

MALAWI

WHAT IS YOUR AID FOR TRADE STRATEGY?

1. **What priority is accorded to trade development in your country's economic growth/national development/poverty reduction strategy?**

The Malawi Growth and Development Strategy (MGDS), the current medium-term strategy of the country, aims to create wealth through sustainable economic growth and infrastructure development as a means of achieving poverty reduction. The overall aim of the MGDS is to achieve the (trade-related) vision of the country 'to transform the country from a predominantly consuming and importing country, into a predominantly producing and exporting country'.

2. **Do you have a government-wide trade development strategy and if so what are its main priorities? What time period does it cover?**

The MGDS whose time period is from 2006 to 2011, provides the overall development strategy of the country. The main priorities are agriculture and food security, irrigation and water development, transport infrastructure development, energy generation and supply, integrated rural development and prevention and management of nutrition disorders, HIV and AIDS.

There are however, some trade-related documents in use such as, the Integrated Trade and Industry Policy (which needs updating), the Malawi Economic Growth Strategy (MEGS), the National Export Strategy (NES) the Diagnostic Trade and Integration Study (DTIS) and the Private Sector Development (PSD) Strategy. These documents identify the supply-side constraints that the country faces and provide recommendations on how to address these constraints. These documents in addition to the current work being undertaken on mainstreaming trade would form the basis for the development of a government wide trade development strategy.

3. **Does your trade development strategy specify aid-for-trade needs?**

Once formulated, the trade development strategy will specify supply-side constraints that would need to be addressed through technical assistance initiatives such as the Aid for Trade programme.

4. **What are the main trade development challenges and opportunities you face which require collaboration with other countries in your region? Are these addressed in your trade development strategy?**

The main trade development challenges requiring regional collaboration are those related to supply response (particularly dealing with issues of productivity, quality and competitiveness), trade facilitation infrastructure, standards development and enforcement, capacity at enterprise and institutional level, policy challenges and technology development. The main opportunities are utilisation of abundant labour forces, establishment of regional product clusters along comparative advantage principles and regional integration.

HOW MUCH AID-FOR-TRADE DO YOU RECEIVE?

5. **Have you costed your trade development strategy? What percentage of your trade development financial requirements do you expect to be funded by ODA?**
6. **Which activities do you consider are supporting your trade development strategy? Accordingly, how much aid-for-trade have you received by category for the period 2002-2005, and in particular in 2005?**

Although there is currently no trade development strategy, the country has been/is receiving technical assistance in areas that do support the national development strategy and the countries trade objectives. These include notably, assistance for Economic Partnership Agreement (EPA) negotiations, forum, assistance through the Integrated Framework (IF) and Joint Integrated Technical Assistance Programme (JITAP) and a number of programmes to assist the private sector.

Summary of trade-related assistance covering period 2005.

Area of support	Time	Amount	Donor Agency/ Partner
Institutional support and capacity building (Funding for a Senior Trade Policy Advisor within Ministry of Trade)	2005-2006	EUR 240,000	European Commission
Trade policy support for Ministry of Trade and other national stakeholders.	2005-2007	USD 524,000	Integrated Framework Trust Fund (WB, IMF, UNCTAD, ITC, WTO, UNDP)
Support to Malawi Bureau of Standards (Standards, Quality Assurance, Accreditation and Metrology) project	2005-2007	USD 476,000	Integrated Framework Trust Fund (WB, IMF, UNCTAD, ITC, WTO, UNDP)
Capacity Building for Multilateral Trading System	2003-2007	USD 600,000	JITAP Trust Funds (ITC, WTO, UNCTAD)
Business support services (Deepening the Microfinance sector in Malawi)	2004-2007	USD 3,477,056	USAID
Trade policy administrative management (Support to National Action Group Secretariat)	2005-2007	USD 179,473	USAID

Source: Ministry of Industry and Trade

7. Describe any key trade development priorities that are constrained by lack of donors' funding?

Several of the supply side constraints as highlighted in the Diagnostic Trade and Integration Study (DTIS) and its Action Matrix are currently under funded or not funded at all, these range from support for customs modernisation, support for development/ rehabilitation of internal and regional transport links, standards development and enforcement, institutional capacity building, issues of productivity and quality and skills development.

HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

MAINSTREAMING

- 8. Describe the internal governmental coordination process to prepare your trade development strategy.**

Although there is currently no trade development strategy, the proposed developed of such strategy would replicate the coordination processes that led to the development of the NES and the MGDS. This would firstly involve consultation at the government level followed by consultations with key private sector and civil society stakeholders and development partners.

OWNERSHIP

Refers to partner countries exercising effective leadership over their development policies and strategies and coordinating development efforts.

- 9. What needs assessment tools do you use to formulate your trade development strategies (do you use diagnostic studies, e.g. such as those prepared under the Integrated Framework?)**

The needs assessment tools that would be used to formulate the trade development strategies are the documents already available as highlighted in Question 2. In addition to these documents further consultations would be undertaken as described in Question 8 above.

