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|  |  Technical Note |
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| Noradlogosort_ **Institutional Cooperation between** **Norway and Malawi** **in Statistics and Planning** Appraisal of Phase Three dS |
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**Aid Strategy and Development Economics Department**

March 2011

**Norad Technical Note**

This note is part of the Department’s ongoing work. The views and opinions expressed in this note do not necessarily correspond with those of the management of Norad.

Project: Appraisal of Phase Three of the Cooperation between Norway and Malawi in the field of Statistics and Planning

Commissioned by: The Norwegian Embassy in Malawi

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Foreword and Acknowledgements

Norway has contributed with support to the Programme on Capacity Building in Statistics and Planning in Malawi from 2003. The programme comprises two main components: a statistical project focusing on capacity building at the National Statistics Office and a planning project focusing on capacity building in the Ministry of Development Planning and Cooperation and the Ministry of Finance, Economic Planning Division.

This Norad report is an appraisal of the proposed third phase of the institutional cooperation program between Norway and Malawi. The Appraisal was commissioned by the Norwegian Embassy in Lilongwe, and the Appraisal Mission was undertaken in the period of 17 – 21 January, 2011.

The report gives an overall assessment of the planning process and proposed design of the third phase of the institutional cooperation program. The report raises a number of concerns related to post-program sustainability and provides recommendations for revisions of the project proposals.

The Appraisal Team consisted of Senior Adviser Erlend Nordby (Team Leader), Adviser Marte Briseid and Professor Ronald Mangani. The Appraisal Team would like to thank the National Statistical Office, the Ministry of Development, Planning and Cooperation, the Ministry of Finance, the Reserve Bank of Malawi, Statistics Norway and the Royal Norwegian Embassy in Lilongwe for good collaboration during the appraisal process. We would also like to express gratitude to all the persons interviewed during our field mission as well as for valuable comments from stakeholders to the Draft Report.

Oslo, March 2011

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Abbreviations

ACBF Africa Capacity Building Foundation

BoP Balance of Payments

CPI Consumer Price Index

EAD Economic Affairs Division

ECAMA Economics Association of Malawi

GDP Gross Domestic Product

GoM Government of Malawi

IIP Index for Industrial Production

LDC Least Developed Country

LFA Logical Framework Analysis

LTA Long-term Adviser

MGDS Malawi Growth and Development Strategy

MDG Millennium Development Goal

MDPC Ministry of Development Planning and Cooperation

MoF Ministry of Finance

MRA Malawi Revenue Authority

MTEF Medium Term Expenditure Framework

MTR Mid-Term Review

NA National Accounts

NPISH Non-Profit Institutions Serving Households

NSO National Statistical Office

NSS National Statistical Strategy

Paris21 Partnership in Statistics in the 21st Century

PD Program Document

PPI Producer Price Index

PAR Pre-Appraisal Report

PS Principal Secretary

RBM Reserve Bank of Malawi

SN Statistics Norway

SNA System of National Accounts

STA Short-term Adviser

SWAP Sector-wide Approach

UNIMA University of Malawi

WMS Welfare Monitoring Survey

# Summary of Main Conclusions and Recommendations

The appraisal of the proposed phase three of the statistical cooperation program between Malawi and Norway has exposed a number of issues that need to be clarified before moving into this new phase of the program.  As these challenges threaten post-project sustainability of both the Planning Project and the Statistics Project, it is essential that considerable effort be made by all involved stakeholders in the months to come, in order to do the groundwork necessary to ensure that risks are reduced before signing a new agreement for a third phase.

The appraisal has looked separately at the two program components – the Statistical Project and the Planning Project. A number of risk factors related to the program design have been identified; both related to the program design and related to the Malawian context.

The contextual risk factors identified relate to a weak tradition for evidence-based policy making, lack of financial resources, weak institutional capacity in government, a remuneration structure which gives incentives for seeking allowances, as well as the common service system which impacts on staffing structures. As these challenges are by no means unique to Malawi, it is recommended that learning experiences from other capacity building projects in the region are considered in the revision of the program documents, in order to mitigate these contextual risks to the extent possible.

Based on an appraisal of the statistical project, the Appraisal Team recommends that the cooperation between the National Statistical Office (NSO) and Statistics Norway in this area be extended into a third three-year phase. Prior to the signing of the agreement, a revised program document should be submitted taking the following issues into account:

* The proposal should be linked to an overall National Statistical System (NSS) work plan and budget outlining all planned activities and related Government of Malawi and donor contributions.
* The proposal to the Norwegian Embassy should be updated and exclude all activities (and related budget lines) that have already been implemented. The revised phase three budget should exclude the budget lines for components five (agriculture statistics) and six (coordination of NSS), as these do not correspond with the proposed project proposal. It is recommended that the Norwegian support should largely focus on national accounts and economic statistics.
* In light of the interest from the Government of Malawi and other donors to finance the Welfare Monitoring Survey, the allocation to this survey should be reduced in order to free funds for other focus areas, notably economic statistics.
* The logical framework should be revised with a view to increasing usability as a planning tool.
* The value added of having long-term advisers from Statistics Norway at the NSO Lilongwe and Zomba offices should be clarified and carefully assessed. Local solutions should be assessed with a view to increasing sustainability in the long term.
* The proposal should include an exit strategy and should clarify mitigating actions related to the risk factors identified, also taking into account the impact of contextual factors.

With regard to the Planning Project, the Appraisal Team does not recommend that a third phase of the program be implemented based on the proposed project document. It is recommended that the extension of the project into a third phase be made conditional upon evidence of clear ownership from the involved institutions, assurance that the macroeconomic model will be used as a planning tool by the Government of Malawi, and that the challenges concerning project management and coordination are solved.

It is further recommended that the Norwegian Embassy requests for a revised proposal from the Government of Malawi addressing the recommendations made in this appraisal. In particular, the proposal should:

* State the nature and periodicity of the reports that will be generated with the use of the macroeconomic model in each of the three collaborating institutions, and present a tentative publishing calendar for the same.
* Convincingly stipulate how project management and coordination will be enhanced in phase 3 in order to raise the model’s profile and awareness among policy-makers
* Strengthen provisions for ensuring the sustainability of the modeling initiatives after the MGDS II formulation process and after phase three.
* Indicate efforts that will be made to mitigate risk factors and clarify an exit strategy based on experiences from the project as well as other relevant capacity building programs.
* Provide assurance that the macroeconomic model will be institutionalized as a key tool for evidence-based decision-making in Malawi. This requires assurances that adequate time will be allocated to members of the modeling team in all three institutions and a clear understanding of what the model is capable of doing among members of the modeling term first and, eventually, among all key members of the Economic Management Committee.

With regard to both projects, it is of crucial importance that, in the course of the third phase, the Government of Malawi increases efforts to ensure sustainability by institutionalizing procedures for transfer of knowledge and mitigating the human resource challenges highlighted.

With regard to post-program sustainability, thorough thought must be given to how the risks related to the termination of the program will be managed and how future financial and institutional support to statistics in Malawi will be managed after phase three. Learning experiences indicate that capacity building normally takes considerably longer than the total planned period of the cooperation program appraised in this report. As such, it is important that the ongoing efforts to establish a sector-wide approach (SWAP) to support the implementation of the National Statistical System in Malawi be continued. The Team recommends that NSO, in the course of phase three, presents an overall work plan to the Government of Malawi and other donors, estimating the needs for financial support to further improve statistical capacity in this context. Further considerations should also be made, based on learning experiences from countries such as Mozambique or Palestine, to establish if or when it could be advisable to move into a basket funding mechanism to support the implementation of the NSS in Malawi.

# Introduction

The Governments of Norway and Malawi signed an agreement in June 2003 regarding an institutional cooperation program involving Statistics Norway and three Malawian institutions: the Ministry of Economic Planning and Development (now Ministry of Development Planning and Cooperation – MDPC), the Economic Affairs Division of the Ministry of Finance (EAD/MoF), and the National Statistical Office (NSO). The goal of the first phase of the program implemented in the period 2004–2007 was to contribute to poverty reduction and increase the welfare of the population of Malawi through efficient fact-based policy planning in order to implement the Malawi Poverty Reduction Strategy. The program was organized as two largely independent projects: the Statistics Project implemented and managed by NSO, and the Planning Project managed by MDPC and implemented by MDPC and MoF/EAD. The Reserve Bank of Malawi (RBM) is a key collaborating partner in the Planning Project.

The original program document envisaged that at least two and preferably three phases of cooperation would be needed. This was confirmed in the mid-term review (MTR) of the first phase conducted in 2006. The second phase of the programme started in July 2007. Due to delays in program implementation, this phase was extended until July 2011 by an addendum of October 2010. The mid-term review of phase two, carried out in November 2008, concluded that the programme had shown satisfactory progress and had rendered solid results, both in the form of new statistics and in terms of enhanced capacity of the cooperating institutions, and recommended that the program be extended to include a third three-year phase.

