

1. CAS Data	
Country: Republic of Malawi	
CAS Year: FY07	CAS Period: FY07- FY10
CASCR Review Period: FY07 – FY2012	Date of this review: January 17, 2013

2. Executive Summary
<p>i. This review examines the implementation of the FY07-FY10 Malawi Country Assistance Strategy (CAS) of FY07 and the CAS Progress Report (CASPR) of FY09, and assesses the CAS Completion Report (CASCR). IFC did not participate in the CAS; this review covers only the IDA program.</p> <p>ii. The overall objective of the WBG strategy was to support broad-based economic growth to reduce poverty in Malawi. The CAS was organized under four pillars: (i) <i>improving small holder agricultural productivity and integration into agro-processing</i> through improved irrigation and farming practices, improved market incentives for surplus production, strengthened integration and links to input/output markets, and established storage and mitigation measures for food security risks over time; (ii) <i>putting in place a foundation for longer term economic growth</i> through improved infrastructure (energy and transport) and by addressing the policy issues in the investment climate; (iii) <i>decreasing vulnerability at the household level to HIV/AIDS and malnutrition</i> by increasing HIV/AIDS awareness and access to drugs and treatment, reducing child malnutrition, and improving social protection program; and (iv) <i>sustaining improvements in expenditure management, budget execution and the accountability of the civil service</i> through improvement in the institutional system for accountability and transparency and in intergovernmental fiscal and expenditure management.</p> <p>iii. IEG rates the overall outcome of IDA support as <i>moderately unsatisfactory</i>, concurring with the CASCR rating. Under Pillar 1, the Bank's assistance helped increase the irrigated area beyond the 2009 target and enable more farmers to adopt various technologies. However, with the state marketing board (ADMARC) continuing to play a key role in input/output markets under directed prices and interventionist policies, agricultural incentives remain distorted; there is limited private sector involvement and little agricultural diversification; agricultural storage facilities have not improved. There is no data on integration of farms with markets. Under Pillar 2, although some progress was achieved in the transport sector with the improving road network and there are some steps taken to improve access to credit, the business environment has worsened. More importantly, little was achieved to address the critical energy issue. Under Pillar 3, sustained IDA support contributed to the rapid expansion of HIV/AIDS treatment, although more efforts are required to reduce the rate of new infection and to expand treatment coverage. With the introduction of the social cash transfer program, IDA support helped improve targeting of the poorest, but the implementation of the new Social Support Policy has been delayed. IDA's assistance in the nutrition area may have laid the foundation for future engagement, but has not led to results during the CAS period. Under Pillar 4, although some aspects of public finance management (PFM) have been strengthened, including at the local government level, there continues to be a dearth of effective public oversight over government spending decisions, and there is no evidence that audit or expenditure tracking data is being used to improve budget performance. Little has been achieved in putting in place an intergovernmental fiscal architecture.</p> <p>iv. The CASCR identified eight lessons: alignment of the CAS with the MGDS enhanced ownership and commitment; weak government capacity slowed down project implementation; covenant implementation affected project implementation; civil society could offer strong contribution</p>

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and alternative voice; joint analytical pieces helped in building consensus; programmatic approaches to financing helped leverage resources; further fiduciary support was needed; and projects could influence policy. IEG concurs with these lessons and underscores two key points. First, alignment of the CAS and the country's program is necessary, but insufficient to ensure ownership and commitment. Where the risks of compromised reforms are high and viable risk mitigation measures are limited, alternative CAS scenarios may help steer a clearer course when such risks materialize. Second, the CASPR is an opportunity to take stock of the lessons learned from the initial phase of CAS implementation and to make course corrections.

3. Assessment of WBG Strategy

Overview of CAS Relevance:

Country Context:

1. Malawi entered the CAS period with improving macroeconomic stability, strong performance under the Poverty Reduction and Growth Facility, and attainment of the HIPC completion point a few months before CAS approval. Malawi's economy expanded at an average annual rate of 8.3 percent (vs. a government target of 6 percent) during 2007-10, before slowing down to 4.3 percent in 2011. The country's under-developed financial system helped shield it from the recent global financial crisis, while good weather and a buoyant commodity price for its main export (i.e., tobacco) boosted its growth performance. However, policy slippages in 2009 (i.e., public spending prior to the presidential election) led to high domestic borrowing; and when the authorities loosened the fiscal and monetary stance in 2011, the IMF-supported Extended Credit Facility (ECF) went off track. Inflation, which was brought down from double-digit levels to around 8 percent during 2007-2010, has been on an upswing since early 2011. The country's high dependence on fuel and fertilizer imports as well as aid inflows (which were reduced in 2011 out of policy, human rights and corruption concerns) renders it highly vulnerable to external shocks. Its current account deficit reached 17.9 percent of GDP in 2010, while international reserves hovered around one month of imports for most of the last three years. There has been some progress toward the Millennium Development Goals; poverty declined from 52.4 percent in 2004/05 to 50.7 percent in 2010/11, although extreme poverty increased from 22.3 to 24.8 percent while income inequalities worsened with the Gini coefficient rising from 0.39 to 0.45. Since Malawi's transition to a new government in April 2012, a series of measures, including devaluation by 33 percent and adoption of a floating exchange rate regime, have been implemented to address Malawi's chronic balance of payments problems, while fiscal and monetary policies were tightened. Encouraged by the recent policy actions, development partners are returning with renewed assistance. Growth is expected to pick up to 5.7 percent in 2013.

2. To transform the country from a predominantly importing and consuming economy to a predominantly manufacturing and exporting economy, the Malawi Growth and Development Strategy (MGDS) for 2006/07-2010/11 sought to reduce poverty through sustained economic growth and infrastructure development. The government identified six focus areas: agriculture and food security; irrigation and water development; transport infrastructure; energy generation and supply; integrated rural development; and prevention and management of nutrition disorders, HIV and AIDS.

Objectives of the WBG Strategy:

3. The overall objective of the WBG strategy was to support broad-based economic growth to reduce poverty in Malawi. The CAS was organized under four pillars: (i) *improving small holder agricultural productivity and integration into agro-processing* through improved irrigation and farming practices, improved market incentives for surplus production, strengthened integration and links to input/output markets, and established storage and mitigation measures for food security risks over time; (ii) *putting in place a foundation for longer term economic growth* through improved infrastructure

(energy and transport) and by addressing the policy issues in the investment climate; (iii) *decreasing* vulnerability at the household level to HIV/AIDS and malnutrition by increasing HIV/AIDS awareness and access to drugs and treatment, reducing child malnutrition, and improving social protection program; and (iv) *sustaining improvements in expenditure management, budget execution and the accountability of the civil service* through improvement in the institutional system for accountability and transparency and in intergovernmental fiscal and expenditure management. The CASPR confirmed the relevance of this strategy. However, to account for slower progress in improving agricultural markets and investment environment, it proposed to modify CAS implementation plans. The significant increase in IDA resource allocation for Malawi would be absorbed through enlarged projects and enhanced participation in regional projects.

Relevance of the WBG Strategy:

4. **Congruence with country context and country program.** The CAS's four objectives were relevant to Malawi's key development challenges, and fully aligned with the focus areas of the Government's development program. However, as IEG's 2006 Country Assistance Evaluation had found, IDA "consistently overestimated the Government's capacity and commitments for structural reforms." The strong fiscal discipline and the achievement of HIPC completion point in the period leading to CAS approval could have contributed to the unwarranted optimism, which persisted in the CASPR despite clear signs of policy slippages. Although the political risks to reform momentum were identified in the CAS and further highlighted in the CASPR, the strategy did not have adequate mitigation measures for dealing with such risks.

5. **Relevance of Design.** The CAS was similar to earlier IDA strategies in both areas of engagement and selection of instruments. Informed by lessons from past Bank assistance in Malawi, IDA interventions were based on much analytical work undertaken earlier and designed in close collaboration with other development partners. The CAS also demonstrated a concern for selectivity and realism, with outcomes articulated at a level that could be directly influenced by IDA projects, and attention devoted to institutional capacity building through knowledge services. However, the strategy underestimated the political risks to project implementation and did not have adequate mitigation measures to deal with the risk, which materialized, proved to be greater than anticipated, and ultimately led to poor results in a number of areas.

6. **Strength of the results framework.** Striving to be a results-based strategy, the CAS presented a reasonable results chain, linking Bank interventions to address the key constraints for achieving Malawi's development objectives, to CAS outcomes and the MGDS goals. While the expected causal chain was clear, the results matrix lacked clarity. While the CAS aimed at a small number of key outcomes, the four CAS outcomes were in reality four pillars, under which 12 different outcomes were pursued even though they were called milestones, each with one or more targets to be achieved before the end of the CAS period (2008 and 2009 for the most part). The results matrix was not updated in the CASPR despite implementation delays. Furthermore, some indicators were not the most appropriate: for example, smallholder productivity as measured by selected crop yields in IDA project areas reflect mostly improvement in weather conditions (which needs to be corrected for), irrigation and farming practices, but less directly by market incentives, crop diversification, or food storage facilities which were expected to contribute to productivity enhancement. A number of indicators required data that were not available (e.g., reduction in travel time), or objectively measurable (e.g., increased awareness).

