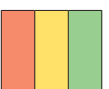


MALAWI



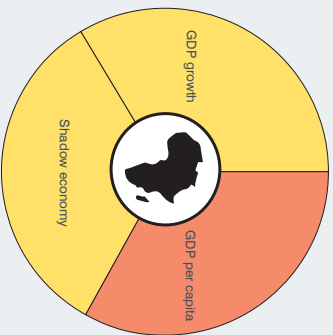
Good
Average
Problematic



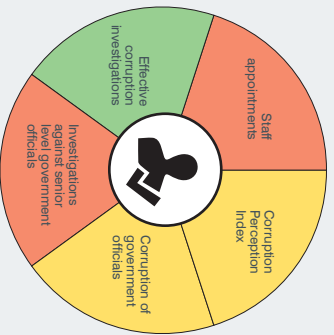
Fiscal Sustainability
Implementation of policy priorities
Efficiency in service delivery

Enabling environment

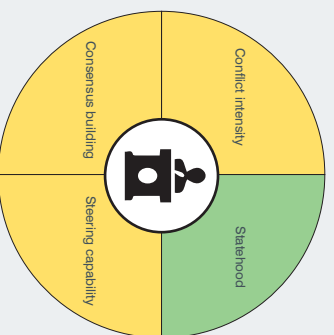
Economic context



Anti-corruption



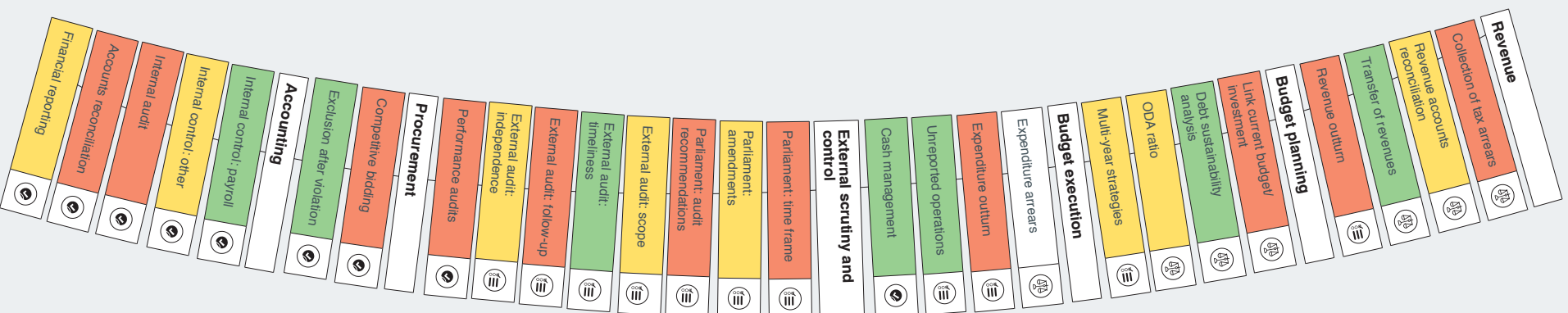
Political Economy



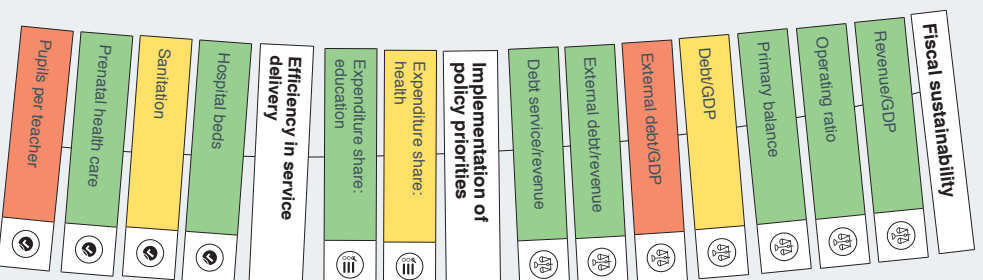
Governance



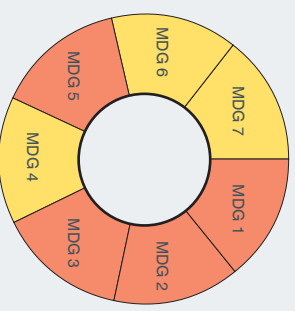
Processes



Outcomes



Developmental impact



HDI	-0.08
Extreme Poverty	33.30%
School enrolment	97.50%
School completion	79.30%
Infant mortality	43.40
Maternal mortality	634.00
Gini Index	46.10
Environment: performance	49.69 (Rank 151/180)
Environment: policy	2.10