- 10. How do you involve key stakeholders (including the private sector and civil society) in the identification of your trade development challenges and opportunities?**

Private sector and civil society are engaged in a number of national forums, the main trade forum being through the National Working Group on Trade Policy (NWGTP).

ALIGNMENT

Refers to donors basing their overall support on partner countries. national development strategies, institutions and procedures.

- 11. Are external partners using your policy planning and budgeting framework as a basis for their aid-for-trade support?**

[Answer is for general aid support]

The main government planning and budgeting documents at the Macro Level are; Malawi Poverty Reduction Strategy (MPRS), Malawi Growth and Development Strategy (MGDS) and the Public Sector Investment Program. At the sectoral a number of Sector Wide Approaches (SWAPs) have been developed in the areas of Health, Education, Agriculture and the Road Sector.

A significant proportion of support to Malawi is deemed extra-budgetary. Extra budgetary projects (loans and grants) are those whose finances are not directly managed by a Government institution. For example in 2006/07 about 31% of the project expenditure was done outside the budget framework. In monetary terms this amounted to K16.3 billion. In 2007/08 about 23% of the donor expenditure is expected to be extra-budgetary. Most project and program loans are channelled through the budget; however the problem is with project grants which are channelled outside the budget.

12. How well do aid-for-trade flows reflect your government's trade development priorities and what aid management information system do you use?

[Answer is for general aid support]

Prior to the formulation of the Development Assistance Strategy (DAS) which should assist operationalize the Paris Declaration in Malawi; most of the development assistance to Malawi was poorly aligned to key national development programs. Since the formulation of the MGDS and the DAS more development partners have aligned their aid program with the MGDS. Examples are the World Bank Country Assistance Strategy, the Africa Development Bank Country Strategy Program, the United Nations Development Assistance Facility (UNDAF) as well as support from the Department of Foreign and International Development (DFID) and the Norwegian assistance strategy.

The government is using the Commonwealth Secretariat Debt Recording Management System (CS-DRMS200+). The CS-DRMS is mainly used for capturing external loans, the system has the ability to manage grants however due to lack of data and non-reporting by donors on project grant disbursements the grant module of the CS-DRMS has not been activated.

HARMONISATION

Refers to donors. actions being more harmonised, transparent and collectively effective.

13. How do you encourage external partners to coordinate their trade related analyses and programming? Where, if at all, are the main coordination gaps?

Currently development partners base their planning on the overall development strategy of the country, the MGDS. Consultations for support are undertaken with the Ministry of Finance and the Ministry of Economic Planning and Development. The noticeable coordination gaps that exist are inadequate sectoral focus. There is need to have more sector Ministry participation (particularly Ministry of Trade, given the trade related vision of the country) in such donor government discussions.

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

14. How do you measure the success of your trade development and aid-for-trade strategies?

Success of the overall development strategy, the MGDS, is reviewed through various consultative processes and a major annual review undertaken.

15. Do you cooperate with donors and other stakeholders in joint monitoring and evaluation of aid-for-trade programmes?

Although there are no aid-for-trade programmes, the Ministry of Industry and Trade has incorporated donors as members of the Steering Committees of all the donor funded trade-related projects that it is implementing, such as the Integrated Framework (IF) and Joint Integrated Technical Assistance Programme (JITAP).

With regard, to other development programmes donors and other stakeholders participate in the monitoring and evaluation processes as defined by the programmes.

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

- 16. The WTO Task Force recommended establishing “A National Aid-for-Trade Committee, where necessary, to ensure trade mainstreaming in national development strategies, determine country needs, set priorities, assist in matching ‘demand’ and ‘response’, and help in evaluation.” Has such a Committee, or an equivalent body, been established in your country?**

An Aid-for-Trade Committee was set up in December 2006, under the National Working Group on Trade Policy (NWGTP) which is composed of members from the government private sector, civil society and non-governmental organisations.

- 17. Describe the process and key actors (such as donors, private sector-representatives, etc.) involved in reviewing progress toward fulfilment of your aid-for-trade and trade development commitments?**

[Answer is for general development commitments]

The Malawi Government has instituted several mechanisms and processes for reviewing progress towards fulfilment of GOM aid and development commitments.

- First are the pre-budget consultations which the Ministry of Finance (MOF) undertakes prior to budget presentation. The budget framework and key policies changes are discussed with representatives of the private sector (MCCI), donors and civil society;
- Secondly, every year the MOF undertakes a Joint Country Program Review (JCPR) to review progress in the implementation of development program/project with donors. Representatives of donors and private sector and civil society are invited to this review
- There are also quarterly Common Approach to Budgetary Support (CABS) review by the MOF and development partners providing budgetary support;
- Finally, under the DAS there will be mechanism for dialogue and progress review involving donors, private sector and civil society.