

MALAWI COUNTRY REPORT 2008

<p>Background and debt sustainability</p>	<p>Malawi is a land locked country, with a population of over 12 million and a population density of over 100 people per sq. km. Its per capita GNI was only US\$250 at the end of 2007, and more than half of the population lives below the national poverty line. The Government has developed a Malawi Growth and Development Strategy-MGDS supported by a Debt and Aid Strategy to mobilize financing. Nevertheless, the economy remains highly vulnerable to weather-related (drought and flood) shocks and fluctuations in commodity prices (tea and tobacco).</p> <p>Malawi reached HIPC Decision Point in December 2000 and Completion Point in August 2006. HIPC and MDRI combined resulted in cancellation of over 90% of Malawi's external debt.</p> <p>Malawi has opted to use the LIC-DSF indicators to assess external debt sustainability, and CBP indicators to assess domestic and total sustainability. Its external debt is sustainable, but its domestic debts remain unsustainable, with large domestic debt arrears. It also has urgent needs to mobilise very high levels of aid (grants and highly concessional loans) to maintain debt sustainability, and to increase the quality/effectiveness of its external financing and aid.</p>
<p>CBP support and impact</p>	<p>The HIPC CBP began working with Malawi through a Demand Assessment Mission in October 1999, and assisted Malawi to assess its eligibility for HIPC relief and the impact of this relief on the budget at a regional workshop on debt relief in 2000. Since then Malawi has benefited from 9 further regional workshops, and four National Workshops. The first National Workshop in August 2001 helped Malawi to reconfirm the impact of HIPC relief on anti-poverty spending. The resulting strategy, although not formally approved by government, helped Malawi to implement its HIPC debt relief negotiations, and design a national debt and aid management capacity-building plan, which was subsequently used to design CBP interventions. Malawi also played a prominent role in the HIPC Finance Ministers Network during 1999-2001, advocating strongly for some of the improvements eventually included in the Enhanced HIPC Initiative.</p> <p>During phase 4, three further National Debt Strategy workshops have been conducted, in October 2005, March 2007 and April 2008. The first helped Malawi to make its case for debt relief at completion point, including topping up of relief by US\$411 million (in PV terms), due to lower export prices. The March 2007 and April 2008 focused on updating the national debt and resource mobilisation strategy. In addition, an institutional mission conducted in April 2006 reviewed debt and aid management institutions, recommending an action plan for improving coordination, capacity-building and work programmes. In addition, two Malawian students participated in the CBP distance learning programme in 2007-08, and a further two students are currently participating.</p> <p>As can be seen in the table below, as a result of CBP assistance, Malawi has developed very high technical ability to prepare a high quality debt strategy, however the strategy documents have not reached approval stage in both. Scores for indicator 2a were lower at the start of phase 4 than in 1999, due to large-scale staff turnover, but have since risen sharply. The institutional and legal score (2b) has risen rapidly in phase 4 due to new functional structure with the Debt and Aid Division Availability of trainers in the CBP methodology has also improved consistently since 1999 in almost all technical areas, reaching a high level of 4, and Malawi has designed a capacity-building programme with CBP assistance, improving its score on indicator 3c.</p>

Objectives and content of proposed country assistance	<p>Malawi has already met all the targets scores for all long, medium and short term indicators. The current priorities for further reinforcing Malawi's capacity (and activities envisaged for the remainder of phase 4) are:</p> <ul style="list-style-type: none"> • Responding positively to the Paris Declaration and reviewing the country's debt and aid policy documents. This will take place through one institutional support mission in 2009. • Enhancing national capacity to use and train officials in the BWI's LIC-DSF, by participating in the regional training for trainers workshop on LIC DSF organised by the MEFMI, WAIFEM and DRI in collaboration with the IMF and World Bank in 2009. <p>These activities are expected to move Malawi substantially towards its targets shown in the table below.</p>																																																											
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Progress and Intended Results	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">CBP Logical Framework Performance Indicators</th> <th style="text-align: center;">Initial Score (2000)</th> <th style="text-align: center;">Phase IV Baseline</th> <th style="text-align: center;">Phase IV Current</th> <th style="text-align: center;">Phase IV Target</th> </tr> </thead> <tbody> <tr> <td>LT 1. Debt sustainability</td> <td style="text-align: center;">1</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> <tr> <td>MT 2a. Debt management strategy updated at least once a year.</td> <td style="text-align: center;">2</td> <td style="text-align: center;">1.8</td> <td style="text-align: center;">4.2</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="padding-left: 20px;">Ability to use computerized debt strategy tool</td> <td></td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="padding-left: 20px;">Technical quality of the national debt strategy</td> <td></td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="padding-left: 20px;">Approval of the national debt strategy</td> <td></td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="padding-left: 20px;">Implementing the national debt strategy</td> <td></td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="padding-left: 20px;">Updating the national debt strategy</td> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">5</td> <td style="text-align: center;">4</td> </tr> <tr> <td>MT2b. High-quality legal and institutional frameworks for debt strategy</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3.2</td> <td style="text-align: center;">4.2</td> <td style="text-align: center;">3.6</td> </tr> <tr> <td>ST 3a. Trained personnel capable of formulating and executing national debt strategies</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> <tr> <td>ST 3c. High-quality capacity building plans, which are implemented and annually updated.</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3.4</td> </tr> </tbody> </table>					CBP Logical Framework Performance Indicators	Initial Score (2000)	Phase IV Baseline	Phase IV Current	Phase IV Target	LT 1. Debt sustainability	1	3	4	4	MT 2a. Debt management strategy updated at least once a year.	2	1.8	4.2	4	Ability to use computerized debt strategy tool		2	4	4	Technical quality of the national debt strategy		2	4	4	Approval of the national debt strategy		2	3	3	Implementing the national debt strategy		2	4	5	Updating the national debt strategy		1	5	4	MT2b. High-quality legal and institutional frameworks for debt strategy	3	3.2	4.2	3.6	ST 3a. Trained personnel capable of formulating and executing national debt strategies	2	3	4	4	ST 3c. High-quality capacity building plans, which are implemented and annually updated.	1	1	4	3.4
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Expenditure and Budget	<p>The budget allocated to events to support Malawi in phase 4 is US\$263,469. Of this amount US\$136,814 is expected to be financed from core funds.</p>																																																											