - There is complementarity between Commission and Member States contribution**

193. There is ample evidence of effective complementarity between the EC and Member States at a strategic level (for example, common stance on budgetary support); in terms of sectoral task division (while the EC decided to phase out Health and concentrate on Transport and Food Security/National resources, Germany subsequently decided to do exactly the opposite); as well as in terms of joint programmes, basket funding or pooling of TA resources. This results in a fairly adequate coverage of all sectors – except secondary education, where a gap has been created after the withdrawal of the Danish Agency for Development Assistance (DANIDA). Gradually, a culture of dialogue and sharing of CSPs, programme proposals and thematic evaluations seems to develop. The tradition of donor co-ordination and related search for task division facilitated the interpretation of the matrix for the CSP. Hence, the decision to remove from the health sector was partly based on instructions from headquarters (two focal sectors), partly on the assessment that other donors provided sufficient coverage. Complementarity could, however, be improved in ‘new’ policy areas.

**JC 11.4 - The Commission has ensured the overall coherence of its interventions**

194. The Cotonou Agreement calls for a stronger articulation between the instruments of aid, political co-operation and trade with a view to improve overall effectiveness and impact. The EC Delegation is very conscious of the need to reinforce the political dimension of co-operation with the Malawian government. So far, it has mainly exercised leverage through informal influencing and expressing a ‘critical voice’ on key issues (for example, the conditions for budget support, the ‘third term issue’). The EC seems well placed to play a more pro-active role in political dialogue, taking into account its perceived neutrality (compared to Member states) and mediating capacity. Yet there is lack of overall support among EU Member states for a more pronounced EC lead role. Furthermore, the EC Delegation itself, as currently staffed, is not in a position to deal in truly systematic way with political issues. The articulation of EU trade policies appears to be very limited at this stage, partly as a result of endemic trade capacity constraints in the Malawian government. The recent CSP and NIP do not provide a coherent strategic response to this major gap.

195. Synergies between the three instruments seem to be driven by political events (for example, the ‘third term issue’) and ad-hoc actions (for example, capacity support for trade negotiations) rather than by the existence of effective mechanisms for dialogue and strategic planning among different EC services. The limited strategic and operational linkages between political co-operation programmes

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13 Effective programmes in support of governance and non-state actors, require time, experimentation, a capacity to follow process approaches to implementation, as well as risk-taking. Both types of programmes tend to be very labour-intensive; to consume few resources and to be characterised by slow disbursement rates. All this may not be evident to reconcile with procedural changes aimed at reducing the role of PMUs; promoting a generalised use of the instrument of the Call for Proposals; increasing the size of the project budgets; and speeding up disbursement rates.
supported through the EDF and the EC budget lines (for example, democracy, human rights and the rule of law) provides a good example of this lack of synergies.

**Conclusions**

196. The EC has been committed to promoting donor co-ordination and complementarity through a variety of means, including donor specialisation, task division, joint action, pooling of TA resources and delegation of implementation responsibilities to EU Member states agencies (for example, GTZ). This has facilitated the elaboration of its own CSP and related choice of focal areas. While governance conditions in the county are hampering the move towards genuine SWAPs, there are examples of consistent Sector Investment Programmes. However donor disagreement has a long history in some key areas (for example, in the agricultural sector). The EC delegation is keen to strengthen its overall capacity to develop strategies (including in ‘new’ policy areas); to integrate cross-cutting issues or to promote linkages between its programmes, but lacks staff and time to do so properly (including to develop the adequate tools and mechanisms for this). Partly for the same reasons, there has so far also been a rather limited search for a close articulation between aid, political co-operation and trade.
3.4. **Effectiveness in Addressing Cross-Cutting Issues**

### 3.4.1. HIV / AIDS

197. Malawi has one of the highest HIV infection rates in the world, touching most severely people in the productive age of 15-49 years. Despite the significantly increased awareness of HIV/AIDS in recent years, many thousands continue to become infected each year. The increasing burden of chronic illness and death is jeopardising development efforts. This is additionally reflected in the projection of reducing life expectancy at birth (from currently 39 years to 33 years by 2010), which if not reversed, will negatively affect past and current investments in human capital development.

198. This situation is clearly recognised in both the SP 1996 and the CSP 2002 as well as project specific documentation. Specific reference is made to the need to include measures to prevent the spread of HIV/AIDS (through training, awareness campaigns, etc), but little action has taken place so far. The papers make no mention of dealing with the massive impact, on all sectors, created by AIDS-related illness and death. Of the interventions analysed in detail by this evaluation, almost none has dealt with HIV/AIDS as a cross-cutting health or human resource issue, to the exception of the NICE Programme, which seeks to link civic education with key development challenges, affecting the life of ordinary citizens. It has directly targeted HIV/AIDS as one of the five priority themes for the work of NICE districts across the country. A wide range of activities has been undertaken in this cluster. This multi-dimensional approach suggests that the issue is increasingly dealt with as a cross-cutting concern, linked to other challenges (for example, food diversification, income generating projects, etc). Additional training has been provided through NGOs in some other projects, but occurrence remains isolated and insignificant on a larger scale. The Commission-financed HIV/AIDS information project was reported to have contributed to the relatively high awareness of the infection in Malawi, but documentation was not available for analysis and most of the personnel linked directly to the project were not around for in-depth interviews, so this cannot be verified.

199. In a regional perspective, an HIV/AIDS Strategic Framework and Programme for Action 2000-2004 has been developed through SADC recommending a sector approach and COMESA has stressed the need to combat the spread of the disease. But the lack of a regional policy agenda needed for their implementation is a serious hindrance. Where actions must continue on a sectoral basis, the Transport Infrastructure Sector (TIS) is seen to have a huge potential for HIV/AIDS. However, little has so far been done to programme these prevention measures through the vector of transport sector interventions (ref. EQ 6, JC 06.5).

### 3.4.2. Gender

200. Inequalities between men and women in Malawi are still clearly apparent in all sectors – unequal access to land, education and basic services, representation of women in public institutions (more than 90% being occupied by men) and managerial, decision-making positions. With poverty in Malawi increasing in recent years, these disparities have become even more apparent. They are most persistent especially in agriculture (where women represent more than 70% of the working force and contribute to more than 85% of agricultural labour, but continue to have extremely limited access to agricultural extension and training), employment and access to health.

201. Despite this bleak situation, and the wide recognition that poverty reduction depends to a large extent on the empowerment of women, gender issues have been addressed only indirectly in the Commission’s interventions. That is to the extent to which a proportion of the final beneficiaries of projects (in community based resource management, or improvement of conditions of major and feeder roads in rural areas) are expected to be women. To date very little has been done to directly address rural accessibility despite the fact that some 85 percent of the population live in rural areas.
Gender issues have so far been addressed with varying levels of success and in ways that acknowledge to a different extent the cultural traditions and their limitations (i.e. insisting on increased women representation in mixed village committees, where women are rapidly sidelined, whereas they discuss critical issues freely and make decisions openly in an all-women milieu). Similarly, few of the major interventions in the health sector have dealt explicitly with gender issues and those that have, have limited it to encouraging the appointment of female staff at different levels. Implementation of the new land policies and legislation has the potential of a significant impact on the status of women and is supported by the Commission, but only recently.

202. Gender issues have been addressed directly, as a self-standing set of activities, and not as a cross cutting issue, in a number of interventions. These include making credit lines available for supporting women entrepreneurs, (through the Micro-Projects programme) providing assistance to vulnerable groups (especially pregnant and lactating women), and encouraging the private sector’s involvement in the provision of sexual and reproductive health services nation-wide. Gender issues have also been a thematic priority of the NICE programme, albeit less prominently than HIV/AIDS. The mid-term review of NICE (February 2003) recommends incorporating gender issues in all activities of the programme as a cross-cutting theme.

3.4.3. Environment

203. The basic cause of the degradation of environment in Malawi is poverty. Lack of or minimal access to land and constantly reducing agricultural productivity has forced the rural poor to heavily rely on natural resources and exploit them for survival. In response to this situation, community based management of natural resources has been introduced alongside different mitigation and damage control measures with significant results being achieved (see also EQ 4).

204. However, results are more mixed where environment has been considered as a horizontal issue across sectors. A number of Commission funded interventions outside the natural resources sector have encouraged reduced use of wood for fuel and investment in tree planting for sustainable fuel wood and timber supply, established village forestry funds and nurseries; and put together small-scale irrigation schemes (MPP and PWP). Endeavours towards reduced mono-cropping and increased diversification and rotation of crops for promoting soil fertility and reduce erosion have been sustained, however with little significant outcomes so far. Mainstreaming environmental issues in the transport and health sector interventions (where continuous runoff causes erosion or pollution, or disposal of hazardous wastes are detrimental to the environment) is neither the norm yet in national programming or in regional indicative programmes.
4. GLOBAL EVALUATION OF THE COMMISSION’S STRATEGY: OVERALL CONCLUSIONS

4.1. SUMMARY OF THE COMMISSION’S OBJECTIVES

205. The overriding objective of the Strategy for 1995-2000 is support to the Government policy of poverty alleviation to be achieved through:
   • national and household food security, and
   • the establishment of a stable macro-economic framework conducive to private sector development.

206. Complementary to these main objectives were actions in -
   • natural resource management, with specific objectives being:
     ‣ efficient and equitable use of land through proper land policies,
     ‣ sustainable management of forest resources,
     ‣ promotion of appropriate food crops.
   • health, with specific objectives being:
     ‣ strengthen the implementation and co-ordination capacity of central and peripheral levels of government,
     ‣ improve health services at district level,
     ‣ increase awareness and improve service delivery on prevention of sexually transmitted diseases, family planning, and mother/child care,
     ‣ improve sustainability of investments through maintenance programmes,
     ‣ ensure adequate budgetary resources for priority services.
   • transport infrastructure, with specific objectives being:
     ‣ creation of an efficient institutional and legislative framework for road maintenance funding,
     ‣ completion of road/rail connections to Malawi’s external borders,
     ‣ improvement of the Nacala rail corridor,
     ‣ ensure sustainability of previous EDF investments.

