



National Audit Office

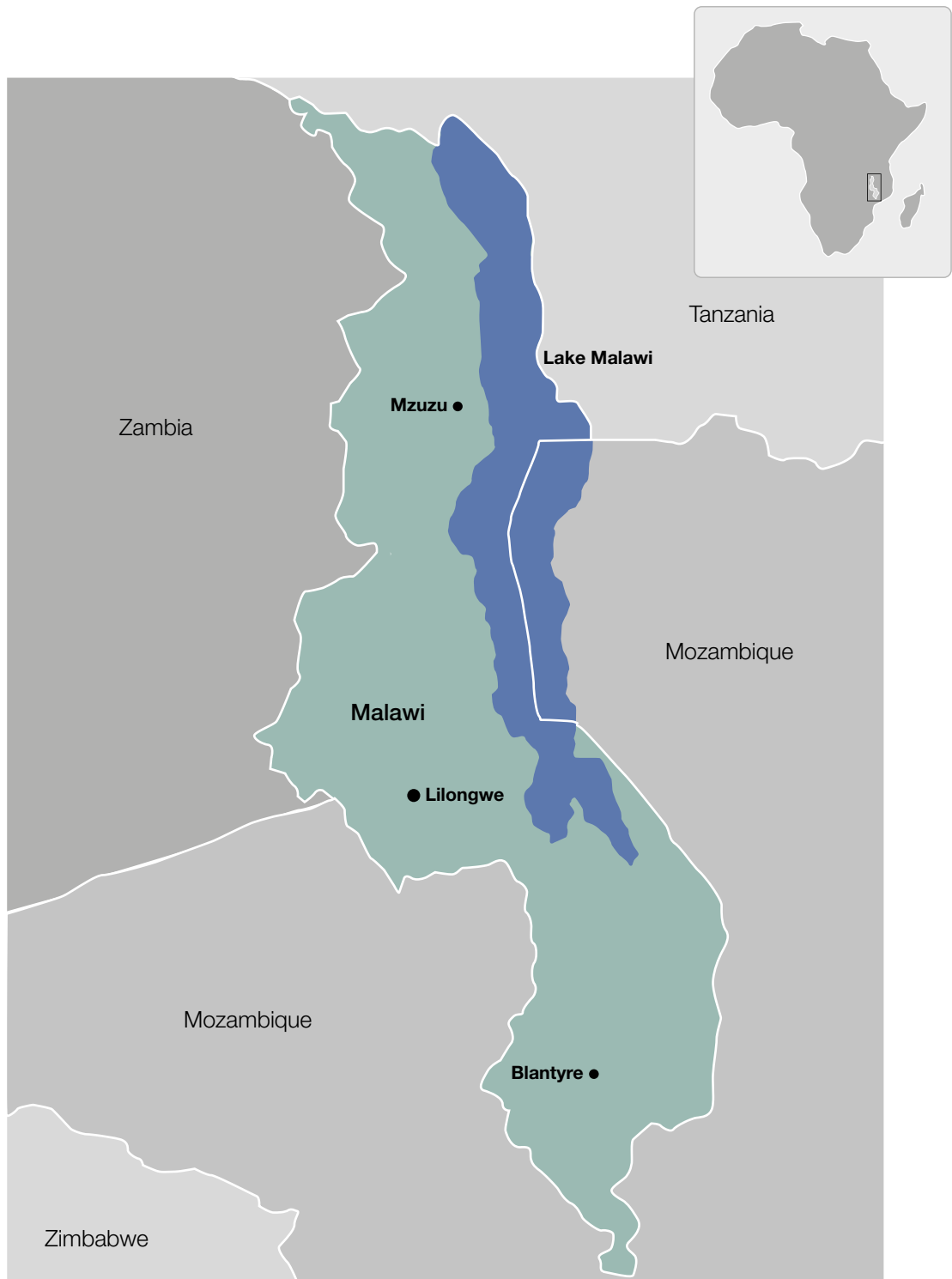
**REPORT BY THE  
COMPTROLLER AND  
AUDITOR GENERAL**

