Malawi Government

ANNUAL DEBT AND AID REPORT

(JULY 2006 - JUNE 2007)

October 2007

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INTRODUCTION

The purpose of this edition of the Annual Debt and Aid report is to provide useful data to stakeholders both in Government and in the donor community on the volume, distribution and predictability of disbursements made this year by development partners, and to provide the latest information on the Government of Malawi's debt portfolio. It is a follow up to the Annual Debt and Aid report for 2005/06, published in October 2006, covering the period July 2006 – June 2007, the Government of Malawi's 2006/07 Financial Year. In addition to reporting on the volume and distribution of Aid, the report also provides information on Aid dependency, and some basic indicators of progress against the Paris Declaration.

This Annual Debt and Aid Report is a significant improvement over the report published last year. Data coverage has been extended, with information now provided for additional UN agencies (UNICEF, WHO, WFP and FAO) and CIDA. Additionally, an Aid Map has been produced (see Annex 1), plotting the contribution of each of our development partners to each sector in Malawi. Debt reporting has also been extended, with a chapter on domestic debt incorporated. Annex 2 reports on the activities of the Debt and Aid Management division during the 2006/07 Financial Year, showing progress against our work plan.

These improvements have been made in response to suggestions from Government stakeholders and development partners. Further improvements can still be made, and as such, we would welcome suggestions for the improvement of the report. Suggestions should be sent to Stan Nkhata (stan_nkhata@finance.gov.mw) and Ranil Dissanayake (ranildissanayake@finance.gov.mw).

CHAPTER 1

AID DISBURSEMENTS REVIEW

1.1 Update on Data Reporting and Quality

This chapter analyses the volume and distribution of donor support to in the 2006/07 Financial Year Malawi, by development partner, Aid modality, MGDS theme and by functional sector. It reports on the predictability of development support, by Aid modality and indicators of Aid dependence.

The coverage of data in this report improves on the previous annual report of last Financial Year, due to the inclusion of a number of UN Agencies, which did not provide data for the previous edition. These agencies are UNICEF, WFP, WHO and FAO, all of which were also captured in the Mid-Year report for the 2006/07 Financial Year, published in February. This edition of the annual report also provides information for CIDA, which has not previously been captured. This improved information capture allows for more comprehensive reporting. However, the aid portfolio lacks information from donors/creditors without country offices, namely NDF, IFAD, Kuwait Fund, OPEC Fund among others. Table 1, below, provides a summary of the responsiveness of different development partners in meeting Ministry of Finance data requests for the 2006/07 Financial Year.

Table 1.1: Provision of Data to the Ministry of Finance 2006/07, by Development Partner

	All Data Requests Met During 06/07	**Projections Provided for 2006/07 Budget**	**Projections Provided for 2007/08**
ADB	Yes	Yes	Yes
CIDA	No	No	No
DfID	Yes	Yes	Yes
EU	Yes	Yes	Yes
FAO	No	No	Yes
GTZ	Yes	Yes	Yes
JICA	No	Yes	Yes
KfW	Yes	Yes	Yes
Norway	Yes	Yes	Yes
UNDP	No	Yes	Yes
UNICEF	No	No	Yes
USAID	Yes	Yes	Yes
WFP	Yes	No	Yes
WHO	No	No	No
World Bank	Yes	Yes	Yes

Source: Debt and Aid Management Division

Table 1.1 shows that eight out of fifteen development partners met all of the Government of Malawi reporting requirements in 2006/07. However, the remainder failed to meet at least one requirement. These requirements are not judged by simple submission of data,

but also by completeness of the data. For example, where a development partner provided information on projections for the 2007/08 Financial Year but failed to indicate the implementing agency, they are recorded as having failed to provide data for the budget. There have been improvements in data reporting, but it remains important that development partners report timely, comprehensively and in the correct format. This will allow for consolidation of reports and to ensure that reporting to other Government stakeholders within and outside the Ministry of Finance, can be made early enough to remain useful for them. In future years, more detailed records will be kept to show which partners provided data by the given deadlines in each month. This information is also useful for compilation of PEFA indicators, which are used to gauge performance of countries PFEM systems as a basis for performance-based allocation of development assistance.

Though the coverage of data has improved, there remains scope for the improvement of the data used in the report.

- *Quality of Data:* During the preparation for mid-year and annual reports, a number of errors and omissions are noted by development partners when asked to verify the data before analysis is undertaken. These errors are usually introduced at the stage of reporting by development partners to Government. As data coverage increases, the emphasis with regards to data needs to shift towards improved quality and accuracy, to ensure that monthly information returns to Government stakeholders are as accurate as possible.
- *Projections:* Some donors fail to provide projections in time for budgeting activities. This compromises the Government's own planning functions and impairs Parliament's ability to make a sound assessment of spending plans during the budget sessions, as some important funding is not reported. Even where projections are provided, they are often inaccurate, a point returned to in detail later in this chapter.
- *Database Management:* This remains a serious issue. No response from the Commonwealth Secretariat has been forthcoming on the adaptation of CS-DRMS to the Ministry of Finance's needs in terms of an Aid database. Alternative options will now be explored in the hope of establishing a system during the coming financial year.

Details of each funding stream for which DAD hold complete data can be provided upon request.

1.2 Volume and Distribution of Support by Development Partner

Volume of Support by Development Partner

Table 1.2, overleaf, provides an overview of support to Malawi since 2004/05 by development partner.

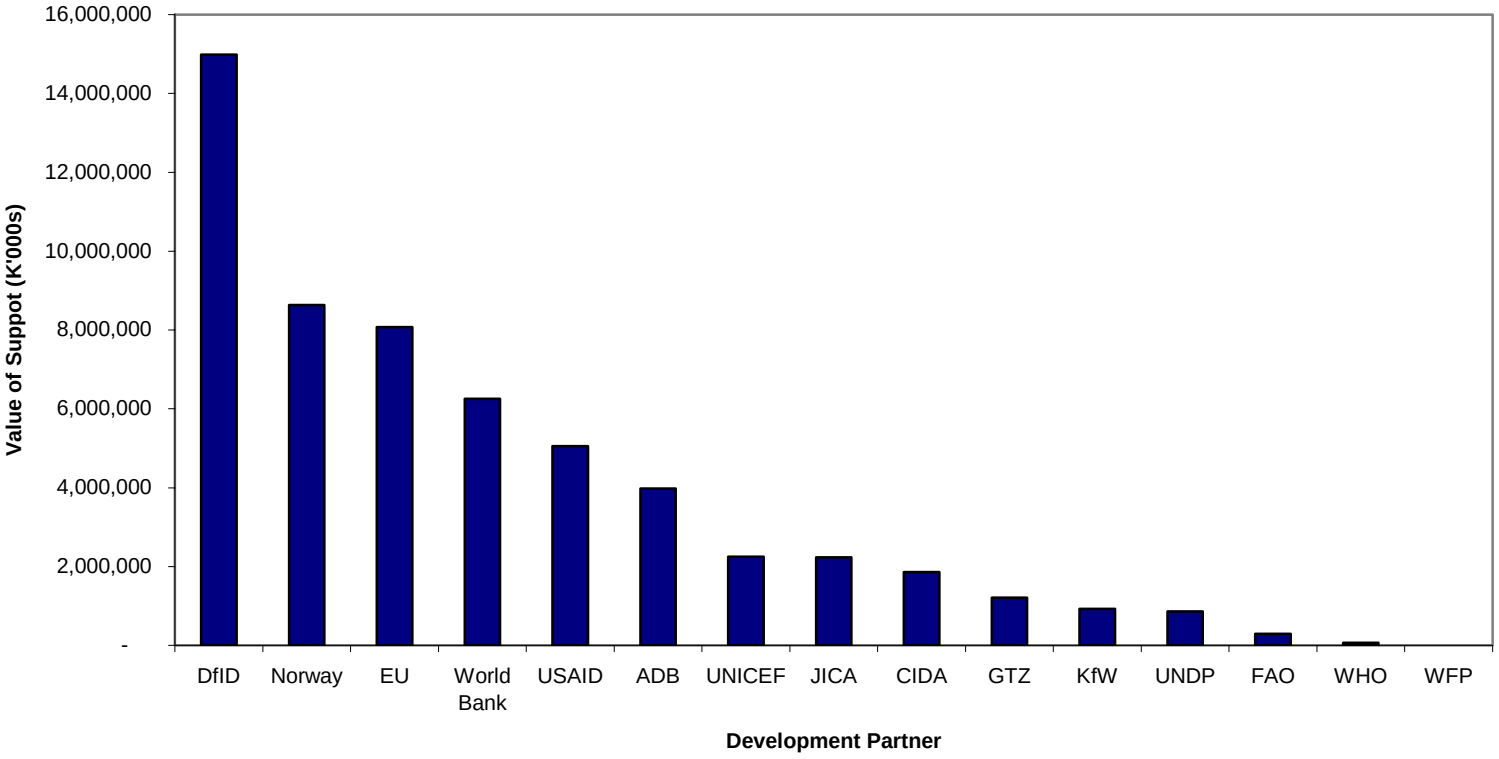
Table 1.2: Development Support to Malawi, by Development Partner, 2004/05 – 2007/08

Donor	Actual Disbursements 04/05			Actual Disbursements 05/06			Actual Disbursements 06/07			*Projected Disbursements 07/08*		
	MWK	**US $**	**Proportion of Total**	**MWK**	**US $**	**Proportion of Total**	**MWK**	**US $**	**Proportion of Total**	***MWK***	***US $***	***Proportion of Total***
DfID	8,405,385,674	75,658,978	23.33	18,039,833,677	140,922,735	27.77	16,370,155,476	117,935,632	26.15	*22,146,670,830*	*158,190,506*	*24.56*
Norway	4,013,473,965	36,126,283	11.14	6,175,929,424	48,992,108	9.51	8,636,581,618	62,182,116	13.80	*10,686,867,597*	*76,334,769*	*11.85*
EU	3,644,600,822	32,805,963	10.11	12,816,233,342	98,735,666	19.73	8,507,084,917	61,104,104	13.59	*15,365,103,252*	*109,750,738*	*17.04*
UN System	*n/a*	*n/a*	*n/a*	1,765,001,415	13,918,717	2.72	7,331,976,213	52,706,618	11.71	*6,794,032,700*	*48,528,805*	*7.54*
WFP	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*3,867,218,117*	*27,794,236*	*6.18*	*1,569,391,460*	*11,209,939*	*1.74*
UNICEF	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*2,249,166,835*	*16,169,430*	*3.59*	*3,722,740,000*	*26,591,000*	*4.13*
UNDP	*n/a*	*n/a*	*n/a*	*1,765,001,415*	*13,918,717*	2.72	*858,090,889*	*6,175,195*	*1.37*	*1,114,121,260*	*7,958,009*	*1.24*
FAO	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*293,326,615*	*2,107,675*	*0.47*	*387,779,980*	*2,769,857*	*0.43*
WHO	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*64,173,755*	*460,081*	*0.10*	*n/a*	*n/a*	*n/a*
World Bank	8,831,558,716	79,495,068	24.51	16,697,275,269	130,256,534	25.70	6,254,248,402	44,926,221	9.99	*10,164,000,000*	*72,600,000*	*11.27*
USAID	4,174,033,442	37,571,519	11.58	4,197,357,150	32,828,416	6.46	5,052,439,387	36,290,677	8.07	*10,051,688,368*	*71,797,774*	*11.15*
ADB	4,331,360,418	38,987,658	12.02	2,394,538,287	18,460,825	3.69	3,977,997,976	28,587,375	6.36	*9,078,776,530*	*64,848,404*	*10.07*
JICA	182,744,965	1,644,933	0.51	573,509,692	4,529,496	0.88	2,465,064,403	17,709,056	3.94	*1,951,028,782*	*13,935,920*	*2.16*
CIDA	864,590,316	7,782,394	2.40	831,047,468	6,499,798	1.28	1,862,980,325	13,393,106	2.98	*1,532,908,443*	*10,949,346*	*1.70*
GTZ	946,487,820	8,519,574	2.63	983,285,682	7,663,265	1.51	1,208,781,904	8,704,549	1.93	*1,208,175,010*	*8,629,822*	*1.34*
KfW	641,216,908	5,771,754	1.78	496,226,224	3,859,706	0.76	928,115,350	6,670,732	1.48	*1,180,254,643*	*8,430,390*	*1.31*
Total	**36,035,453,046**	**324,364,123**	**100.00**	**64,970,237,632**	**506,667,265**	**100.00**	**62,595,425,971**	**450,210,186**	**100.00**	***90,159,506,154***	***643,996,473***	*100.00*
Including Humanitarian Aid:												
DfID		**13,756,268,932**		4,283,564,745	32,181,386		1,386,988,741	9,981,944				
EU				2,529,854,658	19,663,177		434,384,249	3,092,974		*316,193*	*2,259*	
GTZ				73,493,613	594,243							
JICA							234,981,092	1,700,017				
Norway				719,408,781	5,816,880							
World Bank				3,696,672,331	29,889,958							
WFP							3,867,218,117	27,794,236		*1,569,391,460*	*11,209,939*	
Total				**11,302,994,128**	**88,145,643**		**5,923,572,199**	**42,569,171**		***1,569,707,653***	***11,212,198***	

Source: Debt and Aid Management Division
Note: Figures for 2004/05 and 2005/06 differ from those reported in the Annual Debt and Aid Report 2005/06 due to increased coverage of development partners and corrections made to improve accuracy.
Note: Support from Norway includes a substantial volume of support from the Swedish Government, administered by the Norwegian Government.

Total support decreased between 2005/06 and 2006/07, from K65.0 billion to K62.6 billion. The decrease is due to the reduction in humanitarian support, which was much higher in 2005/06 than in 2006/07. Excluding humanitarian support, Malawi saw an increase in development support from K53.7 billion to K56.7 billion. However, part of this increase relates to increased data coverage. Comparing only those donors who provided information on disbursements for both 2005/06 and 2006/07, development support increased from K53.7 billion to K54.1 billion. Graph 1.1, below, shows the support received in 2006/07.

Graph 1.1 : Development Support to Malawi, 2006/07, Excluding Humanitarian Support



Source: Debt and Aid Management Division

As in 2005/06, DfID was the largest donor, by some distance in 2006/07, providing K16.4 billion. Of this K1.4 billion was humanitarian support. As such, non-humanitarian support increased from K13.4 billion in 2005/06 to K15.0 billion in 2006/07. The next largest donors were Norway and the EU, which disbursed K8.6 billion and K8.1 billion respectively, excluding humanitarian support. Increased coverage of the UN System in this report shows that it is one of the largest development partners in Malawi, collectively contributing K7.3 billion. However, the entire contribution of the WFP (amounting to K3.9 billion) was classed as humanitarian support. In absolute terms, the largest reduction in support between 2005/06 and 2006/07 was observed from the World Bank, from K13.0 billion to K6.3 billion, excluding humanitarian support. The largest increase was observed from the Norwegian Government, from K5.5 billion to K8.6 billion,

excluding humanitarian support. This figure includes support from Sweden, administered by the Norwegian Government.