Proposals for phase three were submitted by NSO and MDPC to the Norwegian Embassy in early 2010. An assessment (pre-appraisal) of the MDPC project proposal conducted by Norad in June 2010 provided recommendations to MDPC and the Embassy regarding possible financial support to the planning project. Norad recommended that the proposal be revised on the basis of the recommendations made in the pre-appraisal. A revised MDPC Proposal was submitted in November 2010.

# Objectives and Methodology of the Appraisal

This appraisal report is based on the NSO project proposal for phase 3 submitted in January 2010 and the revised MDPC project proposal submitted in November 2010. The objectives of the appraisal are to assess the planning process, program design, sustainability, risks, mitigating actions and donor coordination issues of the proposed phase 3 (see ToR in Annex 3).

The Appraisal Team reviewed the relevant documentation (see Annex 1) and conducted interviews in Malawi in January 2011. A list of all individuals and institutions contacted is provided in Annex 2. As some involved stakeholders were not present during the Appraisal mission, interviews conducted in relation to the Pre-Appraisal of the Planning Project undertaken in June 2010 have been used to supplement the information collected during the appraisal mission.

The Appraisal Team is of the view that specific challenges related to the Malawian context may have consequences on project implementation and sustainability. In addition to dealing with issues directly related to the institutional cooperation program itself, this appraisal therefore attempts to link challenges specific to the Malawian context with program specific challenges. Hence, chapter four identifies some of the broader issues that may enhance an understanding of the overall context in which the program is implemented. These issues are then discussed in the following chapters in the context of the program specific issues. It should be noted that the Appraisal Team has limited the discussion on contextual issues to those found most relevant to the assessment of the program proposal.

# Contextual Setting of the Program

The Norway–Malawi statistical cooperation program has coincided with increased international interest and focus on capacity building in statistics over the last decade. This interest is linked to the acknowledgement that an effective and efficient statistical system is an essential element of good governance, and that improvements in data are required to monitor the Millennium Development Goals (MDGs). Hence, in 2009, more than 100 countries signed the Dakar Declaration on Development of Statistics, agreeing that concerted and co-ordinated actions are required to make more effective use of statistical data to support poverty reduction policies and programs, and to strengthen and sustain the capacity of statistical systems. Norway and Malawi participated in the drafting of the declaration.

## The political context of evidence-based development planning in Malawi

In Malawi, the need for reliable and timely social, economic and financial statistics as a key input in poverty reduction and development planning has become increasingly apparent over the last decade. The formulation and implementation of the Malawi Poverty Reduction Strategy Paper in 2002 represented the first major step towards evidence-based development planning, monitoring and evaluation in Malawi. In 2006, the Malawi Growth and Development Strategy (MGDS) was developed as an elaborate planning tool with explicit data requirements for performance monitoring and evaluation in different policy sectors, such as health and education.

The National Statistical Office currently conducts several periodic surveys to satisfy this need, as well as the needs of the closely aligned Millennium Development Goals (MDGs) and the requirements of other data users. However, challenges exits with respect to the quality and reliability of the data generated, as well as the use of such data beyond the MGDS and MDG processes. It is also a challenge that the reliability of some data is debated. For example, the Appraisal Team has learned that the data on agricultural production, produced by the Ministry of Agriculture and Food Security, do not correspond with the data produced by NSO. This may imply that the country’s gross domestic product (GDP) estimates are uncertain. Data on the Consumer Price Index (CPI) is another contentious matter.[[1]](#footnote-1)

Despite an increased demand for evidence-based policy making in the sectors, use of economic and financial statistics in policy planning and in the formulation of the national budget has not been institutionalized. While modelling activities aimed at informing the formulation of monetary policies have increasingly become institutionalized in the Reserve Bank of Malawi (RBM) in recent years, only occasional use of evidence based policy making has been undertaken in the MDPC and MoF.[[2]](#footnote-2) For instance, In three learning events on Managing for Development Results conducted by the Government of Malawi (GoM) in 2010, the unreliability and inadequacy of data for planning was cited as the single most important constraint in institutional capacity to carry out evidence-based decision-making[[3]](#footnote-3).

In realization of this challenging context, the Malawi–Norway cooperation program is an attempt to link the demand for and production of economic statistics within the framework of the capacity building program. By design, the program has the potential of creating a feedback structure which, over time, increases the demand from primary users of statistics and hence the quality of statistics in Malawi. Hence, the program differs from other statistical capacity building programmes, and is followed with interest by Paris21 (Partnership for Statistics in the 21st Century) partners.

In the period 2008– 2012 the GoM is implementing a National Statistical Strategy (NSS) aiming at building a national statistical system underpinning the efforts to develop evidence based policy making. Norway is supporting the implementation of the NSS by financing a full time long term adviser to assist NSO in coordinating the implementation of the NSS. This support is outside this statistical cooperation programs. Furthermore, Norway is currently the lead donor in the Sector-Wide Approach (SWAP) initiative on statistics in Malawi.

## Key challenges in the political economy of Malawi

Malawi ranks among world’s least developed countries (LDCs) with a GDP estimated at US$4.8 billion in 2009, which is equivalent to per capita income of US$344 only (IMF, 2009). Even in a regional context, the country is relatively heavily aid-dependent. About 30%of the GoM’s budgeted resource envelop of U$ 1,9 billion in 2010/11 is in the form of grants from donors, and an average of 80% of the government’s annual development budget is donor-financed (Mangani, 2011).

In general, service delivery challenges in the Malawi public sector relate to weak human and financial capacity. Official statistics on the level of vacancies in the Malawi Public Service are unavailable, although the Output-Based Budget Document of the GoM Budget for 2010/11 reveals that significant staff vacancies exist in some key government ministries and departments. Anecdotal evidence based on the budget suggests that about 30% of the 151 thousand positions in the civil service are vacant. Some of the reasons cited for the high vacancy level include loss of lives due to HIV/AIDS, poor remuneration and poor working conditions relative to the private sector (hence loss of staff to that sector), and slowness in the recruitment process.

Like most other countries in the region, the constrained resources of the Malawi government are coupled with relatively weak public financial management systems and procedures. There is a long tradition of budget deficits, and the Ministry of Finance annually communicates budgetary ceilings that do not usually reflect the operational needs of ministries and departments. Nevertheless, output-based budgeting reflective of the prioritisation spirit of the MGDS has been adopted in recent years, with use of specific targets and indicators. However, the fact that budgetary ceilings are still communicated by the MoF does to some extent indicate that incremental budgeting rather than results-based budgeting is the norm with regards to prioritization among sectors.

The constrained resource envelope also has implications with regard to allocations of resources for actual operations to key ministries and departments. As a result of the serious resource gaps, most government ministries and departments are dependent on development assistance to finance their activities through project support. While this is helpful in terms of ensuring that key services are delivered, it poses the challenge that some of the activities are donor-driven and lack local ownership. They also suffer sustainability challenges when the donor funding expires.

In addition to the impact of the financial constraints, the structure of the public service in Malawi poses challenges in human resource management processes in relation to some professional and support staff categories, notably economists, accounts personnel, human resources personnel as well as statisticians. Most of these staff are centrally recruited by “common service” arrangements, and do not necessarily become staff of the specific government department or agency where they work.[[4]](#footnote-4) The direct implication is that most of these civil servants can be shifted from one ministry or department to another by the controlling officers of the respective common services, sometimes without regard for the investments in staff development commensurate with the job requirements at existing workplaces.

When common service staff are transferred - a common occurrence in some instances - it usually takes time before their replacements are availed and trained in accordance with the specific requirements of the government department or ministry. Moreover, such training is at times considered of limited use, as the training departments and ministries are not assured that they will continue to benefit from the services of such staff.

The public service in Malawi also faces a daunting challenge related to poor remuneration and the resultant need to supplement the low incomes with travel-related allowances. In a recent study, Peprah and Mangani (2010) established that the travel budget of the GoM reflects gross abuses and malpractices which are attributable to low wages and salaries, wide disparities in salaries between grades and across the public service, and the absence of penalties. It is estimated that 30-40% of the travel-related expenditure could be attributable to such abuses and malpractices. While some of the travel-related allowances are paid for travel that never occurs, a significant amount relates to travel that is avoidable. In addition to the illegal practices referred to in this study, the public sector in Malawi is also characterized by a dependency on allowances which is not necessarily illegal, and is sometimes even encouraged by donors as an integrated part of their contracts with GoM institutions. It is, however, difficult to address the challenges associated with allowances without looking at the remuneration structure.

# Assessment of the Statistics Project

## Background

According to the mid-term review and final report for phase two, the institutional cooperation project between NSO and Statistics Norway has rendered solid results; both in terms of improving the quality of basic economic and poverty statistics and increasing reliability of national accounts data, and in terms of improving the capacity of NSO as an institution. The mid-term review deemed the cooperation to have had the intended impact on the generation and use of statistics in Malawi and that it had been output oriented and rendered valuable products for planning, monitoring and evaluating social and economic progress in the country. It was recommended that the programme be extended to another three year phase, in order to consolidate the progress made thus far and to strengthen the application of new statistical capacities.