207. In addition the Strategy emphasised a priority purpose of the assistance being strengthening the transitional process towards a fully democratic society by means of developing viable democratic institutions and economic empowerment of the people.

208. The CSP for the period 2001-2007 maintains the overall objective as to support the Government’s poverty reduction efforts through interventions in:
   • agriculture & natural resources,
   • transport infrastructure (focusing on road maintenance).

209. Macro-economic support would be provided with the purpose of improving Malawi’s macro-economic stability and implementation of the priority policies chosen.

210. In the non-focal areas, continued assistance will be directed towards:
   • micro-projects programme,
   • civic education in support of democratisation process,
   • support to non-state actors, in particular for capacity building.

211. Furthermore, the EIB will focus on finance for SMEs, power and water infrastructure and large projects in, for example, agro-industry, tourism and mining.
4.2. **Achievement of the Commission’s Strategic Objectives and Effects of Commission Interventions on the Observed Developments**

4.2.1. **National and Household Food Security**

212. Food security at national level does not show signs of improvement. Food crop production hardly keeps pace with population increases and management of the Strategic Grain Reserves has been far from adequate. Consequently, the country had to turn to the donor community for substantial support during recent crop failures. Access to food in the rural areas is improving only to the extent that food production locally is improving and allowing retention for home consumption, but that is hardly a general trend and largely a result of unsustainable hand-outs of seeds and fertiliser (mainly funded by donors). Rural areas are served by a decreasing number of small traders and dominance of the grain market by large traders has created monopolistic characteristics leading to increasing margins between maize prices at harvest and during the ‘hungry’ season. Attempts to create income for the poorest rural population strata are successful where implemented, but does not cover the entire country and is unsustainable.

213. The Commission has in the past engaged itself in many, often very substantial, interventions, but without adequate preparation and monitoring. Insufficient time has been allowed for institutional development and sustainability has suffered across the board. Effects of the interventions have at best been short term (though in some cases quite substantial). The interventions therefore bear more resemblance with a humanitarian relief approach that with sustainable development. The re-orientation of the MAFSP in 2002 offers potential for future improvements in institutional capacity building and sustainability.

4.2.2. **Natural Resources Sector**

214. It is impossible to assess the global development in soil degradation and forest recovery during the period under evaluation due to the long periods needed for natural resource recovery and the difficulties in collecting the appropriate information. In project intervention areas, however, results are promising. There are encouraging indications of smallholder crop diversification over the past 5-10 years, but at a relatively small scale except for smallholder involvement in burley tobacco. Agriculture therefore remains focused on maize as the dominant food crop and tobacco as the main cash and export crop. A new land policy has been formulated which has the potential to promote efficient and equitable land use. Implementation of the policy is yet to be initiated.

215. The Commission has supported some substantial interventions in the sector, such as PROSCARP, SFTE and to a lesser extent the PWP, which have all shown promising results within the specific target areas. No effective means have yet ensured that those results are spreading to other areas. Only recently has the Commission become actively involved in supporting land policy implementation as earlier stages of this work were supported by other agencies.

4.2.3. **Health Sector**

216. With significant exceptions such as tuberculosis, the indicators for major health conditions are at very poor levels. Some have deteriorated in recent years. HIV prevalence is among the highest in the world, with AIDS-related illness and death having significant impact on human capital. Maternal mortality appears to have doubled during the last decade. In this broader context, access to effective health care has improved only in localities where externally-funded facilities have increased their services. Where such facilities have depended on government inputs such as staff and supplies, even those services have suffered. Service effectiveness is undermined by lack of health personnel (running at 50% of establishment), poor communications, and irregular and inadequate supplies of drugs and
other supplies. Planning ability has improved, but will be put increasingly to the test as health service management is decentralised.

217. The portfolio of projects in the health sector has been insufficient for making a significant contribution to achieving the Commission’s strategic objective in health. There appears to have been a mismatch between the level of ambition in the strategic objective and the effort put into achieving it. In particular, the Commission did very little to address seriously the human-resource development issues. It is too early to see signs of the impacts of the two most important projects funded by the Commission, but they have potential to contribute to better health for poor people if the MoHP and its service-delivery partners (mainly in civil society) are able to continue implementation of the sector reforms. Of the major interventions in the sector, the HSRD project has been effective in developing management abilities and systems, which should have indirect effects on improved access to health care.

4.2.4. Transport sector

218. There have been significant changes in sector institutional and legislative frameworks, privatisation and deregulation, although decentralisation and revised roles for line ministries have not yet been resolved. Commission interventions have had a crucial impact upon developments through studies and proposals for change together with direct support to the change process and to the new institutions and initiatives. However, changes are not complete and the new institutions are as yet fragile with continuing resource problems and subject to political interference in due processes. Road sector regulation remains weak with little enforcement of road safety or axle loading and although there has been reasonable action on harmonisation of legislation and standards with regional and international norms, implementation and enforcement of revised norms is somewhat patchy.

219. Road Fund revenues are already insufficient for budgeted needs for routine maintenance of the maintainable part of the core road network which is about half of the gazetted road network and comprises mainly the surfaced, higher category roads, thus ignoring the rural feeder road network. Road network maintenance as a whole is not proven to be adequate or sustainable even for the current maintainable network. Sustainability will not be achievable without increased fuel levies as committed by the Government – these commitments have not been fulfilled over the past two years - and the business plan for NRA to extend routine maintenance to the core network requires increasing fuel levies by a factor of 3 over the coming five years. Specific interventions of rehabilitation and backlog maintenance have, however, resulted in improved condition of the paved major road network, but EC interventions have not impacted significantly on wider routine maintenance through the promotion of adequate recurrent funding as well as effectiveness and efficiency of expenditure management.

220. Access to regional and international markets has been achieved through improved corridor conditions, with most of this improvement due to actions outside Malawi. The Nacala Corridor, arguably the most crucial of all corridors, remains dysfunctional. Commission interventions have helped in completing road connections to Malawi’s borders, whereas interventions in the railways sub-sector have been absent. The Commission has also assisted in improvements to Malawi’s (road) corridors to the sea, though the impact of improving the Northern Corridor to Dar es Salaam and the Tete/Beira Corridor has not been significant. Little has been done to improve the Nacala rail corridor, in spite of this being a specific sector objective of the 8th EDF strategy and NIP.

4.2.5. Establishment of a stable macro-economic framework conducive to private sector development

221. Creation of an environment conducive to private sector investment, employment creation and trade has made very limited progress since 1995. In some areas it is fair to say that conditions have deteriorated since 1999 (for example, interest rates and foreign reserves) and in fact domestically financed capital investment has basically ceased. International trade patterns have hardly changed,
whether measured in composition of export products or destination of exports. Only, Malawi has become more dependent on RSA for its imports and foreign capital inflows.

222. This main objective, attached to the macro-economic instrument, has clearly not been achieved, though there are signs of progress in a few areas such as control of inflation and Commission budget support is likely to have contributed to that. The Commission’s other interventions in trade and private sector development have achieved successes in a number of specific but secluded areas, but often, where results have been delivered, broader impact has failed due to other more important factors (for example, excessive interest rates and RSA’s importance in trade policy and capacity as opposed to Malawi’s achievements in participation in regional trade arrangements). This points to the need for having fewer, but clearer strategic objectives and for a more selective use of instruments.

4.2.6. Strengthening the transitional process towards a fully democratic society

223. Since the demise of authoritarian rule, a basic democratic fabric has been formally put in place in Malawi, including all traditional ingredients (for example, a progressive constitution, election processes, supervisory bodies). However, all indicators suggest that the democratic transition is lapsing. Some progress has been achieved with civil society participation in policy processes (particularly through the PRSP process). However, the new openings for dialogue co-exist with restrictive Government attitudes towards an autonomous civil society sector. The evolution of indicators also point to a serious decline in governance and overall public sector performance (including lack of fiscal discipline; high levels of corruption; lack of effective accountability mechanisms). The potential of democratic decentralisation as a vehicle for enhancing citizen participation as well as accountability is recognised in the MPRSP. The devolution of functions to districts is planned, yet the process is still in its early stages.

224. During the period under review, highly relevant pilot projects were supported by the EC in the field of civic education (NICE) and the justice sector (Rule of Law programme). While promising results were achieved (particularly with NICE), the interventions are not part of a broader, well-defined and coherent strategy. Furthermore, the EC has not yet developed a clear strategy on how to support civil society acting as an agent of democratisation or on how to engage in the ongoing decentralisation process. These gaps threaten the sustainability of the projects and contribute to a major tension between EC ambitions (as reflected in the SP 1996 and CSP 2002) and effective action in these areas. The absence of a strategic framework becomes more acute as the political situation deteriorates.

225. EC direct involvement in promoting good governance (at central and local level) has been limited so far. However, it has sought to incorporate governance concerns in focal areas of intervention. It has also increasingly adopted a critical stance in political dialogue with Government or in the CABS. The scale of the governance crisis in Malawi seems to condemn the EC (like other donors) to rethink its overall approach and to give governance a central place in future co-operation strategies.

4.2.7. Overall reduction of poverty

226. The Commission has consistently had as its main strategic objective the support of the Government policy on poverty alleviation, reduction and eventual eradication. Data available to support any conclusions regarding alleviation or reduction of poverty in Malawi does not offer a clear picture of any trends. Different sources often come to conflicting conclusions. Overall, the national income per capita has increased by only 1 percent per annum since 1995, with recent performance being even less. However, developments in income distribution and in the status of the most vulnerable groups are not known. Indicators of well-being and social services show trends in different directions, the positive changes often triggered by aid funded subsidy programmes (cash, food or
inputs). Overall, it appears unlikely that poverty in general has been reduced on a sustainable basis during the period.