3

MALAWI

EXECUTIVE SUMMARY

Malawi's public finance system suffers from a multitude of weaknesses. Challenges and widespread corruption persist despite the introduction of various reforms since 1980. These weaknesses are captured in the poor scores received in various assessments (for example PEFA, BTI, Global Integrity, TADAT and Transparency International) both before and after a series of forensic investigations.

These forensic investigations indicate that a large portion of public funds were embezzled. Systemic weaknesses that perpetuate the current situation can be detected in every area of the public financial management (PFM) system. Tax revenue collections are not reconciled regularly with the government's account and tax reporting and payments are not adequately monitored. Non-tax revenues are incorrectly included in ministries' financial reports. The budget system suffers from a culture of weak compliance, a lack of record keeping, irregular reconciliation of accounts, weak internal controls and, as a result, compromised comprehensiveness, integrity and reliability of financial statements. The budget also excludes the repayment of foreign loans, which results in a significant understatement of the budget and increases in domestic borrowing when loan repayments are due.

Internal audits are compromised by a lack of follow-up on recommendations and the inactivity of audit committees. Effective external scrutiny is undermined by delayed audits brought about by delayed financial statements, unpublished findings, and an ineffective ombudsman office. Oversight functions, such as auditor general and parliament, also receive inadequate funding to carry out their activities effectively.

Public procurement processes are prone to fraud, as revealed by the so-called 'cashgate scandal' in October 2013. This specific issue was enabled by users sharing Integrated Financial Management and Information System (IFMIS) passwords and abusing IFMIS user rights.

Debt levels have been sustainable, with the increases in public debt following the 'cashgate' scandal expected to decline in the medium-term. Unauthorised over-expenditure by ministries, departments and agencies (MDAs) remains a problem. This is fueled by cash-rationing, lack of effective commitment controls, poor revenue performance, and the continued depreciation of the Malawian Kwacha and resulting high inflation. Available resources are not used effectively to produce development outcomes, with the government unable to deliver the development results envisaged in the long-term development or poverty reduction strategies.

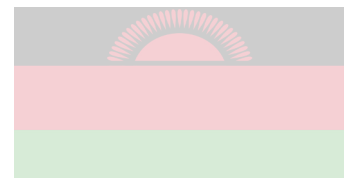
The budget has limited credibility and cannot be considered an effective planning tool for policy implementation or service delivery outcomes. Cost estimations in the budget are unrealistic and actual revenue differs vastly from budget forecasts. Furthermore, the allocation of funds takes place without any development-orientated focus. Although the government committed itself to development and pro-poor policies, the results tell a different story. Malawi belongs to the group of least developed countries with a Human Development Index (HDI) of 0.445, equivalent to a ranking of 173 out of 187 countries. With regards to the achievement of the Millennium Development Goals (MDGs), it is not guaranteed that any target will be met. It is, however, almost certain that the targets for MDG 1, 2, 3 and 5 will be missed.