All further data reported below exclude humanitarian support, unless stated otherwise.

Development Support by Aid Modality

Table 1.3, below, shows the distribution of development support by the Aid modality used.

Table 1.3: Development Support by Aid Modality, 2006/07

Modality	Donor	(K)	($)	Support (%)
Budget Support	DfID	5,221,859,405	37,726,742	
	EU	2,860,820,035	20,556,055	
	Norway	1,096,829,706	7,938,686	
	Total	*9,179,509,145*	*66,221,483*	*16*
Dedicated Grants	DfID	3,999,017,191	28,769,420	
	Norway	2,926,005,996	21,032,397	
	World Bank	1,953,301,659	14,038,851	
	CIDA	556,045,132	4,003,762	
	EU	51,208,362	365,360	
	Total	*9,485,578,341*	*68,209,789*	*25*
Project Support	World Bank	4,300,946,742	30,887,371	
	DfID	5,762,290,140	41,457,526	
	EU	5,160,672,271	37,089,715	
	USAID	5,052,439,387	36,290,677	
	Norway	4,613,745,916	33,211,034	
	ADB	3,977,997,976	28,587,375	
	UN System	3,464,758,095	24,912,381	
	UNDP	*858,090,889*	*6,175,195*	
	WHO	*64,173,755*	*460,081*	
	FAO	*293,326,615*	*2,107,675*	
	UNICEF	*2,249,166,835*	*16,169,430*	
	JICA	2,230,083,311	16,009,039	
	CIDA	1,306,935,193	9,389,344	
	GTZ	1,208,781,904	8,704,549	
	KfW	928,115,350	6,670,732	
	Total	*38,006,766,286*	*273,209,743*	*67*
Grand Total		**56,671,853,772**	**407,641,015**	**100**

Source: Debt and Aid Management Division

In 2006/07, project support was once again the dominant modality used by development partners, accounting for 67% of support received compared with 60% in 2005/06. This is again affected by the increased coverage of data in this report. Of the additional five development partners captured, only CIDA provide support in any modality other than

discrete project support. The high proportion of support administered as discrete projects, often implemented through parallel structures is a deviation from accepted good practice, as enshrined in the Paris Declaration. The high reliance on project support partly reflects the mistrust of Government systems of public financial management. However, as Government works towards improving PFM systems through the implementation of the Public Financial and Economic Management action plan, development partners will need to respond by increasing their use of pooled funding and budget support.

The proportion of Aid administered as untied budget support declined from 28% in 2005/06 to 16% in 2006/07. Tables 1.4 and 1.5 below look more closely at this. The first table looks at the proportion of all Aid administered as budget support, and the second looks specifically at those development partners who provided untied budget support in 2006/07.

Table 1.4: Proportion of Development Support Administered as Untied Budget Support, 2005/06 – 2007/08

	Total Aid	**Untied Budget Support**	**Proportion**
2005/06 ($)*	418,521,622	113,748,793	28
2006/07 ($)	407,641,015	66,221,483	16
2007/08 ($)	*592,081,516*	*123,692,779*	*21*

Source: Debt and Aid Management Division

** The 2005/06 figure excludes the World Bank's Emergency Recovery Grant of ($30 million), though this was classified as budget support by the IMF, as Government considered it humanitarian support for the food crisis.*

Table 1.5: Proportion of Development Support Administered as Untied Budget Support, by Donor, 2006/07

Donor	**Total Aid**	**Untied Budget Support**	**Proportion**
DfID (£)	56,428,587	20,000,000	35
EU (€)	44,182,276	15,490,000	35
Norway (NoK)	387,624,000	50,000,000	13

Source: Debt and Aid Management Division

Table 1.4 shows that 2006/07 was an aberration in terms of proportion of Aid administered as budget support, with both 2005/06 and 2007/08 above 20% in this respect. The reduced proportion of budget support in 2006/07 is attributable to the lack of World Bank budget support. In 2005/06, the $25 million FIMAG loan was received, and classed as a budget support loan. In 2006/07 a Poverty Reduction Strategy Credit (PRSC) of $20 million was expected but not disbursed (this is explained in more detail in the section on predictability of Aid). Instead, a $25 million disbursement under the PRSC is expected in 2007/08. Furthermore, increased data coverage in this report also contributes to the low proportion of Aid administered as budget support in 2006/07, as none of the additional partners covered in this report provide budget support. The projected budget

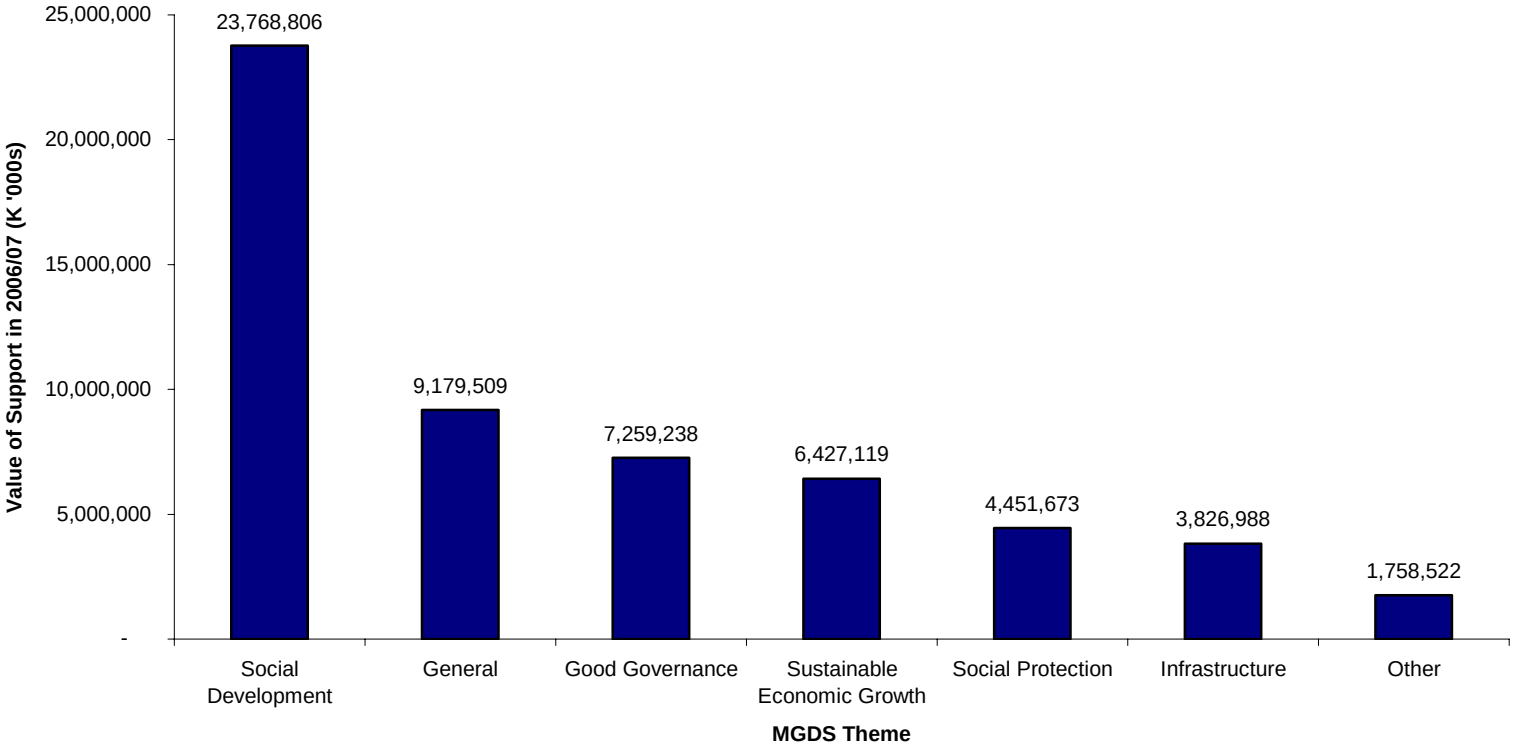
support figure for 2007/08 includes an expected loan of UAC 14.9 million ($22.4 million) from the African Development Bank and the World Bank's PRSC ($25 million), and so the proportion is higher.

Table 1.5 shows that of the budget support donors in 2006/07, both DfID and the EU administered 35% of their support in this manner. The Norwegian Government provided 13% of its support in the form of untied budget support, in addition to significant contributions to the pooled funds of the Health SWAP and the National Aids Commission (co-financed by Sweden), to which DfID also contributes strongly.

Development Support by MGDS Theme and Functional Sector

Graph 1.2, below, shows the distribution of development support received in 2006/07 by Malawi Growth and Development Strategy (MGDS) theme. The data underlying the table are presented in the appendices. From next year, the 'General' category (budget support) will be incorporated into the five MGDS themes, as changes to the budget coding and the MGDS Annual Review should enable the Ministry of Finance to estimate the proportion of budget support allocated to each theme.

Graph 1.2: Development Support by MGDS Theme, 2006/07



Source: Debt and Aid Management Division

As in 2005/06, the Social Development theme is the best funded by development partners. However, both in terms of absolute and relative funding, this theme has

increased its dominance in terms of external funding. In 2005/06, funding for this theme amounted to K 16.8 billion, compared with K14.7 billion in general funding (i.e. budget support), the next best funded theme. In 2006/07, support to Social Development issues increased to K23.8 billion, more than double the lower level of general funding, K9.2 billion. This partly reflects increased data coverage, as UNICEF, CIDA and WHO of the development partners newly captured in this report all provide significant funding to Social Development activities, in particular relating to Health and Education. However, this does not explain all of the increase, as the total support provided by these three partners in 2006/07 amounted to K4.2 billion, leaving a 'real' increase of K2.8 billion. The next best funded theme is Good Governance, which had been the least well-funded theme in 2005/06, with funding increased from K3.8 billion to K7.3 billion. Funding to the Sustainable Economic Growth theme has also increased, from K4.9 billion to K6.4 billion. Funding to the infrastructure theme[1] has remained constant at K3.8 billion, while funding for Social Protection declined from K6.2 billion to K4.5 billion. This reduction probably reflects the passing of the food crisis experienced in 2005/06.

The concentration of funding to the Social Development theme was one of the issues raised on the Government side at the Joint Country Programme Review held in May 2007. Given that the MGDS places economic growth and infrastructure at the centre of the national development strategy, it was felt that this represents misalignment. The donor side suggested that in the context of scarce resources, increasing the funding to the sustainable economic growth and infrastructure themes would need to come at the expense of existing funding, and that expenditure in social development areas such as education and health make a significant contribution to economic growth.

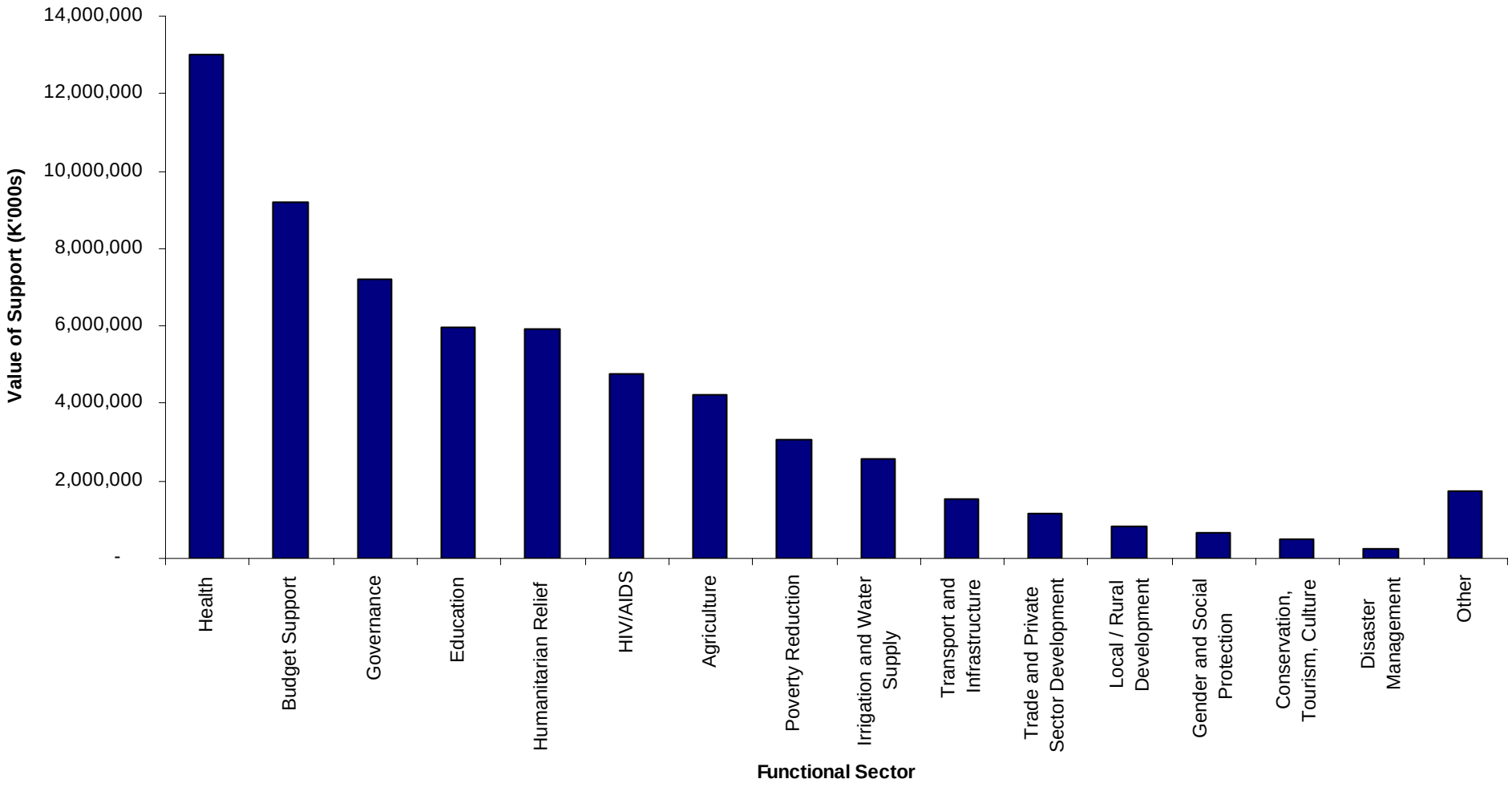
Analysis by MGDS theme is a high level of aggregation. Graph 1.3, overleaf, shows development support by functional sector. The definitions of these sectors, and supporting data for this graph can be found in the appendices.

