Silently leaving Malawi: Sweden's delegated exit

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Introduction

Promoted by the Paris Declaration (March 2005) with the aim of improving donor complementarity, the division of labour in development aid has come to the fore with the adoption of the European Union (EU) Code of Conduct (May 2007) and the Accra Agenda for Action (AAA, September 2008). International division of labour is especially relevant, and seeks to review the geographical allocation of resources. The aim is twofold: first, to prevent the existence of 'donor darlings' and thus better address 'aid orphans'. Second, to rationalise the scattered presence of donors which are often active in several dozens of recipient countries.

Some donors have already initiated a geographical concentration process based on a redefinition of their priority countries. While this necessarily implies exiting from previous partners, international division of labour has not yet been supported by good practices or deeper dialogue. The role and perspectives of partner countries affected by donor phase-out have yet to be adequately explored. In particular, the interaction between a donor's exit and the principles of the AAA and the Paris Declaration is still unknown. From a politically sensitive perspective, the type of phase-out is particularly important: it can reinforce or undermine national leadership and ownership capacities, and favour, to a greater or lesser degree, compliance with mutual accountability and maintaining bilateral relations beyond aid, such as in commercial and cultural areas.

As an aid effectiveness pioneer, Sweden decided in 2007 to drastically reduce its number of partner countries. By the end of 2010, over 30 of its previously priority countries – among them Honduras – will be affected by Sweden's exit. Experiences at the country level vary significantly.

They seem to indicate that the impact of geographical concentration depends fundamentally on exit practices in each country, and the role assumed by different actors including the national government, civil society organizations and other donors.

Against this background, FRIDE conducts a research project on good exit practices and their coherence with the principles of the North–South partnership. Through the systematisation of Swedish experiences in terms of geographical concentration, this study aims to guide donors and partner countries to implement international division of labour according to the premises of national ownership and mutual accountability. This will help to prevent potential contradictions between geographical concentration and the North–South partnership paradigm. This study on Sweden's exit from Malawi, carried out in March 2009, is the second in a series of five case studies that will contribute to a final document with global recommendations.

1. Malawi: Discovering an often neglected partner country

Malawi is one of the poorest countries in Sub-Sahara Africa, ranked as a country with low human development (162 out of 179 countries) in UNDP's Human Development Index (December 2008). Almost a third of the landlocked country is covered by Lake Malawi. According to the 2008 National Housing and Population Census Malawi has a population of 13.07 million with a growth rate of 2.8 per annum since the last census in 1998 (9.9 million, NSO 2008).

1.1 Political development

Malawi gained independence from British colonial rule in 1964. This was followed until 1994 by the authoritarian regime of Hastings Kamuzu Banda who declared himself Life President in 1971. The national referendum held in 1993 brought about the decision for the introduction of democracy with a multi-party system voted for by 64 per cent of the eligible Malawian voters. In 1994 the first democratic elections took place and Bakili Muluzi was elected as president. The president of the Republic of Malawi is both the chief of state and head of government. Although theoretically a Republic with separation of powers, in practice the executive has been predominant.

In 2004 Bingu wa Mutharika was elected president, supported by former president Bakili Muluzi for UDF until he formed his own Democratic Progressive Party (DPP) in 2005. President Mutharika undertook extensive work on economic stability and development for the country, although this followed a well-known path of emphasis on infrastructure and road building. Despite difficulties in updating the voters' role and the predominant presence of the incumbent president and his party in the media, the peacefulness of the election, the high number of female Members of Parliament elected (41 out of 193, representing 21.2 per cent, an increase of more than 50 per cent from the previous parliament) and the eagerness of many Malawians to vote as early as 5 am show that the country is committed to the deepening of democracy. Bingu wa Mutharika (DPP) has been re-elected with 66 per cent of the votes and is favoured by a DPP majority in parliament. The political blockade from parliament in the past years will therefore be overcome and hopefully allow improved governance and separation of powers.

1.2 Human and social development

Some basic indicators of human development in Malawi reveal the reasons for its low ranking in the HDI. Life expectancy in Malawi has risen in recent years, but is still low at an average of 46.7 years for women and 46 years for men, although interestingly this is higher than its neighbour Zambia (40.6 and 40.3 respectively) (HDR 07/08, p. 329). The adult literacy rate (per cent aged 15 and above, 1995–2005) in Malawi is 74.9 per cent for men and considerably lower for women at 54 per cent (HDR 07/08, p. 329).

In general, Malawi has been able to register progress on some Millenium Development Goals (MDGs) and, with some adjustments, might still be able to achieve the goals of reduced child mortality (MDG 4) and the fight against HIV/AIDS, malaria and other diseases (MDG 6)[1]. The areas covered by forest in Malawi are declining (coverage declined from around 41 per cent in 1990 to 36 per cent in 2006: GoM 2007, p. 29) but GoM claims to be able to achieve access to safe drinking water and sanitation, thus ensuring environmental sustainability (MDG 7).

The mid-point assessment with projections towards 2015 identifies some challenges. Although the poverty level has decreased importantly, eradication of extreme poverty (MDG 1) seems still out of reach. Drop outs during primary education are still too high in Malawi to ensure universal access to primary school (MDG 2). This is due to low interest, poverty and early marriage (WB 2009). Malawi has a high female representation in parliament in comparison to other countries but is still below the goal of promoting gender equality and empowerment (MDG 3). Improved maternal health (MDG 5) will probably not be achieved since the actual numbers of 984 deaths per 100,000 live births in 2004 (a number that has declined since 2000) shows the goal of reduction by 75 per cent (meaning 155 per 100,000 in 2015) remains highly unlikely (GoM 2007, p. 23).

1.3 Economic situation

In the past five years the economy in Malawi has stabilized and grown at an almost steadily increased percentage, achieving high growth rates in recent years[2]. The present Government of Malawi (GoM) has placed emphasis on the strengthening of economic institutions, with the effect that Malawi qualified for debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) in August 2006. Almost 100 per cent of Malawi's debt was cancelled by the Paris Club Creditors as of 1 August 2006 (MoF 2007a).
The current worldwide financial crisis will hit Malawi, although probably not as hard as others. The country's relatively low integration in world markets and financial markets might prevent significant impact. However Malawi is very vulnerable to external shocks, especially in terms of oil prices due to its geographical location and high volume of imports. Being a primarily agricultural economy (tobacco, sugar, tea, coffee, rice, cotton etc), the poverty level can rise immediately after a weak harvest.
However, Malawi has experienced high economic growth of 9.7 per cent in 2008 (WB 2009) and is estimated as the second fastest growing economy in the world in 2009 after Qatar (The Economist 2009). However, the IMF estimates Malawi's growth for 2009 at a more realistic – but still high – rate of 6.7 per cent.

1.4 Principle obstacles and opportunities

Democratic process

Since the beginning of democracy with the first multi-party elections in 1994, Malawi has gradually consolidated its democracy. The party system has evolved with a number of political parties, although politics still centre on personalities rather than issues. The peaceful presidential and parliamentary elections on May 19, 2009 received a good turnout: over 80per cent of the 5.8 million registered voters. The considerable turnout and high number of female MPs elected are good signs for the general democratic progress in Malawi.