4.3. EFFECTIVE AND EFFICIENT USE OF MEANS

227. Choice of instruments and modalities has for the most part been adequate for the intended purpose, with a few major exceptions being the Nacala Corridor, Structural Adjustment Facility and EC Food Security Budget Line. Trade co-operation has been virtually absent except for sugar, and the EBA initiative is unlikely to have any impact in Malawi until 2007. (see Section 3.3.1).

228. While the Commission’s programme in Malawi expanded rapidly after 1995 to become one of the largest in ACP countries, the capacity of the Delegation did not increase correspondingly. The establishment of a NAO support unit is likely to relieve this constraint and should be implemented with adequate resources as soon as possible (see Section 3.3.1).

229. Limited direct involvement of the Government and the civil society in the process of strategy formulation has resulted in marginal local ownership. Local ownership has been more successful in terms of local institutional involvement in implementation of Commission interventions. This achievement is, however, at risk due to the serious human resource capacity constraints, in the public institutions (see Section 3.3.2).

230. Donor co-ordination and complementarity has facilitated the elaboration of the Commission’s CSP and related choice of focal areas. While governance conditions in the county are hampering the move towards genuine SWAPs, there are examples of consistent Sector Investment Programmes. However donor disagreement has a long history in some key areas (for example, in the agricultural sector). The EC delegation is keen to strengthen its overall capacity to develop strategies, to integrate cross-cutting issues or to promote linkages between its programmes, but lacks staff and time to do so properly. Partly for the same reasons, there has so far also been a rather limited search for a close articulation between aid, political co-operation and trade (see Section 3.3.3).

231. Cross cutting issues (mainly HIV/AIDS, gender and environment) are not systematically integrated in projects and programmes. They often only receive mention rather than being substantively addressed and tackled through specific measures. Much remains to be done for further developing and institutionalising mechanisms, that will enable a systematic integration of cross-cutting issues in the overall programming and implementation of Commission’s interventions (see Section 3.4).

4.4. OVERALL ASSESSMENT

232. The Government has in most areas formulated comprehensive policies, which have been taken fully into account in preparation of the Commission’s programmes. However, those government policies are often not enforced and implemented as stated. As a result the effectiveness, impact and sustainability of the Commission’s interventions have been undermined.

233. The overall achievement of project results among Commission interventions is quite mixed. As these results are achieved within a national context in which Government’s stated policies frequently remain unimplemented or ignored, much of the expected impact has failed to materialise. The most successful interventions in terms of potential achievement of sustainable overall impact are found in areas with limited reliance on government service delivery (such as community based natural resource management and civic education).

234. Sustainability of interventions is seriously at risk in most intervention areas, due to very limited public resources, poor fiscal and inadequate public financial management as well as poor
accountability. As the revenue effort in the monetarised part of the economy is already quite respectable, such higher levels of growth are required to increase the potential for enhanced revenue collection. In this environment, continuous large scale external funding tends to substitute Government recurrent expenditure, rather than create true development. Achievement of the overriding goal of poverty reduction remains elusive.

235. Malawi’s development process is increasingly trapped in a vicious downward spiral: a faltering democracy, a rapidly eroding basis for sustainable development, institutional decline as well as growing difficulties for donor agencies to properly spend and account for aid resources despite huge needs in one of the poorest countries in the world. As a result, Malawi has become highly vulnerable and conflict prone. At the heart of this evolution lies a deep crisis of governance, as evidenced throughout this report. This deficit in governance undermines the democratisation process, reduces the scope for an effective fight against poverty, affects all sectors of co-operation and jeopardises future development prospects. This reality needs to be reflected in a much stronger, open and coherent way in the overall EC response strategy.

236. The Commission therefore seems condemned to adopt a much more pro-active, strategic and comprehensive approach in addressing both its poverty agenda (as the central objective of co-operation) and the governance crisis (as a pre-requisite to achieve sustainable impact in poverty reduction). This need is fully recognised at the level of the EC Delegation. A way forward for the EC (as for other donors active in Malawi) will be to define new, creative strategies to engage constructively with a ‘difficult partnership’14, so as to achieve progress in relation to fundamental objectives of its development co-operation.

14 In this context, reference can be made to the joint Working Group of DAC, World Bank and UNDP on co-operation strategies with difficult partnerships, also called LICUS countries (Low Income Countries under Stress).
5. RECOMMENDATIONS

5.1. MAIN RECOMMENDATION

237. In a situation where the governance issues constitute a major hindrance to achieving sustainable social and economic development, continuation of the co-operation along the lines of the current country strategy is not advisable, as it is unlikely to lead to the ultimate goal of poverty reduction. The Commission will have to make a choice of which path to follow in its future co-operation with Malawi. [see 232-236]

238. The Evaluation Team has considered two options:

a) To continue co-operation within the currently planned scale by engaging the Government in solutions to the governance problems and making this the overarching theme of the country strategy;

b) To continue co-operation on a reduced scale focusing on assistance of a humanitarian nature.

Option (a) – Good Governance as the Overarching Theme of the CSP

239. The first option would be to engage the Government in a comprehensive dialogue on governance issues and jointly identify solutions to the problems that would appear realistically achievable and have a reassuring level of potential impact. This would require that the CSP be reoriented to have good governance and accountability as its overarching theme (across focal and non-focal areas). This theme would be in support of, and not as a substitute for, the overriding objective of poverty reduction.

240. Rather than being a separate and relatively minor component of EC support, governance should be placed at the centre of all co-operation programmes as both an end in itself (across sectors) and a means (to achieve impact and sustainability). This implies a major shift in the CSP in terms of focus on political dialogue, a rights-based approach to development; a choice and use of co-operation instruments as well as design of programme interventions. The Cotonou Agreement provides an adequate framework for such a governance approach to development co-operation, as it reflects a much more political approach to partnership than the preceding Lomé Conventions (which were mainly based on an economic approach to development). This is amongst others reflected in the introduction of a performance-based partnership and related mid-term review process.

241. Maintenance of the current financial envelope for the programme could be justified on the grounds that realistic solutions were being identified and implemented by the Government. Initiation of major new investments and disbursement of budgetary aid would have to be tied closely to progress on implementation of the governance improving measures, but should remain in the Indicative Programme, so it is available as an incentive to be disbursed in line with actual progress. Importantly, reallocation of the budget aid provision to projects in the focal sectors, as indicated in the CSP/NIP, should by all means be avoided, as this would aggravate the project sustainability concerns.

242. The Commission must realise that this approach will require: (i) substantial staff reinforcements at the Delegation to deal with time-consuming and sensitive governance issues, (ii) close collaboration with Member State representatives in the country on those issues, and (iii) flexibility in use of financial instruments in support of democratic governance. The Commission must also be prepared to accept risks (for example, of no tangible results in the short term) and be prepared for potentially slower disbursements (because governance is not a sector that itself quickly consumes

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15 One suggestion received was to ‘park’ the amount for macro-financial support in the B-envelope of the NIP, so it will be available when conditions are right, while not immediately programming it.
large sums of money and because resolution of governance issues justifying new investments in other sectors may take time to get in place).

243. For this option to be viable, the Government, on its side, must commit itself to work with the Commission (and the donor community at large) to resolve the governance issues. It will also have to ensure that the EDF programme management capacity, particularly at NAO level, is enhanced to handle this large and complex co-operation programme. The Government would have to consider that committing itself to those conditions for option (a), without being able to deliver, could reduce the level of assistance further than would be achievable in option (b).

Option (b) - Continue Co-operation on a Reduced Scale

244. A more cautious approach would reduce the financial envelope of the programme and reorient its utilisation. Investment in improved infrastructure and new institutions do not make sense, if the funds necessary to operate and maintain the facilities and institutions are unavailable. Using aid funds to temporarily finance such recurrent costs is not an advisable approach, when budgetary funds from domestic resources are being allocated insufficiently for pro-poor activities, and when macro-economic mismanagement hinders the economic growth that would justify investment in economic infrastructure and provide the revenue basis for financing recurrent social services and infrastructure maintenance.

245. Due to the high degree of poverty in Malawi and the related human suffering by a large proportion of the population, assistance either of a humanitarian nature, without major sustainability concerns, or implemented and sustained by community based organisations and other non-state actors, would still be justifiable. Such assistance would need to be targeted directly at the most vulnerable groups and at operations unconnected with direct or indirect government budgetary funding, the latter in order to avoid fungible effects. Interventions such as the targeted food aid, the Public Works Programme, a reoriented Micro-Projects Programme, community based natural resource conservation, the NICE programme, HIV/AIDS awareness campaigns through non-state actors and possibly a savings-based and privatised rural credit system would all fall in this category. Interventions such as major trunk road upgrading and rehabilitation, financing of the strategic grain reserves, hospital construction and budgetary support would not be justifiable under this approach.

246. The extent to which the financial envelope would need to be downscaled would depend on a careful assessment of the scope for financing the type of interventions first listed. Ability to: (i) effectively target the needy beneficiaries, (ii) enhance management capacities and outreach of ongoing programmes as well as (iii) identify non-state actors to implement programmes would be the decisive factors.

247. To continue co-operation on a reduced scale would be the least risky option in terms of accountability for funds and impact and sustainability of interventions. It is also the one that most easily would match with constraints in human resource mobilisation within the Commission. It would on the other hand immediately remove the incentives for improved Government performance, as provided by the Commission programme (for example, through the budgetary aid instrument) and reduce the Commission’s assistance to development of democratic watchdog institutions. As there are signs of some steps in the right direction and potential for more radical changes in Government’s approach following the 2004 elections, however, there is a substantial risk of missing an opportunity to promote change in Malawi.

