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EVALUATION OF DFID SUPPORT TO TRADE RELATED CAPACITY BUILDING

Malawi Case Study

DRAFT

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LIST OF ACRONYMS

ADMARC	Agricultural Development and Marketing Corporation
AGOA	Africa Growth and Opportunity Act
ATPP	Africa Trade and Poverty Programme
BASFA	Balaka Smallholder Farmers' Association
BCA	Business Consult Africa
BDS	Business Development Services
BLCF	Business Linkages Challenge Fund
CAP	Country Assistance Plan
CB	Capacity Building
COMESA	Common Market for Eastern and Southern Africa
DFID	Department for International Development
DFIDM	DFID-Malawi
DTIS	Diagnostic Trade Integration Study
DTL	Development Trading Limited
EDF	European Development Fund
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU	European Union
GDP	Gross Domestic Product
GoM	Government of Malawi
GSP	Generalised System of Preferences
HDI	Human Development Index
IAR	Impact Assessment Review
IC	Implementation contractor
IDA	International Development Agency
IIC	Inter-Institutional Committee
IF	Integrated Framework
IMF	International Monetary Fund
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Country
MBS	Malawi Bureau of Standards
MC	Management contractor
MEGS	Malawi Economic Growth Strategy
MEJN	Malawi Economic Justice Network
MEPC	Malawi Export Promotion Council
MIPA	Malawi Investment Promotion Agency
MOCI	Ministry of Commerce and Industry
MPRSP	Malawi Poverty Reduction Strategy Paper
MTPP	Malawi Trade and Poverty Programme
MTPSD	Ministry of Trade and Private Sector Development
NAG	National Action Group
NASFAM	National Smallholder Farmers' Association of Malawi
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development

OPM	Oxford Policy Management
OPR	Output-to-Purpose Review
PRSP	Poverty Reduction Strategy Paper
PSC	Project Steering Committee
PSP	Private Sector Partnerships
PTA	Preferential Trade Area
RIFF	Regional Integration Facilitation Forum
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary Standards
TEEM	Training for Enterprise and Exports in Malawi
TORs	Terms of Reference
TPNWG	Trade Policy National Working Group
TPP	Trade and Poverty Programme
TRCB	Trade-Related Capacity Building
TRTA	Trade-Related Technical Assistance
TPR	Trade Policy Review
TX	Traidcraft Exchange
USAID	US Agency for International Development
UNDP	United Nations Development Programme
WTO	World Trade Organization

EXECUTIVE SUMMARY

This report is divided into three parts. In the first part we review the role of trade in Malawi's economy, the linkages to poverty, its trade-related capacity building (TRCB) needs and the various projects underway with support from DFID as well as other donors and international agencies. In the second part we undertake an assessment of the three largest DFID projects, the Malawi Trade and Poverty Programme (MTPP), Training for Enterprise and Poverty in Malawi (TEEM), and the Cotton Seeds Improvement project under the Business Linkages Challenge Fund (BLCF). In the third part we consider the overall impact of these projects in Malawi, what further needs remain to be addressed, and what DFID's role in the future might be, given the many other donors and agencies now involved in TRCB in Malawi.

Trade plays an important role in Malawi's economy, so the stagnation in exports has seriously affected economic growth and possibly poverty reduction. The government has sought various ways to reduce the country's dependence on tobacco, which still accounts for over 60% of exports, by promoting other crops, manufactured exports and services. It has cut and simplified tariffs and reduced other duties to the point where it has one of the most open trade regimes in East and Southern Africa. Regional trading partners are the major suppliers of imports but, with the exception of South Africa, are less important for exports, which remain heavily dependent on developed country markets, notably the EU. Managing these different – and in some cases incompatible -- relationships has placed a heavy burden on the government and in particular on trade ministry officials, who are presently confronted by bilateral, regional and multilateral negotiations.

Another challenge is integrating trade into the government's strategy for addressing the country's serious poverty levels, as set out in the Malawi Poverty Reduction Strategy Paper (MPRSP). Despite the inclusion of some trade-related objectives the MPRSP does not integrate trade into its four pillars and allocates less than one percent of its resources to trade. Inadequate priority for trade is reflected in the weakness of the key institutions responsible for promoting Malawi's trade, namely the trade department within the former Ministry of Commerce and Industry (MOCI) and now the Ministry of Trade and Private Sector Development (MTPSD), the Malawi Export Promotion Council (MEPC) and the Malawi Bureau of Standards (MBS). A number of institutional changes are envisaged to develop greater interministerial coordination – between the MTPSD and other key ministries and agencies – as well as consultation with groups outside government. But there is still a question about what resources will be available to these groups and whether the government will use them to produce a clear articulation of its trade priorities – the last trade policy having been produced in 1998.

Building Malawi's trade-related capacity has only recently been given attention by a number of donors besides DFID. For most donors, the focus has been on other sectors, notably health and education, infrastructure (including energy and transport) and budgetary support. The EU aims to mainstream trade into its transport, agriculture and macroeconomic support – as well as directly funding work on Malawi's interests in a regional economic partnership agreement with the EU, it plans some WTO-related CB in the government and the university. Others now involved in TPR or TD projects include

the World Bank (with a major IDA risk insurance project to support regional trade), USAID, UNDP, the WTO and GTZ. It is expected that the Integrated Framework will be used to coordinate these various donor CB efforts.

DFID's country program priorities for 2002-2005 are measures to ensure sustainable growth and improve livelihoods, better service delivery to the poor, and pro-poor governance. The trade projects which it has supported have fallen within the growth and livelihoods area, addressing both trade policy and trade development. DFIDM has had no strategy to guide the selection and design of these trade projects, though one is presently under consideration, which would integrate trade with an enabling environment for private sector development.

Since 2000, DFID has spent just over one million pounds a year on five trade projects. Three are the focus of this evaluation: the Malawi Trade and Poverty Programme (MTPP)[1] 1 and 2 (£1,261,000 budgeted for 2000-05), Training for Enterprise and Exports in Malawi (TEEM) (£2,921,000 budgeted for 2000-05),and the Improved Cotton Seeds project financed by the Business Linkages Challenge Fund (BLCF) (£295,000 budgeted for 2003-06). In addition DFID has funded a series of value-chain studies and workshops in five export-oriented sectors, in a project known as Private Sector Partnerships (PSP) 1 and 2 (some £200,000 during 2001-2003). It also funded the costs of the secretariat for the National Action Group – a multi-stakeholder group addressing private sector development issues. (£191,000 during 2002-04). Finally, Malawi should benefit from the DFID-funded Southern African Regional Trade Facilitation project (£12 mn for 2003-07).

DFID's support via the *MTPP* especially in Phase 1 is recognised as having been pathbreaking. The MTPP contributed in two key respects. First it led to more detailed knowledge in the government, particularly in MOCI, of WTO and other trade policy interest as a result of the studies, workshops and participation in conferences. Second, the government's greater engagement on trade policy issues with other stakeholders who themselves benefited from training, studies and the opportunity to participate on the Malawi delegation to Cancun. An additional objective in Phase 2 was to promote understanding of the linkages between trade and poverty reduction. Phase 1 was generally considered to have been useful though much of the activity was fairly traditional technical assistance with foreign expertise responding to short-term needs; a lot of it took place in the project's last six months. Phase 2 responded to several TP-related needs, though the modular design adopted for the multi-country Africa Trade and Poverty Programme, which included the MTPP, was not as tailored to Malawi's context as it might have been. Phase 2 also adopted a traditional approach to CB. The governance structure in phase 2 proved to be a weakness, and several performance-related problems led to it being closed a year early. Nonetheless there were some positive impacts which is why the government is keen for the MTPP to enter a third phase, albeit with a somewhat different design and governance structure. The benefits included the broadening of participation in trade-related workshops, and subsequent consultative meetings, to representatives of other ministries and civil society. Some useful studies were also produced although with delays and little follow-up. There was little explicit reference to

[1] During Phase 1 the project was called Malawi Trade Policy Programme.

gender equality issues and regional linkages were weak. Overall, there was limited long-term CB because of the design/performance problems as well as the trade department's limited absorptive capacity.

The overall goal of the *TEEM* project was to extend the benefits of trade to poor people. But it was largely a supply-driven project, based on a survey of needs and opportunities, which proved highly optimistic and following a model which did not prove successful elsewhere. The project created two companies, Development Trading Limited (DTL) – a trading company to practise fair trade in crafts and crops, and Business Consult Africa (BCA) – a company to promote business development services (BDS) amongst SMEs and producer groups. The design for DTL was especially overambitious in terms of its financial sustainability, with unrealistic sales targets, and inadequate attention to the costs of product development, quality control and training. The project was plagued by governance problems with unclear relationships between the UK-based contractor and the Boards of the two companies, which led to ineffective oversight of the poor management of the two companies, and particularly DTL. There were some positive impacts, albeit quite limited relative to the project targets, e.g. some SMEs were provided with BDS and there was an increase of fair trade in crafts and some crops. And the project introduced a detailed process to assess these impacts, focussing particularly on the changes in poor people's livelihoods. At the time of the evaluation, DTL was heavily indebted and its future was in question. It was unclear whether DFID would continue to support BCA, which has been more financially successful, in part as it has diversified away from its original mandate into new, activities, such as servicing the Trade Policy National Working Group. A well designed and managed project appears still to be needed to address the needs of the craftmakers and small farmers.

The *Cotton Seeds Improvement/BLCF* project responded to a request for funds from a consortium of companies in conjunction with the National Smallholder Farmers' Association of Malawi. It is particularly relevant to the national objective of raising the incomes of smallholders farmers and their hired labourers by raising cotton yields and quality. While the project is well-designed and managed, and has already exceeded some of its targets, there are two areas of concern. One is whether farmers will be willing and able eventually to pay the full market price of the seeds and chemical inputs. The system being used to recoup some of these costs is less transparent than originally proposed. The second relates to the smallholder cotton growers association and whether it will be weakened by the ginners' attempts to control both the high-yielding inputs, the cotton output and cotton prices (in order to recoup their costs). The project has no explicit gender-related objectives -- women farmers/labourers are likely to be amongst the beneficiaries, but there has been no analysis of their access to the extension services, nor their share of increased labour inputs or income. The project aims to bring yields in Malawi to the levels of regional competitors, and some of the output will be exported to regional markets for further processing. But otherwise there are few explicit regional linkages.

Amongst key areas in which these projects offer lessons which should be taken into account in planning the next generation of DFID TRCB projects in Malawi, and particularly the next phase of the MTPP, are:

- Flexibility in design

- Clarity in governance and accountability
- Longer time-frame
- National ownership and partnership
- More engagement with the university
- Use studies more effectively
- More connections to gender

DFID has made a contribution to strengthening Malawi's capacity to address trade policy issues and to expand trade opportunities particularly for certain groups of poor producers (notably cotton, crafts and groundnuts) and SMEs. But its overall impact was limited, particularly in relation to Malawi's continuing needs in the area of negotiating and implementing trade rules, and on the supply-side. The absorptive capacity of the trade ministry has been a constraint and it remains a concern even as the government has begun various institutional changes to include other ministries, agencies and external stakeholders in its trade policy-making. The Integrated Framework could provide much needed support to the trade ministry by coordinating the increasing number of trade policy and trade development projects now underway in Malawi. It may also be useful for DFID, to ensure a certain division of labour, whether with the EU and USAID whose projects focus more on regional and supply-side issues, or with the WTO and JITAP whose projects fall into areas more similar to the MTPP. Finally, DFIDM needs to consider how to achieve synergies in its own trade projects, and to integrate these trade projects into its country programming. The development of a framework for trade and private sector development may help in this respect.

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This report is based on a series of semi-structured interviews and a review of the relevant project documentation and literature about trade in Malawi. Using the questionnaire in Annex B, the interviews were undertaken by Ann Weston (NSI) and Maxton Tsoka (Centre for Social Research at Chancellor College University, Zomba), in Lilongwe, Balaka and Blantyre from July 19 to 30, 2004. We would like to thank our interviewees for generously sharing their ideas and time with us. A full list is given in Annex D. Preliminary findings were presented to the Trade Policy National Working Group on July 29 in Blantyre. We would like to thank the Chair of the TPNWG, Simon Itaye, and the TPNWG Secretariat at Business Consult Africa for making this possible.

I. INTRODUCTION

A. Trade and Poverty in Malawi

1. Trade performance and policies

While trade plays a critical role in Malawi's economy, its contribution to GDP has declined in recent years; exports fell from 30% to 26% of GDP while imports fell from 67% to 44% over the 1994-2002 period. As the DTIS notes, 'Malawi's export trade has remained stagnant.'[2] Low export growth has contributed to Malawi's poor overall economic performance. This partly reflects falling prices for its primary commodity exports (especially tobacco), but supply-side constraints and macroeconomic instability are also key factors affecting Malawi's traditional exports and the development of non-traditional exports.[3]

Agriculture is the mainstay of the economy with some 40% of GDP, 85% of the labour force and over 80% of export earnings. Tobacco is the predominant export with over 60% of the total, followed by tea (9%), sugar (8%), cotton (1%) and coffee (1%) (see Table 1). Efforts are under way to improve the competitiveness of Malawi's tobacco, and thus to improve the livelihood prospects for the 375,000 smallholder farmers and others involved in its production. However, a key objective of the government (and donors) is to reduce the country's dependence on tobacco, by promoting other crops such as cotton, cassava and pigeon peas, manufactured exports such as textiles and clothing (which accounted for 2.5% of exports in 2002), and services such as tourism.

There have been increased exports in some of these other product categories, but overall Malawi has lagged behind other countries in the region in products such as flowers and clothing, and in agricultural exports to South Africa.[4]

The government's most recent trade policy document was produced in 1998. Its goal is "to promote, support, and facilitate private enterprise efforts in order to make Malawi a manufacturing based economy, capable of creating and sustaining a competitive advantage in domestic and international markets and to support effective participation of Malawians in the trade and industry sectors".[5] The policy has five specific objectives:

- to ensure the supply of essential goods and services throughout the country through efficient distribution and import procurement;
- to consolidate existing and diversify export markets to generate foreign exchange;
- to diversify export products;
- to develop a conducive trade environment; and
- to increase participation of Malawians in trading activities.

Since the mid-1980s, the government has made several changes to its trade policies, as part of structural adjustment programmes and reinforced by the requirements of the

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[2] p. 15 Exports grew by 1.8% p.a. in the 1990s, compared to 4.8% in sub-Saharan Africa and 6% for all LDCs. Ibid p. 16.