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**Department for International Development**

Aid to Malawi



# Summary

**1** Malawi is one of the poorest countries in the world. It depends on maize for subsistence and on tobacco as its principal export, with few other industries or resources. The population has grown steadily, making Malawi one of the most densely occupied countries in Africa, with most households subsisting on about one hectare. Poor harvests and famine have dominated the lives of ordinary Malawians. Malawi also has inadequate physical and social infrastructure such as roads, utilities, schools and hospitals – particularly in the rural areas where 88 per cent of its people live. Most people are poorly educated. The Government of Malawi (the Government) has very limited financial and economic resources.

**2** DFID has provided some £312 million (or 21 per cent of all aid) between 2003-04 and 2007-08<sup>1</sup>, rising from £54 million in 2003-4 to a planned £80 million by 2010-11. This report examines the extent to which DFID has achieved its objectives – objectives which require it to work effectively with and through others. We look at DFID work on health and food security in more detail, areas where DFID has been particularly active.

**3** Malawi has recently been one of the fastest growing economies in Africa, after decades of relative stagnation, and levels of poverty have decreased. Increased agricultural productivity has reduced hunger. The capacity of the health system has substantially improved, contributing to better health outcomes, although progress has been uneven. In treating AIDS, lowering child mortality and increasing immunisation coverage, improvements are at or above the rates DFID expected. Although maternal mortality has fallen from its 2000 peak, it is still not on track to achieve an internationally agreed target or the related DFID Malawi target. Relatively high rates of pupil enrolment in the free primary school system have not been matched by high pupil attainment. Governance is improving, though slower than DFID had expected – in part because the Government's Parliamentary minority between 2004 and 2009 hindered the passing of legislation and budgets, affecting some DFID programmes.

**4** DFID has contributed to these gains. It is well-regarded by Malawi's Government and by other donors. Against recognised international standards for donors its scores well in how it delivers support. Its project performance has improved since 2004, and DFID Malawi staff show increasing confidence in how their business operates. Progress has, nevertheless, been slower than planned: only 61 per cent of the targets DFID Malawi set for June 2008 were achieved on time, and a further 14 per cent within the subsequent year. And measures themselves need to be more robust, unambiguous and relevant: few directly address value for money in project implementation. DFID tracks trends in public access to services, but more tracking of indirect costs encountered by ordinary people would better inform its analysis. DFID Malawi also faces challenges in tracking the use made of its support through central and local government.

**5** DFID's interventions in health have been well-designed, concentrating on illnesses that affect most Malawians, and have contributed to the overall positive trends (paragraph 3). But DFID recognises that there are challenges still to be addressed. Malawi's system is funded at about half the level necessary for basic provision, so allocating scarce resources efficiently is vital. More qualified health workers are coming through an expanded training system, but efforts to direct trained clinicians to disadvantaged rural areas, where most poor people live, have so far had little effect. Arrangements for management oversight, motivation, and quality assurance of staff remain weak. Drug procurement and distribution processes have improved, but people told us of frequent stock-outs of simple products, such as anti-malaria nets.

**6** DFID has targeted hunger, the top concern amongst Malawians we interviewed, and contributed to reducing hunger: rates of malnutrition have decreased, and since 2005 official statistics indicate that national maize production has exceeded national consumption. During that time DFID has supported a Government programme of subsidised fertiliser and seeds, focused on poor farmers and implemented through issuing coupons. Aspects of DFID support to the subsidy have been particularly good value for money, but the programme's overall value for money depends heavily on maize and fertiliser prices and on how well it is managed. Value for money could be raised by addressing weaknesses in the distribution of coupons and fertiliser, problems with the Government's purchase of fertiliser and the exclusion of private sector distributors.

**7** From the early 2000s, DFID has supported development of a further Malawian programme to benefit people unable to farm or afford even subsidised fertiliser. Whilst progress has been made, a national programme is not yet in place. Donors have been divided on which schemes are most appropriate and Malawi's Government has concerns about affordability.