Choice of Option

248. Both the Commission and the Government in principle are likely to choose to continue on the basis of option (a). However, both parties must carefully assess if they willing and capable of fulfilling the basic conditions for successfully implementing that approach. Should this not be the case, it should be in the best interest to deliberately choose option (b), which would then represent a more predictable flow of assistance. The Mid-Term Review of the CSP in 2004 is an opportunity to
take the decision on the approach to follow. The time available until that event should be used by the Government and the Commission to realistically consider if the assumptions for successful implementation of option (a) exist, and the more detailed content of a revised programme under option (b).

1. The evaluation team has decided to proceed with its recommendations for a reorientation of the CSP on the basis of option (a), well aware that it is based on a spirit of trust in the Government’s intentions to improve its governance record. Consequently, the approach may be considered high-risk, as also expressed by the CABS-group in its decision to proceed in principle with budget support at the 2003 annual review. Also the willingness of the Commission to provide adequate staff resources and flexibility in the use of financing instruments is associated with important risks.

5.2. SUPPORTING RECOMMENDATIONS

5.2.1. Governance at central and local level

2. The quality and impact of political dialogue with the government should be enhanced. Building on past efforts, the EC should seek to engage more systematically in a political dialogue with Government as well as with other relevant institutions or actors (as foreseen in Article 8 of the Cotonou Agreement). This dialogue could also facilitate the identification of relevant conflict prevention strategies (as foreseen in Article 11 of the Cotonou Agreement). Effective action in this area may also depend on the willingness of EU Member States to back a stronger EC role in political dialogue. [see 223 – 225]

3. Support country-led assessment processes on governance, amongst others through dialogue with all relevant stakeholders. This may facilitate the joint identification of priority areas of intervention as well as adequate implementation approaches. Potential key areas of support include ‘public finance management’, ‘capacity building for governance’, ‘development of civil society’ and ‘democratic decentralisation’, with strong links between them. While objectives in public finance management should be pursued primarily through the macro-financial instrument, objectives in the two latter areas should be pursued through long-term direct institutional support and incorporation into the focal sector programmes. [see 230]

4. Opportunities to improve governance at local level should be better exploited. Even if the EC decides not to provide direct support to the decentralisation process, it should try to promote, in a more pro-active and systematic way, improved governance at local level through its ongoing development programmes and instruments (NICE, MPP, PROSCARP, PWP). This means helping local governments to play their constitutional and legitimate role in local development processes; promoting joint action between local governments and civil society; using co-operation instruments (such as the MPP) to nurture participatory processes at local level as well as to increase transparency and public accountability. [see 215, 216, 223, 225, 229]

5. The Rule of Law Programme should be expanded and gradually embedded in a sector wide approach. After a difficult start, this programme has adopted a promising implementation approach (including a strategic and participatory planning of institutional development priorities). This has led to greater ownership while ensuring first visible gains. This pilot programme should now, as planned, be integrated in a broader strategic framework. This means promoting the effective implementation of a sector-wide approach in the legal sector; improving dialogue with government; moving beyond the narrow focus on capacity building to also include genuine governance reforms; ensuring the participation and strengthening of civil society (watchdog) organisations; and adopting a more result-oriented, responsive approach to managing the resources involved. [see 223, 224]
5.2.2. Democracy, human rights and civil society

(6) Civil society and private sector participation should be mainstreamed in the CSP. Particularly in countries with limited democratic consolidation and major governance problems, it seems key to fully exploit the potential of Non-State Actors (NSAs) as ‘change agents’ as well as alternative providers of services. Enhancing the capacity of non-state actors to express voice, to demand accountability (to local and central governments) and to participate in policy is a key element of a comprehensive poverty reduction strategy. Therefore, the EC should take steps in the immediate future to define a comprehensive and coherent strategy towards civil society (across sectors), making use of all possibilities offered by the Cotonou Agreement. Such a strategy should duly take into account the major weaknesses that also affect non-state actors in Malawi (for example, capacity, funding, legitimacy, governance, limited structuring into representative bodies, etc.) A review of the CSP, in connection with the 9th EDF Mid-Term Review in 2004, should be preceded by comprehensive dialogue with the different families of non-state actors (including business sector interest organisations). It is also recommended that the EC would facilitate, in collaboration with other donor agencies, a strategic ‘mapping’ and institutional analysis of non-state actors in Malawi. This should provide a better of understanding of ‘who is who’ in the hugely diversified and rapidly evolving world of NSAs. It may also help to devise realistic (institutional) support strategies. The envisaged programme in support to non-state actors should include a major component aimed at strengthening civil society as a ‘sector’ (for example, improved governance and structuring of civil society; mechanisms for dialogue between civil society actors; support to networking; capacity support to enter into dialogue with government, etc.). [see 223 – 225]

(7) Options for a strategic EC support to the decentralisation process should be clarified. Considering the potential of properly enabled local government to provide an institutional framework for local development (including poverty reduction, service delivery, citizen participation, and accountability), the EC is well advised to clarify its strategic approach to the ongoing decentralisation process. However, the possible nature and scope for EC support to the decentralisation process (and related devolution of functions) should be carefully assessed. In the particular Malawi context, the decentralisation process appears very fragile and full of (potential) pitfalls. District Assemblies will need substantial additional staff capacity in terms of administrators, planners, accountants etc., which already with a centralised system are in very short demand (and worsening in the medium term future). Simultaneously, accountability of District Assemblies will require either strong supervision from a central government, itself marred by serious governance problems, or from a vibrant and assertive local civil society, which is largely non-existent at this stage. Hence, building on the efforts done by other donor agencies, the EC could concentrate its support to effective decentralisation, at least in an initial phase, in pursuing good governance at central level and promotion of an active civil society at grassroots level. Simultaneously, the EC will have to decide a consistent strategy on how to deal in the meantime with decentralisation issues in its development programmes, which in many cases interface with district level administration. [see 229]

(8) Gains obtained with EC supported initiatives should be consolidated by moving away from “project approaches” to broader forms of strategic support. This means ensuring the institutionalisation of NICE (as a long-term process); better using the Micro-projects programme as a tool for political empowerment as well as support to effective decentralisation (by ensuring stronger links between the micro-projects and local governments); and adopting a ‘rights-based approach’ to development co-operation across sectors and themes. [see 230]

5.2.3. Food Security and Natural Resources

(9) Simplify the Intervention framework to focus on fewer and more clearly defined results. The CSP intervention framework for the natural resource and food security sector should be re-
visited in order to reduce the number of planned results (presently 21), be more focused and set specific targets and benchmarks.  [see 213]

(10) **Continue technical support to important reforms in the sector, while linking financial support to progress on relevant governance issues.** The important interventions in this respect are (i) implementation of the land reform, (ii) institutional support to strengthening of SGR management and (iii) establishment of a rural micro-credit system under the Restructured APIP. The former may not need much financial assistance it has strong links to important governance issues in terms of protecting smallholders and particular gender-related inheritance aspects of importance for vulnerable groups. Substantial financial support has been provided to the SGR, but with poor accountability and uncertain developmental impact due to unclear government policies on government grain market intervention, separation of responsibilities between NFRA and MOAI, and the role of ADMARC. Clarification and subsequent implementation should be required as a basis for further financial support. The viability of rural micro-credit will be linked to developments in the domestic financial market and therefore to macro-economic stability. Financial support should therefore be conditional on improvements in this respect. [see 212, 221, 222]

(11) **Work with the Government and other donors in establishing a coherent approach to agricultural productivity promotion.** More intensive co-operation between donors could be instrumental in fostering increasing coherence and strengthened linkages between concrete donor approaches and programmes. Particularly, this is urgently needed in the area of agricultural technology and productivity. The Government would need to play a leading role in ensuring coherence between donor approaches through MASIP. [see 212, 213]

(12) **Continue support for capacity building and institutional development at community and local/district level**, especially where this relates to the acquisition of new capabilities and skills by local councils and traditional leaders, as the improved livelihood of rural people are affected by the code of conduct of their local institutions as much as they are affected by outside training and capacity enhancement. [see 224]

(13) **Identify and explicitly document a co-ordination tool that will establish links between the related interventions** between large-scale interventions of the type of the SFTE, PROSCARP, APIP, PWP and MPP that can provide input quickly when needed (for example, a new growing areas is identified, but there are no access bridges or roads, and current tendering procedures are too lengthy). [see 214, 215]

(14) **Develop an approach to promote extension of successfully adopted technologies and management systems** in project areas to outside target areas and encouragement of self-replication in order to achieve a higher level of national impact of results.  [see 215]

**5.2.4. Transport Infrastructure**

(15) **Work with the Government and other transport stakeholders to ensure adequate levels of sustainable road maintenance funding.** This would require that the Commission (being the dominant/lead donor in the sector): (i) jointly with the Government urgently re-assess the NRA Five Year Business Plan and the Government’s ability and commitment to fulfil its obligations in that respect, including levels of fuel levy and other road user charges, estimate revenues realistically likely to be generated in coming years, compare expected revenues and maintenance needs, (ii) jointly with other donors to make the full Government commitment to implementation of budgetary allocations for road maintenance a pre-requisite for all investments including backlog maintenance operations, (iii) jointly with the Government review measures for enforcement of axle loading (and road safety regulations), including examination of responsibility for enforcement, and consider support to enforcement efforts (iv) consider contingency actions to be taken should there be a shortfall in funding needed to adequately maintain the network ei-
ther due to the national economy being unable to sustain revenues or to default on commit-
ments. [see 218 – 220]

