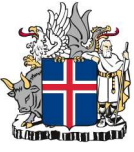


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Iceland's Development Cooperation in Malawi

Country Strategy Paper 2023-2026

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Table of contents

1. Introduction	2
1.1 Vision and Guiding Principles	3
2. Country Context	4
2.1 Economic Development.....	5
2.2 Population Growth	5
2.3 Health and Nutrition	5
2.4 Education.....	6
2.5 Water, Sanitation and Hygiene (WASH).....	6
2.6 Gender Equality.....	6
2.7 Climate and Environment.....	7
3. Policy Context and Alignment of Plans.....	8
4. Objectives and Priorities	9
5. Operational Modalities	10
5.1 Localising Development at the District Level.....	10
5.2 Strategic Partnerships.....	10
5.3 Partnership Agreements.....	11
6. Responding to risks and crisis	12
6.1 Political and Governance Risks.....	12
6.2 Economic and Financial Risks.....	12
6.3 Institutional Capacity for Implementation.....	12
6.4 Vulnerability to Climate Shocks	13
6.5 Pandemic Disasters.....	13
6.6 Civil Unrest and External Threats.....	13
7. Results, Monitoring, Evaluation and Communication	14
8. Financing Framework	15

1. Introduction

This Country Strategy Paper (CSP) outlines the intentions and plans for the development cooperation between Iceland and Malawi during the period 2023 to 2026. The CSP is anchored in over three decades of fruitful and productive cooperation by the partner countries and incorporates the lessons learned from the evaluations of programmes implemented during the timeframe of previous CSPs. The CSP intertwines the development strategies and priorities for both Malawi and Iceland. It is based on Malawi's Vision for 2063 (MW2063) and its first 10-year Implementation Plan (MIP 2021-2030) as well as Iceland's Policy for International Development Cooperation 2019-2023 and its Bilateral Development Cooperation Strategy 2022. A new policy will be in effect from 2024 and subsequently this CSP may be reviewed.

The CSP is developed through dialogue and consultations with key stakeholders at central and district levels, national and district government partners, civil society, and other development partners. The strategic priorities of this CSP follow the principles of local ownership, mutual accountability, partnerships and results, underpinned by a human rights-based approach.

The emphasis will be on Malawi's policies, priorities, and thematic areas that align with Iceland's development policy objectives and priorities, in particular, improving the delivery of and access to basic social services. This CSP continues to give special focus to rural communities with an emphasis on the most vulnerable, including women, youth and children. Gender equality and climate change will be prominent as cross-cutting and overarching themes in the cooperation.

The Government of Iceland has been Malawi's development partner since 1989. First through the Icelandic International Development Agency (ICEIDA) until the end of 2016, at which point ICEIDA was incorporated into the Ministry for Foreign Affairs. The initial focus was on fisheries research and value creation in Lake Malawi in Mangochi district and later evolved into activities to support improved livelihoods, including health, primary education, adult literacy, and water and sanitation in the nearby fishing and rural communities. The single largest activity was the construction of the community hospital in Monkey Bay, which was handed over to Malawian authorities in 2011.

From 2012, the main cooperation modality changed and the Ministry of Local Government, Mangochi District Council (MDC) and the Government of Iceland entered into a partnership agreement for the Mangochi Basic Services Programme (MBSP I) with the vision to improve the socio-economic living conditions of rural communities in Mangochi district from 2012-2016. The second phase of the Mangochi Basic Services Programme Phase (MBSP II) has been implemented from 2017 to 2021 and is currently being extended until March 2023. The partnership is based on a programme-based approach (PBA) at district level with the aim to support decentralisation efforts of the Malawian Government. Decentralisation is set to improve services at the district level, enhance ownership, institutional capacity and sustainability of outputs.

Following satisfactory results of the cooperation, Iceland and Malawi intend to deepen and broaden the bilateral development cooperation between the two countries during the phase of this CSP. Iceland is currently scaling up its

development cooperation in Malawi by partnering with Nkhotakota district from 2022. This follows a request by the Government of Malawi to Icelandic authorities to expand its support and development approach to other district councils in the country.

In addition to the Government of Malawi, multilateral and civil society organisations remain important partners to Iceland's development cooperation at both district and national level.