Unsurprisingly, given the distribution of funding by MGDS theme, the best-funded sectors are those relating to Social Development and Governance. Health was the most heavily funded sector in Malawi, a reflection of development partners' relative confidence in the Health Sector Wide Approach. In 2005/06, Health was the best funded sector after budget support (which is not a true sector, as the support received is used in a number of different sectors) and Humanitarian Relief. In 2006/07, Humanitarian Relief has decreased sharply, as is to be expected, leaving Health as the largest sector in terms of development support. Taken together with spending on HIV/AIDS, expenditure in the Health sector is more than double that of the next best-funded true sector, Governance.

The most heavily funded sector from the Sustainable Economic Growth MGDS theme is Agriculture, sixth out of fourteen sectors, not counting budget support and 'other' support as sectors. Transport and Infrastructure receives only 2.4% of support from the partners covered in this report. However, some of the development partners not captured in this report, such as BADEA, OPEC Fund and Kuwait Fund concentrate their funding on this

[1] The reported funding for infrastructure excludes support from the Arab donor, for which information was not available.

Graph 1.3: Development Support by Functional Sector, 2006/07



Source: Debt and Aid Management Division

sector, so actual funding for this sector is higher than reported here. Funding to Trade and Private Sector Development has more than doubled to K1.1 billion from the 2005/06 level of K0.5 billion, but remains very low, accounting for just 1.8% of total funding, though it can be argued that the primary role of Government and partners here is to create an enabling environment for expansion. The least well funded sectors in 2006/07 are Conservation, Tourism and Culture and Disaster Management, each of which receive less than 1% of the total funding.

A more detailed Aid Map is presented in Annex 1, showing the distribution of funding by development partner within each functional sector.

1.3 Level of Aid Dependency

Malawi remains heavily dependent on Aid, which constitutes the majority of the resources available for development activities. Tables 1.6-1.8 below report on some simple indicators of Aid dependency

Table 1.6: Resources from Development Partners Compared with Domestically Generated Resources, 2004/05 – 2007/08

	Domestic Revenue (incl maize seed / maize sales) (K)	**Development Support (K)**	**Total Value of Resources (K)**	**Aid Proportion (%)**
2004/05 - Actual	65,385,000,000	36,035,453,046	101,420,453,046	36
2005/06 - Actual	67,682,000,000	53,667,243,503	121,349,243,503	44
2006/07 - Actual	81,718,000,000	56,671,853,772	138,389,853,772	41
2007/08 - Projected	*98,009,000,000*	*88,589,798,501*	*186,598,798,501*	*47*

Source: Debt and Aid Management Division

Table 1.7: Project Expenditure funded by Development Partners Compared with Government Funded Project Expenditure, 2004/05-2007/08

	Development Expenditure (K)	**Project expenditure by donors (K)**	**Total Value of Resources (K)**	**Aid Proportion (%)**
2004/05 - Actual	3,819,000,000	25,569,271,718	29,388,271,718	87
2005/06 - Actual	3,992,000,000	32,534,472,121	36,526,472,121	89
2006/07 - Actual	9,410,000,000	38,006,766,286	47,416,766,286	80
2007/08 - Projected	*10,565,000,000*	*58,459,667,872*	*69,024,667,872*	*85*

Source: Debt and Aid Management Division

Table 1.8: Aid as a Proportion of Nominal GDP (Revised GDP Figures), 2004/05 – 2007/08

	Nominal GDP	Development Support	Aid as a proportion of GDP
2004/05	312,000,000,000	36,035,453,046	12
2005/06	384,200,000,000	53,667,243,503	14
2006/07	464,400,000,000	56,671,853,772	12
2007/08	527,700,000,000	*88,589,798,501*	*17*

Source: Debt and Aid Management Division, Economic Affairs Division

At the current stage of economic development, a high level of Aid dependency is to be expected. This will change only slowly as the economy grows and the domestic revenue base expands accordingly. The three tables above all demonstrate that Aid is a significant factor in the economic landscape, and is remaining roughly constant, though with fluctuations year-on-year. A longer time series will be required before any definitive trends can be identified. However, even in the short time series available, it should be pointed out that development support is keeping pace with domestically generated resources, remaining at roughly 40% of total development resources available, despite a relatively rapid increase in these resources. Similarly, the rapid expansion of nominal GDP is mirrored by increased development support, which fluctuated between 12% and 14% of GDP between 2004/05 and 2006/07, though it is expected to increase to 17% in 2007/08.

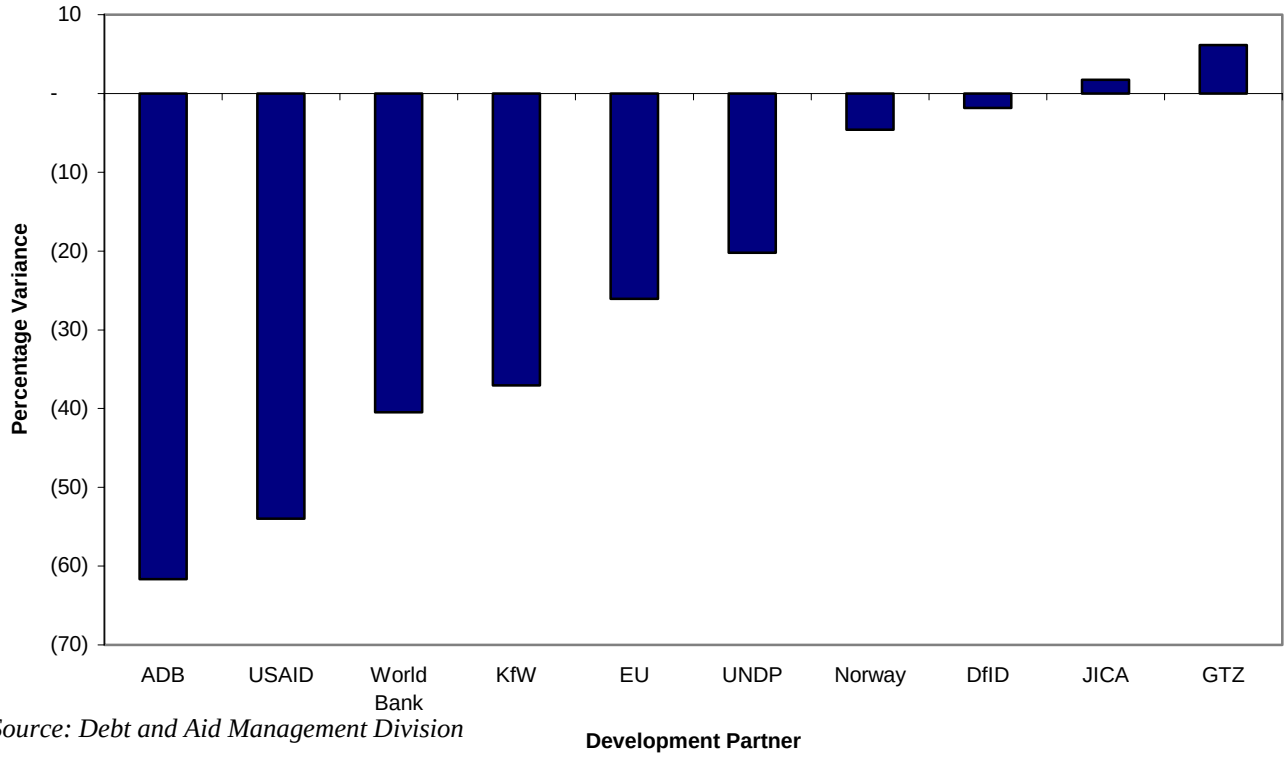
Table 1.7 is an approximation of the development (capital) expenditure of Government and donors, showing contribution of donor project support to total development expenditure, excluding recurrent expenditure of Government and pooled funding from donors, which may be used for recurrent expenditures. These figures should only be taken as indicative. Many donor projects involve some recurrent spending, and the Government's development budget also has elements of recurrent spending in it. Despite this, it does provide an indication of the importance of donor funding for activities primarily aimed at development activities. In each year between 2004/05 and 2007/08, the donor contribution to this total was or is expected to be 80% or higher.

Although a high level of Aid dependence is not unusual for countries at a similar level of development to Malawi, it can cause problems when the predictability of Aid is low. This has been the case in Malawi, as shown in the next section.

1.4 Predictability of Aid Flows

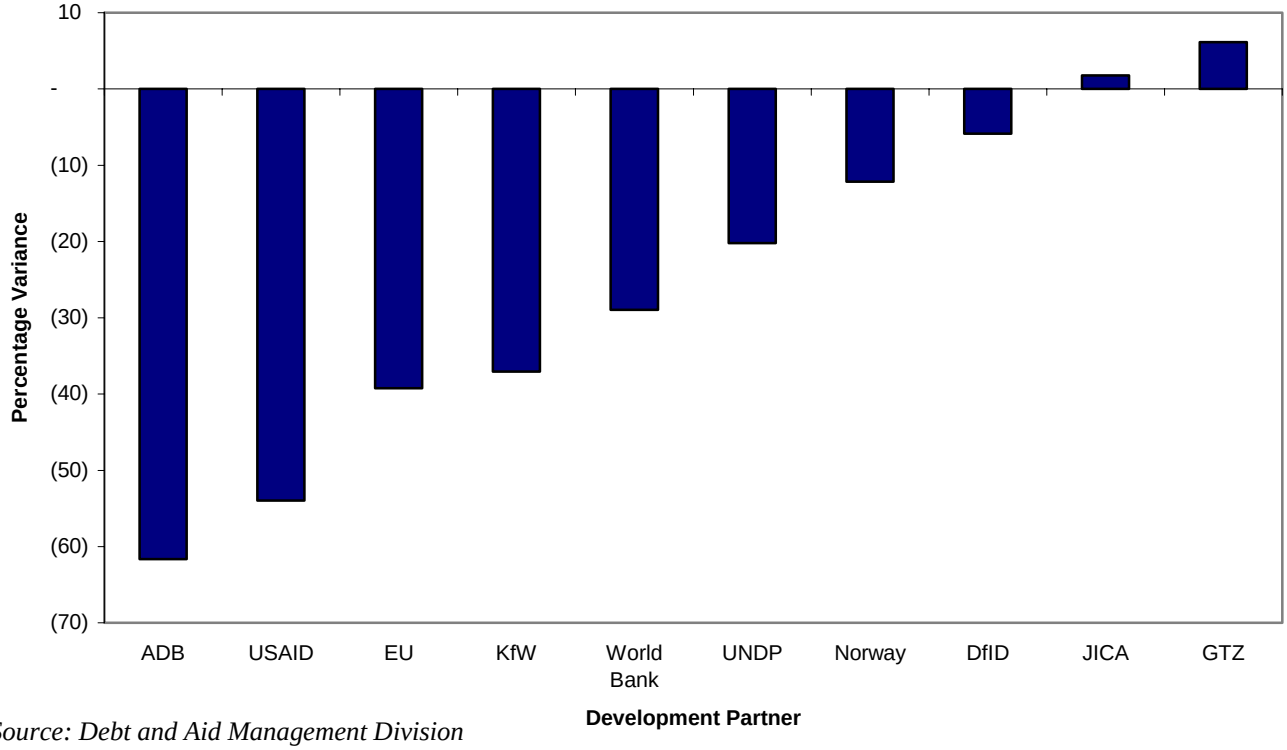
Projections on expected financing for the coming year were requested from development partners at the end of the 2005/06 Financial Year, for input into the budget. Even though these were updated up till the beginning of the 2006/07 Financial Year, the accuracy of these projections has been disappointing. Graphs 1.4 and 1.5, overleaf, demonstrate that predictability has varied considerably by donor, and that when analysis is restricted to project Aid alone, predictability falls.

Graph 1.4: Percentage Variance of Actual Disbursements from Projected Disbursements, 2006/07, All Support



Source: Debt and Aid Management Division

Graph 1.5: Variance of Actual Disbursements from Projected Disbursements, 2006/07, Project Support Only



Source: Debt and Aid Management Division

In 2005/06 a similar pattern of significant under-disbursements was observed. The inaccuracy of projections increases when restricted to project support. Looking at project support alone, in 2006/07 only three development partners disbursed funds to within 10% of the projections they provided to Government. This is not always solely due to poor donor projections; in some cases, Government failure to provide counterpart funding or meet other project requirements causing slow implementation. However, even taking this into account, the accuracy of projections is poor. Poor projections hamper Government's ability to plan it's own spending effectively. Even if the support is to be channeled through an NGO, Government needs to have an accurate picture of the likely spending on development issues in a given year in order to budget it's own spending for that year to the maximum effect.

A further problem raised by the poor quality of projections on project support relates to the Government's ability to monitor its performance against the IMF PRGF programme. Projections for development support are factored into the targets for the PRGF programme, and inaccuracy of project support projection in particular has been an issue recently, with actual disbursements falling far short of what is programmed by the IMF.

Predictability of the major funding streams, budget support and pooled funding is much better, as Table 1.9, overleaf, shows. The predictability of budget support was strong. Both DfID and the Norwegian Government disbursed the projected volume of budget support. The timing of disbursements was not as projected, but in both cases, this related at least in part to Government. Government requested that the Norwegian Q3 disbursement of budget support be brought forward to Q2, so the deviation from the projected schedule of disbursements is due to the donor's flexibility in meeting Government needs, rather than unpredictability. DfID did not disburse budget support according to schedule, primarily because the Ministry of Finance failed to submit a valid request for the funds scheduled for Q1 to be released in time to meet this schedule.

EU budget support figures show a positive variance. Though €8 million was projected for Q2, €11.24 million was actually disbursed. This over-disbursement was a result of Malawi receiving Flex funding, which is disbursed in response to primary commodity price fluctuations. In fact, disregarding this additional Flex funding, the total annual EU disbursement of budget support was €12.25 million, short of the annual projection of €13 million. This under-disbursement is again not true unpredictability. The projected €5 million for Q4 was the variable tranche of the budget support commitment to the EU, dependent on Government's performance against certain performance indicators set by the Common Approach to Budget Support (CABS) group. Government failed to access the full €5 million due to a failure to meet a health indicator target.

The World Bank's under-disbursement of budget support relates to their Poverty Reduction Strategy Credit (PRSC). The initial indication from the Bank had been that $20 million would be disbursed in Q4. However, there were unforeseen delays in finalizing the Performance Assessment Framework associated with the PRSC, leading to a delay in disbursement. It is now expected that $25 million will be disbursed during the 2007/08 Financial Year.