(16) Work with the Government and other transport stakeholders on prioritisation of the
maintainable road network including rural access. Simultaneously with the previous rec-
ommendation, identification of the size and content of a maintainable network should be under-
taken in order to ensure that the rural gravel road network is incorporated to a larger extent.
This would require: (i) updated condition surveys, extended to the whole gazetted network, (ii)
assessment of rehabilitation, backlog maintenance and routine maintenance needs across the ga-
zetted network, (iii) defining affordability scenarios for core/strategic networks and levels of ac-
cessibility thus provided for the population as a whole and (iv) consideration of potential reallo-
cations of funding from upgrading of major roads to rehabilitation of rural earth/gravel roads,
while maximising the use of labour based technology (v) adequate staffing levels in the Delega-
tion to cover issues of rural roads and accessibility. [see 218 – 220]

(17) Clarify with the governments of Malawi and Mozambique the priorities given to interna-
tional transport corridor development through Mozambique, and if required, establish a
comprehensive approach to support of such corridor development. Such an approach
should (i) facilitate proactive co-ordination of national CSPs in neighbouring countries and with
other donors potentially financing the corridors, (ii) ensure consistency between RSPs and CSPs
(iii) Offer support to consultation and co-ordination between neighbouring countries and re-
gionally on transport issues, (iv) offer immediate support to bilateral consultation and negotia-
tion between Malawi and Mozambique, and (v) consider immediate support to any necessary
repairs or upgrading of the Nacala railway line (not yet earmarked for donor support) in Malawi
or Mozambique including rolling stock. [see 218 – 220]

(18) Integrate cross-cutting issues into the sector strategy and its interventions. This would
entail (i) Review of provisions made for consideration of environmental impacts arising from all
construction contracts including backlog maintenance (ii) Consider a sector-based approach to
HIV/AIDS awareness campaign targeting not only individual project based activities, but using
vectors such as public transport and service vehicles, road signs, border posts, official forms etc
for information dissemination and behaviour-change campaigns for workers and local people,
(iii) Increase BOQ provision for HIV/AIDS awareness activities in construction contracts, (iv)
Specify minimum percentage of women workers to be employed in labour based contracts with
incentives for contractors to exceed this figure and penalties in case of default, and (v) Review
progress of the National Construction Industry Council (NCIC) towards training of national
consultants and contractors plus proposals for accessibility of such firms to works and suitable
contract packaging and conditions of contract, and (vi) expand labour based public works inter-
ventions for rural road rehabilitation linked to agricultural, food security and poverty reduction
objectives, replicating successful features of the ongoing PWP. [see 218 – 220]

5.2.5. Health

(19) Develop an effective exit strategy. The concentration of focus on two sectors only should be
effectively implemented, so that staff rationalisation gains from exiting the health sector are
fully achieved. With Health no longer being a focal sector, a clear exit strategy should be de-
veloped. The exit strategy could include: (i) assessment with the Government of the need for
additional technical assistance in order to increase the probability of HSRD and PAM project
outputs continuing to be used (for example, planning, management and maintenance systems),
(ii) continue close co-operation with Member States (MS) on health, along the principle of
complementarity with one Member State in the lead, in order to encourage sustainability of pro-
ject achievements. [see 216, 217]
5.3. **Recommendations regarding the Means**

(20) **Focus of the macro-economic instrument on fiscal and public finance performance.** For the foreseeable future, use of the macro-economic instrument should be focused on achievement of macro-economic stability and good governance objectives (including public finance management and accountability) as one of the main instruments providing incentives to the Government in this respect. The potential to use the instrument for continued sector support to health should be avoided. The Delegation does not possess (and is not planned to get) any expertise in the health sector. Attempts to stay engaged in the health sector will tie limited Delegation resources that could be better used in pursuit of other strategic objectives.

The Commission’s new policy regarding budgetary aid attempts to link budget support disbursements to performance on poverty reduction indicators. This new approach is appreciated, but should be carefully considered in each country case, especially because it is only now being introduced at a normal operational level in several countries. Demands on Commission capacity may be greater while few officials have experience with its implementation. Adoption of the new policy would in Malawi fit well, if budget support disbursements be linked to performance in public finance management and accountability (for example, including full budget execution for pro-poor expenditure lines). Linking it to outcome indicators in the social sectors, however, would be effective only if the CABS donor group reaches agreement on a performance assessment framework that includes such indicators. In spite of interest from other CABS members this is not yet the case. Reliance on the lead donors in health and education will be essential, since the Delegation does not possess the requisite sector knowledge, and occasional support missions from headquarters are hardly able to fill the gap, particularly because the adoption of the approach in a number of other countries is likely to stretch headquarters’ capacity. The approach is also requires suitable attention to data quality assurance issues in a case like Malawi, where systems and procedures are regularly seen being ignored, when large financial interests are at stake. [see 227 – 231]

(21) **Enhance the capacity to adequately manage the EC Programme at its current scale and with the new priority focus on governance.** Although the financial commitment and disbursement performance of Commission support to Malawi has been impressive in the past, capacity problems on the part of both the Delegation and the Government is leading to increasing constraints in fund utilisation and improved management approaches for better results. This requires action on the part of both the Commission and the Government: (i) The Commission must ensure that adequate staff with the right mix of skills and experience is deployed in the Delegation in line with evolving priorities. In particular the choice of proceeding under ‘Option (a)’ calls for creation of a unit on governance, headed by the new advisor post in the Delegation, approved under deconcentration. This post must be filled by a senior governance expert with substantial experience in political dialogue and strategic use of co-operation instruments, rather than by an official with mainly a projects background. Also expeditious filling of the currently vacant post of engineering advisor is essential and should provide a person, who will be able to lead the donor group in its crucial strategy discussions in the road sector. (ii) The Commission should also ensure mainstreaming of the governance approach among technical sector staff as well as a creative use of existing knowledge and expertise. (iii) A key solution to increasing capacity would be the speedy establishment of a well-resourced support unit to the NAO, as already foreseen and initiated under the Capacity Building for Economic Planning and Policy Co-

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16 The approach has been subject to pilot implementation in some countries, but under close Headquarters supervision.

17 Different EC services are currently involved in a major stock taking exercise on experiences with promoting governance. The purpose is also to provide practical knowledge and tools to EC Delegations. Other donor agencies are elaborating guidelines for effective governance promotion (including through the DAC). Increasingly African institutions are developing ‘home-grown’ ideas and strategies to deal with governance (e.g. the African Union).
ordination Project. These proposals should be seen as a condition for continuing a programme with a funding envelope at the current size i.e. option (a). [see 227 – 231]

(22) The Commission needs to develop a strategy on how to deal with the institutional development and human resources problem in its programmes as a crucial cross-cutting issue affecting all the sectors of intervention. Institutional rationalisation (strengthening key institutions and questioning establishment of new institutions), design of training programmes and application of technical assistance should form parts of such a strategy. Such an institutional development strategy should fully integrate the damaging effects of HIV/AIDS on Malawi’s human resource potential. Given the very restricted Government capacity, an increasing degree of donor harmonisation into joint approaches and conditions could help the Government cope more effectively with the high level of aid. [see 227 – 231]
APPENDIX 1. TERMS OF REFERENCE

EUROPEAN COMMISSION
EuropeAid Co-operation Office
General affairs
Evaluation

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EVALUATION OF THE COMMISSION’S COUNTRY STRATEGY FOR MALAWI

TERMS OF REFERENCE

7 November 2002
1. **Introduction: the Background and Main Objectives**

1.1 Systematic and timely evaluation of its expenditure programmes has been defined as a priority of the European Commission (EC), as a means of accounting for the management of the allocated funds and of promoting a lesson-learning culture throughout the organisation. Of great importance also, particularly in the context of the programmes of the External Relations Directorates-General, is the increased focus on **impact** against a background both of greater concentration on results-based management and of encouraging partner Governments to focus their policies better.

1.2 The Commission Services have requested the Evaluation Unit of the EuropeAid Co-operation Office to undertake this new study, which falls within the programme framework approved by the EuropeAid Board on 29 November 2001. The evaluation is in line with the requirement that all Country Strategies/Programmes be regularly evaluated. It is also intended that this exercise will contribute to the setting up of a system for future final and **ex post** evaluations of the country strategies and programming for Malawi.

1.3 The objective of this evaluation is to provide the Commission with key findings and lessons of experience from the Commission’s past and current EDF and budget line assistance to Malawi, and to offer recommendations on possible changes in focus, balance, content or procedure. Taking account of Malawi’s political, economic, social and environmental framework, it will present those findings and lessons, along with a set of detailed recommendations, in a report designed primarily to provide the Commission’s policy-makers and managers with a valuable aid both for the implementation of the current Strategy, Indicative and Action Programmes, and for future programming.

2. **The Basic Approach to the Evaluation**

2.1 The **basic approach** to the evaluation will consist of **five sequential methodological stages** within **three main phases**, as follows:

**Five Procedural Stages**
- Structuring/presentation of Programme Logic
- Collection of Data
- Data Analysis
- Judgements
- Diffusion and Feedback

**Three Main Phases**
- Preparatory Desk Study
- Field Mission
- Synthesis of Findings and Final Report Preparation

2.2 Within the above approach, the following **five key evaluation criteria** will be applied, the relative emphasis depending on the timeframe of the programme under study (see Section 3):

- **Relevance; Impact; Sustainability; Effectiveness; and Efficiency.**

2.3 Five reports will be produced during the evaluation process. They are listed below, and described in more detail in Section 6:
- Inception Report
- Interim Methodological Note with the key Evaluation Questions (see also Section 5)
- Desk Phase Report
3. **The Coverage of the Evaluation**

3.1 The main *coverage* of the evaluation will be:

i. an *ex post* evaluation of the impact of all the Commission’s confirmed EDF and budget line Programmes from 1995 to 2000, including any programmes implemented by "non-state actors";

ii. an assessment of the *relevance* of the 2001-2007 Indicative Programme, including any revisions, and highlighting evidence of expected impact wherever this is feasible.

