FINANCING EDUCATION IN MALAWI
OPPORTUNITIES FOR ACTION

Country Case Study for the Oslo Summit on Education for Development

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ACKNOWLEDGEMENTS

This country case study is one in a series of country reports prepared for the Oslo Summit on July 6-7, 2015. The Summit – hosted by the Government of Norway in cooperation with the UN Special Envoy for Global Education, Gordon Brown – will bring together partner and donor countries, multilateral organizations, civil society, the private sector, foundations and academia. It aims at mobilizing a strong and renewed political commitment to reach the 58 million children who are still being denied their right to education and to strengthen learning outcomes for children and youth. The Summit will bring forward success stories and best practices that can be taken to scale by bringing in new partners and mobilizing funding, as well as illustrate bottlenecks and how they may be overcome.

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The report builds on contributions of many stakeholders, but the findings, interpretations, and conclusions expressed herein are those of the authors and do not necessarily reflect the views of all of the contributors or their institutions or governments they represent.
EXECUTIVE SUMMARY

Malawi, one of the poorest countries in the world, has been chosen as a country case study to serve as an example of a Least Developed Country that is non-fragile. An assessment of the state of education shows a mixed picture. On one hand, access to primary schools, with nearly all children aged 6 enrolled, is significantly better than the average for the sub-Saharan region. This is as a result of the Malawi Government’s commitment to education, including the adoption of free primary education in 1994. Furthermore, this enrollment level has been achieved even though population growth remains high, with 10 million of Malawi’s overall 17 million now below 20 years of age.

On the other hand, there are some results that are significantly worse than the regional average, including: primary completion at only 31%; secondary enrollment at only 15%; pupil to qualified teacher rates at 78:1 in primary and 44:1 in secondary; and primary pupil to classroom ratio of 111:1. These factors influence learning outcomes; in independent assessments, Malawi’s primary children demonstrate weaker reading and math scores on average than almost all comparable countries in the region.

On a more positive note, Malawi has achieved overall gender equity at the primary level and increasing equity in the highest grades (during which female drop out rate is much higher than male), thanks to current initiatives. However support must continue, especially at secondary and tertiary levels. Malawi has a substantial challenge at the secondary and tertiary levels regarding socio-economic equity in the distribution of support; for example, only 3% of government subsidies at the tertiary level benefits the two lowest wealth quintiles, while 82% benefits the highest quintile.

The education assessment in this report identifies four bottlenecks to further progress in Malawi. These include: the persistent problem of high repetition rates, especially in lower primary, where some 25% of children each year repeat the same grade; the need to address the high and inequitable cost of tertiary education in Malawi; the deep challenge of management capacity, a problem that is apparent throughout the civil service; and the immediate issue of mismanagement of resources for which Malawi’s government has had negative publicity in the last two years.

This report analyses the state of financing of Malawi’s education sector, covering government spending, household spending and the amount and different modalities of donor finance. Overall, with about 40% of public expenditure funded by donors, total spending on education is 7% of GDP. This rate is higher than many other African countries including Kenya, Uganda, Mozambique and South Africa, countries that on average have better education results than Malawi. This implies that Malawi has a lower level of expenditure efficiency.

One area of expenditure in which Malawi may be setting a high standard is the primary school grant program, through which a grant is given to each school’s management committee, which is made up of elected community members and senior teaching staff. The grant is a minimum of about $1,200 USD per school each year (more for large schools) and evidence of significant benefits from this new program is already emerging. In addition, the program greatly contributes to improved equity, decentralization, and accountability. Future funding from the Global Partnership for Education is expected to finance a performance-based element of these grants.

Four priorities for action are recommended for Malawi:

1. An immediate challenge is the consequence of donors’ suspension of budget support to Malawi, following the revelation of large thefts within government. The government is struggling to cope without such support and the education sector is already experiencing setbacks. The challenge is to find a donor finance modality that can support under-funded
budget lines, yet has sufficiently robust systems of accountability. Donors and government are working on this.