Table 1.9: Predictability of Budget Support and Pooled Funding, 2006/07, In Original Currencies

Modality		Projection					Actual					
	Donor	**Q1**	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**	**Variance**
Budget Support	DfID	15,000,000	-	5,000,000	-	20,000,000	-	15,000,000	5,000,000	-	20,000,000	-
	EU	-	8,000,000	-	5,000,000	13,000,000	-	11,240,000	-	4,250,000	15,490,000	19
	Norway	30,000,000	-	20,000,000	-	50,000,000	30,000,000	20,000,000	-	-	50,000,000	-
	World Bank	-	-	-	20,000,000	20,000,000	-	-	-	-	-	(100)
Health SWAP	DfID	3,579,099	3,164,578	3,164,577	3,164,577	13,072,831	-	6,329,155	3,426,557	3,306,315	13,062,027	(0)
	Norway	-	52,500,000	-	52,500,000	105,000,000	7,168,000	55,326,000	-	52,500,000	114,994,000	10
	World Bank	1,100,000	1,100,000	1,100,000	1,100,00.00	4,400,000	1,457,793	1,101,230	1,619,146	1,860,682	6,038,851	37
NAC	CIDA	*Projections not recevied at the beginning of the FY*					31,500	3,031,500	31,500	1,331,500	4,426,000	n/a
	DfID	*No quarterly projections provided*				1,500,000	1,400,000	-	-	-	1,400,000	(7)
	Norway	15,450,000	-	-	-	15,450,000	15,450,000	-	-	-	15,450,000	-
	World Bank	3,000,000	-	2,000,000	2,500,000	7,500,000	5,000,000	-	-	3,000,000	8,000,000	7

Source: Debt and Aid Management Division

Note: EU Budget Support for Quarter 2 includes Flex funding (in relation to primary commodity price fluctuations) that was disbursed as budget support. Not all of the Flex money was eventually available as budget support as a proportion (approximately €700,000) was used to repay the EU after a misprocurement by the Ministry of Health

Positive figures for variance higher disbursements than expected, and negative figures denote lower disbursements than expected.

Projections for the Health SWAP and NAC were relatively accurate. Only the World Bank's Health SWAP disbursements varied from the projection by more than 10%, in this case an over-disbursement of 37%.

The data presented here demonstrate that pooled funding and budget support funding tends to be more flexible and predictable. However, when the funding does not come as predicted, as in the case with the PRSC, the proportionate impact is higher.

1.5 Proportion of Support Through the Budget

Government is currently undertaking reforms to improve public financial and economic management. These reforms should contribute to the implementation of the Paris Declaration in Malawi and therefore increase the proportion of Aid administered through the budget[2]. Development support is adjudged to be administered through the budget when a Government institution manages both the project's activities and its finances. For example, a project in which Government plans activities, but a donor handles all procurements and activities does not qualify for inclusion in the budget, but a similar project where the development partner provides funding directly to the Government ministry concerned to fund the activities planned does. Table 1.10, below, provides a baseline against which to assess progress in this respect.

Table 1.10: Proportion of Development Support Administered through the Budget, 2006/07

	Total Development Support	**Support Through the Budget**	**Percentage of Support through the Budget**
ADB	3,977,997,976	3,977,997,976	100
World Bank	6,254,248,402	6,254,248,402	100
EU*	8,072,700,668	7,457,554,710	92
UNDP	858,090,889	666,459,360	78
KfW	928,115,350	700,022,958	75
DfID	14,983,166,736	10,533,527,066	70
Norway	8,636,581,618	5,814,544,230	67
JICA	2,230,083,311	1,126,387,740	51
CIDA	1,862,980,325	556,045,132	30
GTZ	1,208,781,904	325,052,588	27
UNICEF	2,249,166,835	-	0
FAO	293,326,615	-	0
WHO	64,173,755	-	0
USAID	5,052,439,387	-	0
WFP	-	-	n/a
Total	57,023,401,320	37,411,840,161	66

Source: Debt and Aid Management Division

[2] Support through the budget is distinguished from General Budget Support. Support through the budget is any Aid that is administered and managed by Government, whether or not the funds are earmarked for specific uses. General budget support is a subset of support through the budget, being non-earmarked support administered and managed by Government. It is also possible to have sector budget support through the budget and project support through the budget.

The current criteria for whether support is on-budget or not requires revision. Currently, the World Bank, ADB and EU are the donors who provide the highest proportion of support through the budget, which reflects the criteria used more than the commitment of these partners to using Government systems. Both the ADB and World Bank use parallel implementation structures to administer their project support. Under current criteria, when these PIUs report to the Ministry, their funding is often counted as 'on budget'. However, use of parallel PIUs is contrary to the spirit of the Paris Declaration, and such support may be reclassified as out of the budget in the future. Similarly, EU funding, passing through the National Authorizing Office was counted as on-budget. However, EU projects usually use EU procurement and accounting practices, and as such do not use Government systems. Such support may also be counted as off-budget in the future, though the Budget support and any pooled funding they provide would continue to be counted as on-budget.

Further, problems in data collection and application of the criteria for inclusion of projects in the budget have caused some inaccuracies to the data. For example, some projects that should have been excluded from the budget were reported on, as sector ministries misunderstood the criteria for inclusion. These include some JICA projects. In other cases, data was not provided to the Ministry of Finance in a sufficiently disaggregated form to allow accurate allocation of projects between the budget and the accompanying Summary of Project Support Managed Outside Government Systems. This led to all UNICEF support being classed as outside of the budget when in fact a proportion of the support is administered directly by Government institutions.

Despite these inaccuracies, this table still provides some points of interest. Excluding the top three performers in the table, for reasons outlined above, only five of twelve development partners administer more than 50% of their support through Government systems, and one of these, JICA, had some projects wrongly reported as on-budget in 2006/07. Given the issues raised above, this makes it likely that the true proportion of development support administered through the budget is less than the 66% reported above. As an indication, the 2006 OECD Survey on Monitoring the Paris Declaration reported that only 55% of Aid flows to Malawi use Government Public Finance Management and only 35% use Government procurement systems. If the criteria for reporting Aid as on-budget is revised, then this baseline will also need to be revisited in the next Annual Debt and Aid Report.

Further data tables are presented in the appendices.

CHAPTER 2

EXTERNAL DEBT PORTFOLIO REVIEW

2.1 Debt Relief Process and Debt Sustainability Prospects

The Malawi Government reached the HIPC Completion Point in August 2006. The significant implication of reaching the Completion Point was that Malawi became eligible for write offs on debts owed to the International Monetary Fund, World Bank, African Development Bank. The Paris Club Creditors also agreed to cancel almost 100 percent of Malawi's as at 1st August 2006 in recognition of Government's commitment to good economic governance and determination to use debt relief and other public resources to implement a comprehensive poverty reduction strategy.

This debt relief reduced significantly the outstanding external debt stock from US$2.97 billion as of end-2005 to US$534 million as of June 2007. Malawi's annual debt service will be reduced from about US$125 million to US$15 million, thereby saving an average of US$110 million (or K15.5 billion).

This significant reduction in debt service payments means that Malawi's debt situation is now considered to be sustainable The results of the Debt Sustainability Analysis (DSA) conducted in March 2007 indicated that the ratio of the Net Present Value (NPV) of external debt to exports of goods and services was significantly reduced from an unsustainable position of 229.0 percent as of end-2005 to 34.5 percent as of end-2006 which is below the HIPC acceptable threshold of 150 percent. The ratio of debt service to exports was also reduced from an unsustainable position of 24 percent as of end-2005 to 8.9 percent as of end-2006 and remains below the acceptable level of 15 percent beyond 2015 provided that new loans are contracted on highly concessional terms.

In order to avoid a return to the debt burden, the Government has developed external debt management guidelines aimed at regulating the contraction of external loans and management of the resultant debt by the central Government and other public institutions. Government is also developing a Debt and Aid Policy to guide the new financing operations to ensure that new borrowing is sufficiently concessional and that debt servicing is sustainable.

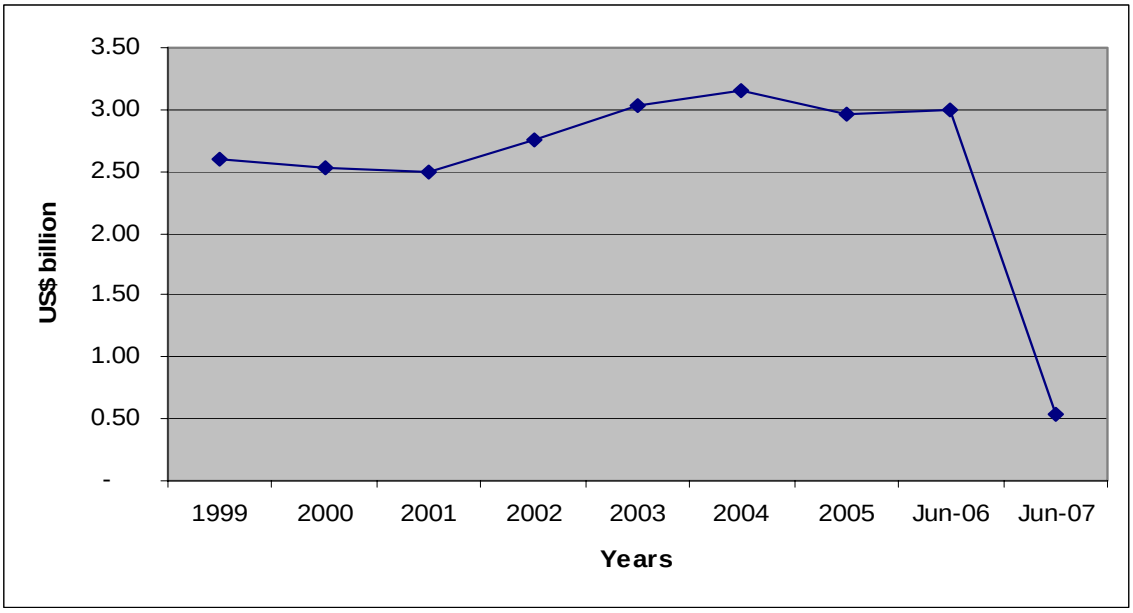
2.2 Evolution of Disbursed Outstanding Debt Stock

Although Malawi had been benefiting from the HIPC Initiative since December 2000, this did not result in any reduction in the debt stock up to the Completion Point as would be expected. This is mainly because creditors agreed to provide cancellation of debt service flows only in the HIPC interim period instead of debt stock cancellation.

The disbursed outstanding debt (DOD) stock was US$3.0 billion as of June-2006 compared to US$2.6 billion as of end-1999. The debt relief provided at the Completion

Point reduced significantly the disbursed outstanding debt stock to US$ 538 million as of June-2007 (Graph 1).

Graph 2.1: Trends in external disbursed outstanding debt stock: 1999-June 2007



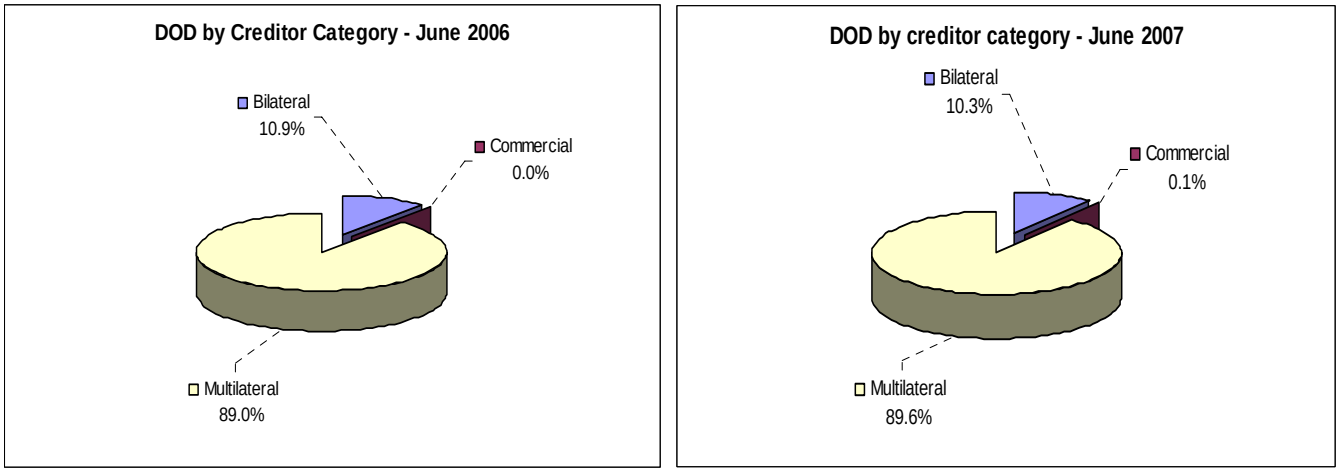
Source: Debt and Aid Management Division

As of June 2007, total debt stock amounted to US$0.54 million compared to $3.0 billion in June 2006, representing a decline in total debt stock of 82 percent. Significant debt stock cancellations were made by the World Bank, IMF and African Development Fund under the Multilateral Debt Relief Initiative. The Paris Club creditors also provided 100 percent stock cancellations under the HIPC framework.

2.3 Analysis of Disbursed Outstanding Debt Stock by Creditor Category

By June 2007, multilateral creditors accounted for US $482 million of the remaining total DOD of US$ 538 million representing 89.6 percent while bilateral and commercial debt amounted to US$ 55 million and US $0.65 million, respectively, representing 10.3 percent and 0.1 percent respectively. Graph 2 below shows that the proportions of the three categories of the debt have remained the same after the Completion Point.

Graph 2.2: Disbursed Outstanding Debt by Creditor Category: June 2006 and June 2007

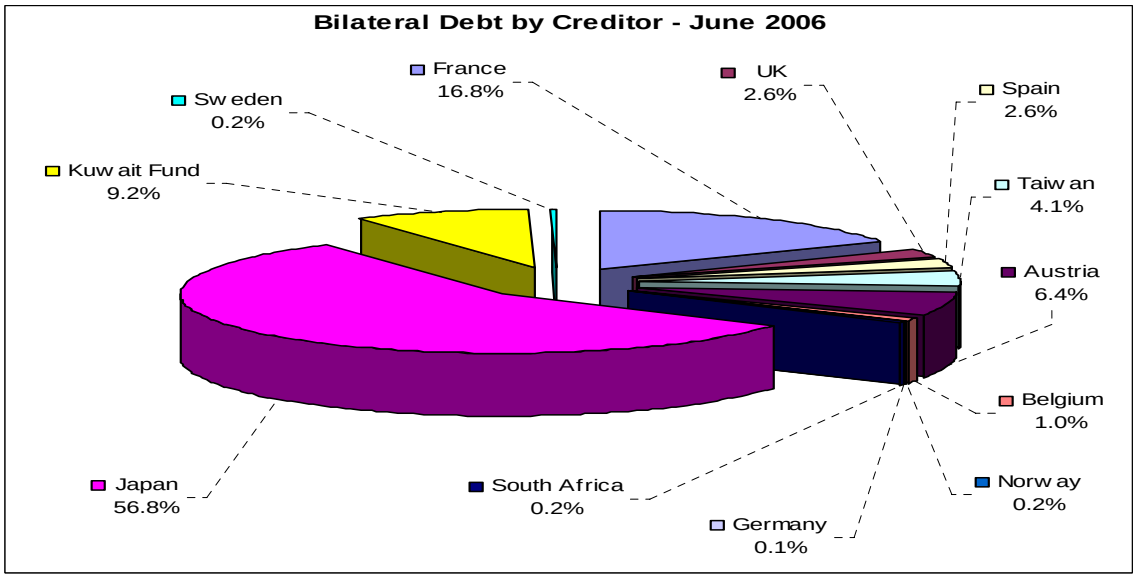


Source: Debt and Aid Management Division

2.4 Analysis of Bilateral Debt Stock by Creditor

As for June 2006, Japan was the largest bilateral creditor accounting for 57 percent of the bilateral debt stock of US$326 million followed by France with a share of 17 percent and Kuwait 9 percent as illustrated by Graph 3.