[3] WTO TPR 2002 and IF Diagnostic Study, Vol. 1, March 2004, p. v.

[4] DTIS, p. 15

[5] 'Integrated Trade and Investment Policy'

Uruguay Round and regional trading arrangements. It moved from a fairly restrictive and complex trade regime intended to promote import substitution, to a more liberal approach, following a series of cuts in import tariffs and licensing requirements, and the ending of preshipment import inspection and export taxes. The average weighted nominal tariff is 15%; there are six tariff bands and a maximum of 25% on consumer and non-essential goods, with manufacturing being the most protected sector. The IMF has reportedly ranked Malawi's trade regime as one of the least restrictive among countries in East and Southern Africa.[6] But only one-sixth of tariff lines are bound – only 1% of all non-agricultural tariff lines – and these are as high as 125% for most agricultural products. Other duties are bound at a ceiling rate of 20%. And the tariff structure remains complex with levels varying according to the regional and bilateral agreements which Malawi has signed with different trading partners.[7] Also, there are various exemptions or rebates. Some imports are banned or require licenses e.g. for health reasons. Trade remedy provisions may be available in the near future to be used against 'unfair' imports. Some exports, such as tobacco, still require licenses and are required to surrender 60% of their foreign exchange earnings, while others, e.g. those produced in EPZs, benefit from various incentives such as duty drawback or income tax cuts. In parallel with these changes, the government has drastically reduced its direct engagement in agricultural trade, by ending the monopoly and privatising parts of ADMARC, a state-owned corporation which had been involved in the marketing of agricultural inputs and outputs from small farmers.

Table 1. Composition of exports (% and $ million)

Commodity	1994	1995	1996	1997	1998	1999	2000	2001	2002
Tobacco	62.1%	68.6%	62.5%	63.9%	69.5%	66.0%	62.9%	61.4%	62.0%
Tea	9.6%	6.2%	4.6%	7.7%	8.4%	9.4%	9.4%	8.6%	8.5%
Sugar	8.2%	6.0%	11.6%	4.3%	10.5%	5.6%	10.0%	8.4%	8.2%
Cotton	0.6%	0.9%	2.4%	2.1%	1.0%	1.3%	1.8%	1.1%	1.3%
Rice	0.7%	0.3%	0.3%	0.3%	0.5%	0.6%	0.4%	0.3%	0.2%
Coffee	4.7%	3.6%	2.1%	2.3%	2.2%	2.1%	1.3%	0.9%	0.6%
Pulses	0.9%	1.9%	1.2%	1.2%	0.9%	1.6%	0.6%	0.2%	0.4%
Other	13.2%	12.5%	15.2%	18.2%	13.2%	13.5%	13.6%	19.1%	18.8%
Total domestic, fob[1]	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total, fob ($mn)	$326.3	$443.5	$516.2	$567.2	$538.1	$447.0	$402.1	$426.6	$421.1

[1]including re-exports
Source: Economic Report 1999, 2000, 2003.

[6] DTIS, p. 24.
[7] Tariffs on imports from SADC and COMESA members are on average 15% and 5% respectively. DTIS, p. 22. While a degree of tariff escalation is intended to promote domestic production of some consumer goods, the lower tariffs on finished products from regional partners coupled with higher tariffs on intermediate products, have led to negative protection rates. The DTIS notes the challenges both to policy makers and customs officials of understanding and managing these various agreements with their different rules of origin as well as tariffs. p. 25.

Besides its membership of the WTO, Malawi is a member of two overlapping regional trade groupings, COMESA and SADC, has bilateral agreements with South Africa[8], Zimbabwe and Botswana and is negotiating others with Mozambique, Tanzania and Zambia. It receives preferences on its exports to the EU as a member of the ACP under the Cotonou Convention – and is presently involved in the negotiations of EPAs as part of an East and Southern African regional group[9] -- to the US under AGOA, to other developed countries (such as Canada) as a LDC under their GSP or LDC-specific schemes.

The relevance of these various schemes is reflected in the direction of Malawi's exports and imports. Regional markets account for 75% of its imports and 25% of its exports.[10] Its main export market in 1999 was the EU (40%), followed by the US (14%) and South Africa (12%) – with two-thirds of all exports to developed countries and one-third to developing countries. Its imports originated mainly in South Africa (32%), the EU (29%) and Zimbabwe (10%) with developing countries accounting for 58% and developed countries for 42%.[11]

While there is a clear rationale for developing closer economic relations with regional and other key trading partners, there are concerns about the capacity of the government and the private sector to cope with the associated complexities and inconsistencies of these different trade agreements.[12] Considerable effort is needed to manage and implement them, especially as they continue to evolve. In some cases secretariats exist to support member governments, but they also have limited resources and cannot provide the support needed by Malawi's government, private sector and civil society to deal with trade issues.

2. Poverty indicators and the Malawi Poverty Reduction Strategy

Table 2 below presents some of the indicators that can be used to gauge welfare movements in the recent past. The table shows that poverty worsened in the period from 1997 to 2001. Life expectancy dropped from 39 years to 38 years over the five year period and the proportion of the population not expected to survive up to 40 years increased from to 59%. Likewise, apart from an improvement in 2000 associated with a bumper maize harvest improvement, the HDI displayed a marginal decline over the

[8] This is an asymmetric agreement i.e. South Africa provides duty-free treatment to Malawian exports with 25% value-added in return for MFN treatment on its exports to Malawi. DTIS, p. 27.

[9] Somewhat confusingly this group cuts across both SADC and COMESA.

[10] DTIS, p. 26.

[11] WTO, TPR 2002, p. 9.

[12] As noted in the draft MEGS Vol. 1, February 2003, p. 32: "Unfavourable Trade Agreements and Weak Negotiating Capacity **–** Malawi has consistently failed to get trade agreements that work to its best interests or failed to enforce good agreements in the face of difficulties from trading partners. In contrast, Mauritius negotiated a massive preferential quota for speciality sugar with Europe[12] that has enabled it to become a major player in the world sugar industry, despite having no real competitive advantage in sugar compared to Malawi (which is currently 6th most competitive producer in the world). This has subsequently provided Mauritius with the revenues to diversify into other added value activities. Trade negotiation is one of the activities that makes or break industries at a stroke as experienced by the major closures in the garment industry from January 2000. Weak capacity and failure to fully involve relevant private sector people has resulted in sub-optimal agreements and lost investment for Malawi."

period. This is also true for the gender-related development index. These modest negative developments occurred in the presence of improvements in the access to potable water, reduced malnutrition, infant and child and almost stabilized HIV infection rate. Nevertheless, there were increased maternal and most likely AIDS-related deaths. Overall, the poverty situation worsened over the period. In fact, GDP per capita dropped from US$194 in 1998 to US$184 after some gains in the intervening years.

Table 2. Some Key Socio-Economic Indicators

	1997	1998	1999	2000	2001
Human Development Index	0.398	0.385	0.397	0.403	0.387
Gender-related Development Index	0.390	0.375	0.386	0.389	0.378
Human Poverty Index	42.2	41.9	43.4	42.5	47.0
Life expectancy (years)	39.3	39.5	40.3	40.2	38.5
Female	*39.6*	*39.8*	*40.2*	*39.8*	*39.1*
Male	*39.9*	*39.2*	*40.4*	*40.2*	*37.9*
Adult literacy rate (%)	57.7	58.2	59.2	60.1	61
Female	*43.4*	*44.1*	*45.3*	*46.5*	*47.6*
Male	*72.8*	*73.2*	*73.8*	*74.5*	*75*
People not expected to survive up to 40 years (%)	47.8	47.5	50.4	50.4	59.6
Population without access to safe water (%)	53	53	43	43	43
Underweight children (%)	30	27	30	25	25
Persons Living with HIV/AIDS (%)		14.92	15.96	15	15
Infant mortality rate (%)	135	134	132	117	117
Child mortality rate (%)	215	213	211	188	188
Maternal mortality rate (%)	560	620	620	1100	1100
Total population	10.1	10.3	11	11.3	11.6
Total fertility rate (number of children per female)	6.8	6.8	6.8	6.8	6.1
GDP per capita (US$)*		194	195	187	184

Source: UNDP, Human Development Report (Various),
* Economic Planning and Development, Economic Report 2003.

The Malawi Poverty Reduction Strategy Paper (MPRSP) was launched in April 2002 and subsequently endorsed by the Bretton Woods institutions. The MPRSP is built around four main strategic components dubbed ‘pillars’. Each pillar is a collection of coherent policies, strategies and activities. Pillar 1 is built by strategies that promote sustainable pro-poor economic growth and structural transformation. Pillar 2 collects all strategies that deal with the provision of social services for human capital development while Pillar 3 outlines strategies meant for social protection of the poor and most vulnerable through the provision of safety nets for their improved quality of life. Pillar 4 is built by strategies promoting the creation and maintenance of an enabling environment through good governance.

The MPRSP is considered pro-poor because it stresses sources of growth and provision of services that benefit the poor. These include the promotion of smallholder agriculture through the provision of relevant extension services, inputs, credit and land; promotion of off-farm activities through the promotion of micro-enterprises and microfinance, and an enabling environment characterised by low inflation and interest rates, low cost of energy, transport and communication and good governance; provision of social services for human capital, skills and entrepreneurial development; and finally the provision of social protection for the poor and vulnerable.

The MPRSP makes a number of references to trade, and includes four strategic objectives for domestic and external trade. These include:

- To provide supportive infrastructure i.e. to improve transport, telecommunications and energy supplies particularly in rural areas
- To expand domestic market share i.e. to support local manufacturers through preferential treatment and encouraging joint ventures
- To expand export market share, by strengthening the role of the Malawi Export Promotion Council and trade representatives abroad, and
- To negotiate preferential arrangements.

Particular mention is made of the need to share information about external markets to farmers, to strengthen international linkages through trade fairs and other buyer/seller meetings, to improve supply by the development of co-operatives and export villages[13] for selected clusters of crops. While addressing the needs of small farmers and micro, small and medium enterprises, the MPRS has largely ignored the role which modernised large scale agriculture can play in poverty reduction through properly managed employment. Even if growth from the private sector may not trickle down to the poor, an efficient government would use taxation to re-distribute the growth benefits through the provision of credit, social services and safety nets.

However, the MPRSP did not prioritise trade. No trade ministry officials lobbied to have it addressed by a separate thematic working group as did many other ministries which felt that their issues would otherwise be sidelined during the PRSP development process. By the end of the process, trade activities were allocated relatively meagre resources, i.e. less than one percent of MPRSP resources, as can be inferred from Table 3. This very low share shows that the MPRSP did not bring any change to the decades-old legacy of low priority accorded to the trade sector. As shown in Annex Tables 1 and 2, between 1996/97 and 2000/01, less than 1% of the government recurrent budget was allocated to the trade and industry ministry, while it received virtually nothing under the development budget.

A report for the MTPP on mainstreaming trade into the MPRSP (Ngwira and Storey 2003) argued that trade should be a cornerstone for each of the PRSP four pillars (p. 6), and that this should be matched by giving trade a greater share of the national budget.[14] For Pillar 1 (Pro-poor growth) it suggests more references be made to some of the sectoral trade and investment issues raised in the Growth Strategy, but with the additional consideration of the poverty dimensions. For the key commodity sectors and tourism, it

[13] An export village is a grouping of entrepreneurs producing a particular product for export depending on the resource base of the local community.

[14] A joint IMF-Bank staff assessment of the PRSP also called for 'a more all-encompassing view of trade, which should be more clearly integrated into the four pillars of the PRSP…' World Bank May 2003, p. 21.

recommends that the PRSP review how trade will contribute to poverty reduction, how the poor might become involved in trade in that sector, how to reduce obstacles to effective trade (including distribution and marketing) locally and internationally, and how national and international trade policies might be made pro-poor (p.17). In respect of Pillar 2 (Human capital development) it suggests a number of ways in which international trade and poverty reduction might be taught in schools, technical college, marketing courses and university degrees. 'Students studying commerce, marketing and economics should be fully exposed to the … issues of the WTO, Cotonou/EPAs, SADC and COMESA, and the impacts of these on economic development and poverty reduction' (p. 20). Pillar 3 (Improving the quality of life for the most vulnerable) could involve ensuring mitigation of any negative effects of trade agreements on the poor, as well as helping them produce items for the humanitarian market. For Pillar 4 (Governance) the proposals range from training political leaders to understand the role of trade in poverty reduction to building the legal capacity to interpret trade agreements to Malawi's benefit.

Table 3: Share of Trade-Related Activities in the MPRSP

	2002-3	2003-4	2004-5
Total Expenditure	**100**	**100**	**100**
Statutory Expenditures	23.5	21.7	20.9
Statehood expenditures	6.5	6.5	6.0
Total MPRSP	70.0	71.9	73.1
Share in total MPRSP cost			
Pillar 1: Sustainable Pro-Poor Growth	26.7	23.5	20.8
Pillar 2: Human Development	47.7	51.3	53.9
Pillar 3: Social Protection	5.1	5.4	5.6
Pillar 4: Good Governance	16.0	14.5	13.9
Cross-Cutting issues	3.8	4.6	5.2
Implementation, Monitoring and Evaluation	0.6	0.8	0.6
Share in total Pillar 1 cost			
Improve access to domestic and international markets	1.3	1.2	1.2
Domestic and external trade	2.1	4.4	2.2
Provide supportive infrastructure	*0.4*	*2.3*	
Expand domestic market share	*0.2*	*0.4*	*0.4*
Expand export market share	*0.6*	*0.9*	*1.0*
Negotiate preferential arrangements	*0.8*	*0.8*	*0.8*
Total Trade-related activities	3.4	5.6	3.4

Source: Malawi Government, Malawi Poverty Reduction Strategy April 2002.

3. Trade capacities and priorities given to TRCB

Literature and key informants are very clear on the inadequacies that exist in Malawi's trade-related capacities. Within the government hierarchy, trade issues are second ranked, and besides the low share of fiscal resources, this is reflected in frequent changes of ministers and sometimes in the calibre of ministers. There are severe capacity problems in the public institutions mandated by law to assist in the development of Malawi's trade. They are constrained by lack of sufficient and appropriately trained experts; managerial skills to discern opportunities and deal with related challenges; lack of financial and material resources; and lack of proper and conducive communication channels, formal or informal, with all relevant stakeholders.

