

A. COVER PAGE

1. Fund Name: Joint SDG Fund

2. MPTFO Project Reference Number

3. Joint programme title

Strengthening Malawi's Financing Architecture at National and Local Level (SMFA)

4. Short title

SMFA – A national and local INFF for Malawi

5. Country and region

Malawi, Sub-Saharan Africa

6. Resident Coordinator

Maria Jose Torres Macho Maria.Torres@one.un.org

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9. Short description

This Joint Programme seeks to strengthen the Malawi's financing architecture to accelerate implementation of the SDG aligned Malawi Growth and Development Strategy III (MGDSIII) in two parallel and coordinated ways. On the one hand, it does so by establishing Malawi's Integrated National Financing Framework (INFF). Malawi's INFF will be structured around Malawi's Financing Strategy, designed through the Joint Programme support, and based on the findings of the Development Finance Assessment and an SDG investor mapping. Malawi's INFF will be used to mobilize and catalyse resources and investments, public and private, to fund its development plans and deliver the SDGs. More importantly, the INFF will provide the Government with a clear assessment set of options and of policy intervention to finance the unlocking of the country's development potential, as expressed in MGDSIII. On the other hand, at local level, the Joint Programme's support will be directed towards improving the financing structures supporting service delivery. This will be achieved by investing in evidence generation on the costs and funding gaps of delivering essential social services at local level to guide informed decision making on resource allocation. Further this will be attained by revising the system of fiscal transfers toward the local level, contributing to greater, more equitable and more efficient spending while improving quality of budget execution to deliver better value for money at local level. The two streams of intervention, the top-down establishment of Malawi's INFF and the bottom-up strengthening of the local level PFM, service delivery and financial accountability systems, will converge and connect in the INFF Monitoring and Evaluation Framework. To this end, the Joint Programme will expand the scope of and upgrade MGDSIII current National Monitoring Framework to establish Malawi's INFF Monitoring and Evaluation Framework.

10. Keywords:

- Integrated National Financing Framework (INFF)
- Sustainable Development Goals (SDGs)
- National Development Plan
- Public Finance Management (PFM) Systems
- Public Financing Flows
- Private Financing Flows
- Local Government
- Service Delivery for the SDGs

11. Overview of budget

| | |
|------------------------------------|-------------------------|
| Joint SDG Fund contribution | USD 995,100.00 |
| Co-funding UNDP/UNICEF* | USD 40,000.00 |
| TOTAL | USD1,035 ,000.00 |

*Only funds directly channeled through the project. Salaries of staff and contributions from other activities in the respective workplans are not considered here.

12. Timeframe:

| Start date | End date | Duration (in months) |
|----------------------|----------------------------------|-----------------------------|
| <u>1st July 2020</u> | <u>30th June 2022</u> | <u>24 months</u> |

13. Gender Marker:

The rounded average score is of 2

14. Participating UN Organizations (PUNO) and Partners:

14.1 PUNO

| PUNO | Last name | First name | Position | E-mail | Tel |
|---------------------|------------------|-------------------|---------------------------------------|--|-------------------|
| UNDP [convening] | Kamwendo | Patrick | Economist | Patrick.kamwendo@undp.org | +265999 969787 |
| UNICEF | Ramella Pezza | Alessandro | Social Policy and Economic Specialist | aramella@unicef.org | +265990 161133 |

14.2 Partners

| National Authority | Last name | First name | Position | E-mail | Tel |
|---------------------------|------------------|-------------------|-----------------|--|-------------------|
| MOFEPD | Chiunda | Cliff | ST | cliffchiunda@yahoo.co.uk | +265172 0049 |
| NLGFC | Chuti | Charles | ED | cchuti@gmail.com | +265789 388 |
| NPC | Munthali | Thomas | DG | tmunthali@npc.mw | +265887 184917 |
| MOLGRD | Charles | Kalembe | PS | ckalembe@hotmail.com | +265789 388 |

| Dev. Partners | Last name | First name | Position | E-mail | Tel |
|----------------------|------------------|-------------------|-----------------|--|----------------|
| USAID | Littleton | Tazwell | Head | zlittleton@usaid.gov | +265772 455 |

| | | | | | |
|------|------|-------|------|--|----------------|
| DfID | Beer | Davie | Head | d-beer@dfif.org | +265772 400 |
|------|------|-------|------|--|----------------|

| IFIs | Last name | First name | Position | E-mail | Tel |
|-------------|------------------|-------------------|-----------------|--|-------------------|
| World Bank | Toulmin | Greg | Country Manager | rtoulmin@worldbank.org | +265994 984909 |
| IMF | Gwenhamo | Farayi | Country Manager | fgwenhamo@imf.org | +265770 725 |

| CSOs | Last name | First name | Position | E-mail | Tel |
|-------------|------------------|-------------------|-----------------|--|-----------------|
| MEJN | Kubalasa | Dalitso | ED | dkubalasa@mejn.mw ; | +2651 770060 |

