

VOLUME 21
NUMBER 2
MARCH 2003

REVIEW

Theme Issue:

Are PRSPs Making a Difference? The African Experience

edited by David Booth



Overseas Development Institute



Blackwell
Publishing

Malawi

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There are few grounds for believing that the implicit hypothesis contained within the PRSP approach – that PRSPs will change the nature of conditionality, leading to enhanced ownership of the strategies themselves, and therefore more effective implementation – will hold true in the case of Malawi. This is despite the fact that the PRSP formulation process has been among the country's most participatory policy-making exercises to date, with civil society engaging in both policy dialogue and co-ordinated protest. Key constraints are an absence of high-level political commitment to serious reform and the lack of a thoroughgoing overhaul of conditionality by the IFIs.

Malawi is one of the poorest countries in the world, whether judged by GNP per capita, the UNDP's Human Development Index or its Human Poverty Index. What combination of policies and actions would be most effective in addressing this huge challenge is a vital question. However, this article is concerned with a more limited question: what likelihood is there of the PRSP process effecting a transformation in the relationship between donors, governments and local civil societies such that public action becomes more sharply focused on reducing poverty?

Factors unique to the country's economic and political trajectory, including the history of its relationship with external donors, have played a major role in shaping the PRSP process in Malawi to date, and will continue to do so for some time. We therefore begin in the following section by identifying key features of the political and economic context that have a bearing on the prospects for the PRSP approach to yield the hoped-for benefits. We then examine the process by which the PRSP concept has been introduced in Malawi and the way in which the document itself has been formulated, bearing in mind that there is, as yet, only limited experience of trying to *implement* it.

The fourth section is the core of the article. It addresses the question of how much difference the PRSP initiative has made. It analyses the prospects for the PRSP process to institutionalise poverty reduction as a central focus of public action (particularly with respect to the management of public expenditure and larger issues of governance). The issues of performance monitoring, and its informational requirements, are then dealt with, followed by an exploration of the conditions under which the PRSP might become the basis for better co-ordination between government and external donors. In conclusion, we summarise the implications of the Malawian case for the 'ownership hypothesis' that underlies all the studies in this collection.

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Poverty reduction and the policy context

The political context

Malawi emerged from thirty years of one-party rule in 1994, when the country's first multi-party elections were held. The United Democratic Front (UDF) won those elections and Bakili Muluzi became Malawi's first democratically elected president, pushing the Malawi Congress Party (MCP) into opposition. The other main political party, AFORD, emerged as a third force in parliamentary politics.

While, at the level of formal constitutional structures, Malawi became a democratic system, liberal *politics* is only slowly taking root, and has experienced setbacks at various points since 1994. A large step was taken in the direction of democratic consolidation in 1999 when the second round of multi-party elections was held on schedule. President Muluzi was re-elected, though not without charges of vote-rigging and other electoral irregularities from opposition parties and independent observers. The catalogue of questionable practices involved the full range of electoral activities: the demarcation of constituencies, voter registration, the composition and role of the electoral commission, media coverage, the use of donor funds, and the announcement of the election results.¹ This has made opposition rhetoric since 1999 perhaps more vitriolic than it might otherwise have been, and has made constructive relations between government and opposition on issues of policy and governance extremely elusive.

Partisan conflict has been accentuated by regional divisions. Each of the three main parties is associated with a support base in one of Malawi's three regions – north, central and south. While the regional divide is perhaps the main cleavage shaping the nature of the party system, this form of regionalism has been characterised as 'atypical because it [does] not dovetail closely with ethnicity' (Reynolds, 1999: 148). There have nevertheless been consistent complaints from opposition leaders that the government has distributed a disproportionate share of the benefits of development policy to the southern region, the ruling UDF's political base.

The press – and the right to free expression – is without doubt less subject to government restrictions than it was during the period of one-party rule. Nevertheless, journalists and editors who criticise the actions and policies of the government continue to receive direct and indirect threats from government representatives.² The state-run Malawi Broadcasting Corporation (MBC) is notoriously biased in favour of the government. Some private radio stations have taken on more controversial topics in phone-in programmes, which provide an outlet for criticism if not fully informed and moderated debate.

One of the key issues currently influencing politics in Malawi is President Muluzi's desire to run for a third term in office when the next national elections are due in 2004. This would require a constitutional amendment, as under the current dispensation a two-

1. These themes receive a balanced treatment in Patel (2000).

2. For a recent example see *The Chronicle* (20 August 2001, p. 1), according to which the President's Press Secretary sent a letter to Chinyeke Tembo, Managing Editor of *The People's Eye*, stating that 'you will be held responsible for all the personal articles contained in *People's Eye* Newspaper in which His Excellency the President Dr Bakili Muluzi is continuously being personally attacked for reasons best known to yourself and your sponsors'. This was one of the more low-key incidents of which the study team was made aware.

term limit would prevent him from contesting again. Malawi's two main church groups – by far the largest and most respected organisations in civil society – have both issued public letters pleading with the president to respect the current constitutional limit, and are said by some to have given their blessing to the creation of a new political formation, the Malawi Forum for Democracy, partly out of a desire to rein in the President's ambitions.

In general, Malawi is progressing towards a more open, representative form of politics. Nevertheless, the tendency for government to over-react to expressions of democratic protest has remained something of a hangover from the previous political order.

The economic context

During the 1990s agriculture constituted 33% of Malawi's GDP. Three-quarters of this is produced by smallholder farmers, mostly for subsistence. The manufacturing and mining sectors contributed only 17%, on average, to GDP, and services 27%. Agricultural products make up the bulk of Malawi's exports, while the manufacturing sector contributes less than a fifth. In the period 1997-2000, agricultural crops accounted for 85% of the value of all exports, tobacco alone contributing 63%.