7. **Risk identification and mitigation.** The CAS identified four risks and associated mitigation measures: (i) the political risks to reform momentum would be mitigated by more forceful engagement with parliament and civil society to push for growth-oriented reforms and policies; (ii) the Bank's fiduciary risk would be mitigated through continuous engagement in policy and institutional reform but with increased operational focus on improving sector and core governance; (iii) Malawi's vulnerability to drought would be addressed through the Bank's planned Agricultural Sector Program; and (iv) the impact HIV/AIDS on government capacity would be mitigated through increasing existing national

programs and mainstreaming awareness and treatment for staff critical to Bank-supported projects. The CASPR confirmed that these risks remained valid. In particular, the political risks materialized and caused significant delays in Bank and other development partners' projects, including the Agricultural Sector Program relied upon to address Malawi's vulnerability to drought. The CASPR did not propose additional mitigation measures to deal with the heightened political and vulnerability risks. As the 2009 global financial crisis unfolded, the CASPR noted a moderate risk of income shocks over the medium term with possible reduction in export demand and in aid, remittances and FDI. External aid was indeed reduced in 2011, although not as a result of the global economic downturn, but due to policy, human rights and corruption concerns in Malawi. While FDI inflows dropped, export and remittances held up well during 2009-11. The CASPR reiterated the threat posed by HIV/AIDS, but did not propose additional mitigation measures.

Overview of CAS Implementation:

Lending and Investments

8. At the inception of the CAS period, IDA's portfolio consisted of 11 projects totaling \$334 million. All but three were closed by the end of FY12. IDA approved 20 loans for a total of \$840 million during FY07-12, compared to \$358 million in 15 planned loans. Among the programmed projects, three were dropped (South African Power Market, HIV/AIDS, MGDS DPC) and one was postponed (Food Security/Rural Development). All the non-programmed projects were approved in FY10-12. An adjustment credit was planned for each of the four years in the original CAS period through a series of single tranche credits for a total of \$110 million (increased to \$125 million in CASPR). The third credit was approved in FY10 in conjunction with the IMF's ECF, which went off track when the authorities did not deliver on their commitments. Without assurance of macroeconomic stability, IDA's adjustment lending ceased. IDA's approved projects were consistent with the CAS objectives. Trust Funds amounted to \$141 million and financed 14 projects; the largest of which (Project to Improve Education Quality in Malawi, \$90 million) co-financed IDA's Education SWAp of \$50 million in FY10.

9. Between 9 and 11 projects (vs. 10 or fewer planned) were active during the CAS period. The proportion of projects and commitments at risk rose sharply from single digit to over 30 percent during FY08-09 as the Government was preoccupied with the Presidential election. Portfolio quality improved rapidly thereafter, with only one project at risk by FY12 (as reported in CASCR; Table 3a.4 of WB Business Warehouse shows no project at risk). This is a much better portfolio performance than the African average. Project approvals and disbursements also increased after the election. IEG reviewed the completion reports of six projects that were closed during the CAS period, and rated the development outcomes to be *moderately satisfactory* in four of them, and *moderately unsatisfactory* in the other two. This success rate was on par with African average. IEG also considered four of the six projects faced *significant* or *high* levels of risk to their development outcomes.

Analytic and Advisory Activities and Services

10. IDA delivered 17 economic and sector work (ESW) and 16 technical assistance (TA) pieces during FY07-12. The topics they covered were wide in scope, adequate in coverage, and relevant to the CAS objectives. A select review of some reports suggests adequate data analysis and policy focus. However, even though many of the AAA responded to the Government's requests with the relevant Ministries participating in some of the studies, there is no indication that Government policies and decisions improved. For example, the 2007 Public Expenditure Review (PER), which was prepared jointly with different government Ministries, identified many important policy-induced distortions that remain uncorrected. Similarly, the 2008 report on the tobacco identified the distortions resulting from the parastatal ADMARC, which remain large and intrusive in input and output markets. In addition, IDA also delivered several major reports that were not linked to CAS objectives, such as the Country Education Status (FY09) and the Mining Sector Review (FY09).

Partnerships and Development Partner Coordination

11. The Department of Debt and Aid in the Ministry of Finance takes the lead role in the coordination of external assistance. The MGDS was the primary tool to ensure alignment of development partners' programs. In addition to the Sector Wide Approach (SWAp) that begun under the earlier CAS, SWAps were in place or being developed in agriculture, education, infrastructure, water and sanitation and public sector management. Resource pooling was utilized in a wide range of lending and AAA operations.

Safeguards and Fiduciary Issues

12. There was no safeguard complaints registered in the Inspection Panel. In the period FY07-FY12, INT recorded 9 allegations of fraud and corruption, and found sufficient basis to open 4 cases. Three of these were substantiated.

Overview of Achievement by Objective:

Pillar 1: Improve smallholder agricultural productivity and integration into agro-processing

13. Under this pillar, IDA sought to help the Government improve irrigation and farming practices, improve market incentives for surplus production, strengthen integration and links to input/output markets, and establish storage and mitigation measures for food security risks over time.

14. **Improve irrigation and farming practices.** To help reduce Malawi's high vulnerability to weather-related shocks and limited farmer capacity, IDA tried to improve irrigation and agricultural inputs with the Irrigation, Rural Livelihoods and Agricultural Development Project (IRLADP, FY06). In the 11 project-supported districts, irrigated area increased by 3,438 ha. Although this exceeded the CAS target of 2,500 ha for 2009, considering that it took twice as much time to achieve 37 percent more irrigation area, progress was slower than expected. Nationwide, irrigated area increased from 73,480 to 90,000 ha, although the CASCR notes that these data are uncertain. Significant additional efforts are needed as the irrigated land remains a tiny fraction of the 4.5 million ha of arable land in Malawi. There are some improvements reported in the Water Users Associations; but there is no information on the CAS target of increasing the share of smallholders using fertilizers. The country team, on the other hand, reports that the number of farmers adopting various crop technologies, including fertilizer, exceeded project target. In IDA project areas, the yields improvement targets for rice and maize were met, although it is unclear how much of the increase was due to favorable weather conditions. The Community-Based Rural Land Development Project and additional financing (FY04 and FY10) managed to relocate more than 15,000 households, providing them with more agricultural land and improving their productivity, incomes and livelihood.

15. **Improving market incentives for surplus production.** The distorted incentives that farmers face arise from the role of ADMARC in the input and output markets, and the over-valued exchange rate that affects both imported fertilizer prices and tobacco exports. With support from IDA's adjustment credits, various actions had been undertaken to restructure the ADMARC. Nevertheless, the Government failed to turn the parastatal into a solely commercial company. The CASCR notes continued government interference in its operations, demanding ADMARC to purchase and sell crops at mandated prices and to provide inputs under the Farm Input Subsidy Program (FISP). The 2010 CEM lists many policy distortions that remain unaddressed (e.g., restraints on domestic grain trade introduced in an *ad hoc* manner). Overall, there is no indication that the incentives facing the farmers are any less distorted than before. Meanwhile, although the CASCR reports that the CAS target of raising awareness for the value of crop diversification was met with the preparation and discussion of a national export strategy, efforts to increase crop diversification remain at an initial stage, with the Ministry of Agriculture developing action plans to promote new crops and to seek private investors' interest in contract farming. The Agricultural Development Program-Support Project (FY08), which folded into the Agriculture SWAp-Support Project (ASWAp-SP) in FY12, is starting initial investments on promoting legumes production.

16. **Strengthening integration and links to input/output markets.** Impassable roads during the wet season and high domestic transport cost were major constraints for smallholders to be linked to markets. The progress toward better market integration for the farmers was to be measured by the reduction in the travel time by 10 percent for farms located within a 20 km radius of the market center in IDA's Infrastructure Services Project (FY06) supported areas by 2010. However, this indicator was not tracked, so there is no data to gauge progress. Data from the Ministry of Transport and Public Infrastructure indicate that the condition of paved roads improved while that of unpaved roads deteriorated, and the proportion of rural population with access to all-season roads reached 65 percent, compared to a target of 75 percent. Through policy discussions, the Bank supported the Government to encourage private sector involvement in supply of seeds and fertilizer. The CASCR reports that the private sector is now contributing to the bulk procurement (65 percent in 2011/12 and 80 percent in 2012/13) of the FISP fertilizer requirements, but the distribution remains fully managed by public institutions. The CAS target was thus not met. More progress was made on the seeds side, with the private sector procure and distribute all seed package under the FISP. IDA's assistance in this area was provided through the IRLADP mentioned above, and AAA.

17. **Establishing storage and mitigation measures for food security risks over time.** Apart from a few initiatives to establish village grain banks undertaken by the National Smallholder Farmers Association of Malawi, progress was slow as the newly created Malawi Agricultural Warehousing and Trading Company (MAWTCO) is not yet operational. The Bank supported this initiative through the adjustment credits and policy discussions; but so far limited warehousing facility has been established. The ASWAp-SP and the Global Facility for Disaster Reduction and Recovery: Track 2 TA provided support to strengthen the Government's capacity for managing agricultural risks, but there is no information on the results.

18. IEG rates the outcome of IDA assistance under Pillar 1 as *moderately unsatisfactory*. With the extension of CAS implementation period, the increase in irrigation area has met the original target set for 2009, and more farmers are using better crop technologies. IDA financing helped improve some feeder roads, but the lack of monitoring data makes it impossible to assess whether the effort has led to reduced travel time between farms and markets. On the institutional side, progress toward removing distorted agricultural incentives has been slow, with the ADMARC continuing to play a key role in the input/output markets under directed prices and interventionist policies. There is limited private sector involvement and little agricultural diversification. Agricultural storage facilities have not improved.