**Representing all the other CSOs*

| Private Sector Org | Last name | First name | Position | E-mail | Tel |
|---------------------------|------------------|-------------------|-----------------|--|-------------------|
| MCCCI* | Kaferapanjira | Chancellor | CEO | ckaferapanjira@gmail.com | +265999 788177 |

**Representing all the other PS organizations*

SIGNATURE PAGE

| | |
|---|---|
| <p>Resident Coordinator</p> <p>Name: <i>Maria Jose Torres</i></p> <p>Date: [REDACTED]</p> <p>Signature and Seal..... [REDACTED]</p>  | <p>National Coordinating Authority</p> <p>Ministry of Finance, Economic Planning and Development</p> |
| <p>Participating UN Organization (lead/convening)</p> <p>Name: UNDP</p> <p>Name of Representative: <i>Shigeki Komatsubara</i></p> <p>Date: <i>31 March 2020</i></p> <p>Signature and seal [REDACTED]</p>  | <p>Name: Mr. Cliff K. Chiunda</p> <p>Date.....</p> <p>Signature and Seal [REDACTED]</p> |
| <p>Participating UN Organization</p> <p>Name of PUNO: UNICEF</p> <p>Name of Representative: <i>Rudolf Schwenk</i></p> <p>Date: <i>31/3/2020</i></p> <p>Signature and seal [REDACTED]</p>  |  |

B. STRATEGIC FRAMEWORK

1. Call for Concept Notes: SDG Financing (2/2019) – Component 1

2. Programme Outcome

- Additional financing leveraged to accelerate SDG achievement (Joint SDG Fund Outcome 2)

3. UNDAF Outcomes and Outputs

3.1 Outcomes

- **Outcome 1:** Rights holders in Malawi access more accountable and effective institutions at the central and decentralized levels that use quality disaggregated data, offer integrated service delivery and promote civic engagement, respect for human rights and rule of law.

3.2 Outputs

- **Output 1.2:** Decentralisation and local governance: Ensuring roll-out of sectoral devolution. Strengthening local Government systems and coordination structures. Ensuring alignment of national and local development planning processes.
- **Output 2.1:** Proportion of public resources allocated for gender equality and women empowerment (SDG 5.c.1)
- **Output 7.4:** Total government spending in social protection as a proportion of the national budget (SDG 8.b.1)

4. SDG Targets directly addressed by the Joint Programme

3.1 List of goals and targets

| SDG | Target |
|--|---|
| SDG 3 - Ensure healthy lives and promote well-being for all at all ages | 3C: Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States |
| SDG 5 - Achieve gender equality and empower all women and girls | 5C: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels |
| SDG 10 - Reduce inequality within and among countries. | 10.B Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes |
| SDG 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | 16.6: Develop effective, accountable and transparent institutions at all levels |

| | |
|---|--|
| SDG 17 - Strengthen the means of implementation and revitalize the global partnership for sustainable development | <p>17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection</p> <p>17.3 Mobilize additional financial resources for developing countries from multiple sources</p> |
|---|--|

3.2 Expected SDG impact

The Joint Programme will contribute for the acceleration of several SDG targets. The main target to be influenced by this programme is SDG 17.1, relating to the strengthening of domestic resource mobilization, and improving domestic capacity for tax and other revenue collection. The programme also aims to contribute directly to targets 16.6, which focuses are on accountable and transparent institutions at all levels, and targets 17.3 and 17.5 that aim to boost diversified sources of resources and investments for developing countries. The outputs related to the two outcomes also relate directly with the acceleration of other SDG targets. However, specific outcomes will also focus on other SDG targets.

