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This action is financed by the European Union

ANNEX

of the Commission Decision on the Annual Action Programme 2018 in favour of the Republic of Malawi to be financed from the 11th European Development Fund

Action Document for "Chuma Cha Dziko Malawi"

INFORMATION FOR POTENTIAL GRANT APPLICANTS
WORK PROGRAMME FOR GRANTS
This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation, applicable to the EDF in accordance with Article 37 of Regulation (EU) 2015/323 in the following sections concerning calls for proposals: 5.4.1.

1. Title/basic act/ CRIS number	Chuma Cha Dziko - Malawi CRIS number: MW/FED/040-749 Financed under the 11th European Development Fund	
2. Zone benefiting from the action/ location	Malawi The action shall be carried out at the following location: all districts of Malawi The project team shall be based in Lilongwe, Malawi	
3. Programming document	National Indicative Programme (NIP) 2014-2020 for Malawi	
4. Sector of concentration/ thematic area	Focal Sector 1 of the NIP: Governance	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 22 000 000 Total amount of EDF contribution: EUR 22 000 000 This action is co-financed by potential grant beneficiaries for an indicative additional amount of EUR 150 000	
6. Aid modality & implementation modalities	Project Modality Direct management: grants – call for proposal procurement of services, supplies Indirect management with the International Monetary Fund (IMF) Indirect management with Malawi	
7 a) DAC codes	15111: Public Financial Management 15114: Domestic Resource Mobilisation	
b) Main Delivery Channel	12000: Recipient Government 20000: Non-Governmental Organisations (NGOs) and Civil Society 51000: University, college or other teaching institution, research institute or think‑tank	

8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☐	☐	☒
	Aid to environment	☒	☐	☐
	Gender equality (including Women In Development)	☒	☐	☐
	Trade Development	☒	☐	☐
	Reproductive, Maternal, New born and child health	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☒	☐	☐
	Climate change adaptation	☒	☐	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	N.A.			
10. Sustainable Development Goals (SDGs)	**Main SDG:** Develop effective, accountable and transparent institutions at all levels. (Target 16.6) **Subsidiary SDGs**: Target: 12.7 promote public procurement practices that are sustainable, in accordance with national polices and priorities; Target 17.1 strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection			

SUMMARY

The programme follows the 'Collect More-Spend Better' approach. It aims at improving the tax system through interventions in revenue policy and revenue administration, to increase the fiscal space for financing inclusive growth and development. On the other side, it supports the implementation of Malawi's Public Finance Management (PFM) Rolling Plan, with a focus on public expenditure risks: e.g. public procurement, commitment control, payroll/pension management and parastatals, among others, leading to a more transparent and less wasteful, effective and efficient public financial management system. Thus, it addresses two key constraints to growth in Malawi: corruption and taxation. The major challenges identified evolve around work ethics and behaviour coupled with the laxity in enforcing disciplinary measures, which in the past have led to reforms being implemented on paper but not affecting actual processes and systems. Hence, this programme applies a different approach where PFM technical expertise is balanced with expertise in facilitating change in difficult environments. The approach is to focus on the underlying related 'behavioural' issue, rather than adopting a technical solution that has proven useful in other contexts. Thus, this programme incorporates sufficient flexibility to explore and learn more about the problems and to help Government devise appropriate solutions as implementation progresses. The combined approach focuses on the following interventions: a) Automation: helping Government to automate some processes reducing dependency on human discretion; b) Incentives: helping Government to identify and adopt incentives that encourage and accelerate desired changes in behaviour; c) Independent oversight: introducing third parties as independent checks and d) Fixing problems: working with Government to fix any problems that arise on the way to achieving results on a problem-by-

problem basis using coaching, brokering between stakeholders, as well as facilitating resources when needed, ensuring the planned change occurs.

The inclusion of support to improve accountability is important to create domestic and sustained demand for transparency and accountability, indispensable for the overall framework of checks and balances in Malawi. However, as building the capacity of the various actors is not an end in itself, the project is focusing on providing a national platform to broadcast issues of PFM to the attention of millions. Regular TV and radio shows shall amplify the voice of accountability actors throughout the country and beyond.

The Action will be implemented by means of a Service Contract in indirect management to strengthen the capacities of the Ministry of Finance and other core PFM institutions responsible for delivering PFM reforms and a Contribution Agreement with the International Monetary Fund (IMF) to improve the effectiveness and efficiency of tax administration. A call for proposals in direct management will identify the most suitable actions to increase domestic accountably by interventions from the civil society including academia. A service provider will be identified in direct management to establish a TV/Radio platform to sensitise the public on PFM and enhance domestic accountability.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Malawi is an underdeveloped, disaster-prone country. The World Bank (WB) ranks Malawi, with a gross income per capita of USD 340, among the poorest countries in the world, ranked in place 170 (of 188) on the Human Development Index 2017. About 90% of the population live in rural areas and over 70%[1] of the population live below the income poverty line.

Malawi has seen substantial financial and economic challenges. The country's economic growth over the last decade has shown a discernible downward trend, with the respective IMF programme being on- and off-track over periods. The recent outlook is slightly more positive, growth is expected to climb to about 4.5%, surpassing the population growth rate of 2.87%.

Malawi is not an easy place to do business. There are different constraints to private sector and trade development conducive to growth. The intermittent power supply, high transport costs, and importantly, the lack of skills of the Malawian labour force are other prominent challenges. The trade and policy environment, unpredictable and politicised, is not conducive to private sector growth. In particular, taxation regime, access to finance and corruption are ranked by businesses as the highest constraints.

The fiscal position continues to remain weak despite recent efforts at consolidation. The government continuously reduced the deficit to 4% of gross domestic product (GDP), at great societal cost. In order to further improve, Malawi will need to act on the revenue and expenditure side. During the FY 2013/14 and 2014/15, the Government ran large fiscal deficits (around 6% of GDP), mainly because of inability to reduce spending following the freeze of budget support by all donors.[2] In 2015, the Government started to implement the short-term PFM action plan to address immediate shortcomings. These efforts are slowly starting to bear fruit but more needs to be done to restore public trust in the PFM system. Still today, the Government is challenged to keep the deficit in check with significant recourse to costly domestic financing, at times in excess of target limits.