2. The second priority is to improve the efficiency of resource usage by addressing some of the issues that underlie the bottlenecks to further progress. However, these challenges are deep-rooted and have been there for years. The Malawi government must start the process with clear leadership to catalyze 'business as unusual'.

3. Government can aid this process by seeking donor support for education systems development. This may include a combination of technical assistance and financial support. Such support needs careful design so that results can be sustained. Political economy analysis is likely to be an essential tool. More emphasis on achieving strong working relationships between key individuals in donors, government, and technical assistance will be needed. So too will be flexibility on the part of donors providing this support to systems, so that support can be adapted to prevailing circumstances, such as changes in key individuals.

4. Finally, government and donors should put more focus on aid harmonization. While donors may be unable to return to pooled budget support in the short term, much can be done to coordinate better (e.g., financing modalities), despite the different regulations and varying risk-appetites amongst donors.

Even though additional resources are needed immediately in Malawi, it is not so much the amount of donor resources that is important, but rather the way the resources are made available and the relationships that come with the resources.
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I. ASSESSMENT OF THE STATE OF EDUCATION

Malawi has a population of over 17 million, growing at 2.8% per year. It is one of 48 least developed countries (LDCs), of which 34 are in Africa. It is ranked 174 out of 187 countries surveyed in the 2013 Human Development Index, and 183 out of 185 countries on the 2013 World Bank data on GDP per capita. However, it has been free of conflict and is classified as non-fragile with an improving Fragile State Index score. Yet, the economy is still immature and dominated by subsistence agriculture, with over 80% of the population living in rural locations.

From the education perspective, there is a mixed picture. State commitment to education is strong, with free primary education offered since 1994 and a net primary intake rate of 97% in 2014, compared to the sub-Saharan Africa (SSA) average of 79%. This result has been achieved despite an average annual enrollment growth rate of 5% and with 58% of the population under the age of 20 (compared with 27% in the USA), many of whom are affected by health issues like HIV/AIDS. In addition, almost half of Malawi’s children under age 5 are short for their age (stunted) due to the long-term effects of malnutrition, and 20% are severely stunted. Stunting does irreversible damage to intellectual development. This challenging environment contributes to learning outcomes that are some of the lowest in the region.

Access

The Malawi public education system includes primary Standards 1-8 (for ages 6-13) and secondary Forms 1-4 (ages 14-17). Although the net intake rate of 6 years old into the free primary stage is 97%, dropouts are common and the primary net enrollment rate of 87% in 2014 shows that there is some way to go before universal primary education is achieved.

Enrollment at the secondary level in Malawi is only 15%, well below the SSA average of 33%. Since fees are charged at public secondary schools, poverty is the major contributing factor, together with insufficiently trained teachers and poor infrastructure. Tertiary enrollment in Malawi is reported as only 1% of eligible aged students, the lowest rate in the world.

Quality

Within the first few years after 1994, when free primary education was introduced, over one million children poured into schools. This was many more than the system could handle and there was a massive drop in educational achievement. Many of today’s teachers were educated in this weakened system and the quality of teaching remains low.

Progress has been made recently in teacher production, with donors supporting the building of new teacher training colleges and distance learning programs. However, the 2014 primary PTR of 70:1 and PqTR of 78:1 (improved from 91:1 five years before) are still too high for effective teaching and much worse than the SSA average of 42:1. The PqTR should already have improved to 66:1, but this improved has been delayed, as 10,000 newly qualified teachers have not yet been placed in schools after more than a year due to funding shortage (see below).

PTR at the secondary level is 26:1, slightly better than the SSA average of 28:1. However, the PqTR is only 44:1, as many schools rely on primary-trained teachers who are not adequately qualified to teach at this level. In subjects like mathematics and science, it is as high as 170:1.

The pace of infrastructure development, though supported by donors, has not been able to keep up with the pace of enrollment, resulting in crowded classes and with many classes (mainly lower primary) being taken in the open. For example, the primary pupil to classroom ratio has increased from 101:1 in
The supply of teacher houses in rural areas is inadequate, demotivating teachers who are based there.

Procurement and distribution of teaching and learning materials has been affected by management inefficiencies, resulting in average pupil to textbook ratios as high as 6:1 in some subjects and standards.