Pillar 2: Put in place a foundation for longer-term economic growth through improved infrastructure and investment climate

19. IDA's assistance under this pillar aimed to help improve energy generation and transport, address the policy issues in the investment climate, and improve access to finance.

20. **Improving energy generation and transport.** With less than 7 percent of the population and 1 percent of those in rural areas having access to electricity, energy continues to be a serious constraint to economic growth. Almost all power generation is hydro based and dependent on the drought-prone Shire River. IDA's Mozambique-Malawi Interconnector Project (FY07), which was projected to have economic rates of return over 27 percent and would increase the availability and reliability of electricity in both countries, was cancelled in FY2010 when the Government changed its mind and no longer considered it a priority project. An extension of the Kapichira hydropower plan is under construction funded by the budget; and the Infrastructure Investment (Energy/Transport Pooled Co-financing) Project (FY11) would fund studies and activities to strengthen and expand electricity network. However, these recent initiatives are too new to lead to improved energy generation capacity, and the CAS target was not met. There was also a lack of movements on reforms to encourage private sector participation in the energy sector. Malawi's score on Global Competitiveness Report's (GCR) Quality of Electricity Supply declined from 2.7 to 2.2 (out of 7) during 2006/07-2012/13.

21. On transport, there is indication of some progress. The Bank's past investments and institutional capacity building in the road sector contributed to improvement in the network, which is

reflected in the advances of Malawi's GCR scores for Quality of Road (from 2.6 to 3.4) and Quality of Overall Infrastructure (from 2.3 to 3.2) during 2006/07-2012/13. As the EU is leading transport sector support with African Development Bank and Japanese International Cooperation Agency also investing heavily in the sector, the Bank continued to implement the Infrastructure Services Project (FY06), which experienced slow implementation; and delivered Multi-Modal Transport Development and PPP Potential Study (FY11). The CASCR notes that the existing rail network has not improved, although IDA is now advising the Government to link its railways to the proposed Mozambique railway line to transport coal from a newly developed mine in Tete to the Indian Ocean port of Nacala.

22. **Addressing policy issues in the investment climate.** The CAS identified three indicators to measure the progress toward achieving this objective. On the target of putting in place a policy and legal framework and unit for PPP transactions as a means to help improve deficient infrastructure services, the CASCR reports that the PPP policy was published in 2008, the PPP Act was approved in late 2012, and a PPP Unit was created in the Privatization Commission. It notes further that the PPP Unit has facilitated over 60 transactions. The CAS target on reducing the number of procedures to deal with a license was not met, and there is no information on whether Malawi Confederation of Commerce and Industries collaborated with the Government in defining private sector-oriented post-secondary education. The Bank's support to this objective was provided through the series of MGDS DPCs (FY08, FY09, and FY10), the Business Environment Strengthening TA Project (BESTAP, FY07), and the Malawi SME Business Survey (FY12). Overall, there is no indication that the investment climate in Malawi has improved. Its Ease of Doing Business ranking was on a continuous slide throughout the CAS period, with most indicators showing no improvement. Private investment declined from 19.1 to 8.6 percent of GDP during 2009-11.

23. **Improving access to finance.** A Financial Sector Assessment Program (FSAP) and a Report on Observance of Standards and Codes (ROSC) were delivered during the CAS period. The CASCR reports that the Government has adopted a number of FSAP recommendations such as passing new financial sector laws in microfinance, pensions, credit reference, insurance and capital markets. There is no information on the implementation of these laws. Through the Business Growth Scheme under IDA's BESTAP project, SMEs are starting to access matching grants for business development. The IMF's latest Article IV report (August 2012) notes that although financial development in Malawi is still low by regional standard with the vast majority of the population facing severe constraints in accessing financial services, Malawi's financial deepening indicators (broad money in GDP and credit to private sector in GDP) are improving.

24. IEG rates the outcome of IDA assistance under Pillar 2 as *unsatisfactory*. The failure to address the critical energy issues is recognized by the CASCR as a major shortcoming of the CAS program. Although some progress was achieved in the transport sector with improving road network, and there are some steps taken to improve access to credit, the business environment has generally worsened.

Pillar 3: Decrease vulnerability at the household level to HIV/AIDS and malnutrition

25. Bilateral development partners (mainly DFID) took the lead in the health sector during the CAS period, but IDA contributed significant funds and expertise to help improve HIV/AIDS awareness, access to drugs and treatment, reduce child malnutrition, and improve social protection program.

26. **Improving HIV/AIDS awareness, access to drugs and treatment.** During the CAS period, IDA stepped up its support for Malawi's response to HIV/AIDS through a continuous series of projects, including the Multi-Sectoral AIDS Project and additional financing (FY04 and FY10), the Health Sector Reform Project (FY05), the Health Sector Support Project additional financing (FY07), and the Malawi Nutrition and HIV/AIDS Project (FY12). Good progress has been achieved to expand treatment facilities, but considerable more needs to be done to slow HIV infection rate (10.6 percent in 2012) and to increase treatment coverage. As reported in the CASCR, testing sites increased from just 14 in 2001 to 810 in 2012, while the number of patients on anti-retroviral treatment rose from 57,000 in 2006 to almost 350,000 in March 2012. However, although Malawi's treatment coverage rate is now among

the highest in high-prevalence IDA countries in Southern Africa, at 36 percent, it fell far below the 2009 target of 85 percent. The availability of opportunistic infection drugs also improved, although stock-outs remain frequent for some drugs, while the share of facilities delivering Essential Health Package exceeded the target. There is mixed results regarding AIDS awareness: Demographic and Health Survey show that during 2004-2010, comprehensive knowledge about AIDS increased from 22.4 to 41.0 percent among women, but decreased from 44.8 to 38.9 percent among men.

27. **Reducing child malnutrition.** The CAS identified that lack of knowledge on good feeding practices was the cause of malnutrition. A joint PATH/USAID/IDA study on Barriers/Facilitators on Infant/Child Feeding was delivered in FY10, on which basis a communication program is starting as of 2012. Donor support in nutrition area is coordinated and aligned with the Government's programs; several donors are contributing to the nutrition component of the Malawi Nutrition and HIV/AIDS Project (FY12). World Health Organization data show that the proportion of stunted children under 5 years decreased from 53.2 to 47.8 percent during 2006-10, although the Malawi Integrated Household Survey 2010-11 reveals a much higher stunted rate of 62 percent, and only 13 percent of these children participate in nutrition programs.

28. **Improving social protection program.** With the Bank's Building Resilient Communities analytical support (FY07), the Government developed a Social Support Policy to promote an integrated approach to social protection program. However, the CAS target of implementing a coherent National Social Protection Policy was not met as the new policy was only approved in June 2012. The Bank's Malawi Social Action Fund III and additional financing (FY03 and FY10) supported a public works cash transfer program, which improved the targeting of program beneficiaries.

29. IEG rates the outcome of IDA assistance under Pillar 3 as *moderately satisfactory*. Sustained IDA assistance has contributed to good progress in HIV/AIDS treatment, but continued efforts are required to reduce the rate of new infection and to expand treatment coverage. Although IDA support helped improve targeting of the poorest with the introduction of the social cash transfer program, the implementation of the new Social Support Policy is just starting. IDA's assistance in the nutrition area may have laid the foundation for future engagement, but has not led to results during the CAS period.

Pillar 4: Sustain improvements in expenditure management, budget execution and the accountability of civil service

30. The objectives under this pillar included improvement in the institutional system for accountability and transparency and in intergovernmental fiscal and expenditure management.

31. **Improving the institutional system for accountability and transparency.** An EU-funded 2008 Assessment of Public Finance Management (PFM) reported many improvements, but noted that spending deviations from the budgets, ineffective tax collection and insufficient audits and public scrutiny were the key weaknesses. IDA sought to strengthen these weak links in the system and set five specific targets. The CASCR reports that three of the targets, concerning payroll audits, certification of professional officers in the Office of the Director of Public Procurement (ODPP), and compliance of the budget with Government Finance Statistics (GFS) and System of National Accounts (SNA), were achieved. However, it notes that five of the six ODPP officers who received IDA-financed (via trust fund) advance training in procurement management have left the Directorate. Progress was limited in the audit functions, especially follow-up of audit reports and implementation of audit recommendations. The CASCR notes that most internal audit units or committees are non-functioning and a backlog of Treasury Minute exists for submission to Parliament (the last submitted was for 2005 to 2007 financial year). Audit quality, effectiveness and public scrutiny continue to receive the lowest scores among the Public Expenditure and Financial Accountability (PEFA) indicators, with some being downgraded between 2008 and 2011. Finally, the target of achieving annual agreements on macroeconomic framework has not been met since 2009. The Exogenous Shocks Facilities in 2009 expired without a formal review and the ECF in 2010 went off-track in 2011; a new ECF was agreed upon in May 2012.