The NSO proposal for the third phase of the institutional cooperation program with Statistics Norway was submitted to the Norwegian Embassy on 30 January 2010. The proposal had been developed by NSO in collaboration with Statistics Norway. Due to delays in the implementation of phase two of the Planning Project, which led to the decision to extend phase two by bridge funding until July 2011, the project proposal was appraised in January 2011, approximately one year after the proposal was submitted to the Embassy. In consequence, the proposal is partly outdated with regard to recent developments within NSO, such as the recent instalment of the new IT system and the recruitment of a high-level long-term adviser (LTA) to assist NSO with the implementation of the NSS Strategic Plan. **It is recommended that the program proposal be updated to take these and other recent developments into account.**

## The planning process

The NSO proposal is a result of close collaboration between NSO and Statistics Norway, particularly during a planning mission by Statistics Norway to Malawi in January 2010. In conversations with the Appraisal Team, NSO management acknowledged the need for long-term commitment and support in order to create a sustainable environment for the generation of economic statistics in Malawi, and showed strong ownership of the proposal and the planned activities for phase three.

The NSO proposal does not specify whether a wider range of stakeholders were consulted or involved in the planning process for phase three. In conversations with representatives from the RBM, however, the Team learned that NSO and RBM engage in a formal process in which data needs are discussed. Hence, the NSO proposal to broaden the coverage of and improve the program for basic economic statistics is seen to be in line with RBM requests and identified needs. Also other relevant user groups seem to have been accounted for. Mention was further made of workshops held for representatives from the media and academia with a view to strengthening the links between users and producers of statistics within the National Statistical System. Significantly, it was also noted that the long-term adviser hired to assist the NSO in coordinating and implementing the NSS is working to institutionalize these workshops. Progress on the key activities of NSO is summarised in monthly progress reports of which a November 2010 copy was availed to the Appraisal Team. These reports could be key updates for stakeholders if they were posted on the NSO website for wide circulation, thereby enriching the feedback process.

The Program Document (PD) refers briefly to the previous phases of the institutional cooperation project and the recommendations made in the mid-term review of phase two undertaken in late 2008. The proposal for phase three is seen as a logical continuation and consolidation of the achievements made in phases one and two. However, given that phase three will be the final phase of the institutional cooperation program, more thought should be given to the exit strategy. The proposal indicates that cooperation in certain areas will be phased out in the third phase, given the adequate skills established to implement these activities within NSO. There is however no discussion in the document of how risks will be managed, and there is no stipulation of what will happen post phase three. The PD does not make reference to experiences from other capacity building projects in the region from which lessons could be learned in terms of exit strategies. **It is recommended that more thought be given to how the risks related to the termination of the program will be managed and how future financial and institutional support to statistics in Malawi will be managed after phase three. The Team recommends that NSO, in the course of phase three, presents an overall work plan to the Government of Malawi and other donors, estimating the needs for financial support to further improve statistical capacity in the context of the NSS.**

There is much to be learned from experiences from the region in this regard. The Appraisal Team was pleased to note that NSO, based on lessons learned from a peer review undertaken of its sister organization in Mozambique, the National Institute of Statistics or *Instituto Nacional de Estatística* (INE), is interested in the donor fund mechanism in use by this institution. The National Statistics Common Fund in Mozambique is managed by INE and used to finance activities outlined in annual work plans developed by the institution. This arrangement has contributed to improved planning and management within INE, and to greater transparency in the funding of statistical development in Mozambique. **It is highly recommended that this option be further investigated by NSO in the course of phase three.**

***5.2.1 Planning methodology and use of Logical Framework Analysis (LFA)***

The proposal includes logical frameworks detailing overall and specific goals, purpose, outputs and input related to the program’s four components: basic economic statistics, national accounts, poverty statistics, and institutional development. There is no overall logical framework for the entire NSO program. In general, the logical frameworks are difficult to read and do not adequately distinguish between outputs and inputs. While assumptions and risks are included, there is no mention of mitigating factors.

The narrative part of the program document includes indicators for measuring progress. However, these have only been provided for selected outputs, such as for the Annual Economic Survey (AES), the Welfare Monitoring Survey and institutional development. Some of these indicators are immeasurable and vague (e.g., “economic statistics engendered” in paragraph 55) and should be avoided. The indicators in the narrative are very poorly linked with those in the logical framework (called ‘verification’) which are generally of better quality. **It is recommended that the logical framework be revisited in the revision of the PD. The revision should aim to simplify the logical framework in order to increase readability and usefulness as a planning tool.**

## Assessment of programme design and relevance of the project

Following the programme structure of phases one and two, NSO proposes to focus the cooperation within the following four main areas: 1) basic economic statistics, 2) national accounts, 3) social and poverty statistics (Welfare Monitoring Survey), and 4) institutional development of NSO. The program proposes to have one long term adviser in national accounts at the NSO Lilongwe office and one on a broader set of technical issues to be based at the NSO office in Zomba.

Overall, the PD provides a good overview of the needs that will be covered by the activities proposed for the third phase of the institutional cooperation program. The proposed activities are considered to be in line with the NSO Strategic Plan, related to improvements in economic statistics in particular, and with the overall project goal of contributing to reducing poverty and increasing growth and welfare in Malawi by building capacity to collect, process and disseminate statistical information serving evidence based planning.

NSO proposes a so-called “flexible exit strategy”, which is to allow for three types of cooperation in the third phase: 1) institutionalization of the capacity building process through a human resource development program; 2) further methodological developments to improve data; and 3) capacity building in areas such as electronic dissemination by the web, IT-infrastructure and mid-level management. This strategy is in line with the MTR of phase two, which recommended that phase three should focus on consolidating the progress made so far, ensure the sustainability of the new capacity building in statistics and planning, develop new statistics and improve some of the existing ones.

### **5.3.1 Component Stat-1 Basic economic statistics**

The PD proposes to improve and broaden the basic economic statistics program by improving statistics on foreign trade, the index for industrial production (IIP), and the consumer price index (CPI). It also proposes the introduction of employment statistics and the producer price index (PPI). These data collection processes relate to standard data requirements and identified user group needs, some of which have been on the table for quite some time. In the absence of elaborate and credible systems for the generation of administrative data, it is envisaged that survey-based data will continue to dominate. However, NSO should increase efforts to set up administrative systems for data collection in these areas.

The Appraisal Team supports the broadening of the basic economic statistics program in phase three. It is, however, debatable whether the proposed budget will be sufficient to deliver the intended outputs on the IIP, the new PPI and the quarterly employment data. Similarly, the allocation for the CPI rebasing exercise seems questionably low. **It is recommended that the PD should specify, with reference to an overall work plan for basic economic statistics, what level of coverage the proposed funding will achieve and, if necessary, what additional resources will be made available and from which sources.**

The proposal for technical cooperation for this component includes: a senior short term adviser making one visit per year, one other short term consultancy per year, and study trips to Norway or other countries. **It is recommended that the proposal make the value added of such technical assistance explicit in the revised project proposal. It is further recommended that NSO weigh the merits and demerits of using technical advice from the East African Regional Technical Assistance Centre (East Afritac) as opposed to Statistics Norway in the rebasing of the CPI and the development of the PPI**. Both East Afritec and SN have demonstrable capacity in this area.

It is mentioned as a risk factor in the PD that improvement in economic statistics requires smooth cooperation with other government institutions such as the Malawi Revenue Authority (MRA), the MoF and the RBM. **It is recommended that a strategy for enhanced cooperation with these institutions be developed.** Such a strategy could help to institutionalize the cooperation, thus increasing the chances of post-project sustainability.

### **5.3.2 Component Stat-2 National Accounts**

With regard to the national accounts component, the Appraisal Team supports the proposal to continue the work to operate, revise and expand the new national accounts (NA) system through the production of supply and use tables, revision of NA time series, establishment of institutional and quarterly accounts and transfer of capacity to NSO staff. As proposed in the PD, the work in phase three should focus on consolidating the progress made so far and shortening the delays in data production in order to better satisfy user demands.

Since surveys on private capital flows, balance of payments (BoP) and non-profit institutions serving households (NPISH) are already being funded through the government budget, **it is proposed that the budget for phase three should no longer include these activities. The GoM should be encouraged to continue funding these initiatives beyond the current period.**

In terms of technical cooperation it is proposed to have a long term technical adviser, short term consultancies, one study trip to Norway and back-up support from SN. At the time the proposal was written, the current NA long-term adviser had just started her work in Lilongwe. It is unclear whether it is proposed to have another long-term adviser at the NA office after her contract expires in December 2011. It is the impression of the Appraisal Team that the NA regional office has acquired considerable competence over the program period in order to implement phase three activities without assistance from a resident adviser after December 2011. At the same time, the ambitious plans for revising and expanding the NA system may create the need for further long-term assistance into phase three. **The pros and cons of the continued presence of a resident adviser should be more thoroughly discussed in an updated PD, giving particular attention to the issue of sustainability.**

### **5.3.3 Component Stat-3 Social and Poverty Statistics**

With regard to the social and poverty statistics component, NSO has come a long way in acquiring the institutional capacity to efficiently carry out timely Welfare Monitoring Surveys (WMS) at high quality standards. Accordingly, SN technical support to household surveys was phased out in phase two. The proposal to continue with short-term support from SN in order to consolidate these efforts in phase three is deemed appropriate.