These factors have contributed to an inefficient education system characterized by both high repetition and high dropout rates. The repetition rate is about 25% in Standard 1 and as a result over 50% in Standard 1 are over 6 years of age. The average repetition rate in the first six grades is above 20% in Malawi, significantly higher than the SSA average of 15%. Dropouts are over 10% in the first two years. As a consequence, primary school completion rates have remained around 30% since 2009. Repetition is further considered below.

Because of the weak learning environment, learning outcomes have remained low. Results from the three SACMEQ assessments (SADC region education outcome quality survey) have consistently shown that the majority of learners achieved only level 3 on an 8-level scale for both reading and mathematics. Results of a 2012 early grade reading assessment (EGRA) in Standards 2 and 4 revealed that both groups failed to reach the benchmarks for Standard 1. Learning outcomes also reflect inequities in gender, location, and socioeconomic status, described below.

**Figure 1. Distribution of 2014 primary and secondary enrollment by stage, showing the effects of high repetition, dropouts and low secondary access**

*Source: 2014 EMIS.*

**Equity**

Inequities exist throughout the system by socio-economic status (SES), urban-rural location, and gender.

Government subsidies to the three levels of education show great disparity. At the primary level, the subsidy is progressive, with 54% going to the lowest two wealth quintiles and only 9% percent going to the highest. However, at secondary, only 18% goes to the lowest two quintiles. The situation is extremely inequitable at tertiary level, where only 3% goes to the lowest two quintiles and 82% to the highest. Thus, government expenditures favor those in higher education compared to those at the primary and secondary levels, where expenditures are very low. Non-salary annual spending per pupil is only $1.50 USD at primary and $27 USD at secondary levels, while it is $807 USD per student at tertiary. Malawi’s unit cost for higher education is the second highest in the region.
Malawi has already attained gender parity at primary level, with an overall GPI of over 1.00 in the last several years. However, the rate at Standard 8 is only 0.85. At the secondary level overall, the GPI rate is 0.87 (slightly better than the SSA average of 0.84), though the rate is only 0.81 at Form 4. Nevertheless, GPI has greatly increased from eight years ago, when the Standard 8 rate was at 0.79 and the Form 4 rate was 0.68. Affirmative policies are evidently assisting. At the tertiary level, the gender imbalance is worse, with a GPI of about 0.60 and in university sciences and engineering programs it is as low as 0.22. GPIs for students in rural areas and for those from low socio-economic statuses (SES) groups tend to be lower than those for students in urban areas and for those from high SES groups. Therefore, Malawi is unlikely to meet the MDG on gender equity in both primary and secondary by 2015.

Other inequities exist in the distribution of resources by location, with urban areas benefitting more than rural areas. In 2014, the urban ratio of pupils to qualified teachers (PqTR) was 74:1, compared to 78:1 for rural areas. At the secondary level, the PqTR ratio for urban areas was 35:1 against 50:1 for rural areas. The poor working and living conditions and inadequate incentives make it difficult to attract trained teachers to rural areas, which have 86% of all enrolled pupils. The gender imbalance of teachers is very stark, with a GPI of 0.58 in rural areas compared to 2.32 in urban areas. The predominance of male teachers in rural areas deprives most adolescent girls of female role models, and puts some at risk of sexual harassment.

**Sustainable Development Goal**

The education SDG for 2030 includes “that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes” and “eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations.” Against the background described above, these goals seem overly challenging for Malawi.
II. KEY BOTTLENECKS IN EDUCATION

This study identifies four key obstacles to desired change. Two of these are specific to the education sector and two cross-sectoral.

Repetition rates

High repetition rates compromise the efficiency of the education system. High repetition is attributed to a combination of factors, including high PTRs and PCRs, lack of textbooks, high absenteeism of teachers (those in early grades typically receive only 2-3 hours of teaching a day), ineffective teaching methods, and children being needed at home for household chores and wage-earning work.