The results of the above assessments will (i) be fed by the Commission Services into the next programming round, and (ii) form the basis for a contribution to a framework for eventual final and *ex post* evaluations of the 2001-2007 *Country Strategy* and associated programmes.

3.2 The evaluation team will take account of the findings of previous relevant Commission evaluations which relate to Malawi wholly or in part.

4. **Responsibility for Management and Monitoring of the study**

4.1 The *EuropeAid Evaluation Unit*. The primary responsibility for the management and supervision of the evaluation will rest with the Evaluation Unit of the EuropeAid Co-operation Office, Brussels. The Task Manager and first point of contact will be Mr Simon Robbins, Evaluation Unit (tel: 02 296 61 11); his deputy will be Mr Pieter van Steekelenburg, Evaluation Unit, (tel: 02 299 25 15).

4.2 The *Evaluation Steering Group*. In its management of the evaluation the EuropeAid Evaluation Unit will be regularly and closely assisted by a Steering Group which the Evaluation Unit will chair. The Steering Group, which will consist of members of the Commission's Relex Services as well as other relevant Directorates-General, will in practice act as the main professional interface between the evaluation team and the Commission Services. The Group's members will provide information, documentation, opinions and advice on issues related to the evaluation structure, coverage and subject-matter, and advise on the quality of work done by the evaluation team. The Steering Group will also be a key channel for feedback of the findings and recommendations from the evaluation into future programme design and delivery.

5. **Basic Methodology**

5.1 *Main Structure*. In accordance with the basic approach set out above in Section 2, the main objectives of the evaluation team will be as follows, although the priority given to each will vary according to the individual programme under study, as indicated in Sections 2 and 3:

i. identify and explain in a *logical diagram* the hierarchy of *strategy and programming objectives* at the various levels in terms of their intervention context and logic; assess their *relevance* both to the Commission's more general objectives and to the country's priorities; assess the *intended impact* of each objective, indicating how these intended impacts fit within broader and changing contexts (economic, political, sociological, cultural, environmental); and assess the *overall global impact* of the programme;

ii. assess *effectiveness* in terms of how far the intended outputs and results were achieved (including performance against the indicators set out in the Indicative and Action Programmes); and also, to the extent that the interventions were effective, the programme's *efficiency* in terms of how far funding, personnel, regulatory, administrative, time and other resources and procedures contributed to or hindered the achievement of results;

iii. identify all *recorded impacts* including any unintended, deadweight or substitution effects, and compare them to the *intended* impacts;
iv. assess the sustainability of the strategy and its component programmes, that is the extent to which their results and impact are being, or are likely to be, maintained over time;

v. assess how far the programme took account of key cross-cutting issues, for example gender, environment, human rights, and institutional capacity building;

vi. assess the consistency of the programme in the context of policy mix considerations, and specifically its performance in terms of co-ordination, complementarity and coherence aspects (as set out in Article 177 of the Maastricht Treaty);

vii. on the basis of the findings of "i"-"vi", draw up a set of conclusions and related recommendations.

5.2 Evaluation Questions. Within the overall structure as set out above in §5.1 the assessment of the Strategy and programme shall be based on a set of Key Evaluation Questions (normally a maximum of around 10) which will be identified in the first instance by the evaluation team after a round of bilateral meetings in Brussels and contacts with the Delegation. For each Evaluation Question at least one Judgement Criterion shall be identified, and for each such criterion appropriate quantitative and qualitative Indicators will be identified and specified. The Evaluation Questions, Judgment Criteria and Indicators will first be discussed with the Evaluation Unit, and then validated by the Steering Group. The Questions should be grouped in clusters in accordance with the structure of the Commission's co-operation with Malawi. Once agreed and validated, the Evaluation Questions, Judgement Criteria and Indicators will be annexed to these Terms of Reference and form part of them. Minor amendments to the Judgement Criteria and Indicators, and very exceptionally to the Evaluation Questions themselves, are permissible as the work progresses and the evidence accumulates, but must in each case be cleared with the Evaluation Unit.

5.3 The choice of Evaluation Questions shall determine the subsequent phases of information and data collection, methods of analysis, and derivation of final judgements. In addition to the specific judgements on the Evaluation Questions but based on them, the evaluators shall also arrive at an overall assessment of the EC co-operation programmes and strategies with Malawi.

6. Evaluation Phases including Reporting

6.1 Desk Phase

6.1.1 The Contractor will prepare, within 10 working days of receipt of these Terms of Reference, an Inception Note setting out their understanding of the ToRs, their proposed approach to the work in general terms, the CVs of the provisionally agreed evaluation team, and a proposed budget for the evaluation. On approval of this Inception Note by the Evaluation Unit (following amendment where agreed), a launch meeting will be arranged between the Evaluation Unit, key Commission Services, the Contractor and the Team, for the purposes of a detailed discussion and exchange of views on the structure and content of the programme, key information sources, the Commission's main concerns, and its expectations of the evaluation.

6.1.2 Following the launch meeting the work will proceed to the structuring stage during which the evaluation team will hold exploratory meetings with the relevant Commission Services and examine all relevant key documentation on recent and current Commission co-operation programmes with Malawi, including data on the relevant Regulations and Instruments, and also taking account of any key documentation produced by local institutions and other donors. On the basis of the data collected, the evaluation team will analyse in detail the programme logic in consultation with Commission officials, setting out the key objectives and assessing (a) their relation to need; (b) the intended impacts related to the objectives; (c) their context and overall coherence, including relevant aspects of the programme's external coherence in relation to other EU policies, the country's needs and policies,

18 For this evaluation all reports shall be drafted in English.
other donor activities, and other geopolitical factors; and (d) the assumptions, conditionality and risks attached to each objective. From this analysis the team will identify and draft the key Evaluation Questions.

6.1.3 The evaluation team will then prepare, within three weeks of the launch meeting, a brief **Note on the Programme Logic**, mainly in diagrammatic form as indicated in §5.1(i), for initial discussion with the Evaluation Unit and then consideration and validation by the Steering Group at its first meeting with the consultants.

6.1.4 Once the Steering Group has validated the Programme Logic, the team will proceed to identify the appropriate **Evaluation Questions** and associated **Judgement Criteria** and **Indicators**, as set out in §5.2, and the reasons for their selection.

6.1.5 On the basis of the selected Questions, the team will next proceed to identification and detailed description of the following:

i. appropriate methods of **data and information collection** in both Brussels and Malawi - additional literature, interviews both structured and unstructured, questionnaires, seminars or workshops, case studies, etc. - indicating any limitations and describing how the data should be cross-checked to validate the analysis;

ii. appropriate **methods of analysis** of the information and data collected, again indicating any limitations; and

iii. the basis to be used for making the final **judgements**, in relation both to the individual Evaluation Questions and to the overall assessment of the programme (§5.3).

6.1.6 At the conclusion of this work, and no later than five weeks after the Steering Group's validation of the Note on the Programme Logic (§6.1.3), the evaluation team will present to the Evaluation Unit a **Draft Desk Phase Report** following the structure set out in Annex 3 of Appendix 1, setting out in full their results and detailing their proposed approach and methodology for the approaching field phase of the evaluation (e.g. analytical grid for case studies, model for structured interviews, example of questionnaires, etc.), and final confirmation of the full composition of the evaluation team, including local consultants as appropriate. The analysis should include a proposed list of activities, projects and programmes for in-depth study in the field. This phase of the work may if necessary include a short preparatory and exploratory visit by team members to Malawi (however, the main field mission - see Section 6.2 - shall not start before the proposed approach and methodology have been formally approved).

6.1.7 After the Steering Group has discussed this Draft Report, the evaluation team will be given up to 10 working days to produce the **Final Desk Phase Report**.

6.2 **Field Phase**

6.2.1 Following satisfactory completion of the first phase and formal acceptance of the Desk Phase Report, the evaluation team will proceed to Malawi to undertake the field mission (see planned schedule in §9.1). The fieldwork, the duration of which shall be cleared with the Steering Group (typically around three weeks), shall be undertaken on the basis set out in the Desk Phase Report and agreed with the Steering Group and the Delegation. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the Steering Group through the Evaluation Unit (see also §5.2).

6.2.2 At the conclusion of the field study the team will:

(i) give a detailed on-the-spot **de-briefing to the Delegation** on their provisional findings;

(ii) prepare a short **Field Mission Note** for delivery by e-mail to the Steering Group through the Evaluation Unit no later than ten working days after returning from the field;

(iii) start drafting the final report.

6.3 **Final Report-Writing Phase**
6.3.1 Once drafting of the final report has reached a suitable stage, the evaluation team will give an illustrated de-briefing to the Steering Group in Brussels, indicating their provisional conclusions and recommendations and inviting initial reactions from the Group. The Steering Group may also take this opportunity of commenting on the Field Mission Note.

6.3.2 Following this de-briefing the evaluators will then complete the Draft Final Report, using the structure set out in Annex 4 and taking due account of comments received during both Debriefings. The Draft Final Report shall include, as well as coverage of each of the separate evaluation components set out in Section 3 and subsequently, the overall assessment of the Commission's co-operation strategy and programming in Malawi.

6.3.3 The Draft Final Report will be delivered to the Evaluation Unit by e-mail by no later than 15 April 2003. On acceptance, the report will be circulated for comment to the Steering Group which will convene to discuss it about 12 working days after circulation, in the presence of the evaluation team.

6.3.4 On the basis of comments received from the Steering Group, the evaluation team will make the appropriate final amendments and submitting their Final Report to the Evaluation Unit within eight working days of the meeting. The evaluators may either accept or reject the comments made by the Steering Group but, where the reject a comment, they should explain their reasons in writing and annex the relevant comments and their responses to the report.

7. Dissemination and Follow-up

7.1 After approval of the final report, the Evaluation Unit will:

(i) make a formal judgement on the evaluation using a standard quality assessment grid;
(ii) prepare a 2-page Evaluation Summary (EvInfo) to the standard DAC format,
(iii) prepare a three-column Fiche Contradictoire for discussion with the relevant Services.