The budget proposal allocates US$110,000 in foreign costs and US$492,000 in local costs for the Welfare Monitoring Surveys in phase three. This allocation is contentious, particularly in light of some donors’ scepticism towards the quality of the data collected through the WMS. The Appraisal Team recognizes the usefulness of the WMS, as it collects a vast amount of data which is demanded and used by a wide range of users. Apart from Norway, other development partners and the government are keen to ensure that the WMS continues to be funded. It is the view of the Team that the Institutional Cooperation Project should ideally focus on building statistical capacity through the development of statistics, routines and procedures, while other development partners and the government continue with support towards the WMS.

In the absence of donor funding and alternative means for collecting poverty data (which is crucial for the monitoring and evaluation of the MGDS and MDGs), the WMS is likely be financed by the GoM. Willingness to fund certain components of the WMS has also been expressed by other donors. On this background, **the Appraisal Team recommends that funding of the WMS be reduced considerably in the budget for phase three.**

Similarly, given the unresolved contention regarding the issue of agriculture statistics, **it is recommended that the allocation for the Annual Agriculture Survey and related expenses be omitted from the phase three budget.**

With the reduction of funding to the WMS and withdrawal of funding from the Annual Agricultural Survey, it is possible that significant progress can be made on the economic statistics using available resources from Norway.The revised PD should stipulate how resources saved from the WMS and the Annual Agriculture Survey would be alternatively used in the recommended areas of statistics. It is however **the Appraisal Team’s understanding that the overall budget proposal must be reduced in order to meet the Embassy’s resource envelope**.

### **5.3.4 Component Stat-4 Institutional development of NSO**

The component regarding institutional development of NSO is partly outdated as the new central NSO IT system was already installed in 2010, and equipment for the Lilongwe Regional Office was already acquired and is ready for installation. Unless other IT requirements can be proposed, the investment of US$50,000 for this purpose is no longer necessary.

The PD makes brief mention of other NSO donor cooperation, such as cooperation with the Africa Capacity Building Foundation (ACBF) to build capacity through the provision of IT equipment and training of staff. **It is important that other donors’ contributions be included in NSO’s overall work plan and that their relation with the Institutional Cooperation Project be explicitly spelt out beyond what is presented in the PD.**

Trainings through the Statistical School are an important part of the proposal for phase three. A functioning Statistical School system may prove to be a crucial catalyst for sustainability. However, the PD does not clarify the planned activities. **It is recommended that a plan be set up with an outline of the activities/courses, and expected outcomes, that will be supported at the Statistical School (with particular regard to activities within the framework of the institutional cooperation program), thus clarifying how the statistical school will underpin sustainability of the project.**

NSO proposes to have a long-term adviser on institutional development for phase three. According to the PD, the LTA will primarily focus on supporting the NSO on the IT project and serve as backup support in other areas. The Appraisal Team finds the proposal to engage an LTA from SN in this area to be poorly supported and would like to see a specification of the value added of such an arrangement. **The Appraisal Team questions the particular relevance of Statistics Norway in this area and recommends that efforts be made to engage a local consultant with IT and electronic dissemination skills, provided a needs analysis confirms that such assistance is required**.

Finally, the proposed budget includes components five on agriculture statistics and six on coordination and monitoring of NSS. As these components are not part of the program as proposed in the PD, it is uncertain whether the proposal includes these activities or not. **On the basis of the documentation received, we do not recommend that these activities be funded within the framework of the program.**

## Assessment of risks and long term sustainability of the Statistics Project

### **5.4.1 Staffing and human resource capacity**

The largest risk threatening the sustainability of the project and the consolidation of the achievements made so far relates to staffing. It is a general view that the Lilongwe Regional Office is assigned inadequate staff for the tasks it is mandated to implement. Currently there are only three statisticians in the National Accounts Section (excluding the LTA) and two in Balance of Payments. More seriously, only one statistician is sufficiently competent with the process of generating national accounts. Two more statisticians in each of these sections are desired. According to information the Team has received, the staffing situation at the Lilongwe Regional Office will be improved by the recruitment of two more statisticians in the National Accounts Section and two more in the BOP Section. The Team welcomes this development. It is further hoped that the results of the Functional Review recently undertaken by the GoM will help improve the staffing problem at the Regional Office.

The NSO headquarters in Zomba is considered to be adequately staffed for the tasks it is set to perform. NSO is considered to be an attractive workplace and has relatively high retention rates, in part due to the financial incentives related to field missions. However, while NSO is generally spared from the high turnover rates that characterise other Malawi Government institutions, it is not immune to replacements due to the common service system. Staff replacements, such as in the case of the recent transfer of a trained NSO accountant to another government institution, are a great risk to the sustainability of the program. **It is essential that work be undertaken in the third phase to ensure that appropriate skills are transferred to staff in NSO, and that efforts are sought to institutionalize the transferring of skills through on-the-job trainings. It is recommended that NSO set up a strategy to mitigate these and the other key challenges discussed in chapter three related to human resource capacity. The Statistical School should play a key part in the mitigation process.**

The Regional Office in Lilongwe is challenged by the lack of capacity to update the software used for national accounts. The development of the System of National Accounts (SNA) software is contracted to the Germany-based centre Collogia which provides short-term assistance for programme updates. Discussions with NSO officials revealed that SN technical assistance was partly occasioned by the fact that SN alongside Collogia have the necessary licenses for updating and using the NA Software. Information received after the appraisal mission has however revealed that SN has granted NSO the non-exclusive and non-transferable right to use the SNA-NT software on an unlimited number of computers for an unlimited period of time. It is however essential that the rights granted to NSO through the license be accompanied by continued STA from Collogia provided free of charge. **The details related to further technical assistance from Collogia after phase three need to be worked out and clarified in an updated proposal.**

### **5.4.2 Financial sustainability**

The program is threatened by the longer-term risk of financial unsustainability. Inadequate funding from the Government of Malawi makes NSO highly dependent on donors. While there is high interest among the donors to fund social statistics, the demand for economic statistics, which has been the focus of the Norway-funded project, is considerably lower.

The high donor interest in social statistics also coincides with NSO’s evident interest in survey-based data rather than enhancing the mechanisms for generating administrative data. This may be partly explained by the fact that surveys are supportive of the culture of allowances, which is fuelled by the poor public service remuneration structure as discussed above. Questions can however be raised with respect to the long-term sustainability of this model, which entrenches continued dependence on donor assistance. Given the current reliance on survey-based data collection methods, however**, it is recommended that NSO make a cost-benefit analysis of the current practices of fieldwork and develop a strategy to make the existing survey methods more efficient and cost-effective**. Elements of such a strategy may include the use of the Statistics Act to increase response rates, and the allocation of permanent interviewers or data collectors in selected establishments in order to reduce travelling costs and field allowances. At the same time, **it is recommended that NSO increase its efforts to expand the funding base for economic statistics and to implement administrative data routine processes.**

There seems to be a lack of commitment to provide funding for NSO from the government. In recent years the government increase in allocations has only been moderate. According to NSO the government has, despite increasing tasks, maintained budget allocations at the same level as the general growth in the budget. If NSO activities are to be sustainable in the longer term, GoM needs to give higher priority to statistics. It is however a risk that given the budget constraints and tradition of incremental budgeting that NSO, post phase three of the program, will also be dependent on donor support for maintaining the activities in economic statistics.

## Conclusions

On the basis of the foregoing assessment, the Appraisal Team recommends that the cooperation between the NSO and Statistics Norway be extended into a third three-year phase. It is recommended that the program document be revised before the signing of the agreement. In particular the following issues should be addressed:

* The proposal should be linked to an overall NSO work plan and budget outlining all planned activities and related GoM and donor contributions.
* The proposal to the Norwegian Embassy should be updated and exclude all activities (and related budget lines) that have already been implemented. The revised phase three budget should further exclude the budget lines for components five (agriculture statistics) and six (coordination of NSS), as these do not correspond with the proposed project prosal. Progress reports on these (or related) activities should be presented in NSS meetings.
* In light of GoM and other donor funding to the Welfare Monitoring Survey, the proposed Norwegian funding to this component should be reduced.
* The phase three budget for the statistics project should be revised to reflect savings from the exclusion of activities or reduced funding, as well as Norway’s resource envelop.
* The logical framework should be revised with a view to increasing usability as a planning tool.
* The value added of having long-term advisers from SN at the NSO Lilongwe and Zomba offices should be clarified and carefully assessed before entering into an agreement. Local solutions should be assessed with a view to increasing sustainability in the long term.
* The exit strategy should clarify mitigating actions related to risk factors identified, also taking into account the impact of contextual factors outside the control of NSO, as discussed in chapter four above.