Repeaters take up space for new entrants and therefore contribute to overcrowding and to the high PTRs and high pupil to textbook ratios. Classroom dynamics become more difficult to manage, with older boys dominating. Learning outcomes inevitably suffer as a result. Dropouts are also higher as a result of high repetition. It is estimated that improving repetition and dropouts could save 27% of public resources applied to primary. This figure has improved from 35% ten years ago, however no improvement has been seen in repetition or dropouts in the last five years.

Repetition adds to the household cost of education, since even at the primary level families have to make various small financial contributions. Repetition also breeds a feeling of failure that detracts from the appeal of schooling. The decision by a teacher that a child should repeat a Standard is based on the assumption that the learner has not acquired enough knowledge to function at the next level. However, there is no proven significant relationship between the students' learning achievement and a high frequency of repetition in Malawi. As such, unwarranted repetitions increase the cost of education and lower completion rates. A 2011 government circular to all schools to reduce repetition to a maximum of 10% per stage has so far had no impact.

Another factor that may be limiting the desired improvement in repetition and dropout rates in the early years of primary is that public investment in early childhood development (ECD) remains very low. Only one third of children are enrolled in ECD. Most ECD is provided at the community level by NGOs and church organizations, and there is a widespread lack of professional capacity among caregivers.

Student financing

Malawi has a policy of cost-sharing at the secondary and tertiary levels, which requires students to contribute to their education. The policy has not contributed significantly to reducing government expenditure on higher education, as tuition fees are well below unit cost. Tuition fees in public universities have recently been increased fivefold, to $630 USD per year. However, the annual unit cost of university education is about $3,300 USD (including salaries) - the second highest in the SADC region. The government has to shoulder the balance. In addition to this heavy subsidization, government has been providing loans to students through a number of student loans schemes (that have all so far been ineffective in loan recovery), though a monthly subsistence allowance of around $120 USD per student has just been phased out.

Even with the tuition fee increases, tertiary education is still absorbing 25% of the total education budget with just 1% of all learners enrolled at that level. Even more disheartening is that 82% of those enrolled come from the highest wealth quintile.

Management capacity

Overall management performance in Malawi’s public service does not appear to have improved since the introduction of democracy in 1994; in fact, many senior civil servants say that it has worsened, as
compliance and discipline appear to have deteriorated. While this is a cross-sectoral challenge, it is one that can be identified as a significant factor in underperformance in the education sector.

For example, a special unit had been set up jointly by the government and donors to manage education infrastructure. The unit worked fairly well when employees were on donor-funded contracts and the unit had a separate bank account. However, the infrastructure outputs were significantly reduced and there was substantial underutilization of donor and government resources when, as planned, the unit became a government unit. Under government management, there were staff contracting problems and payments to contractors for on-site visits were not being processed as quickly as needed. After it became clear that problems would not be addressed for some time, donors arranged for most of their infrastructure funds to be spent through a different modality, one that made less use of government systems.

A second example of underperformance attributable to government systems taking over from donor systems can be found in textbook provision. When the management of primary school textbooks, which had been actively supported by donors, was returned to government procurement and distribution systems, the consequence was a two-year interruption in textbook supplies.

Management weakness also contributes to the delay in addressing the issue of repetition mentioned above. Frequently late payment of teacher salaries slows down the improvements sought in teaching quality. Some management challenges are common throughout Malawi’s civil service, such as weak supervision, rare or absent sanctions for poor performance, and high turnover of key managers. Added to this mix are inadvertent negative impacts from the international development community, such as instability following change in key expatriate officers every few years; goal-setting that is unrealistic for Malawi; transactions costs arising from insufficient harmonization (e.g., government staff time spent handling so many donor-funded projects); and donors and INGOs offering much higher salaries than the government so that many of the most capable government staff are attracted away from government positions.