Graph 2.3: Bilateral Debt Stock by Creditor – June 2006

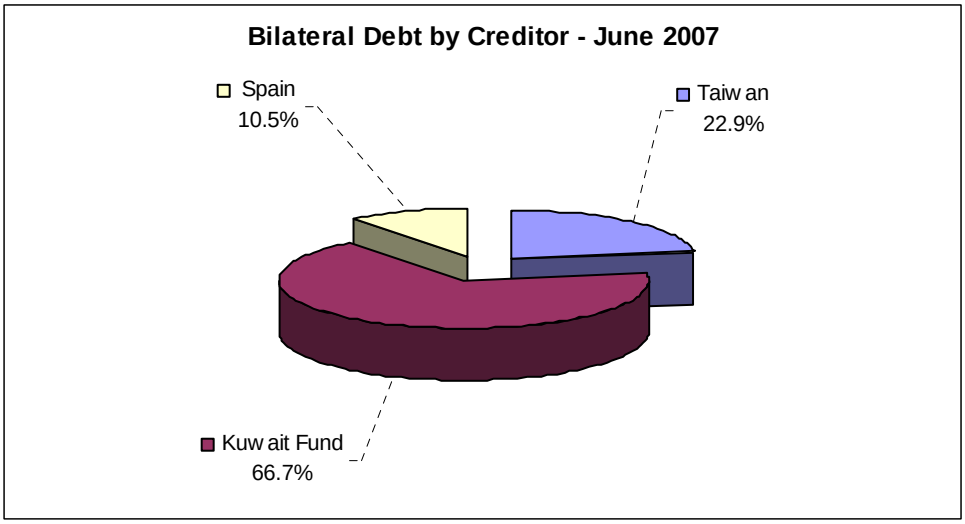


Source: Debt and Aid Management Division

By June 2007 most of the bilateral debt was mainly owed to Non Paris Creditors as all Paris Club creditors agreed to cancel almost 100 percent of Malawi's debt after the Completion Point. Bilateral debt stock was reduced to US$55.39 million of which US $ 36.92 million was owed to Kuwait Fund for Arab Economic Development representing a share of 67 percent of the bilateral debt. Thus Kuwait Fund was the largest bilateral

creditor followed by Taiwan, which accounted for US$ 12.67 representing 23 percent and Spain contributed US $5.8 million representing 10 percent of the bilateral debt (chart 4).

Graph 2.4: Bilateral Debt Stock by Creditor – June 2007



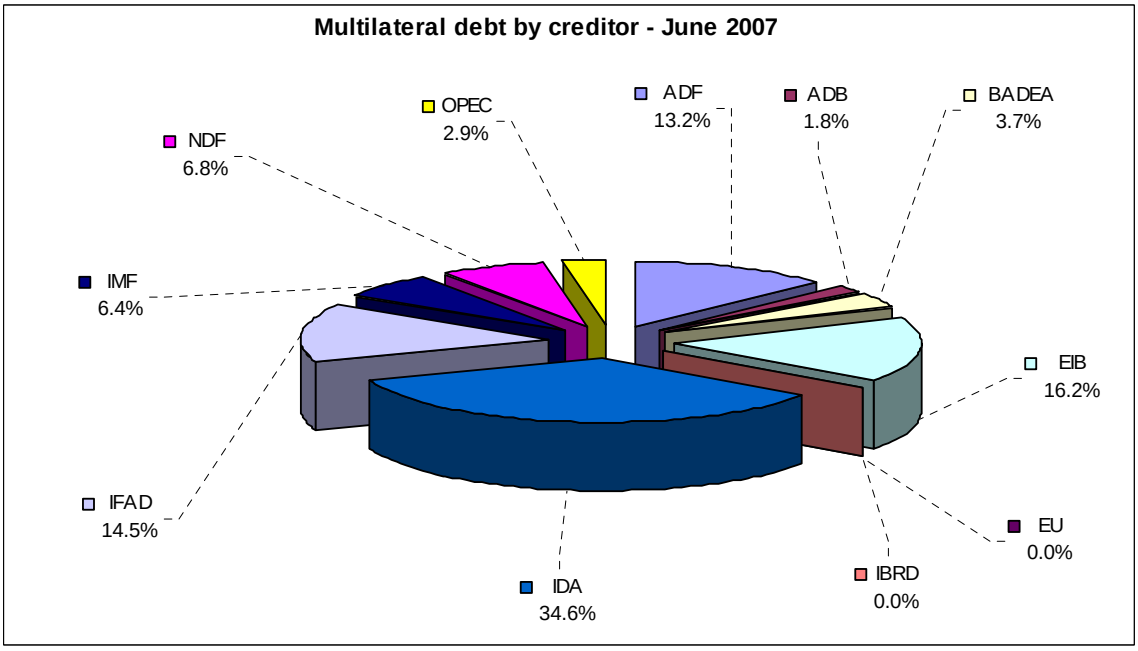
Source: Debt and Aid Management Division

2.5 Analysis of Multilateral Debt Stock by Creditor

The composition of multilateral debt indicates that International Development Association (IDA) remained the largest multilateral creditor after reaching the Completion Point. As of June-2007, Malawi owed US$ 166 million or 34.6 percent of multilateral debt to IDA compared to US$ 2 billion owed in June 2006 (Chart 5 and 6). The share of multilateral debt owed to IDA was 75 percent in June 2006. The IDA cancelled most of the debt stock to Malawi under MDRI.

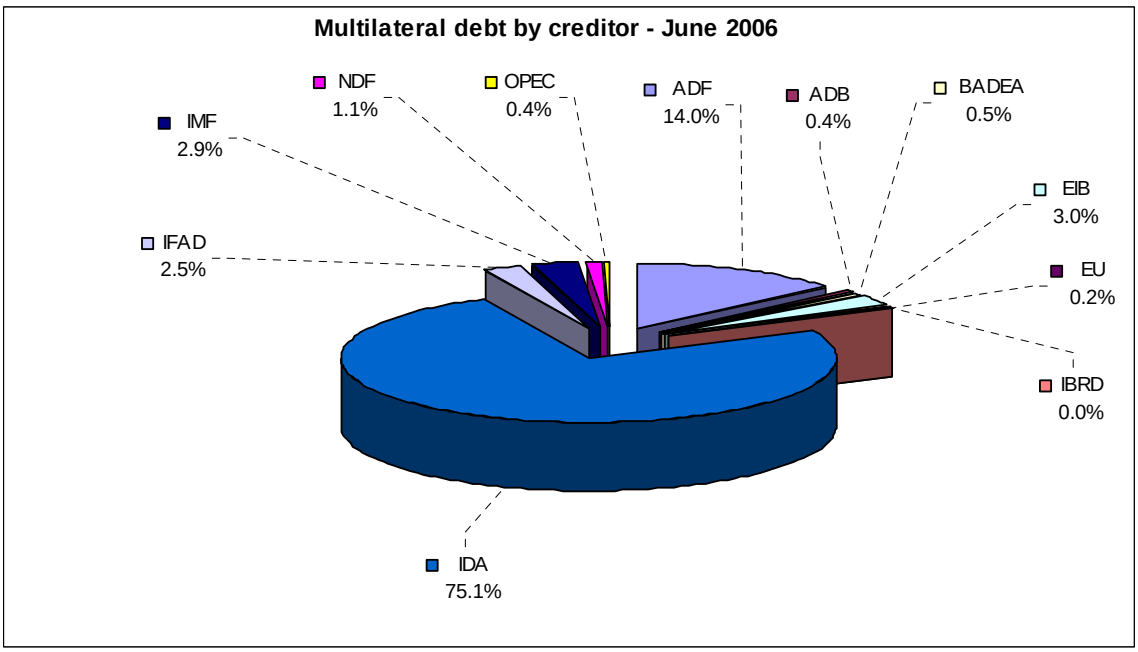
The European Investment Bank (EIB) was the second largest accounting for 16 percent of the multilateral debt stock in 2007 while the International Fund for Agricultural Development (IFAD) accounted for 14.5 percent from 2.5 percent in June 2006. The African Development Fund accounted for 13.2 percent of the multilateral debt stock in June 2007 from 14 percent in June 2006. (Chart 5 and 6).

Graph 2.5: Multilateral Debt by creditor in June 2007



Source: Debt and Aid Management Division

Graph 2.6: Multilateral Debt by creditor in June 2006

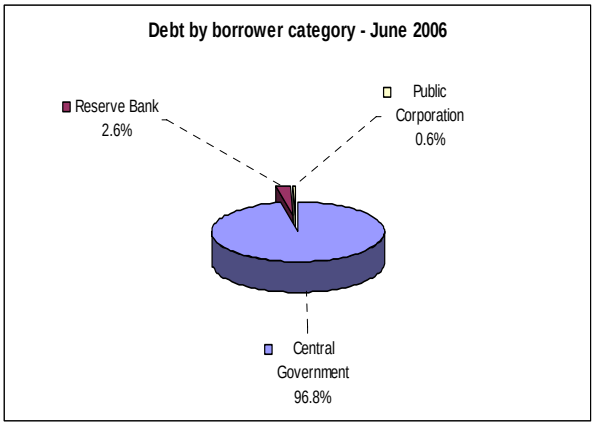


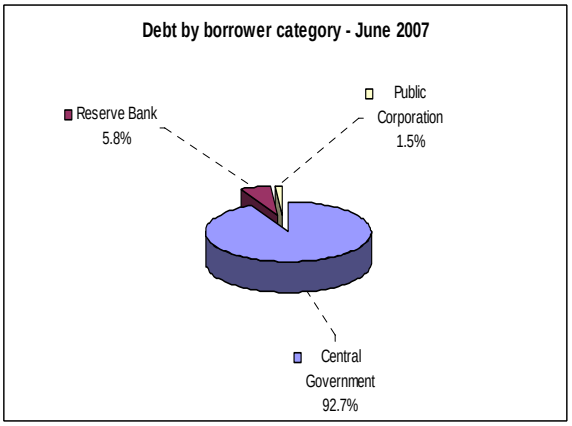
Source: Debt and Aid Management Division

2.6 Analysis of Disbursed Outstanding Debt Stock by Borrower Category

The Central Government remained the largest borrower with a share of 93 percent of total as of June-2007 followed by the Reserve Bank of Malawi (RBM), which accounted for 5.8 percent compared to 2.6 percent in 2006. Public corporations accounted for 1.5 percent and 0.6 percent in 2007 and 2006, respectively (chart 7). The RBM debt is in respect of remaining debt to IMF after the Completion Point. These loans were contracted in support of Poverty Reduction Growth Facility.

Graph 2.7: Debt by borrower category in June 2006 and June 2007





Source: Debt and Aid Management Division

2.7 Analysis of Currency Composition of Disbursed Outstanding Debt Stock

The debt cancellation affected the currency composition of external debt. The analysis indicates that the share of debt denominated in Special Drawings Rights (SDR) declined from 68.8 percent in June 2006 to 58.4 percent in June 2007 (table 1). The reduction was mainly due to the significant debt stock cancellation by IDA and IMF whose claims are mostly denominated in SDR. The proportions of debt denominated in US dollars and Japanese Yen also declined. By June 2007 share of US dollar was 6 percent compared to 10.2 percent in June 2006 while the proportion of Japanese Yen was 0.7 percent in 2007 compared to 8.4 percent in 2006. The Government of Japan cancelled all of Malawi's debt which was denominated in Yen (table 2.1).

Table 2.1: Currency Composition of external debt in %: 1999-June 2007

Currency	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Jun-06**	**June-07**
SDR	61.3	63.3	65.6	66.2	67.0	67.5	68.9	68.8	58.4
US$	13.9	13.7	13.3	12.2	11.0	10.4	10.8	10.2	6.0
Japanese Yen	13.8	12.1	10.4	10.1	10.3	9.8	8.9	8.4	0.7
Euro	6.0	6.2	6.3	6.5	6.7	8.9	8.1	8.0	27.0
Other	5.0	4.8	4.5	5.0	5.0	3.5	3.3	4.6	7.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Debt and Aid Management Division

The analysis also indicates an increase in the proportion of Euro denominated debt from 8 percent in 2006 to 27 percent in 2007 because most of this debt is owed to creditors that did not provide debt stock cancellations such as EIB. The other currencies, which include Kuwait Dinars and South African rand, accounted for 7.9 percent as of June-2007 from 4.6 percent in June-2006.

2.8 Analysis of Disbursed Outstanding Debt Stock by Economic Sector

As of June 2007, 19 percent of DOD was contracted for Balance of Payments support compared to 10 percent in June 2006 (table 2.1). 20 percent of DOD in June 2007 was disbursed towards the agriculture sector compared to 22.6 percent in June 2006. The transport sector also accounted for 20 percent of DOD in June 2007 compared to 25.8 in June 2006. The major creditors in the transport sector included BADEA, Kuwait and the OPEC Fund whose debt was rescheduled after reaching the completion point. The analysis also shows that 9.2 percent of DOD was disbursed towards water and irrigation development, 7.2 percent towards rural and urban development.