Finally, it is of crucial importance that NSO in the course of the third phase increases efforts to ensure sustainability by institutionalizing trainings and mitigating the human resource challenges highlighted above. With regard to financial sustainability, thorough thought must be given to how the risks related to the termination of the program will be managed and how future financial and institutional support to statistics in Malawi will be managed after phase three.

# Assessment of the Planning Project Proposal

## Introduction

During phases one and two the Planning Project had three components:1) macroeconomic modelling and analysis; 2) gender issues and poverty trends, and; 3) institutional cooperation between MDPC and the Economic Affairs Division of the Ministry of Finance (EAD/MoF). The first and last components are carried forward in the revised proposal for Phase three.

The Mid-Term Review of Phase 2, dated December 2008, generally concluded that the entire institutional cooperation programme was on track and sustainable. However, with regard to the Planning Project, some serious constraints on sustainability, such as lack of commitments, staff turnover and delays were noted. The Draft Final Report on the Planning Project, dated March 2010, confirmed that some commendable outputs against set goals had been registered in phase 2 in the macroeconomic modeling component and the institutional coordination component. The most noticeable outcome was an increased interest in macro-modeling among the collaborating GoM institution.

The Pre-Appraisal Report emphasized that the macroeconomic model’s had not been applied in the policy formulation process as it was expected and that no real impact of the Planning Project had been achieved in phase 2. Further, it was confirmed that challenges noted in the MTR need to be addressed in order to achieve sustainable results in Phase 3.

The macroeconomic modelling and analysis component constitutes the main focus of the Planning Project. As in phase two, the overall objective in phase three remains to strengthen capacity in macroeconomic modelling (hence the development of MalawiMod) within the MDPC, the MoF/EAD and the Reserve Bank of Malawi (RBM). It is expected that this component will generate capacity within the GoM for conducting macroeconomic simulations using MalawiMod with limited support from SN, and that such simulations will lead to the generation of reliable forecasts of key macroeconomic variables, hence the production of technically informed policy papers. This component also seeks to ensure that macroeconomic modelling contributes significantly to national economic forums and policy dialogue. The proposed inputs towards the attainment of these objectives are on-the-job training on MalawiMod provided by a long-term technical advisor (LTA) from SN, short-term technical assistance (STA), workshops, study trips, short-term training and acquisition of both software and reference materials.

The component on gender issues and poverty trends focused on improving the capacity to formulate, conduct and disseminate survey-based impact assessment and policy analysis studies, with special focus on gender issues. In the initial proposal for phase three, submitted in March 2010, this component was changed into poverty analysis and training. The idea was to enhance the capacity of the Monitoring and Evaluation Division (M&ED) of the MDPC to work with micro datasets, to assess the efficiency of different policies or programs in achieving outcomes, and to generate policy-relevant information for the second version of the Malawi Growth and Development Strategy (MDGS II). The revised proposal for phase three, submitted in November 2010, omits this component in line with the recommendations of the pre-appraisal of June 2010.

The last component, on institutional cooperation, has the objective of enhancing the institutional cooperation and capacity of the MDPC and the MoF/EAD as well as such key partner institutions as the RBM, the NSO the University of Malawi (UNIMA) and the Economics Association of Malawi (ECAMA). It is expected that this component will facilitate coherence and team work as well as a well-coordinated delivery of evidence-based policy advice, based on the modelling initiatives carried out under the first component. The proposed inputs into this component are acquisition of IT equipment and attendance of international conferences and courses. The pre-appraisal recommended that the activities under this component be carried out within the first component in view of the close collaboration between the two. However, the revised proposal deems it more appropriate to retain this as a separate component.

## The planning process

Following a request from the Embassy to conduct a pre-appraisal of the MDPC proposal, a pre-appraisal of the initial proposal for phase 3 of the Planning Project was undertaken in June 2010. The pre-appraisal report (PAR) recommended a revision of the project proposal. A revised proposal was submitted to the Norwegian Embassy in November that same year.

The PAR revealed a number of issues to be addressed in a revised proposal. These related to technical issues such as data accessibility and complexity of the model, as well as organizational issues related to anchoring the model among user groups within and outside government institutions to ensure post-project sustainability. The conclusion of the pre-appraisal also confirmed the points made in the mid-term review, particularly that the success of the program depends on the utilization of the macro-model, and that this needs to be ensured through advocacy as well as training and availability of specialised staff.

The revised proposal has, according to the program document (PD), been developed on the basis of the recommendations made in the pre-appraisal report. The Appraisal Team notes that while some of the recommendations have been incorporated, others have not been addressed.

### **6.2.1 Consultations with key stakeholders and other potential user groups**

The PD does not clarify whether stakeholders outside the MDPC have been consulted in the planning process. However, the Appraisal Team was informed that SN provided considerable assistance in the earlier stages of the program design. But the Team’s interviews with key stakeholders in MoF, RBM and NSO indicated that these had not been consulted in the formulation of the PD. In fact, some of the key collaborators in MoF/EAD and RBM had not seen the PD when it was presented to them by the Appraisal Team. Further, there was no indication in the PD that there has been any consultation with user groups outside the government, such as academic institutions. Hence, the Appraisal Team is of the understanding that the revision of the PD has been done by MDPC alone without consultation with other government institutions, academic institutions or SN. Consequently, the ownership of the programme in RBM and MoF, who are supposed to be involved in the implementation of the programme, may be questioned.

Consequent to the above, it is questionable that the MDPC has made a sufficiently strong effort to adapt the program to user needs of MoF and RBM when consultations have not been undertaken. As it was emphasised in the MTR and PAR, successful project implementation rests on active involvement of both the MoF and RBM, and on close collaboration with NSO and academia. It is surprising that consultations with these institutions have not been undertaken in the planning process.

The apparent lack of consultation with key stakeholders undermines prospects of the project’s sustainability as implementation of the proposed activities requires the involvement of these stakeholders. This point seems particularly relevant as stakeholders confirmed in interviews that their views on key issues as project coordination and hosting of the model differ from those of the MDPC. **To avoid further setbacks in implementation of the project, the Appraisal Team recommends that a consultative process resulting in a revised proposal that all stakeholders can sign up to be undertaken before the third phase of the project is approved.**

### **6.2.2 Planning methodology and use of LFA**

Considering the significant concerns raised regarding post-project sustainability in the MTR and in the pre-appraisal, one would expect a clear description of problems met in project implementation in phases one and two in the PD, and a sequenced approach to how these challenges will be solved in the next phase. While the PD does identify some risk factors, many of the issues addressed in the PAR and MTR are not attended to and mitigating actions are not clarified.

The planning methodology used is a Logical Framework Analysis, somehow adapted from the norm as it does not clarify activities from outputs, and expected outcomes and impacts are not attended to. It is a weakness of the PD that it does not fully make use of the potential of the LFA, which allows linking inputs, outputs and outcomes to risk factors and possible mitigating actions. Furthermore, the PD lacks a clear identification of what activities are to be undertaken by who, and a credible time table for when activities will be undertaken and when outputs and outcomes are expected to be achieved.

Considering the wide use of capacity building programs in Malawi and considerable experience with institutional twinning arrangements in the region, one would expect a reflection in the PD on the extent to which experiences from other capacity building programs in Malawi and the region have managed to increase possibilities for post project sustainability. The experiences of the Norwegian think-tank Christian Michelsen’s Institute, which has been involved in capacity building in macro-modelling in other countries in the region(i.e. Tanzania, Uganda and Botswana), may provide useful input in this regard. Furthermore learning experiences from the ongoing institutional cooperation between RBM and Norges Bank (NB) could be referred to. On this basis, one conclusion is that the PD lacks a sufficient analysis of the problems to be solved in the third period of the project. **A more structured analysis building on a clear methodological approach is recommended. Such an analysis should build on experiences from phases one and two, other relevant capacity building programs in Malawi and the region, as well as a key recommendations from the MTR and the PAR.**

### **6.2.3 Exit strategy**

The PD does not explicitly include an assessment of how the expected achievements will be maintained after the third phase of the institutional cooperation program. Similarly, discussions with stakeholders did not reveal whether post project sustainability has at all been considered. **It is recommended that the proposal clarify how transfer of knowledge will be ensured to enable MDPC to program the model in the absence of an SN LTA. It is recommended that an exit strategy be developed before moving into a third phase of the programme.**

### **6.2.4 Project management and coordination**

The Planning Division in the MDPC is charged with leadership and coordination responsibilities of the Planning Project, which resides within the scope and mandate of the MDPC. The leadership responsibility rests in the division director and ultimately the Principal Secretary (PS), while the coordination function is currently the responsibility of a senior economist.