[1] http://povertydata.worldbank.org/poverty/country/MWI

[2] A forensic audit of the Cashgate scandal (2013) uncovered major weaknesses in the PFM control environment involving government officials colluding to circumvent internal controls.

Corruption remains a major cross-cutting challenge. Media and various audits frequently report on corruption cases from local to national level. A number of projects funded by donors (e.g. World Bank, US but also the EU and EIB) have also been affected by high profile corruption. In addition, most corruption indicators for Malawi show a negative trend.

Oversight is negatively impacted by a lack of accountability amongst duty bearers at all levels and amongst all branches of the Government. There is limited capacity amongst citizens to hold duty bearers accountable and the mandated intuitions e.g. Parliament and the National Audit Office have their own shortcomings.

1.1.1 Public Policy Assessment and EU Policy Framework

The objective of the 'PFM Rolling Plan' is to improve the use and management of public resources through a financial management system that promotes transparency, accountability, fiscal discipline, efficiency and effectiveness. The existing draft Rolling Plan provides a costed framework for enhancing Malawi's PFM systems over a three-year period (2017-2020) and comes at a critical time when confidence in PFM systems is still low and trust in the management of public resources needs to be restored. It includes some uncompleted activities from the previous reform programme but also reflects new priorities to improve the integrity and security of PFM systems. It is designed to continue efforts to restore fiscal discipline and widen the revenue base, thereby contributing to economic growth. However the finalisation of the monitoring and evaluation (M&E) framework is still pending. The Government is currently awaiting feedback from an IMF mission on the Rolling Plan before finalisation. The Government intends to review the PFM Rolling Plan once the planned Public Expenditure and Financial Accountability (PEFA) exercise (2018) has been concluded.

In addition, a new procurement law (July 2017) has the potential to improve the independence, transparency, efficiency and effectiveness of public procurement in Malawi. Another bill to improve the independence and efficiency of the Auditor General was passed by Parliament in March 2018 and is now awaiting the President's assent.

By setting a new reform agenda for PFM, Malawi is in line with the international development agenda, e.g. the **UN 2030 Agenda on Sustainable Development Goals,** acknowledging the vital role of domestic public finance[3], and the **3rd Financing for Development** (FfD) Conference calling for domestic public finance to be at the heart of all countries' efforts to achieve sustainable development[4]. The proposed programme is also in line with the EU policy framework, particularly, the '**Collect More – Spend Better'**[5] approach, which focuses on i) improved domestic revenue mobilisation, ii) more effective and efficient public expenditures and iii) debt management; and generally responds to the **European Consensus on Development**[6] (2017) which, among others, supports to strengthen revenue mobilisation, debt and public expenditure management, develop tax systems and increase the efficiency and effectiveness of public expenditure.

In line with the Budget Support Roadmap, this programme should support Malawi to restore its PFM eligibility for budget support, which remains the preferred aid modality for the EU.

[3] https://sustainabledevelopment.un.org/post2015/transformingourworld, para 41.
[4] http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf, para 20.
[5] SWD(2015)198 of 15.10.2015.
[6] OJ C 210 of 30.6.2017.

1.1.2 *Stakeholder analysis*

Collect more

The administration of revenue lies with the **Malawi Revenue Authority (MRA)**, responsible for assessment, collection and accounting of tax revenues. The MRA is directly funded through a share of collected revenue. The work environment and qualifications of staff are rather high. Nevertheless, the agency is slow in reform implementation.

Spend better

The **Ministry of Finance** and Economic Planning (MOFEP) is the lead ministry for all policy related matters regarding Public Financial Management (PFM), including parastatal oversight. It has set up a **PFMS Division**[7], responsible to coordinate all PFM reform programmes. However, the division has limited capacity, due to volatile staffing levels and a skills-mix that could benefit from additional accounting experience.

The **Accountant General's Department (AGD)** accounts for government expenditure, provides financial management & accounting services, and maintains and monitors the implementation of effective financial management and procedures in government. Matters of fiscal policy are handled by the **Treasury Department**. The qualification-mix in the department poses a challenge; while today staff require a minimum of a formal diploma, previously a school leaving certificate was sufficient.

Payroll management is mainly managed by the **Department of Human Resource Management and Development (DHRMD)** reporting to the Office of the President and Cabinet. However, recently the payroll management has been decentralised to district level, currently at 6 pilot district centres. Pension management is handled by two departments with pension reforms under the Financial Policy and Pensions Division in the Treasury Department, whilst the administration of pensions is under the Accountant General's Department (AGD). The different actors have a clear mandate but a stronger link particularly between the DHRMD and AGD would facilitate reconciliation processes.

A new law to regulate public procurement (the Public Procurement and Disposal of Assets Act) was passed in August 2017 aiming to increase the independence and autonomy of the former **Office of the Director of Public Procurement (ODPP**) by changing it into an authority, to generally improve the oversight on public procurement and to introduce regulation for the disposal of public assets. The office is characterised by weak capacity and would benefit from support to exercise its (new) mandate. Procurement is decentralised and performed through **'Procurement Units'** situated in each ministry, department and agency and reporting to the Controlling Officer. Additional entities are involved in the public procurement and contracting process, e.g. the Government Contracting Unit, Solicitor General, Government Stores, "Procurement and Supply Common Service" responbile for recruitment and posting of procurement and supply cadres, etc, and not all roles are clearly demarcated. The **Malawi Institute of Procurement and Supplies (MIPS)** regulates and develops the procurement profession in all sectors in Malawi to ensure that goods and services are procured by qualified and ethical professionals. The institute, operating since 2008, was formally established in 2015 by an Act of Parliament but is yet to become fully functional.

[7] Public Finance Management and Systems Division.

Accountability

Civil society organisations and the **academia** (CSOs) are key players in domestic accountability but are hampered by limited capacity. There have been a number of cases where Government has offered public positions to outspoken CSO leaders, who in turn became more lenient in addressing key accountability issues with central government. Nevertheless, they operate relatively freely and are generally vocal and outspoken. The **media** operates largely outside of the government interference and is a major whistle-blower in exposing corruption and maladministration.