For all practical purposes, *the trade department,* which is responsible for trade in Malawi, lacks the numbers and technical expertise to deal with emerging issues in trade (see Annex Table 4). The few that are there cannot cope and there are very few, if any, outside government, whom the department can call upon for expert assistance. There are no lawyers, economists and scientists in the department and government who can take on foreign trade issues competently. The insufficient capacity of the trade sector was known and documented as soon as Malawi began its SAPs. Likewise, lack of capacity to negotiate trade agreements was apparent when negotiations started on the Lomé Convention, the PTA (and later COMESA), SADC Trade Protocol and other bilateral agreements. Nonetheless little priority has been given to TRCB by the government, even following a functional review in 2001whose recommendations were approved by Cabinet. More and diversified experts in trade-related issues, competitive remuneration, professional management, and greater private sector involvement are needed for the trade department to meet its mandate. Some efforts have been supported by donors and international organizations, as outline in later sections, but overall these remain inadequate.

The *Malawi Export Promotion Council (MEPC)* was established in 1971 to promote exports of agriculture and manufactured goods from Malawi. A severe lack of resources has limited its capacity to carry out its routine functions (e.g. product and market development, export trade facilitation) let alone any export diversification. MEPC has also not received the support needed to build its own capacities, to keep up with the ever-changing global market. With little priority attached to export promotion by the government, no meaningful donors have come to MEPC's aid. Its task has been further complicated by a decision to merge the MEPC with the agency responsible for investment promotion (MIPA).

The Malawi Bureau of Standards (MBS), established in 1972 for quality assurance of both locally produced and imported products, sets and implements standards and conducts conformity tests on selected imports and exports. It has set standards for some of the country's major commodity exports although it does not conduct any testing of these as they are being exported. Currently, MBS is the national enquiry point required under the WTO Agreement on Technical Barriers to Trade. MBS also works closely with its counterpart agencies in other SADC countries to harmonize their standards. As with MEPC, MBS is plagued by poor funding, which has limited its capacity to carry out its mandate, in particular to meet the demands of Malawi's many trading arrangements. Limited staff and testing equipment coupled by staff turnover are a major problem. Until the government itself prioritises trade, donors may not step in with the resources needed.

Historically, there has been no formal *inter-ministerial committee on trade-related issues.* Central government ministries like Finance and Economic Planning called other government agencies to discuss trade-related reforms. The then Ministry of Commerce and Industry was invited just like any agency, and acted as an implementing agency of the trade reforms. On trade agreements, the Ministry of Commerce and Industry took the lead and other agencies were called in to support. For example, the Ministries of Finance and Economic Planning were asked to ensure that an agreement is put in the context of the macroeconomic framework. More recently, perhaps prompted by the Integrated Framework, there has been some talk about forming an inter-ministerial committee to deal with trade-related issues more holistically. A high level 'permanent team' from various government agencies will be used to thrash out trade-related issues before they are discussed with other stakeholders.

The *private sector* in Malawi is very weak, and still in its infancy. The major challenges of being in a land-locked country, with poor economic and fiscal management, lower protection and some dumping of imports, have forced several companies to close, particularly in the manufacturing sector. The remaining Malawi companies have become more assertive and actively engaged with government. A recent example is the formation of the *National Action Group (NAG)*, a private sector-led grouping of business leaders, government and interested donors, to discuss issues related to private sector development. It was instrumental in pointing out the shortfalls in the MPRSP process and content, and in developing the Malawi Economic Growth Strategy. The private sector also acknowledges that although NAG has been successful, there is need for a Government led initiative. There have been calls for a formal high level collaborative public-private sector forum whose objectives would be to improve public/private collaboration; tackle private sector development issues; help rebuild trust between the government and the private sector; and increase understanding of their respective roles and responsibilities.

The success registered by NAG is similar to that registered by the *Trade Policy National Working Group (TPNWG)*. Born out of the Malawi-Zimbabwe Trade Agreement Negotiation Committee set up by government, the TPNWG has been used by the government for other trade-related negotiations including the ACP-EU Cotonou agreement and the WTO. But this forum is informal and currently dependent on enthusiastic private and public sector representatives and donor urging. It has therefore been suggested that the government take advantage of the current private sector and donor enthusiasm to set up a Business Forum for public-private sector collaboration more broadly and within it a Trade Forum for specific consideration of trade issues.

B. Major Donor Initiatives

Malawi remains heavily dependent on aid for government revenue and balance of payments support – aid accounts for some US$400 million p.a., equal to about 80% of government development spending, half the overall budget and 23% of GNP. The EU, World Bank and UN are leading multilateral donors while the largest bilateral donors are the UK, US, Canada, Norway, Germany and Japan.[15] Overall, key sectors of support are health and population, education and other social sectors. EU aid over 2002-07 will concentrate on transport and infrastructure (33%), macroeconomic support (25%), and

[15] Courier ACP-EU, nov.-dec. 2003, p. 56.

agriculture and natural resources (22%).[16] In the case of the World Bank, priority is being given to the development of infrastructure (water, roads, power), social action, education and financial management.

The government has sought to coordinate donor support in the context of its PRSP, and there is donor coordination active in the areas of macroeconomic policies (led by the World Bank), transport (EU) and health (UK) as well as agriculture and private sector development (via the NAG Secretariat). Those donors including the UK which give direct budgetary support have also created a coordinating group (Common Approach to Budgetary Support group). On trade, there is no such group, though Norway acts as IF facilitator and with UNDP seeks to coordinate trade-related support.

According to the WTO/OECD TRCB database, there were 97 donor-funded TRCB activities in Malawi in 2001-03, with a total value of some $18.3 million to be disbursed over a number of years. These included 67 in the trade policy and regulations category (with a total value of $0.8 million) and 30 in trade development ($17.5 million – of which $15 million in an IDA regional trade facilitation project alone). As Annex Table 4 shows, besides IDA, the largest funders have been the US, followed by Iceland, Germany and the WTO. The projects recorded by the WTO/OECD database range from participation in a large number of WTO-run seminars to support to an agricultural college. There are no DFID-funded projects listed – reflecting a weakness in the reporting and classification system (as outlined in one of the background working papers). The reporting system does not capture all multi-country projects which include Malawi (like the Africa Trade and Poverty Programme) nor all regional projects from which Malawi may benefit (such as the Southern African Regional Trade Facilitation project).

What follows therefore is a brief summary drawn from interviews in Malawi and a review of selected written sources.[17] Efforts are underway in the context of the IF to develop an updated database of donor support to trade, but this is not yet active or available.

As already indicated, trade is not a focal point in *the EU*'s 9th EDF programming in Malawi. However, the importance of trade issues is reflected in all three priority sectors, and attempts are being made to mainstream trade more clearly into these and other parts of the country programme, and to work closely with the MTPSD and other donors, particularly in the context of the IF, to identify projects which the EU might fund. In addition specific support is being given to Malawi to support its participation in the EPA negotiations. Some 100,000 euros were allocated for a study and workshops with stakeholders to identify Malawi's interests.[18] The EU is also keen to support CB on WTO and other trade issues in MTPSD and other ministries as needed, for which funding will

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[16] Country Overview at europa.eu.int consulted June 28, 2004.

[17] The key sources are: the DTIS (Appendix, p. 92 nb this dates from December 2001), UNDP and Government of Malawi Memorandum on Trade Policy Advisory Services and Capacity Building for Trade, April 2004, Imani, Malawi IF- Case Study and Comments, and MEGS, Vol.2, Trade Strategy Action Plan, Feb. 2003.

[18] The project is managed by the MOCI/MTPSD and implemented with the assistance of Imani inter alia. Two national workshops have already been held and the study was due in August 2004. The TPNWG is the forum in which the emerging negotiating issues will be discussed.

be drawn from other projects. For instance, some resources from its agricultural sector programme have been used to develop closer collaboration between the Ministry of Agriculture and MTPSD on issues such as SPS which affect producers exporting to regional and global markets.

The EU's transport projects emphasise the importance of improving Malawi's road system (e.g. the Nacala corridor which provides access to key ports) as part of overall efforts to strengthen links between domestic, regional and global markets, and improve the competitiveness of its exports. It has also supported trade facilitation via the automation of customs data collection (ASYCUDA). The EU Business Assistance Scheme (EBAS) is a regional programme for private sector development initiatives in Malawi as in other countries.

USAID supports Malawi's trade development via direct involvement with the private sector (rather than at a policy level) and especially in agriculture, such as its support of the National Association of Smallholder Farmers of Malawi (NASFAM). Support for Agriculturally-Linked Enterprises (SALES) is a new technical assistance project designed to promote sales by agribusinesses (e.g. of processed foods, forestry-based products, textiles and apparel) in domestic and external markets, and thus to increase demand for crops and farmers' incomes.

USAID also has a number of regional projects that include Malawi, reflecting a belief in regional markets requiring less exacting standards and therefore providing more realistic opportunities for Malawian exporters than international markets. The five-year Regional Agricultural Trade Expansion Support Program (RATES) managed by USAID's regional office for Eastern and Southern Africa in Nairobi aims to increase agricultural trade regionally and with the rest of the world, focusing on specialty coffees, maize and pulses, cotton/textiles, livestock and dairy. Besides the development of a regional market information system, the project aims to help private traders lobby governments to harmonize agricultural trade policies, regulations and procedures. The second regional project is the Southern Africa Regional Competitiveness Hub, established in Gaborone in 2002, which has promoted trade facilitation via customs reform and analysis of regional transport issues. (Similar hubs have been created in Eastern/Central and West Africa as part of US efforts to promote African trade). Finally, USAID provides support to the COMESA Secretariat.

GTZ has provided some support to SMEs both for the domestic market and for exports (e.g. supporting participation in regional trade fairs) and to the Malawi Chamber of Commerce to support small business associations.

The *World Bank*'s trade facilitation project (2001-2011) is a political risk insurance facility, managed by a multilateral agency based in Nairobi, which is designed to encourage intra-African trade by insuring against the risk of goods being seized, expropriation, foreign exchange controls etc. It covers trade between seven countries including Malawi. The Bank has also been one of the funders of the Regional Integration Facilitation Forum (previously named the Cross-Border Initiative) covering Malawi amongst other countries in Eastern and Southern Africa. The RIFF aims to promote integration via measures to facilitate trade and investment (such as improving exchange and payments systems). Finally, it played a lead role in Malawi's DTIS under the IF (see below).

Besides its coordination of the IF, *Norway* provides some support to agriculture (through NASFAM and an agricultural college) and private sector development, but this is not considered to be closely trade related.

Malawi was designated an IF country in late 2001, and a DTIS was carried out by a team from the World Bank, WTO, IMF and UNDP in 2002, and completed in March 2004. The study set out key recommendations and technical assistance implications in an action matrix. Areas identified for priority attention included macroeconomic and social stability, transportation availability and costs, export specific measures, customs reform and other aspects of trade facilitation (such as trade finance), and trade policy. A donor conference to consider the funding for these areas was initially expected in April-May 2004, but it was rescheduled to late 2004, for a variety of reasons (elections, change of government, and a need to ensure sufficient donor interest for the conference to be productive).

These efforts have been overseen by an IF Taskforce, led by the Norwegian Embassy in Malawi and supported by the UNDP office. The taskforce seeks to exchange information and coordinate trade-related programmes and activities being carried out by national stakeholders. As part of the IF, UNDP has developed a project, to be managed out of the MTPSD Planning Department, to provide trade advisory services and capacity building for trade integration (to run from 2004-2005 at a cost of $524,000 from IF Window II). In addition to a technical adviser on regional and WTO trade negotiating issues, the project will train trade and other officials as well as the private sector on trade issues (policy and promotion) and coordinate trade-related programming in Malawi. UNDP is also involved in a project to promote investment and technology transfer to Malawi.

Finally, Malawi is one of the eight new countries included in the second phase of the Joint Integrated Technical Assistance Program (JITAP), 2003-2006, funded by DFID inter alia. Under JITAP, the WTO, UNCTAD and the ITC will provide assistance in three areas: trade policy formulation, negotiation and implementation, knowledge of the multilateral trading system (MTS) and improving the capacity of producers to take advantage of the changes in the MTS.

C. DFID Programmes, 1998-2004

DFID's present country assistance plan (CAP) (2003/4-2005/6) aims to support Malawi's efforts to reduce poverty through sustainable and equitable growth, by focusing on three core areas: measures to enable sustainable growth and improve livelihoods, better service delivery to the poor, and pro-poor governance (through better public expenditure management, and strengthening the participation of civil society). Particular attention has been given to supporting Malawi's PRSP process and equipping the government to deliver sustainable services to the poor (notably in the areas of health, education and food security). The CAP notes a number of PRSP implementation 'hurdles' including 'the need to better integrate trade into each of the PRSP's four pillars' (p. 7).

Total UK aid amounts to some £62 mn p.a., making DFID the largest bilateral donor, of which £15 mn is in conditional budget support and £47mn is allocated between health, education, livelihoods, food security, policing/justice and civil society programmes.[19] In the area of livelihoods, DFID's activities range from supporting land policy reform, agriculture sector investment, and micro-finance to private sector development and improvement of transport and communications. The CAP proposed that DFID support private sector development via the World Bank and collaboration with USAID, but instead DFID subsequently appointed its own person to work with the National Action Group Secretariat and to oversee DFID projects in this area. In the area of trade, under its pro-poor governance programme, the CAP recognizes the importance of trade in agriculture for improving the prospects for growth and livelihoods, and mentions the Malawi Trade and Poverty Programme (MTPP) as enhancing capacity to formulate, negotiate and implement pro-poor trade reform strategies. [20]

Since 1998, DFID has directly supported five trade-related projects or programmes in Malawi, one of which targeted trade policy directly while the other four focused on trade development. These are:

a) Malawi Trade and Poverty Programme (MTPP)[21] 1 and 2 (£1,261,000 budgeted for 2000-05)

b) Training for Enterprise and Exports in Malawi (TEEM) (£2,921,000 budgeted for 2000-05)

c) Private Sector Partnerships (PSP) 1 and 2 (some £200,000 during 2001-2003)

d) NAG Secretariat (£191,000 during 2002-04)

e) The Improved Cotton Seeds project financed by the Business Linkages Challenge Fund (BLCF) (£295,000 budgeted for 2003-06)

In addition Malawi should benefit from the DFID-funded Southern African Regional Trade Facilitation project (£12 mn for 2003-07). The focus here is on the three largest projects namely MTPP, TEEM and Improved Cotton Seeds.

DFIDM has had no overall strategy to guide the selection and design of these trade projects, though one is presently under consideration, which would integrate trade with an enabling environment for private sector development.