HIV and AIDS

HIV and AIDS have had a devastating impact on Malawi over the past decades. Although the official number of cases of HIV and AIDS decreased from 14.7 per cent in 2005 to 12 per cent in 2007 (GoM 2008), the impact on the government, private sector and the general population is extensive. Due to the prevalent social stigma the official statistics might not reflect the real status of HIV and AIDS in Malawi. The 20–40 age group has been the most significantly affected, with children often left behind in the care of relatives. In

[1] For more details see GoM 2007 and the general MDG track monitor under http://www.mdgmonitor.org/country_progress.cfm?c=MWI&cd=454.
[2] GDP annual growth: 00: 1,6 per cent; 05: 2,6 per cent; 07: 8,6 per cent; 08: 9,7 per cent (World Development Indicator Database April 09, World Bank).

the government and the private sector the impact is mainly felt in terms of loss of workforce and knowledge. The so-called 'long disease' is still surrounded by social stigma, insufficient knowledge and weak methods of prevention. As a result, no real open discussions or realistic human resource planning takes place.

Low national capacities

In almost every sector in Malawi, one of the biggest problems is low capacities. Part of the problem is an extensive brain drain. One example is the health sector, where Malawian doctors and nurses go to the UK for training and do not return, or else later emigrate there. In 2007 the overall vacancy rate of the Ministry of Health (MoH) establishments was 25 per cent; 45 per cent of doctors' posts and 55 per cent of those for nurses were vacant. 77 per cent of the posts established for specialists (medical and dentist) were not filled (MoH/GTZ 2007, p. 31). Malawi tops the list of poor healthcare provision with 49,624 people per doctor (The Economist 2009). The data on vacancies is not completely reliable in Malawi but as bad as the situation is, foreign doctors, nurses and specialists do assist the health sector. The challenge is therefore to retain the trained national staff or to attract them back. Since 2004, topping up salaries (mostly with development partners' resources) has eased the situation a little, but opportunities for personal development are lacking. Medical personnel are also frustrated by basic and insufficient equipment and the absence of adequate drugs to save lives. However, a number of initiatives, amongst them the health Sector Wide Approach (SWAp) will probably ease the situation in the future.

Another challenge is low capacities in government and the private sector, with reduced staffing levels due to HIV and AIDS and slow transfer of staff from the government and sectors to the district level. It can also be observed that well-qualified staff would rather work in international organizations or international NGOs than in government, where salaries are considerably lower.

Food security

Conditions of life in Malawi are highly dependent on good harvest since subsistence farming is the means of survival for most of Malawi's rural population. Climate change, drought and floods can therefore bring Malawi into a state of hunger very easily. Since the severe hunger following a devastating harvest in 2005, the GoM is keeping stores of maize. Benefiting from bumper harvests in 2007, 2008 and 2009 Malawi has become an exporter of maize to other countries, amongst them Zimbabwe.
Rising food prices in general (and more importantly rising fertilizer prices) impact heavily on Malawi. The government's fertilizer subsidy programme based on vouchers for the poor has been promoted as a good practice by experts worldwide. A more cautious assessment should take into account the misuse and inefficiency of the programme that also damaged a market and did not always reach the poor (The Economist 2008).

2. Implementing Paris and Accra: Aid effectiveness in Malawi

Malawi historically depends heavily on aid and since its independence in 1964, most of its development budget has been made up of external resources. Around 40 per cent of the total development resources in the country come from aid (2005/05: 44 per cent; 2006/07: 42 per cent; 2008 projected: 47 per cent, Debt and Aid Division, Report 06-07). The net Official Development Assistance (ODA) as of the GNI was 20.8 per cent as opposed to Zambia with 10,2 per cent or Tanzania with 17,2 per cent in 2007 (OECD DAC, Country data). The high percentage of aid makes predictability of funds, mutual accountability and transparent planning by both government and donors indispensable for sustainable poverty reduction and development efforts.

DFID from the UK is the biggest donor in Malawi, representing roughly a fifth (18.2 per cent) of all ODA received in 2007 (OECD/DAC). The European Commission (EC) has been a consistent grant donor in Malawi and the main loans for Malawi are granted by the World Band and the African Development Bank. A number of bilateral development partners give constant support to Malawi, but it is difficult to identify 'traditional' donors. Malawi has fewer development partners as neighbouring countries like Zambia and Tanzania and the development partners present, around 30 of them, deliver their support in very different modes. The donor community in Malawi often fluctuates, with some donors entering and some exiting, and others increasing and decreasing their aid flows very significantly in relatively short timeframes.

Table 1: Aid to Malawi in 2007

Donors	**USD million (ODA net disbursements 2007)**	**Share in total donors**	**Share in total bilateral DAC donors**
UK	133.72	18.2%	33.4%
United States	78.98	10.7%	19.7%
Global Fund	79,38	10.8%	
World Bank	78.03	10.6%	
European Commission	75.00	10.2%	18.7%
Norway (excl. Swedish funds)	54.83	7.5%	13.7%
Japan	40.29	5.5%	10.1%
African Development Bank	30.01	4.1%	
Germany	24.36	3.3%	6.1%
Sweden	20.42	2.8%	5.1%
Others	119.69	16.3%	
Total donors	734.71		
Total DAC donors	400.53		

Source: table 1 'Official and Private Flows, main aggregates' of the DAC Development Database on Aid from DAC Members, available on http://www.oecd.org/dac/stats

On the basis of the different layers of national planning and coordination, the GoM shows a strong commitment with the **implementation of the Paris Declaration and, more recently, the Accra Agenda of Action**. Over the past years, improving capacities and strong leadership at the Ministry of Finance (MoF) has led to an interesting institutional and policy set-up for aid and development effectiveness.

With its annual reviews informing the budgeting process and orientating both foreign and domestic resources, the second-generation Malawi Growth and Development Strategy (MGDS) is classified as 'a sound basis' for achieving consistent ownership in 2010 (OECD-DAC 2008a). However, several challenges remain, particularly in translating the MGDS into sub-national and sector programmes and broadening national ownership by integrating the line ministries more actively.

As a key element for consistent coordination and alignment of aid to national priorities, the Development Assistance Strategy (DAS) 2006–2011 includes an Action Plan that sets 26 targets around the five Paris

Declaration principles. One key dimension of the DAS relates to the changes in behaviour and the development of capacities of both donors and the national Government within the established dialogue mechanisms.

As a result of concerted effort to fight wide-spread corruption and bad governance, Malawi has achieved some consistent improvements. The national government has indicated on several occasions that the use of national systems and general budget support should be a key priority in the aid effectiveness agenda (MoF 2008), which explains the need for quick and sustainable progress in economic governance and trust-building with the donors. The DAC monitoring exercise highlights Malawi as a successful example for reforming public financial management (PFM), one of the most sensitive issues in the aid effectiveness agenda in general. A recent assessment based on the methodology of Public Expenditure and Financial Accountability (PEFA), launched in 2008, comes to the conclusion that Malawi has substantially improved in the past three years in the area of PFM, although some challenges remain in the area of financial reporting and auditing (OECD-DAC 2008a, 2008b). However, Malawi's score in the Country Policy and Institutional Analysis (CPIA) remains moderately low (at 3.0 on a scale of 0 to 6, being 6 the top classification) and there are still a number of development partners that remain critical of the efficiency and implementation of funds by the GoM. The latter could be one of the underlying reasons why the indicator corresponding to the use of national PFM systems in the Paris Declaration monitoring survey has deteriorated from 55 per cent to 50 per cent (of all aid flows).