The Appraisal Team observed that there is a clear interest on the part of the Ministry’s ultimate leadership to entrench evidence-based policy-making in general, and the use of MalawiMod in particular. Alongside the support provided by the Economic Affair Division at the MoF, this is crucial in locating forecasts based on MalawiMod as the basis for the Macroeconomic Framework chapter of the MGDSII.

However, the Appraisal Team observed that leadership below the level of the PS is not adequately reassuring in the Planning Project, and that the coordination function seems to have suffered significantly as a result of the departure for further studies of the former coordinator. In discussions with MoF and RBM, it was noted that there was very little interaction of the modelling team in 2010, and some team members from the collaborating institutions did not know who the coordinator was, nor did they know his actual role. On the basis of this laxity in coordination, members of the modelling team outside the MDPC could not use MalawiMod within their offices throughout most of 2010, on account of a simple expiry of the supporting software licence.

The Appraisal Team is concerned that leadership at the level of the Planning Division of the MDPC may not be sufficiently interested in MalawiMod.. Indeed, it is tempting to suspect that the model could have better chances of being applied regularly if hosted outside the MDPC, as argued by RBM og MoF/EAD. However, in the discussions the Appraisal Team had on this issue it became evident that there is no easy organisational solution to these challenges. Arguably, the problems observed go beyond issues related to the management structure of the project, and considering the wide mandate of the MDPC and that the project now enters its third phase, the Appraisal Team does not consider it as a viable option to change hosting of the model. However, to ensure that all institutions have ownership to the model, **it is recommended that MPDC, MoF and RBM outline a common strategic approach, showing the different stakeholders expected involvement and utilization of the model, before moving into a third phase of the program.**

## Relevance of the project and suggested activities

The planning project sets out to address real challenges in evidence-based development planning. The need for a macroeconomic modelling tool capable of linking up the economy’s four key sectors (fiscal, monetary, external and real sectors) and establishing causal interrelationships among them is indisputable. Given its broader focus, it is understandable that MDPC should naturally assume leadership in such an initiative.

Both within the Ministry of Finance and the Reserve Bank of Malawi, the need for a tool that can generate alternative and potentially more reliable forecasts relative to the IMF’s Financial Programming Framework is acknowledged. This need has long been recognised. Already in the 1990s the UNDP assisted GoM with the development of the Malawi Threshold 21 Model. However, the model was not sufficiently institutionalized and the project proved unsustainable. The Appraisal Team also learned that the World Bank is currently considering another tool, purportedly less sophisticated than - and potentially complementary to - MalawiMod. It is recommended that the revised PD stipulate how MalawiMod will work in relation to this model.

In the PAR a number of recommendations were made regarding the relevance and sustainability of the project. The revised proposal from MDPC does to a certain extent take into consideration some of the recommendations made in the Pre-Appraisal, such as the following:

* The PAR recommended that the proposal should contextualize the project within the mandate, overall mission, vision and/or strategic plan of the MDPC, as well as how the ministry interrelates with the MoF, the RBM and the NSO. The revised proposal contextualises the project within the mandate of the MDPC. However, no explicit reference is made to the overall mission, vision and/or strategic plan of the MDPC, or to how the ministry interrelates with MoF/EAD or RBM in carrying out activities. **It is recommended that the project be further contextualised by explicitly clarifying the role of the project in all involved institutions.**
* The PAR proposed that LTA time of 1.5 to 2 years should be provided. It was also recommended that this work should be guided by a clear logical framework analysis matrix linking goals/objectives with inputs, outputs and outcomes for the period. Two years of LTA time have been allowed in the revised proposal. However, a clear logical framework analysis matrix linking goals/objectives with inputs, outputs and outcomes for the period of the LTA is lacking in the proposal. **It is recommended that a logical framework be developed.**
* The PAR recommended that efforts be made to improve the acceptability and visibility of MalawiMod, including a presentation to key policy-makers and development of an advocacy plan and calendar. A presentation of the model has been made to the Economic Governance Sector Working Group and to the IMF Country Mission where significant interest has been generated. Hence, there are indications of attempts to raise the relevance, profile and acceptability of the model, as well as the visibility of the modelling initiatives, although these could be enhanced with better coordination. **It is recommended that continued efforts in this direction be made by developing an advocacy calendar, targeting all potential user groups, including academic institutions.** The PAR recommended that the proposal should clearly stipulate the relevance of MalawiMod in Malawi. The revised proposal stipulates the gap that a macroeconomic modelling tool could be filling in evidence-based policy analysis and decision-making.
* The poverty analysis and training component has been omitted from the proposal, as recommended.

Several of the recommendations made during the Pre-Appraisal were not incorporated in the revised proposal, and scrutiny of the specific activities proposed under each component in Phase 3 suggests that changes are still necessary in the Planning Project proposal. It is recommended that these recommendations be followed up in a revised project document by GoM before moving into a third phase. The recommendations not attended to in the PD include the following:

* The PAR recommended specific stipulation of the nature and periodicity of the policy documents and reports that would be generated using the model. Apart from use of the model in developing the macroeconomic framework chapter of MGDS II, the nature and periodicity of these outputs still remain vague and immeasurable. No publishing calendar showing the expected outcomes in terms of use of the model has been presented, and it remains unclear how the Annual Economic Report will be improved by using the model, and what periodic policy briefs are envisaged as outputs of this modelling tool. Since there is little evidence that the revision of the proposal has benefited from the inputs of other collaborating institutions outside MDPC, it is unlikely that the RBM and the EAD/MoF are under obligation to include outputs based on the model in their own reports.
* The PAR recommended that the final proposal should stipulate how MDPC will enhance its project management and coordination functions, with the view to raising the relevance, profile and acceptability of the model, as well as the visibility of the modelling initiatives. The revised proposal has not addressed this point, notwithstanding the evidence of ongoing efforts in this area as cited above.
* The PAR recommended that the final proposal should strengthen its provisions for the sustainability of MalawiMod by, among other ways, stipulating how the link with academic institutions will be achieved and sustained. It is the view of the Appraisal Team that the proposal remains weak in terms of provisions for the sustainability of MalawiMod beyond its use in MGDS II. It is still not clear how the link with academic institutions will be achieved and sustained. Further, no budgetary provision is allowed for establishing university training courses as indicated in the Logframe.

##  Assessment of risks and long term sustainability of the program

From the issues discussed above and as determined during this appraisal, several risk factors are identifiable in relation to the proposed implementation of Phase three of the Planning Project. These include the following:

### **6.4.1 Use of the model after the MGDS II formulation**

Considering the weak culture for evidence-based policy making in Malawi, it should not be expected that demand for the model’s output will expand or be maintained without considerable efforts from all involved stakeholders in promoting the model’s applicability in policy making.

Although the MGDS II formulation process has created a real demand for MalawiMod, there is a risk that this demand may not outlive the MGDSII process itself. The scope for the model’s relevance and use beyond the MGDS process is too narrow, and there is no guarantee that the model will be used in updating the forecasts or explaining departures from such forecasts during the life of MGDSII, as no formal procedures to ensure that the model will be used are in place. However, current efforts to reintroduce the Medium Term Expenditure Framework (MTEF) in Malawi may potentially lead to increased demand for MalawiMod forecasts from the Budget Division of the MoF.

### **6.4.2 Staff turnover and inadequate time allotted to working on the model**

As in previous reviews, this appraisal continues to observe that staff turnover and inadequate staff time on the model are risk factors. While some improvements were noted in the MDPC, there was no commitment from the leadership to allow protected staff time on modeling in the MDPC. This lack of commitment, combined with the risk of potentially frequent transfers of key personnel due to the Common Service, may result in lack of continuity in staff which is required to operate the model at a sufficient level.

Within the EAD/MoF, only two members of staff appeared to have been involved in project-related work during the last year, allocating only a part of their work time on the model. Similarly, only a couple of modeling team members were available in the RBM, and their modeling time would clearly be divided between MalawiMod (if at all) and other initiatives deemed more appropriate in the bank, notably the EViews-based and Financial Programming Frameworks.

### **6.4.3 Understanding of potential benefits of the model**

There seems to be a misunderstanding regarding the structure and potential benefits of the model. While the RBM has the view that the benefits it could derive from the model are reduced by the exogeneity of the monetary sector, the LTA in fact submits that the forecasts relating to the monetary sector can be generated by the model (i.e., elements of the monetary sector are endogenous). This may point to the fact that members of the modeling term are still challenged by its structure. From a modeling perspective, it is possible to argue that even if the monetary sector was exogenous, the model should still be of interest to the RBM, as a tool for determining the effects of its policy decisions on the rest of the economy. While some officers within the GoM fully appreciate the usefulness of the model in capturing and explaining complex interrelationships, this understanding is evidently quite limited.

### **6.4.4 Poor leadership and coordination**

There is no compelling indication, both in the revised proposal and in terms of evidence on the ground, that MDPC will enhance its project management and coordination functions. Recognising that the third phase is envisaged to be terminal, the lack of assurance in respect of the coordination function poses a serious challenge to the sustainability of the modelling initiative.