PFM CORE PROCESSES AND OUTCOMES



Fiscal sustainability

Process Indicators	Source	Score	Year
Collection of tax arrears	PEFA	PI 15.10: NA	2011
Revenue accounts reconciliation	PEFA	PI 15.30: C	2011
Transfer of revenues	PEFA	PI 15.20: B	2011
Linkage between investment budget	PEFA	PI 12.40: D	2011
Expenditure arrears	PEFA	PI 4: NA	2011
Debt sustainability analysis	PEFA	12.20: A	2011
ODA/GNI	World Development Indicators	15.8%	2014
Outcome indicators			
Revenue-to-GDP ratio	CABRI	25.19% 28.28% 27.15	2014 2013 2012
Operating ratio	CABRI	86.30% 81.50% 93.60%	2014 2013 2012
Primary balance	IMF	3.10% (projection) 0.90% (projection) 1.60% (estimate) -1.90% -0.20%	2016 2015 2014 2013 2012
Debt to GDP ratio	IMF	5.20% 60.20% (projection) 75.80% (estimate) 72.10% 57.20%	2012-2015 change 2015 2014 2013 2012
PV external debt to GDP	IMF	35.30% (projection) 47.30% (estimate) 44.00% 37.70%	2015 2014 2013 2012
PV external debt revenue	IMF	92.80% (projection) 106.10% (projection) 120.30% (projection) 107.40%	2016 2015 2014 2013
External debt service to revenue	IMF	17.40% (projection) 11.30% (projection) 7.10% (projection) 7.50% 2.90%	2016 2015 2014 2013 2012



The revenue-to-GDP ratio was volatile between 2010 and 2014 because of strong dependency on donor funds. The Malawi Revenue Authority (MRA) has been mobilising insufficient revenue to cover the spending needs of the government. The government of Malawi therefore relies on external support to fund its development. More than 40 per cent of all capital investment is donor funded. This remained the case even after the end of budget support in the wake of the 'cashgate' investigations in 2013, where collusion between government officials and private businesses resulted in inflated procurements and payments being made without government receiving any services or goods in return. Resource mobilisation currently suffers from weaknesses at the administrative and legislative level. Although the MRA is allocating taxpayer identification numbers to make revenue collection more effective, the database only contains basic information. Taxpayer identities are not verified with third-party information and it is unclear which taxpayers in the database are active. Regarding the registered and active taxpayers, the majority do not file their declarations and tax payments on time. Moreover, the MRA does not have enough data to measure the level of tax arrears. Regarding the collection of arrears, the government does not even achieve a minimum standard.

Malawi is heavily dependent on donor funds and resource mobilisation suffers from weaknesses at the administrative and legislative levels

One explanation for this poor performance could be the absence of a compliance management strategy and a compliance enhancement program. Little is being done to enhance compliance, with existing and ongoing activities divergent from the strategic plan. Taxpayer auditing covers all major tax types, but it remains unclear to what extent audits detect and discourage false reporting. The MRA is presently not able to quantify the level of inaccurate reporting.

Compliance strategies and the effectiveness of tax audits need improvement

Regarding the taxes collected by the MRA, it is not always possible to reconcile them with the government account. According to the International Monetary Fund (IMF), this results from reporting and timing differences between the receipt of taxes and cleared funds being available for the government. Finances and operations of the MRA are opaque, and non-tax revenues are not properly accounted for in the fiscal reports of the Ministry of Finance (MoF).

It is not always possible to reconcile taxes with the government account

In terms of accountability in the area of tax, internal and external control and oversight need to be strengthened. The internal affairs and internal audit units are well equipped with staff. The coverage of audits is sufficient, however, the implementation of recommendations is poor. Information on the outcomes of integrity issues is not reported publicly. External oversight of the MRA operations and financial performance is limited due to staff capacity at the MoF and MRA, non-publication of external review findings, and the lack of an effective tax ombudsman.

Within the revenue authority, the implementation of internal audit recommendations is poor and external oversight is limited

The government struggles with the management of expenditure arrears. Any expenditure unpaid at the end of the financial year becomes an arrear and must then be certified by the auditor general and the National Audit Office (NAO) before payment by the MoF. Whereas the public expenditure and financial accountability assessment (PEFA 2011) could not quantify the stock of arrears, government securitised its arrears in 2013 and 2015 by way of treasury bills (T-Bills) in the amount equivalent to 2.2 and 1 per cent of GDP, respectively (IMF staff papers). These arrears result from multi-annual contracts and corresponding commitments entered by MDAs outside of the IFMIS, their allocated budget envelope, and cash allocations. There is currently no integrated manual process to monitor and manage arrears adequately or instil fiscal discipline across MDAs. Similarly, investment projects are not adequately linked with their implicit future recurrent costs.