Regarding aid modalities, general budget support (GBS)[3] , provided by EC, Norway, UK and the World Bank accounted in 2007/08 for 18 per cent of the total support given (MoF 2008, p. 8). GBS has a long and complex history in Malawi, with several suspensions between 2001 and 2004 due to donors perceiving non-compliance with conditions and the suspension of the IMF Poverty Reduction and Growth Facility (PRGF), to which GBS in Malawi is directly linked (Claussen et al 2006). GBS is expected to rise within the coming years as new partners including Ireland and Germany join (MoF 2009, p. 9).

Pooled funding, meaning resources spent through a common fund composed of contributions from different development partners, accounts for 15 per cent of the total aid given in 07/08 and is mostly directed to the health and agriculture sectors (MoF 2009).

Project support, meaning support rendered to sectors and Ministries, largely comes from bilateral aid and is still very present in Malawi's development landscape. About 67 per cent of aid delivered in Malawi was delivered through this modality (MoF 2007a) which reduced in the first two quarters of the financial year 07/08 to 58 per cent (MoF 2008), much of it given off budget without using government systems, indicating that development partners are more willing to use national systems. Still, support outside government systems in 2007/08 was expected to be 23 per cent of the predicted total of project support (in total 82 projects across 19 corresponding Ministries) (MoF 2007b, p. 3).

In the future, it will be critical that the Debt and Aid Division at the MoF keeps up its work, ensuring sustainability and stability in terms of staff, capacity development and directive and thus guaranteeing inclusive and qualitative processes for aid effectiveness. Additionally the MoF needs to improve institutional cooperation with other relevant Ministries and should clarify roles and mandates.

On the donor side, several challenges remain in the realm of alignment and harmonisation, calling into question the commitment to the country's development challenges. Development partners still show varying degrees of reluctance to use country systems, focus on parallel project modalities and face insufficient coordination in technical assistance and missions in the country, sometimes fostered by weak government ownership.

Progress on division of labour in Malawi

Division of labour has three dimensions. While the international dimension, the focus of this paper, deals with how development partners deploy among partner countries, in-country division of labour aims to improve

[3] General budget support is a subset of support through the budget, being non-earmarked support administered and managed by government (MoF 2007a).

donor complementarity among sectors at the country level. Finally, cross-sector division of labour, less advanced in practical terms, relates to the global thematic specialisation of donors in certain sectors.

As a means to improve aid coordination, the DAS sets out the general framework for implementing division of labour in Malawi by firstly creating mechanisms for dialogue and action concerning improved alignment and harmonization. One essential tool is the establishment and use of Sector Working Groups, led by the government but chaired jointly with development partners, since these groups might identify essential entry points for national division of labour (i.e. across sectors in the country, see MoF/MDPC 2008b; MoF 2009 for details). These will not only contribute to an improved alignment to MGDS and Government priorities in general but might also constitute an important tool for the predictability of assistance and funds for the GoM.

In late 2008 the Debt and Aid Division in the MoF started a national process of debating in-country division of labour. On the basis of the 2007/2008 Annual Debt and Aid Report, donor fragmentation among sectors was assessed in 2009 with the Malawi Aid Atlas. The available data reveals that among 17 donors, five major donors (more than 10 per cent of total disbursements)[4] contributed 76.3 per cent in fiscal year 2007/2008, while the five most lightweight donors provided only 3.3 per cent of total disbursements.

At the sector level, the 2007/2008 report exposes that 'seven of the seventeen donors covered (…) are involved in eight or more of the sixteen sectors'; health, education and economic governance being the most crowded sectors with twelve donors each. A recent draft of a 'Malawi Aid Atlas' includes the number of projects and programmes per donor in each sector, showing huge disparities between them. As a formal participant in the EU Fast-Track Initiative, Malawi organised in March 2009 a preliminary meeting on division of labour, which was coordinated with the workshop which took place as part of the field study underlying this report.

Thus far, rather weak practical impulses have come from the EU's Code of Conduct, which is still not being implemented in a strategic way. However, reaffirming its leadership, the GoM intends to conduct in late 2009 an aid mapping process which will also include a joint assessment of donors' comparative advantages, which might open sensitive opportunities for improved aid efficiency under the umbrella of national priorities and needs.

For its part, international division of labour has affected Malawi on several occasions over the past years. Its aforementioned fluctuating donor community means that donors regularly exit the country, although their exits have profound differences in terms of operationalisation and impact. The Nordic Plus group[5] in Malawi has lost three of its members in recent years. In 2002 and following a diplomatic incident, Denmark pulled out in a timeframe of five months, causing important damages in the agriculture sector (van der Meer et al 2008). The Netherlands, in view of a possible impact on sustainability of its efforts, dedicated 5 years (1999–2004) to a more cautious phasing-out process (idem). In 2009, while Sweden's exit was already underway, Canada announced its withdrawal and is currently negotiating a phase-out plan.
On the other hand, donors such as Iceland, Ireland and the Flanders have entered the country with an advanced degree of concentration in their funding.[6] Among emerging donors, China is a major player after announcing a USD 6 billion aid programme and establishing diplomatic relations with Malawi in late 2007 (Reuters 2008). However, the GoM still lacks capacities to timely assess the impact as well as actively orient these processes of redeployment. While increasingly concerned over aid fragmentation in the country, national representatives consider that development partners exclusively rely on their own national priorities to decide whether to withdraw or increase development funding to Malawi.

[4] DfID, World Bank, European Commission, Norway and USAID (in this order).
[5] At the global level, the Nordic Plus group consists of Denmark, Finland, Ireland, The Netherlands, Norway, Sweden and United Kingdom.
[6] DThe country strategy plan that describes the development cooperation between GoM and the Flanders recognises the PD and AAA and GoMs' efforts for sector concentration in the country clearly with their concentration on two sectors in 2009–2013 (Flanders 2009, p.19).

3. From silence to absence: Sweden as a development partner in Malawi

Sweden's history as a donor in Malawi dates back to its support of the country's democratisation, initiated in 1994. In the first years of multi-party democracy, Sweden entered into cooperation with the Parliament of Malawi, providing strategic support until 1999. This involved printing the constitution for the Members of Parliament and study tours to the Swedish Parliament in 1998 and 1999.

Rather than creating an institutional structure for implementing aid projects in Malawi, SIDA started to channel its aid funds through another and well-positioned Nordic Plus donor, Norway. A formal agreement between Sweden and Norway on delegated cooperation was signed in June 2001 with an initial validity until the end of 2006. Thus, from 2002 all contributions to programmes and projects from Sweden were administered and implemented by Norway, with the agreement on delegated cooperation being prolonged twice until the current end date of 30 June 2010. The modality of delegated cooperation showed an outstanding degree of trust among both donors and was highly innovative at this time, even preceding more structured approaches of the Nordic Plus group or the DAC.[7]

The agreement stipulates both parties' basic roles and responsibilities in the cooperation. Norway and Sweden entered into delegated cooperation with the objectives to promote donor coordination, enhance efficiency of Norway's and Sweden's development cooperation agencies and to reduce the administrative burden on development partners in Malawi. The two Scandinavian countries agreed that SIDA would provide expertise and money for Malawi, while the Norway Ministry for Foreign Affairs plans and negotiates with partners, implements and monitors on behalf of SIDA and reports quarterly on progress. The priorities for the coming year were discussed and decided upon during annual meetings. To quote a review of the delegated cooperation in 2004, 'the joint programme is managed by NORAD/MFA and Sweden is basically a financial partner (Scanteam 2004, p. 57).