1.1 Vision and Guiding Principles

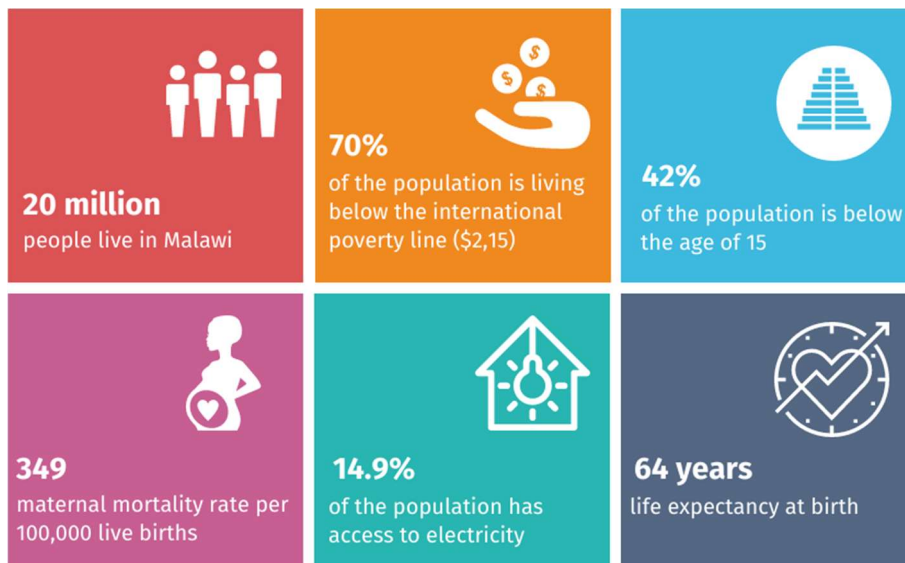
The partnership between Malawi and Iceland contributes to improved living conditions in underserved rural communities and strengthened local governance. Iceland's development cooperation in Malawi is guided by internationally recognised agreements, principles of aid and development effectiveness and the Agenda 2030 for Sustainable Development, as well as being in line with national strategies and local needs.

Iceland seeks to be a transparent, reliable, and flexible partner to the Government of Malawi and its people. Respect for human rights, diversity, equality, equity, accountability, democracy, and inclusion of the most marginalised are the core values of Icelandic development cooperation. As a small development partner, Iceland encourages innovation through its development cooperation and efforts will be made to identify and apply innovative approaches for efficient and sustainable solutions.

2. Country Context

Malawi has enjoyed peace since gaining independence in 1964. Economic and social development in Malawi has progressed but despite improvements, Malawi remains one of the poorest countries in the world, residing in the bottom quarter of the Human Development Index, in 169th place out of 191.¹

As noted in the Government's MW2063, the country has made progress in several areas, such as: reduced maternal and child mortality rates, increased primary school enrolment ratio, reduced prevalence of HIV/AIDS, increased life expectancy and improved uptake of technology use. However, the country still faces daunting challenges. In addition to being confronted with rapid population growth and high poverty levels, the increasing frequency of extreme weather events poses a serious threat to food security and social stability. This is particularly concerning as malnutrition is already prevalent in Malawi. Despite the progress made in the areas of children's access to primary education and reduced maternal mortality, Malawi still faces several structural challenges in reducing poverty and improving overall progress in terms of health and well-being of the population.



Key statistics ²

¹ [Human Development Report 2021-2022](#)

² [World Bank \(2022\)](#)

2.1 Economic Development

Malawi's economy continues to rely on subsistence rainfed agriculture, which produces few value-added products and provides a low base for taxation. This limits the economy's growth potential, increases its susceptibility to weather shocks and creates food insecurity.³ Malawi, due to its reliance on development aid and credit to finance development programmes, now finds itself with unsustainable public debt. According to the World Bank, public debt is estimated at 58.6% of GDP and as of November 2022 the country is undergoing debt restructuring negotiations.⁴ The country grapples with chronic forex shortages and in May 2022 the Malawi Kwacha was devalued by 25% against the US Dollar fuelling inflation rates which by August 2022 had reached 25.5% (33.4% food and 18.2% for non-food items).⁵ Diversification, increased productivity, and commercialisation of the agricultural sector; industrialisation; and urbanisation are pillars of the MW2063 development plan. However, frequent fuel shortages, erratic power supplies, high global commodity prices, and increasingly frequent extreme weather events are among the factors that continue to stunt economic growth which is projected to be 1.5% in 2022.⁶

2.2 Population Growth

Malawi's population is projected to reach close to 20 million in 2022 and to double by 2038.⁷ The country has a young population, with 42% aged below 15 years. In 2021, 82%⁸ of the population lived in rural areas and life expectancy at birth was 63.8 years. Malawi experiences rapid population growth, which puts a major strain on national and local government's ability to reduce poverty and deliver basic services. At the same time the young population has a potential to be a key driver of socio-economic development, but only if their rights to health and education are met so that Malawi may eventually realise its full human capital potential and enjoy the benefits of the demographic dividend.