[19] Aid outturn figures for earlier years are: 2001/02 £56mn, 2001/02 £42mn, 2002/03 £52mn. est. DFID Departmental Report 2003.

[20] 'Trade**.** F.14 Expanding Malawi's opportunities for trade especially in agriculture is crucial for sustainable growth and enhanced livelihoods. DFID will continue to support the Malawi Trade and Poverty Programme (MTPP). This should enhance capacity in appropriate Malawian institutions to formulate, negotiate and implement trade reform strategies that are inclusive and pro-poor; and increase Malawi's economic integration and participation in regional and international trading systems. We will also support Malawi's participation in the Integrated Framework so that its trade development strategy enables sustainable pro-poor growth by embedding trade expansion into national development strategies.'

[21] During Phase 1 the project was called Malawi Trade Policy Programme.

II. PROJECT-LEVEL ASSESSMENTS

1. Malawi Trade and Poverty Programme

A. Project parameters

Broadly speaking, this programme has had two phases and another one is envisaged. The first phase sought to build capacity on trade policy issues primarily in the MOCI. It was similar to another DFID project in Ghana. The project was originally scheduled to run from July 2000 to December 2001, but was extended to July 2002 when the next phase was ready to start. Some £600,000 was spent on trade-related training activities, workshops, studies including an institutional review, formal dialogue, equipment, and travel by government and NGOs to key international trade meetings.

In the second phase, the Malawi project was part of a much larger programme, the ATPP, designed to operate in several countries, with one overall implementation contractor and one management contractor. The programme was designed to include a more clearly articulated poverty dimension, in keeping both with DFID's efforts to link globalization and poverty reduction, and with national PRSPs. The project was intended to run from August 2002 to July 2005, with a budget of £662,000. It involved 8 components, as shown in Table 4. Dissatisfaction with the project design and implementation in Malawi (as in Kenya and Tanzania) led the government to request the ending of the project in mid-2004, on the understanding that DFID would continue to provide TRCB albeit following a different approach. A number of the same criticisms were made in the December 2003 OPR of the whole ATPP, which drew on a brief visit to Malawi in November 2003.

The programme is presently in a holding phase, essentially intended to continue support of TRCB while developing a new approach for a third phase. As in other countries in which the ATPP was active, new modalities for management and implementation are being considered for the third phase. A key difference with other countries may be the attempt to more clearly integrate a private sector development/enabling environment perspective, reflecting not only developments in the DFIDM office thinking on these issues, but also responding to the scope of the responsibilities of the new ministry (MTPSD) as well as the active discussion of trade policy issues in the NAG and a recognition that the MTPP made little reference to critical supply-side issues. Also, it seems unlikely that the Malawi project will follow the approach of other Southern African TPPs, namely to use a research centre as the implementation contractor. This may reflect both the GoM's preference as well as DFIDM's view that the MTPP should focus on public administration and the machinery of government (as reported in the OPR) rather than on the limited research capacities of Chancellor College.[22]

[22] In fact the EU is funding a study on the scope in Malawi for creating a think-tank on economic policy such as KIPPRA or BIDPA. This may be linked to a larger EU project to strengthen the university's Dept. of Economics.

Table 4. Allocation of MTPP Phase 2 funding
Planned and actual (£ and %)

Component	Description	Planned funding	% of sub-total	Actual funding	% of sub-total
1	Consultancy on linkages between trade and poverty reduction	26,900	5%	28,100	9%
2	Implementation of institutional review	41,800	7%	28,600	10%
3	Support to TPNWG	85,000	15%	29,900	10%
4	Facilitation of trade in national planning processes	30,000	5%	14,800	5%
5a	Fund for government for trade policy studies, position papers, short term interventions	80,000	14%	59,400	20%
5b	Fund for non-government trade policy studies etc	80,000	14%	11,500	4%
6a	Support for WTO liaison in Geneva	55,000	10%	19,700	7%
6b	Capacity building on WTO and other trade issues	90,000	16%	34,100	11%
7	Provision of equipment for MOCI	22,000	4%	1,500	1%
8	Fund for participating in trade negotiating fora	65,000	11%	23,800	8%
	Urgent ad hoc requests			46,800	16%
	Sub-total	575,000	100%	298,200	100%
	Contingency	86,355	15%		
	Total	662,055	115%		

B. Project assessment indicators

1. Relevance. When the MTPP began, it was considered highly relevant; its objective of building national capacity to formulate, negotiate and implement trade policies responded to serious needs that had emerged in the late 1990s. The government had made a number of trade policy reforms, and was committed to promoting the contribution made by trade in its strategy to promote growth and reduce poverty. It had created a public-private sector mechanism, the National Working Group on Negotiations for the SADC Trade Protocol in 1997 which in 2000 was given the mandate for consultations on all trade issues and renamed the Trade Policy National Working Group (TPNWG). While the interest in trade issues and procedures for discussing trade policy options were in place, the then Ministry of Commerce and Industry, let alone other ministries, and the TPNWG had limited access to relevant information let alone capacity to analyse and consider the impacts of alternative options, and then to negotiate, implement and take advantage of the new trade rules. There was also limited expertise on trade issues in the university/college sector. This DFID-funded project was able to respond to these needs at a time ahead of most other donors, and in the absence of any movement yet in Malawi under the IF.

The emphasis in Phase 2 on an approach to trade policy that is pro-poor and inclusive followed the publication of Malawi's PRSP in 2002 and the launch of a process to develop its Growth Strategy. The project's purpose was to enhance capacity in appropriate Malawi institutions to formulate, negotiate and implement policies which are sustainable, inclusive and pro-poor. One of the concerns with the PRSP, as noted earlier, was that it did not incorporate trade, let alone consideration of trade policy options that would contribute to poverty reduction.[23] On the other hand, the Growth Strategy included trade as a central theme, but without particular attention to poverty linkages. While seeking to develop such trade and poverty linkages, the programme was able to build on the achievements of the first phase in particular to address a number of trade policy capacity needs that had been identified but not yet fully addressed. It was also intended to develop strategies for implementing the findings of some Phase 1 studies, such as the institutional review.

While the overall objectives of both phases appear to have been highly relevant to Malawi's needs, there were serious problems with their design. Some are discussed here as they affected the MTPP's relevance; others are addressed under performance and impact.

The projects were quite ambitious in their intended results (and even more so in terms of their OVIs[24]). But neither the first phase nor the second phase allowed adequate time nor the appropriate approach for much capacity building to occur. As the IC noted, 'the goals and objectives of the project were substantially overstated and have subsequently contributed to the frustration of governments and stakeholders' (Nov. 2003, p.2). Time is needed for an implementing agency to develop understanding, networks and trust, particularly in a sensitive area such as trade policy, let alone for implementation of activities and building of capacity. Furthermore, as the MTPP 1 Review document noted, 'the span of the project was more appropriate to short term actions rather than the accomplishment of sustainable capacity building which requires more time.'[25] Short-term needs, i.e. to respond to immediate trade policy issues such as the preparation of a negotiating position, also detracted from what limited scope there was in the original design to address longer-term capacity-building.

MTPP 2 was designed with a modular approach – i.e. there were a common set of components for all countries. This reduced the degree of flexibility needed to tailor the programme to Malawi's particular needs, although the intention of the designers was that there would flexibility within these broad parameters.[26] There was no detailed assessment to identify Malawi's specific capacity needs and what processes might best fill these, drawing on the findings of the institutional review undertaken in Phase 1, though the design was informed by a logframe workshop in Malawi.

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[23] Ngwira and Storey 2003.

[24] For instance, one indicator of whether non-government groups were able to influence trade policy decisions was to be an enhanced level of economic activity amongst the poor. See Annex Table 5.

[25] P.8.

[26] The designer/MC has suggested that the programme's 'menu' was intended to be followed flexibly and that one of the problems may have been that DFID's contract with the IC adopted a more rigid approach. This cannot be verified as the contract is confidential.

In both phases a fairly traditional TRTA approach was followed, with a large share of project funding going to studies and training workshops. The designers of Phase 2 argue that it was intended to be more innovative with more emphasis on a process approach involving a range of stakeholders besides the trade ministry, using a broader conceptual framework than international economics, and involving national rather than foreign expertise. They suggest that the problem was rather one of implementation.

2. Performance. In the first phase the programme was generally considered to have performed quite well though were some aspects which could have been improved.[27] For instance, it was felt that the PSC was not adequately involved in the decisions about project priorities, TORs for studies, choices of consultants etc. Lack of ownership especially by MOCI weakened the use made of the project documents and the benefits of other activities such as training workshops. Second, the approach taken in the studies limited the CB impact – while national consultants may not have been able to undertake the technical studies, 'twinning' them with those foreign/external analysts and the managing agency who did the studies might have contributed to some CB. Nor were the studies linked to a clear outcome which limited their potential use/impact. Third, there were lags in implementation, as a result of which most activities were carried out in the last six months. Finally, lack of DFIDM oversight led to a new structure (separate management and implementation contractors) in Phase 2, which in turn generated new problems.

In the second phase, the MTPP experienced many performance problems similar to those in other countries involved in the ATPP at that time (i.e. Tanzania, Kenya and Uganda), as set out in the OPR (December 2003). Initial contracting problems delayed the start of the overall programme and some of the subcontracted components. Further delays in implementation resulted from the cumbersome decisionmaking procedures including the choice of the implementing contractor to retain considerable decisionmaking authority in its London-based headquarters, rather than devolving it to its Malawi office. The country manager was given too little time to do this work effectively and he worked out of a separate office rather than being based in the trade department of the MOCI. These factors proved particularly inappropriate in a project in which processes, and particularly national ownership, were key to effective implementation.

More generally, there was a lack of clarity about the roles and responsibilities of the many groups involved in the project – besides the representatives of the implementation contractor (headquarters and Malawi) these included the representatives of the managing contractor (headquarters and Malawi), DFID (headquarters, London and East Kilbride, and Malawi), the Ministry of Commerce and Industry, and the Project Steering Committee. The splitting of responsibilities, with design and monitoring being given to the management contractor and implementation to another contractor, caused confusion and suggestions of a conflict of interest on the part of the management contractor.

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[27] MTPP Review Document May 2002

A common perception is that a large amount of the project resources were absorbed in management/implementation; it is not clear whether this was the case as such financial information is not available outside DFID. This would not necessarily have been an issue if the project had been more effectively managed/implemented – for instance, if the activities had been well-organized and timely, if the reports had been informative and high quality, if the implementers had been able to create and animate an effective trade policy research network for the Malawi trade community to tap into, i.e. if the project was meeting its purpose.

Particular concerns about cost-effectiveness arose in the choice of consultants with stakeholders complaining about the high cost of studies; where these were prepared by national consultants there was a paradox of low fees (and sometimes low quality) but high overall costs as a result of the markup charged by the implementation contractor. Lack of transparency about costings and incentives for the IC increased frustration among national stakeholders and especially the PSC which was meant to ensure the project responded to national needs by being demand-driven. The incentives built into the fee structure for studies may also have led to more studies being undertaken than the MOCI or PSC wanted.

The PSC was large as a result of being very inclusive, with as many as 18 members representing MOCI, other key government ministries/agencies as well as NGOs and the private sector. It lacked clear procedural rules. Moreover, it was not clear what authority it had to amend the project design or to overturn decisions by the implementing contractor. This was particularly an issue in the choice of studies vs. other activities, the subjects to be studied, and the researchers to do the studies. An effective PSC was needed to resolve the conflicting demands common in many TRCB projects, with trade-offs having to be made between meeting short-term needs for technical advice or travel to negotiating meetings, and longer-term CB; between breadth and depth both in terms of the issues covered and people trained; and between meeting the needs of the trade ministry and those of others involved in the trade policy making process, both in other parts of the government (such as the Ministry of Agriculture, the Ministry of Finance etc) and in NGOs.

Several interviewees considered that the IC's role should have been limited to the provision of technical advice, leaving decisionmaking to the PSC, with particular weight being given to MOCI. Similarly the independent review (Dec. 2003, p.9) recommended 'a less interventionist, more facilitatory approach'. The MC/project designer recommended that the priority for the IC was its management role rather than technical advisor, i.e. to facilitate the workplan rather than to undertake activities, and that the programme should be judged not on the quality of outputs but on whether the purpose of the project was being met (Annex I, OPR, December 2003).

The project design required two studies to be undertaken (namely on trade and poverty, and on institutional needs) with another six being optional. In theory, the choice and TORs of these optional studies would be determined following the first two studies. In practice, however, there appeared to be no choice, with several studies following the original design, and chosen before the results of the first study on trade and poverty linkages had been completed. This created a strong sense that the studies were supply-driven and not really as important for Malawi as others might have been.

Some of the delays in the initiation of Phase 2 reflected limited capacity to address TRCB issues in the government, notably MOCI, as well as in DFIDM. More generally MOCI was unable always to provide feedback on study TORs let alone drafts of studies. This capacity constraint should have been anticipated in the project design and workplans.

Project oversight was weakened by a lack of clarity over the role of DFID staff (London, East Kilbride and Malawi) as well as the division of labour between the IC and MC in reporting. While DFID's policy of keeping at arms-length from projects involving the development of trade negotiating positions is well respected, greater involvement in monitoring and reviewing this project, particularly by DFIDM, might have helped to identify and more quickly resolve some of its key design, management and implementation weaknesses.

3. Success/Impacts. In the first phase, several activities were undertaken. Typically these focused on short-term needs, namely to prepare the government negotiators through studies, training workshops, consultative meetings, and trips to negotiating fora. In other words the project did not succeed in building capacity to the extent that was originally intended. Nonetheless there were some impacts to note as indicated by some OVIs.

In the second phase, impacts were limited by the design and performance issues raised above, notably the process for choosing activities, the types of activities chosen, delays in their implementation, poor quality of inputs, and limited strategies for using the reports.

Before addressing some of the problems, it is important to take note of the successes however limited.

According to some interviewees, there has been some impact from the institutional review undertaken in the first phase followed by a report and workshop in Phase 2 on implementing organisational change in the MOCI.[28] For instance, senior officials are seriously considering the recommendation for an Inter-Ministerial Committee on Trade to bring together key ministries to discuss and agree on trade strategies. But it is too early to say whether other suggestions will be adopted, such as the adoption of a functional rather than a regional approach to the division of responsibilities within the trade ministry. The trade department has had to cope with a new framework, having been merged in June 2004 into a single ministry with private sector development instead of industry. Also it has been involved in plans to set up an Inter-Institutional Committee of 15-18 people, representing key ministries and agencies, private sector leaders, parliamentarians, the university and the media, partly in response to its involvement in JITAP.