Box 1: Delegated cooperation between Sweden and Norway

Delegated cooperation is widely used by Nordic Plus countries which have approved each other as potential partners and gathered experience with this modality over the years.

With an agreement signed in June 2001 being prolonged twice without major changes, Sweden started to delegate its funds for Malawi to Norway in order to 'reduce the administrative burden on development partners in Malawi and to contribute to efficiency of Sweden and Norway's development co-operation agencies'. According to some experts, good relations between the previous Norwegian and Swedish agency directors facilitated the achievement of a "gentleman's agreement".

Mainly focusing on good governance and HIV/AIDS (apart from economic reform and health), the agreement established clear roles on:

- Norway's authority to represent both agencies in Malawi
- A joint financial programme for specific programmes
- Quarterly transfers by Sweden upon approved written request by Norway, with an indicative request in mid-October for funding of the next financial year
- Norway's responsibility to submit annual financial reports to Sweden in January
- Annual joint meetings to decide on spending level and areas of support

While most essential areas are covered, some important issues, for example visibility of Sweden's contribution, communication to partners or phasing-out scenarios, were not addressed in the agreement.

[7] The definition of delegated cooperation by OECD/DAC covers a broad range of working arrangements: '…when one donor (a 'lead donor') acts with authority on behalf of one or more other donors (the 'delegating" donors or "silent partners'). The level and form of delegation vary, ranging from responsibility for one element of the project cycle for a specific project (e.g. a particular review) to a complete sector programme or even a country programme.' The Nordic Plus initiative for further enhancement of delegated cooperation focuses on the principles to be followed when 'one donor acts with authority on behalf of one or more other donors in all aspects and all phases of a country programme, sector programme or project' (NORAD 2006, p. 5).

However, Sweden maintained direct control of the provision of general budget support which was administered by the MFA, with a Swedish official from the Embassy in Harare initially participating in the Common Approach to Budget Support (CABS) meetings. Sweden was a member of the CABS group from the beginning and provided GBS to Malawi in 1999 (20 million SEK, approx. 2.9 million USD) (Narea/Christensen 2004) and in 2000 (40 million SEK). In 2001, 40 million SEK were foreseen but not disbursed due to the IMF's classification of Malawi as being 'off-track'. According to SIDA, in order to ensure the implementation of the first Poverty Reduction Strategy and to fulfil its 2001 decision, Sweden disbursed the 40 million SEK in 2005. This was the last disbursement of GBS to Malawi and since 2006 Sweden is no longer a member of the CABS group. According to the MoF, Sweden surprisingly announced its withdrawal from general budget support in 2006 without detailed explanation.

Sweden's commitment to Malawi (apart from the budget support) started slowly in 2000 with limited resources (3.5 million SEK). The 'traditional' sectors for Swedish project and programme support in Malawi have been health and governance. Economic reforms and – given their enormous challenges and implications – HIV and AIDS have also received substantial amounts of aid since 2002. SIDA's funding increased tenfold in just three years, reaching 35.5 million SEK in 2003. Interestingly, in 2003, just one year after beginning delegated cooperation with Norway, Malawi was the fifth largest recipient of SIDA support in the area of health (after Uganda, Palestine, Zambia and Bangladesh).

Cooperation in figures

Development cooperation with Malawi in 2008

Costs	SEK
Health	54 445 000
Education	190 000
Research	0
HR & Democratic governance	38 671 000
Conflict, peace & security	116 000
Humanitarian assistance	-507 000
Infrasctructure	515 000
Trade, business & fin. syst	252 000
Natural resources & environment	1 979 000
Budget support poverty red.	0
Other	855 000
Total	**96 515 000**

Source: 2008 Sida Annual Report

In 2008, Sweden's portfolio was highly concentrated, with 96.5 per cent of the available resources directed to health and democratic governance/human rights. Sweden's bilateral development funding accounted for 5.1 per cent of the total aid received by Malawi from DAC donors in 2007, based on the latest available data regarding the DAC's statistics.

Despite its restricted direct involvement, SIDA invested substantial efforts in analytical work on development research in Malawi, mostly in collaboration with the Department of Economics at Gothenburg University. Country studies addressed public sector reform in 2002 (Durevall 2002) and 2005 (Durevall/ Erlandsson 2005), while research on fighting HIV/AIDS in Malawi was addressed in two publications launched in 2006 (Arrehag et al 2006) and 2008 (Durevall/Lindskog 2008).

One particular feature of Sweden's contribution to Malawi's development is reflected in the scarce visibility of its cooperation as mentioned in a 2004 evaluation of the delegated cooperation (Scanteam 2004). The delegated cooperation with Norway resulted in a situation in which Norway was perceived as an increasingly important donor to Malawi (being the second most important bilateral donor in terms of ODA in 2007, see table 1). In the national statistics of the MoF, Norway figures as the second largest bilateral donor in FY 2006/2007 and FY 2007/2008. It is, however, important to realise that at the same time, roughly one third of Norway's share in total aid to Malawi came originally from Sweden. In the projects and programmes implemented by Norway, Sweden's quota achieved 50 per cent.

4. Ignored exit signs: Sweden leaves Malawi

On the basis of the Policy for Global Development endorsed by the Swedish parliament at the end of 2003 and the recommendations of the 2005 DAC peer review, the Swedish government decided on 27 August 2007 to concentrate its aid in a drastically reduced number of partner countries. The selection criteria for 33 countries (as opposed to the 70 countries previously assisted) were clustered in the following areas: degree of poverty, adequate context for aid effectiveness, human rights and democratic governance, as well as Swedish added value. This general reorientation of Sweden's geographic deployment implied the phasing-out of more than 30 partner countries (Schulz 2009).

Sweden lacked physical representation in Lilongwe and had low general visibility throughout Malawi, so the conditions for its exit were rather atypical. It is one of the few examples in which delegated cooperation resulted in an actual 'pulling the plug' and is thus highly relevant to the current debates on this and other modalities such as co-financing and lead donor arrangements.

After the political decision was communicated to SIDA, the formal process of phasing-out was set in motion by an official communication dated 6 September 2007 to the Ambassador of Malawi in Great Britain, Dr Francis Moto, who had on 23 August 2007 been informed of the decision via telephone. He requested more information on the reasons behind the decision on 24 August 2007. The communication, signed by the Head of the Africa Department of Sweden's Ministry for Foreign Affairs (MFA), stressed that Sweden had started 'to assist Malawi in a delicate transition period' and was 'pleased to note that Malawi today is enjoying high economic growth rates and has achieved considerable gains toward a democratic society'. Furthermore, lacking representation in the country, Sweden 'found that our bilateral aid […] does not clearly provide added value in relation to other donors'.

The letter also announced that the details of the 'gradual phase-out' process would be discussed with government officials in the near future. However, following the information provided by national representatives, the government in Malawi claims never to have received an official communication, stating that political information on the phasing-out was insufficient. This indicates that the (lower-level) communication with the Embassy in London did not reach the key decision-makers in Lilongwe. The MFA in Stockholm and the Ambassador responsible for the region based in Harare, Zimbabwe, only entered into a direct dialogue with the GoM almost a year later.