32. IDA supported this objective through the PRSC series (FY08-10), which focused on increasing audit coverage, reducing audit backlog and implementing follow-up actions; and the Financial Management, Transparency and Accountability Project (FY10), which financed the training of the ODPP officers among other things. IDA also delivered a number of AAA, including Public Expenditure Review (FY07), ROSC (FY07), ROSC TA (FY09), Malawi Investment Lending: Use of Country PFM System Assessment TA (FY10), and Country Economic Memorandum (FY10).

33. **Improving intergovernmental fiscal and expenditure management.** With the creation of a Local Development Fund, the parallel systems for channeling public funds and donor resources to finance services at community and local levels were subsumed to local councils. A Local Government Financial Management System has been implemented at 22 local councils, which now handle all project implementation. There is no information on the intergovernmental fiscal architecture that was expected to be fully operational at budget level by FY2009 budget, or the extent to which the Public Expenditure Tracking Surveys have been used to inform expenditure allocations. In addition to Malawi Social Action Fund III and additional financing (FY03 and FY10), IDA delivered a Local Government and Empowerment TA in FY09.

34. IEG rates the outcome of IDA assistance under Pillar 4 as *unsatisfactory*. Although some aspects of PFM have been strengthened, there continues to lack effective public oversight over government spending decisions. Malawi's GCR score on Wastefulness of Government Spending has not improved (i.e., from 3.1 to 2.9 during 2006/07-2012/13). There is no evidence that audit or public expenditure tracking data is used to improve budget performance. Similarly, although local government financial management has been strengthened, little is achieved in putting in place an intergovernmental fiscal architecture. The CAS target of meeting 23 of 28 PEFA indicators was missed by a wide margin, as only 10 indicators were met by 2011.

Objectives	CASCR Rating	IEG Rating
Pillar I: Improve smallholder productivity & integration into agro-processing	NA	<i>Moderately Unsatisfactory</i>
Pillar II: Improve infrastructure & investment climate	NA	<i>Unsatisfactory</i>
Pillar III: Decrease vulnerability to HIV/AIDS & malnutrition	NA	<i>Moderately Satisfactory</i>
Pillar IV: Sustain improvement in fiscal discipline, budget execution & civil service accountability	NA	<i>Unsatisfactory</i>

4. Overall IEG Assessment

	CASCR Rating	IEG Rating
Overall Outcome:	Moderately Unsatisfactory	<i>Moderately Unsatisfactory</i>
IDA Performance:	Moderately Satisfactory	<i>Moderately Satisfactory</i>

Overall outcome:

35. IEG rates the overall outcome of IDA support as *moderately unsatisfactory*, concurring with the CASCR rating. Under Pillar 1, the Bank's assistance helped increase the irrigated area beyond the 2009 target and enable more farmers to adopt various technologies. However, with the state marketing board (ADMARC) continuing to dominate input/output markets under directed prices and interventionist policies, agricultural incentives remain distorted; there is limited private sector involvement and little agricultural diversification; agricultural storage facilities have not improved. There is no data on integration of farms with markets. Under Pillar 2, although some progress was achieved in the transport sector with the improving road network and there are some steps taken to

improve access to credit, the business environment has worsened. More importantly, little was achieved to address the critical energy issue. Under Pillar 3, sustained IDA support contributed to the rapid expansion of HIV/AIDS treatment, although more efforts are required to reduce the rate of new infection and to expand treatment coverage. With the introduction of the social cash transfer program, IDA support helped improve targeting of the poorest, but the implementation of the new Social Support Policy has been delayed. IDA's assistance in the nutrition area may have laid the foundation for future engagement, but has not led to results during the CAS period. Under Pillar 4, although some aspects of public finance management (PFM) have been strengthened, including at the local government level, there continues to be a dearth of effective public oversight over government spending decisions, and there is no evidence that audit or expenditure tracking data is being used to improve budget performance. Little has been achieved in putting in place an intergovernmental fiscal architecture.

IDA Performance:

36. IEG rates IDA's performance as *moderately satisfactory*, concurring with the CASCR rating IDA identified issues that were relevant for Malawi's development and planned projects appropriately; the projects were generally well designed and supervised. The results chain was clearly articulated, but the results matrix confused outcomes with milestones. Some outcome/milestone indicators were not appropriate, while others required data that were not tracked. IDA responded promptly to the Government's requests, both for lending and for analytical work, and worked closely with the development partners to implement the Paris agenda. The main shortcomings were insufficient identification of political and administrative risks at the design stage, as well as the corresponding mitigation measures; and inadequate course correction, including updating the results framework in the CASPR, during implementation. These failings greatly impeded IDA's ability to pursue the CAS objectives effectively. The CAS discussed ways to manage the Bank's fiduciary risks; the CASPR did not touch on the issue; and the CASCR mentioned the need for fiduciary support as lessons for future engagement.

5. Assessment of CAS Completion Report

37. The CASCR provides a succinct assessment of the Bank's experience in implementing the CAS program. It deviated from the results framework in the CAS and CASPR by presenting the outcomes as outcomes, rather than milestones, and discussed in sufficient detail the progress toward each outcome. The CASCR does not avoid inconvenient facts (e.g., uncertain irrigation figures, trained officers leaving their posts), and presents a credible self-assessment of the program achievement. The CASCR could have reported on progress toward broader CAS objectives in addition to achievement of the specific targets.

6. Findings and Lessons

38. The CASCR identified eight lessons: alignment of the CAS with the MGDS enhanced ownership and commitment; weak government capacity slowed down project implementation; covenant implementation affected project implementation; civil society could offer strong contribution and alternative voice; joint analytical pieces helped in building consensus; programmatic approaches to financing helped leverage resources; further fiduciary support was needed; and projects could influence policy. IEG concurs with these lessons, and underscores two key points. First, alignment of the CAS and the country program is necessary, but insufficient to ensure ownership and commitment. Where the risks of compromises are high and viable mitigation measures limited, alternative scenarios may help steer a clearer course when such risks materialize. Second, the CASPR is an opportunity to take stock of the lessons learned from the initial phase of CAS implementation and to make course corrections as needed.

Annex Table 1: Summary of Achievements of the CAS Objectives

Annex Table 2: Malawi Planned and Actual Lending, FY07-12

Annex Table 3: Grants and Trust Funds Active in FY07-12 (in US\$ million)

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Annex Table 7: Portfolio Status for Malawi and Comparators, FY07-12

**Annex Table 8: IDA Net Disbursements and Charges Summary Report for Malawi, FY07-12
(in US\$ million)**

**Annex Table 9: Total Development Assistance and Official Aid, 2006-2010
(in US\$ million)**

Annex Table 10: Economic and Social Indicators for Malawi and Comparators, 2006 – 2011

Annex Table 11: Millennium Development Goals

Annex Table 1: Summary of Achievements of the CAS Objectives

CAS 07-12: Pillar 1 Improve Smallholder Agricultural Productivity and Integration into Agro-processing	Actual Results (as of current month year)	Comments
<u>Major Outcome Measures</u>	1. <u>Improve irrigation and farming practices</u>	
	Increase irrigated area by 10% (2500 ha) through sustainable water management in 50 Water Users Associations (WUAs) by 2009	2,012 new hectares provided with irrigation and drainage services as of October 2011 under the Irrigation, Rural Livelihoods and Agricultural Development Project (FY06). Source: ISR P084148 Irrigation, Rural Livelihoods and Agricultural Development Project (FY06)
	Increase productivity by 50% in the 11 project-supported districts (on average 1.5 tons/ha from 1 ton/ha for rice, on average 2.25 tons/ha from 1.5 tons/ha for hybrid maize) by January 2012	Increase in crop yield for maize and rice increase from 1.6 ton/ha to 2.8 ton/ha and 1.0 ton/ha to 1.6 ton/ha respectively as of March 2012 under the Irrigation, Rural Livelihoods and Agricultural Development Project (FY06). Source: ISR P084148 Irrigation, Rural Livelihoods and Agricultural Development Project (FY06)
	Increase adoption rate by farmers of best bet soil fertility and crop technologies: increase smallholders using fertilizer from 15% to 50% in 11 districts by 2009	There is no information on this outcome indicator. Source: CASCR and e-mail exchange with country team. Farmers who have benefited from the Inputs for Assets (IFA) program have increased their adoption of crop technologies, including fertilizer and seed. The IFA program has been providing farmers with farm inputs in exchange for the establishment of community assets. The indicator on farmer technology adoption shows that over 73,000 farmers (compared to a target of 24,000) have so far adopted various technologies.
	2. <u>Improve market incentives for surplus production</u>	
	Separate ADMARC commercial and social functions by end 2007	There was a start to separating ADMARC's commercial and social functions, but this process was slow and has not been completed. Source: CASCR and e-mail exchange with country team. ADMARC has streamlined its activities by closing ancillary departments (clinics, tailoring workshops, etc.) and contracting out these services to the private sector. ADMARC has sold its shares in various subsidiary companies, closed down the ADMARC Investment Holding Company (AIHC). Several ADMARC depots are in the process of being passed to a new warehouse leasing company, the Malawi Agricultural Warehousing and Trading Company (MAWTCO). The smaller ADMARC has been mandated to operate as a commercial company, however, the Government continues periodically to demand that ADMARC purchase and sell maize at mandated prices, purchase cotton at mandated prices, and provide inputs under the Farm Input Subsidy Programme.
	Increase awareness of value of crop diversification to reduce income variation by 2009.	A national export strategy has been prepared and discussed with public and private stakeholders. The Ministry of Agriculture is developing Source: CASCR