The economy's narrow, undiversified base limits capacity for revenue generation. Grants assist in narrowing the gap between expenditure and revenue. However, it is foreign loans and domestic borrowing that close the gap fully.

The World Bank is by far Malawi's largest creditor, accounting for as much as 73% of the multilateral debt. Japan is by a large margin the biggest bilateral creditor, holding roughly 85% of the country's debt to the Paris Club of bilateral creditors and 11% of total debt. Commercial debt is only 2% of the total debt stock and this has mainly been contracted with UK commercial creditors. Since the HIPC2 Initiative also covers debt contracted from multilateral donors, the structure of Malawi's debt means that Malawi stands to gain from the Initiative.

Previous poverty-reducing efforts and plans

Prior to the PRSP, Malawi had no history of serious (prioritised, costed, outcome-oriented) poverty plans. Following the 1990 *World Development Report*, both the Malawian government of the time and its main aid donors stepped up their rhetoric on poverty reduction. Policy discussions began to focus on the 'social dimensions of adjustment' and the need for safety nets. However, it was not until the change of government in 1994 that concrete steps began to be taken with the launch of the Poverty Alleviation Programme (PAP).

As part of this initiative, the government established Technical Working Committees (TWCs) to develop plans for reducing poverty, and a Poverty Alleviation Programme Co-ordinating Unit within the Ministry of Economic Planning and Development (as it was then known). The TWCs did some preliminary work that helped in producing a policy framework for the PAP. The main achievement of the framework was to identify groups that were thought to be poor and policies that were considered more pro-poor.

Starting in 1996, the country went through a long-term perspective exercise that produced the Malawi Vision 2020, which was drawn up after extensive public consultations. However, like the PAP, it was not followed by fundable action plans. With the introduction of the PRSP concept, the policy framework of the PAP and the Vision 2020 became 'source documents'. This was mainly a face-saving gesture and no thematic working group seriously used these two documents as inputs. The failure of the government to implement its very own, home-grown, Poverty Alleviation Programme or the even more high-profile Vision 2020 has left serious doubts as to whether the poverty-reducing plans within the PRSP stand much chance of being put into operation.

The PRSP process in Malawi

Stakeholder perceptions

Throughout the period during which the PRSP was being formulated, the PRSP concept was, at best, imperfectly understood in Malawi. It must be added, however, that huge strides had been taken, in terms of awareness, between the summer of 2000, when the first field visit for this research was undertaken, and late 2002, when the final version of this article was going to press. These headline statements require further disaggregation for a more complete picture to emerge.

First, there is a good deal of variation between different stakeholders in terms of the degree of understanding of the general *purpose* of the PRSP. Government officials are, for the most part, better informed than civil society. Within government, officials in the Ministry of Finance and Economic Planning (MoFEP) have, unsurprisingly, been best briefed, while in the line Ministries there has been quite a lot of uncertainty as to what the PRSP will ultimately do – a consequence, to some degree, of the proliferation of poverty planning exercises in recent years.

Within civil society, there is slowly emerging a core of reasonably well-informed people and organisations, capable of acting as interlocutors with both government and donors on the extent to which Malawi's PRSP is conforming to the conceptual and operational approach outlined in the documentation produced by the World Bank and the IMF. Access to documentation on the experiences of other PRSP country cases has helped this learning process, and the use of internet-based resources such as the publications from EURODAD and the Kenyan and Zambian NGO networks was particularly cited in this connection.

Secondly, the extent of understanding varies considerably across three key *issues* associated with the PRSP concept: its relation to HIPC debt relief; its role in present and future IFI conditionality; and its links to other ongoing processes such as Sector Investment Programmes (SIPs), Sector-Wide Approaches (SWAPs) and reforms to systems of public expenditure management. We limit ourselves to the first two issues at this point.

How the Malawian PRSP is connected to the HIPC initiative was initially a source of fairly widespread confusion. Over time, this slowly declined, especially among senior officials. According to one informant in the MoFEP, it was apparently not until the end of the process that President Muluzi himself fully grasped that the PRSP was more than a method for deciding how to spend resources freed up through HIPC debt

relief. Another common misconception at the beginning was that the *preparation* of the PRSP was simply a condition (some thought the *only* condition) for obtaining debt relief under the HIPC Initiative.

The link to IFI conditionality is an area of even greater confusion. The tendency to see the PRSP as just a document that must be submitted in order to qualify for HIPC funds is on the wane. But the route from the HIPC Decision Point (the decision by the Bank and Fund that Malawi is eligible for debt relief, at which point limited relief is in fact granted) to the Completion Point (when the annual debt-service savings become locked in for twenty years) is imperfectly understood. The concept of the 'floating Completion Point' (which means that the final decision on debt reduction 'lock-in' can be put off indefinitely until realistic poverty reduction plans are judged to be in place) has blurred the picture even further.

The PRSP formulation process

The development of Malawi's PRSP got off to a slow start in the latter part of 2000, hamstrung initially by the extremely non-consultative nature of the process by which the country's Interim PRSP (iPRSP) was elaborated. Shortcomings of this process, including its almost complete exclusion of civil society (and indeed bilateral donors as well, who had complained bitterly about excessive World Bank intervention), combined with turf battles between the National Economic Council and the MoFEP, and reliance on previous Policy Framework Papers, which had been fairly crudely assembled into an iPRSP under the direction of a small group of officials working with Bank staff members.