5. Relevant objective(s) from the national SDG framework

Malawi’s National Development Plan, the third Malawi Growth and Development Strategy (MGDS III), functions as national SDG framework, having been drafted in full alignment with the SDGs. However, of the 5 key priority areas (KPAs)¹ identified none directly relates to SDG 17, the main target of this Joint Programme. However, MGDSIII considers “Improved Governance” as a cross-cutting issue streamlined all through the KPAs and “Improved Public Finance Management” as a sub-set of governance, thus catering for both SDG17 and SDG16.

6. Brief overview of the Theory of Change of the Joint programme

The Joint Programme aims at improving the capacity of Malawi to deliver on its own development strategy and on its commitments to Agenda 2030 and the SDGs. It targets two key areas; (i) Malawi’s development financing architecture and (ii) Malawi’s capacity to deliver services at local level. The Joint Programme posits that establishing an Integrated National Financing Framework (INFF), anchored into Malawi’s existing governance structure, will contribute to improve the country’s development financing architecture. In parallel, the Joint Programme postulates that service delivery (and thus the SDGs) at local level will be strengthened by a three-tiered intervention targeting (i) the financing needs stemming from service delivery obligations and the financing and delivery gaps, (ii) the inter-governmental fiscal transfers system, and (iii) the budget execution and reporting capacity at the local level. These activities will converge towards an overall strengthening of the countries Monitoring and Evaluation Framework, now part of the Integrated National Financing Framework, and bridge the financial information gap between the national level and the local, resting on the results of a sounder planning cycle and of improved information on the actual needs of the Districts in terms of service delivery. The reporting framework thus established will provide the last bit of information needed to assess the capacity of the local level to deliver fundamental services and thus the SDGs by reporting on the outturns and the absorption and implementation rates of the Districts. This will strengthen the national planning capacity and the overall Public Finance Management System, contributing to better quality of spending and use of the fiscal space that the activities related to the setting up of the Integrated National Financing Framework will have liberated and/or generated.

¹ Agriculture and Climate Change Management, Education and Skills Development, Transport and ICT Infrastructure, Energy, Industry and Tourism Development and Health and Population Management.

7. Trans-boundary and/or regional issues

NA

C. JOINT PROGRAMME DESCRIPTION

1. Baseline and Situation Analysis

1.1 Problem statement

Malawi struggles to mobilize enough resources to fund its own budgets. Domestic revenues cover about 70 percent of the budget in 2019/20 and the country still heavily relies on donor interventions. ODA makes up 20 percent of the total 2019/20 budget and 80 percent of the total development budget for the same year. The Country's debt levels are increasing, with the ratio of debt to GDP reaching 62 percent of GDP in 2019. The recent macro-fiscal instability, with a weakening currency, volatile inflation and limited growth, propelled by weather related shocks further hampered the Government's efforts to broaden its fiscal space. The upcoming disruptions caused by the CoViD-19 global outbreak menace to put a further strain on the already fragile fiscal situation, not to mention on the country's underfunded healthcare system and social safety nets. Strengthening Malawi's capacity to muster financial resources, both public and private, and effectively plan, budget and absorb them at national and local level is therefore and more than ever a priority.

Emergency aside, the preliminary Development Finance Assessment (DFA) prepared by the Government of Malawi in 2018, with support from UNDP, already stressed the need to achieve macro-fiscal stability, restore a robust Public Finance Management system at national and local level, improve donor coordination and aid predictability whilst improving domestic resources and foreign investment mobilization policies. It also highlighted the need to better coordinate the contribution of private sector actors and financial flows to the achievement of the national development goals. These recommended interventions – that can be summarized with the need to align the national plan to the budget, the domestic resources mobilization framework and the strategies to attract and leverage on domestic and foreign private capital – are fundamental to coherently and holistically strengthen Malawi's planning cycle.

Malawi has consistently been drafting solid and ambitious national development plans, including the current Malawi Growth and Development Strategy III 2017-2022 (MGDSIII). However, national plans have usually lacked in terms of financial planning, focussing on needs with little consideration of available public resources, present and future, let alone the private sector ones. In turn, the weakness of the monitoring structures in assessing the effectiveness and efficiency of the expenditures against the plans' objectives, and more in general against the budget provisions, negatively affects accountability and value-for-money assessments. This has hampered the plans transformative potential. In the light of this, MGDSIII has been already costed, at about USD11.78 billion, and aligned to the SDGs. However, MGDSIII has not been given a financing strategy mapping the available sources and the possible funding opportunities as well as a framework to guide the implementation of the financing strategy.