[28] Some problems were faced in Phase 2 as OPM, which co-authored the review, was precluded from involvement in its implementation by its status as a sub-contractor to the MC. Instead another foreign consultant was hired to work with the same national consultant to prepare an implementation strategy.

For some NGO representatives (e.g. from NASFAM, the National Association of Businesswomen, Congoma, MEJN, the Consumers Association of Malawi) the MTPP provided an opportunity to learn more about international trade rules, whether through national workshops, a regional meeting in Kenya with other NGOs from Eastern Africa who were also working on trade issues, or being on the Malawi national delegation at the Fifth WTO Ministerial meeting at Cancun[29]. This experience has helped them to become more involved in the government's preparations for trade negotiations (e.g. on the REPA with the EU), even though their understanding of trade issues remains limited.

The project provided support via a series of 3-month contracts to Business Consult Africa (an organization created under the DFID-funded TEEM project – see below) to the TPNWG which brought together public, private sector and NGOs to talk about trade issues. BCA was paid to act as secretariat, organizing meetings, handling correspondence, circulating studies etc. While BCA's assistance is appreciated, it tends to be reactive, i.e. to lack the initiative or perhaps the information from the trade ministry to anticipate events or needs such as input for a particular negotiating meeting.

Within government, key project beneficiaries were a small number of officials in the trade ministry; while efforts were made to broaden the official target group to include others, e.g. in the Ministry of Agriculture, the impact of the MTPP was partly constrained by the limited absorptive capacity of these trade ministry officials. They were targets for many of the studies and workshops, while they also benefited from MTPP support for their participation in negotiating and other technical meetings, addressing sub-regional, EU and WTO matters. There was a perception amongst others in the government that too much funding was spent on trade ministry officials' travel, responding to ad hoc short-term needs at the expense of longer term capacity building. However, participation in such international meetings is often essential to represent Malawi's interests, and it can contribute to capacity building, especially if accompanied by some training or coaching activities (as occurred for the Malawi delegation at Cancun).

The project provided an opportunity for some national researchers to develop their knowledge of trade issues through their involvement in studies, sometimes in partnership with international researchers, and through participation in some seminars/workshops. But this impact was limited – the 'twinning' was not very effective in transferring knowledge. There was little attempt to develop CB in collaboration with the university or another training institution, nor to link the project with other CB efforts in the region such as the AERC or the Southern African Trade Research Network (SATRN) funded by Canada's International Development Research Centre. Some interviewees noted there were also missed opportunities for using the project to build the university's capacities in

[29] Attribution of particular results to the MTPP, however, is complicated by the fact that similar activities were undertaken in parallel; for instance, some training workshops on WTO-related issues were organized by BCA with Oxfam funding. Funding from Oxfam, ITC and others also supported some of the Malawi delegates to Cancun. The decision to use MTPP funds to support a technical adviser and two national NGO representatives to go to Cancun followed these other initiatives.

other ways. For instance, those involved in trade negotiations or workshops could have been encouraged to give guest lectures on trade issues at the university; teaching materials could have drawn on project activities; the project could have been used to support the development of a trade course in the Economics Dept. and/ or to train faculty on trade issues (e.g. in Malawi or in the WTO course in Nairobi).

The project did not address what remains a major challenge i.e. how to ensure that studies are useful and used by policy-makers, who may not be accustomed to evidence-based policymaking. The process for choosing subjects for studies or workshops limited the contribution they made to national debates about trade policy. For instance, the OPR questioned whether proposals for child labour and gender as subjects for workshops reflected priorities for many stakeholders as much as the approach set out in the ATPP PM/TORs. Even where the studies might have been considered relevant, they were often not widely disseminated or discussed. Some interviewees suggested that this reflected a weakness in the design of the project i.e. it lacked a clear communications strategy and resources dedicated to this purpose. Instead it was considered adequate to circulate reports to the MOCI and the TPNWG, and perhaps to organize a workshop. Clearly on issues involving trade negotiations some discretion is required – though even here more could have been done to circulate reports to officials in key ministries; sharing of information on key findings is essential for broadening knowledge about trade.

Finally, the equipment (computers, scanners and printers) supplied to MOCI has been considered useful. But it would have been more effective if it had been accompanied by some training, for instance on where to go for basic information on international trade agreements or data.

4. Sustainability. It is clear that there continues to be a need for TRCB within and outside government. Capacity in MTPSD itself remains severely overstretched. CB is an ongoing exercise with continuous evolution of national, regional and international trade rules as well as markets making CB a 'moving target.'

The results of the MTPP such as they exist are not yet financially sustainable. In recognition of the country's inability to meet its TRCB needs on its own, there are several more donor-funded CB initiatives in the area of trade policy now underway in Malawi. It is all the more important now for the donor community working together with the government and other stakeholders to ensure that the various projects complement each other and help to relieve rather than overstretch the capacities of the trade ministry, which remains at the centre of many of these initiatives. The other institutional development is the creation of the IF steering committee which should work with the government to coordinate TRCB.

There appears now to be greater political recognition of the importance of trade policy to Malawi's future and with this a number of institutional changes have recently occurred or are likely in the near future within the government. These should help to increase the impact and sustainability of any future TRCB. For example as already noted, the government is likely to create an interministerial committee on trade issues, bringing together key ministries, which may generate a new trade policy statement; it is also considering a new trade forum for discussions with the private sector. It is too early to say whether the increased budgetary resources for MTPSD[30] will be adequate to effectively support these processes and to implement the other changes recommended in the functional and institutional reviews of the trade department.

Nor is it clear how the tradeoff will be made between shorter-term technical assistance needs and longer term CB whether within the ministry and other parts of government machinery, other stakeholders and the university/research community. If capacity is to be built and sustained, then some greater engagement with the university seems essential.

Changes within DFIDM, in particular a greater engagement with the MTPP, commitment to a stronger oversight role, and the development of a framework linking TRCB to support of the enabling environment for the private sector, should also contribute to more sustained results from the next phase of the MTPP.

5. Linkages to Poverty, Gender and Regional Issues. MTPP made deliberate efforts to link analysis and discussion of trade policy to poverty reduction through a number of studies and through measures to bring organizations working with poor people into the TPNWG and other trade advisory bodies. However there is scope for further work to ensure trade issues are integrated into the PRSP. And, if trade opportunities are to be realized, and to benefit poor people in Malawi, TRCB will need to address supply-side issues.

There was less emphasis on gender dimensions of trade policy; a study on gender and trade was reported to be near completion at the end of Phase 1, and Phase 2 involved the head of the National Association of Business Women in workshops and on the delegation to Cancun.

While several project activities focussed on the WTO, some attention was given to regional issues, for instance through funds for travel to regional negotiating meetings. In Phase 1 a study focused on the impact on Malawi of regional agreements. Some interviewees thought that further regional studies (such as an analysis of Malawi's membership in overlapping two regional organizations, or a study of the constraints facing Malawi's exports to regional markets) would have been more useful than some of those proposed in Phase 2. Apart from one regional meeting in Kenya, Phase 2 did not attempt to build capacity regionally e.g. through the development of regional networks of trade officials, analysts or interested NGOs to share experiences in trade policy making, negotiation and implementation .

[30] The report on implementing organisational change notes that the Ministry of Finance increased the allocation to MOCI for its operational budget in 2003-04 by 150% in nominal terms to K270 million.

2. TEEM

A. Project parameters

This was DFID's largest TRCB project in Malawi in terms of total funding. According to the log-frame, the goal of the project was 'the alleviation of poverty, through equitable trade, for Malawi'. Its purpose was to 'improve the livelihoods of poor people in Malawi through the expansion of market-led local businesses and exports,' with particular emphasis on crafts and food crops. In practice, however, the primary focus of the project was not trade, according to several interviewees, but rather building capacity in Malawi to deliver business development services (BDS), for use by SMEs supplying domestic or export markets. The fair trade component, while being commonly associated with the project manager (Traidcraft Exchange of the UK or TX), was added to generate funds to cover the costs of the BDS training, and also to provide outlets in export markets for SMEs.

The project involved two major components: Business Consult Africa set up to provide training in BDS, and Development through Trade Limited (DTL). A third component, support for the NAG Secretariat, was added in 2002; the linkage to TEEM was largely for administrative convenience, however, and so it is only briefly reviewed here.

Major difficulties with the project's design, management at various levels, and implementation led to its closure being considered by DFID at the time of the evaluation, i.e. over a year ahead of schedule.

B. Project assessment indicators

1. Relevance. The idea for the project originated in an earlier scoping study for DFID by Traidcraft Exchange of the UK (TX). This found that there was a shortage of BDS providers in Malawi which was limiting the growth of SMEs. It also noted that small-scale farmers and rural producers of non-agricultural products like crafts could benefit from tapping into the growing world market for fair trade.

The project set high targets in terms of the numbers of farmers, crafts producers and SMEs to benefit from the project, the extent of their expected income gains, and in turn the numbers of people to be lifted out of poverty. These were to be achieved within the project's five years. While DTL was expected to breakeven within two years, and to be able to repay an initial loan in five years, BCA was not expected to break even for as long as 15 years[31] – other donor funds would be sought to cover the interim period. The targets were highly ambitious as Traidcraft had limited experience in BDS, and its efforts to develop commercially viable fair trade businesses in other parts of the region (Zambia and South Africa) had not worked, even though its own trading company in the UK is successful.

[31] p. 11 of original project memorandum

In recognition of the project's somewhat experimental nature – in fact many interviewees referred to it as a pilot project – it incorporated a process project approach, i.e. it included a fairly detailed and frequent impact assessment review process, which was intended to produce recommendations for modification in the project's implementation at least at the micro-level.

After the project began in 2000, it became apparent that there were serious flaws in the design as related to both the BDS and fair trade components. With respect to BDS, it was not clear that the SMEs would be willing or able to pay for such services, as the original survey had suggested. A second problem was the ambiguity in BCA's mandate – i.e. whether it should provide BDS itself while training others to do so. Certainly there was strong pressure to become selfsustaining and overtime BCA's mandate broadened to include the provision of business services in the trade area (as in its provision of secretariat support for TPNWG). Third, the timeframe for the project fell far short of the time originally estimated for it to break even.

With respect to DTL, the projected costs and benefits of doing the types of fair trade envisaged were quite optimistic, as were the sales projections included in the draft business plan. The mandate was extremely broad i.e. to cover both crops and crafts, which demand quite different marketing skills, with product development being a key component in crafts. Training was also required for a number of inexperienced basket producers.[32]

In both cases, the project design did not adequately take into account the serious weaknesses in Malawi's economy, which affected the capacity of both BCA and DTL to meet their revenue targets. In particular the assumption that DTL could be commercially viable, and would be able to collaborate with the much larger Press Corporation in the export of products such as muesli bars,[33] and use its profitable activities to cross-subsidise its developmental activities proved unrealistic. Despite the various management problems outlined in the next section, BCA modified its activities to meet such opportunities as were available to make money in the BDS market. This involved undertaking more donor-funded work or work for larger corporations, detracting from its work training SMEs. For DTL flexibility proved more difficult.

A concern raised in some quarters was whether Malawi needed a subsidised enterprise to supply BDS or to compete in the market for crops and crafts. Certainly there is a lot of sensitivity within DFID to the possible damage that the provision of direct subsidies can cause, such as distorting domestic markets. On the other hand, it is clearly difficult for enterprises within Malawi to be commercially viable let alone for them to use their internally generated revenues to undertake developmental work of the sort offered by BDS and DTL.

[32] The original intention was that DTL focus on commercial activities but following fair trade principles, leaving development activities such as training to BCA. While BCA did provide some crafts groups with training, this related to business management practices rather than product development per se, which was provided by DTL as its buyers were in closer contact with the requirements of foreign buyers.

[33] Project Memorandum p. 48.

2. Performance. The project experienced serious problems in the management and oversight structure. There was a project steering committee on which were represented DFID, TX and members of the two Boards created to manage DTL and BCA. But TX UK which held the contract with DFID, adopted a hands-off approach, delegating responsibilities to the national level, i.e. to the Boards and Managing Directors of BCA and DTL. TX did hire a country manager, but this position was to provide advice rather than direction, reflecting TX's commitment to promoting national ownership. Unfortunately the absence of effective national management, coupled with ambiguities about the powers of the Boards made it clear that more direction was necessary for the project to move toward achieving its purpose.

DFID's oversight of the project was also fairly limited, reflecting both changeover in staff at the country level, coupled with a shift in philosophy from direct involvement in the market, to emphasis on creating an enabling environment. The problems of deteriorating performance were reported in a number of project progress reports, but there were serious delays in resolving these issues with TX and the Boards.

For their part the Boards were not aware of their responsibilities, and whether they had the mandate, for instance, to hire/fire the managing directors for BCA and DTL. The matter was further complicated by the BCA Board assuming responsibility for DTL's debts (bank loans and cash advances from buyers). But it was only in mid-2004 that a letter was sent by the BCA Board to TX asking for clarification of these governance issues.

The managing directors of both DTL and BCA were eventually replaced as a result of their weak performance, as was TX's second country manager. DTL's finances were badly affected by the devaluation of the Kwacha from 2002 and there were also questions about financial impropriety though these were not substantiated by an audit into TEEM's use of DFID funds. In both cases the pressure to meet project targets may have led to reports focussing on expected achievements rather than actual performance, in terms of sales and SMEs trained. In the case of BCA, attempts were made with encouragement from the Board and support from the staff to diversify into new activities, e.g. taking on a German-funded contract from the MEPC to train SMEs to participate in regional trade fairs, and providing secretariat services to the TPNWG. In other words, BCA moved from training others to deliver BDS to delivering such services itself.

3. Success/Impacts. Despite these difficult circumstances, which severely limited the project's impacts and have led to its closure being seriously considered, it is important to note some successes, albeit on a very modest scale.

Most of the success is associated with BCA. Initially its staff received training from TX or associated groups in the UK, which was considered to have been quite useful in preparing them in turn to be trainers/advisers on business management and marketing to business service providers, SMEs and producer groups. They also received training in social auditing, on the basis of which they were able to offer services to larger companies. Evidence of their capacity to undertake many activities in these areas is given in the Annual Report for the year ending 2003, which notes in particular a range of trade-related services from training SMEs to participate in international trade fairs, to organizing a workshop on marketing and exporting food products, and preparing brochures on AGOA and the EU. Some interviewees, however, raised questions about the quality and timeliness of BCA services, e.g. in one case a report had been quite late and did not offer appropriate advice.

