Statement by Jan Piercy  
Date of Meeting: December 21, 2000

Malawi: Interim PRSP, Joint Staff Assessment and HIPC  
Decision Point, Country Assistance Strategy and Fiscal Restructuring and Deregulation Program

Introduction:

1. During the preliminary HIPC discussion we stressed the importance of describing Malawi's track record. We appreciate the brief additional summary in the decision point document as Malawi's eligibility for decision point must be matched with good performance on the macroeconomic and poverty reduction fronts. Malawi's levels of poverty and apparent commitment to poverty reduction make it eligible for decision point at this time. As the joint staff assessment and the Interim PRSP state, however, there is a great deal of work to be done. Recent steps to improve governance, develop a national HIV/AIDS strategy and improve primary education access and quality are very good. We look forward to continued progress.

Economic Growth:

2. We welcome the government's emphasis on economic growth. Like all the countries we have reviewed in the last two weeks, Malawi has to increase economic growth at a sustainable rate. The Interim PRSP outlines a three pronged approach for achieving sustainable growth. We agree that the comprehensive growth strategy proposed in the Interim PRSP is a start. The focus on the agricultural sector is particularly important given the poverty concentration in rural areas. Clarification of the strategy is needed, particularly regarding diversification, rural infrastructure and private sector reform. We look forward to a road map in the full PRSP on how growth objectives will be achieved.

3. With a more detailed growth strategy, we believe Malawi's growth projections are achievable in the short term, but appear to be optimistic after 2003. As a result, the debt sustainability projections may be too optimistic. The HIPC initiative defined debt sustainability as being an NPV of debt to exports of 150 percent or less. The immediate reaction by many observers to seeing a HIPC -- such as Malawi -- that will not have a ratio below that level until after 2010 will be a rightful amount of skepticism about this initiative. This is one of the reasons why we have consistently pushed for a more fully articulated framework to assess the implications of debt sustainability for the scale and composition of new lending.
Completion Point Triggers:

4. Our position on triggers is clear. Quantifiable, ambitious, attainable triggers are necessary. Precise triggers provide credibility to the government's commitment to poverty reduction and reform. These countries are not only serious about their commitments -- they want to be taken seriously. We believe Malawi's triggers are a good blend of measurable, ambitious and achievable. We look forward to reviewing their attainment at the time of decision point.

5. We are pleased that the use of interim relief was outlined in the decision point document. Monitoring the use of interim relief for poverty reduction helps measure progress in managing expenditures as well as poverty reduction. We agree that overall public expenditure management requires enormous improvement. The proper management of HIPC resources is one step in that important process. For that reason, we would have preferred interim relief as a trigger.

6. We are pleased to note the trigger on quarterly expenditure reporting and the fact that reports will be made public [per paragraph 57]. This is an encouraging step toward increased transparency.

Interim PRSP:

7. While the Interim PRSP is a solid starting point, we would like to see broader attention to a variety of issues is needed in the full PRSP. Attention to actions for addressing gender disparities is critical. Malawi has made tremendous strides on girls education, the same progress is needed in the agriculture, private and health sectors. We welcome the government's focus on HIV/AIDS. The national HIV/AIDS plan outlines a strong strategy. We look forward to clarity on how the plan is being implemented.

8. The need for governance reform is paramount. Anti-corruption efforts, civil service reform and divestiture must continue. The parliament oversight committees have a role in monitoring the government's continued governance reform efforts and we would urge that adequate resources be provided to ensure their strong and responsible role.

Country Assistance Strategy:

9. We welcome the discussion of diagnostics, but are concerned about the sequencing. Plans to incorporate the findings of the PER into the budget are extremely important. We also note that a CFAA is planned for FY 2002. We would like to see plans for a CPAR as well. Our concern on sequencing stems from the fact that the CPAR and CFAA should have been done in order to inform the Interim PRSP as well as the CAS. Similarly, we would like to see the PER prior to the Interim PRSP.

10. As noted above, Malawi has included gender issues in its assessment of poverty. We would like to know the government's plans for taking action addressing gender issues. Agriculture, access to credit and health care are areas the government has to address. Education...
is one area where progress is clear and that must remain on track.

11. We agree that the 1998 CAS was too ambitious and that the Bank has to be more selective. Toward that end the donor activities outlined in Box 5 are an extremely helpful delineation of Malawi's external partnership by area focus and expertise.

12. We welcome plans to devote 12 months to focused non-lending services that will update key economic and sector work and support completion of the PRSP. We are particularly pleased by plans to implement a consultative process that will synthesize the full spectrum of stakeholders' interests.

13. With our endorsement of the CAS, we support the accompanying Third Fiscal Restructuring and Deregulation Program and Third Fiscal Restructuring and Deregulation Program Technical Assistance Project. The objective to support Malawi's macroeconomic stability and protect key social sectors is well founded. Malawi's continued commitment to structural reform, however, is imperative.

Conclusion:

14. While we have concerns regarding the Interim PRSP, we believe it is a sound foundation on which to build a full PRSP. We look forward to more detail on a growth strategy, governance reform and gender. With that we can support the decision point. We endorse the CAS, but would like to see a more action-oriented focus on gender.