Some of the worst fears expressed at that time by excluded stakeholders – for instance, that the full-scale PRSP process would be as closed an exercise – did not come to pass. On the other hand, the worry that HIPC Completion Point triggers would be derived from the Bank-orchestrated iPRSP, and that on this basis they would be publicly justified by the Bank as Malawian-owned, and therefore a reasonable constraint on the development of the full PRSP, has turned out to be reasonably well-founded.

Institutional architecture

Against this backdrop, it was always going to be difficult for the IFIs and the Malawi Government to sell the PRSP process as a new form of participatory development planning. When the government began the PRSP preparatory process in September and October 2000, it ran into resistance from civil society almost immediately. The organisational architecture for developing the PRSP was perceived as government-dominated, and unnecessarily concentrated in the MoFEP and NEC. Indeed, the consultation process was designed originally as a series of one-day workshops, to which various 'sectors' of civil society would be invited so that they could voice their views.

The PRSP Technical Committee (TC), whose job it would be to oversee the creation of the document, was to be chaired by a senior member of the National Economic Council, once Malawi's key planning agency. The TC was to report to the National Steering Committee – the Principal Secretaries from a broad array of

Ministries – with the post of Co-ordinator being held by the Principal Secretary (Economic Affairs) in the MoFEP.³

PRSP Thematic Working Groups (TWGs), formed to draft sectoral and issue-based components for the PRSP, were launched in January 2001. The TWGs included representatives from civil society and donors (but only after a major campaign for inclusion by civil society – about which more later). Some TWGs included Members of Parliament from relevant parliamentary committees.

The background documents distributed to the TWGs in January 2001 contained a reasonably clear statement of the key objectives of the PRSP approach. Compared with previous documents, a sharpening of the focus on implementation was evident.

District consultations

The arrangements for the district consultations were planned by the PRSP Technical Committee, with input from the National Steering Committee. Coverage of Malawi's 31 districts was divided among three teams. Some members of local civil society were invited to become involved in the district consultations, but in general the workshops were dominated by local officials (district councillors, the police, district health officers) and the traditional authorities, as well as what the Technical Committee's Report on the process termed 'other influential people within the districts' (PRSP Technical Committee, 2001a: 3).

The authors of the present article visited two districts where consultations had been held. Those participants interviewed by us were in general reasonably satisfied with the way in which the consultations in their districts had been conducted; their major concern was that there had been no follow-up by the PRSP Technical Committee.

Thematic Working Groups: operation and outputs

The first drafts of reports from some, though not all, of the TWGs were submitted to the TC in February 2001. Others were late. Some TWGs appear not to have met at all, or very rarely, with irregular attendance reported in almost all groups. A few groups appear to have been highly dysfunctional (PRSP Technical Committee, 2001b: 2). This mutual isolation was a common complaint among stakeholders.

At a key review meeting in 2001, each TWG presented its draft to a panel made up of the Technical Committee, members of TWGs dealing with related or cross-cutting issues, and experts in each of the fields. The Report on the workshop held in the town of Salima indicates that a good deal of thought had gone into the detailed and highly relevant comments from the Panels. On the other hand, the nature of some of the comments directed to other TWGs seems to indicate that a number of the 'drafts' under discussion were of extremely low quality.

3. The PS (Economic Affairs) is subordinate, in MoFEP, to the Secretary to the Treasury, the Controlling Officer for the Ministry as a whole.

Interim action and review

An important milestone in the PRSP process was the creation of a PRSP Findings to Date document, designed to provide input into the 2000/1 national budget. As the full PRSP would not be ready for the budget cycle, it was nevertheless felt that some of the interim findings should be used as guiding principles. The Findings to Date document was discussed in a workshop, and in fact became significantly revised as a result of the discussions. The incorporation of the thrust of this document in the Budget itself was an issue of some debate in Malawi, but the fact that it was mentioned at all in the Finance Minister's Budget Speech to Parliament is one indication that the idea of the PRSP as an operational document meant for practical application was taking root.

The Technical Committee provided an admirable display of self-criticism at the 29 May 2001 Findings to Date workshop, capturing many of the recurrent themes of our interviews with stakeholders. These themes were tepid in comparison with the sorts of criticisms levelled by one civil-society-initiated review of the PRSP process, which was the subject of a report issued a month earlier (April 2001). However, the very existence of this critique was another good sign, insofar as it indicated that the PRSP process had become high-profile enough actually to spur such a thoughtful and co-ordinated response (MEJN, 2001a).

Another display of self-criticism by the Technical Committee was contained in an August 2001 review of the PRSP process, submitted to the Finance Minister and the Minister for Poverty Alleviation (PRSP Technical Committee, 2001b). According to this report, the ultimate source of the PRSP process's difficulties was the lack of 'official and political commitment', meaning that the two upper tiers (senior civil servants and members of the Cabinet) were not treating the PRSP as an urgent priority. Part of this, according to the TC's report, was a result of 'widespread misunderstanding of the process'.

This is, in fact, a pretty fair assessment. The lack of support and commitment at the highest political levels goes a long way in explaining what some donor informants have called a 'lack of urgency' among many officials in line Ministries.

The PRSP endgame

An abundant source of anxiety for civil society and donors, throughout the PRSP formulation process, was the lack of clarity about the arrangements for finalising the document. Two questions had been asked almost from the outset, with no clear response from the key government decision-makers. First, through what mechanisms would TWG findings be filtered and amended in the process of compiling the final composite PRSP? Second, through what means would the prioritisations outlined by the TWGs themselves be integrated into a master matrix? The main concern of civil society groups was that the detailed analytical work in which they had invested so much time could be undermined by a hasty completion process. The resulting dissatisfaction with the final product could in turn seriously harm efforts to impart a sense of national 'ownership'.