More detailed analysis of the impacts of both DTL and BCA is contained in three reports prepared by Kadale Consultants in collaboration with the Durham University Business School. The original plan had been to do IARs every six months but the difficulties involved led to only two cycles of impact assessment (October 2002 and November 2003), and a recommendation from the reviewers for no further IARs until certain changes had been made to the project management.

In both BCA and DTL, the IAR found serious difficulties in recordkeeping with information about groups who had been trained by BCA or suppliers who had sold produce to DTL being unavailable or unreliable. As a result the IAR was not able to interview a random sample of businesses and producers as originally intended; only a few businesses and producers were interviewed.[34] The aim in the interviews was to determine people's views of the services provided by DTL and BCA and whether these had contributed to changes in their livelihoods (as measured by assets and vulnerability issues) or business activities (new orders, numbers of employees, employment practices etc).

In the case of BCA, a number of groups have been trained or provided with services. The first IAR found the BCA had only undertaken substantive work for 8 SMEs though the experience had been positive contributing to changes in the operations and performance of 7 SMEs. Similarly positive experiences were reported in the second IAR, with most interviewees reporting a transfer of skills and increases in customers/orders. Some suggested a need for BCA to consider more regular followup, to respond more quickly to requests for advice, and to support the development of local as well as export trade. From BCA's perspective such follow-up work, while deepening its contact with clients, would detract from its ability to meet its overall project targets in terms of the number of clients serviced, and its service-related fees (the assumption being that clients expect follow-up services at no additional cost).

In the case of DTL, there were some initial successes with sales of crafts outside Malawi, training of crafts producers, as well as sales of crops both domestically and for export. Craft producers were offered cash advances by DTL, but they complained about the price levels as well as the infrequent purchases. For its part, DTL reported that delays in delivery and/or poor quality had led to lost orders and demands for repayment of advances, so that they had reduced the frequency of their purchases from some groups.

[34] E.g. in Cycle 1, there were interviews with four sets of producer groups involved with DTL and 8 SMEs and one large enterprise involved with BCA; in Cycle 2, 20 groundnut producers and 14 craft producer groups were interviewed about DTL, and 6 SMEs and 6 producer groups about BCA.

Even where there were no such problems, DTL's purchases were limited by its capacity to secure export orders. The IAR noted that some of this misunderstanding could have been avoided by DTL being clearer in its communications with producers and thus lowering their expectations about levels of sales. In terms of crop purchases, groundnut producers interviewed welcomed the higher prices offered by DTL, and the fact that this had helped raise prices from other buyers, as well as their use of 'fair' scales. Over half experienced higher sales volumes though only 4 reported increased incomes as a result of their dealings with DTL. One suggestion was that DTL consider assisting farmers to access inputs.

There were lessons to draw from the process of undertaking the impact assessment reports. In particular it was difficult for the reviewers to gain the confidence of staff at DTL and BCA which weakened both the assessment itself (e.g. through difficulties in accessing data about clients) and the learning process that was meant to follow from it. One problem was the perception of bias in the semi-structured interview process. Another problem was that while these reports provided useful insights into TEEM's micro-level impacts, and raised a number of related issues, they did not address some of the broader structural problems such as the financial viability of BCA and DTL, how they were managed, etc even though these were critical for the future of the project.

4. Sustainability. A major concern with this project has been its lack of financial sustainability. The operations of both BCA and DTL have been influenced by the need to generate revenues, and in the case of DTL to break even within a particularly short time frame. These financial imperatives have diluted efforts to provide developmental inputs – and to ensure that the training or advice offered has a sustained impact i.e., really contributes to building the capacity of the producer group or SME.

BCA has been able to attract some additional donor funding. Without such funding it is unlikely that it will be able to continue to operate in its present style – i.e. if it were to become another commercial firm doing trade-related consulting paid by Malawian companies, it would likely become a much smaller organization, buying in advisory services from part-time associates rather than maintaining its present staff complement.

In DTL's case, the constraints it faces in accessing an adequate level of working capital, compounded by its outstanding debts, make its financial future questionable. With fairly low margins on the crops in which it trades, and the difficulties it faces in the crafts market, it is unlikely to generate the volume of sales needed to cover its operating costs. Moreover it is possible that the BCA Board may press for DTL's closure in order to minimize its exposure and to allow BCA to move forward, if this can be done without the TEEM project being closed early i.e. before BCA has been able to secure other funding for its operations.

5. Linkages to Poverty, Gender and Regional Issues. The project included several references to poverty reduction in its design. Poor people were to be targeted via producer groups and SMEs in particular. Both DTL and BCA were designed to work with these groups to help them increase their sales in domestic and export markets. The IAR was intended to track carefully how these interventions contributed to improving the livelihoods of those involved and of their families. Over time, however, the scope of BCA's work extended to areas where the linkages with poverty were less direct.

Gender issues were addressed in a number of ways, though not as frequently or as fully as they could have been. The original log-frame suggested that having an operational gender strategy would be an indicator of whether DTL and BCA had adopted fair trade/ethical standards. DTL made particular efforts to train a number of women's groups to be basket weavers. However, the IAR found they required more training than DTL was able to afford, in order to be able to meet the quality required in export markets. The IAR considered a number of other gendered dimensions such as whether BCA's services had any gender-differentiated employment impacts.

The project addressed some regional issues in a few activities, such as the advisory services and training which BCA offered some SMEs to develop sales in regional markets. For DTL, there were some crop sales to regional markets, but its main focus was on Northern markets for crafts and the domestic market for crops.

3. BLCF Malawi Cotton Seed Treatment Programme

A. Project parameters

This three-year initiative was driven by a small group of private sector organizations – two ginneries and a chemical company. They were joined in their application for BLCF funding by the National Smallholder Farmers' Association of Malawi (NASFAM), whose associate member, the Balaka Smallholder Farmers' Association (or BASFA) is one of the few farmers' organizations involved in cotton production. In Malawi, the majority of cotton is grown by some 100,000 smallholder farmers.

Along with the government, these organizations shared an interest in raising Malawi's cotton yields, quality (as measured by the ginning outturn ratio as well as the staple), and total output. Yields at 500-800 kg/ha were between a third and a quarter of the levels recorded in other countries. Ginning outturn was also relatively low (33-35% compared to more than 40% elsewhere). Output had fallen from some 70,000 tons in 1986 to 16,000 tons in 2001/02. Increasing yields while world prices were falling was needed to reverse the decline in the number of cotton growing farmers and acreage. Increasing output would allow the ginners to raise their capacity utilization from the 20% recorded. The project also responded to national priorities to increase the share of cotton in total export earnings – while the fourth largest export earning crop, its share of Malawi's exports is low, hovering between 1 and 2% in the last five years – and in the longer term, to develop a cotton-textiles-garments supply chain in Malawi.

Many of these issues were identified in an earlier DFID-funded pilot project, known as Malawi Private Sector Partnerships, which produced a Briefing Note in January 2003 on the Cotton Sector Value Chain. For instance, this set out the arguments for the introduction of pre-treated seeds (pp. 3-4). It also raised a number of issues that would need to be addressed, ranging from the high cost of treated seeds, extension services, working capital/credit, and sales to ginners.

The project's primary beneficiaries are intended to be the 100,000 cotton smallholder farmers, with the aim of raising their incomes. Hired labourers are also intended to benefit. The increased cash flow into rural areas is expected to expand demand for micro- and SMEs. Other primary beneficiaries are the ginners and chemical suppliers. Amongst secondary beneficiaries are the farmers' associations and the government.

Although the project was only launched in the 2003/04 growing season, its initial results appear positive overall – despite poor weather, cotton yields more than tripled in the first growing season, and initial estimates for the overall crop range from 30,000 to 40,000 – i.e. 90 to 150% above the level in the previous year. Smallholder incomes seem to have risen; it is too early, however, to determine whether there has also been an increase in the use (and income) of hired labourers as projected. One negative side-effect, however, may be the undermining of BASFA, the only smallholder association working with cotton farmers. Also, the cotton ginners have used the need to recoup their costs to reinforce their arguments for a ban on seed cotton exports -- limiting the number of buyers in this way may not be in the long-term interests of smallholder farmers.

B. Project assessment indicators

1. Relevance. The project is consistent with national efforts to increase the share of cotton in total exports and to increase rural incomes (of both farmers and landless labourers) and is line with the MPRSP.[35] It responds to several of the recommendations made in an earlier DFID project (2003). It is consistent with the parameters of the BLCF, which seeks to improve poor people's sustainable livelihoods by improving business competitiveness.

One project target is to improve the incomes, livelihoods and opportunities of the cotton smallholders, their families and their hired labourers. The project is expected to increase incomes by up to 300% and hired labour by at least 100%. The second project target is to increase the competitiveness and sales of Malawi cotton. The project is expected to double the number of smallholders growing cotton to around 200,000, to raise utilization of the ginneries to 100% and to lead to exports of $61,500 million (compared to baseline exports of $22.5 million).[36] Indirect benefits include the availability of cotton seeds for domestic milling.

2. Performance. The project began well, with quick approval of the funding, followed by rapid implementation. This partly reflected that the companies had already been working with the government to organize field testing by government research centres and approval of the improved seeds, so that there were no regulatory delays. The efficiency of the companies was reflected in the rapid installation and implementation of the chemical treatment, followed by the distribution of the seeds at the start of the 2003/04 growing season. Farmers had to register before they could receive the seeds and chemicals – in order to determine the amount of inputs they would need, and to have a system for tracking their output and sales at the end of the season. The inputs were not given out freely – farmers were charged a relatively low price in the first season both for treated seeds (5 MK/kg compared to wholesale costs of approx. 40 MK/kg) and chemicals. Knapsack sprayers were rented out. The initial intention was that the cost of the subsidy would be recouped through a levy on the cotton when it was bought at the end of the season. The seed distributors were trained so that they could provide advice to the farmers on appropriate planting techniques. Additional advice was provided when the chemicals were later distributed. At the end of the season the ginneries sent their agents out to the farming areas to buy the cotton back from the registered farmers. Most buying was direct, although one of the ginners agreed also to buy some cotton from NASFAM/BASFA for a small commission.

Amongst some of the constraints experienced:

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35 "Government, in collaboration with the private sector, will take action to diversify and encourage the establishment of viable production units of selected key export crops which will have a direct market link with industry to facilitate agro-processing for more value adding. Key crops, apart from tobacco, such as cotton, cassava and soya beans have been selected on the basis of their high productivity by smallholder farmers and that the crops could easily be processed into a number of products. These crops also have high export marketing prospects. It is envisaged that crop specific associations of these crops will be formed in areas with high comparative production advantage. Government will then provide start-up material (such as seeds) to these groups". MPRSP p. 51

36 BLCF proposal document, p. 8.

a) The registration system caused confusion for farmers who were already registered with BASFA. Besides the question of duplication, some understood that they would not receive the improved seeds and chemicals if they continued to be BASFA members.
b) Initial expectations of farmer interest were exceeded and for a short time seed and especially chemical supplies were inadequate to meet farmers' demand[37], but this was mostly resolved.
c) There was some leakage of the subsidized seeds and chemicals into the market. This is hard to control when large subsidies are involved. Nonetheless the amounts involved were reportedly small.
d) Some farmers suggested that there were not enough extension officers, or that those distributing the seeds did not give adequate advice. The BASFA provided their members with additional extension support. The project managers also indicated that farmers' productivity could be increased with additional extension services, but that the project funding was not sufficient to provide this.
e) The system for offsetting the subsidy involved in the provision of the seeds, chemicals and extension services was not transparent. Initial plans for a levy to offset the subsidy, as set out in the project document, were dropped on the grounds that this might confuse farmers. Instead it was decided to recoup some of the costs by lowering the price offered to farmers. (It is difficult to calculate the implicit levy. Farmers were offered 25 MK/kg – this compares with 25 MK/kg in the previous season. The project document had projected a levy of 0.6 MK/kg in the first year.) This explains why the ginners argued for limiting buyers to members of the Cotton Development Association (i.e. themselves) and, as a corollary, for controls on other buyers and exports. Over the three years of the project, the inputs will be sold to farmers at prices closer to market levels and in parallel prices paid to farmers will also move closer to market levels.

3. **Success/Impacts.** Initial estimates of the 2004 crop suggest that the project has been successful, and likely to exceed its first year targets in terms of output, with an increase of 150% (from 16,000 to some 40,000 tons) compared to the 50% assumed in the proposal. It seems that this is largely due to higher yields though the number of cotton farmers and total cotton acreage appears to have risen somewhat. (In the first year it was expected that the number of cotton farmers would increase by 23%, the average size of their cotton plot by 11%, and yields by 10%).The demand for improved seeds was expected to keep growing steadily, with one project manager anticipating an increase in the area under cotton from 61,000 to 100,000 ha. in the second season. There is no data available as yet on the impact on farmer incomes, nor their demand for labour, though the farmers we interviewed said that they had needed extra labour to help pick the cotton.

The quality of the cotton produced was uniformly high – 99 percent A grade – influencing the lint price. Some 16,000 tons of lint is likely to be produced, the bulk of which would be exported (as the sole textile producer presently absorbs some 50 tons/mth.).

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[37] The area planted exceeded expectations by 10,000 ha. or 20%.

The increase in cottonseed production is likely to exceed the present ginning capacity before the end of the project. Further capacity will need to be installed if the projected amounts of cotton grown are to be processed in Malawi. (The initial project document does not take into account how the discrepancy between seed cotton output and ginning capacity will be addressed – by the end of the third year if the 96,000 tons is reached this will be 20% above capacity[38]).

The project application (Section 6 c) states that 'The risk of unfair competition is not applicable in Malawi. The project will focus on all smallholders in cotton production… locally no party should be favoured as a result of this project.' Some BASFA members, however, are concerned that the project precludes the association from being involved in the distribution of inputs and trade in seed cotton, and thus will lead to its demise.[39] They also allege that the CDA deliberately discriminates against them to discourage other farmers from joining the association.