CAS 07-12: Pillar 1 Improve Smallholder Agricultural Productivity and Integration into Agro-processing	Actual Results (as of current month year)	Comments
	action plans to promote new crops and to expand the contract farming approach with private investors.	
3. <u>Strengthen integration and links to input/output markets</u>		
Reduce travel time by 10% between farms within a 20km radius of the market center in areas supported by the Infrastructure Services Project by 2010	There is no information on this outcome.	Source: CASCR
Ensure that the private sector leads fertilizer procurement and distribution, in partnership with Government by 2009	The private sector is now contributing to the bulk procurement of the FISP fertilizer requirement, with 65% procured by private suppliers in 2011/12 and 80% for this coming 2012/13 cropping season. However, the distribution in rural areas remains fully managed by public sector institutions (ADMARC and SFFRFM). On the seeds side, the private sector outlets procure and distribute 100% of the seed package under the Farm Input Subsidy Program.	Source: CASCR
4. <u>Establish storage and mitigation measures for food security risks over time</u>		
Establish storage and mitigation measures for food security risks over time: grain banks and improved warehouse receipt system in place by 2010	Apart from a few initiatives to establish village grain banks undertaken by the National Smallholder Farmers Association of Malawi (NASFAM), the warehouse receipt system is yet to be fully in place because the establishment of the Malawi Agricultural Warehousing and Trading Company (MAWTCO) has not been fully completed.	Source: CASCR and e-mail exchange with country team. MAWTCO is expected to lease warehouse space that will be availed from ADMARC. However, limited warehousing receipt facility has been established by the Agricultural Commodity Exchange (ACE) in collaboration with the Grain Traders and Processors Association (GTPA) following the policy discussions which were championed by the Bank and other development partners.

CAS 07-12: Pillar 2 Put in Place a Foundation for Long-term Economic Growth through Improved Infrastructure and the Investment Climate		Actual Results (as of current month year)	Comments
<u>Major Outcome Measures</u>	1. <u>Improve energy generation and transport</u>		
	Increase energy generation capacity by 25% by 2011 from 284MW in 2006	The power capacity balance improved after Tedzani I & II hydropower schemes were fully rehabilitated in 2009, bringing available capacity back to 283 MW.	Source: E-mail exchange with country team.
	Decrease current capacity deficit from 17% in 2005, and the average number of days with power disruption from 50 days a year to regional averages (15 days in Zambia) by 2010	There is no information on this outcome.	Source: CASCR.
	2. <u>Address policy issues in the investment climate</u>		
	Ensure that policy and legal framework and unit for PPP transactions in infrastructure are in place by 2009	The PPP Bill was published in August 2008 and a PPP policy framework was approved. PPP Unit in place, located in the Privatization Commission. PPP Act approved in late 2012.	Source: CASCR and e-mail exchange with the country team.
	The number of procedures necessary to deal with a license is reduced from 23 to 15 by 2009.	The number of procedures to start a business has remained unchanged from 2007 to 2012 to 10 days.	Source: Doing Business
	Improve the following Doing Business indicators: Trading across borders from current 41 to 25 days (time to export) and from current 61 to 40 days (time for import) by 2010.	-From 45 days in DB2006 to 34 days in DB2013 concerning the time to export. -From 54 days in DB2006 to 43 days in DB2013 concerning the time to import.	Source: Doing Business
	Improve the following Doing Business indicator: time to start a business: from 35 days to 18 days by 2010.	The number of days to start a business has remained unchanged from 2007 to 2012 to 39.	Source: Doing Business
	3. <u>Improve access to finance</u>		
	Improve access to finance: recommendations from FSAP and ICA translate into Government actions	Government responded positively to the key recommendations of the FSAP including the development and passing of new financial sector laws in Microfinance, Pensions, Credit Reference, Insurance and capital markets. Results of the 2006 Investment Climate Assessment (ICA) have been fed into the drafting process of the new Private Sector Development (PSD) Policy and Strategy and were also used in the design of Business Environment Strengthening Technical Assistance (BESTAP) (FY07).	Source: CASCR.

CPS 07-12: Pillar 3 Decrease Vulnerability at the Household Level to HIV/AIDS and Malnutrition		Actual Results (as of current month year)	Comments
Major Outcome Measures	1. Improved HIV/AIDS awareness, access to drugs and treatment		
	Ensure that by 2009 90% of health facilities have drugs for opportunistic infections (OI) in stock with no stock-outs of greater than one week (by district), up from 35% in 2004 and 65% in 2007.	There is no information on this outcome.	Source: CASCR. In September 2008, the proportion of health facilities stocking various opportunistic infection drugs ranged above 80 percent, without stock-out. MOH report that most districts are improving in terms of stock outs and that tracer drugs were above 85% available in 2012 although some drugs such as LA (first line Rx for malaria), Cotrimoxizole, Metronidazole, Ampicillin and Niverapine were usually out of stock as were HIV/AIDS reagents.
	Ensure that 165,000 people (85%) living with HIV/AIDS are on anti-retroviral therapy (ARV) at the end of each year beginning 2009, up from 57,000 (31%) in 2006.	The number of people living with HIV/AIDS receiving anti-retroviral treatment (ART) has increased from around 57,000 in 2006 to over 198,846 people in 2010 exceeding the 165,000 target set for 2009.	Source: CASCR.
	Ensure that 60% of facilities are delivering Essential Health Packages (EHP) services from 10% (2003 baseline) by 2008.	By 2009, 65% of facilities were delivering Essential Health Package	Source: CASCR.
	Ensure that more than 60% of people living with HIV/AIDS receive nutrition counseling and/or nutritional support.	There is no information on this outcome.	Source: CASCR. Cumulatively 37,571 malnourished ART/TB patients are receiving therapeutic feeding. The annual target is 8000 new patients.
	Decrease the percentage of sexually active women and men (15-49 years) having sex with a non regular partner within the past 12 months by 2009. Baseline: 8.3% for women and 26.9% for men. Objective: 5% for women and 18% for men.	The percent of sexually active women (15-49 years) having sex with more than one partner (non-regular partner) in the last 12 months decreased from 1.1% in 2004 to 0.7% in 2010. The same indicator for men fell from 11.8% to 9.2%.	Source: CASCR. Baseline does not correspond to the one reported in the CASCR.
	2. Nutrition		
	Nationwide awareness and information campaign reaches (targeted group), promoting an adequate diet and feeding practices for under 5 and school age children	A nationwide awareness and information campaign which was undertaken promoted good feeding practices for under-5 and school-age children.	Source: CASCR The detailed joint PATH/USAID/World Bank study on infant and young child feeding practices was delivered and disseminated in 2010. The results of this study informed policy dialogue towards a focused communication program which is being scaled up to national level: USAID has started to support communication programs in 11 Districts since early 2012, and the Government with donor support will be scaling up to the remaining 27 districts.
	Align donor support with Government program on nutrition that prioritizes preventing malnutrition.	Donor coordination is pursued through various forums. Since 2010, nutrition donors meet monthly in the Donor Nutrition Security Group (DoNutS). The Government has reached out to donors through the Scaling Up Nutrition (SUN) movement which provides a common platform for nutrition	Source: CASCR

CPS 07-12: Pillar 3 Decrease Vulnerability at the Household Level to HIV/AIDS and Malnutrition		Actual Results (as of current month year)	Comments
		programming led by Government institutions. Government and stakeholders regularly meet under the SUN Task Force. In addition, there is the Government and Development Partners Nutrition Committee which discusses broader nutrition policy issues.	
	3. <u>Social Protection Program</u>		
	Implementation of a more coherent National Social Protection Policy in collaboration with donors which targets the most vulnerable.	The Building Resilient Communities (ESW) (FY07) supported the development of a Social Support Policy to promote an integrated approach to social protection investments	Source: CASCR