**Mismanagement of resources**

Mismanagement of resources has recently become a more significant bottleneck for Malawi. Until 2013, Malawi had been an example of growing use of Sector Budget Support (SBS). In 2004 the first Sector-Wide Approach (SWAp) and SBS started in Malawi, in the health sector. In 2010, both SWAp and SBS were introduced in the education sector, bringing the total SBS in the two sectors to over $100 million USD per year. All this SBS, together with General Budget Support (GBS), was suspended from October 2013 following revelations of a set of large thefts of government resources. Although these resources were not apparently taken from the health or education sectors, donors were unable to continue SBS because of the implied fundamental weaknesses in government systems. A forensic audit commissioned by government, covering an 18 month period during which $40 million was stolen, confirmed that this theft was made possible because compliance with government systems was weak; for example, large payments were being made without adequate review, procurement procedures were not followed on large procurements, and the main treasury bank account had not been reconciled for more than a year.”

These revelations have prompted attention to many smaller but longer-established and systematic instances of mismanagement of resources. These involve overpayment of allowances, abuses of fuel for travelling, inappropriate procurements, etc. While bringing such issues to the attention of the Malawi public may be creating a suitable climate for the public sector to reform, for the time being donors will not return to either GBS or SBS. And Malawi, as one of the poorest countries in the world, can ill afford to abuse its own resources.
III. CURRENT STATE OF FINANCING

Background

Malawi’s GDP has grown at an average rate of over 4.4%\(^\text{vii}\) since 1994. Tax revenue as a percent of GDP is 21% (IMF Article IV assessment). However, growth has fluctuated and so has ODA (Official Development Assistance). For the 2015-16 year, government is seeking to balance its budget against the combined effects of the local currency losing nearly two thirds of its value in the last two years and donor withdrawal of GBS and SBS. For example, shortage of funds is the reason given for why (as referred to above) 10,000 newly-qualified teachers have still not been placed more than a year after their training has ended. Donor resources had enabled this training program.

Government spending on education

Over several years, public spending in the education has grown sharply in Malawi Kwacha terms as illustrated by bars in the following chart (including the most recent budget for 2015-16). There was an especially large jump in 2014-15, when about 10,000 new teachers came onto the payroll. In addition, the chart shows that the Malawi government has been increasing the share of the total government budget allocated to the education sector and it has remained at 17% for the last three years.\(^\text{viii}\) It is also notable that education budget allocations have been funded in full by the central government during each year, except when implementing cost centers have been slow to utilize funds.

Figure 2. Government education budget over eight years

![Graph showing government education budget over eight years](source: Government budget reports.\(^\text{viii}\))

The next chart shows the same education budget in US dollars, now divided into government’s own contribution and on-budget contributions from donors. Two features are notable. First, while donor contributions grew between 2008-09 and 2012-13, so too did government’s own contributions, so there was no substitution. Second, since the suspension of budget support in 2013, the government has had to ‘substitute’ those donor contributions.
Government spending in a typical year is divided as follows: 68% on primary and secondary recurrent expenditure, which includes salaries and related costs at 44% and other recurring costs at 24%; 21% on subventions to tertiary education; and 11% to capital expenditure.\(^{\text{viii}}\)

**Total public spending on education**

In addition to government expenditure that includes on-budget donor expenditure, there is substantial off-budget expenditure by some major donors, such as USAID. Combining the various on- and off-budget figures, public expenditure on education has averaged 7% of GDP during the period 2008-09 to 2013-14.\(^{\text{ii}}\) This is shown on the next chart together with the donor share of this expenditure, which has averaged about 40%.

**Figure 4. Public Expenditure on Education**

\(^{\text{Source: Data from World Bank 2015.}}\)
**Household spending on education**

Compared to the 7% of GDP on education public expenditure, private out-of-pocket expenditures have been estimated at 1.8% of GDP in 2010-11 and 3.5% in 2012-13. This includes fees in secondary, technical, and higher educational institutions, as well as the extra costs borne by the families of primary school children. Private sector schools that charge fees (excluding the many Christian and Islam schools that have costs borne by the government) account for only 1.5% of enrollment in the primary level and 20% of enrollment at the secondary level. In addition, families may purchase extra tutoring (or tuition) from teachers that are often government teachers supplementing their income.

Combining private expenditure on education with public expenditure gives a total of about 9% of GDP. This rate is higher than many other African countries including Kenya, Uganda, Mozambique, and South Africa, countries that on average have better education results than Malawi. This implies that Malawi has a lower level of expenditure efficiency.