2.3 Health and Nutrition

Malnutrition remains a serious challenge in Malawi, with only 8% of children between 6-23 months meeting the minimum acceptable diet.⁹ 3.8 million people are projected to experience acute food insecurity between October 2022 and March 2023 due to climate-related shocks, economic decline and high food prices in both rural and urban areas.¹⁰ A series of tropical storms and cyclones that hit the southern parts of the country in 2022 resulted in many households losing food stocks and seeing their farmlands destroyed, further aggravating an already dire situation. Food inflation hit 33.4% in August 2022 also having an adverse effect on food security.

³ [Macro Poverty Outlook for Malawi October 2022, World Bank](#)

⁴ [Macro Poverty Outlook for Malawi October 2022, World Bank](#)

⁵ [Malawi Consumer Price Indices \(CPI\) Dashboard](#)

⁶ [Macro Poverty Outlook for Malawi October 2022, World Bank](#)

⁷ [Malawi Overview: Development news, research, data - World Bank](#)

⁸ [Rural population \(% of total population\) - Malawi, World Bank](#)

⁹ [The Nutrition Programme in Malawi, Unicef](#)

¹⁰ [Malawi: Acute Food Insecurity June to September 2022 and Projection for October 2022 to March 2023, IPC](#)

Health indicators are generally poor compared to other countries in southern Africa. Notably, maternal and under-five mortality rates are among the highest globally with 349 maternal deaths per 100,000 live births¹¹ and 38,7 under-5 deaths per 1000 live births.¹² Obstetric complications contribute significantly to maternal deaths as well as indirect causes such as high incidents of teenage pregnancies, abortions done in unsafe environment, delays in seeking care, poor referral systems, and the lack of appropriate equipment, drugs, and staff capacity. Malawi is also characterised by the prevalence of diseases such as tuberculosis, malaria, HIV/AIDS, and various tropical diseases.

2.4 Education

Access to education in Malawi has improved in recent years with the net enrolment in primary schools reaching 90% in 2018 and efforts towards achieving gender parity in primary enrolment have been successful.¹³ However, the quality of education and the school environment remain unsatisfactory. Dropout and repetition rates are high, and completion and progression level to secondary school remains low. School closures caused by the Covid-19 pandemic have resulted in lower attendance rates as many boys were forced into labour and a significant spike was noted in teenage pregnancies and child marriages.¹⁴

2.5 Water, Sanitation and Hygiene (WASH)

It is estimated that 67% of households in Malawi have access to clean drinking water with uneven distribution between urban and rural areas. A total of 37% of households spend more than 30 minutes fetching water. Progress has been made to decrease open defecation; however, it remains a concern as only 26% of the population have access to basic sanitation services. Poor sanitation and hygiene are a major contributor to the burden of disease.¹⁵ Malawi has suffered the consequence of this with regular outbreaks of cholera, notably an out of season outbreak during the dry season 2022, and the first wild poliovirus case in Africa for more than five years was diagnosed in Malawi 2022.¹⁶

2.6 Gender Equality

Gender inequality runs deep and is pervasive in Malawian society, especially in rural communities. Teenage pregnancies, which are a major contributing factor to Malawi's high maternal mortality rate, child marriages and gender-based violence are among the challenges stalling progress in the promotion of gender equality and the empowerment of women and girls. Malawi has one of the highest rates of child marriage in the world, with approximately 42% of girls married before the age of 18, and 9% below the age of 15.¹⁷ Malawi has a Gender Inequality Index value of 0.554, ranking 142 out of 170 countries.¹⁸

¹¹ [Maternal mortality ratio \(modeled estimate, per 100,000 live births\) - Malawi, World Bank](#)

¹² [Mortality rate, under-5 \(per 1,000 live births\) - Malawi, World Bank](#)

¹³ [Gender disparities in education, Unicef data](#)

¹⁴ [School age children, Unicef](#)