The Malawi Economic Justice Network (MEJN), which was the most co-ordinated voice of protest on this issue,⁴ lobbied to have four non-government members (one of whom would be a parliamentarian) included in the drafting team, their participation to be paid for by MEJN. The government's first response was that they would take only one (paid for by the government). After further discussions, a further member was agreed, to be paid for by the government.

The drafting team's first version of the Malawi Poverty Reduction Strategy (MPRS) was circulated to all stakeholders and presented to ministers, parliamentarians, civil society organisations, top civil servants and donors. Civil society and donor representatives submitted, in some cases, substantial written comments. The most substantial were those from Washington-based IMF and World Bank staff, the recommendations from the Bank being particularly hefty. The Malawi-based staff of the UK Department for International Development and NORAD were notably vocal as well.

It is worth noting how large a role donor relations played in this phase of the MPRS's development. First, the macroeconomic framework of the MPRS was required, under the terms of continued conditionality, to rely on the already agreed IMF/World Bank framework. This was unrealistic in a variety of – sometimes contradictory – ways. Not least of these was the tendency for growth and trade projections to be tailored to show that Malawi could expand and export its way out of indebtedness if it were granted the recommended level of debt relief.

Secondly, there was at the time an even larger than usual amount of uncertainty concerning the likely level of support from the bilateral donor community. This was because of charges of corruption and accounting irregularities levelled by some agencies (for example, DANIDA, European Development Fund) and the alleged failure to fulfil policy commitments (for example, to USAID). When it seemed likely that there would be a significant shortfall due to certain donors taking action, the drafting team was finally forced to cut some previously prioritised activities and to scale down others.

The April 2002 launch of the MPRS was well attended. A speech by one official re-emphasised an issue raised, in fact, in the initial background document submitted for TWGs when the formulation phase itself was being launched: namely, that developing a national work-ethic (doing away with what the earlier launch document had called 'the laziness of Malawians') was the necessary first step on the road to poverty reduction. The lead donor spokesperson stressed capacity constraints and HIV/AIDS, both of which could hinder implementation. The Minister of Finance and Economic Planning committed himself to using the MPRS to build the budget.

What difference has the PRSP made?

This section analyses the effects the PRSP process in Malawi has had, and assesses whether it is likely to result in the establishment of new institutional relationships capable of supporting the objective of poverty reduction. It consists of two parts. We begin by considering the potential for the PRSP process and reforms in policy planning

4. MEJN played an important role in pressing the government to involve civil society all the way to the concluding stages of finalising the document. It had established 'shadow committees' earlier, to examine the TWG drafts, and attempted to do something similar for the document as a whole.

and public expenditure to become mutually reinforcing. We then examine the potential for the PRSP process to institutionalise new relations among the main actors who influence the ability of governance to contribute to poverty reduction.

Public expenditure reform

Malawi, like many other countries, has in recent years undergone a series of overlapping reform efforts designed to improve the effectiveness of expenditure management. They have sought to rationalise the entire cycle of expenditure-related activities – the identification of priorities, the costing of activities, the allocation of resources, and the creation of systems for effective implementation and review. Two key ingredients have been efforts to institute the elements of a Medium-Term Expenditure Framework (MTEF) and to develop Sector Investment Programmes (SIPs) or Sector-Wide Approaches (SWAPs).

Both initiatives have been under way since the mid-1990s. Each has been subjected to continuous refinement and review. Though reforms to systems for sectoral policy planning are intimately bound up with the fate of the *general* system of public expenditure management (including the functioning of financial controls), for the sake of analytical convenience they are treated separately.

The attempt to institute an MTEF in Malawi – that is, to use an MTEF as a tool for managing the entire budgeting process – is widely viewed as having failed to meet its objectives. This was the conclusion of each of the two major reviews of the MTEF process, the most recent submitted in late 2000. Activity-based or programme budgeting has been only partly practised, and even then has been undermined by other flaws in the budget process. The result has been the reassertion of line-item budgeting.

The most important of the shortcomings in the budget process, in terms of its potential impact on PRSP implementation, is that patterns of actual expenditure often bear little resemblance to the budget itself. Virement between expenditure categories is frequent. Expenditure ceilings are violated with impunity and on a regular basis, by line Ministries and other government agencies. This is by now very well known in government and non-governmental circles. As one bilateral donor put it, 'that the budget is largely a work of fiction is now an accepted reality'.

As these problems have persisted, proposals to rectify them have become increasingly radical. Reforms that delve deep into the institutional substructure of financial management were proposed in Malawi's last Public Expenditure Review (MoFEP, 2001a). Government officials, including the Finance Minister, have openly embraced the need for such changes and have agreed to implement some of them under the World Bank and IMF lending arrangements. But will the political incentives and distribution of decision-making authority within government make this possible?

This is, indeed, the central question. A key concern of this article is whether the PRSP approach is likely to contribute to such efforts. There can be no categorical answer, for a variety of reasons. Nevertheless, it is possible to assess the potential implications of current trends. One clear trend is the inability of key reformers to control decisions at the highest levels of government. While former Finance Minister Mathews Chikaonda possessed a refreshing style and a good deal of reformist zeal, it was hard to escape the conclusion (even before he lost his post) that his personal

qualities would be insufficient to overcome the many political shortcomings identified by so many observers over the past half decade.