**Amount of external financing**

The key donors that have been supporting Malawi’s education sector over twelve years can be seen from the following chart.

**Figure 5. Trends of ODA per donor - annual averages in 2002-04 and 2011-13**

![Graph showing trends of ODA per donor](chart)

*Source: OECD-DAC database.*

Recent donor financing plans are shown in the next chart, based on what was reported to the Ministry of Education for the coming year alone. The chart includes analysis by sub-sector. Note that GPE appears in this chart, whereas the ODA data in the chart above includes GPE funding amongst bilaterals. Other significant features are:

- Japan has several infrastructure projects due for completion in 2016;
- UK and US are continuing their focus on basic education, while AfDF have moved exclusively to secondary and post-secondary sub-sectors;
- Norway is beginning a major investment in the sector; BADEA (Arab Bank for Economic Development in Africa) is a new donor for Malawi; while Canada and Netherlands are no longer significant development partners.
Figure 6. Donor financing planned for Malawi year 2015-16

In addition to ODA donors, there are many other international organizations financing Malawi’s education sector. These include large INGOs, such as World Vision, Save the Children, Action Aid, and Plan International. Where such INGOs received their funding from donors, their funding is included in the ODA above. Apart from INGO supporters of education, there are many faith-based organizations, both international and local. The amount of support from all these non-ODA sources (of which there are more than 100) has not been quantified.

**Modalities of external financing**

In the past, a summary of aid to the Malawi education sector would have been that it was dangerously fragmented apart from the sector budget support (SBS) under the SWAp arrangement. Due to misuses of resources by government described above, the SBS modality that was used until October 2013 is not likely to be restarted until accountability systems have greatly improved. There is a danger that donors will resort to project-based funding with limited harmonization between donors and even less alignment with government systems. In this context, both government and donors are keen to adopt other modalities that may overcome these difficulties.

As a result, at the end of 2014, Malawi’s health ministry initiated an exercise to enhance coordination between donors and to establish a common funding mechanism (CFM). The health CFM is still being finalized and the education sector is just developing its own.

The design of these CFMs is intended to bring together all significant donors that use government fiduciary systems to some extent (such as use of government bank accounts or jointly-signed bank accounts and/or government staff/systems for accounting and procurement). The scope includes both former SBS donors and donors that have always maintained discrete programs.

For this reason, the CFM will incorporate different financing modalities, including existing discrete arrangements, where programs have been previously planned and may already be being implemented. Alongside such discrete arrangements, some other donors are choosing to coordinate their programs and resources, even pooling in some cases, but with more robust control that was applicable under SBS. Such controls include the use of an independent Fiscal Agent (FA), with oversight and even control of payments and procurements funded by donors. The extent and nature of control will depend on types...
of expenditure being funded. With some expenditures, the FA may be a joint signatory for payments to
suppliers for the program and may have the authority to suspend a procurement process. With other
expenditures, the donor may rely to some extent on the government’s own oversight processes, such
as supervision and internal audit, using the FA to oversee those government processes.

Common elements of the various donor CFMs are:

• **The use of a common Fiscal Agent**, with each donor determining the marginal TORs for the FA in
respect of its own funds. In other words, each donor will use the FA in the way it wishes. This
recognizes that donors may have different risk appetites. Unlike the SBS, which was designed with
a “one size fits all” basis, the CFM will incorporate several funding modalities, some involving more
reliance on government systems - and so have potentially higher risk - and some less so, with the
latter using the FA to control individual transactions and perhaps a discrete bank account. The FA
will have oversight over all of the donor fund flows and bank accounts within the CFM, maintaining
firewalls as well as providing regular financial reports for all donor funding.

• **Fiscal oversight over all sector expenditures.** This involves government and donors having a
coordinated approach to sector financial management performance strengthening, common
monitoring and reporting, and audit harmonization. This covers both donor funds flowing through
the CFM as well as all government expenditures in the sector.