Table 2.2: Distribution of DOD by Economic sector: 1999-June 2007

ECONOMIC SECTOR	1999	2000	2001	2002	2003	2004	2005	2006	Jun-07
Balance of Payments	20.3	20.5	21.5	20.6	20.4	19.7	19.9	10.1	19.3
Agriculture	16.1	15.7	15.1	15.4	15.1	15.5	15.2	22.6	20.1
Transport & Telecommunications	13.7	13.2	13.0	13.3	13.2	13.0	13.0	25.8	20.1
Education & Training	9.5	9.6	9.7	9.8	9.9	10.0	10.2	2.4	2.1
Health & Social Welfare	5.0	6.0	6.8	7.3	7.6	7.7	7.9	3.3	4.2
Finance & Entrepreneurship	8.5	8.2	7.9	7.6	7.4	7.3	7.2	0.0	0.0
Water & Irrigation Development	5.3	5.8	6.1	6.5	6.9	7.0	6.9	9.9	9.2
Energy	8.7	8.3	7.7	7.3	6.9	6.5	6.2	4.5	3.8
Manufacturing & Industrial Development	5.9	5.6	5.4	5.2	5.0	4.9	4.8	0.4	0.0
Rural & Urban Development	2.8	2.8	2.8	2.7	2.7	2.7	2.7	6.5	7.2
Natural Resources	0.6	0.7	0.6	0.6	0.5	0.5	0.5	0.0	0.0
Tourism & Hotel Industry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1
Other	3.5	3.6	3.5	3.7	4.5	5.1	5.6	12.0	13.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Debt and Aid Management Division

CHAPTER 3

DOMESTIC DEBT PORTFOLIO REVIEW

3.1 Evolution of domestic debt

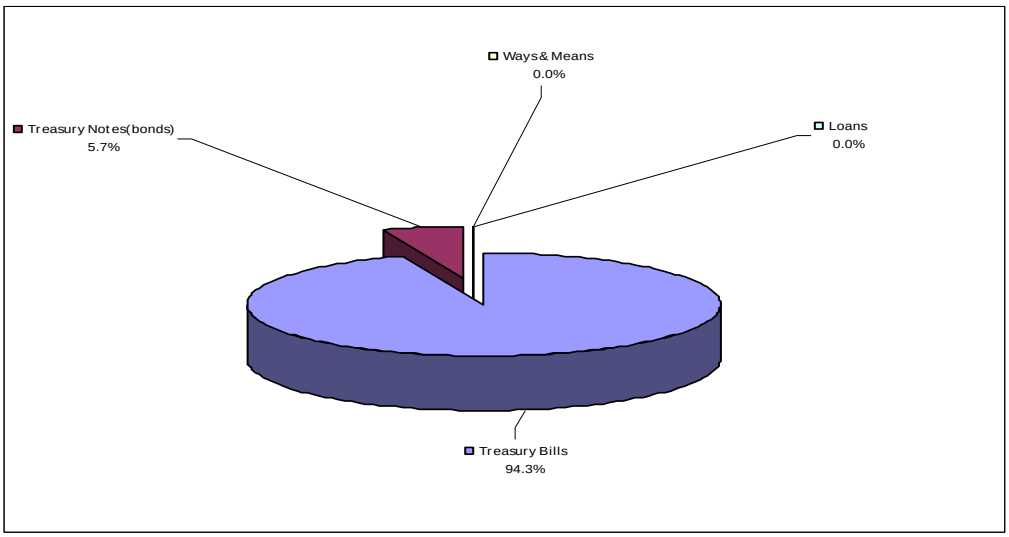
Malawi's domestic debt stock declined from K65.6 billion in nominal terms as of June 2006 to MK64.8 billion as of end-June 2007. As a proportion of GDP, domestic stock was 18.5 percent as of June 2007 compared to 21.5 percent in June 2006 and 30.0 percent in 2004. The decline was mainly due to the continued fiscal discipline which has resulted into reduced public sector borrowing requirements over the period 2004-2007.

3.2 Structure of domestic debt

Malawi's domestic debt is concentrated in a few instruments with short term maturities. The most common domestic debt instruments are Treasury Bills (TBs) which have a maturity of 91, 182 and 273 days. Treasury Bills accounted for 94 percent of the domestic debt as of June-2007 while the remainder was in the form of Treasury bonds which are long- term with maturities between 3 and 25 years (Graph 1). The share of Treasury bills has increased significantly from 28 percent in 2001 mainly because of Government borrowing on the domestic market to finance the fiscal gap during the period when there were no donor inflows as a result of the suspension of the IMF programme in 2001.

The other financing instruments are ways and means advances from the Reserve Bank of Malawi and loans. However, the Government did not have any debt in the form of these instruments as of June 2007. The debt arising from ways and means advances was cleared after Malawi reached the HIPC Completion Point in 2006.

Graph 3.1: Structure of domestic debt – June 2007

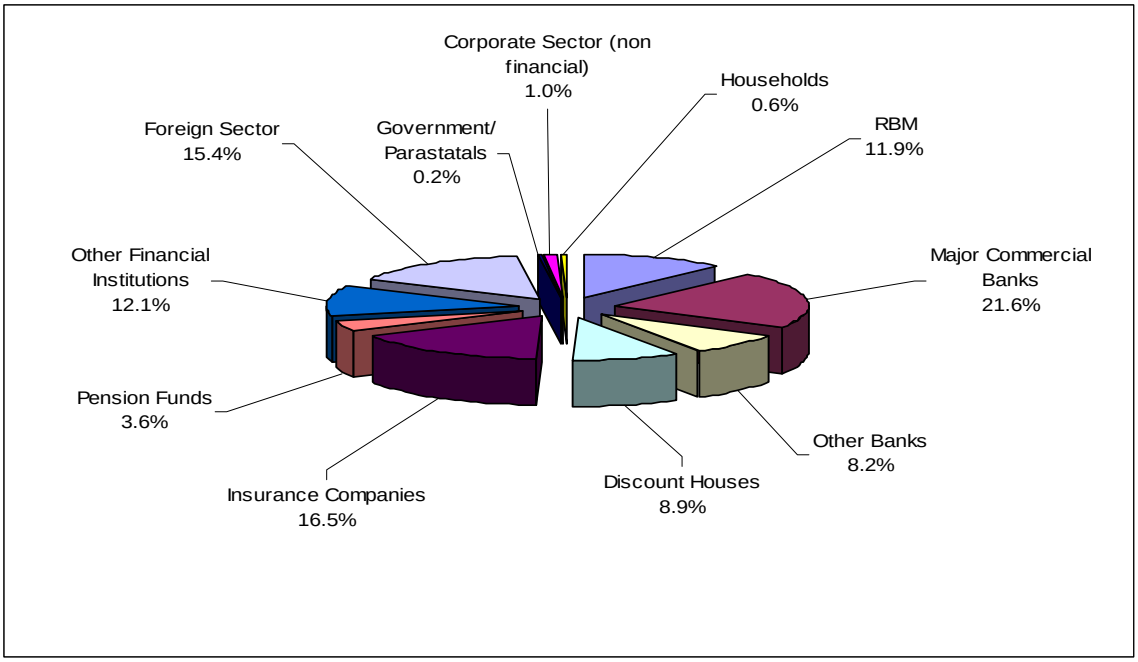


Source: Reserve Bank of Malawi

3.3 Holding of domestic debt

Malawi's debt market is underdeveloped and is, therefore, concentrated among a few participants. The main participants are commercial banks, insurance companies, Reserve Bank of Malawi, discount houses and other financial institutions. The major commercial banks accounted for 21.6 percent of debt as of June 2007 while insurance companies, Reserve Bank of Malawi and discount houses accounted for 16.5 percent, 11.9 percent and 8.9 percent, respectively (Graph 2). The share of RBM holdings of domestic debt has been declining steadily since 2004 mainly because of reduced Government borrowing in the form of ways and means advances.

Graph 3.2: Domestic debt by holder – June 2007

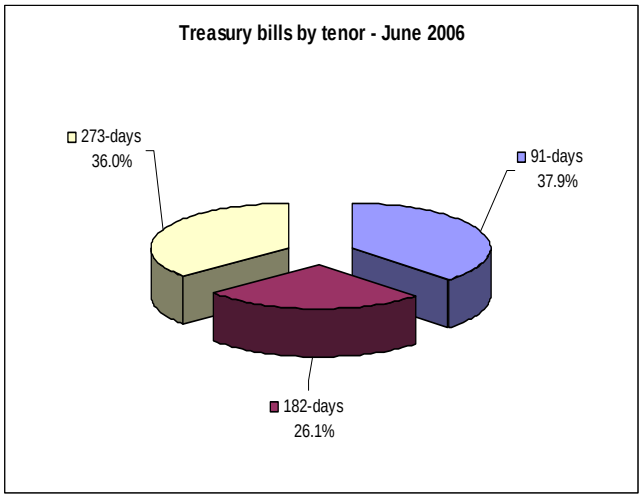


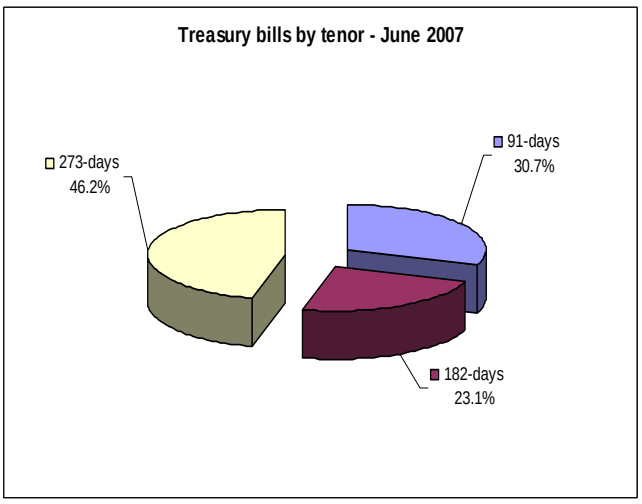
Source: Reserve Bank of Malawi

3.4 Treasury bills by tenor

Treasury bills are issued through auctions in three tenors of 91, 182 and 273 days. The holding of the 273-day Treasury Bills increased from 36 percent in June 2006 to 46 percent in June 2007 (Graph 3). The holding of treasury bills with the highest tenor has been increasing over the period 2004-2006, which is an indication of the investors' preference for long-term instruments. Treasury Bill issues of 91 days and 182 days accounted for 30.7 percent and 23 percent in June 2007compared to 37.9 percent and 26.1 percent, respectively.

Graph 3.3: Treasury bills by tenor in 2006 and 2007





3.5 Treasury Notes

Government used to issue Local Registered Stocks with maturity of up to 25 years in order to raise funds for particular projects. However, the development of debt market for long term securities was hampered because of the massive Government borrowing through Treasury Bills up to 2004. This rendered the long-dated securities unattractive as investors did not want to take the risk of holding long-term securities during periods of macro-economic instability.

3.6 Yields on domestic Treasury Bills

During the period under review, the bank rate was reduced from 25 percent to 20 percent. The reduction is mainly due to the government's fiscal consolidation programme which began in 2004 and has reduced the public sector borrowing requirements over the years. The yields on Treasury bills declined from an average of 19.6 percent in June 2006 to an average of 16.6 percent as of June 2007 (table 1).

Table 3.1: Domestic Interest Rates in %: 2001 -2007

Nominal Rates	2001	2002	2003	2004	2005	Jun-06	Jun-07
Bank Rate	46.8	40.0	35.0	25.0	25.0	25.0	20.0
91 Days	54.6	36.1	33.1	24.6	24.4	19.0	16.5
182 Days	56.4	37.2	34.0	24.6	24.5	19.4	16.4
273 Days	50.9	38.6	33.9	24.6	24.3	20.4	16.9

3.7 Risk Characteristics of domestic debt

The structure of Malawi's domestic debt poses some risks to the Government, namely: refinancing or roll-over risk, interest rate risk. The refinancing risk refers to possibility of not being able to obtain new financing to repay the maturing debt. In Malawi's case, the most of the domestic debt is in form of treasury bills which have short term maturities

which entails that it is exposed to the refinancing or roll over risk. The interest rate risk is the volatility of debt servicing costs due to unexpected changes in the market interest rates. However, this risk has been declining over the past few years and the trend is expected to continue because of the fiscal consolidation programme which has led to the decline in interest rates. The domestic debt portfolio is not exposed to the foreign exchange risk because it is held in domestic currency.

3.8 Developing New Financial Instruments to Finance Infrastructural Projects

Domestic debt management has tended to be treated as a residual in fiscal management, and often the view has been a short term one. This is reflected in the tenor of Government securities. There is a praxis shift on domestic debt management in low-income countries towards a longer term assessment of the relative costs of external financing vis-à-vis domestic borrowing. The view now is that longer term bonds could be floated to finance infrastructure, and this is to be encouraged in the context of Public Private Partnerships. The current limits set on concessional borrowing by HIPC countries is also another good reason to re-consider local bond markets. To succeed in developing the local market, some prior actions have to be undertaken:

- Interest rates should be driven down fast, before this approach can be cost-effective
- Issuance by parastatals, supra-nationals and foreign entities should be explored and be developed
- Need for phased implementation planning so that local bond markets can be implemented two years from now.

CHAPTER 4

NEW AGREEMENTS SIGNED WITH DEVELOPMENT PARTNERS, 2006/07

The table below gives details of each of the new agreement signed between the Government of Malawi and development partners between July 2006 and June 2007. If any signings or agreements are omitted, please inform either Ranil Dissanayake (ranildissanayake@finance.gov.mw) or Stan Nkhata (stan_nkhata@finance.gov.mw).