¹⁵ [Water sanitation and hygiene, Unicef](#)

¹⁶ [Malawi: Polio Outbreak - Feb 2022, Relief Web](#)

¹⁷ [Budget Scoping on Programmes to End Child Marriage in Malawi, Unicef](#)

¹⁸ [Human Development Report 2021-2022](#)

2.7 Climate and Environment

Malawi suffers from frequent floods, draughts, and intense rainfall, which is further exacerbated by climate change. Concerted efforts need to be in place to ensure people's resilience to withstand growing climate shocks. Malawi's energy sector is one of the most severely constrained in Sub-Saharan Africa with only 14.9% of the population having access to electricity.¹⁹ Deforestation has caused Malawi to experience a net change of -7.9% in tree coverage from 2000 to 2020²⁰ which further contributes to vulnerability to climate incidents such as floods and droughts. Climate change is making the country's pathway to development more difficult as climate change-related disasters cause Malawi to annually lose an average of 1.7% of its GDP. As part of efforts to support climate change adaptation, the Government of Malawi developed a National Adaptation Plan Framework published in 2020.²¹ According to the new World Bank Country Climate and Development Report (CCDR) for Malawi, up to two million more people could be pushed into poverty in the next 10 years as climate change reduces the resilience of households.²²

¹⁹ [Access to electricity \(% of population\) - Malawi, World Bank](#)

²⁰ [Global Forest Watch Country Dashboard, Malawi](#)

²¹ [Malawi's National Adaptation Plan Framework, Government of Malawi, March 2020](#)

²² [Country Climate and Development Report \(CCDR\) for Malawi, World Bank](#)

3. Policy Context and Alignment of Plans

Malawi Government's current efforts to address its development challenges are based on the Malawi Vision 2063 and its first 10-year Implementation Plan (MIP) and Social Economic Recovery Plan (SERP), which aims to take the country on the road towards a wealthy and self-reliant industrialised upper middle-income country before 2063. For a long time, development efforts in Malawi have focused on poverty reduction with Official Development Assistance (ODA) being very important at 12% of GNI and more of public finances. The MW2063, however, shifts the trajectory from dependency to the concept of wealth creation and self-reliance. By promoting that perspective, it aims to enable the poor to create wealth for themselves as a way of ending poverty. Furthermore, MW2063 is aligned to Malawi's international, continental, and regional obligations, in particular the SDGs and the African Union Agenda for 2063.

Iceland's international development cooperation policy 2019-2023²³ outlines two main overall objectives, which are in full harmony with MW2063. The intersection of objectives will provide guidance for the programmes supported by Iceland in Malawi:

1. **Enhancing social infrastructure and peace efforts:** Enhance basic services and strengthen institutions in order to improve living standards and increase opportunities for those who live in poverty and inequality.
2. **The protection of the earth and sustainable use of natural resources:** Increasing the resilience of societies and enhancing economic growth on the basis of equality and sustainable use of natural resources, in addition to taking measures against climate change.

Through dialogue with the Government of Malawi, several areas have been identified where there is strong alignment between Iceland's priorities and the Malawi's policies and plans. During the period this CSP covers, Iceland will contribute to the following enablers outlined in MW2063:

1. Effective Governance System
2. Public Sector Performance
3. Human Capital Development
4. Economic Infrastructure
5. Environmental Sustainability

²³ [Parliamentary Resolution on Iceland's policy for international development cooperation for 2019-2023](#)

4. Objectives and Priorities

Iceland's overall objective in its development partnership with Malawi is to improve livelihoods and resilience of people living in rural areas by focusing on the following four outcome areas:

1. Supporting decentralisation efforts by the central government to strengthen governance at district government level for enhanced ownership and sustainability of programme activities.
2. Improving access to quality, basic social services, focusing on primary education, water, sanitation, and health efforts to improve maternal and new-born health.
3. Driving progress towards gender equality, focusing on women's and youth's rights and empowerment.
4. Strengthening climate resilience and environmental protection, by encouraging, sustainable use of natural resources, use of renewable energy and climate adaptation measures.

The geographical focus of Iceland's and Malawi's development cooperation has been determined in collaboration with the Government of Malawi, targeting underserved rural communities with high poverty rates and low levels of access to basic social services in two lakeshore districts of Malawi. Iceland will continue to support Mangochi District while Nkhotakota district has been identified and selected as a suitable new partner district for Iceland, based on size, needs and potential alignment of priority sectors.