• **Commitment to enhance harmonization of future funding.** This means that each time a new
program emerges, donors will seek ways, to achieve more harmonization for future funding
modalities, such as by making more use of the common FA or even pooling with other donors.
Above all, donors will coordinate with the government’s sector plans.

• **Gradual institutionalization of the FA.** The FA will start by being a donor resource. Over time,
government systems will be developed in such a way that the government, rather than the FA, can
handle key functions formerly undertaken by the FA.

Another possibility being considered is the harmonization of common themes of program management
oversight, such as budget management, so that proliferation of different program management units is
avoided. This is especially timely because Malawi is applying for another round of GPE funding and the
model developed now may be used for GPE by its supervising entity in Malawi (World Bank).

**Central and local expenditure**

Malawi is divided into 28 districts (with 34 education districts). District structures cover all sectors, not
just education, and districts are accountable on some issues to the local government ministry.
Decentralization structures enacted in 1998 have been implemented, though only to some extent.
About 40% of non-payroll recurrent expenditures are now spent at district level. However, the
decentralization of human resources has not yet taken place. This means that decisions on recruiting
and managing education officers and teachers in a district need to be referred to the education
ministry. This results in delays and management inefficiencies. Importantly, underperformance is
difficult to handle and even severe problems may not lead to sanctions.

Against this background, Malawi has reported substantial success in the way it has been giving school
grants to each of the 5,641 primary schools. The Primary School Improvement Program (PSIP) involves
a school improvement grant, averaging about $1,500 USD per school per year, being transferred
from the district office bank account directly to each school's bank account, once the school's annual
improvement plan has been approved. The bank account is managed and signed by the School's
Management Committee (SMC), which comprises elected community members and senior school staff.
The SMC is accountable for the grants received to the community. In addition, the district office staff has some oversight.

After the pilot phase, PSIP scale up began in 2010-11. By 2013-14, public primary schools in each of Malawi’s 34 education districts had been covered. A recent national evaluation of PSIP found that it has had significant positive impacts including availability of many vital inputs in primary schools.

The 5-year education sector implementation plan (ESIP II) completed in 2014 states “The PSIP is probably the most radical policy change in Malawian education over the past few decades. It has the potential of making a big impact on school management and performance.” The March 2015 World Bank report on the primary education sector speaks favorably of PSIP: “A silver lining within the overall inefficient [primary education] system is the program to empower schools with funds to be spent at their discretion.”

PSIP is also providing improvements in equity, decentralization, and accountability. Equity is enhanced through PSIP’s application to all public primary schools throughout Malawi. Decentralization is the nature of PSIP, as through PSIP further budgets are being and can still be devolved to district from the central level. Moreover, since the suspension of SBS, PSIP potentially offers donors a way of funding the sector directly while short-cutting government systems that are currently considered too high risk for direct funding. Thus, accountability for both government and donor funds is enhanced through the use of PSIP.

A performance-based element for school grants is planned, using GPE funding for which the application to GPE is currently being prepared. It is proposed there will be three targets that will influence the amount of grant received by each school:

- The adequate provision of all required data (e.g. grant expenditure, reliable figures on teacher attendance, and monthly overviews of students’ time spent learning);
- Any notable annual improvement made to Standard 4 literacy and numeracy rates;
- Any notable annual improvement made to the reduction in repetition.

Efficiencies and costing the gap

As part of ESIP II, costing of the sector has been done. A key tool has been cohort progression analysis, so that links between demographic-based enrollment figures can be made with efficiency data (promotion, repetition, dropout, and transition) to project medium-term resource demands. Using this tool, three scenarios have been costed for the next five years based on high, medium, and low resourcing scenarios.

But what is the gap between need and resources today? Needs are potentially higher than usual because the central government is not receiving any budget support - neither GBS nor SBS - and so is struggling to fill the gap created by rising needs of key sectors like health and education. The gap that the central government wishes to fill is what is needed for covering normal recurring expenditures, such as salaries. However, donor financing of salaries might be seen by donors as unsustainable. Donor funding for such recurrent expenditures may not be available.