On a more positive note, virtually all those interviewed were of the opinion that the budget process had become more participatory in recent years. Pre-budget consultations for the 2000/1 budget, in part organised by the Malawi Investment Promotion Agency but with attendance at some sessions by a more representative cross-section of civil society (beyond business interests), were the turning point. The turn towards openness thus preceded the PRSP process, but clearly gained momentum in the run-up to the presentation of the 2001/2 budget. The 2002/3 budget consultations continued the trend towards official openness.

SIPs and SWAPs

In recent years donors have voiced the need to replace project-based aid with jointly-developed sector programmes or support to the national budget as a whole. The purpose is to reduce the costs (and unnecessary duplication) associated with individual donor projects, which often maintain parallel administrative structures.

Compared with our rather downbeat assessment of the potential for the PRSP approach and public expenditure management reforms to become mutually reinforcing, a substantially more positive story can be seen in the impact of the PRSP formulation exercise on sectoral policy planning processes. The high-profile nature of the PRSP did give a much-needed boost to a number of sector-programme initiatives that were in progress.

All three categories of stakeholders interviewed considered that the development of the Policy and Investment Framework (PIF) in the education sector had benefited from the PRSP process. Some participants in the October 2000 joint donor-government review of the sector⁵ felt strongly that there was now increased momentum for the creation of joint funding mechanisms (even if some donors would be unable to permit a 'commingling of funds').

In the agriculture sector, the picture is rather more complicated, as there is a separate Malawi Agriculture Sector Investment Plan (MASIP) secretariat. There are some indications that the PRSP TWG on agriculture suffered, to some degree, from the ongoing rivalry between MASIP and the planning division within the Ministry of Agriculture itself. It was unclear to some donors and MASIP officials whether the PRSP approach had watered down the considerable work that MASIP had already undertaken over the previous 2-3 years. At the same time, the PRSP approach has invested some urgency in the MASIP effort that was otherwise lacking.

In the health sector, the PRSP process could also be seen to have had a beneficial effect, according to stakeholders from all three categories. Above all, it provided an opportunity for donors and government (along with the Christian Health Association of Malawi, whose members account for about two-thirds of health service provision in rural areas) collectively to go about defining what would constitute an Essential Health Package (EHP).

5. Hopes for this sort of development were expressed in the 'Review Report' of the Joint Review of the Malawi Education Sector (2000).

In general, then, the combination of the PRSP *formulation process* injecting momentum into the preparation of these three SIPs, and the PRSP *concept's* stress on promoting donor co-ordination, has increased (somewhat) the chances that future interventions could conform to a modified SWAP framework in at least some sectors.

Institutionalising participatory governance

Participatory governance is the second area in which this section assesses potential institutional effects of the PRSP process. Our analysis addresses two aspects of governance: voice and accountability.

The intense partisanship that has infected public institutions in Malawi in recent years has also stunted the development of an independent civil society capable of contributing effectively to policy debates. Criticism of government is often interpreted (sometimes correctly, of course) as motivated by partisan interests. As a result of these and other tensions, not only has policy dialogue between civil society and government been less than constructive, but until recently there has been, in many areas, little substantive interaction at all. The culture of bureaucratic secrecy and closed-door decision-making has restricted policy debate to fairly general issues.

This is slowly changing, and the PRSP process must be accorded at least some of the credit. Indeed, the coming together of a civil society network (the MEJN) to engage with government and donors on issues of economic policy is perhaps the most promising development to have emerged from Malawi's PRSP process. That it was spurred initially by the non-inclusive nature of the government's approach to PRSP formulation makes it no less noteworthy or beneficial.

The emergence of the MEJN can be traced to a November 2000 meeting of 23 civil society organisations in Mangochi – an event that produced a declaration about how the PRSP formulation process should be conducted. In addition to committing themselves to creating a taskforce that would focus on advocacy in relation to economic issues, the groups resolved to 'organize Civil Society involvement in the formulation of the PRSP process', 'organize the training and awareness raising of Civil Society, to give them the economic literacy to make a positive and ongoing contribution', and 'scrutinize and analyse the implementation of the PRSP, including government budgeting and expenditure'. With the last of this trioka of objectives, the MEJN committed itself to taking a lead role in 'participatory auditing' (MEJN, 2001a).

Malawian civil society mobilised on the issue of exclusion from the PRSP drafting process with more vigour and co-ordinated action than it had on any occasion in recent years, with the possible exception of the 1999 national elections. MEJN, and a number of its constituent parts, have also been critical in establishing links with other parts of the governance structure, particularly parliamentary committees. Through the US-funded National Democratic Institute, a handful of members of the parliamentary Budget and Finance Committee became more active players in both the PRSP and the annual budget processes. Both the MEJN and the PRSP Technical Committee made presentations to parliamentarians on the linkages between the HIPC Initiative, the PRSP and the national budget, as well as outlining some of the steps that would be required to improve the MTEF as a tool for more poverty-focused planning (MoFEP, 2001b). It would be stretching the point to claim that this made it possible for parliament to play

the central role envisaged for it in Malawi's Constitution. But the PRSP process has clearly given greater voice to a wider range of stakeholders.

Longer-term impacts of the PRSP approach on the accountability side of the governance equation are particularly difficult to gauge at this point. While the reaction of civil society to the PRSP process has been encouraging – in that it has formed structures for engaging in both policy dialogue *and* co-ordinated protest on issues of substance and process – it is extremely unlikely that this will result in the emergence of domestic political leverage sufficient to hold government (or donors) accountable for commitments undertaken in the PRSP formulation process. Civil society remains extremely weak and fragmented, and government highly suspicious of the more vocal elements within its ranks.