In collaboration with district governments Iceland will support their plans to improve delivery and access to basic social services in sexual and reproductive health care, water and sanitation and primary education as well as placing strong emphasis on gender equality, human rights and the environment and climate as cross-cutting themes throughout all supported programmes.

5. Operational Modalities

Main collaborative partners for implementation of programmes will continue to be ministries, district councils, as well as multilateral agencies and civil society organisations.

5.1 Locally led development at the District Level

Iceland places strong emphasis on partnerships at national and district level to support the programme-based approach. The focus is on supporting and strengthening capacities of local governments to deliver basic services for its people with the long-term aim of enhancing local ownership, institutional capacity and contributing to increased sustainability of programme activities. District authorities directly plan and implement work based on needs identified in district development plans. District development planning is supported from the start, as it is an integral part of the national decentralisation act and development agenda of the Government of Malawi and ensures bottom-up and participatory approach to development planning and governance with meaningful participation of communities in the development process. Two district development programmes will be supported during this CSP. The support to Mangochi Basic Services Programme II in Mangochi district will continue during this CSP in addition to the first phase of the new Nkhotakota Basic Services Programme that will start in 2022. Opportunities will be explored during this CSP for limited support to a smaller district.

Iceland will work closely with the Ministry of Local Government and other relevant line ministries to coordinate and support effective and sustainable implementation of development programmes and projects supported in the partner districts.

5.2 Strategic Partnerships

Iceland has a long-standing partnership with several UN agencies in Malawi and their efforts compliment the development cooperation between Iceland and district authorities in Iceland's priority areas. This includes but is not limited to World Food Programme (WFP) providing home grown school meals for primary schools and supporting small scale farmers at the same time, United Nations Population Fund (UNFPA) provides technical guidance for comprehensive sexual and reproductive services and UN Women has led several activities to reduce teenage pregnancies in collaboration with other partners. Similarly, Iceland has funded both local and Icelandic CSOs in Malawi.

Partnerships with both local, Icelandic and international CSOs and multilateral organisations in Malawi will be strengthened with focus on Iceland's priority areas, both in districts and for nationwide efforts. This strategic collaboration will continue to focus on gender equality, human rights, climate change and renewable energy. Efforts will be made to further strengthen the work between district authorities, UN agencies and CSOs to create greater synergies and results at district level.

It is also envisioned that Icelandic expertise and experts can be mobilised in areas where applicable, notably through the areas of focus of the GRÓ centres training programmes, fisheries, sustainable energy, land restoration and gender

equality, MFA's technical assistance programmes and collaboration between universities.

Iceland encourages innovation through its development cooperation and efforts will be made to identify and apply new approaches with partners for efficient and sustainable interventions, for instance, in creating green jobs, human rights, gender equality and climate smart solutions in development. Iceland will also continue to work with other development partners in donor coordination mechanisms at country level in Malawi for effective and harmonised delivery of development outcomes.

5.3 Partnership Agreements

Implementation of programme activities will be based on programme or project documents, to be prepared by the respective partners. Partnership Agreements will be signed between partners for different programmes that the partners agree to undertake. The Partnership Agreement will formally establish the programme and spell out the framework and specific details for technical, financial, and other appropriate conditions for the partnership.

6. Responding to risks and crisis

Iceland aims to be a reliable partner, able to respond to risks and crisis as they develop. The following risks for programme implementation have been identified:

6.1 Political and Governance Risks

While Malawi does well on political stability, democracy, and rule of law indicators relative to other low-income countries in Sub-Saharan Africa, it does not perform as well on the government effectiveness indicator.²⁴ Corruption is endemic at all levels and despite some progress in combatting it, the anti-corruption institutions that have been put in place lack the political support, resources, and capacities to carry out their work. Malawi ranks 23rd out of 54 countries in Africa on the 2020 Mo Ibrahim Index with evidence of increasing deterioration in overall governance indicators.²⁵

Iceland places high value on accountability of resources and has in place strong anti-corruption measures. Funding will be discontinued immediately should suspicion arise of abuse of Iceland's development funding while investigation takes place.

Elections were conducted in May 2019, with the presidential results being nullified in February 2020 by the Constitutional Court. New presidential elections were held in June 2020, with major political and civil unrest following. With general elections set for 2025, political tensions may increase with civil unrest and violence. In the run up to and after the elections it can also be expected that progress in programme implementation might slow down as government authorities will have other priorities.