With 18 major sectors devolved, amongst which primary education, health, social support, WASH and housing, Malawi relies predominantly on its local level of government to deliver on MGDSIII and its SDGs commitments. However, these subnational structures are overwhelmingly dependent on the central government for the funding necessary to discharge their governance and service delivery responsibilities. In 2016, an average of 83 percent of the total funds available to local government bodies came through central government grants and international funds. The government grants are governed by a set of complicated inter-

governmental fiscal transfer formulae (IGFTF) developed in 2002, but not in use since 2015 due to their complexity. Hence, grant amounts are difficult to predict, hindering the local government bodies' capacity to plan for resources. Furthermore, funding coming from the central level is scarce, affecting predictability of size and timing of allocations to the local level and causing cash management issues and delays in payments. The absence of budget execution reports for the local level and of generally low level of accountability on the funding received from the central level affects the efforts of the local level to advocate for increased allocations.

Service delivery and budgeting at large are not yet fully responsive to gender issues and child rights. The country has moved towards program-based budget structures and reports that improved the visibility and traceability of investments made to promote gender equality, women empowerment and the rights of girls and boys. However, there is need to go further. According to the present budget classifications, only three votes are dedicated to gender-specific topics, accounting for an average of 0.03 percent of the budget (2016-2019). There is no specific chapter on Gender in the yearly Budget Statement, despite the existence of a Ministry in charge of Gender. Allocations to Gender and child rights issues at local level are also limited and only recently 24 out of 28 Districts inserted Child Protection budget lines in their budget documents, following UNICEF's advocacy efforts. The understanding of gender and child rights matters is also not widespread, and the Ministry of Finance, Economic Planning and Development is often not aware of the nature of the activities needed to promote progress on these issues (a typical query being "what is child protection?"). Building on the previous efforts, gender and child rights specific lenses need to be applied to improve the responsiveness of the national and local budgets to these topics. Furthermore, there needs to be a deeper understanding of the costs and gaps in the delivery of the services that promote gender equality, women empowerment and child rights.

Malawi's capacity to deliver against MGDSIII and the SDGs is thus deeply affected (i) by the high dependency of the local level from scarce and unpredictable funding provided by the central level, through an opaque fiscal transfer system; (ii) by the lack of accountability and reporting on budget execution of local budgets; and (iii) by the lack of information on the actual financial needs of the local level and of the current gaps in service delivery.

The current 17 million Malawians are expected to double by 2038, impacting on the availability of farming land, agricultural productivity, environmental sustainability as well as on the capacity of the state to deliver quality healthcare, education and social welfare. If not met, the growing population needs could jeopardize the country's efforts to deliver on its ambitious development goals as well as the SDGs. Furthermore, the upcoming disruptions caused by the CoViD-19 global outbreak could render the country's effort completely void, by causing the collapse of the healthcare system and of the social safety nets and increasing the number of the ultra-poor (that are already 20.2 percent of the population). Paradoxically, the expected inflow of emergency assistance to counter this catastrophic scenario could also prove disruptive for the country's financial system, by multiplying parallel and temporary financing streams, weakening the Government's control over the financing flows and diverting attention from the needs of other essential services.

Securing sufficient, steady and sustainable financing streams to properly fund the country's development strategy and deliver essential services through Malawi's decentralized structure is thus paramount to ensure the country meets the expectations of MGDSIII and Agenda 2030. To this end, the Joint Programme proposes a twofold approach targeting Malawi's financing architecture at national level and at local level.

1.2 SDGs and targets

The Joint Programme will contribute for the acceleration of several SDG targets. The main target to be influenced by this programme is SDG 17.1, relating to the strengthening of domestic resource mobilization, and improving domestic capacity for tax and other revenue collection. The programme also aims to contribute directly to targets 16.6, which focuses are on accountable and transparent institutions at all levels, and targets 17.3 and 17.5 that aim to boost diversified sources of resources and investments for developing countries. The outputs related to the two outcomes also relate directly with the acceleration of other SDG targets. However, specific outcomes will also focus on other SDG targets.