4. **Sustainability.** A number of structural constraints which had contributed to the decline in the Malawian cotton sector remain in place, and if they are not addressed they may undermine the advances made during this project. At the same time, this project has introduced some problematic factors, such as limiting competition in the cotton sector and weakening the only smallholders' association working with cotton farmers, which may also undermine the future of Malawian cotton.

a) Financial – While the project appears likely to break even, it may take longer than the projected three years to bridge the difference between the input costs and what farmers are able/willing to pay, according to one manager, and so there may be financial challenges to maintaining the use of pre-treated seeds in the future. Two aspects are critical – one is the financing of the inputs; the other is the financing of extension services. To have sufficient funds to buy the inputs, farmers need improved access to a savings/credit system (as discussed below). Improved cotton prices will also play a part, both on the world market and domestically. Extension services will continue to be needed to improve productivity, quality etc; while growers may provide some advice, especially if they become the only buyers allowed in the market, there remains a role for smallholder associations like BASFA or NASFAM and the government to provide such services. Their resources are constrained, though they may be able to attract support from other donors (e.g. USAID which reviewed the project in mid-2004). Investment in the transport system would also help to improve collection of seed cotton and the export of cotton lint.
b) Political – The government support of the cotton sector is likely to be maintained – a cotton bill under consideration in parliament will establish the broad parameters of that support. For the ginning companies a key element will be whether they are granted a virtual monopoly over seed cotton sales, as this will influence how easily they are able to recoup their investment in the sector. It is not clear that the benefits of such investments will offset the potential costs to smallholder farmers of being unable

[38] Calculated as follows: 16,000 tons was 20% of ginning capacity i.e. 100% capacity is 80,000 tons.
[39] Yet the document recognizes (p. 7) that these are BASFA's main activities.

to sell their cotton to other buyers. Also, the future of smallholder associations like BASFA is uncertain, at least as long as the subsidies exist.

c) Institutional – There are already some concerns about the future use of improved seeds, without changes in a number of key institutions notably the banking and distribution systems. In the past these have been weak in rural areas in Malawi, and this is one of the reasons that the BLCF funding was needed. In a well-functioning credit and distribution system, farmers would have been able to access credit to buy pre-treated seeds, and then to repay the loans at the end of the season, once they had sold their cotton to domestic or foreign buyers. Farmers are now aware of the benefits of the pre-treated seeds – and at the end of the three years should be clearer about the net effects on their incomes. Whether they will continue to use them will depend both on their access to the financial system for managing their savings/credit and to the seeds and chemicals.

   One of the ginners has begun discussions with the banks to address the financial issue, while the chemical company is considering how best to promote distribution of its chemicals. The improved seeds will likely continue to be distributed directly by the ginners, who will also try to ensure that untreated seeds are kept out of the market (as under the project).

   It is not clear what role smallholder associations like BASFA can play in the future if they are excluded from direct engagement in the cotton market, and/or if membership is discouraged by those controlling access to improved seeds. Yet such associations could help to organize farmers, sustain new production techniques e.g. through demonstration plots.

d) Environmental – There is no detailed analysis of the environmental impacts. The ginning companies are working each year to retain the best seeds to maintain the high quality of the seed stock.

5. **Linkages to Poverty, Gender and Regional Issues.** The project has the potential to increase the incomes of over half a million Malawians – smallholder farmers, their families[40] and their hired labourers. There is no explicit focus within the project on gender aspects (though women typically make up some 70% of full-time farmers). Nor are there specific regional references, other than the need to bring productivity in Malawi up to the standards of its regional competitors (Zimbabwe, Zambia and South Africa) and the role that South Africa plays in purchases of cotton lint.

[40] The project document assumes an average household size of 6.

III. COUNTRY-LEVEL ASSESSMENT:

MAJOR FINDINGS, LESSONS LEARNED AND RECOMMENDATIONS

A. Overall TRCB Cohesiveness and Impact Assessment

It is clear from this evaluation that there was little coherence between the various trade projects funded by DFID in Malawi. This may reflect the limited attention given to trade issues within the country assistance plan. There is an opportunity now with the proposed framework on trade and private sector development/enabling environment to consider both the substantive areas and types of projects in which DFIDM proposes to work. The framework will need to take into account both the lessons learned from experience with DFID-funded projects, and the evolving portfolio of initiatives being supported by other donors/agencies.

There has been some continuity, as shown for instance in the trade policy area by the various phases of the MTPP. Also, the Improved Cotton Seeds/BLCF project could be argued to have resulted from ideas in the PSP, while the work of the NAG in the development of the MEGS also drew on the discussions around the PSPs. The TEEM project appears to be an anomaly, in that it was largely externally driven and involved the creation of two subsidized entities both of which were intended to be commercially viable and yet to provide developmental support. Evenso, the evolution of BCA's work, to provide more support to export-oriented firms and to the TPNWG, has brought it closer to the other parts of the DFID TRCB portfolio in Malawi.

The evaluation has found that DFID made an important contribution to raising awareness and understanding in Malawi of many aspects of trade policies and their linkages to poverty reduction. It also contributed to addressing some supply side constraints, but through the provision of inputs, training and other market-oriented services rather than through addressing related policy issues.

Drawing on the information gathered in interviews with a broad range of stakeholders, and a review of project documents and other relevant literature, we scored the projects according to the assessment criteria used earlier, namely relevance, performance, success/impact and references to poverty reduction, gender equality and regional links. The scores are set out in the following table.

Project	Component Ranking from 1 (low) to 5 (high)					
	Relevance	Perfor-Mance	Success/ Impact	Poverty Reduction	Enhance Gender Equality	Support Regional Links
Trade Policy						
MTPP 2	3.5	2	2.5	1	1	1.5
Trade Development						
TEEM of which:						
BCA	2	3.5	3	3	1	1
DTL	2	1	2	3	2	1
Cotton Seeds Improvement/BLCF	5	4	4	4	1	1

MTPP 2 responded to several TP-related needs, as identified in the first phase, though the modular design was not as tailored to Malawi's context as it might have been, and its approach was still fairly traditional. It did not adequately consider how to ensure MTPP2 moved beyond the production of studies, workshops and technical assistance using foreign expertise as in Phase 1, to achieve capacity-building, for instance in collaboration with the university. The governance structure in Phase 2 proved to be a weakness and contributed to some of the performance-related problems, which in turn reduced the successes of the project. Nonetheless there were some positive impacts including the broadening of participation in trade-related workshops, and subsequent consultative meetings, to representatives of other ministries and civil society. Some useful studies were also produced. The government has begun to restructure its institutional machinery, though the changes were prompted by the IF, its earlier functional review, and the recognition of severe constraints within MTPSD, rather than by the MTPP-supported reviews. Poverty reduction linkages were addressed in one of the core studies but this was delayed by contractual problems and the report was not widely circulated nor used to inform other activities, as originally intended. There was little explicit reference to gender equality issues in the project though the inclusion of the NABW in some activities led to GE being raised. The regional linkages were also weak, though regional trade policies were addressed in some of the studies and workshops, and there was a regional meeting on CSO partners working on trade issues.

The overall goal of the *TEEM* project was to extend the benefits of trade to poor people. But it was largely a supply-driven project, based on a survey of needs and opportunities, which proved highly optimistic. The design for the trading company component was especially overambitious in terms of its financial sustainability, with unrealistic sales targets, and inadequate attention to the costs of product development, quality control and training. The project was plagued by governance problems with unclear relationships between the UK-based contractor and the Boards of the two companies which it set up with DFID funds, which led to ineffective oversight of the poor management of the two companies. There were some positive impacts, albeit quite limited relative to the project targets, e.g. some SMEs were provided with BDS and there was an increase of 'fair trade' in crafts and some crops. And the project introduced a detailed process to assess these impacts, focussing particularly on the changes in poor people's livelihoods.

The *Cotton Seeds Improvement/BLCF* project responded to a request for funds from a consortium of companies in conjunction with the National Small Farmers Association of Malawi. It was particularly relevant to the national objective of raising the incomes of smallholders farmers and their hired labourers by raising cotton yields and quality. While the project was well-designed and managed, and has already exceeded some of its targets, there are two areas of concern. One is whether farmers will be willing and able to pay the full market price of the seeds and chemical inputs. The system being used to recoup some of these costs is less transparent than originally proposed. The second relates to the smallholder cotton growers association and whether it will be weakened by the ginners' attempts to control both the high-yielding inputs, the cotton output and cotton prices (in order to recoup their costs). The project has no explicit gender-related objectives -- women farmers/labourers are likely to be amongst the beneficiaries, but there has been no analysis of their access to the extension services, nor their share of increased labour inputs or income. The project aims to bring yields in Malawi to the levels of regional competitors, and some of the output will be exported to regional markets for further processing. But otherwise there are few explicit regional linkages.

A number of common lessons emerge from these projects.

Flexibility in design – In all three projects it was clear that a flexible approach was needed to allow the project to evolve as new information became available about CB needs and effective approaches for meeting those needs. This was the case in the MTPP, in relation to the subjects for studies, and under the TEEM/BCA project, in relation to the extent of training or business support services needed by SMEs to engage in export markets. Some broad categories may be needed for accountability purposes; also it will be important to include criteria or mechanisms to ensure that activities contribute to capacity building even if the immediate purpose is to respond to short-term needs.

Clarity in governance and accountability – In two of the projects there were serious problems posed by the governance structure which confused responsibilities for decisionmaking and oversight. Complex structures increased costs as well as indecision. Closer oversight by DFID, in the Malawi country office and/or in the South African office (from the trade advisor) is critical.

Longer timeframe – In all three projects a longer timeframe was needed in order to meet the project's purpose. The time needed for CB is often underestimated – it is a long-term process, especially in countries with weak institutions (and limited absorptive capacity) and fragile economies. In the case of TRCB – whether focussing on trade policy, or on trade development – this is particularly the case.

The importance of national ownership and partnership -- In two of the projects, there were questions raised about how to increase national ownership and, where foreign managers or experts are necessary, how to links these more effectively with national partners. In the case of trade policy projects, giving a more central role to the MTPSD and the PSC is important. Other national partners to be involved in the design and implementation of projects must include other departments involved in trade and key stakeholders in the private sector, CSOs and the university.

Need to work more with the university – As part of a TRCB strategy, more attention should be given to the university to build up their capacity in a more deliberate way, e.g through courses on trade for both faculty and students. Some limited capacity has been developed through engagement in some of the studies, but more needs to be done – e.g. studies prepared under these various projects could be used to prepare teaching materials; participants at negotiating meetings or training workshops could deliver lectures to the university; linkages could be built with other researchers in the region involved in similar DFID-funded projects (as per the ATPP).

Use studies more effectively – Measures are needed to ensure that studies are tailored to the needs of policymakers or others involved in policy dialogue. A communications strategy is needed to ensure that the analyses are available to the national trade policy community even if the policy recommendations concerning negotiating strategies, for instance, are not as widely shared. Apart from tailor making the studies, the studies should be demand-driven or at least relevant to current problems

Make more connections to gender – A final point relates to the weak efforts to include gender equality issues. While it has been a challenge to mainstream linkages to poverty reduction in many aspects of trade policy and development, there has been even less success in the area of gender. This is consistent with the experience in other countries; few have yet been able to integrate gender issues into their consideration of trade policy or trade development projects.

B. DFID Attributions and Contributions

As detailed earlier in this report, there are a number of changes underway in the government's trade-related institutional framework. Besides the formation of a new Ministry of Trade and Private Sector Development, there is discussion of a new interministerial committee, an interinstitutional committee, and a number of fora for discussing a range of trade issues with the private sector and other stakeholders, in addition to the TPNWG and the NAG. While there may be some scope for rationalising and formalising these various groups, and prioritise the issues they are addressing, in particular to reduce the servicing burden on the MTPSD, these developments underline the evolution in the government's approach to trade issues since DFID first engaged in TRCB in Malawi with the MTPP.

DFID's support via the MTPP especially in Phase 1 is recognised as having been pathbreaking. The MTPP contributed in two key respects. First it led to more detailed knowledge in the government, particularly in MOCI, of WTO and other trade policy interest as a result of the studies, workshops and participation in conferences. Second, the government's greater engagement on trade policy issues with other stakeholders who themselves benefited from training, studies and the opportunity to participate on the

Malawi delegation to Cancun. Its funding of the secretariat for NAG and for the TPNWG has helped to enhance the work of these two groups.

But overall the number of people involved, as well as the numbers of studies, has been limited – in part because of the delays in the project and its ending a year early, in part because of the MOCI's absorptive capacity. Several needs remain unmet.

The issue of restructuring and rationalising the institutional machinery for addressing trade policy issues has just been mentioned. Another area, which is essentially a domestic political one, though it could be informed by studies etc funded externally, are the priority issues for the government to address, whether in terms of negotiating bilateral/regional/other agreements, and sectors/issues within those agreements, or national trade machinery (e.g. strengthening capacity in SPS or in IPRs or in competition/unfair trade). Third is the capacity to link trade policy and practice to poverty reduction. Here the MTPP contributed two studies, which identified areas for further research and action.

Malawi has faced difficulties in meeting its WTO notification requirements.[41] Its capacity to engage in WTO negotiations is still constrained by a lack of representation in Geneva (though there are various advisory services now available, e.g. from the Commonwealth Secretariat, for non-resident countries.)

Besides capacity needs relating to trade policy and regulation, a priority must be to identify areas for TRCB on the supply-side (i.e. trade development). It is widely agreed that supply-side constraints remain a major obstacle to trade expansion.[42] DFID has been active here with its support of BLCF, TEEM, PSPs and NAG, though these various efforts have been one-off i.e. not part of a broader or longer-term strategy in DFIDM or in the government, which probably weakened their impact.[43]

Several other donors and agencies have begun to provide TRCB. Malawian officials have participated in a range of WTO seminars in Geneva and regionally since 1995. But the WTO recognises 'more is required. In particular national seminars and training of trainers are of crucial importance in expanding Malawi's group of experts.'[44]

Others such as the EU are becoming more active in the trade policy area, while others such as the US are more involved in trade development, particularly in the priority agricultural area. A division of labour is emerging, for instance with the EU more focussed on supporting Malawi to engage on trade policies regionally, while DFID remains more focussed on the WTO and national trade policy machinery. Some coordination has begun through the IF, which covers both TPR and TD, although not all donors are willing to engage in this forum, before it has proven to be effective.

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[41] Ibid. p. 20.

[42] WTO, Malawi Trade Policy Review 2002, p. 21.

[43] It is difficult to quantify their impact; DTL's sales records have proved unreliable; BCA's impact has been indirect; and in the case of BLCF, the first season has just ended – initial estimates suggest a 150% increase in the volume of cotton grown and assuming a constant export price (i.e. the higher quality offsetting the decline in world prices) this could mean an increase of $5.5mn in export earnings.

[44] Ibid. p. 21.