The main accountability institutions are the National Audit Office (NAO), Ombudsman and the **Anti-Corruption Bureau**; the latter having recently received additional oversight responsibilities under the new procurement law.

1.1.3 Priority areas for support/problem analysis

Malawi is challenged by limited fiscal space due to a relatively high wage bill, subsidies/transfers and debt servicing costs, accounting for more than 70% of domestic revenues (FY 2016/17)[8]. Currently there are no indications for a reversal of this trend. Therefore, enhancing spending efficiency, improving the effective use of **domestic revenues** and improving the fairness, transparency, efficiency and effectiveness of their tax systems is vital for Malawi to address inequality and to improve the business climate for more investments leading to increased growth and job creation[9].

On the revenue side, the Tax Administration Diagnostic Assessment Tool (TADAT) 2015 identified major shortcomings in almost all areas, including lack of automated systems allowing to cross-check information, an incomplete tax registry, major compliance weaknesses and management of risks, among others. Efforts are underway to address identified weaknesses, resulting in about 16 modernisation projects being simultaneously implemented but progress is slow and lack of sufficient funding poses a major constraint.

On the spending side, four years after the 'cashgate' corruption scandal revealed a significant looting of public funds, the Government's efforts to restore basic financial management functions and trust in their fiduciary stewardship are starting to show progress. Nevertheless, more efforts need to be undertaken to consolidate and continue to strengthen fiscal discipline, transparency and accountability. The main challenges lie in the low capacity of staff executing routine tasks and the potential threat of interference (political) in applying rules and regulations.

Malawi is particularly challenged in the area of **public procurement and contracting, commitment controls and arrears** (debt). Corruption scandals unearthed by audits, the media and civil society are most often linked to public procurement, whereas challenges in contract implementation, often result in illicit payments for undelivered or substandard works, goods and services. Without recourse to strong control over public procurement/contracting and commitment oversight, debt levels are bound to increase[10]. Particularly, the oversight with regards to multiannual commitments has been strongly compromised.

Another major expenditure risk is the lack of oversight over **parastatal performance** and poor management of government investments, exposing the Government to unpredictable risks regarding liabilities and bail-out demands. There are currently about 30 parastatals. In 2011,

[8] IMF ninth review, July 2017, page 15.

[9] The Delegation together with the Government of Malawi has finalised a 'Growth and Jobs Compact', which operationalisation shall commence soon.

[10] The latest debt sustainability analysis shows that debt levels have doubled since the HIPC and Multilateral Debt Relief Initiative in 2006. Debt servicing costs have risen significantly over the recent years, from 12% (FY 2009/10) to 23% (FY 2016/17) of revenue, particularly regarding domestic debt.

guidelines for Parastatals and State owned enterprises were published[11] but implementation is still pending[12].

In addition, and similar to many other countries, **payroll and pension management** constitute major risk areas. A payroll systems audit conducted in 2015 identified systemic weaknesses in payroll management[13]. It has been reported that recommendations were implemented but the integrity of the payroll data base is still a challenge. In addition, the long pending interface between the payroll and the accounting system has finally been piloted in 2017, revealing further work to be undertaken. Similarly, the decentralisation of the payroll to 6 pilot sites needs further roll out to all districts. With regards to **pensions management,** it is still handled manually with no recourse to systematic control mechanisms. The current level of defined public pension benefits is not sustainable[14]. Thus, internal control processes, particularly for payroll and pension management, should be improved and institutionalised to effectively exercise control over the biggest budget items (~30% of the budget). In addition, pension reforms should be implemented to increase the sustainability of pension liabilities.

A general underlying challenge, where little progress has been made, is **limited accountability by civil servants**, demonstrated by a culture of laissez-faire and hesitation to act on malpractice. Hence, the perceived 'inability' to enforce disciplinary measures becomes an invisible boundary to these challenges and in general to PFM reform implementation. Although structures are mostly in place to hold offenders to account, their effectiveness is limited or non-existent. Offenders find ways to frustrate any effort to implement disciplinary measures or prosecution through open-ended processes of legal arguments and counter arguments which, in the meantime, prevents any action being taken against presumed fraudsters. In addition, there are cases of in-action due to political interference. Finally, one of the major stumbling blocks identified in past PFM reform efforts was reforms in appearance only. Although laws have been changed, guidelines written, trainings delivered and workshops held, these activities have had limited impact on the actual processes and systems. Hence, it is important to focus on actively **managing change** to affect behaviour but also to manage the triangle tension between 'what is needed', 'what is implementable' and what is 'politically desirable'[15]. A recent WB report confirms this approach and points to guiding principles regarding reform processes: think not only about 'form' but also about 'function' and consider 'power asymmetries' to identify implementable policies[16].

Supporting the 'supply-side' of **domestic accountability** needs to be accompanied by support to the **'demand-side'.** Malawi enjoys a vocal civil society landscape and the media is relatively free to operate, often acting as 'whistle blowers'. This is a precious asset the country enjoys, not to be taken for granted, and should be continuously supported but, in the past, CSOs have mainly gathered anecdotal evidence which alone cannot serve as analysis for decision making. Hence, there is a need to move the collated evidence from the local level up to the analysis at the broader level to serve as evidence in the decision-making process. Further, discussions around the gathered evidence have been characterised mainly by highly localised debates, rarely moving beyond the districts. In addition, Malawi lacks a critical mass in terms of professional staff trained in public financial management. Tertiary institutions do not have adequate programmes in this field. Hence, the country would benefit from enhanced PFM training in tertiary education in order to develop a corps of specialised PFM practitioners.

[11] http://www.ecgi.org/codes/documents/sector_guidelines_parastatal_soe_malawi_3feb2011_en.pdf

[12] At the time of writing, the FY 2017/18 budget is severely affected by a large bailout of the Agricultural Development and Marketing Corporation (ADMARC), to the tune of about USD 30 million.

[13] Including the manipulation of the payroll system resulting in e.g. double payments, continuous leave allowances, salary arrears and over-payments to staff, etc., 'HRMIS and payroll systems audit, NAO 2015.

[14] IMF ninth review, July 2017, page 50.

[15] Guidance note on Sequencing PFM reforms, Jack Diamond, July 2012.