Expenditure arrears result from commitments entered by MDAs outside of IFMIS, their allocated budget envelopes, and cash allocations

Despite many technical weaknesses, the country's public finances are relatively stable even with the increase in both domestic and external public debt. This corresponds with an increase in the share of revenues that must be spent on debt service costs.

Public finances are relatively stable despite increases in public debt



Implementation of policy priorities

Process Indicators	Source	Score	Year
Expenditure outturn	PEFA	PI 1: D	2011
Expenditure composition outturn	PEFA	PI 2: NA	2011
Revenue outturn	PEFA	PI 3: D	2011
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: C PI 12.40: D	2011
Unreported government operations	PEFA	PI 7.10: B	2011
Parliamentary scrutiny: Time frame	PEFA	PI 27.30: D	2011
Budget amendments	PEFA	PI 27.40: C	2011
Audit recommendations	PEFA	PI 28.30: D	2011
External audit: Scope	PEFA	C	2011
Timeliness	PEFA	B	2011
Follow-up	PEFA	D	2011
External audit: independence	GI AFROSAI-E SA	All 7: 50.00% Q 9 + 10: 3 + 2	2016 2015
Outcome indicators			
Public health expenditure/GDP	World Development Indicators	6.00%	2014
Public health expenditure/total expenditure	World Development Indicators	16.80%	2014
Government education expenditure/GDP	World Development Indicators	6.88%	2014
Government education expenditure/ total expenditure	World Development Indicators	16.30%	2014

Revenue and expenditure budget forecasts often deviate widely from outcomes

Revenue forecasting, which is essential for budget planning, is still unreliable. The PEFA 2011 assessment revealed that actual outcomes differed from budgeted figures by 11 per cent, 20 per cent, and 21 per cent, in the years prior to the assessment. Similarly, expenditure budgets are not realistic and are characterised by large deviations between budget estimates and actual outcomes. Mostly the budget estimates are not realistic given available resources. Thus, Malawi's budget lacks credibility.

The MTEF is unreliable and more than half of donor-financed projects are planned and executed off-budget

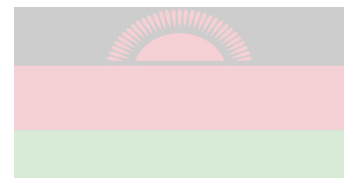
Regarding the extent of government operations outside of the financial reports, the picture is incomplete. Due to the lack of reliability, more than 50 per cent of donor-financed projects are planned and executed off-budget. Further, there are weaknesses in medium-term fiscal planning and budgeting. This means that the medium-term expenditure framework is unreliable and sector strategies are not costed correctly.

Informal institutions and strong interest groups weaken the budget process

In addition to the technical shortcomings, some weaknesses in Malawi's public finance system can be linked to political-economy factors. Informal institutions undermine the legal framework and weaken the budget process. This is mostly due to vested interests of key stakeholders that benefit from the status quo. Hence little progress has been made in Malawi over the last few years. Currently – although the government is claiming the opposite – budget preparation and execution indicates that poverty reduction does not seem to be the priority. During the budget execution phase, interference and interests reduce budget discipline, cause delays, and reallocate funds to areas that are not in line with government's official priorities.

Audit coverage is weak, and the system is not transparent

In the field of external scrutiny, Global Integrity and the NAO remarked that the NAO has limited independence. The auditor general is currently nominated by the president and then approved by parliament. In terms of reporting, there is a conflict between the Constitution and the Public Audit Act 2003 (PAA). The Constitution (Section 184(2)) requires the auditor general to submit reports through the MoF, whereas Section 15 of the PAA stipulates that reporting should be to the National Assembly and the president. A bill and formulation for constitutional change, which were put forward in 2012 and again in 2015 to improve the compliance of the NAO with the International Organisation



of Supreme Audit Institutions (INTOSAI) standards, have not been approved by government or discussed by parliament. While the NAO played an active role in the 'cashgate' investigations, its reputation suffered from the scandal due to its failure to detect fraud and the looting of 32 million USD through the course of its previous auditing of financial reports. Global Integrity further criticises the nontransparent auditing system in Malawi, which results from delays in the tabling and discussion of audits in parliament, without which reports cannot be made public. Moreover, the coverage of audits is weak. According to the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) self-assessment, audits currently only reach a coverage of 50 per cent. Performance audits are limited in number and since the existence of the NAO only two have been discussed in parliament.