Outcome 1 focuses predominately on accelerating progress towards establishing a comprehensive Financing Strategy for the public and private sector through Malawi's Integrated National Financing Framework (INFF). As such, the INFF will catalyse resources and investments to fund Malawi's development plans and to deliver the SDGs, while providing up to date an integrated baseline information on current financial and policy needs to achieve the country's goals stated in MGDS III. The initiative will provide investment intelligence from the MGDSIII and the SDGs and create the relevant mechanisms for enhancing public and private collaboration through the INFF Oversight Committee (EGSWG). This knowledge will facilitate the coordination, allocation and monitoring of domestic and international resources, including the private sector, and contribute to the decentralized delivery of the SDGs, contributing to targets 5.c, 10.b, 16.6, 17.1 and 17.3.

Outcome 2 focuses predominately on improving the financing architecture and financial accountability systems at local level, and connecting them to the national level monitoring structures, established by the INFF. Moreover, the activities under this outcome will contribute to the identification of resources and capacity gaps for the local implementation of critical SDGs-related services, such as health, education and social welfare. The assessment of the real costs of service delivery vis-a-vis the actual and the ideal implementation of services, together with improved planning and budgeting capacities – through a whole-of-society approach and participation – will provide a more robust and integrated platform for the achievement of national and subnational goals. These interventions also contribute directly to targets 3C, 5C, 10.b, 16.6, 17.1 and 17.3.

Indirectly, the Joint Programme is expected to contribute to improve the adequacy and efficiency of resources allocated to the sectors directly addressed by the costing, tracking and resource gap analysis at district level, namely health, education, social support, social services, and agriculture and labour services – potentially contributing to SDG targets 1.a, 1.b, 3.c, 4.a and 4.b.

| SDG Target | Indicator | Baseline | Source/Mean of Verification |
|---|---|------------------------------|--|
| 3.C Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States | 3.c.1 Health worker density and distribution | 10.4/10,000 ² | Harmonized Health Facility Assessment Survey |
| 5.C Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels | 5.c.1 Proportion of countries with systems to track and make public allocations for gender equality and women's empowerment | 18% ³ | SDG Knowledge Platform |
| 10B Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes | 10.B.1 Total resource flows for development, by recipient and donor countries and type of flow (e.g. official development assistance, foreign direct investment and other flows) | USD1.446 billion* | UNCTAD/OECD |
| 16.6 Develop effective, accountable and transparent institutions at all levels | 16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar) | 90% (aggregate) | Government Budget |
| | 16.6.2 Proportion of the population satisfied with their last experience of public services | 50% | SDG Knowledge Platform |
| 17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection | 17.1.1 Total government revenue as a proportion of GDP, by source | 22.7% of GDP* | National Budget |
| | 17.1.2 Proportion of domestic budget funded by domestic taxes | 67%* | National Budget |
| 17.3 Mobilize additional financial resources for developing countries from multiple sources | 17.3.1 Foreign direct investments (FDI), official development assistance and South-South Cooperation as a proportion of total domestic budget | FDI% = 6.5% ODA % = 20% | UNCTAD/OECD |
| | 17.3.2 Volume of remittances (in United States dollars) as a proportion of total GDP | Remittances % of GDP = 0.65% | UNCTAD/OECD |

*3-year average from 2016/17 to 2018/19

² This statistic is pending Government Approval

³ (13/69 countries fully met criteria while 59% (41/69) approached the requirements)