[16] World Development Report: Governance and the law, World Bank, 2017: http://www.worldbank.org/en/publication/wdr2017.

2 RISKS AND ASSUMPTIONS

Risks	Risk (H/M/L)	Mitigating measures
The current political appetite for PFM reforms might not be sustained in the run-up to the elections (2019) and beyond	H	The EU will seek to strengthen high level political dialogue on PFM.
Poor staff working ethics could jeopardise/slow down reform efforts	H	One component of this programme shall specifically address this challenge, which has been recognised by all stakeholders as one of the main bottlenecks.
Challenging political economy, resistance to change by those benefiting from the current system, and weak enforcement of rules and regulations could jeopardise/slow down reform efforts	H	One component of this programme "change management" shall specifically address this challenge, which has been recognised by all stakeholders as one of the main bottlenecks.
Loss of 'key reformers' could jeopardise/slow down reform efforts	M	Maintain engagement and discussion with a wide range of PFM stakeholders in government.
Increased fragmentation of PFM support programmes could slow down PFM reform efforts	M	Maintain and strengthen PFM coordination and support the ministry with an effective Technical Assistance structure.
Basic capacity gaps in PFM institutions might jeopardise/slow down reform efforts	H	Strong coordination with other PFM reform initiatives by other DPs to ensure that capacity gaps will be addressed.
Failure to procure new IFMIS* and possible collapse of old IFMIS could slow down PFM reform efforts	M	Close monitoring of procurement process and extension of FROIP* to support existing system.
Non or slow progress in the implementation of the PFM Rolling Plan	M	Various areas in the PFM Rolling Plan have been included in benchmarks of WB and IMF programmes as well as in the EU Budget Support Roadmap. The Government has instituted a weekly review committee to monitor progress. Nevertheless, from past experience it is to be expected that certain areas will move slower than others.
Risk of shrinking civil society space to operate freely, based on draft NGO policy and subsequent law amendments	M	Policy dialogue with Government on draft NGO policy to maintain freedom of CSOs in Malawi.
Assumptions		
• The Government will support PFM reforms by providing, and if necessary improving, the legal and regulatory framework. • The PFMS Division will continue to execute its mandate as the coordinator of PFM reform activities. • The governance structure to oversee PFM reform implementation will continue to be implemented at all levels. • No major external shocks will diminish the Government's attention to PFM reform implementation.		

* Integrated Financial Management Information System
* Financial Reporting and Oversight Improvement Project

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Based on the comprehensive evaluation of PFM reforms in Malawi covering 2001-2010[17], some of the lessons learnt are:

a) *Local ownership determines the sustainability of outcomes*: Where expected programme outputs were not part of the domestic PFM agenda, the produced results tended to be rather short-term and shallow focused e.g. changing laws, rules and approaches.

[17] Evaluation of Public Financial Management Reform in Malawi 2001-2010" Joint Evaluation by AfDB, DANIDA and SIDA, Sept 2012, https://www.oecd.org/derec/afdb/malawi.pdf

b) If, *solutions are implemented without consideration to skills and organisational development required, outputs are likely to be inefficient:* Insufficient account was taken of the public sector environment, where it is difficult to recruit / retain skilled people and the incentives for institutional change are very low. Activities to address these gaps were not appropriately considered.

In addition, lessons can be drawn from WB-managed Trust Fund focused on implementing a new Financial Management Information System (FMIS), amongst others, but faced a number of challenges. An evaluation in 2016[18] concluded amongst others:

a) *A functioning FMIS is necessary but not sufficient to achieve good public financial management*. The breakdown of the accountability chain that led to a major corruption episode was mainly due to a disregard of existing systems and processes rather than a technical failure of the FMIS. The technology platform is only one of the factors that determine the outcome and certainly not the most important one. To reap the greatest benefits, it is necessary to focus on improving financial management processes, internal controls, and accountability mechanisms while, at the same time, putting in place the requisite equipment and skills.

b) *It is important to take advantage of synergy and linkages between parallel TA and policy reform operations*. Although initially considered, the close integration of TA with parallel policy actions was not pursued further during implementation;

In addition, it is important to acknowledge the challenges encountered by the PFMS Division based on unstable staffing levels and capacity constraints.

Further, a recent World Bank review[19] in 2016, reflecting on 20 years of WB support to institutional reform in Malawi, found that changes in underlying performance are far harder to achieve than changes that are primarily regulative, procedural or systems-oriented. It concludes that reform success has been limited and rather by 'appearance' than touching the core of the organisational behaviour. This is mainly a result of a) not exploring the full complexity of development problems and its causes, b) insufficient recognition of embedded norms and cognitive capacities that drive behaviours and c) insufficient articulation of the assumptions regarding change - resulting in choosing routine and familiar solutions (best practices). It is recommended to focus more on the problem than the solution, and incorporate sufficient flexibility into the programme design to explore and learn more about the problem and the appropriate solution as implementation progresses.

Finally, it is important to *transfer the external drive for accountability* (often by development partners) to domestic entities to ensure that checks and balances are institutionalised at all levels. The CSO Road Map (2014) recommended, amongst others, to a) enhance citizen's voice and participation in governance to improve management of public resources and b) strengthen CSOs capacity in research and issue-based interventions.

This support programme has adequately factored the above lessons learnt into the programme design, mainly by facilitating change to achieve results in contrast to providing mere technical solutions. Adequate technical assistance has been foreseen to identify the best fit for local challenges and accompany the agreed implementation. This approach is supported by the guidance note on sequencing PFM reforms where it states that sequencing PFM reforms is not a technical issue and change management is a crucial factor.

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[18] http://ieg.worldbankgroup.org/news/what-can-we-learn-decade-public-financial-management-and-civil-service-reform-malawi?utm_source=Malawi+PPAR_ExternalList&utm_campaign=MalawiList&utm_medium=email

[19] Word Bank presentation: Why the Iceberg sinks: A critical look at Malawi's history of institutional reforms, 25th April 2016, Lilongwe.

3.2 Complementarity, synergy and donor coordination

There is an established governance structure between development partners and Government with periodic meetings at technical level, senior management level and political level. There is also effective donor coordination. Development partners meet once a month to discuss pertinent issues for the sector, establish joint positions were necessary and exchange latest news on programmes. A sector lead is appointed for one year, currently EU since January 2018.