Many oversight committees are not funded in parliament's budget and parliament often has insufficient time and capacity to effectively review the budget

Legislative oversight in Malawi is poorly rated in the PEFA 2011 assessment for both scrutiny of the budget and follow-up on external audit reports. Although rights and procedures are clearly stated in the Constitution, practical implementation remains difficult. Only meetings of the National Assembly in plenary or in committees are included in parliament's budget, with meetings of the Budget and Finance or Public Accounts Committees having to request funds from the MoF separately. Parliament is often not given sufficient time to review the budget and to ensure a thorough debate. Parliamentarians do not have adequate technical skills to effectively review the budget either. With regard to supplementary budgets, there is hardly any debate at all. Progress has been made with clearing the backlog of financial statements by the Accountant General. Draft financial statements for 2015/16 have been submitted to the NAO, however, as of November 2016 the last audited financial statements discussed in parliament were for 2011/12. Furthermore, there are backlogs in the preparation of audit reports by the auditor general. These backlogs mean the benefit of public hearings is often limited since they relate to several periods prior. Lastly, the follow-up of audit recommendations is particularly weak.



Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA	PI 16: B	2011
Procurement: competitive bidding	GI PEFA	All 25: 0% PI 19.20: D	2016 2011
Procurement: public access to contracts	GI PEFA	All 26: 0% PI: 19.30: D	2016 2011
Procurement: exclusion from future biddings	GI	PI 28: B	2016
Internal control: payroll	PEFA	PI 18: B+	2011
Internal control: non-payroll	PEFA	PI 20: C+	2011
Internal audit	PEFA	PI 21: D+	2011
Accounts reconciliation	PEFA	PI 22: D	2011
Financial reporting	PEFA	PI 25: C+	2011
Performance audits	AFROSAI-SA	Yes: 1 conducted	2015
Outcome indicators			
Hospital beds per 1 000 inhabitants	World Development Indicators	1.30 1.10 1.55	2011 2007 1990
Access to sanitation	World Development Indicators	41.00% 36.50% 29.30%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	96.10% 91.90% 89.70%	2014 2006 1992
Pupil-teacher ratio (primary education)	World Development Indicators	61.40 78.10 63.20	2014 2007 1999

GOOD FINANCIAL GOVERNANCE HEAT MAP

Outcome indicators			
Percentage of primary schools with access to electricity	World Bank Education Data Set	14.55% 10.30% 9.73%	2013 2012 2012
Average number of pupils per mathematics textbook in primary education	World Bank Education Data Set	2.22 4.59 2.05 1.77	2013 2012 2011 2010
Average number of pupils per reading textbook in primary education	World Bank Education Data Set	1.12 1.55 1.08	2013 2012 2011

Cash constraints impact on cash management and the efficiency of service delivery

The inaccurate revenue forecasts mean that cash is typically constrained. This has an impact on cash management and the efficiency of service delivery. Non-priority MDAs (mainly related to governance) often receive insufficient funds to fulfil their mandates. A dedicated cash management unit was recently set up to improve the situation and assist coordination across MDAs by the cash management committee.

Public procurement is affected by violations of competitive bidding rules, unopen tender evaluation criteria, and the non-accessibility of contract information

Public procurement is a high-risk area in Malawi. During 'cashgate' it was revealed that public funds were looted by inflating public procurements or payments for goods and services without any actual return. By law, competitive bidding is mandatory for major public procurements, however, violations of the regulations are common. Although bidders can receive details on public tenders, the system lacks transparency. One major shortcoming is the lack of openness on evaluation criteria. Comprehensive records of procurement contracts are archived, but citizens cannot access the evaluation criteria and contracts. According to Global Integrity, the system is corrupt. There are also accusations that contracts are awarded on the identity of a person or firm, based on place of origin (BTI Country Report Malawi 2016.)