CPS 07-12: Pillar 4 Sustain improvements in expenditure management, transparency and accountability		Actual Results (as of current month year)	Comments
Major Outcome Measures	1. Institutional system for accountability and transparency		
	Achieve annual agreements on macroeconomic framework each year	All six reviews of the IMF-funded PRGF program between 2005 and 2008 were successfully concluded. However, progress was more problematic between 2009 and early 2012. In 2009, Malawi implemented the Exogenous Shocks Facility (ESF), a one-year program designed to assist Malawi to overcome external shocks associated with the 2008 global fuel and food crises. This program expired on December 2, 2009 without formal completion of the review, because of slippages in the first half of 2009, especially in public spending, leading to a much higher domestic borrowing than expected and lower reserve. In early 2010, Malawi's concluded a new, ECF – supported program with the IMF. After a successful review in late 2010, it went off-track in mid-2011. Only after a new Government initiated major reforms in May 2012, a new program was agreed upon and the IMF Board approved a new three-year arrangement for Malawi under the Extended Credit Facility (ECF). The first quarterly ECF review is scheduled for end October 2012.	Source: CASCR.
	Implement 100% of internal and NAO audit recommendations within 12 months by 2010, from ad hoc implementation	While all ministries have internal audit units and internal audit committees (IACs), only 16 of the largest Ministries, Departments and Agencies (MDAs) out of 22 had functional IACs actively met in 2008. This ensured coverage of about 75% of public expenditures. As of December 2010, only one IAC out of the six key spending ministries was reported to have an active Internal Audit.	Source: CASCR
	Clean payroll and establishment system and fully audit payrolls by June 2010	All ministries are audited in 2006. An extra personnel audit to validate the new HRMIS database was completed in June 2008 and the HRMIS was updated, deleting about 700 staff.	Source: P078408 ISR Financial Management, Transparency and Accountability Project.
	Ensure that 75% of professional officers in Office of the Director of Public Procurement fully certified by the Chartered Institute of Purchasing and Supply (CIPS) by December 2008	85% of staff from Government Ministries and Departments were certified at different levels by CIPS by December 2008, and are still serving the Government	Source: CASCR. Of 6 officers from Office of Director of Public Procurement (ODPP) that were trained up to master's degree level in Procurement and Supply Chain Management through the closed FMTAP, 5 officers have left the Directorate and a completely new team is in place.
	Ensure that the FY 2009 GoM budget is Government Finance Statistics (GFS) compliant and System of National Accounts (SNA) compliant at 1-st order level	The FY 2009 GoM budget is Government Finance Statistics (GFS) compliant.	Source: CASCR. The new budget structure now comprises 19 standardized programs and sub-programs in line with the 2001 GFS classifications, from 52 program classifications in previous budgets. The new COA (Chart of Accounts) was fully implemented in the FY12 national budget
	2. Intergovernmental fiscal and expenditure management		
Ensure that intergovernmental fiscal	There is no information on this outcome.	Source: CASCR.	

<u>CPS 07-12: Pillar 4</u> Sustain improvements in expenditure management, transparency and accountability		Actual Results (as of current month year)	Comments
	architecture fully operational at budget level by FY2009 budget		
	Ensure that Sectoral Public Expenditure Tracking Surveys (PETS) are used to inform expenditure allocations and address weaknesses in flows of funds to local level by 2011	The Government has catalogued recommendations presented in the 2008 PETS and 2006 PERs reports. The document was then circulated to all concerned sectors with a letter requesting them to provide updates on what has been done to implement the recommendations and address the issues which were raised in the reports in April 2011.	Source: CASCR.
	Subsume parallel systems (MASAF) to local level by 2010	Previously MASAF used to have regional offices and sub- regional offices that were seen as parallel systems to Local Council operations. These were abolished and as such the Public Sector Management SWAp/MASAF III project (FY08). The project which became effective in 2009 only has the Technical Support Team at the National Level. The entire Project's funding to the local councils pass through the National Local Government Finance Committee as is the case with the transfers from the central government. All implementation is handled by the councils.	Source: CASCR.

Annex Table 2: Malawi Planned and Actual Lending, FY07-12

Project ID	Project name	Proposed FY	Approval FY	Proposed Amount	Approved Amount	Outcome rating
<i>Programmed projects</i>						
P098792	Health Sector Support Project - Additional Financing	2007	2007	5	5	IEG: MU
P096336	National Water Development Program II (SWAp)	2007	2007	25	50	Last IR: S
P103773	Business Environment Strengthening Technical Assistance (BESTAP) (Private Sector Development)		2007		15	Last IR: S
	South African Power Market (MZ interconnector)	2007	Dropped	48		
P099313	MW-PRSC-1	2007	2008	20	20	IEG: MS
P105256	Agricultural Development Programme Support Project SIL	2008	2008	30	32	Last IR: S
P110446	Public Sector Management SWAp/MASAF III	2008	2008	25	50	Last IR: MS
P107303	MW-PRSC-2	2008	2009	25	30	Last IR: MS
P099626	Infrastructure Investment (Energy/Transport pooled Cofinancing)	2010	2011	60	65	Last IR: S
	HIV AIDS (pooled fund)	2010	Dropped			
P117238	MW-PRSC-3	2010	2010	40	54	Last IR: MS
P114847	Education (SWAp)	2010	2010	30	50	Last IR: MS
	Food Security/Rural development (tbd)	2010	Postponed	40		
P115226	Community Based Rural Land Development Project Additional Financing	2010	2010	10	10	Last IR: S
	MGDS Development Policy Credit 4	2010	Dropped			
<i>Total Programmed projects CAS FY07-10</i>				<i>358</i>	<i>381</i>	
<i>Non-programmed projects</i>						
P107545	MAP Additional Financing		2010		30	Last IR: S
P121065	MW - MASAF III AF (CRW)		2010		14	Last IR: MS
P124486	Second National Water Development Project - Additional Financing (IDA)		2011		120	Last IR: S
P120825	MW: Mining Governance and Growth Support Project		2011		25	Last IR: S
P122616	Malawi - Financial Sector Technical Assistance Project		2011		28	Last IR: S
P127866	Shire River Basin Management Program (GEF)		2012		7	NA
P117617	Malawi: Shire River Basin Management Program (Phase-I) Project		2012		125	NA
P128576	Additional Financing to the Malawi Agricultural Development Program Support Project		2012		30	Last IR: S
P125237	Malawi Nutrition and HIV/AIDS Project		2012		80	Last IR: S
<i>Total non-programmed projects</i>					<i>459</i>	
<i>Total projects FY07-12</i>					<i>840</i>	
<i>Ongoing projects</i>						
Project ID	Project name	Approval FY	Closing FY		Approved Amount	
P097292	Malawi Emergency Recovery Loan	2006	2007		30	Last IR: HS
P075911	Third Social Action Fund (MASAF III)	2003	2008		60	IEG: MS
P063095	Privatization and Utility Reform Project	2000	2008		29	IEG: MS
P083401	Health Sector Reform Project	2005	2009		15	IEG: MU
P083704	Development Learning Center project	2004	2009		4	NA
P078408	Financial Management, Transparency and Accountability project (FIMTAP)	2003	2010		24	IEG: MS
P070823	Education Sector Support Project 1	2005	2011		32	IEG: MU
P075247	Community-Based Rural Land Development Project	2004	2012		25	Last IR: S
P057761	Infrastructure Services	2006	Active		40	Last IR: MS
P084148	Irrigation, Rural Livelihoods and Agricultural Development Project	2006	Active		40	Last IR: S
P073821	Multi-Sectoral AIDS Project (MAP)	2004	2013		35	Last IR: S
<i>Total ongoing projects FY07-12</i>					<i>334</i>	

Source: Malawi 2007 CAS, 2009 CASPR and WB Business Warehouse Table 2a.1, 2a.4 and 2a.7 as of 10/17/2012.

*LIR: Latest internal rating. MU: Moderately Unsatisfactory. MS: Moderately Satisfactory. S: Satisfactory. HS: Highly Satisfactory.

Annex Table 3: Grants and Trust Funds Active in FY07-12 (in US\$ million)

Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount
P035917	Mulanje Mt. Biodiversity Conservation Project	TF 28898	2002	2008	6.75
P096336	Second National Water Development Project	TF 56566	2007	2007	1.00
P105256	Agricultural Development Programme Support Project SIL (FY08)	TF 90305	2008	2008	0.68
P110157	Second National Water Development Project - Additional Financing (ACGF)	TF 91521	2008	Active	25.00
P103794	MW - Avian Influenza prevention and control	TF 58316	2008	2010	1.00
P078408	Financial Management, Transparency and Accountability project (FIMTAP)	TF 90947	2008	2010	1.41
P120973	LSMS-ISA Malawi National Panel Survey	TF 96288	2010	Active	1.22
P117094	Malawi: Strengthening the Accountancy Profession	TF 96297	2010	Active	0.50
P106671	Agriculture Development Program SLM	TF 92100	2010	Active	5.80
P110112	Participatory Development and Management of the Nkhotakota Wildlife Reserve	TF 95376	2010	2011	0.06
P121496	Protecting Early Childhood Development in Malawi - Rapid Social Response (RSR)	TF 98515	2011	Active	1.50
P114847	Project to Improve Education Quality in Malawi	TF 97559	2011	Active	90.00
P103773	Business Environment Strengthening Technical Assistance (BESTAP)	TF 91620	2011	2012	3.94
P126025	Inclusive Education for Disabled Children	TF 99386	2012	Active	1.83
Total FY07-12					140.69

Source: Malawi CAS, CASPR and WB Business Warehouse Table 2a.1, 2a.4 and 2a.7 as of 10/17/2012