### **6.4.5 Lack of institutionalization of model**

Unless there are concerted efforts towards the institutionalization of the model, the current MGDSII-based demand will die off after this use. This risk can be mitigated by institutionalizing MalawiMod. The fact that its outputs will be used in MGDS forecasts in itself creates a real opportunity to make a case for this institutionalization, because the model may become inevitably crucial in validating the outcomes of MGDS implementation against forecasts, and in revising those forecasts in light of changes in the economic landscape.

### **6.4.6 Inadequate meetings of the modeling team**

The modeling team is said to have only met twice in 2009, and scarcely in 2010. This is contrary to the fact that the LTA used to meet the team on a weekly basis during 2008. In general, there are no formal meetings and routines of the modeling term, which explains complaints regarding poor coordination.

### **6.4.7 Complexity of model**

There are different (mixed) views regarding the complexity of the model. While members of the modeling team are generally able to run the model and generate outputs (there is evidence that this was done without the direct involvement of the SN advisor in 2009 and 2010), hardly any of them can change the model’s underlying equations to reflect structural changes in the economy. Some members attribute this gap to the fact that the modeling platform is too complex, while others consider it to be the result of lack of adequate training in model-building.

### **6.4.8 Licensing of software**

The fact that use of the model at both the RBM and the EAD/MoF was severely affected by the expiry of a license in 2010 poses questions regarding whether the GoM will be able to use the model after the termination of Norwegian funding. The fact that the license has not been renewed may also be a sign of either laxity or lack of interest in using the model in the involved institutions, especially considering that such renewal was not very expensive at US$24,000 per 18 months.

## Conclusions and recommendations

On the basis of the foregoing assessment, the Appraisal Team will not recommend a third phase of the program based on the proposed PD. The Appraisal Team is of the view that the extension of the program into a third phase must be made conditional upon evidence of clear ownership from the involved institutions and assurance that MalawiMod will be used as a planning tool by the Government of Malawi.

As the need for a macroeconomic tool is indisputable, it is recommended that the Norwegian Embassy request a revised proposal from GoM, taking into account the recommendations above. The revised proposal should incorporate the outstanding recommendations of the PAR or provide competent justifications for not incorporating them. In particular, the proposal should:

* state the nature and periodicity of the reports that will be generated with the use of MalawiMod in all three collaborating institutions, and present a tentative publishing calendar for the same
* convincingly stipulate how project management and coordination will be enhanced in phase 3 in order to raise the model’s profile and awareness among policy-makers
* strengthen provisions for ensuring the sustainability of the modeling initiatives after the MGDS II formulation process and after phase three.
* indicate efforts that will be made to mitigate risk factors and clarify an exit strategy for Norwegian funding based on experiences from the program as well as from experiences from other relevant capacity building programs.
* provide assurance that MalawiMod will be institutionalized as a key tool for evidence-based decision-making in Malawi. This requires assurances that adequate time will be allocated to members of the modeling team in all three institutions and a clear understanding of what the model is capable of doing among members of the modeling term first and, eventually, among all key members of the Economic Management Committee.

In order to address the broad recommendations above, it is critical that the process of revising the proposal should be fully consultative between the key institutions, namely MDPC, EAD/MoF and RBM. In addition consultations with NSO are equally relevant given the data requirements for MalawiMod which are likely to change periodically as the model develops, whereas consultations with academic institutions may increase use and demand of the model as well as contribute to relevant training which may enhance prospects of post project sustainability. MDPC should demonstrate unequivocal evidence of providing leadership in this process, especially at the level of division director and project coordinator.

# Assessment of donor coordination

The Norwegian Embassy is the sole funder of the institutional cooperation program in question, after the exit of Sweden as a “silent partner” in December 2009. There is, however, a large number of donors involved in funding statistics in Malawi, and it is a common view that improved donor coordination is significantly needed. Given the alleged inadequate capacity of NSO to take a strong lead on donor coordination, Norway was in 2009 “by default” appointed lead donor on statistics in Malawi. The Norwegian Embassy has since then dedicated substantial efforts to identifying and mapping donor support to the NSO and the NSS.

There is a significant donor demand for statistics in Malawi. Better donor coordination is of particular need in the context of social and demographic statistics, where the funding of time-consuming field-based surveys limits NSO’s capacity to implement other day-to-day work. While donor-driven demand may contribute to improved production of such statistics in Malawi in the short run, it is a danger that may reduce the focus on setting up administrative routines that can enhance the efficiency of data generation in the long run. The donor bias towards social and demographic statistics may further result in reduced prioritization of economic statistics after phase three of the institutional cooperation program.  The Appraisal Team is of the view that the funding, production, dissemination and use of statistics in Malawi could be made considerably more efficient by setting up a systematic, sector-wide approach to enhance improvement and coordination. Such an approach would contribute to a more strategic and holistic organization of the development of statistics in Malawi. It is positive to note that work is ongoing to put such an approach into action and that long-term advisers are in place to assist NSO in this process.

The Appraisal Team recommends that NSO should take a lead on work towards a common funding source for the funding of activities in the field of statistical development in Malawi. As mentioned above, there is much to be learned from other countries in the region with regard to the management of such structures. A basket fund arrangement for statistical development in Malawi could contribute to enhanced donor coordination and increased NSO ownership. The successful implementation and management of a basket arrangement for donor funding of statistics in Malawi could further contribute to mitigating some of the risks connected to post-project sustainability highlighted in this appraisal. It is the view of the Appraisal Team that the institutional cooperation project, with its comprehensive focus on statistics and planning, combined with the efforts to implement a sector-wide approach to statistics in Malawi, has potential for enhancing sustainability post phase three. Such a modality could also ensure that there is consensus on how to approach contentious matters in statistics, such as the issues surrounding agricultural statistics in Malawi.

# Conclusions

The appraisal of the proposed phase three of the institutional cooperation program between Malawi and Norway has exposed a number of issues that need to be clarified before moving into a new phase of the program.  As these challenges threaten post-project sustainability of both the planning and the statistics projects, it is essential that considerable effort be made by all involved stakeholders in the months to come, in order to do the groundwork necessary to ensure that risks are reduced before signing a new agreement for a third phase.

The appraisal has looked separately at the two projects of the program – the Statistical Project and the Planning Project – and has come up with the following main recommendations:

* The Statistics Project should be extended into a third three-year phase. It is however recommended that the program document be revised before the signing of the agreement, with a particular view to addressing sustainability issues.
* The proposal for the Planning Project is not deemed to be a sufficient basis for extending the program into a third phase. It is recommended that the extension of the program be made conditional upon evidence of clear ownership from the involved institutions and assurance that MalawiMod will be used as a planning tool by the Government of Malawi. Such assurances should be made explicit in a revised project proposal.

The challenges facing this program are both contextual and program-specific. The contextual challenges relate to the weak tradition for evidence- based policy making, constrained financial resources of the government, weak capacity in government institutions as well as issues related to remuneration and allowance structures and the common service system. The program-specific challenges are related to issues such as ownership, staff turnover, program coordination and alignment with user needs.

Despite the significant risks and weaknesses in PDs, both programs are deemed relevant, and it is the Appraisal Team’s view that the program serves a key function in establishing a culture of evidence-based policy making in Malawi. As such, it would be highly unfortunate if the projects are discontinued at this stage. It is therefore important to emphasise that it may not be realistic to expect that the revised proposals will have a full fledged strategy in place with regard to all challenges and risk factors discussed above. Before signing a new agreement it is however necessary that sufficient commitment is demonstrated to ensure that the issues that are likely to occur will be addressed properly in the course of phase III. Hence, provided the GoM and Norway decide on moving forward with the third phase, it will also be of particular importance that issues related to management and coordination are solved before entering into a third phase of the programme.

It is also important to emphasise that the risks facing this programme are by no means unique to capacity building programs. There is a long tradition for capacity building programmes in the region, and the track record for achieving long-term post-project sustainability is unfortunately quite weak. However, there are also some success stories both in Malawi and in the region, and it is essential that this program takes on board these experiences from relevant programs in the final drafting of the program documents. With regards to statistics, good results have been achieved in several countries, e.g. Uganda and Mozambique. With regard to macro modelling the experiences for Tanzania seem particularly relevant.

Further, considerations should be given by both GoM and donors with regard to how the achievements of this program and other efforts supporting the NSS may be sustained in the longer term. In this regard, it is the view of the Team that the GoM and Norway are moving in the right direction with the emphasis on strengthening the implementation of the NSS. It is our expectation that these combined efforts may significantly contribute to increased emphasis on establishment of routine data systems, hence increasing sustainability also of the capacity building program appraised. It is further important that in the course of phase three efforts are made to secure continued support to statistical development in Malawi. It must be recognized that the establishment of efficient statistical systems takes a long time. A basket fund mechanism in support of a realistic NSS work plan managed by NSO could be a way forward to ensure that sufficient funding and support are secured in the years to come post phase three.