1.3 Stakeholder mapping and target groups

| Stakeholder Group | Entities | Involvement, interest and relationships |
|--------------------|--------------------------------------|---|
| Central Government | MoFEPD MoLGRD NLGFC NPC | <p>The Ministry of Finance, Economic Development and Development (MoFPED), and the National Local Government Finance Committee (NLGFC) are the leading Government Partners in this Joint programme.</p> <p>Under MoFEPD, the Development Aid Department (DAD) is working on the finalization of the Development Finance Assessment. The MoFEPD will lead the preparation and implementation of the INFF in its capacity of chair of the EGSWG (the INFF Oversight Committee), in concert with the participating stakeholders. The National Planning Commission (NPC), an independent body, will be regularly consulted. The NLGFC will lead the implementation of the interventions targeting the local government bodies. The Ministry of Local Government and Rural Development (MoLGRD) will be regularly consulted.</p> |
| | Line ministries | <p>Sector-specific interventions aimed at fostering SDG delivery at local level will require the participation of relevant line ministries (those that are policy centers for the key devolved sectors), such as:</p> <ul style="list-style-type: none"> • Ministry of Gender Children Disability and Social Welfare (MoGCDSW) • Ministry of Health and Population (MoHP) • Ministry of Education, Science and Technology (MoEST) • Ministry of Agriculture, Irrigation and Water Development (MoAIWD) • Department of Disaster Risk Management Affairs (DoDMA) |
| | Other Government bodies and agencies | <p>The Malawi Revenue Authority (MRA) will be actively involved in the drafting and implementation of the INFF, supporting the drafting of the Domestic Resource Mobilization strategy. The National Planning Commission, custodian of the MGDSIII and lead agent in the drafting of Vision 2063 will participate actively in the forward-looking activities related to the INFF, ensuring linkages and coordination with the national strategies.</p> |
| | Parliament | <p>Parliament involvement will be twofold. On the one hand, through its role of oversight of the budgeting process. On the other hand, through its legislative activity, particularly at Committee/Sector specific level and in regard to the reform of the PFM Act.</p> |
| Local government | District Councils | <p>District Councils, responsible for the development and implementation of District Development Plans, the drafting and discharge of the District budgets and ultimately of the service delivery will be major participants to and recipients of the activities targeting the local level.</p> |

| | | |
|------------------------------------|---|--|
| Civil Society Organizations (CSOs) | NGO-CCR, MEJN, CONGOMA | CSOs will provide technical input into policy formulation and reviews as well as promoting national dialogue on SDG financing. CSOs, through their vast and capillary networks at local level, will support the analysis of the quality and cost of SDG delivery at local level as well as the PETS and the preparation of the SDG Citizens Budgets. |
| Private sector | MCCCI MBA MNPf | So far, the private sector has not been actively engaged in financing or supporting SDGs implementation. The Joint Programme aims to include it in the EGSWG and push it to become, through its federations and sector associations (especially for banks and pension funds) an active participant into the development, implementation and follow up of the Financing Strategy. The SDG investment intelligence will provide a chance to extend the private sector involvement to private actors such as sovereign wealth and investment funds from outside Malawi. |
| Development partners/ IFIs | EUD, GIZ, DFID, USAID, WB, IMF | <p>The Development Partners will provide policy and strategic advice through the EGSWG. They will help ensuring coherence between their ongoing and prospective activities and the Joint Programme.</p> <p>DFID, USAID and the World Bank are running three major local government support programmes, focusing respectively on Social Accountability (TRACTION), Local Governance (LGAP) and the provision of Performance Based Grants to the Local Councils (GESD).</p> <p>The IMF is discussing with the PUNOs on the opportunity to carry out an SDG costing exercise and is actively supporting the Government in improving the collection and management of Domestic Revenues. The PUNOs are actively engaged in the dialogue around the drafting of the Domestic Revenues Strategy to ensure it is balanced and that no one is left behind (LNOB approach).</p> <p>The EUD and GIZ are major supporters of the Public Finance Management reforms the country is undergoing to redress its financial management credibility.</p> |
| UN Agencies | PUNOs | UNDP and UNICEF will lead the implementation of the Joint Programme. The agencies are already jointly implementing programmes such as PROSPER (DfID funded, in the area of social protection). UNICEF is implementing the SDG Fund Joint Programme on Social Protection with WFP and the ILO. |
| | UNCT members | Other members from UNCT, such as UNWOMEN, ILO, FAO, UNFPA, UNDCDF, UNCTAD will be solicited for activities connected to their mandates. The UNCT agencies will be involved in activities focusing on gearing the budgets, financial accountability and performance templates towards the SDGs at national and local level (UNWOMEN/ILO). The agencies will also be solicited to ensure the streamlining of gender and reproductive rights in the interventions targeting service delivery and fiscal transfers (UNWOMEN/UNFPA). Support from UNCTAD and UNCDF will be solicited in the framework of the SDG investment intelligence study. |

2. Programme Strategy

2.1. Overall strategy

This Joint Programme seeks to strengthen the national financing architecture to accelerate implementation of the SDG aligned MGDSIII in two parallel and coordinated ways. On the one hand, it does so by establishing Malawi's Integrated National Financing Framework (INFF). On the other hand, cognizant of the highly decentralized structure of the country, the Joint Programme also aims to improve Public Finance Management systems at local level.