In April 2008 however, the news of Sweden's exit suddenly appeared in a Malawian newspaper, surprising the Secretary for Foreign Affairs, Ben Mbewe, who stated that despite the former official communication 'it's a surprise, we do not know anything'. In this article a civil society leader, Mabvuto Bamusi, the head of the Human Rights Consultative Committee (HRCC), expressed his own concern over 'a sad development', while he was 'waiting for [the] government to tell us what has happened, otherwise it is a big blow' (Malawi Nation 2008). This underlines the earlier indication of internal lack of communication within GoM which adds on to the deferral of direct communication and discussions of the details from the Swedish side. The Norwegian Embassy had expected to be asked to communicate the decision to the GoM, but wasn't. The debt and aid mid-year report dated March 2008 indicates, however, that 'Sweden has decided to phase out development support to Malawi in the future, though the precise pattern of phase-out is yet to be decided' (MoF 2008a, p. 2). This suggests that by that time the news had somehow filtered through to parts of the GoM but had not reached all relevant institutions. At this stage, the Norwegian Embassy in Lilongwe seemed to take over the communication of Sweden's phase-out to the Malawian public. The debate at the national level did not develop further.

Almost a year after the official decision to withdraw funds from Malawi, the Head of the Africa department of SIDA in Stockholm along with the Swedish Ambassador from Harare and the Chargé d'Affaires of the Royal Norwegian Embassy in Lilongwe met the Malawian Minister of Finance, Goodall Gondwe, on 11 June 2008. At the meeting, the Swedish phasing-out of bilateral development cooperation was discussed and a number of issues clarified. The MoF was apparently upset about the Swedish decision and feared that it could send erroneous signals to the development partner community in Malawi regarding the reasons for the Swedish exit. On 12 June 2008 the Swedish delegation discussed the Swedish phasing-out with the Deputy Minister of Foreign Affairs and International Cooperation, Henry Mumba.

A letter addressed to Goodall Gondwe dated 30 September 2008 referred to the earlier joint meeting in Lilongwe and invited the GoM to refer remaining questions on the phase-out to SIDA. It also indicated that the discussion on the phasing-out would entail organisational changes within SIDA's reform process. Attached was the schedule for the gradual phasing-out indicating the Swedish disbursements and areas of support through Norway until the end of 2009. The letter also mentioned the extension of the delegated cooperation of Sweden and Norway until the end of June 2010. According to the MoF, the September 2008 notice was the actual starting point for direct contact and oral communication with both the Swedish Embassy in Harare and the Norwegian Embassy in Lilongwe.

The agreement on the delegated cooperation did not provide guidance for Sweden and Norway in this process since (comprehensive) exit options were not mentioned. The only clause related to a termination of the agreement states that, in this case, Sweden 'shall not apply to funds irrevocably committed in good faith by Norway to third parties before the date of the notice of termination'. Within the set-up of delegated cooperation SIDA asked Norway to prepare a phasing-out plan reflecting an organised, responsible and gradual phasing-out which respects existing contracts and agreements. The possible arrangements were then discussed with Norway during the annual meeting in December 2007, where adjustments were made and a general plan for the Swedish phasing-out until the end of2009 was agreed. The phase-out plan reflected all ongoing financial commitments at that time and suggested exit timelines and corresponding amounts, based on a proposal made by Norway. The planning took into account that one of Sweden's criteria for phasing-out was that all ongoing commitments should be honoured, avoiding the interruption of any support already signed, in line with the 2001 agreement. The timeline for the exit was set at two years (2008–2009) with the possibility that some activities already agreed to would still be supported in 2010. At any rate, the last disbursement to Norway would be made before the 2009 deadline and Norway would then take over financial commitments.

SIDA drew up a phase-out plan from the discussions held. The document was for internal purposes (in Swedish only) and claimed to also assess the risks and implications of the exit. It states that Sweden might deviate from the prior stipulation of 50/50 resources contribution to projects and programmes during its phasing-out. This formula appears for the first time in writing in the addendum. Staff at the Norwegian Embassy in Lilongwe was familiar with this general 50/50 rule, unlike most of the development partners, GoM and some implementing partners interviewed during this case study. At any rate, the fact that the phase-out plan was only available in Swedish and not known to the Norwegian in charge of the delegated cooperation in Malawi at that time shows that the planning of Sweden's exit in general was of an almost exclusively internal orientation.

While contemplating the honouring of commitments, one of the formal principles for Sweden's phase-out, other dimensions stipulated in the official background paper of Swedish MFA (2007) were not taken into account in the phase-out plan. Although generally committing to a responsible exit, mechanisms for transferring projects and programmes to local partners or other donors were, quite surprisingly, addressed in a rather inconclusive way: Even if the delegated cooperation with Norway could have possibly raised this opportunity,[8] the document states that 'no decision […] to compensate for Sweden' has been made.[9] The phase-out plan did not offer any clear guidelines for ensuring sustainability, indicating that 'the main consequence of Swedish phasing-out is – at least in the short term – that the total aid to Malawi and the intermediate levels for individual operations can be slightly less'[10]. Sweden did however propose that Norway scaled up aid to Mali (where Norway is the silent partner in delegated cooperation with Sweden) so that Norway could in turn scale-up in Malawi. This proposal was rejected based on Norwegian interests to maintain the same relationship with and aid allocated to Mali.

[8] This was an option openly discussed in an early stage of Sweden's phasing-out(see Development Today 2008).

[9] However, there was a commitment from Norway to look into the possibility to compensate and Norway, also interested in not losing its good reputation in the country, has been internally debating the amount of compensation still possible in March 2009 as indicated by Norwegian officials during the workshop held in Lilongwe.

[10] Authors' translation into English.

5. Perspectives from Malawi: Sweden's sloppy way out

The following pages are based upon conclusions from a number of interviews conducted and a workshop held in March 2009 in Lilongwe in collaboration with the MoF. The perspectives of national actors were explored according to the different stages of the phasing-out process (communication, management, and post-exit relations) and its corresponding practices. As outlined in the methodological approach to this research, the analysis focuses on the impact of the phasing-out practices on the partnership premises, concretely on the national capacities for leadership and mutual accountability (Schulz 2009).

5.1 General perception

Almost all actors consulted, with the notable exception of the implementing partners, stated that the Swedish phasing-out was of no particular importance for partnership and development in Malawi. This seems to be the result of a rather accidental and slow communication by Sweden to the partners regarding the decision and process. The lack of detailed information on hand for Sweden's partners in the country, partly the result of poor communication within and between the different institutions of the GoM, induced several fragmented interpretations.

Firstly, Sweden was not seen as a relevant development partner, since the Swedish MFA and SIDA lacked local representation and infrastructure, being absent in existing dialogue and coordination mechanisms, particularly after withdrawing GBS in 2006. Secondly, this perception implied a clear lack of knowledge regarding Sweden's share of overall ODA to Malawi (up to 5.1 per cent) and its share in the funds managed by Norway (50 per cent at project and programme level). Thirdly, even when the delegated cooperation agreement was known to some representatives in general terms, most of them erroneously believed that Norway, which represented the top bilateral donor after the UK when Swedish aid money was considered, would easily be able to increase its development funding to simultaneously compensate for the withdrawal of Sweden's contribution.

Finally, development partners generally observed Sweden's decision to exit Malawi as a mere unilateral decision which, communicated by Norway rather informally, would not affect the general set-up of the partnership commitments of the donor community. Donor representatives concurred that the phase-out would not be taken into account for their own planning and implementation of development cooperation with the country.