Annex 1 List of Documents Reviewed

1. Agreement between the Government of the Kingdom of Norway and the Government of the Republic of Malawi regarding development cooperation concerning Capacity Building for Statistics and Planning (Phase 2), October 2007.
2. Appraisal of Statistics and Planning for Malawi Growth and Development Strategy – Malawi, Norad, March 2007
3. Final Report Phase 2 – Planning, Government of Malawi / Statistics Norway, March 2010.
4. Final Report Phase 2 - Statistics, Government of Malawi / Statistics Norway, January 2010
5. Malawi Government Budget Document IV (Output-Based) 2010 -2011, Government of Malawi, 2010.
6. Mangani, R., The Effects of Monetary Policy on Prices in Malawi, AERC Research Paper, 2011, (forthcoming)
7. Mid-Term Review, Cooperation between Norway and Malawi in the Field of Statistics and Planning, Norad, December 2008
8. National Statistical Office Strategic Plan 2007 – 2011, Government of Malawi, August 2007.
9. National Statistical Office Progress Report for November 2010, Government of Malawi, 2010.
10. National Statistical System Strategic Plan 2008 – 2012, Government of Malawi, June 2008.
11. Peprah, I. And R. Mangani, Public Expenditure Review of Travel in Malawi, Government of Malawi, December 2010.
12. Phase 3 Draft Proposal, Planning Project, Government of Malawi, March 2010
13. Norway–Malawi Cooperation Programme on Capacity Building in Statistics and Planning, Phase III Pre-Appraisal Planning Project, Norad, July 2010.
14. Phase 3 Draft Proposal, Statistics Project, Government of Malawi, January 2010
15. Statistics and Planning for the Malaŵi Growth and Development Strategy II- Institutional Technical Cooperation between NSO, MDPC, MoF/EAD and SSB, Government of Malawi, November 2010
16. Statistics and Planning for the Malaŵi Growth and Development Strategy Phase 3, Government of Malawi, December 2009.

**Annex 2 List of Persons Met**

Charles Machinjili Commissioner of Statistcs, NSO

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**Annex 3 Terms of Reference**

**Appraisal of programme proposal for phase 3 of Capacity Building for Statistics and Planning, including assessment of the institutional cooperation between Malawi and Statistics Norway**

**Introduction**

The Governments of Norway and Malawi signed an Agreement regarding institutional co-operation between the Ministry of Finance (MoF), Ministry of Economic Planning and Development (MEPD), the National Statistical Office (NSO) and Statistics Norway (SN) on 3June 2003 which was prolonged by Addendum dated 17 July 2007, for Phase 1. Based on the positive results from Phase 1, a new Agreement regarding Capacity Building for Statistics and Planning (Phase 2) entered into 12 October 2007. The Overall Purposes of Phase 2 were:

(i) Develop efficient and effective national statistical systems that compile and disseminate data according to international standards.
(ii) Production of data linked to monitoring of Malawi Growth and Development Strategy (MGDS) and Millennium Development Goals (MDG) targets, budget processes, impact evaluation, and the management needs of line ministries.

Phase 2 was supposed to end in December 2009, but due to several delaying factors, the last disbursement under the agreement was made in October 2010. An Addendum was signed 9 December 2010 in order to re-imburse SN for outstanding invoices for ongoing activities, and to maintain a certain activity level until a new agreement for Phase 3 is signed.

An assessment (pre-appraisal) of the macro component of the Capacity Building Programme for Statistics and Planning Phase 3 was undertaken in June 2010 and provided recommendation to MDPC and the Embassy regarding possible financial support to the component.

A revised Programme Proposal from MDPC is received, taking into account recommendations from the pre-appraisal in June 2010. The proposal from NSO has also formally been submitted through Ministry of Finance. The overall purposes of Phase 3 are fairly similar to Phase 2, namely:

Improve national capacity to:

* produce, expand scope of, and disseminate reliable relevant and timely economic

statistics

* operate, revise, and expand the new National Account (NA) system
* use the NA system as basis for policy making
* Produce reliable, relevant and timely social statistics
* Feed user demanded social indicators into national policy making and planning

Improve institutional capacity at NSO for management, planning, dissemination and data storage, internal capacity building and use of new methods

Strengthening capacity in macroeconomic modelling to ensure sustainability of fact based planning using the model in contributing to policy analysis

Enhancing the institutional cooperation and capacity of MDPC and MOF/EAD including some key partner institutions

 **Scope of Work**

*1.1 Assessment of the Partners’ planning process*

* The quality of the underlying analysis and planning process of the programme, including participation of relevant stakeholders (NSO, MPED, MoF, SN, other ministries and users of statistics) in the process.
* Ownership by the Malawian institutions over the planning process
* The relevance of the programme and suggested activities with regards to the problems that the programme should solve and the interests of the involved stakeholders. To what extent are the proposed program activities in line with the overall purpose of the program?
* Assessment of how the project proposal aligns with the needs of user groups. To what extent have the user needs for statistics in Malawi been properly assessed and have relevant user groups been involved in the planning process?
* The use of lessons learned from phase one and two of this program, as well as possible experiences with similar programs in Malawi and other institutional twinning or capacity building projects between SN and national institutions in other African countries, e.g Mozambique, Angola and Eritrea. To what extent does the program take into account lessons learned with regard to risk management, exit strategies and possible modalities for capacity building beyond phase III.
* Has the program made an assessment of the Malawian context and possible specific implications for the program’s risk and sustainability aspects?

*1.2 Assessment of the programme design*

* The quality of the design elements, (goal, purpose, outputs, inputs), e.g. consistency and realism
* A brief assessment of the quality of the Indicators and Means of Verification (data sets) identified at all levels of the design elements. Are the indicators sufficient to give valid and reliable information on outcome and impact, and how is the quality, simplicity and user friendliness of the recipient’s monitoring system for the programme
* Are baseline data updated and available
* Are relevant risk factors identified and analysed, and are mitigating actions integrated in the programme design. This includes both internal and external risk factors
* Assessment of the program components’ linkages to the NSS, the overall strategic plans of NSO and MDPC and the forthcoming national poverty reduction plan.
* Assessment of whether the combined efforts of Norwegian involvement in institutional twinning arrangements, SWAP and funding of NSS long term advisers may have the potential for added value in terms of long term sustainability within economic statistics and macroeconomic modeling beyond phase III.
* Assessment of proposed budget, both with regard to SN input and local costs

*1.3. Assessment of risk*

• Policy and framework conditions (incl. corruption). To what extent has contextual risk factors been mitigated.

 • Socio-cultural, gender, HIV/AIDS and environmental aspects

• Technical/technological aspects – assessment of the ICT systems and the possible impact of the establishment of a new IT system in the NSO Zomba on the third phase of the program and the sustainability of activities after the phasing out of the program?

 • Any other significant risks that may prevent achievements of results

*1.4 Assessment of sustainability*

* Assess the extent to which the Malawian institutions have developed a strategy, based on experiences so far and lessons learned from other countries, to sustain capacity after phase III, and how the program aims to fill potential gaps.
* To what extent have the economic and political framework conditions related to sustained production of statistics in Malawi during and after phase 3 been sufficiently analyzed and taken into account.
* Adequacy of phase-out strategy for the institutional cooperation program with SN.
* Adequacy of sustainability strategy.

2 Assessment of donor coordination in co-financing programmes

* Roles and responsibilities: donors and Partner
* Alignment with Partner’s systems and procedures
* Efficiency of framework for cooperation
* The ongoing efforts to strengthen the National Statistical System (NSS) through Senior Long Term Advisors to the Commissioner for Statistics should be taken into account.
* The work towards a Sector Wide Approach (SWAp) and more coherent support to NSS and NSO are important when assessing future Norwegian support to capacity building for Statistics and Planning.

The Embassy intends to assign a local consultant to assess the financial management system in order to move towards increased basket funding for NSO’s Survey Programme. This will form important input to how Phase 3 should be designed.

The field mission should be undertaken in January 2011. The consultant should no later than three weeks after the end of the field mission deliver a draft appraisal report to the Norwegian embassy. The report should not exceed 25 pages, excluding annexes. A final report incorporating comments from the Norwegian Embassy should be finalized no later than 28 February 2011.

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1. This is because the current CPI base structure, which attaches over 58% of the weight to food, could be unduly favourable to the current trend of declining maize prices, which may not reflect the typical consumer’s expenditure pattern. [↑](#footnote-ref-1)
2. Confirmed by review of budget papers and interviews in MoF, MDPC and RBM. [↑](#footnote-ref-2)
3. Reports of these learning events are available at www.train4dev.net [↑](#footnote-ref-3)
4. Thus, for instance, economists and statisticians are respectively recruited into the Economic Common Service and the Statistics Common Service respectively. Upon recruitment, these are either retained with the MDPC and NSO or posted to other ministries and departments. [↑](#footnote-ref-4)