Follow-up on accounts reconciliation is lacking and there are a limited number of qualified accountants in the public sector

Key government accounts were integrated into IFMIS in 2015. Since then the coverage of transactions in IFMIS has been increasing. The reconciliation of accounts is one of the weakest areas of financial performance (PEFA 2011, IMF staff papers). Investigations into financial years 2010 to 2014 could only reconcile about two thirds of the government's cash book with central bank statements. Although accounts reconciliation by the accountant general are now done monthly, except for the salary account, there is a lack of adequate follow-up. Some weaknesses also persist concerning the annual financial statements. There are a limited number of qualified accountants at the accountant general and the MDAs. As such, accounting mistakes, lack of compliance and follow-up, the non-availability of documentation, and system incompatibilities between the central bank and the MoF make the job challenging and often result in extensive errors.

Internal audit committees do not function properly and findings are poorly implemented

The PEFA 2011 assessment concluded that Malawi's internal audit system is characterised by several weaknesses. The report emphasised that audit committees are not functioning properly and are compromised. The report also detected a lack of understanding regarding the role of the audit committees. The impacts of internal audits are poor due to non-implementation of recommendations and inadequate funding of these activities at the MDA level.

Fiscal adjustments are needed to prioritise development and pro-poor orientated expenditures

Furthermore, there are several non-technical obstacles. Fiscal adjustments are needed because a large part of the budget is tied to the payment of interest on debt, the public sector wage bill, pensions and subsidies for farms inputs, and therefore cannot be used for development-oriented or pro-poor expenditures. Countermeasures are also necessary to safeguard social spending on education and health. There is a risk that recent achievements will not be consolidated.



ENABLING ENVIRONMENT

Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	1 180	2015
		1 170	2014
		1 130	2013
		1 090	2012
		1 080	2011
GDP growth	World Development Indicators	4.10%	2011-2015 average
		3.00%	2015
		5.70%	2014
		5.20%	2013
		1.90%	2012
		4.90%	2011
Shadow economy to GDP	Estimate Prof. Schneider	26.70%	2000-2015
Land locked	Yes		
Driving sectors	Tobacco (15.00% of GDP and 40.00% of exports). Agriculture: 29.30%; Industry: 16.20%; Services: 54.50%.		

Malawi belongs to the group of least developed countries. GDP growth averaged around 4 per cent over the last five years, yet high population growth is reducing the benefits of economic expansion leading to low per capita growth. Malawi's comparably low conflict sensitivity has not been translated into stronger economic growth. The current fiscal crisis in the aftermath of the 'cashgate' scandal is exacerbated by macroeconomic instability and the effects of climate change (drought and flooding). Malawi's inflation has remained consistently above 20 per cent and a devaluation of their currency has led to a sharp decline in purchasing power. The Malawian government is struggling to restore macroeconomic stability, and design future economic growth that is more inclusive and that will reduce its vulnerability to external effects. The economy is still very dependent on external aid and the prices of a few export goods, mainly tobacco and some other agricultural outputs. Tobacco accounts for 15 per cent of GDP and 40 per cent of exports. The agricultural sector absorbs 85 per cent of Malawi's workforce. With the support of the IMF, under the extended credit facility, the government is trying to address these challenges. The lack of infrastructure, a weak business environment and restricted market access, however, are persistent obstacles for investors and might impede the diversification of the economy. As a landlocked country, Malawi suffers from high transportation costs and struggles to access international markets, especially outside of Africa. In 2015 and 2016 the economy experienced shortfalls in the tobacco harvest due to unfavourable weather conditions. To reduce the country's dependency on tobacco, there are medium-term plans to diversify agricultural production by scaling-up production in sugar, tea and cotton.