Annex Table 4: Planned and Actual Analytical and Advisory Work, FY07-12

Project ID	Economic and Sector Work	Proposed FY	Delivered to Client FY	Output Type
	<i>Planned (CAS FY07-10)</i>			
P090068	Public Expenditure Review	2007	2007	Report
P095914	Building Resilient Communities (Trust fund financed TF 055505)	2007	2007	Report
P106289	Financial Sector Assessment Program (FSAP)	2007	2008	Report
	Growth Diagnostics ESW	2008	Dropped	
P107544	Barriers/Facilitators on infant/child feeding	2008	2010	Report
	Regional Infrastructure Linkages	2008	Dropped	
P107323	CEM Update (Including "Transport sector assessment FY08" and "Comprehensive Foreign Exchange and Exchange Rate Study FY12")	2009	2009	Report
	Public Expenditure Tracking Survey	2009	Dropped	
	Fiduciary Assessment (CFAA/CPAR Update)	2009	Dropped	
	Household Energy Note	2010	Dropped	
P118012	Malawi Tourism Study	2010	2011	Report
	<i>Non-planned</i>			
P105826	MALAWI Corporate Governance ROSC Assessment		2007	Report
P103826	Malawi Accounting and Auditing ROSC		2007	Report
P102742	Tobacco Sector Report		2008	Policy Note
P110399	Malawi AML/CFT Assessment		2008	Report
P108092	Mining Sector Review		2009	Report
P109521	Operationalizing PRSC Participation		2009	Report
P108988	Country Education Status		2009	Report
P118461	DeMPA Follow Up Assessment - Malawi		2010	Report
P122333	MTDS Malawi		2011	Report
P118127	MALAWI: Multimodal Transport Development and PPP Potential Study - PPIAF		2011	Report
P122851	MW-Poverty Policy Notes		2012	Policy Note
	Technical Assistance	Proposed FY	Delivered to Client FY	Output Type
	<i>Planned (CAS FY07-10)</i>			
	Forging Partnerships with Agribusiness	2007	Dropped	
	Weather/Price Risk Management	2007	Dropped	
P096072	FSAP Preparation and Follow-up	2008	2007	Institutional Development Plan
P110586	Report on Observance of Standards and Codes (ROSC)	2008	2009	"How-To" Guidance
	<i>Non-planned</i>			
P096100	Export Push and Private Sector Development		2007	"How-To" Guidance
P105500	FIRST: Malawi Enhancement of CB book entry system		2007	"How-To" Guidance
P107132	ICT Policy Dialogue		2008	"How-To" Guidance
P084884	MW- IF Follow Up		2008	"How-To" Guidance
P100862	Local Government & Empowerment (Trust fund financed TF 055505)		2009	Knowledge-Sharing Forum
P115544	AML/CFT Assessment		2009	Knowledge-Sharing Forum
NA	Earthquake Post Disaster Support (FY10)		2009	NA
P113736	Malawi - Investment lending: Use of Country PFM system assessment		2010	Client Document Review
P114562	PSD/FSAP follow up		2011	"How-To" Guidance
P104446	Global Facility for Disaster Reduction and Recovery : Track 2 : Malawi		2011	"How-To" Guidance
P122086	Public-Private Partnership Options Study and Awareness Raising for Irrigation Investment in Malawi		2011	Institutional Development Plan
P123261	Malawi SME Business Survey		2012	Advisory Services Document
P125289	Malawi Reform Plan		2012	Advisory Services Document
P129249	Malawi Rural Roads Project Component Preparation Support		2012	Advisory Services Document

Source: Malawi 2007 CAS, 2009 CASPR and WB Business Warehouse Table 8.1.4 as of 10/17/2012.

Annex Table 5: IEG Project Ratings for Malawi, FY07-12

Exit FY	Proj ID	Project Name	Total Evaluated (US\$M)	IEG Outcome	IEG Risk to Development Outcome *
2008	P063095	MW-Priv & Utility Reform (FY00)	29.9	Moderately Satisfactory	Moderate
2008	P075911	MW-MASAF APL 3 (FY03)	64.8	Moderately Satisfactory	Significant
2008	P099313	MW-PRSC-1	20.8	Moderately Satisfactory	Significant
2009	P083401	MW-Health Sec Supt SIM (FY05)	13.0	Moderately Unsatisfactory	High
2010	P078408	MW-Fin Mgmt, Transpar & Account (FY03)	18.8	Moderately Satisfactory	Significant
2011	P070823	MW-Edu Sec Supt SIL 1 (FY05)	33.2	Moderately Unsatisfactory	Moderate
			180.5		

Source: WB Business Warehouse Table 4a.5 and 4a.6 as of 10/17/2012.

* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

Annex Table 6: IEG Project Ratings for Malawi and Comparators, FY07-12

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower (\$) *	RDO % Moderate or Lower (No) *
Malawi	191.2	6	74.3	66.7	33.0	33.3
AFR	13,884.1	258	74.8	65.8	42.1	42.6
World	79,742.6	1,065	83.3	73.5	68.7	58.1

Source: WB Business Warehouse Tables 4a.5 and 4a.6 as of 10/17/2012.

* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

Annex Table 7: Portfolio Status for Malawi and Comparators, FY07-12

Fiscal year	2007	2008	2009	2010	2011	2012
Malawi						
# Proj	11	11	9	11	12	13
# Proj At Risk	1	1	3	2	1	0
% at Risk	9	9	33	18	8	0
Net Comm Amt	372	371	316	485	669	873
Comm At Risk	60	20	97	80	64	0
% Commit at Risk	16	5	31	16	10	0
Africa						
# Proj	393	419	440	454	470	452
# Proj At Risk	83	94	131	137	117	108
% at Risk	21	22	30	30	25	24
Net Comm Amt	21,093	23,307	28,178	34,189	37,466	38,963
Comm At Risk	3,926	5,890	6,951	9,494	7,950	6,300
% Commit at Risk	19	25	25	28	21	16
World						
# Proj	1,485	1,525	1,552	1,590	1,595	1,500
# Proj At Risk	243	276	344	366	337	333
% at Risk	16	18	22	23	21	22
Net Comm Amt	100,357	106,762	131,076	158,287	168,249	168,408
Comm At Risk	15,354	18,428	19,930	28,186	22,979	23,723
% Commit at Risk	15	17	15	18	14	14

Source: WB Business Warehouse Table 3a.4 as of 10/17/2012.

**Annex Table 8: IDA Net Disbursements and Charges Summary Report for Malawi, FY07-12
(in US\$ million)**

FY	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2007	43.41	7.20	36.21	3.88	0.11	32.22
2008	79.48	0.04	79.43	0.63	0.74	78.07
2009	70.95	0.44	70.51	0.00	1.38	69.12
2010	131.93	0.74	131.18	0.00	1.53	129.65
2011	68.27	1.23	67.03	0.00	1.77	65.26
2012	91.51	1.50	90.02	0.00	2.11	87.91
Total (FY07-FY12)	485.54	11.15	474.38	4.51	7.65	462.23

Source: WB Loan Kiosk, Net Disbursement and Charges Report as of 10/17/2012

**Annex Table 9: Total Development Assistance and Official Aid, 2006-2010
(in US\$ million)**

Development Partners	2006	2007	2008	2009	2010	2006-2010
<i>Bilaterals</i>						
Australia	2.86	2.24	1.84	4.39	3.94	3.05
Austria	2.73	0.13	0.17	0.39	0.09	0.70
Belgium	2.54	3.28	3.13	9.39	12.04	6.08
Canada	12.46	16.04	16.34	19.47	16.54	16.17
Denmark	5.04	5.06	5.85	7.36	6.45	5.95
Finland	1.01	0.86	1.78	1.57	1.69	1.38
France	0.6	0.92	0.9	0.32	-1	0.35
Germany	23.83	24.36	29.63	30.2	41.93	29.99
Greece	0.02	0.4	0.48	0.03	0.02	0.19
Ireland	7.86	10.73	22.95	22.15	20.58	16.85
Italy	0.19	1.49	0.76	1.35	2.3	1.22
Japan	23.38	40.29	30.79	35.8	69.46	39.94
Korea	0.12	0.21	0.19	0.01	0.39	0.18
Luxembourg	0.53	0.1	0.52	0.09	0.31	0.31
Netherlands	10.44	6.8	0.13	0.86	0.02	3.65
New Zealand	0.33	0.14	0.15	0.2	0.1	0.18
Norway	50.26	54.83	64.45	63.63	64.71	59.58
Spain	1.44	-0.32	2.9	9.81	0.63	2.89
Sweden	17.39	20.42	14.45	4.9	2.47	11.93
Switzerland	0.03	0.06	..	0.13	0.16	0.10
United Kingdom	170.94	133.72	146.85	111.7	148.03	142.25
United States	64.02	78.98	87.72	111.41	126.29	93.68
<i>DAC Countries, Total</i>	398.02	400.74	431.98	435.16	517.15	436.61
Czech Republic	0.08	..	..	..	0.05	0.07
Cyprus	..	..	..	..	0.17	0.17
Iceland	3.73	4.37	5.13	3.6	2.63	3.89
Kuwait	7.89	6.54	3.79	0.03	-1	3.45
Israel	0.01	0.03	0.01	0.02	0.04	0.02
Poland	0.09	0.03	0.09	0.07	0.05	0.07
Slovenia	..	..	0.03	0.03	0.03	0.03
Thailand	0.01	0.01	0.02	0.06	0.01	0.02
Turkey	..	..	0.23	..	0.06	0.15
Arab Countries	7.89	6.54	3.79	0.03	..	4.56
<i>Non-DAC Countries, Total</i>	11.81	10.98	9.3	3.81	2.04	12.42
<i>Multilaterals</i>						
AfDB (African Dev. Bank)	..	1.91	1.82	1.72	..	1.82
BADEA	1.52	3.41	1.68	6.12	4.34	3.41
AfDF (African Dev. Fund)	56.62	30.1	47.78	48.18	41.42	44.82
Arab Agencies	5.07	5.79	5.5	6.46	..	5.71
GAVI	..	7.45	11.88	7.03	8.21	8.64
Global Fund	29.22	79.38	92.09	66.87	49.82	63.48