All three documents will be published on the Web alongside the Final Report.

7.2 The evaluation team (or selected members) will, at the conclusion of the study, hold a seminar in Malawi during which they will make a presentation to the Delegation and relevant stakeholders on the evaluation findings and recommendations.

8. The Composition of the Evaluation Team

8.1 The evaluation team should possess a sound level of knowledge and experience in at least the following fields: country strategy analysis, macroeconomics, private sector development, trade, rural development, social development, public administration, co-operation with NGOs, human rights, and governance issues generally. The team should also have proven knowledge and expertise in relation to (i) evaluation management generally and evaluation techniques in field situations, and (ii) the region in general and Malawi in particular. The Evaluation Unit recommends strongly that the team should include local consultants with in-depth knowledge of key areas.

8.2 The team composition will initially be agreed provisionally between the contractor and the Evaluation Unit (see also §6.1.1) but may be subsequently adjusted if necessary in the light of the Evaluation Questions once they have been endorsed by the Steering Group (see §6.1.6).

9. Timing and Budget

9.1 Calendar. Work on the evaluation will start in October 2002. Submission of the final report is projected for May 2003. The following is the indicative schedule:

Preparation of Inception Note: early November 2002
Launch Meeting: mid November
Initial programme of Bilateral Meetings: from mid-November
Submission of Note on Programme Logic: 9 December
EVALUATION OF THE EUROPEAN COMMISSION COUNTRY STRATEGY FOR MALAWI

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Steering Group Meeting to validate Programme Logic Analysis by 16 December
Submission of Draft Desk Phase Report (with Evaluation Questions etc) mid-January 2003
Steering Group Meeting to consider Draft Desk Phase Report end-January
Submission of Final Desk Phase Report early-to-mid February
Start of Field Mission mid-to-late February
De-Briefing at Conclusion of Field Mission early-to-mid March
Submission of Field Mission Note mid-March
De-Briefing for Steering Group end-March
Submission of Draft Final Report 15 April 2003
Steering Group Meeting to consider Draft Final Report end-April
Submission of Final Report mid-May
Presentation Seminar for Delegation and Local Stakeholders end-May
Conclusion of all remaining stages end-June

The dates mentioned in the foregoing sections may only be changed with the agreement of all concerned.

9.2 Cost of the Evaluation, and Payment Modalities. The overall cost of the evaluation is expected to fall in the range € 150.000 - 200.000. The payment modalities shall be as follows:
- 30% at acceptance of the final Desk Phase Report
- 50% at acceptance of Draft Final Report
- 20% at acceptance of Final Report.

Invoices shall be sent to the Commission only after the Evaluation Unit confirms in writing the acceptance of the reports.

Annex 1: The Evaluation Questions, Judgement Criteria and Indicators
{to be agreed and added during the Desk Phase}

Annex 2: Key documentation for the evaluation (to be expanded as appropriate)

Main Documents
- The relevant Commission Regulations
- Other Commission/Government Agreements
- All Country Strategy Papers for the periods covered
- All National Indicative Programme documentation for the periods covered
- All Programme Reports for the periods covered
- Key Government Policy and Planning Documents

Evaluations
- Previous Evaluations relating specifically to Malawi
- Evaluations of sectoral programmes or issues relevant to the region

Other
- Relevant documentation from local authorities
- Relevant documentation from other donors
Annex 3: Outline Structure of the Desk Phase Report

Part 1: Reconstruction of the hierarchy, logic, related assumptions and intended impacts of the objectives of the EC’s Programme in Malawi, for the different periods as mentioned in para 2.2

Part 2: Presentation of the key evaluation questions, judgement criteria and associated indicators.

Part 3: Analysis of the information and data available at the end of the first phase and indications of any missing data, so as to inform the work plan for the field phase.

Part 4: Proposed field phase methodology (methods of enquiry, data collection and sampling, &c vis-à-vis the information sought) with concrete proposal and examples.

Part 5: Proposed analysis methodology based on sound and recognised methods used for evaluation.

The report will also contain details of the full final composition of the evaluation team, including local consultants as appropriate.

Annex 4: Outline Structure of the Final Report [N.B. subject to subsequent revision]

[Length: The final report should not be longer than 50 pages (including the Executive Summary). Additional information on overall context, programme or aspects of methodology and analysis should be confined to annexes.]

1. Executive Summary (Length: 5 pages maximum)

This executive summary must produce the following information:

1.1 Purpose of the evaluation;
1.2 Background to the evaluation;
1.3 Methodology;
1.4 Analysis and main findings for each Evaluation Question; short overall assessment;
1.5 Main conclusions;*
1.6 Main recommendations.*

* NOTE: the conclusions and recommendations sections should in terms of length together represent about 40% of the executive summary. Recommendations must be ranked and prioritised according to their relevance and importance to the evaluation. See also final note regarding cross-referencing.

2. Introduction (Length: 5 pages)

2.1 Short synopsis of the Commission’s Country Strategy and Programme: its objectives, how they are prioritised and ordered, their logic both internally (ie. The existence – or not – of a logical link between the EC policies and instruments and expected impacts) and externally (ie. Within the context of the needs of the country, government policies, and the programmes of other donors); the implicit assumptions and risk factors; the intended impacts of the Commission’s interventions.*

2.2 Context: very brief analysis of the political, economic, social and cultural dimensions of Malawi. Clearly outline the country’s needs, potential, and main constraints.

2.3 Purpose of the Evaluation: presentation of the Evaluation Questions and of how they will permit to assess the country strategy and programme.

3. Methodology (Length: 10 pages)

In order to answer the Evaluation Questions a number of methodological instruments must be presented by the consultants:
3.1. **Judgement Criteria**: which should have been selected (for each Evaluation Question) and agreed upon by the steering group;

3.2. **Indicators**: attached to each Judgement Criterion. This in turn will determine the scope and methods of data collection;

3.3. **Data and Information Collection**: this may consist of literature review, interviews, questionnaires, case studies, etc.; the consultants will indicate any limitations and will describe how the data should be cross-checked to validate the analysis.

3.4. **Methods of Analysis**: of the data and information obtained for each Evaluation Question (again indicating any eventual limitations);

3.5. **Methods of Judgement**

4. **Main Findings and Analysis** *(Length: 20 to 30 pages)*

4.1. **Answers to each Evaluation Question**, indicating findings and conclusions for each;

4.2. **Overall assessment** of the EC Strategy. This assessment should cover:

   - **Relevance** to needs and overall context, including Malawi’s development priorities and coordination with other donors;
   - **Actual Impacts**: established, as well as unforeseen impacts or deadweight/substitution effects, and compare to intended impacts;
   - **Sustainability**: whether the results can be maintained over time without EC funding or other external support
   - **Effectiveness** in terms of how far the intended results were achieved;
   - **Efficiency**: in terms of how far funding, personnel, regulatory, administrative, time and other resource considerations contributed or hindered the achievement of results;

5. **A Full Set of Conclusions and Recommendations** *(Length: 10 pages)*

A Full set of Conclusions* and Recommendations* (i) for each Evaluation Question; (ii) as an overall judgement of the country programme and strategy vis-à-vis the country's needs. (As an introduction to this chapter there should be a short mention of the main objectives of the country programmes and whether they have been achieved)

Conclusion and recommendations related to the preparation of system for future final and *ex post* evaluations of the country strategy for Malawi should be presented separately.

*Important Final Note: Cross-Referencing*: it cannot be emphasised too strongly that comprehensive cross-referencing is vital to the usefulness of the report. In both the final section and the **Executive Summary**, **recommendations** should be cross-referenced back by paragraph number to the appropriate **conclusions**, the conclusions similarly to the corresponding **findings**, and the findings in turn to the **main chapter** paragraphs. **Recommendations** must also be ranked and prioritised according to their relevance and importance to the purpose of the evaluation.
APPENDIX 2. LIST OF PEOPLE MET DURING DESK AND FIELD MISSIONS

EUROPEAN COMMISSION, HEADQUARTERS

Steering Group Members

- Mr. Alfonso PASCUAL PEREZ, DGDEV B1 - Development Policy
- Mr. Jacques FAVRE, DGDEVB4 - Environment and Rural Development
- Mr. Charles TODD, DGDEV B3 - Social and Human Health
- Mr. Peter RUNDELL, DGDEV B2 - Economic Cooperation and Transaction Costs of Sectoral Approach Poverty Reduction Strategies
- Mr. Jose Antonio VALENTE, AIDCO /C4, Social Development - Health Sector Programmes (Health and Education)
- Mr. Bruce THOMPSON, DGDEV B5 - Transport, Infrastructure
- Mr. Carl Henrik HALL, AIDCO/C2 - Economic Cooperation
- Mr. Sven OLANDER, AIDCO /C2 - Economic Cooperation, Programme Officer for Budgetary Support
- Mr. Francisco ORTIZ DE ZUNIGA, DGDEV/C3 - Southern Africa, Head of Unit
- Mr. Francisco ORTIZ DE ZUNIGA, DGDEV/C3 - Southern Africa, Desk Officer for Malawi
- Mr. Anthony GOODMAN, AIDCO/C5 - Sustainable Rural Development
- Mr. Panayiotis PASSADEOS, DGDEV/C3 - Southern Africa - Economic Cooperation, Budgetary Support
- Ms. Yasmin SOZEN, AIDCO/C3 - Regional Integration, Institutional Development
- Ms. Irene MILLIERO DIAZ, RELEX B/01 - Human Rights and Democratisation
- Mr. Christopher WAGNER - TRADE/C1 - Trade Relations with ACP Countries
- Ms. Ana Rosa LATORRE, DG BUDGET – Evaluation