Development Partner	Project/Programme	Type of Agreement	Value
African Development Bank	Smallholder Crop Production and Marketing Project	Grant	UAC 15 million
	Support to Secondary Education V Project	Grant	UAC 15 million
African Capacity Building Foundation	Support to the National Statistical Office (NSO)	Grant	US$ 1.2 million
BADEA	Rehabilitation of Kamuzu International Airport	Loan	US$ 6.4 million
	Small Farms Irrigation Project	Loan	US$ 8 million
	Technical Assistance for the Feasibility Study for the Rumphi-Nyika-Chitipa Road Project	TA	US$ 350,000
DfID	Agriculture Input Subsidy Programme	Grant	£5.3 million
	Emergency Drugs and Medical Supplies for the Health Sector	Grant	£500,000
EU	Business environment Support Technical Assistance Project (BESTAP)	Grant	€ 3.7 million
Export and Import Bank of Taiwan	Karonga-Chitipa Road Project	Loan	US$ 30 million
Germany	Technical Cooperation Agreement	TA / Grant	€ 16.1 million
	Financial Cooperation – education, health, local development fund, Health SWAP, health maintenance, and a study and expert fund.	Grant	€ 20 million

Development Partner	Project/Programme	Type of Agreement	Value
IFAD	Irrigation, Rural Livelihoods and Agricultural Development (IRLAD) Project (with World Bank)	Loan	US$ 7 million
JICA	Approved use of counter value funds for Malawi Rural Electrification Programme	Grant	MK 196 million
	Improvement of Rural Healthcare Facilities	Grant	JPY 717 million
	Lilongwe West Groundwater Development Project	Grant	JPY 371 million
Kuwait Fund	Thyolo-Makwasa-Banjula road	Loan	US$ 15 million
	Feasibility study for the Mzimba-Kafukule-Nyakwa-Ekwendeni Road Project	Grant	US$ 500,000
Netherlands / UNICEF	Programme on Water and Sanitation	Grant	US$ 29.1 million
Norway	National Census of Agriculture and Livestock	Grant	NoK 20 million
	Government of Malawi Seeds and Fertiliser Programme 2006/07	Grant	NoK 6 million
	Enhancing Food Security and Developing Sustainable Livelihoods in Malawi (FAO, in partnership with the Ministry of Agriculture and Food Security, the Ministry of Irrigation and Water Development and the Ministry of Local Government and Rural Development	Grant	NoK 33 million
	IMF Technical Assistance to the Reserve Bank of Malawi (signed with IMF)	Grant	NoK 3.3 million
	Human Resource Development Project (College of Medicine)	Grant	NoK 39.9 million
	Technical Support to Malawi Agricultural Development Programme (ADP)	Grant	NoK 1 million
	College of Medicine, Addendum to Agreement	Grant	NoK 3.2 million
	NASFAM Phase III, Improving the Liveliehood of Smallholder Farmers	Grant	NoK 80 million
	ACB – Salaries, Establishment and Conditions of Service	Grant	NoK 0.2 million
	Reserve Bank of Malawi sub-project	Grant	NoK 0.2 million

Development Partner	Project/Programme	Type of Agreement	Value
	Scoping Study on Fair Trade Analysis for Fair Trade Products	Grant	NoK 0.1 million
	Programme Support to ACB	Grant	NoK 2.7 million
	Electoral Refrom and Elections	Grant	NoK 10 million
OPEC Fund	Thyolo – Makwasa – Banjula Road	Loan	US$ 10 million
	Nkhata Bay District Hospital	Loan	US $ 10 million
Taiwan	Karonga – Chitipa road	Grant	US$ 15 million
UN	United Nations Development Assistance Framework (UNDAF) 2008-2011	CAS	US$ 265 million
USAID	Amendment to Grant Agreement for Sustainable Increase in Rural Incomes Strategic Objective	Grant	Increased from US$ 41.3 million to US$ 42.4 million
	Amendment to Programme on Increased Civil Involvment in the Rule of Law	Grant	Increased from US$ 9.5 million to US$ 9.6 million
	Amendment to Grant Agreement for Strategic Objective of Improved Health Behaviour and Quality of Services	Grant	Increased from US$ 86.7 million to US$ 108.1 million
	Amendment to Grant Agreement for Strategic Objective of Improved Quality and Efficiency in Basic Education	Grant	Increased from US$ 29.5 million to US$ 39.6 million
World Bank	National Water Development Project II	Loan	US$ 27.5 million
	National Water Development Project II	Grant	US$ 22.5 million
	Business environment Support Technical Assistance Project (BESTAP)	Loan	US$ 15 million
	Infrastructural Services Project approved	Grant	
	Regional Trade Facilitation Project		
	Health Sector Support Additional Grant	Grant	US$ 5 million

Development Partner	Project/Programme	Type of Agreement	Value
	Preparatory Human Resrources Grant for National Water Development Project II	Grant	US$ 1 million
	Advance for the preparation of the National Water Development Project II	Grant	US$ 400,000

In additional to the new agreements signed during the period under review, Government also signed debt relief agreements on debt stock cancellations with the bilateral Paris club creditors and signed debt relief agreement with Kuwait (a non Paris club creditor). The table below summarizes the agreements signed with the creditors.

Creditor	Debt Relief Agreement	Amount
Bilateral Paris club		
United Kingdom	100% stock cancellation	US$ 42 million
Germany	100% stock cancellation	€ 132,283.79
Norway	100% stock cancellation	NoK 3 million
Japan	100 % stock cancellation	JPY 22 779,479,699
Austria	100 % stock cancellation	To be confirmed
Sweden	100 % stock cancellation	To be confirmed
Non Paris club		
Kuwait	Rescheduling of eligible debt	KwD 6.8 million

APPENDICES

Table 1: Development Support by MGDS Theme, 2006/07

MGDS Theme	Value of Aid Disbursed in 2006/07, (K)	Value of Aid Disbursed in 2006/07, ($)	Proportion of Total
Social Development	23,768,805,749	170,849,545	42
General	9,179,509,145	66,221,483	16
Good Governance	7,259,237,905	52,190,721	13
Sustainable Economic Growth	6,427,119,028	46,172,605	11
Social Protection	4,451,672,677	32,024,114	8
Infrastructure	3,826,987,628	27,521,585	7
Other	1,758,521,641	12,660,962	3
Total	**56,671,853,772**	**407,641,015**	100

Source: Debt and Aid Management Division

Table 2: Development Support by Functional Sector, 2006/07

Functional Sector	Value of Aid Disbursed in 2006/07, (K)	Value of Aid Disbursed in 2006/07, ($)	Proportion of Total (%)
Health	13,006,122,616	93,474,217	20.78
Budget Support	9,179,509,145	66,221,483	14.66
Governance	7,206,315,492	51,809,377	11.51
Education	5,964,679,242	42,843,419	9.53
Humanitarian Relief	5,923,572,199	42,569,171	9.46
HIV/AIDS	4,743,049,005	34,136,340	7.58
Agriculture	4,235,540,749	30,459,829	6.77
Poverty Reduction	3,075,473,585	22,091,953	4.91
Irrigation and Water Supply	2,562,738,629	18,438,772	4.09
Transport and Infrastructure	1,530,566,312	10,996,367	2.45
Trade and Private Sector Development	1,145,364,180	8,208,526	1.83
Local / Rural Development	846,832,827	6,102,700	1.35
Gender and Social Protection	668,056,304	4,801,475	1.07
Conservation, Tourism, Culture	505,352,779	3,639,892	0.81
Disaster Management	243,792,647	1,756,138	0.39
Other	1,758,460,259	12,660,525	2.81
Total	62,595,425,971	450,210,186	100

Source: Debt and Aid Management Division

Table 3: Functional Sector Definitions

Functional Sector	Definition
Humanitarian Relief	Support provided in response to the food crisis in 2005/06
Health	Support for the health sector, including Health SWAp funding, but excluding support to combat HIV/AIDS
Budget Support	Untied Budget Support
Governance	Support in various Governance sectors, including: justice and the rule of law, public finance management, public sector management reform.
Transport and Infrastructure	Support for transport systems and other infrastructure projects, including energy projects
Education	Support to the education system
HIV/AIDS	Support provided to combat HIV/AIDS, including funding for the National Aids Commission
Agriculture	Support to agricultural activities, excluding irrigation and income diversification schemes
Poverty Reduction	Support designed specifically to boost incomes of the poorest people or groups.
Local / Rural Development	Land reform and other support to local development
Trade and Private Sector Development	Support to private sector development and internal and external trade
Irrigation and Water Supply	Irrigation and Sanitation projects
Conservation, Tourism, Culture	Support to cultural activities, natural resource conservation and tourism promotion
Gender and Social Protection	Projects with a specific focus on gender or empowering marginalized groups
Disaster Management	Support designed to improve resilience to crises such as those brought on by poor rainfall
Other	Support which does not fit in any of these categories

Table 4: Variance of Actual Disbursements from Projected Disbursements, All Support, 2006/07

	Projected Disbursements 2006/07	Actual Disbursements 2006/07	Percentage Variance
ADB	48,256,687	18,501,173	(62)
USAID	78,819,765	36,290,677	(54)
World Bank	75,476,984	44,926,221	(40)
KfW	8,148,344	5,130,478	(37)
EU	59,780,957	44,182,276	(26)
UNDP	7,739,485	6,175,195	(20)
Norway	406,360,000	387,624,000	(5)
DfID	57,480,830	56,428,587	(2)
JICA	1,875,040,591	1,908,031,513	2
GTZ	6,300,000	6,687,424	6

Source: Debt and Aid Management Division

Table 5: Variance of Actual Disbursements from Projected Disbursements, Project Support Only, 2006/07

	Projected Project Disbursements 2006/07	**Actual Project Disbursements 2006/07**	**Percentage Variance**
ADB	48,256,687	18,501,173	(62)
USAID	78,819,765	36,290,677	(54)
EU	46,780,957	28,421,199	(39)
KfW	8,148,344	5,130,478	(37)
World Bank	43,476,984	30,887,371	(29)
UNDP	7,739,485	6,175,195	(20)
Norway	235,910,000	207,180,000	(12)
DfID	22,807,999	21,466,560	(6)
JICA	1,875,040,591	1,908,031,513	2
GTZ	6,300,000	6,687,424	6

Source: Debt and Aid Management Division

Overleaf: Detailed disbursement figures. For space reasons, these figures are presented quarterly. If monthly data are required, please contact Ranil Dissanayake (ranildissanayake@finance.gov.mw) or Stan Nkhata (stan_nkhata@finance.gov.mw).

Table 6: Quarterly Disbursements by Aid Modality and Development Partner, 2006/07 – All Support

Modality	Donor	Q1	Q2	Q3	Q4	Total (K)	Total ($)
Budget Support	DfID	-	3,863,540,643	1,358,318,762	-	5,221,859,405	37,726,742
	EU	-	2,059,272,946	-	801,547,089	2,860,820,035	20,556,055
	Norway	666,038,478	430,791,227	-	-	1,096,829,706	7,938,686
	Total	*666,038,478*	*6,353,604,816*	*1,358,318,762*	*801,547,089*	*9,179,509,145*	*66,221,483*
Dedicated Grants							
Health SWAp	World Bank	201,862,444	152,287,192	225,698,094	260,697,817	840,545,548	6,038,851
	DfID	-	1,649,332,663	930,871,332	914,349,758	3,494,553,753	25,132,264
	Norway	152,843,947	1,200,988,765	-	1,229,163,469	2,582,996,180	18,551,942
NAC	World Bank	691,340,667	-	-	421,415,445	1,112,756,112	8,000,000
	DfID	365,227,853	-	-	-	365,227,853	2,641,446
	Norway	343,009,816	-	-	-	343,009,816	2,480,455
	CIDA	3,887,289	368,185,016	3,747,475	180,225,352	556,045,132	4,003,762
Humanitarian	DfID	534,478,503	106,312,807	836,209	-	641,627,519	4,641,309
	EU	-	-	647,736	433,736,513	434,384,249	3,092,974
Other	DfID	-	-	-	139,235,584	139,235,584	995,710
	EU	-	-	-	51,208,362	51,208,362	365,360
Total	*Total*	*2,292,650,520*	*3,477,106,442*	*1,161,800,847*	*3,630,032,300*	*10,561,590,109*	*75,944,073*
Project Support	World Bank (Loan)	240,017,466	598,071,014	754,121,206	652,767,111	2,244,976,797	16,121,478
	World Bank (Grant)	274,286,828	506,668,744	523,014,977	751,999,397	2,055,969,946	14,765,892
	DfID	859,772,284	1,707,848,156	3,483,035,667	456,995,255	6,507,651,362	46,798,161
	EU	1,602,339,422	641,358,755	1,543,897,825	1,373,076,270	5,160,672,271	37,089,715
	USAID	1,698,453,692	526,991,453	1,234,878,638	1,592,115,604	5,052,439,387	36,290,677
	Norway	1,815,842,586	960,837,558	904,322,299	932,743,473	4,613,745,916	33,211,034
	CIDA	264,909,515	260,717,257	433,832,182	347,476,239	1,306,935,193	9,389,344
	ADB (Loan)	926,354,595	805,626,406	755,716,669	1,187,145,335	3,674,843,006	26,412,247
	ADB (Grant)	113,486,612	21,663,793	16,147,868	151,856,697	303,154,970	2,175,128
	UN System	1,286,647,019	2,086,617,489	2,069,956,324	1,888,755,381	7,331,976,213	52,706,618
	UNDP	*286,754,517*	*218,775,073*	*166,369,905*	*186,191,394*	*858,090,889*	*6,175,195*
	UNICEF	*513,295,287*	*703,424,765*	*147,137,881*	*885,308,901*	*2,249,166,835*	*16,169,430*
	FAO	*29,470,147*	*107,360,554*	*61,327,943*	*95,167,972*	*293,326,615*	*2,107,675*
	WFP	*447,927,213*	*1,050,124,194*	*1,671,905,267*	*697,261,443*	*3,867,218,117*	*27,794,236*
	WHO	*9,199,854*	*6,932,903*	*23,215,329*	*24,825,670*	*64,173,755*	*460,081*
	GTZ	217,589,242	516,126,259	271,993,785	203,072,618	1,208,781,904	8,704,549
	JICA	46,706,946	847,082,759	947,990,000	623,284,699	2,465,064,403	17,709,056
	KfW	323,048,644	129,268,460	243,384,188	232,414,058	928,115,350	6,670,732
	Total	*9,782,278,594*	*9,847,601,907*	*13,182,291,628*	*10,393,702,136*	*43,205,874,265*	*310,587,042*
Grand Total		12,740,967,592	19,678,313,165	15,702,411,236	14,825,281,525	62,946,973,519	452,752,597

Source: Debt and Aid Management Division

Table 7: Quarterly Disbursements by Aid Modality and Development Partner, 2006/07 – Support Through the Budget Only

Modality	Donor	Q1	Q2	Q3	Q4	Total (K)	Total ($)
Budget Support	DfID	-	3,863,540,643	1,358,318,762	-	5,221,859,405	37,726,742
	EU	-	2,059,272,946	-	801,547,089	2,860,820,035	20,556,055
	Norway	666,038,478	430,791,227	-	-	1,096,829,706	7,938,686
	Total	*666,038,478*	*6,353,604,816*	*1,358,318,762*	*801,547,089*	*9,179,509,145*	*66,221,483*
Dedicated Grants							
Health SWAp	World Bank	201,862,444	152,287,192	225,698,094	260,697,817	840,545,548	6,038,851
	DfID	-	1,649,332,663	930,871,332	914,349,758	3,494,553,753	25,132,264
	Norway	152,843,947	1,200,988,765	-	1,229,163,469	2,582,996,180	18,551,942
NAC	World Bank	691,340,667	-	-	421,415,445	1,112,756,112	8,000,000
	DfID	365,227,853	-	-	-	365,227,853	2,641,446
	Norway	343,009,816	-	-	-	343,009,816	2,480,455
	CIDA	3,887,289	368,185,016	3,747,475	180,225,352	556,045,132	4,003,762
Humanitarian	DfID	-	-	-	-	-	-
	EU	-	-	-	-	-	-
Other	DfID	-	-	-	-	-	-
	EU	-	-	-	-	-	-
Total	*Total*	*1,758,172,017*	*3,370,793,635*	*1,160,316,902*	*3,005,851,841*	*9,295,134,395*	*66,848,720*
Project Support	World Bank (Loan)	240,017,466	598,071,014	754,121,206	652,767,111	2,244,976,797	16,121,478
	World Bank (Grant)	274,286,828	506,668,744	523,014,977	751,999,397	2,055,969,946	14,765,892
	DfID	421,171,289	402,962,567	326,864,866	300,887,332	1,451,886,055	10,451,535
	EU	1,578,330,170	323,780,820	1,381,481,899	1,313,141,786	4,596,734,675	33,030,095
	USAID	-	-	-	-	-	-
	Norway	726,113,301	493,958,262	331,126,818	240,510,147	1,791,708,528	12,902,397
	CIDA	-	-	-	-	-	-
	ADB (Loan)	926,354,595	805,626,406	755,716,669	1,187,145,335	3,674,843,006	26,412,247
	ADB (Grant)	113,486,612	21,663,793	16,147,868	151,856,697	303,154,970	2,175,128
	UN System	250,746,640	137,890,780	122,003,205	155,818,735	666,459,360	4,795,354
	UNDP	*250,746,640*	*137,890,780*	*122,003,205*	*155,818,735*	*666,459,360*	*4,795,354*
	UNICEF	-	-	-	-	-	-
	FAO	-	-	-	-	-	-
	WFP	-	-	-	-	-	-
	WHO	-	-	-	-	-	-
	GTZ	66,578,664	129,852,840	73,951,350	54,669,734	325,052,588	2,340,353
	JICA	7,015,881	461,340,254	271,213,000	386,818,604	1,126,387,740	8,091,658
	KfW	323,048,644	88,281,722	150,416,686	138,275,907	700,022,958	5,034,903
	Total	*4,927,150,090*	*3,970,097,204*	*4,706,058,543*	*5,333,890,785*	*18,937,196,622*	*136,121,041*
Grand Total		7,351,360,584	13,694,495,655	7,224,694,207	9,141,289,715	37,411,840,161	269,191,243