5.2 Communication

5.2.1 Transparency and information

As a first step in implementing an exit, communication is vital to ensure that the partner country and the remaining donors might adopt measures to assume possible gaps in terms of funding and expertise. For the purpose of this research, communication is defined by the degree of transparency, i.e. the manner and frequency in which the exit decision has been communicated and shared by Sweden.

In the case of Malawi, a series of constraints on effective and efficient communication has been identified at all stages of the process. As opposed to other partner countries such as Honduras (see Puerto Gómez and Schulz 2009), none of the consulted actors in Malawi was aware of the broader Swedish concentration process before the final decision was taken. Furthermore, Malawi did not have the opportunity to react to its inclusion in the list of countries eligible for phasing-out of Swedish support, which was circulated early in 2007 among other candidates. Both government officials and civil society representatives expressed their deep concern over the lack of information on the reasons and criteria used by Sweden to justify the exit from Malawi, a country that most stakeholders classify as highly aid-dependent, externally vulnerable and with vast capacity constraints.

However, an even less favourable feature of the Swedish phasing-out was detected in the failures to communicate the exit to the Malawian government in a timely and transparent manner. Official written and direct notice to the government in Lilongwe took place much later then the decision was officially launched in Stockholm and a full six months after drafting the phase-out plan. The Swedish principle for communication apparently had been to only communicate the final decisions and details.

The underlying reason for the failure to communicate the phasing-out decision timely might be the lack of guidance in the agreement on delegated cooperation with Norway regarding such a scenario. The phase-out plan did not address transparency as an essential feature of a responsible exit process. No clear responsibilities for communicating the decision and negotiating the forms and timelines with the different actors involved at national, sector and project level were stipulated. In broader terms, the Norwegian Embassy in Lilongwe lacked a mandate for initiating and managing the exit on behalf of Sweden, which prevented its higher-level representatives from taking concrete actions in view of the missing physical presence of Sweden in the country.

5.2.2 Dialogue, negotiation and consultation

Dialogue and negotiation represent the second stage of communication after the initial declaration. Involving all actors, this stage can create important opportunities to direct joint efforts of the national government, the donor community and civil society towards the assumption of possible lacks of support stemming from the exit of a given donor.

Far from being sufficient, the dialogue with the GoM on Sweden's phasing-out was both delayed and fragmented. Once the exit was decided, neither SIDA nor the Norwegian Embassy approached the GoM in order to discuss the exit process and, more importantly, assess possible impacts. This lack of transparency seems to have prevented the GoM from analysing the actual impact for Malawi and taking measures to compensate for the financial gaps resulting from Sweden's exit. Indeed, the withdrawal of up to 5.1 per cent of bilateral ODA from DAC countries was not reflected or integrated in the national planning or programming processes.

For its part, the donor community showed little interest in Sweden's decision to pull out of Malawi. Recognising the unilateral character of Stockholm's new development policy and ignoring the actual Swedish share in total ODA, most donor representatives stressed that the rather informal communication by Norway to other development partners on Sweden's exit could be regarded as sufficient, since each external actor in Malawi sets up its own strategies and planning processes individually and decisions like that are unilateral in nature. Additionally, it was assumed by some that Norway would scale up its support to compensate for Sweden's phasing-out, since otherwise Norway would lose at least part of its prestige and weight as a bilateral donor in Malawi.

Consequently, no joint efforts from the donor community to respond to Sweden's phasing-out could be identified during this case study. This also indicates that donors have not yet internalised the principles of the Paris Declaration and the AAA so as to apply them in relevant contexts, processes and decisions. The failure to assess possible negative impacts constitutes a considerable risk in an aid-dependent country with limited national capacities and severe restrictions in absorbing financial gaps, especially for essential public services such as the health sector. One example related to the withdrawal of support to the governance sector shows that missing coordination among donors can come at a high price. Up to 80 per cent dependent on a joint SIDA–Norway basket fund with a high component of core funding, the Human Rights Consultative Council (HRCC), an umbrella organisation of roughly 60 CSOs working on human rights and democratic governance, received early warning (in September 2007) that the fund would be cancelled in May 2009, since Norway decided to reallocate its funds to other programmes in the context of its own sector concentration. Unable to negotiate the phasing-out process, the HRCC now works on a fragile institutional basis and relies on what its representatives called 'erratic support by the donor community to a barely surviving civil society', with minor projects and far less strategic approaches to improve governance and human rights through a strengthened civil society.

5.3 Phasing-out management

5.3.1 Planning and type of exit

The second stage in a phasing-out process implies two central aspects: the planning and the implementation of the exit. The following paragraphs assess the extent to which planning and the selection of the type of exit of Sweden from Malawi enabled a sufficient adaptability and predictability from the perspective of the national actors.

As a result of the communication failures, the process of planning the phasing-out suffered shortcomings from the beginning. The phase-out plan actually included only financial and legal aspects of the exit, without articulating in detail possible ways of ensuring a responsible and sustainable process. In other words, the selected type of exit was marked by limited permeability towards the needs and perspectives at country level. The expected possibility of 'slightly' diminished aid levels resulting from Sweden's phase-out deeply contradicts the actual weight of Swedish financing at national, programme and project level in 2007, when the phasing-out was decided upon (see chapter 3) and suggests that no proper analysis was undertaken in Sweden.

5.3.2 Implementation of the exit in delegated cooperation

At the heart of phasing-out practices, implementation is closely linked to the national capacities of facing possible drains and losses resulting from the withdrawal of funds, on the one hand, and the sustainability of achieved development results, on the other. Hence, good management depends foremost on its clear and flexible orientation towards country leadership and the responsibility of the exiting donor.

Considering the lack of communication and negotiation, Sweden's withdrawal from Malawi in delegated cooperation with Norway can be best described as a 'delegated exit'. The Norwegian Embassy in Lilongwe was and is the one de facto in charge of implementing SIDA's phasing-out. However, as described in section 5.2, the Embassy has not been timely mandated with the communication and has therefore reactively rather than pro-actively administered the phasing-out. The unstructured delegation of the exit created a complex situation in which one donor is practically handling the management of another country's unilateral, sovereign political decision.

Interestingly the Swedish exit from Malawi has a vast impact on Norway beyond the administrative issues. Given the limited visibility of SIDA in Malawi, most actors were unaware of the fact that Swedish funds represented up to a third of overall Norwegian cooperation and up to 50 per cent of several programmes and projects supported by the Norwegian Embassy in Lilongwe. One critical issue at this point in time is the fact that national partners and other donors perceive that Norway is scaling down its cooperation, instead of SIDA phasing-out.

A second key challenge for managing SIDA's exit while guaranteeing partnership and sustainability emerged from the decision of the Norwegian MFA to concentrate its development cooperation with Malawi on two sectors (health and agriculture). The simultaneity of Sweden's cross-country concentration (withdrawing from Malawi) and Norway's in-country concentration (exiting from certain sectors) created additional risks at the programme and project level.

Finally, staffing at the Norwegian Embassy in Lilongwe suffered drastic changes with a complete rotation at all levels (from Ambassador to programme officers) in 2008, in the midst of the Swedish phasing-out and during Norway's own sector concentration process. The important loss of institutional memory was further exacerbated by the suppression of one of the four previously existing programme officer positions. Since this cut affected the governance position, the new staffing policy had a direct impact on Norway's capacities to administer the phasing-out process in this sensitive sector, which was long a priority for both Sweden and Norway and remains key to the prestige of Norwegian cooperation in Malawi.