Development Partners	2006	2007	2008	2009	2010	2006-2010
IAEA	..	..	0.01	0.07	0.3	0.13
IDA	66.99	78.03	53.04	82.19	131.83	82.42
IFAD	1.1	9.82	1.6	0.97	3.75	3.45
Isl.Dev Bank					0.17	0.17
IMF (SAF,ESAF,PRGF)	26.26	10.21	96.91	..	21.18	38.64
Nordic Dev. Fund	1.17	0.98	0.09	0.51	-0.24	0.50
OFID	3.55	2.38	3.82	0.34	4.12	2.84
UNAIDS	0.58	1.02	0.72	0.84	0.87	0.81
UNDP	7.08	8.88	10.04	11.78	8.59	9.27
UNFPA	1.96	2.23	3.88	3.57	10.48	4.42
UNHCR	0.45	1.15	0.89	1.15	0.75	0.88
UNICEF	7.82	11.88	9.24	9.29	9.85	9.62
UNTA	1.01	2.42	1	1		1.36
WFP	4.41	6.02	6.27	7.7	4.41	5.76
Bill & Melinda Gates Foundation	..	..	..	5.43		5.43
EU Institutions	78.66	75	139.64	84.1	208.33	117.15
<i>Multilateral Agencies, Total</i>	288.4	332.27	482.4	333.43	508.18	388.94
All Development Partners Total	698.23	743.99	923.68	772.4	1027.37	833.13

Source: OECD DAC Online database, Table 2a. Destination of Official Development Assistance and Official Aid - Disbursements, as of 8/2/2011.

Annex Table 10: Economic and Social Indicators for Malawi and Comparators, 2006 - 2011

Series Name	Malawi						Malawi	Sub-Saharan Africa (all income levels)	World
	2006	2007	2008	2009	2010	2011	Average 2006-2011		
Growth and Inflation									
GDP growth (annual %)	7.7	5.8	8.6	7.6	6.5	4.5	6.8	4.9	2.3
GDP per capita growth (annual %)	4.7	2.7	5.4	4.3	3.2	1.2	3.6	2.3	1.2
GNI per capita, PPP (current international \$)	690.0	730.0	790.0	820.0	860.0	870.0	793.3	2042.4	10567.0
GNI, Atlas method (current US mil. \$)	3,093.1	3,381.9	3,913.8	4,429.9	4,872.1	5,186.3	4,146.2	908,052.7	58,332,470.3
Inflation, consumer prices (annual %)	14.0	8.0	8.7	8.4	7.4	7.6	9.0	6.9	5.0
Composition of GDP (%)									
Agriculture, value added (% of GDP)	31.2	30.3	30.1	30.5	..	..	30.5	13.4	2.8
Industry, value added (% of GDP)	17.0	16.3	16.1	16.1	..	..	16.4	31.1	26.8
Services, etc., value added (% of GDP)	51.9	53.4	53.8	53.4	..	..	53.1	55.6	70.4
Gross fixed capital formation (% of GDP)	22.7	24.0	23.3	21.8	21.7	20.8	22.4	20.7	20.8
Gross domestic savings (% of GDP)	1.2	18.9	8.9	17.2	8.2	13.4	11.3	16.3	21.0
External Accounts									
Exports of goods and services (% of GDP)	22.6	27.1	29.5	30.0	30.6	29.0	28.2	32.9	28.0
Imports of goods and services (% of GDP)	47.1	35.1	46.9	37.7	47.2	39.6	42.3	35.7	28.2
Current account balance (% of GDP)	12.5	1.0	-10.2	-5.9	-17.9	-13.4	-5.6	..	..
External debt (% of GDP)	27.9	23.5	23.8	24.7	18.5	..	23.7	..	..
Total debt service (% of GNI)	2.3	1.0	0.8	0.8	0.4	..	1.0	1.9	..
Total reserves in months of imports	..	..	..	..	1.5	0.9	1.2	6.7	12.6
Fiscal Accounts ¹									
Revenue (% of GDP)	32.9	31.6	31.2	30.1	33.8	..	31.9	..	..
Expenditure (% of GDP)	26.8	36.0	36.2	36.1	33.8	..	33.8	..	..
Overall Balance (% of GDP)	6.1	-4.4	-5.0	-6.0	0.1	..	-1.8	..	..
Total Public Debt (% of GDP) ⁶	39.9	33.4	39.9	39.8	31.7	..	36.9	..	..
Social Indicators									
Health									
Life expectancy at birth, total (years)	51.6	52.3	53.1	53.8	53.5	54.1	53.1	53.2	69.1
Immunization, DPT (% of children ages 12-23 months)	99.0	87.0	91.0	93.0	93	..	92.6	71.9	83.1
Improved sanitation facilities (% of population with access)	..	..	56.0	..	51	..	53.5	30.1	61.5
Improved water source (% of population with access)	..	..	80.0	..	83	..	81.5	60.1	87.4
Mortality rate, infant (per 1,000 live births)	78.2	74.9	71.4	68.8	56.1	52.9	67.1	74.5	39.9
Population									
Population, total (in million)	13.2	13.6	14.0	14.4	14.9	15.4	14.3	823.7	6,776.7

Series Name	Malawi						Malawi	Sub-Saharan Africa (all income levels)	World
	2006	2007	2008	2009	2010	2011	Average 2006-2011		
Population growth (annual %)	2.9	2.9	3.0	3.1	3.1	3.2	3.0	2.5	1.2
Urban population (% of total)	17.8	18.3	18.8	19.3	15.5	15.7	17.6	35.4	50.8
Education									
School enrollment, preprimary (% gross)	..	..	..	..	..	..	..	17.0	44.9
School enrollment, primary (% gross)	116.3	113.4	120.2	119.3	135.5	..	120.9	98.5	106.0
School enrollment, secondary (% gross)	28.6	27.7	29.4	29.5	32.1	..	29.5	35.9	68.2

1/ IMF. Malawi Article IV Consultations.

Source: WB World Development Indicators for all indicators excluding Fiscal Accounts data.

Annex Table 11: Malawi: Millennium Development Goals

	1990	1995	2000	2005	2010
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	72	72	73	76	77
Employment to population ratio, ages 15-24, total (%)	47	46	51	62	51
GDP per person employed (constant 1990 PPP \$)	1,314	1,349	1,449	1,417	1,742
Income share held by lowest 20%	..	..	5	7	..
Malnutrition prevalence, weight for age (% of children under 5)	24	27	22	18	14
Poverty gap at \$1.25 a day (PPP) (%)	..	..	46	32	..
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	..	..	83	74	..
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	..	..	71	..	86
Literacy rate, youth male (% of males ages 15-24)	..	..	82	..	87
Persistence to last grade of primary, total (% of cohort)	24	16	33	36	53
Primary completion rate, total (% of relevant age group)	28	56	65	58	67
Total enrollment, primary (% net)	..	..	99	98	97
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)	10	6	8	14	21
Ratio of female to male primary enrollment (%)	87	92	97	103	104
Ratio of female to male secondary enrollment (%)	58	68	75	82	91
Ratio of female to male tertiary enrollment (%)	35	41	38	55	62
Share of women employed in the nonagri sector (% of total nonagri employment)	10.5	11.3	..	..	..
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	81	90	73	82	93
Mortality rate, infant (per 1,000 live births)	134	120	98	78	56
Mortality rate, under-5 (per 1,000 live births)	227	204	164	129	89
Goal 5: Improve maternal health					
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	161	160	135	111
Births attended by skilled health staff (% of total)	55	..	56	54	..
Contraceptive prevalence (% of women ages 15-49)	13	22	31	41	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,100	1,000	840	630	460
Pregnant women receiving prenatal care (%)	90	..	91	92	..
Unmet need for contraception (% of married women ages 15-49)	36	..	30	28	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	27	25	31
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	9	9	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	28	32	..
Incidence of tuberculosis (per 100,000 people)	326	462	467	354	219
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	6.8
Prevalence of HIV, male (% ages 15-24)	..	..	..	..	3.1
Prevalence of HIV, total (% of population ages 15-49)	7.2	13.9	14.2	12.1	11.0
Tuberculosis case detection rate (% , all forms)	41	42	45	56	65
Goal 7: Ensure environmental sustainability					
Forest area (% of land area)	41.3	..	37.8	36.1	34.3
Improved sanitation facilities (% of population with access)	39	42	46	48	51
Improved water source (% of population with access)	41	52	62	73	83
Net ODA received per capita (current US\$)	53	44	40	45	69
Goal 8: Develop a global partnership for development					
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	28	24	25	18	1
Internet users (per 100 people)	..	..	0.1	0.4	2.3
Mobile cellular subscriptions (per 100 people)	..	..	..	3	21
Telephone lines (per 100 people)	..	..	..	1	1
Fertility rate, total (births per woman)	7	6	6	6	6
Other					
GNI per capita, Atlas method (current US\$)	180	160	160	220	330
GNI, Atlas method (current US\$) (billions)	1.7	1.6	1.7	2.8	4.9
Gross capital formation (% of GDP)	23.0	17.4	13.6	22.7	24.8
Life expectancy at birth, total (years)	47	47	46	49	53
Literacy rate, adult total (% of people ages 15 and above)	..	..	64	..	74
Population, total (billions)	9.3	9.9	11.2	12.8	14.9
Trade (% of GDP)	57.2	78.5	60.9	76.2	77.8

Source: World Development Indicators database as of 10/17/2012.