Source: Debt and Aid Management Division

ANNEX 1: AID MAP FOR 2006/07

Aid Map of Development Partners' Expenditure in 2006/07 in Each Functional Sector (K'000s)

	Agriculture	Budget Support	Conservation, Tourism and Culture	Disaster Management	Education	Gender and Social Protection	Governance	Health	HIV/AIDS	Humanitarian	Irrigation and Water Supply	Local / Rural Development	Poverty Reduction	Trade and Private Sector Development	Transport and Infrastructure	Other
ADB	752,630	-	-	-	1,080,924	-	-	988,984	-	-	624,445	-	531,015	-	-	-
CIDA	-	-	-	-	735,641	79,482	265,776	-	725,819	-	39,104	17,159	-	-	-	-
DfID	1,138,151	5,221,859	1,204	29,519	1,151,243	-	2,186,411	4,266,672	365,228	1,386,989	-	-	-	32,229	17,205	573,445
EU	92,401	2,860,820	310,068	-	10,598	-	1,402,416	549,442	-	434,384	-	-	2,182,364	75,359	441,423	147,811
GTZ	-	-	-	210,374	286,535	947	484,314	226,613	-	-	-	-	-	-	-	-
JICA	27,586	-	9,078	-	84,295	-	-	344,866	-	234,981	793,083	80,501	-	-	327,415	563,260
KfW	-	-	-	-	481,850	-	-	137,547	114,233	-	54,461	140,023	-	-	-	-
Norway	1,483,180	1,096,830	98,034	-	616,483	233,076	721,587	3,319,728	639,024	-	-	12,423	-	10,186	-	406,032
UN System	49,757	-	81,061	1,979	351,689	354,551	541,665	1,183,509	101,230	3,867,218	309,011	-	348,367	12,760	61,266	67,913
FAO	49,180	-	-	-	-	-	10,666	6,226	54,772	-	10,038	-	162,445	-	-	-
UNDP	577	-	81,061	1,979	-	-	452,102	-	42,904	-	-	-	185,922	12,760	61,266	19,520
UNICEF	-	-	-	-	351,689	354,551	78,898	1,116,663	-	-	298,973	-	-	-	-	48,393
WFP	-	-	-	-	-	-	-	-	-	3,867,218	-	-	-	-	-	-
WHO	-	-	-	-	-	-	-	60,620	3,554	-	-	-	-	-	-	-
USAID	691,835	-	5,908	1,921	484,528	-	879,073	1,148,218	1,684,760	-	-	-	13,728	142,469	-	-
World Bank	-	-	-	-	680,894	-	725,075	840,546	1,112,756	-	742,634	596,726	-	872,361	683,257	-
Total	**4,235,541**	**9,179,509**	**505,353**	**243,793**	**5,964,679**	**668,056**	**7,206,315**	**13,006,123**	**4,743,049**	**5,923,572**	**2,562,739**	**846,833**	**3,075,474**	**1,145,364**	**1,530,566**	**1,758,460**

Source: Debt and Aid Management Division

ANNEX 2: PROGRESS AGAINST THE DEBT AND AID DIVISION'S ANNUAL WORK PLAN

Debt and Aid Division developed an annual work plan for 2006/2007 Fiscal Year. Below is an outline of the achievements and challenges of the implementation of the work plan.

PLANNING AND INFORMATION UNIT (PIU)

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
A - SET STRATEGIC DIRECTION FOR DEBT AND AID MANAGEMENT			
A1: Formulate Debt and Aid Policy and Implementation Strategy	Debt and Aid Policy concept paper was produced. Debt Management guidelines drafted. Guidelines to regulate the contraction and management of debt. The guidelines are a condition on the PRGF	Concept paper was not developed into a comprehensive policy document due to competing issues to be dealt with staffing constraints; Issuance of guidance delayed by late receipt comments from authorities	Comprehensive Debt and Aid Policy to be drafted. Guidelines to be printed and distributed
A2: Finalization of Development Assistance Strategy (DAS)	PIU coordinated the drafting of the DAS and its implementation plan. DAS was presented to both PSs and donors; draft of the DAS is awaiting Director's final comments.	Finalisation of DAS is taking longer than anticipated because of staff shortages and competing issues	Establishment of DACU will help in implementation of DAS;

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
	Development Assistance Coordination Project established which will help in the implementation of DAS		
A3: Advocacy on aid management and Paris Declaration	PIU also coordinated the organisation of meeting for PSs to advocate on aid management issues in Malawi. An information pack was prepared by PIU; PIU made a presentation on the Paris Declaration and its relevance to Malawi at the UNDAF meeting to ensure that future UN support is in accordance with the principles of the PD.	Taking forward the recommendations of the PSs on the major aid coordination issues.	Need to have an appropriate forum to discuss and agree on the main aid coordination issues and brief Cabinet, indicating the support required from them.
A4: Joint Country Programme Review	PIU coordinated the organisation of the JCPR which took place from 2nd to 4th May 2007; The JCPR report has just been drafted and circulated for comments	Review was not taken seriously by many Government officials; Participation by EP&D was weak.	A Forum to be set-up to advocate the importance of JCPR/MGDS review; A committee of EP&D and MoF should follow up on 2007 JCPR recommendations and plan on how to come up with the 2007 MGDS review of high quality; Plan to be presented to Chief Secretary who will circulate it to all line Ministries.
A5: Establishment of Development Assistance Coordination Unit (DACU) in DAD	PIU coordinated with the UNDP in the preparation of project documents for the establishment of DACU. An agreement was signed between GoM and UNDP under which	Applicants for DACU positions not meeting the minimum requirements	Meeting with ST to discuss the way forward on recruitments.

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
	UNDP will support establishment of DACU. Recruitment process for DACU posts started.		
B - IMPROVED DEBT MANAGEMENT			
B1: HIPC and MDRI Implementation	Government concluded debt restructuring agreements with all the Paris Club creditors on pre-Completion Point debt relief; Government successfully negotiated for 100 percent write off of debt stock from nearly all Paris Club creditors in October 2006. Consequently, debt relief agreements have been signed with all the Paris Club creditors except for France, Belgium and Spain. Government also concluded/signed a debt relief agreement with one Non-Paris Club creditor, namely, the Kuwait Fund	France would like to swap the remaining debt into project financing instead of total cancellation; Belgium is insisting that the remaining debt after partial cancellation be repaid; Non Paris Club creditors such as Taiwan unwilling to provide debt relief	Continue negotiating for total debt cancellation;
B2: Coordinate with the Resource Mobilization Unit on the Annual Borrowing Programme	Annual borrowing programme was not prepared	DAD and EP&D did not coordinate well for the latter to submit project proposals requiring financing	There is need for close coordination between Resource Mobilisation Unit (DAD) with EP&D
B3: Begin Cost-Risk Analysis of new financing	Cost-Risk analysis not done	Consultants were not hired to develop a Cost-Risk Analysis model for Malawi	Cost-Risk Analysis to be attempted in 2007/08 using simple indicators rather than a complicated model.

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
B4: Set-up Domestic Debt Unit in DAD	Domestic Debt Unit not set-up	Proposal on setting up the unit was not received from the consultant	After recruiting more DAD staff in September 2007, some tasks on domestic debt such as recording can be carried out. Simple domestic debt analysis should be attempted.
C - IMPROVED BUDGET PLANNING AND FORMULATION			
C1: Produce comprehensive list of projects for inclusion in the budget	PIU produced a list of projects management by Government for inclusion in the 2007/08 budget in coordination with Budget Division and PSIP Division of EP&D; Project resources that not managed by Government were included in the "Summary of Extra-Budgetary Support" report which has been printed and circulated to Parliament; PSs and donors.	While list was produced, some projects were not included in the 2007/08 budget by line Ministries in order to get more ORT funding from Treasury.	There is need for advocacy meetings with Budget Division and line Ministries on budget comprehensiveness which can be achieved if all the relevant projects are included in the budget;
D - IMPROVED INFORMATION FLOW TO STAKEHOLDERS			
D1: Undertake assessment of internal and external data requirements on debt and aid	An assessment of internal and external data requirements was conducted. Information from this exercise was used to determine the content of the Debt and Aid Reports which DAD began producing during the last fiscal	-	-

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
	year.		
D2: Produce Quarterly Reports and Analytical Papers	PIU produced the inaugural Annual Debt and Aid Report in October 2006, which covered the period July 2005 – June 2007. Report was circulated to Parliament; line Ministries and donors and is available on MoF website www.finance.gov.mw The Mid-year DAD report for 2006/07 was produced in February 2006. It reviewed the DAD portfolio for July-Dec 2006. Report was circulated to Parliament; line Ministries and donors and is available on MoF website. PIU organised a workshop on Debt Sustainability Analysis (DSA) in March 2007. A draft report was produced; PIU conducted an analysis of the financial cost of delays in project implementation. A presentation on this was made to PSs in April 2007; PIU coordinated the preparation of the OECD	Annual report was circulated late due to printing delays Mid year report was produced instead of the quarterly reports mainly due to staffing constraints. The report was circulated late due to printing delays Report needs to be signed off by Director; Report not made available to MoF	Need to start early preparations for the annual report; Ensure that mid year reports are produced on time There is need to finalise the report; Send reminder again to OECD

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
	report on the PD indicators by collecting information from development partners;		
D3: Provide information on disbursements and debt servicing to stakeholders	PIU provided information to Economic Affairs, Budget Division, IMF and other stakeholders on debt servicing and disbursements	Inaccurate projections of donor financing on projects leads to problems on PRGF; Delays by donors in submitting monthly returns led to delays by DAD in providing information to stakeholders	Continue getting information from donors to permit timely production of reports
D4: Coordinate with DDS on computerisation of domestic debt in CS-DRMS 2000+	A mission COMSEC was invited to Malawi in December 2006 to study institutional and legal arrangements for debt management and advise on the computerisation of domestic debt in CS-DRMS. The Mission report was received in April 2007.	Report was not discussed in DAD and RBM due to pressures of the JCPR; Input needed from COMSEC on Aid recording	Organise a meeting with RBM to discuss the report and agree on the way forward on computerisation of domestic debt; Email COMSEC
D5: Provide policy advice on donor financing, in particular, SWAps	A meeting was held between MoF and donors on experiences with the Health SWAP with the view to draw guidelines for development of SWAPs in other sectors. Meetings were also held with officials in the Ministry of Health and Agriculture and the SWAp preparation with a view to prepare guidelines.	Draft guidelines on formulation of SWAps yet to be developed	PIU to lead on this
D6: PRGF monitoring meetings	PIU staff attended PRGF meetings on a rotation basis	Aid issues for PRGF require follow-up by a	PIU to participate in PRGF meetings and follow-up on debt

EXPECTED RESULT/ PLANNED ACTIVITY	PROGRESS / ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS / REMARKS
		dedicated person.	and aid issues.

RESOURCE MOBILIZATION UNIT (RM)

Planned activity	Progress / achievements	Challenges	Remarks
A – DIVERSIFICATION OF SOURCES OF EXTERNAL FUNDING			
A1: Obtain project / programme proposals (from MEPD) and submit them to prospective donors for funding.	DAD received only two project proposals from MEPD: 1) Kasinthula Irrigation Scheme Project in Chikwawa, and 2) The National Registration and Identification System Project. No progress was reported by the relevant sector Desk Officers regarding the submission of these proposals to potential donors.	There was a delay in the finalization and subsequent approval of PSIP for 2006/07 by Government. MEPD could therefore not meet MoF/DAD's request for proposals for new projects that required funding.	The Project Appraisal Document (PAD) for the National Registration and Identification Project was revised following a recommendation by a GoM / donors meeting that was initiated by OPC.
A2: Identify new sources of funding for government programmes / projects	A letter requesting for financial assistance towards implementation of the MGDS was sent to more than 80 Funding Agencies and donor countries in December 2006. About 20 responses were received but none of them was positive.	In the absence of project proposals the letter of request was not specific. This could be a contributing factor to the low rate of response.	There was generally lack of follow up on the application with those agencies that did not respond.

A3: Follow up on donor commitments		Some donors like CIDA are yet to start providing disbursement information.	This activity was being carried out by PIU and DDSU.
B – COORDINATE WITH DDSU ON CATALOGUING OF PROJECT AGREEMENTS, CORRESPONDENCE AND CONSULTANCIES			
B1: Collect and catalogue project agreements and related documentation	Through a consultant, loan / grant agreements in Room 104 were catalogued. This exercise in progress for the documents in Room 102.	The exercise suffered delays due to a number of factors including delayed procurement of consultancy services and the required materials.	
B2: Check that donor conditionalities are adhered to by Government	DAD facilitated refund of ineligible expenditures incurred on some projects e.g. Secondary Education Project; Policy and Human Resources Development Project (both funded by the World Bank).		
C – ENHANCE EFFECTIVE AND EFFICIENT UTILIZATION OF RESOURCES			
C1: Follow up on	All audit reports received from various projects were referred to the Accountant		

implementation of audit recommendations	General for necessary actions.		
C2: Process applications for immigration and customs clearances for technical assistance personnel	Applications for work permits and customs clearances were generally processed in a timely manner.	Some anomalies were noted in the granting of First Arrival Privileges to foreigners (issuance of Notification of Arrivals (NOAs)) by Desk Officers. A number of NOAs that were inappropriately issued were rejected by MRA.	The situation improved after DAD officers started coordinating with the Revenue Division when issuing NOAs.