The connection between the PRSP process and governance issues in the *formal* arena – i.e., state accountability institutions – is similarly tenuous. The PRSP provided a vehicle for a small group of parliamentarians to get involved in substantive questions of supervision, but budgets for parliamentary committees remain minuscule. The resources for other state accountability institutions have increased, but they are nowhere near the levels needed. More importantly, the work of these accountability agencies is still very much constrained by political interference from the executive.

The Budget for 2001/2 highlighted both weaknesses and emerging areas of improvement in the quest for more accountable governance for poverty reduction. Its shortcomings were highlighted by the MEJN in a series of briefings produced in the wake of the Budget Speech to Parliament. In a Report for MPs, the MEJN pointed to a number of key issues of relevance to the PRSP process (MEJN, 2001b: 1). These concerns were then supplemented by further consultations held by the TC with a broad range of stakeholders. As a result, twelve separate Priority Poverty Expenditures (PPEs) were identified as critical to poverty reduction, and these were detailed in the pre-budget report submitted to Parliament. In addition, detail was given on the mechanisms required to ensure that the money was actually spent on the 12 areas.⁶

Monitoring the PRSP: a second chance?

Government has in the past established various mechanisms to monitor and evaluate the implementation of national development plans, projects and programmes. Economists, employed under a common service managed by the National Economic Council, were responsible for the monitoring and evaluation exercises. Operating since 1994, the PMS (Poverty Monitoring System) was designed to undertake three types of monitoring: input, output and poverty-impact monitoring.

Input monitoring was to entail tracking specific policy, project and programme implementation by checking whether action plans were followed as stipulated. This would also involve expenditure tracking. Output monitoring would entail checking whether policy, project and programme outputs, as stipulated, were achieved. The

6. Rural roads, bridges and essential infrastructure; safe water supply; security (especially community policing); teaching and learning materials; training new teachers; paying teachers a reasonable salary; purchasing and distributing essential drugs; training more health workers; paying health workers a reasonable wage; expanding the Starter Pack programme; providing credit for rural smallholder farmers; increased allocation to agricultural extension.

outcome or impact monitoring would then concentrate on the indicators that directly reflected poverty status – again, as stipulated by various stakeholders.

So far, the PMS has mainly undertaken impact monitoring. It has not been able to undertake serious input monitoring, whether regarding policy implementation or expenditure tracking. On impact monitoring, the PMS has carried out two qualitative impact assessments of poverty projects and programmes and conducted the Integrated Household Survey, which provided the basis for impact analysis.

The PRSP's Poverty Profile and Monitoring Thematic Working Group (PPM-TWG) originally proposed a system for monitoring the MPRS, once implementation begins. The donor-funded PMS was being reviewed even as the PRSP formulation process was under way. However, the PPM-TWG finalised its work before completion of the review.

According to the Working Group's final submission, monitoring of the MPRS's implementation will use a system similar to the current PMS. What is interesting is that, in its analysis of the 'status of the current system', the PPM-TWG's draft states that the PMS does not function efficiently, and yet there is no statement on why it is inefficient and what can and should be done about it.

The final MPRS draft suggested an improved institutional framework. According to this proposal, the Ministry of Finance was expected to monitor inputs and outputs. The NEC was to conduct poverty analysis and to keep track of poverty outcomes and impacts and also house the monitoring Secretariat. This would bring together the Technical Working Committee (TWC), the MPRS Monitoring Committee and the Cabinet Committee on the Economy. Moreover, it was to be an inclusive TWC: government, donors, civil society, researchers, media, district representatives, and parliamentary committee members. The National Statistical Organisation was assigned the task of managing the poverty database and conducting surveys.

But after the poverty monitoring and evaluation workshop held in July 2002, this structure was radically modified. The TWC and the MPRS Monitoring Committee were merged, but with limited membership. The battle between the NEC and the MoFEP continued.

What is missing in both the current and the proposed systems is a strong institutional link to accountability bodies like the National Audit Office and the Parliamentary Public Accounts and Budget and Finance Committees. A formal link between the PMS and the Treasury's Budget Department and the Accountant General's office could, if properly nurtured, be the cornerstone of a successful PRSP monitoring system. Without a link to the financial accounting system being developed in the Treasury and Accountant General's Office, effective monitoring of expenditures will not be possible.

Towards a new aid relationship

Malawi's relations with donors have been tempestuous of late. There have been a number of conflicts with bilaterals (like the Danes and the US), regional bodies (like the European Union) and multilaterals (like the IMF). But Malawi is still officially considered to be 'on track' in the HIPC2 process. The PRSP process has served as a central focus of Malawi's relations with its donors. However, the PRSP's potential and actual links with future conditionality have been a source of much contention.

The HIPC decision-point document, prepared in late 2000 by World Bank staff for endorsement by the executive directors, identifies a list of 'triggers', or conditions, that will have to be met by the Government of Malawi in order for Malawi to reach the completion point.⁷ By the time of the second round of field research for this article, in August 2001, there was greater awareness among Malawians that such things as triggers existed. The very notion of triggers raised concerns among members of civil society and even, in some cases, among government officials: the idea of 'HIPC conditionalities' seemed to contradict the 'branding' of the PRSP as an alternative to IFI-imposed conditionality. Most importantly, a set of non-negotiable policy commitments (negotiated, effectively, in secret) appeared to pre-empt the PRSP formulation process itself.