There are currently two major PFM programmes supporting the (previous) PFM reform strategy: 1) the PFM Multi Donor Trust Fund (USD 19 million) administered by the WB and funded by **DFID (**UK Department for International Development)**, Ireland, Norway** and **EU,** and 2) **Germany** (GIZ (Gesellschaft für Internationale Zusammenarbeit) EUR 15.5 million and KFW (German Development Bank) EUR 4 million) implementing the 'Good Governance Programme' including domestic accountability and support to financial audits at national and local level.

With more focused support: **UNDP** with funding from EU supports the planning process (EUR 5 million); **US/USAID** just ended its support to budgeting and cash management at national level (USD 1.4 million) but continues its support to financial management at local level USD 8 million; the **African Development Bank** (USD 6.8 million) focuses on revenue public procurement and financial accountability; **DIFD** supports, with GBP 7 million, the fight against organised corruption. Malawi is also a beneficiary of the **IMF East African Regional Technical Assistance** centre. In addition, Public Sector Reforms are being supported by USAID and DFID (GBP 1.6 million).

The World Bank recently recommenced Budget Support to Malawi for about USD 160 million planned over two years, focusing on enhancing agriculture markets and strengthening accountability and expenditure management and the IMF is expected to conclude a new Extended Credit Facility (ECF) programme worth USD 100 million over three years in the coming months.

It should be noted that most of the above listed programmes will come to an end over the coming 12 months. Various agencies, e.g. GIZ, Ireland, DFID and in particular WB (with International Development Association (IDA) funding of about USD 50 million for both PFM and PSR), are identifying new programmes. Discussions are still at an early stage but coordination is being emphasised at various stages. The preliminary understanding is that GIZ and the EU would focus on the central level support, while WB, USAID, Ireland and DFID would focus on the sub-national level support to PFM, whereby DFID might also provide strategic support to specific institutions.

The Delegation acknowledges the challenges for Government and Development Partners to coordinate their interventions in the sector as different partners are designing separate interventions instead of working through a single pooled fund arrangement. Through identification and formulation, the Delegation will seek opportunities to partner with other donors in the implementation of this action, rationalise interventions, and in any case ensure good coordination and a sound division of labour.

3.3 Cross-cutting issues

The aspects of gender, Human Rights, HIV/AIDS and environment will be considered mainly during implementation of the domestic accountability components. Great care will be taken to ensure a gender-sensitive approach in monitoring service delivery, participating in budget preparation and holding duty bearers to account. In addition, through monitoring and assurance of quality of service delivery, rights regarding access to water, healthcare, education and information (integral part of freedom of expression) will be taken into account. To what extent HIV/AIDS and environment will be considered will depend on the exact nature of public investments being delivered at sub-national level.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG *16.6: Develop effective, accountable and transparent institutions at all levels* but also promotes progress towards Goals *12.7 promote public procurement practices that are sustainable, in accordance with national polices and priorities*; and *17.1 strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection*. This does not imply a commitment by Malawi benefiting from this programme.

The **overall objective** is to promote good economic governance and accountability. The programme seeks to contribute to efficient use of public funds, effective resource mobilisation and strengthened domestic accountability. These areas address key constraints to an enabling environment conducive to growth, trade development. To this effect, the programme will support the implementation of the PFM Rolling Plan with a particular focus on main expenditure risks including procurement and revenue. To complement the supply side, domestic accountability shall be strengthened through various interventions. Hence, the two specific objectives, each with its own key results, are as follows:

Specific objective 1: Improved effectiveness in fiscal management

Key result (Output) 1: Improved effectiveness and efficiency of revenue policy implementation and tax administration

Key result (Output) 2: Increased effectiveness, efficiency and control of expenditures and reduced fiduciary risks

Key result (Output) 3: Enhanced implementation of PFM reforms

Specific objective 2: Strengthened voice of domestic accountability actors

Key result (Output) 4: Enhanced capacity of civil society, media and academia to demand transparency and accountability from duty bearers

Key result (Output) 5 Established national and local platforms for domestic accountability

4.2 Main activities

Key Result 1: Improved effectiveness and efficiency of revenue policy implementation and tax administration

The main activities to achieve this result are:

1.1 Provide support to the Ministry of Finance to review and implement a modern tax system that is effective, fair and transparent while stimulating investment and economic activity, e.g. through a comprehensive and consultative tax policy review.

1.2 Improve the effectiveness of the tax administration to increase the integrity and comprehensiveness of the tax base, improve tax compliance and support the automation and connectivity of tax systems.

Key Result 2: Increased effectiveness, efficiency and control of expenditure and reduced fiduciary risks

The main activity to achieve this result is:

2.1 Increase the effectiveness in overseeing and regulating public procurement and increase the efficiency in public procurement processes so as to become more transparent, cost-efficient and responsive to the needs of Malawians; and further strengthen the management of resulting contracts to increase the eligibility of payments.

2.2 Support payroll and pension management to increase control over eligibility of payments.
2.3 Support commitment control to reduce arrears and better manage debt.
2.4 Strengthen oversight of parastatal performance including liabilities through supporting the Ministry of Finance.

Key Result 3: Enhanced implementation of PFM reforms
The main activity to achieve this result is:
3.1 Support to the overall implementation of the PFM Rolling plan with increased coordination of PFM interventions and movements towards a sector wide approach.
3.2 Facilitate change in behaviour, to increase compliance, integrity, work ethics through e.g. sensitisation of public servants, increased transparency regarding offences and elimination of legal and administrative hurdles; as well as strengthen enforcement of disciplinary measures and review respective incentive structures.

Key Result 4: Enhanced capacity of civil society, media and academia to demand transparency and accountability from duty bearers
The main activities to achieve this result are:
4.1 Strengthen civil society to gather evidence to demand accountability from duty bearers, and support academia to generate policy-oriented research to provide evidence for decision making and establish and enhance PFM curriculum in tertiary education institutions to build the future cadre of PFM practitioners.