Malawi's economic context is characterised by low per capita growth, high inflation, macroeconomic instability, and a heavy reliance on agriculture and external aid

Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.75	2016
Steering capability	BTI	6.30	2016
Consensus building	BTI	6.20	2016
Conflict intensity	BTI	4.00	2016

Malawi is a stable state despite not being able to deliver promised development results

Malawi's state capacity is weak. Public administration is not able to deliver development results as promised. Scarce resources and limited capacity are persistent challenges that need to be addressed. Despite this, Malawi is a stable state whose sovereignty is not challenged by external or internal forces. The state is the only force responsible for the provision of external and domestic security. There are only minimal calls for autonomy, or a federal structure of the state, by certain regions in the north of the country.

Development strategies are in place but there are issues with implementation

The government is able to prioritise development targets and the underlying policies. The current long-term development strategy, the Vision 2020, is supported by a medium-term development strategy (Malawi Growth and Development Strategy – MGDS – II). Strategies are in place, but the government struggles with the implementation and the delivery of development results.

 **Anti-corruption**

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	34.70%	2014/15
Most /all tax officers are corrupt	Afrobarometer	26.80%	2014/15
Independent body investigates against senior level politicians/ public servants	Global Integrity	25.00%	2016
Public sector corruption is investigated effectively	Global Integrity	75.00%	2016
Staff appointments support Independence	Global Integrity	25.00%	2016
Corruption Perception Index	Transparency International	CPI: 31 (Rank 112/168)	2015

Corruption is entrenched in government structures and independent audits note significant levels of fraud

Corruption is prevalent at all levels of the public sector in Malawi. Corruption and cronyism appears to be entrenched in central and local governance structures (BTI Country Report Malawi 2016). The 'cashgate' scandal underlined the extent of the problem. According to an independent audit conducted by the accounting firm Baker Tilly, the state was defrauded of 32 million USD in just six months. This amounted to 1 per cent of GDP. Transparency International's Corruption Perception Index (CPI) ranks Malawi 112 out of 168 countries. The 'cashgate' scandal eroded public trust in the public sector even further. According to Afro Barometer, 34.7 per cent of Malawians consider most, or all, of the government officials as corrupt.

Anti-corruption efforts are constrained by a lack of will, insufficient resources, limited authority, and political interference

Another problem is how cases of corruption are resolved. In most instances, there is no will to thoroughly investigate incidences of corruption as many of those in power benefit from the status quo. Insufficient resources and limited authority means the Anti-Corruption Bureau is not able to prosecute office holders effectively in cases of misconduct. The Bureau also suffers from political interference, which is an additional obstacle in the fight against corruption. Prosecutions of corruption offences and the abuse of office are restricted to lower levels of the public administration, and reach their limit when senior politicians are involved (BTI County Report Malawi 2016).

Institutions in the accountability chain require more attention to prevent further looting of public funds

In the aftermath of the 'cashgate' scandal, the institutions involved in control and scrutiny in Malawi deserve more attention. The institutions of the accountability chain, including internal audit, external audit, the Office Directorate of Public Procurement (ODPP), and other legal structures, were either not able to reveal these irregularities or they were effectively ignored. This allowed massive amounts of public funds to be looted over the years.



Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: C	2011
Scope, currency, and accessibility of information	TADAT	P3-7: C	2015
Right to request information	Global Integrity	All 41: No	2016
In practice request for information are effective	Global Integrity	All 42: 0.00%	2016
Access to legislative processes and documents	Global Integrity	All: 43: 25.00%	2016
Government censoring of media	Global Integrity	All 55: 50.00%	2016
Rule of law	Bertelsmann	BTI: 6.00	2016
Political participation	Bertelsmann	BTI: 7.30	2016
Freedom of the press	Freedom House Reporters without borders (RSF)	FH: 3.15 – partly free RSF: 28.12 (Rank 66/180)	2016
Gender equality	Gender Inequality Index (UNDP)	0.59	2013

Governance is an important factor in the functioning of the entire PFM system. Malawi's governance system has strengths and weaknesses and there is potential for improvements at every level. Malawi especially faces a transparency problem. An Access to Information Bill is being prepared but has not yet been passed by parliament.