Beyond this objection in principle, three specific triggers found in the HIPC decision-point document (things that will have to be achieved for debt relief to become irreversible at the time of the 'completion point') have been the subject of considerable consternation.

'Progress in the implementation of the National Safety Net Strategy (NSNS)'

The NSNS was, at the time it was developed (during 1999-2000), a source of some controversy, particularly the extent to which it appeared to bear the heavy imprint of certain staff members of the World Bank. While it is appreciated by most observers that the PRSP process (which includes a Thematic Working Group on Safety Nets) was not intended to 'reinvent the wheel' – that is, it would 'build upon existing policy documents' – the inclusion of the existing NSNS as the basis for one of the triggers/conditionalities for HIPC completion appeared to pre-determine the outcome of the Thematic Working Group empowered to develop a section of the PRSP on Safety Nets.

'Achieving performance indicators in HIV/AIDS and Education'

Government officials referred to the triggers in these two areas as 'a bit random', in addition to (once again) seemingly pre-empting the PRSP formulation process. The feeling among informants who were critical of HIPC completion-point triggers in these sectors was that they had been selected 'in a rush' to meet the decision-point deadline in late 2000, and were biased towards the sort of quantitative indicators that would appeal to the Boards of the Bank and the Fund. This dented the belief that the PRSP represents a genuinely new form of national ownership.

'Submission of draft Land Law to Parliament'

This trigger, which falls into the category of macroeconomic and structural reforms in the HIPC decision-point document, is another that has come in for criticism – in this case, mainly from civil society, but also (reportedly) from officials in the Ministry of Gender and Community Affairs. Again, the issue is one of pre-empting the nationally

7. The following discussion is based on IDA/R2000-234 (2000).

owned PRSP-formulation process: if the purpose of the PRSP is to identify a comprehensive national development strategy in which policies are focused on poverty reduction, why should the promulgation of a prefabricated Land Law, which may or may not be focused on poverty reduction, be a condition of HIPC completion?

The PRGF

The 'folding in' of the Fund's PRGF conditionalities within the HIPC completion-point triggers highlights another source of worry for some stakeholders, particularly in the donor community. How inviolable will the PRSP be as the centrepiece of national policy when the IFIs continue to possess the leverage contained in other lending instruments? While less of a concern than it had been at the time of the scoping exercise for this research (in September 2000), it remained a significant theme in the perceptions of all three stakeholder categories.

Civil society, for instance, is concerned at the lack of clarity on how the monitoring indicators identified for the PRSP will be used in whatever World Bank Poverty Reduction Support Credit (PRSC) arrangement ultimately emerges. And Treasury officials worry that a future adjustment operation (the most recent, single-tranche, FRDP III came and went in the first half of 2001) will impose *additional* conditionality burdens.

At the same time, for those who wonder whether there will be sufficient incentive for the government to remain committed to the PRSP priorities after the HIPC savings are locked in – that is, after the first year of successfully implementing the PRSP and adhering to the other HIPC triggers – the fact that IFI conditionality will continue to exist in one form or another is, in fact, a source of some comfort. For those of this view, the primary concern is that HIPC funds should be used to create *additional* expenditure on poverty priorities – that is, above and beyond what was being spent in these areas prior to the introduction of HIPC relief. World Bank staff stated that the first annual review of the implementation of Malawi's PRSP – i.e., the review that would determine whether Malawi had passed its completion-point tests and locked in debt relief – would examine not only the accounting for HIPC funds themselves, but also the *overall* levels of expenditure on anti-poverty priorities.

This aspect of the PRSP review was not formally stated in the decision-point document. It would be based on 'an informed judgement call' by the Bank review team. The discretion this afforded IFI staff was a source of concern to some observers, especially those who worried that it could be used to undermine commitment to PRSP objectives that did not conform to Bank/Fund priorities.

MASAF

Perhaps the most substantiated fears about the future of the PRSP – shared by at least some in each of the three stakeholder categories – concerned the World Bank-funded Malawi Social Action Fund (MASAF), reportedly a favourite of President Muluzi. This programme, which, among other things, supports (mainly) infrastructure-related community development projects at the local level, has been criticised as highly politicised – meaning that the selection of projects is allegedly skewed towards localities that support the ruling party, or the constituencies of opposition members who

forge secret alliances with the ruling clique in exchange for their parliamentary backing.⁸

In addition to concerns about partisan implementation and outright corruption⁹ (and more importantly from the perspective of the PRSP), officials in line Ministries fear that poverty reduction priorities identified in the PRSP will, in practice, get squeezed out of future budgets because of the tendency for MASAF projects to have unanticipated and unplanned-for recurrent cost implications. These limit the pool of resources available for other discretionary spending, which may be of more direct relevance to the poor. That Phase III of MASAF was being negotiated before various evaluations (from inside and outside the World Bank) had been submitted raised further suspicions about the Bank's (and the government's) commitment to ensuring that MASAF is both functioning well and geared towards the poverty priorities identified in the PRSP.

Conclusions

The ownership-effectiveness hypothesis

There are few grounds for believing that the implicit hypothesis contained within the PRSP approach – that PRSPs will change the nature of conditionality, leading to enhanced ownership of the strategies themselves, and therefore more effective implementation – will hold true in the case of Malawi. Indeed, currently proposed prescriptions for the shortcomings in public expenditure management are (rightly) premised on the belief that ownership at the highest political levels is not likely to emerge any time soon, either on its own or as a result of another poverty planning process.