Key Result 5: Established national and local platforms for domestic accountability
5.1 Establish a platform and develop periodic TV/radio shows, where duty bearers and civil society discuss pertinent issues in PFM - to be broadcasted widely.

4.3 Intervention logic

Addressing inequality and achieving sustainable inclusive development is challenging in a context characterised by limited fiscal space. Therefore, spending efficiency and the effective use of domestic revenues are key to Malawi. In addition, investments and businesses have been hampered by corruption and challenges in taxation impacting the growth prospect for Malawi.

In addressing these aspects, the programme follows the 'Collect More-Spend Better' approach. On the one side, it aims at improving the tax system with interventions in revenue policy and revenue administration, to increase the fiscal space for the much needed reforms regarding inclusive growth and development.

On the other side, it tackles the key weaknesses in expenditure management. This is complemented by support to key accountability stakeholders to monitor the implementation of the whole cycle.

As elaborated above, initial gains in PFM need to be consolidated and further improved to restore trust in Malawi's stewardship of public finances. It is expected that by addressing the challenges experienced in public expenditure particularly public procurement and other major expenditure risks covering the majority of budget implementation, the management and oversight of public funds will be improved leading to a more transparent, effective and efficient public financial management system. Challenges with work ethics and behaviour, coupled with the laxity in enforcing disciplinary measures, have in the past led to reforms only being implemented on paper, not effecting actual processes and systems. Managing change requires understanding of the power structures including informal rules shaped by cultural influence and how to incentivise change. It is seldom a linear relationship between cause and effect but needs careful consideration regarding chosen approaches with iterative reflections and corrections to move forward. In this context, it will be important to maintain a degree of flexibility to adapt programme activities and focus to the feedback from the iterative approach or changes in the political economy. With the separate focus on managing change, it is expected that a change in behaviour and work ethics can be achieved to ensure that reforms will impact the PFM systems. To ensure its cross-cutting nature, this component will rest with the TA team leader to feed changed behaviour into all sub-components. It is understood that this aspect falls within the wider concept of public sector reforms and, for the purpose of this programme, the Ministry of Finance shall function as a pilot ministry to effect change.

The inclusion of support to accountability interventions is important to create domestic and sustained demand for transparency and accountability replacing the external request for accountably from Development Partners. This is an important element for the overall framework of checks and balances in Malawi. Further, successful implementation of reforms also depends on changing the nature of the incentives and the relative power and ability of different interest groups to influence key decision makers. In this regard, the role of civil society pressing for change is an important element. Thus, strengthening the information, monitoring and advocacy role of civil society holds great opportunities to promote reforms, particularly at local level. However, as building the capacity of the various actors is not an end in itself, the project is focusing on providing a national platform to broadcast issues of PFM to the attention of millions. Regular TV and radio shows shall amplify the voice of accountability actors throughout the country and beyond.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Budget support

N/A

5.4 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation[20].

[20] https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.4.1 Grants: call for proposals "Enhancing domestic accountability" (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

With reference to Key Result 4, a single call for proposals shall be launched. The objective is to enhance domestic accountability at local and national level through improved capacity of CSOs, academia and media. Envisaged fields of interventions are i) procurement, ii) general budget execution at national and local level, iii) academic research, iv) enhanced PFM curriculum at tertiary institutions. It is expected that this intervention will lead to a) increased scrutiny of government operations at national and local level, by gathering evidence and holding duty bearers to account, b) building more robust evidence of anecdotal studies to facilitate decision making and c) the professionalisation of PFM practitioners for Malawi.

(b) Eligibility conditions

The potential applicants for funding shall be a civil society organisation including professional and business associations, a research institution or a tertiary education institution. With regard to essential characteristics, the applicant shall be a legal person or an entity without legal personality, and established in one of the EU member states or ACP countries.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 375 000–750 000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 48 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 90%. The maximum possible rate of co-financing for grants to research institutions and tertiary education institutions is 95%.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

First trimester of 2019 and if required under a suspensive clause of the adoption of this decision.

5.4.2 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Key Result 5: Established national and local platforms for domestic accountability	Services	1	First Trimester 2019

5.4.3 Indirect management with an international organisation

A part of this action (Key Result 1.2) may be implemented in indirect management with the International Monetary Fund (IMF). This implementation entails improved effectiveness and efficiency of tax revenue administration.

This implementation is justified because a) Malawi is a member state of the IMF and thus both parties have established a special trust relationship; b) IMF expertise in tax administration is widely known and acknowledged; c) the direct support to IMF could be complemented with short term support through AFRITAC, if need be.

The entrusted entity would carry out the following budget-implementation tasks:_running the public procurement, and concluding and managing the resulting contracts.

5.4.4 Indirect management with the partner country

A part of this action (Key Results 1.1; 2.1–2.4; and 3.1–3.2) with the objective to "1) Provide support to the Ministry of Finance to discuss, validate and implement a tax system that is effective and efficient and transparent while stimulating investment and economic activity, e.g. through a comprehensive tax policy review, 2) Increase effectiveness, efficiency and control of expenditures and reduce fiduciary risks, as well as, 3) enhance implementation of PFM reforms and enforced integrity / work ethics" may be implemented in indirect management with the Government of Malawi according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

The partner country shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement concluded with the partner country.

This tender shall be launched in the 3rd trimester of 2018 under a suspensive clause of the adoption of this decision.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (in EUR)	Indicative third party contribution (in EUR)
Specific Objective 1: Improved effectiveness in fiscal management	**14 000 000**	
5.4.3 *Indirect management with International Monetary Fund (IMF)* - Improved effectiveness and efficiency of tax administration [KR1.2]	3 000 000	n.a.
5.4.2 *Procurement (indirect management)* - Improved effectiveness and efficiency of a) revenue policy implementation [KR1.1]; b) expenditures and reduced fiduciary risks [KR2] and enhanced implementation of PFM reforms [KR3]	11 000 000	n.a.
Specific Objective 2: Strengthened voice of domestic accountability actors	**6 000 000**	
5.4.1 *Call for proposals (direct management)* - Enhanced capacity of civil society, media and academia to demand transparency [KR4]	3 000 000	150,000 €
5.4.2 *Procurement (direct management)* - Established national and local platforms for domestic accountability [KR5]	3 000 000	n.a.
5.8– Evaluation, 5.9 - Audit	**200 000**	n.a.
5.10 – Communication and visibility	**100 000**	n.a.
Contingencies	**1 700 000**	n.a.
Totals	**22 000 000**	**150 000**

5.7 Organisational set-up and responsibilities

The main components of the programme relating to Key Result 1 activity 1.1 and Key Results 2 and 3 will be housed within the Ministry of Finance, Economic Planning and Development-MOFEP (Lilongwe), in close affiliation to the Public Financial Management and Systems Unit. The Key Result 1 activity 1.2 will be housed in the Malawi Revenue Authority (Blantyre). The Key Result area 4 will be independent from Government structures but implemented under the guidance of the European Union and the National Authorising Officer, MOFEP.