A key issue in the evaluation of the gap is efficiency. Could it be that efficiency savings, for example as would arise from reducing repetitions, offers a better way of reducing the gap than would extra resources? Similarly, would enhancing value for money on what is already being spent today, perhaps by reducing mismanagement of resources, be a better plan than persuading a donor to provide more resources?
IV. OPPORTUNITIES FOR ACTION

Four areas for action are recommended.

1. Funds needed for keeping the ESIP II plan on course

Malawi’s economy cannot yet cope without some sort of replacement for the former budget support. The government acknowledges that there are efficiency savings to be made in the way that its own resources are used, and is committed to realizing such improvement. However the process of implementing such changes will take time, especially in the light of the management capacity weaknesses described above.

Therefore, Malawi’s most urgent need is for additional funds to fill the gap left by the suspension of budget support in order to keep some of the core programs within the strategic plan on course, such as the training and employment of more teachers. Government and donors must work together to find types of expenditure within the existing budget (even salaries) that can be donor-funded.

The use of a fiscal agent, described above, may enable donors to mitigate risks in a way that enables budgeted expenditures to be funded.

2. Realizing efficiency savings

This report has identified four bottlenecks to further progress, namely: 1) the hard-to-resolve problem of high repetition rates; 2) the need to address the high and inequitable cost of tertiary education; 3) the deep challenge of insufficient management capacity; and 4) mismanagement of resources. Each of these provides an opportunity for making a significant improvement to the overall cost efficiency of Malawi’s education sector, thus reducing the need for donor aid.

Therefore, a key priority for the government is to make progress in each of these areas. However, these challenges are deep-rooted and have been there for years. Government must start the process with clear leadership to catalyze ‘business as unusual’.

3. Donor support for education systems development

To support this change process, it is recommended that government uses carefully designed donor-funded technical assistance (TA) and related financial support for education systems development. Areas where such support may be needed are:

- System functions, like financial management, procurement, human resources, and M&E;
- Support for government’s aid coordination role;
- Support for decentralization processes;
- Support for ‘organizational development’ in areas such as building strong supervision processes and how to apply effective sanctions for poor performance.

Donor-funded TA has had mixed results in Malawi. There have been many systems-related TA programs. However when the results are reviewed a few years later, some TA programs appear to have had no sustainable impact. A related issue is that some senior government officers do not welcome TA; they might say that donor-funded technical assistants take up their time, take too long to learn how government systems work, and may even undermine the work of the ministry.
Several factors may contribute to good results from a TA program:

- **The need for flexibility and the need for each TA activity to be demand-driven and focused on strong working relationships.** The TAs, with their donor counterparts, must find key champions within government with whom to work and then develop the right sort of relationships with these champions and other key government stakeholders. This requires that the TA program is flexible. TA activities and even the TAs themselves may need to be reconsidered when demand for TA support has dried up and/or key players have not yet developed the relationship quality needed. Thus, the TA program must be ready to move TA resources around at relatively short notice.

- **Political economy analyses, initiated with government leadership, within a targeted part of the sector.** There is a need to undertake an in-depth analysis of public service management issues that hamper sustainable development in Malawi and identify factors that have a negative impact on service delivery to citizens.

- **Acknowledgement that the mix of donor personalities may be just as important a factor for success as government and TA personalities.**

4. **Aid coordination**

The education sector has suffered from fragmentation and all of its consequences. Government needs to develop a stronger aid coordination function, one that is pro-active with influencing program design. If this function cannot be resourced internally, then TA may help. The use of a fiscal agent, described above, is expected to support aid coordination.

The aid coordination function can focus on good practices by donors. There is much to be learned from donor-funded programs that have been largely successful as well as those that have been less so. Institution memory is often lacking in donors, so it is essential that the government take the lead in this respect.

**Conclusion**

Even though additional resources are needed immediately in Malawi, it is not so much the amount of donor resources that is important, but rather the way the resources are made available and the relationships that come with the resources.

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1. EMIS 2014, Education Management Information System annual report based on returns from every school.
2. World Bank 2015, Primary Education in Malawi.
7. tradingeconomics.com.