The central explanation for the failure of expenditure-management reforms to date has been the absence of high-level political commitment. This is the centrepiece of the Public Expenditure Review. The primary objective of reform proposals has been to install systems that can bind politicians to their expressed commitments, and to existing legal prohibitions, largely based on the assumption that high-level political commitment simply cannot be conjured through external exhortation.

It is therefore not surprising that all informants interviewed for this research – especially those in government – were extremely sceptical about the viability of the conditionality-ownership-effectiveness equation. The reasons for the scepticism varied. However, for many observers the real stumbling block is the lack of seriousness among the President and senior political heavyweights in the Cabinet.

Another commonly expressed reason for pessimism on the question of ownership, voiced mainly by civil society representatives, was the continued existence of various forms of conditionality. Elected and bureaucratic officials, it was argued, have an instinctive understanding that 'with or without the PRSP, money will keep coming with lots of strings attached'. Those of this view pointed to the IMF's PRGF, the negotiation

8. According to press coverage, the President himself was reported to have made fairly direct statements at public meetings, warning local people that they would stand little chance of gaining access to MASAF funds if they supported opposition parties.

9. The PRSP consultation workshop held in Dowa District revealed complaints from members of the district assembly 'that some MASAF projects claimed to have been undertaken in November 2000 in the MASAF report were never undertaken' (PRSP Technical Committee, 2001a: 10).

of new adjustment loans, and African Development Bank financing conditions. It was not uncommon for this belief to be stated alongside an assertion that government officials are also aware of the strong incentives for donors *not to enforce conditionalities*. This was expressed by one donor as 'the worst of both worlds: no ownership, but no responsibility either'.

Prospects for long-term and broad-based ownership will be determined mainly by the fate of accountability initiatives (including participatory monitoring) outlined in previous sections of this study. But Malawi has rather a sad history of lack of effective monitoring and evaluation of development policies, projects and programmes. This is compounded by the fact that the institutional structure for monitoring and evaluation is part of the very governmental system that lacks both the will and the capacity to ensure implementation. The current stage of the PRSP process does not furnish much hope for the emergence of a dynamic poverty monitoring system.

Policy messages

There are obvious limits to the general recommendations that can be generated from a single-country study. But when assessed in the context of reports emerging from other countries engaged in the PRSP process, the Malawian experience to date does suggest a number of important findings that could inform the approach of donors. These fall into two broad categories: the PRSP formulation process and the reform of conditionality.

The PRSP formulation process Compared with Malawi's earlier policy-development processes, the PRSP formulation process has been among the country's most participatory policy-making exercises. But there have nevertheless been serious shortcomings. Some of the key lessons to have emerged include the following:

- Bilateral donors should not be shy about seeking inclusion in all aspects of the formulation process.
- Their presence will, somewhat paradoxically, increase the potential for a broader and more serious form of non-governmental involvement (ownership being a slight misnomer) by signalling to other stakeholders that this is an important process with practical implications for future expenditure patterns.
- The constraints on changing the modalities of Country Assistance Strategies can be more readily communicated in the context of discussions on substantive policy questions than in other, less focused fora.
- Existing Sectoral Investment Programme documents and briefing papers should be used as the starting point for Thematic Working Group deliberations.
- The key, day-to-day co-ordinating body for preparing the PRSP should include civil society representatives, including both advocacy organisations and more conventional development-oriented groups.
- The entire process – including the 'endgame' – must be mapped out in fairly detailed terms at the *outset* of the process.
- Parliamentary *committees*, including members of staff (where these exist), should be involved in the Thematic Working Groups, rather than just *individual* MPs.

Overhauling conditionality The HIPC/PRSP concept claims to be a new approach to conditionality. To the extent that it changes *some* elements of conditionality, this is by definition true. But it is rather piecemeal reform of conditionality, when what is required is a complete overhaul. The focus on 'national ownership' is welcome, but is only partly observed in practice. Either way, it is insufficient. For it to have any significant impact – on policy design, expenditure priorities, service-delivery patterns and, ultimately, economic performance or human development outcomes – other key elements of conditionality restructuring are necessary. Donors should seek to do at least three things in their own assistance strategies, as well as encouraging their representatives in the IFIs to institute similar practices.

First, make conditionalities on all external assistance completely transparent. As things stand, in Malawi (as in many other countries) only some conditionalities are publicised. Even those that are nominally 'public' are not disseminated widely enough. Until thoroughgoing transparency is a standard feature of aid agreements, 'national ownership' (that is, beyond senior government officials) will be unattainable.

Second, insist upon civil society involvement in all aspects of monitoring adherence to conditionalities. Once conditionalities are agreed and publicised, it is also necessary to stipulate with some precision the nature of the performance criteria against which compliance will be judged. Publicising these widely is part and parcel of making conditionality transparent.

Third, enforce (disaggregated) conditionalities strictly. Conditionalities are rarely enforced. Where agreed actions are not taken, new conditionalities insisting upon redoubled commitment to taking these actions in future are often added to subsequent lending instruments. This undermines the belief that conditionalities are serious. There are many reasons why donors do not enforce conditionalities, and Malawi's politicians are more than aware of these, as are political leaders in other aid-dependent countries. The legacy of non-enforcement may turn out to be the biggest constraint on effective implementation of PRSPs.

If conditionalities are to be enforced, they must of course be more finely tuned. Conditionalities that, if enforced, would lead to the withdrawal of *all* funding contained within a large programme of support are unrealistic. Such all-or-nothing forms of conditionality are unlikely to create adequate incentives for changed official behaviour and performance improvement. The strict enforcement of disaggregated conditionality may also need to be supplemented by instruments that lead to *increased* funding for performance on those criteria that exceed minimal requirements.

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