It is envisaged that the implementation will be done in a way to ensure that the Public Financial Management and Systems Unit (MOFEP) will take over the responsibility for the implementation of PFM reforms in Malawi. Hence, the Public Financial Management and Systems Unit will be key for the implementation of the Key Results 1, 2 and 3.

The assessment of progress shall be included in the overall PFM governance structure, between the Government and the Development Partners at technical level (chaired by the Accountant General bi-monthly), managerial level (chaired by the Secretary to the Treasury quarterly) and political level (chaired by the Minister bi-annually).

Key Result 4 will not fall under this arrangement but will be invited to closely coordinate and submit regular reports to the EU and the Public Financial Management and Systems Unit (MOFEP).

In the event that the established governance structure shall face challenges, a separate Programme Steering Committee shall be set up, chaired by the MOFEP and EU with participation from all programme components, except for Key Result 4.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action and projects resulting from a call for proposals will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

In addition, there are several assessments to be undertaken to ensure periodic monitoring of performance. A) It is envisaged that in 2022/2023, a PEFA assessment will be undertaken. Depending on the preference by Government, funds are available within this programme to support this exercise. B) Confidential annual surveys of civil servants working in relevant PFM institutions will be undertaken within the Service Contract arrangements on a periodic basis. The overall responsibility for the monitoring of performance will lie with Government supported by the Service Provider.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, at least one final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels, taking into account in particular the fact that the chosen approach for this project focuses strongly on achieving change and to a lesser extent on providing technical solutions. As this approach has not been tested widely, the final evaluation shall provide for an objective assessment to which degree this approach has achieved lasting change in the PFM system in Malawi and could be tried in other sectors and/or countries.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, at least one contract for evaluation services shall be concluded under a framework contract, for the final evaluation in the last quarter for 2023.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Whether and when a contract for audit services shall be concluded under a framework contract will depend on the risk assessment.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

For this programme, the visibility and communication obligations will be covered mainly through the service contract under KR5, where television and radio campaigns will be deployed to discuss PFM issues with the wider public, hence covering the overall programme objectives. In addition, each key result will have its own visibility aspect, e.g. a tax forum under revenue policy (KR1.1), enhanced visibility for PFM reforms (KR3), and public events under the academia component (KR4).

APPENDIX – INITIAL LOGFRAME MATRIX[21]

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be laid out and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (including reference year)	Targets (including reference year)	Sources and means of verification	Assumptions
Overall objective:	Promote good economic governance and accountability	Transparency International Corruption Perception Index IDA Resource Allocation Index (IRAI) Cluster D - Public Sector Management Institutions	31 (2016) 3.2 (2016)	>31 (2023) >3.(2023)	Transparency International Corruption Perception Index IDA Resource Allocation Index (IRAI)	Government of Malawi will continue to focus on governance as a priority in its development strategy
Specific objective(s): outcomes (s)	SO1 Improved effectiveness in fiscal management	A) PEFA: PI-10 fiscal risk reporting PI-19 revenue administration PI-22 Expenditure Arrears PI-23 payroll controls **PI-24 procurement *** PI-25 Internal controls on non-salary expenditure B) Rate of successful sanctions for malpractice incidents.	A) As of PEFA assessment 2018 B) Baseline will be done at start of TA program	A) To be determined after assessment 2018 becomes available B) >50% successful sanctioning of incidents misuse of resources by 2022	A) PEFA assessment report 2022/23 B) Analysis of acknowledged malpractice incidents	No major external shocks will diminish the Government's attention to PFM reform implementation
	SO2 Strengthened voice of domestic accountability actors	Africa Integrity Indicator: Public management: No 25[22]; No. 26[23]; No. 29[24]; No. 38[25]	AII (2017)[26] No. 25: 0 No. 26: 0 No. 29: 0 No. 38: 25	AII (2023) No. 25: >0 No. 26: >0 No. 29: >0 No. 38: >25	AII reports (https://www.globalintegrity.org/downloads/)	CSOs and the media will continue to operate largely free from government control

[21] Indicators aligned with the relevant programming document are marked with '*' and indicators aligned to the EU Results Framework with '**'.
[22] No. 25 In practice, major public procurements involve competitive bidding.
[23] No. 26 In practice, citizens can access the results and documents associated with procurement contracts (full contract, proposals, execution reports, financial audits, etc.)
[24] No. 29 In practice, citizens can access the financial records of state-owned companies
[25] No. 38 In practice, civil servants' work is not compromised by political interference.
[26] https://aii.globalintegrity.org/scorecard?country=malawi&year=2017

	KR (output) 1: Improved effectiveness and efficiency of revenue policy implementation and tax administration	1.1 Status of comprehensive tax policy and legal amendments	1.1 Pending comprehensive tax policy review. (Current tax legislation from 1963, with various updates.)	1.1 Finalised comprehensive[27] review of tax policy framework (2023). New tax policy approved by cabinet and revised legal framework effective (2023)	1.1 New comprehensive tax policy published on gov. website; revised tax act published in Government Gazette.	1.1 Parliament will approve tax amendments
		1.2 Status of Accurate and comprehensive taxpayer registration database,	1.2 Incomplete, obsolete and inconsistent tax payer registration database (2018), as stated by TADAT (2015): Score - P1-1=D	1.2 Operational up to date, accurate and comprehensive Tax payer registry (2021), including verification of third party data.(2023)	1.2 MRA/Modernisation Unit management reports Verified by IMF support	1.2 MRA will receive full cooperation from third party data providers
		1.3 Status of compliance levels in % for domestic taxes such as VAT, PIT, CIT, and Excises	1.3 Obsolete tax compliance systems. Little knowledge of the number of non-compliant taxpayers. Compliance level not measured	1.3 Accurate tax compliance levels for all domestic taxes measured and demonstrating upwards trend	1.3 MRA/Modernisation Unit management reports	1.3 Cleaning and update of tax registry is conducted successfully