5.4 Post-exit relations

5.4.1 Sustainability

During the third and final stage of the phasing-out, sustainability and post-aid relations become relevant to the fulfilment of the partnership principles. Sustainability relates particularly to the protection of vulnerable groups and support to sectors sensitive to the development of the country. Additionally, the transfer of certain functions of the exiting donor to the national government and/or other donors might ensure the sustainability of development results.

When conducting the field work for this case study, specific mechanisms for developing and consolidating national capacities (in view of sustainability) could not be detected. Post-exit sustainability was actually of particular concern for the governance sector, where some programmes and projects experienced not only Swedish, but also Norwegian withdrawal. The example of the HRCC illustrates that sustainability has played a secondary role in the phasing-out process thus far, laying a fragile ground for the different actors in maintaining their specific role (for example as watchdogs to the government).

In the health sector, the panorama is more favourable, since Swedish support might be more easily compensated by aid provided by Norway and/or other donors using the same programme-based approach or institutions, for example the Health SWAp or the National AIDS Commission. In these areas, Malawi can already draw on strengthened national capacities or mechanisms for harmonisation, which still require sustained support and commitment by the donor community.

These contrasting examples show that in an aid-dependent country with low capacities and huge development challenges, sustainability passes through capacity development and a reinforced coordination of donors around certain priority areas. In the case of the health sector, Malawi could rely on already achieved progress in a SWAp, where joint responsibility among donors is germinating. However, the governance sector, essential for further steps towards democratic culture in Malawi, suffers from rather fragmented approaches and a lack of like-minded donors.[11]

5.4.2 Bilateral relations

In a favourable post-exit scenario, the national government and the exiting donor might build bilateral relations going beyond aid using alternative forms of cooperation, for instance via triangular, cultural, commercial or regional cooperation. This type of post-aid collaboration would reflect a real maturity of the partnership between North and South.

Although Sweden announced its desire to build relations 'other than via bilateral cooperation' (MFA 2007, p.8) with Malawi (along with other 23 countries), the phase-out plan did not address this possibility and no clear post-aid option has emerged. Sweden's direct legacy in Malawi is rather limited, although its flexible approaches to funding governance programmes have been highly appreciated by key stakeholders. Export and Foreign Direct Investment relations are not significant, while direct political cooperation, for example at the multilateral or regional level, has not yet been reported. Other Swedish actors, for example its civil society, do not conduct much structured activity in Malawi and overall cultural exchanges are extremely scarce. In sum, Malawi, having no significant history of Swedish involvement, is now lacking immediate presence in Sweden's international policy.

Thus, no concrete prospects can yet be drawn for post-aid relations between Malawi and Sweden after the latter concludes its phasing-out process.

[11]Including Canada, which announced its exit from Malawi in February 2009.

6. Phasing-out, not disengaging: Pending lessons

The previous pages have outlined a rather unfavourable picture of Sweden's phasing-out in delegated cooperation with Norway. The Malawian experience raises sensitive doubts on the practices of late transparency and weak dialogue. Exit management seems to be merely focused on an administrative disengagement from a delegated cooperation agreement, instead of attending to the needs of the partner country with a responsible phasing-out. The partner country on its part seems to have suffered from a sensitively weak internal communication.

Lessons have emerged from the phasing-out of Swedish involvement in Malawi that can fuel discussions, processes of division of labour and an improved implementation of delegated cooperation as an instrument within its context.

6.1 In the slipstream of international division of labour

As a partner country with a fluctuating donor community, Malawi represents a sensitive case for the international division of labour. Some of the theory on cross-country donor complementarity or the tension between donor darlings and aid orphans could be reconsidered in the context of Malawi.

Firstly, in comparison to the neighbouring donor darlings Mozambique, Tanzania and Zambia, Malawi hosts a limited donor community, which contributes substantial resources in absolute and relative terms. While not being an aid orphan in financial terms, the country can still be considered as a 'half orphan' in terms of quality of aid. The fact that the group of Nordic Plus and like-minded donors is diminishing might pose important challenges to the implementation of the aid effectiveness agenda, to which these donors tend to commit in a more straightforward way.

Secondly, national capacities in Malawi are under threat due to broader development challenges (among them HIV/AIDS, capacity constraints, brain drain, etc.), but on the other hand some improvements, for example in the quality of national systems, can be reported. However, the country has experienced or is experiencing no less than four phasing-out processes, with only one bilateral donor having recently entered the country with substantial resources (Ireland). For international division of labour to be effective, it might be essential to analyse the demand for capacity development and adjust correspondingly the availability and diversity of the development cooperation supplied.

Thirdly, joint responsibility among development partners is becoming even more essential in aid-dependent countries. Indifference towards the phasing-out of a development partner representing up to 5.1 per cent of bilateral aid does not seem to be a reasonable option in the face of the huge needs and capacity constraints on the Malawian side, which is already struggling with only a small amount of progress in the predictability of its development financing. Here, international division of labour could be improved by an assessment of the need and potential for compensation of exiting donors' funds by the resources of another, which should become a compulsory part of coordination at the country level and should be observed as a context factor for each donor's country planning. Furthermore, the Malawian experience shows that cross-country division of labour needs much more exchange and coordination among donors' headquarters regarding their respective concentration processes.

Finally, delegated cooperation and lead donor arrangements in general are often seen as a panacea for division of labour. However, the Malawian case illustrates that using this modality requires a cautious and comprehensive approach in future phasing-outs. Several lessons can be drawn from the confusing simultaneity of ending a delegated cooperation and a unilateral exit, which in this particular example seemed to spin out of control at different stages. Among the most important conclusions (see also box 2), the provision of exit scenarios and exit clauses in delegated cooperation agreements could create a more consistent basis for a responsibly managed 'delegated exit'. Ideally this should outline a delegated exit addressing the division of tasks and responsibilities among the remaining and the exiting donor in terms of visibility, communication, management and sustainability based on the partnership principles.

Box 2: Basic ingredients for a delegated exit

Laying an adequate ground means that the contractual framework on delegated cooperation should already incorporate exit options, clarifying procedures and responsibilities for such a scenario. Clarity should be ensured regarding mechanisms or processes securing a compensation of funds and expertise.

While implementing delegated cooperation funding should be reported separately in order to avoid confusion with respect to the origin of funds, improving predictability and avoiding pressure on the lead donor in case of an exit. For the silent donor, delegated cooperation should not be approached as a merely administrative process, but should be supported by involvement, for example by complementary action and feedback on reports and challenges identified by the lead donor.

During an exit, phasing-out communication and management needs to be based on clear distribution of roles, rules and responsibilities of both remaining and exiting donor, in close coordination with the national government and, if applicable, national partners. The impact of the exit should be analysed and addressed jointly (including an assessment on sustainability of previous efforts), both regarding development in the country and the prestige of both donors. Joint high-level communication clarifying responsibilities is key to ensuring partnership principles, herewith avoiding that delegated cooperation leads to an evaporation of responsibilities.

6.2 Overcoming crude practices: Lessons learned

This case study has analysed the practices encountered and their potential impact during the three principal stages of an exit: communication, management and post-aid relations. In this order, the following paragraphs depict the key lessons that can be drawn from the Swedish phasing-out of Malawi.