ANNEXES

A. Tables

Annex Table 1: Sectoral shares in total recurrent expenditure

Recurrent Expenditure	**1996/97**	**1997/98**	**1998/99**	**1999/00**	**2000/01**
General public services	14.8	19.4	24.0	17.7	35.2
Defence affairs	4.9	3.8	4.0	4.5	3.1
Public order and safety nets	5.4	4.1	4.1	5.0	3.8
Education Affairs and services	18.2	18.3	15.1	18.3	11.4
Health Affairs and safety nets	8.8	7.5	6.9	10.2	8.0
Social security and welfare affairs and services	5.1	11.2	6.9	11.4	5.5
Housing and community Amenity services	0.9	1.9	0.8	1.0	0.5
Recreational, cultural and other social services	0.5	0.4	0.3	0.3	0.2
Broadcasting and publishing affairs and services	0.3	0.7	0.4	0.3	0.2
Energy and mining services	0.2	0.2	0.1	0.1	0.1
Agriculture and natural resources	4.9	4.7	4.7	5.7	4.5
Tourism affairs and services	0.2	0.2	0.0	0.2	0.1
Physical planning and development	0.3	0.3	0.1	0.3	0.0
Transport and community services	1.3	1.6	0.6	0.8	1.8
Industry and commerce	**0.3**	**1.0**	**0.5**	**0.6**	**0.7**
Other economic services	0.1	0.4	0.3	0.4	0.4
Un-allocable services	33.8	24.4	31.2	23.3	24.4
Total recurrent expenditure	100	100	100	100	100

Note: these are actual expenditures.
Source: Ministry of Economic Planning and Development, Economic Report 2003, July 2003

Annex Table 2: Sectoral shares in total development expenditure

Development Expenditure	**1996/97**	**1997/98**	**1998/99**	**1999/00**	**2000/01**
General public services	38.5	11.6	9.7	16.7	4.7
Defence affairs	0.8	1.2	0.1	0.7	0.2
Public order and safety nets	0.5	1.7	0.3	1.7	0.1
Education Affairs and services	8.4	19.4	14.5	7.9	17.9
Health Affairs and safety nets	3.6	7.5	17.9	5.3	1.7
Social security and welfare affairs and services	0.7	0.3	1.7	0.9	0.0
Housing and community Amenity services	14.3	12.1	24.2	17.1	25.3
Recreational, cultural and other social services	0.0	0.0	0.0	0.2	0.1
Broadcasting and publishing affairs and services	1.6	2.1	0.1	1.0	0.6
Agriculture and natural resources	10.3	13.3	11.4	11.9	6.3
Transport and community services	5.5	25.6	14.8	22.9	28.6
Industry and commerce	**0.2**	**0.2**	**0.7**	**0.8**	**0.1**
Other economic services	0.2	1.7	0.5	12.8	14.2
Un-allocable services	15.3	3.2	4.1	0.0	0.0
Total Development Expenditure	100.0	100.0	100.0	100.0	100.0

Note: these are actual expenditures.
Source: Ministry of Economic Planning and Development, Economic Report 2003, July 2003

Annex Table 3: Strength of the Trade Department in terms of Numbers[45]

	Establishment	filled	Proposed (grade)	Proposed[1] (#)	Filled
Director – P4	1	1	P2	1	0
Deputy Director – P5	1	1	P3	2	2
Asst. Director –P5	0	0	P5	3	0
Principal Trade Officer –P7	0	0	P7	6	2
Senior Trade Officer – P8	3	2		0	2
Trade Officer-PO	6	6	PO	6	2
Business Promotion Officer – PO	0	0	PO	27	0
Senior Assistant TO – SEO	6	8			8?
Assistant trade officers – EO	24	15			15?

[1]as per the Functional Review
Source: Ministry of Trade and Private Sector Development

Annex Table 4. TRCB projects in the WTO/OECD database (2001-2003)

Country/Organization	TPR ($000s)	TD ($000s)	Total ($000s)
IDA	313.33	15,000.00	15,313.33
US	68.59	1,449.76	1,518.35
Iceland		509.00	509.00
Germany	57.80	273.49	331.29
WTO	203.32		203.32
UNIDO	96.00	33.00	129.00
Japan	5.75	72.46	78.21
Switzerland		73.87	73.87
ITC		54.78	54.78
Canada	41.00		41.00
Ireland	19.79		19.79
Sweden	3.94		3.94
FAO	3.07		3.07
Total	805.58	17,466.36	18,271.94
Source: WTO/OECD database.			

[45] It is difficult to establish the qualifications of the officers engaged. In line with the original mandate, the trade department used to employ non-degree business college graduates (as EOs and SEOs) to assist in the regulation of trade. With liberalisation these became largely redundant but have been maintained. There are no plans to give them an option to upgrade to degree level. The maximum qualification for most other officers is a masters' degree.

Annex Table 5. Extract from the MTPP LFA

Phase 2

Goal **Pro-poor and environmentally sustainable economic integration and participation by Malawi in the regional and international trading regime**	**OVIs**
Purpose **Capacity-enhanced in appropriate Malawi institutions to formulate, negotiate and implement trade policies which are sustainable, inclusive and pro-poor**	**1. Adoption and implementation of trade policies that positively impact the poor and contribute to environmentally sustainable development** **2. Increased participation by private sector and civil society stakeholders in trade policy formulation and negotiation**

Annex Table 6. Extract from the TEEM LFA

Goal **The alleviation of poverty through equitable trade in Malawi**	**OVIs** **Reduction by 10,000 of people living in Malawi under US$1 per day**
Purpose **To improve the livelihoods of poor people in Malawi through the expansion of market-led local businesses and exports**	**1. 2,000 wage earning positions in the manufacturing and smallholder sectors** **2. Change in employment practices in the majority of participating businesses** **3. 20% increase in participants' cash sales.**
Outputs include **1. Business service centre sustainably delivering market-led business counselling to SMEs** **2. Sustainable trading company operating and exporting in Malawi with growing annual turnover**	**1. Business service centre cost recovery of 40% of local costs by end of project** **2. Client base of 360 by end of project** **3. Trading company breakeven by year 2 of project**

Annex Table 6. Extract from the BLCF/Improved Cotton Seeds LFA

Objectives **1. Improve incomes, livelihoods and opportunities for target groups**	**OVIs** **1. Increase income of cotton smallholders by 300% from less than US$1/day**

	2. Increase in hired labour of at least 100%
2. Increase business competitiveness and thus access to and share of new and existing markets or defence of existing market share	**1. Double smallholders growing cotton to 200,000** **2. Increase lint exports to $61.5 mn from $22.5 mn** **3. Increase ginnery utilisation rates to 100% from 20%**

B. Questionnaire

PROJECT RELEVANCE

Project rationale/origin

- What was the rationale for the project?
- Who conceived the idea? (Govt/DFID) Was it part of an overall strategy? (UN agency, JITAP, etc) Was it part of the WTO agenda?
- What are the priorities for Malawi, in relation to WTO negotiations/regional negotiations? What are its main interests in terms of market access?
- What is the importance of TRCB projects in the overall DFID project portfolio in Malawi?
- What are the perceptions in Malawi regarding TRCB? Does the government or the private sector recognize TRCB as having operational value?

Project design

- Who designed the project? What kind of consultations were undertaken preparatory to project design?
- What were the problems encountered at the design stage?
- Were alternative options in design (i.e. the content of project activities/methodologies of implementation) and in allocation of resources, considered? If so, what were these alternatives?
- Are DFID projects in any way linked to each other, especially between trade development and trade policy projects? Are there any potentially valuable linkages?

Other donors

- Were there other donor activities in the same area?
- Is the project complementing any other completed or ongoing donor activities?
- What is the perceived comparative advantage of DFID in undertaking this project?
- Are multilateral channels more or less effective than bilateral DFID funding? Are there niches in the broad realm of trade that are better managed through multilateral channels?

PROJECT PERFORMANCE

EFFICIENCY

- How were resources allocated within the project – expertise and advisory services, training, equipment, study tours, studies, national vs. international consultants?
- Are there any indicators by which the cost-effectiveness of the project can be judged? What is the view in Malawi?

EFFICACY and PUNCTUALITY

Focus/objectives

- What was the main focus of the project? What were its primary and subsidiary features?
- What were the main objectives of the project? How relevant and realistic were they? Has the project achieved them? If not, to what extent were there any positive outcomes? What were the reasons for the shortcomings?
- Were the project and its component activities implemented satisfactorily and in a timely fashion? What were the problems encountered?

Advisory services

- What kinds of expertise/advisory services were provided through the project?
- What were the proportions of international/national consultancy services and how did they perform? What lessons can be drawn? Did such advisory/expert services build capacities?
- To what extent is locally available expertise adequate to achieve the objectives of the project? Did you necessarily require foreign expertise?

Training

- What kinds of training were undertaken through the project?
- Did this kind of training build institutional capacities within the government/ private sector/universities and research institutions?

Equipment

- What was the equipment component in the project?
- How satisfactorily was equipment delivered and are they relevant, cost-effective equipment for Malawi?

Project management

- Who has been responsible for the management of the project? Was it a management consultancy company or a non-profit organization (university/research institute)? Where are they based? Are they doing other work for DFID or for other multilateral or bilateral agencies?
- What arrangements were established for project oversight, monitoring and evaluation? Did these arrangements work out satisfactorily?
- To what extent were the key stakeholders kept informed of project developments? Was there productive feedback? How was the relationship between the funding agency (DFID) and implementing agencies? Did it proceed smoothly? In what ways can the relationship be improved?
- To what extent was the non-governmental sector (private sector, universities, research institutions, NGOs) engaged in project activities? Could their services have been better engaged?
- Are small projects more effective than large projects e.g. in delivering CB based on Malawi's experience? Can there be any conclusions on this issue?

IMPACTS/ SUCCESS

Effectiveness/impact

- To what extend did the project contribute to policy development and policy change? What was the impact of the national trade policy process? What was the impact on the content of Malawi's trade policies and reforms?

- How does the impact of TRCB compare to the most significant influences in Malawi on trade policy-making? (WTO negotiations; regional negotiations; domestic policy imperatives; other multilateral institutions such as World Bank/IMF/regional banks/UNCTAD etc; influences of NGOs; the corporate private sector, especially TNCs)

- To what extent did the project contribute to building capacities? Can the project be described as largely a capacity building project? If not what is the percentage of overall resources which went to capacity building? What were the final outcomes of the project? Has it made a sustainable contribution to capacity building? What were the failures and shortcomings?

- What was the impact of the project on the private sector capacity to produce and export? Was the producers/product association (if there is one) associated with the project in any way? Was their capacity increased?

- Did the local institutions engaged in the project have the necessary absorptive capacity for benefiting from project activities?

- What kinds of indicators can be developed to judge the project outcomes at the micro-level? (For example, in horticulture, the improved access to extension services by farmers, improved quality control etc.)

SUSTAINABILITY (financial, political and institutional)

- Are there other (national and/or donor) sources of funding for continuing this type of TPR/TD programming?
- Is there evidence that the government and/or other national groups in Malawi are interested in investing in using, maintaining and/or deepening this newly acquired capacity for trade?
- Is there interest and capacity in ministries or other institutions that had benefited from DFID TRCB assistance in maintaining this trade-related capacity (e.g. human resources; information sources and related technological hardware)?

LINKAGES with POVERTY REDUCTION, GENDER EQUALITY AND REGIONAL INTEGRATION

- In which way is the TRCB DFID portfolio in Malawi contributing to poverty reduction? At the design stage of projects were the poverty reduction aspects stressed? Which projects are more poverty-oriented than others?
- How were the objectives of gender equality integrated into the project design and implementation?
- Did the project focus on regional integration or build capacity at the regional level?

Other issues

- DFID contributes a sizable amount of resources to the EU. The EU makes a sizable contribution to TRCB. To what extent is DFID influencing EU policy in TRCB? To what extent are DFID activities linked to EU activities in Malawi?
- Whenever a multilateral agency is utilizing DFID resources, what has been the outcome and impact of such activities?

C. List of National and Project Documents Consulted

National-level documents:

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D. List of people interviewed

In Malawi:

Members of the Balaka Smallholder Farmers Association

Mr. L. Chaluluka, General Manager, Malawi Export Promotion Council

Mr. Dyborn Chibonga, Managing Director, NASFAM

Dr. Ephraim Chirwa, Dept. of Economics, Chancellor College, University of Malawi

Mr. Sean De Cleene, Executive Director, Africa Institute for Corporate Responsibility

Mr. Perry Gollo, formerly TEEM Country Manager

Mr. Nelson Gomonda, Country Manager, MTPP, Maxwell Stamp

Mr. Maurice Gondwe, Projects and Research Officer, Malawi Export Promotion Council

Mr. Frans Grey, General Manager, Clark Cotton Malawi Ltd.

Mr. Simon Itaye, Managing Director, Packaging Industries (Malawi) Ltd.

Ms. Cathy James, Chairperson, Eagles Relief and Development Programme

Mr. Gresham Jere, Director, Planning, Ministry of Trade and Private Sector Development

Mr. Corin Jones, Managing Director, Great Lakes Cotton Company Ltd.

Mr. Patrick Kabambe, Director, Planning, Ministry of Agriculture

Mr. Henry Kachaje, Acting Managing Director, Business Consult Africa

Ms. Malika Kalyati, Economist, EU Mission, Malawi

Mr. Patrick Khembo, Managing Director, Chemicals and Marketing Co. Ltd.

Ms. Azusa Kubota, Programme Analyst, UNDP

Mr. Peter Kulemeha, Assistant Resident Representative, UNDP

Mr. Norman Ling, UK High Commissioner, Malawi

Mr. Harrison Mandindi, Deputy-Director, Ministry of Trade and Private Sector Development

Ms. Mary Malunga, Executive Director, National Association of Business Women

Ms. Lindsay Mangham, Economist, DFID-Malawi

Ms. Gillian Mann, Kadale Consultants

Mr. John McGrath, Managing Director, Imani-Malawi

Mr. Brian Mtonya, Director of Economic Planning, Ministry of Economic Planning and Development

Mr. Khwima Nthara, Country Manager, Development Solutions, Deloitte Touche and Tohmatsu, previously Country Manager MTPP, Malawi

Mr. Lawrence Rubey, Chief, Agriculture and Natural Resources, USAID

Mr. Peter Schuil, Director, Imani-Zimbabwe

Mr. Roger Wilson, Head, DFID-Malawi

In the UK:

Mr. Rob Donnelly, Traidcraft Exchange

Mr. Keith Herrmann, Durham Business School

Mr. Martin Kebbyll, Maxwell Stamp

Mr. Harry Kendall, Maxwell Stamp

Ms. Pat Richardson, WISE and Associates