Through cooperation in Malawi, Iceland will continue to support democratic and good governance processes.

6.2 Economic and Financial Risks

As of August 2022, general inflation was at 25.5% and food inflation at 33.4%.²⁶ Iceland's financial planning will take inflation increases into account and participate in the dialogue between the government and partners on responses to eventual additional distress in public finances. As mentioned earlier in this paper, frequent fuel shortages, erratic power supplies and high global commodity prices pose considerable challenges to development operations.

6.3 Institutional Capacity for Implementation

As noted in MW2063, notable risks include the inadequate capacity of ministries, departments, and agencies to manage and implement programmes. The capacity

²⁴ [Worldwide Governance Indicators | DataBank \(worldbank.org\)](https://data.worldbank.org/indicators)

²⁵ [2020 Ibrahim Index of African Governance, Index Report, Mo Ibrahim Foundation](https://www.moi.org/2020-ibrahim-index-of-african-governance-index-report)

²⁶ [Malawi Consumer Price Indices \(CPI\) Dashboard](https://www.moi.org/malawi-consumer-price-indices-cpi-dashboard)

at district level is of critical importance, notably the ability to manage major infrastructure projects. Iceland will continue, as a part of the programme-based approach, to provide support for institutional strengthening and capacity building at the district level to mitigate these risks.

6.4 Vulnerability to Climate Shocks

Malawi is prone to natural disasters, mainly in the form of heavy and stormy rains, floods, and droughts, which is further exacerbated by climate change. Those extreme weather events negatively impact the economy through the disruption of agricultural production and threaten food security. To mitigate against these risks, Iceland will seek to have emergency funding in place as well as flexibility in programming to be able to respond to the evolving risks due to climate threat, and acute food shortages. Programme activities supported by Iceland will aim to integrate measures for increased climate resilience.

6.5 Pandemic Disasters

The Covid-19 pandemic continues to be a risk, as less than 10 per cent of the population have currently been vaccinated. As of March 2022, cases of polio have been confirmed and an outbreak of cholera nationwide, posing significant risks to the country. Risks due to new pandemics will be monitored continuously and Iceland will seek to have emergency funding in place to respond to critical situations.

6.6 Civil Unrest and External Threats

The events following the 2019/2020 electoral stalemate and other latent conflicts at the community level have shown that Malawi is vulnerable to conflicts and potential exploitation by extremists. According to a conflict assessment undertaken by the United Nations, existing conflict drivers and community vulnerabilities make Malawi a high-risk country due to the ongoing terrorism risks in neighbouring Mozambique as well as deepening economic crisis in the country. Mangochi district shares a border with Mozambique and with the possible threat of the conflict reaching and spilling over the border, it is essential to mitigate against possible risks. Plans are in place to enhance the capacity of the district to respond to those threats. Rising tension and demonstrations around the country due to economic hardship which lead to acute hunger and shortage of fuel and medicine will also be closely monitored.

7. Results, Monitoring, Evaluation and Communication

Iceland and its partners in Malawi will work together to pursue tangible development results in the implementation of all activities. Transparency, mutual accountability, and results-based management are fundamental for Iceland's bilateral development cooperation. Underlying principles rely on strong accountability mechanisms, including up-to-date monitoring and independent evaluations for learning and accountability purposes. Indicators are linked to the SDGs to the extent possible as well as the results and monitoring frameworks of Malawi and partner organisations. The capacity of local partners to collect and use reliable data will continue to be strengthened in programmes and projects funded by the Embassy.

The Results and Evaluation Unit of the Ministry for Foreign Affairs has the mandate to conduct evaluations of programmes, including thematic, impact evaluations, financial audits, or other types at its discretion. Local stakeholders shall have formal channels for engaging in evaluations, such as through evaluation reference groups.

Iceland will work closely with its partners in Malawi to collect and disseminate reliable information on results from programme implementation, collect case studies and best practices and communicate knowledge to stakeholders as well as the public in both countries.

8. Financing Framework

The financing framework for Iceland's development cooperation is aligned with Iceland's policy for international development cooperation 2019-2023, dependent on the Government of Iceland's five-year fiscal plan on contribution to ODA. The 2022 approved allocation for Malawi was around eight million USD and subject to parliamentary and administrative approvals of fiscal plan and annual budgets in Iceland, it is expected that as a minimum this level of funding will be maintained through the CSP period.