6.2.1 Communication and dialogue

Sweden's failure to communicate the exit decision to the partner government adequately and in a timely manner compromised the overall coherence of the phasing-out process with the partnership paradigm. It substantially limited national actors' ability to react and the timeframe in which to do so. The experience in Malawi, marked by a lack of transparency and predictability, illustrates bad practice in terms of the exiting donor's accountability and its disposition to engage in a basic dialogue. Among the lessons learned for communications, the following aspects are of particular relevance:

- The communication of an exit needs to be transparent, detailed and timely and to happen at the highest political level possible (MFA, at least represented by the acting Ambassador). This way basic predictability and sustainability can be guaranteed basing the whole process on partnership principles;
- National actors (government, implementing agencies and civil society) need to receive a sound and consistent explanation of the reasons for a donor's exit. This is to ensure the reputation of the exiting donor as well as the remaining donor and should be undertaken by higher-level MFA representatives;
- Sustainability of development efforts and predictability of funds should be consistently addressed from the beginning as parts of the technical and political processes of a phasing-out;
- In the specific case of delegated cooperation a clear mandate should be awarded to the remaining donor to communicate and implement the decision in close collaboration with the exiting donor. This is to ensure that the phasing-out process minimises negative impacts on development efforts in the partner country;
- Repeated communication and information to other donors is required in order to create a sense of joint responsibility for funding gaps and lack of technical support to areas that might be critical for development in the partner country.

6.2.2 Phasing-out management

The management of Sweden's exit was directed primarily to the internal needs of ending the delegated cooperation. Deficiencies in the management are two-fold. First, the phasing-out plan, written in Swedish and unknown to all actors in Malawi, gave an almost exclusive priority to financial dimensions (ceasing aid flows) without attending to potential investments in national capacities as a pillar for sustainability. Secondly, the 'delegated exit' (from Sweden to Norway) was never actually formalised, creating a very weak basis for implementing the exit responsibly and according to set partnership principles. Improved practices should therefore include the following:

- The phase-out plan should be discussed and agreed upon with the national government as a joint document. This ensures timely and transparent information on aid flows but also helps to adapt national planning at sector, programme and project level;
- Potential losses and damages stemming from financial gaps and exiting expertise and technical assistance at different levels need to be analysed and addressed by the exiting donor in collaboration with the national government and the implementing agencies, particularly in an aid-dependent country;
- The lead donor needs a clear mandate for the implementation process beyond legal and financial issues, i.e. including responsibilities for ensuring the fulfilment of the partnership principles;
- A clear approach towards strengthening national capacities and ensuring development results achieved within sensitive sectors such as governance might best consolidate the prestige and legacy of the exiting donor;
- Close communication and coordination on impacts and potential losses with the remaining donor community is needed, using existing coordination mechanisms;
- The concurrence of processes that hamper successful implementation of an exit (such as the parallel sector concentration in the Norwegian case) should be avoided where possible.

6.2.2 Post-aid relations

Direct investment in sustainability, for example through capacity development, was not included in the phasing-out process, with basic guarantees only backed by existing coordination mechanisms in certain sectors. In general, the prospects for continued bilateral relations between Malawi and Sweden are narrow and no effort has been made by Sweden to identify other possible forms of cooperation. The following practices would apply to post-aid relations in Sweden's phase-out from Malawi:

- Considering sustainability issues is a basic ingredient for responsible phasing-out, since it helps to identify strategies and mechanisms to avoid any damages and losses in the national development process;
- Sustainability in an aid-dependent country depends heavily on the willingness and performance of the donor community in the coordination of efforts, which might create a stronger network of support in case one actor decides to withdraw;
- Exploring other forms of cooperation should be done in a realistic but ambitious way and could rely on more active – and creative – involvement of civil society, academia and the private sector of both partners.

6.3 Lessons for the national government

Having been informed late and lacking direct involvement in the phasing-out process, the GoM had a fragile basis on which to analyse the possible negative impacts of Sweden's exit and adopt measures that might mitigate them. For Malawi, the challenge of improving the quality of aid goes well beyond donors' phasing-out, although it is also true that this case reflects some of the overall shortcomings of ensuring partnership in the partner–donor dialogue from both sides. The following lessons for the national government have emerged from Sweden's pull-out:

- The experiences with phasing-out processes in recent years have been very mixed and on occasions even dramatic. They should be analysed systematically in order to develop a proper government policy (or code of conduct) for exiting donors;
- Within the bid for country-led division of labour and Malawi's involvement in the EU Fast Track Initiative on DoL, the aid mapping exercise planned will improve the availability of data on the commitments of the donor community, in which potential future exits and possible compensations by other donors could be identified in a more responsible and predictable way. The exercise should however not focus exclusively on aid flows but where possible include issues of aid quality;
- The experience of Malawi with a fluctuating donor community and several donors exiting the country is highly relevant to the consistent and equitable donor-partner dialogue requested by the AAA. Currently the DAC task team on division of labour at the WP-EFF is preparing to launch this dialogue, into which the Malawian perspective should be integrated in a structured way.

6.4 Lessons for the civil society

CSOs in Malawi are facing important losses of high-quality financial, technical and political support as a result of both Sweden's exit and the Norwegian withdrawal from the governance sector. Highly dependent on external resources, CSOs still constitute a weak link in the democratic process in Malawi. CSOs in Malawi might consider the following lessons learned:

- CSOs should identify sensitive gaps and engage in a constant dialogue with development partners on sustainability and compensation by other donors once the phasing-out of support is communicated;
- The exiting donor could be asked to facilitate contacts with the donor's CSO in order to explore alternative forms of cooperation, particularly in areas related to governance and human rights;
- Cross-country alliances with CSO in the region might foster a stronger network for addressing unstable and low-quality support to actors that are crucial for the democratic process in their respective country.

6.5 Lessons for the remaining donor community

The indifference shown by the donor community in relation to Sweden's phasing-out reveals not only the communication failures in Sweden's phasing-out, but the general lack of joint responsibility in a highly aid-dependent country with sensitive capacity challenges, which, in the spirit of the AAA, should be comprehensively revised. Better practices could include the following aspects:

- Plans to exit the country or a sector should be communicated by the MFA/Embassy as early and as transparently as possible to the national government and the rest of the donor community, ideally embedded in the ongoing processes of aid mapping and in-country division of labour;
- A development partner's exit should be discussed in a structured way at the different technical and political levels of donor coordination, jointly analysing potential areas of complementarity of other donors and risk for the development of the partner country.

Abbreviations

AAA	Accra Agenda for Action
CABS	Common Approach to Budget Support
CoC	Code of Conduct on the Division of Labour
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organisations
DAC	Development Assistance Committee
DAS	Development Assistance Strategy
DfID	Department for International Development (UK)
DoL	Division of Labour
EC	European Commission
EU	European Union
GBS	General Budget Support
GoM	Government of Malawi
GTZ	Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries Initiative
HRCC	Human Rights Consultative Council
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MGDS	Malawi Growth and Development Strategy
MDG	Millenium Development Goals
MFA	Ministry for Foreign Affairs
MoF	Ministry of Finance
MoH	Ministry of Health
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility Strategy
SEK	Swedish Kronor
SIDA	Swedish International Development Cooperation Agency
SWAp	Sector Wide Approach
SWG	Sector Working Group
UNDP	United Nations Development Programme
UK	United Kingdom
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank
WP-EFF	Working Party on Aid Effectiveness and Donor Practices (OECD/DAC)
WTO	World Trade Organisation

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