**8** Since 2004 DFID Malawi has reduced its running costs while improving its management of aid. It has cut staff numbers from over 100 to under 40, by better matching of staff to the nature of the programme, and transferring project delivery work and staff to the Malawian Government. Additional financial pressures in 2009-10 arising from a weaker pound have led to further reductions in DFID Malawi's front line teams, accommodated partly by sharing posts and responsibilities with other donors.

## **Conclusion on Value for Money**

**9** DFID has made well-informed investment choices in Malawi, drawing on internationally recognised good practice, such as in the design of an Essential Health Package (EHP) focusing resources on the most productive treatments. It has also tailored its approach to complement the choices of other donors and address priority needs specific to Malawi, and rationalised its programmes and staffing to good effect. DFID has also worked well in partnership with the Government. DFID's programme has clearly contributed to poverty reduction in Malawi, although it is not possible to attribute accurately a share of that progress to DFID actions.

**10** Specific evidence on value for money in implementation is harder to find. Most of DFID Malawi projects have either “mostly” or “partly”, rather than “fully”, met their objectives. Very few project indicators relate outputs directly to inputs, and DFID has not had sufficient Government data to track unit costs of service delivery over time or in different districts – which could yield information on value for money. Specific studies supported by DFID of the agricultural subsidy programme show the potential for cost-effectiveness, but also opportunities for better value for money.

**11** DFID has been taking steps designed to improve value for money through strengthening programme appraisal, monitoring and evaluation. In Malawi DFID has learnt from evaluations to help improve its programme. The following recommendations are designed to further buttress this work.

## Recommendations

- a** While all DFID Malawi programmes and projects have objectives and associated indicators, they do not define what level of performance represents good value for money. Levels of ambition vary, and few indicators focus on efficiency or cost-effectiveness. DFID Malawi should, in time to inform the next Country Assistance Plan:
- Define the levels of performance under each programme that equate to good value for money, and which underpin its bid for funds.
  - Include indicators for the efficiency of programme implementation, based on a clear specification of programme outputs.
- b** Governance has improved in Malawi though not as quickly as DFID envisaged. Governance weaknesses reduce the value for money of development spending generally, and limit the scope to use Government systems to deliver support. An increasing proportion of DFID’s aid is channelled through central and local Government systems. DFID should, at its next annual review of the relevant programmes:
- Define outcome indicators which cover programme objectives, and key outputs necessary to secure those outcomes, and rationalise its programme monitoring framework – currently dominated by process.
  - Identify the capacity needed in Parliament, the media and civil society to hold Government to account, and specify and monitor outcome indicators to capture the improvements expected from capacity building programmes. Integrate more direct feedback from Malawians on the quality and level of services they receive into its monitoring frameworks.

- c** DFID has supported the focus of health programmes on basic, highly cost-effective services, in the face of pressures to diversify. It needs to maintain that focus, and by the start of the next health plan period in July 2011:

  - Working with Government, revise the funding of the salary top-up to target those skills and locations where needs are most acute.
  - Secure Government publication of district health expenditures and activities, and support civil society organisations to analyse them.
  - Work with Government to establish indicators covering the efficient use of resources, including unit costs of drugs and key EHP services, to highlight and help address variations between providers and across the country.
  - Promote further improvement in drug procurement and distribution, in particular better systems for appraising and responding to local demand.
  
- d** DFID support for the agricultural subsidy programme reflects Malawian priorities and addresses hunger, a key barrier to development. But the cost-effectiveness of the programme is highly sensitive to how well it is implemented. DFID should:

  - Work with Government to target the subsidy more closely on people who can use subsidised fertiliser but cannot afford commercial prices, by the 2010-11 programme.
  - Further develop scheme monitoring and evaluation arrangements to give a clearer picture of the quality of implementation, and associated variations in cost-effectiveness.
  - Agree with the Government a programme of more effective actions to stabilise maize prices, as part of any DFID support for the 2010-11 subsidy.
  - Build clearer links between the subsidy programme and the longer term development of the agriculture sector, helping the Government produce by mid-2010 a strategy for agricultural subsidies consistent with sustainable agricultural development.