Others

- Mr. Simon LE GRAND, DGDEVB4 - Rural Development and the Environment
- Mr. Gerardus GIELEN, DGDEV – Programming and Strategic Planning
- Mr. Victor DOWD, DGDEV/B2 - SADC Regional Desk Officer, Coherence of Regional Strategy Paper
- Mr. Arno SCHAEFER, DGDEV/B2 - COMESA Regional Desk Officer, Coherence with RSP
- Mr. Amadou TROARE, DG DEV B/2 - Private sector policy
- Mr. Marco MINGUELA, AIDCO C/2 - Private Sector, Private sector support and links to CSE, EBAS and EIB
- Ms. V. SPATRINO, AIDCO/F5 - Food Security
- Mr. Leonardo GARUGLIERI, AIDCO/C4 - Micro projects, Implementation of the Micro projects Programme
- Dr. Jerry A.A. JANA, Ambassador, Malawi High Commission
- Mr. Alan CHIPASULA, Counsellor, Malawi High Commission
- Mr. Howard BARTON, AIDCO/C6 - Transport/Infrastructure, Implementation of Transport Sector Projects
- Mr. Peter BECK CHRISTIANSEN, DGDEV, Head of Unit Central Africa

EC DELEGATION in MALAWI

- Mr. Wiepke VAN DER GOOT, Head of Delegation, EC Delegation
- Mr. Theo KASPERS, Economic Adviser, EC Delegation
- Mr. Ingmar STELTER, Junior Expert, Economic Section, EC Delegation
- Mr. Paul GINIES, Food Security Adviser, EC Delegation
• Mr. A. PACIFICI, Transport and Infrastructure, EC Delegation
• Mr. Bart MISSINNE, Rural Development Adviser, EC Delegation
• Ms. M. KALYATI, Assistant to Economic Advisor, EC Delegation
• Ms. M. UOTILA, Young Expert, Rural Development, EC Delegation
• Ms. C. BARRAULT, Press and Communication, EC Delegation

Other EU Institutions
• Mr. Philip BROWN, Loans Officer, European Investment Bank
• Motho LIPPE, Director, EBAS Regional Office for Southern Africa, Botswana (by email)
• Jorge BORGES, Country Coordinator, Centre for Development of Enterprises (by email)

NATIONAL AUTHORITIES

NAO’s Office
• Mr. CHILEMBE, Permanent Secretary and NAO, MOF
• Mr. Peter SIMBANI, Assistant Director, MOF, Debt & Aid Management Department
• Mr. Yona KAMPHALE, Deputy Director, MOF, Debt & Aid Management Department
• Mr. Peter SIMCOCK, Technical Adviser, MOF, Debt & Aid Management Department
• Mr. Nick MARSHALL, Technical Adviser, MOF, Debt & Aid Management Department
• Mr. Ib MOGENSEN, EC Technical Assistant to the NAO, Ministry of Finance

Other Ministries, Departments and Agencies (including TAs)
• Mr. Milton KUTENGULE, Principal Secretary, Office of the President & Cabinet, Dept. of Economic Planning
  & Development
• Mr. PHIRI, Head of Public Enterprise Reform & Monitoring Unit, Ministry of Finance
• Mr. Ted SITIMA-WINA, Deputy Chief Economist, MOF, Economic Affairs Division
• Mr. Peter TYLER, ASYCUDA Adviser, Malawi Revenue Authority, Customs Department
• Ms. Colleen ZAMBA, Permanent Secretary, Ministry of Commerce and Industry
• Mr. M. MUNTHALI, External Trade Division, Ministry of Commerce and Industry
• Mr. J. SOMBA, Executive Secretary, National Construction Industry Council
• Dr. A. PHOYA, Director of Nursing, MoHP
• Dr. R. MPAZANJE, Director Clinical & Population Services, MoHP
• Dr. C. BARKER, Technical Adviser, HSRD, MoHP
• Dr. F. SERGENT, Health Economist, HSRD, MoHP
• Dr. R. HAUYA, Director, Programmes, National AIDS Commission
• Dr. P. ARURU, SRHP Development Officer, MoHP
• Dr. P. SIKASANA, Planning Officer (?), Planning Department, MoHP
• Mr. C. MOYO, Deputy Director, Health Management Information Systems, MoHP
• Mr. C. CHAULAGAI, Technical Adviser, HMIS, MoHP
• Mr. Noro KASAHARA, Planning Department, MoHP
• Dr. N. KALANJE, Director Planning Department, MoHP
• Mr. D. HORNEBER, Project Coordinator, PAM, MoHP/GTZ
• Mr. J. PATON, Technical Adviser, PAM, MoHP/EC
PRIVATE SECTOR
• Mr. Tim SHAWA, Planning & Research Manager, Malawi Investment Promotion Agency
• Mrs. Aretha KAMWENDO, Corporate Affairs Manager, Malawi Investment Promotion Agency
• Mr. Jason AGAR, Principal Consultant, Kadale Consultants
• Mr. L.M. CHALULUKA, General Manager, Malawi Export Promotion Council
• Ms. Mary Frances MALUNGA, Executive Director, National Association of Business Women
• Mr. Gideon Mwenifumbo, Programme Operations Manager, National Association of Business Women
• Mr. Lackson M.B. Kapito, National Credit Coordinator, National Association of Business Women
• Mr. Grandford Banda, Senior Manager Research & Projects, Malawi Export Promotion Council
• Mr. George Partridge, General Manager, National Bank of Malawi
• Mr. Brett Stewartson, Managing Director, Illovo Sugar/SUCOMA
• Mr. Jan Horn, Finance Director, Illovo Sugar/SUCOMA
• Mr. Isaac Chimutu, Operations Director, Malawi Confederation of Chambers of Commerce and Industry
• Mr. G. Hassler, Norconsult

EU MEMBER STATE REPRESENTATIVES / OTHER DONORS
• Mr. Mike Wood, Head of DFID CA Malawi, DFID
• Mr. Karl Livingstone, Economic Adviser, DFID
• Mr. Harry Potter, Livelihoods Adviser, DFID
• Mr. Peter Evans, Assistant Social Development Advisor, DFID
• Ms. Susan Mshana, Health Adviser, DFID
• Dr. A Austen, Health SWAP Adviser, DFID
• Mr. Peter Mende, Counsellor, German Embassy
• Mr. Joachim Neunfinger, Director, GTZ
• Mr. Bodo Immink, Coordinator Programme Democracy and Decentralisation, GTZ
• Mr. Mike Froude, Agricultural Adviser, GTZ Border Zone Development Project
• Mr. Serge Lavroff, Charge d’Affaires, French Embassy
• Mr. Asbjorn Eidhammer, Ambassador, Norwegian Embassy
• Mr. Jan-Gustav Strandenaes, President of the Board, Utviklingsfondet Norway
• Mr. P. Mogstad, First Secretary, NORAD
• Mr. M. Tawanda, First Secretary, Health & AIDS, NORAD
• Ms. Daphne Casey, Deputy Resident Representative, UNDP
• Mr. Augustine Bobe, Assistant Resident Representative, UNDP
• Mr. F Mwatheningere, Programme Officer, UNDP
• Mr. Lawrence Rube, Chief, Agriculture & Natural Resources, USAID
• Mr. Roger Yochelson, Resident Representative, USAID
• Mr. Girma Begashaw, Resident Representative, IMF
• Mr. Dunstan Wai, Country Manager, World Bank
• Mr. E. Taegai, World Bank (ROMARP)
• Dr. W. Aldis, WHO Representative, World Health Organisation
• Mr. R. Weyers, Director, British Council (contractor for HSRD project)
CIVIL SOCIETY ORGANISATIONS / NGOS, (including TAs)

- Mr. Nick OSBORNE, Representative, CARE International
- Ms. Emiliana F. TEMBO, Executive Secretary and CEO, Malawi Human Rights Commission
- Mr. MTEGHA, Director, Anti-Corruption Bureau
- Mr. Victor BANDA, Deputy Director, Anti-Corruption Bureau

Programme staff (four) of the Human Rights Resource Centre (HRRC)

- Ms. Lizzie NKOZI, Programme Director, Save the Children UK
- Mr. Paul L. KWENGERE, Programme Development Manager, Action Aid Malawi
- Mr. Edson L. MUSOPOLE, Southern Africa Food Security Coordinator, Action Aid Malawi
- Mr. Collins MAGALASI, National Coordinator, Malawi Economic and Justice Network
- Mr. Anthony MANGANI, Project Officer, Malawi Economic and Justice Network
- Mr. Samson B. LEMBANI, National Coordinator, Konrad Adenauer Foundation Malawi
- Mr. Robert PHIRI, Secretary General, Public Affairs Committee (PAC)
- Mr. George DEMHULA, Communication Officer, Public Affairs Committee (PAC)
- Mr. CHIMBAZA, Chief Election Commissioner, Malawi Elections Commission
- Ms. Rose GUMENI, Project Officer, Civil Liberties Committee Malawi
- Mr. Emmanuel Ted NANDOLO, Executive Secretary, Council for NGOs in Malawi
- Ms. Nora Marvellous LONGWE, Finance Officer, Church and Society CCAP Blantyre Synod
- Mr. Peter MVULA, Deputy Director, Centre for Social Research
- Ms. Maxton GRANT ISOKA, Research Fellow, Centre for Social Research
- Mr. Hendrik WITTENBERG, Head of Programme Management Unit, Promotion of the Rule of Law and Improvement of Justice
- Ms. Patricia J KALUA, Deputy Programme Manager, Promotion of the Rule of Law and Improvement of Justice
- Ms. Ida MAGANIZO, District Coordinator NICE in Machinga
- Mr. R MANDIRA, Executive Director, Christian Health Association of Malawi (CHAM)
- Mr. M NKHALAMBA, Programme Manager, ActionAid