[27] The rational, scope and focus of the review have been described in the "project proposal of the comprehensive tax review" by the Ministry of Finance Economic Planning and Development. Amongst others, the review shall examine the consistency and appropriateness of the existing legislation such as the Taxation Act, VAT Act, Export and Investment Promotion Act, the Export Processing Zone Act, VAT regulations, Customs and Excise Act, Export Processing Zones Act, the legislation on taxation of priority industries, etc, and make appropriate recommendations. The review will cover both primary legislation and any accompanying secondary legislation.

	KR (output) 2: Increased effectiveness, efficiency and control of expenditure and reduced fiduciary risks	2.1 Availability of accurate and comprehensive public procurement information	2.1 No accurate and comprehensive information regarding public procurement available	2.1 accurate and comprehensive public procurement information available and periodic reports published.	2.1 Published reports by PPDA	2.1 – 2.2 Government will remain committed to implement the new law
		2.2 Steps of procurement processes published	2.2. Publication of plans, tenders, awards not systematically undertaken and not available centrally. Bids & contracts awarded published for only 20% > MK 50 million (2018)	2.2 a)Procurement plans and contracts awarded by 70% of all MDAs published (2023) b)100% of contract awards with open competition (e.g. MK 50 million) published by PPDA(2023)	2.2 Government website	
		2.3 No of Procurement officers trained and CIPS certified with the support of this Action	2.3 Zero (2018). (There is no mandatory certification of procurement officers in the Government)	2.3 a) Modern curriculum for training designed; and b) 50% procurement officers in 50% of all public bodies CIPS certified (2023)	2.3 a) Statistics on the certification process and /or b) MIPS/Training Reports	2.3 CIPS will continue implementing the MOU with MIPS
		2.4 4 Status of revised contract management guidelines and rate of application by MDAs	2.4 Zero as the action has not started yet (2018) (currently incomplete Contract Management guide)	2.4 a) Contract Management Guide revised (2021), b) > 70% of MDAs apply guidelines (2023)	2.4 a) contract management guidelines, b) Sampling of application by PPDA/GCU and report issued	2.4 MDAs will acknowledge role of GCU in procurement process
		2.5 Frequency of accurate payroll and pension	2.5 Monthly Payroll and pension reconciliations not done regularly (2018)	2.5 Monthly regular and accurate Payroll and pension reconciliations completed monthly (2021)	2.5 Monthly payroll and pension reconciliations, AGD	2.5 -2.6 No external incentives /conditionality will distract focus
		2.6 Frequency of accurate Commitment Reports by MDAs to Budget Dept. and Accountant General's Department	2.6 Monthly Commitment Reports by MDAs are inaccurate (2018)	2.6 a) Independent verifiable Commitment Reports produced monthly (2024); b) Evidence of a review by AGD of monthly reported commitments and action/sanctions taken for unjustified commitments. (2020) Evidence of payment delays for unrecorded commitments. (2022)	2.6 Budget Dept records of monthly Commitment Reports created from records independent of MDAs; Annotated AGD records of monthly Commitment Reports created from records independent of MDAs; IFMIS payment records	
		2.7 Extent to which budget documentation comprises contingent liabilities from parastatals	2.7 No comprehensive governance and management framework available for parastatals, oversight difficult (2018); Contingent liabilities are not disclosed in budget documentation.	2.7 Based on an operational governance/ management framework contingent liabilities are included in the annual budget (2023)	2.7 Annual budget documentation.	2.7 Parastatals will adhere to governance framework and provide accurate and timely information

	KR (output) 3: Enhanced implementation of PFM reforms	3.1 Extent to which the working environment is becoming more conducive to achieving PFM reforms 3.2 M&E reports	3.1 Baseline will be done at start of TA programme 3.2 M&E template being developed	3.1 Targets to be set after baseline 3.2 Periodic M&E reports issued to main stakeholders e.g. quarterly (2021)	3.1 Confidential annual survey of civil servants working in relevant PFM institutions 3.2 Periodic M&E reports by PFMS Unit, MOFEP	3.1 Officers will share honest information 3.2 all stakeholders will submit accurate and timely information
	KR (output) 4: Enhanced capacity of civil society, media and academia to demand transparency and accountability from duty bearers	4.1 **# of public hearings with local communicates, where district administrations are held accountable[28] on the use of public funds*** 4.2 **# of studies/research published or discussed publically for improved decision making*** 4.3 # of cohorts having undertaken a newly developed PFM degree or certificate course	4.1 Baseline: 0 under this programme 4.2 Baseline: 0 under this programme 4.3 Baseline: 0 under this programme	4.1 at least 15 public hearings conducted to hold district administrations accountable (2023) 4.2 at least 15 studies in the area of PFM published or discussed publicly (2023) 4.3 At least one cohort of graduates finalised and a second one commenced for the PFM degree and eight cohorts having completed executive education certificates. (2023)	4.1 Annual reports from grant beneficiaries 4.2 Annual reports from grant beneficiaries 4.3 Annual reports from grant beneficiaries	4.1 District authorities will cooperate with grand beneficiary 4.2 Capacity of grant beneficiary sufficient to provide quality research. 4.3 Demand from students sufficient to conduct courses
	KR (output) 5: Established national and local platforms for domestic accountability	5.1 # of viewers/listeners reached through TV/radio shows broadcasted to the wider public on PFM issues	5.1 Baseline: 0 under this programme	5.1 At least 5 million viewers/ listeners reached (2023)	5.1 Reports from TV and radio stations regarding viewers.	5.1 TV/radio broadcaster will have availability to broadcast shows

[28] Meaning, that a public discussion will be held between community members and the district administration, where issues of budget implementation will be discussed.