An Access to Information Bill is being prepared as one measure to improve transparency

Malawi's government performed better in the area of participation. Malawi achieved its highest score for freedom of expression in the 2013 Afro Barometer survey. The media, especially with the emergence of private media companies, strengthens citizens' voices and reports critically about government's actions. Generally, the press in Malawi can be considered as partly free (Freedom House) and ranks 66 out of 180 countries (Reporters without Borders). Malawians enjoy freedom of assembly. Despite these positive aspects, the effectiveness of participation by citizens and civil society organizations can be questioned. Although citizens are included in discussions, their influence remains rather small and effective participation is limited to elections.

Freedom of expression and freedom of the press score relatively well and contribute to a participatory society

The rule of law in Malawi suffers from major deficiencies. Although separation of powers is ensured by the Constitution, the executive is very dominant. The independence of the judiciary is formally guaranteed. Although the president needs the approval of parliament to appoint the chief justice, this does not seem to be enough to curtail the power of the executive. According to Freedom House (2016), the politicisation of the judiciary over the last ten years has heightened perceptions of a rigged and opaque appointments system. Further, the president also appoints the heads of the police service and, in consultation with parliament, members of the electoral commission. These aspects implicitly weaken the system, create dependence, and promote an attitude of loyalty to the head of state. This structure is questionable in terms of good governance and is out of line with the principles of the rule of law.

The executive has politicised many public functions, including the judiciary

DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human development index	BTI	-0.08 0.41 (Rank 174/187) 0.40 (Rank 171/187) 0.49 (Rank 160/182)	2010-2016 change 2016 2012 2010

GOOD FINANCIAL GOVERNANCE HEAT MAP

Indicator	Source	Score	Year
Millenium Development Goals (MDGs)	Malawi MDG Report	MDG 1: missed MDG 2: missed MDG 3: missed MDG 4: progress made MDG 5: missed MDG 6: progress made MDG 7: partly achieved	2014
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	33.30% 31.70% 24.90%	2010 2004 1997
Primary school enrolment	World Development Indicators	97.50% 97.10% 92.60% 96.90% 97.60%	2009 2008 2007 2006 2005
Primary school completion	World Development Indicators	79.30% 73.60% 70.10% 67.60% 58.80%	2014 2012 2011 2010 2005
Infant Mortality (per 1 000)	World Development Indicators	43.40	2015
Maternal Mortality (per 100 000)	World Development Indicators	634.00 638.00 636.00 624.00 618.00 648.00	2015 2014 2013 2012 2011 2005
GINI Index	World Development Indicators	46.10	2010
Life expectancy	BTI	55.20 53.00 48.00	2016 2012 2010
UN education index	BTI	0.44 0.41 0.69	2016 2012 2010
Environmental performance	Yale EPI	49.69 (Rank 151/180)	2016
Environmental policy	BTI	2.10	2016

Development results have been mediocre, with MDGs 4, 6, 7, and 8 likely to be missed

The government of Malawi claims to be development oriented and focused on pro-poor policy, however, the development results have been mediocre at best. On human development Malawi scores 0.445, ranking 173 out of 187 countries (HDI). Regarding the MDGs, Malawi will probably only succeed in achieving MDGs 4, 6, 7 and 8. Government has failed especially in the area of poverty reduction. One third of the population was still living in poverty (1.90 USD PPP poverty line) in 2010, which is an increase of almost 9 per cent against the 1997 baseline. This means that one third of Malawians are trapped in poverty, and 5.5 per cent are considered extremely poor. Minor progress has been made in the area of primary education, gender equity and maternal health. Though the MDGs could be missed, progress was rather good in reducing child mortality, combatting HIV/AIDS, Malaria and other diseases, environmental sustainability, and MGD 9.

Current environmental policies have not slowed deforestation or the pollution of water and soil

Despite some achievements in environmental sustainability, Malawi is experiencing rapid deforestation and pollution of water and soil. Current environmental policy is inadequate and Malawi is poorly rated by BTI, as well as in the Yale Environmental Performance Index, which ranks Malawi 151 out of 180 countries.