Malawi's INFF will be structured around Malawi's Financing Strategy, designed through the Joint Programme support, and based on the findings of the Development Finance Assessment and an SDG investor mapping. Malawi's INFF will be used to mobilize and catalyse resources and investments, public and private, to fund its development plans and deliver the SDGs. More importantly, the INFF will provide the Government with a clear assessment set of options and of policy intervention to finance the unlocking of the country's development potential, as expressed in MGDSIII. Building on the Mapping of Investment Opportunity Areas contained in the MGDSIII and other key sector policies, the Joint Programme will provide investment intelligence for SDG investors in Malawi identifying investment entries – not covered by the national or local budget. The implementation of the Financing Strategy will be entrusted to a strengthened Economic Governance Sector Working Group (EGSWG), functioning as INFF Oversight Committee. The EGSWG will be enlarged to ensure the representation of the private sector and the civil society, encouraging a whole-of-society approach to the dialogue around and implementation of the Financing Strategy.

On the other hand, at local level, the Joint Programme's support will be directed towards improving the financing structures supporting service delivery, to ensure budget allocations from the central level are timely, adequate to cater for the service delivery needs and adapted to each District's specificities. It will do so by costing the service delivery needs at local level, identifying the financing and performance gaps and drawing a concerted strategy to review and improve the inter-governmental fiscal transfers system. The Joint Programmes intervention will also support the local level capacity to execute its budgets by identifying leakages and bottlenecks in the key devolved sectors, and to report on budgetary execution and performance, by strengthening the current financial accountability mechanisms. Furthermore, the Joint Programme will support the production of SDGs Citizens Budgets and Budget Execution Reports by the Local Councils jointly with local CSOs, to strengthen the communities' financial accountability capacity and culture.

The two streams of intervention, the top-down establishment of Malawi's INFF and the bottom-up strengthening of the local level PFM, service delivery and financial accountability systems, will converge and connect in the INFF Monitoring and Evaluation Framework. To this end, the Joint Programme will expand the scope of and upgrade MGDSIII current National Monitoring Framework to establish Malawi's INFF Monitoring and Evaluation Framework. The Joint Programme will also support the alignment of the national budget to the SDGs, based on the SDG Audit ran by UNDP and focusing on women, children and youth, will complete the information streams necessary to monitor and evaluate the country's progress on the Financing Strategy. These information streams will be captured by the INFF Monitoring and Evaluation Framework and will inform the decisions on the Financing Strategy implementation made by the EGSWG. This way the INFF Monitoring and Evaluation Framework will directly plug in the Voluntary National Review process for all the information related to the SDG financing.

Thus, the Joint Programme proposes a transformative and innovative combination of top down and macro-level approaches to bottom up and community-based ones, converging towards a solid, cohesive and comprehensive structure to finance Malawi's development.

The PUNOs are mindful that the limited time and financing available through the Joint Programme will not allow for a wide-ranging set of interventions. Rather the Joint Programme will focus on the few, impactful interventions described above, grounded in ongoing, Government-led activities, with strong transformational potential and focused on moving forward towards the SDGs. The Joint Programme is engineered to bridge the gaps and make the necessary connections between the numerous and separated donors interventions aimed at supporting the country's efforts to deliver on its national goals and on Agenda 2030. Beyond SDG 17 and the strengthening of the means of implementation of the global development agenda, thanks to the attention to the devolved sectors, the Joint Programme will support the achievement of SDG1, SDG3, SDG4, SDG5, SDG6 and SDG10. The rationale behind the structure of the Joint Programme and the contribution to the SDGs is further explicated in Sections 2.3 and 2.4.

The parallel alignment of MGDSIII to Agenda 2030, and of the UNDAF to MGDSIII, offers the Joint Programme and the PUNOs a clear and stable framework of intervention. The lead Government partner will be the Ministry of Finance, Economic Planning and Development (MoFPED), together with the National Planning Commission (NPC), the Ministry of Local Government (MoLGRD) and the National Local Government Finance Committee (NLGFC). The line ministries in charge of the key devolved sectors (health, education, gender, agriculture) will be extensively consulted. In a similar way, through the whole-of-society approach, the Joint Programme dialogues platform around the Financing Strategy (the EGSWG) will include the private sector associations such as the Malawi Confederation of Chambers of Commerce and Industry, the Bankers Association of Malawi and the National Pension Fund. CSOs will be both active implementing partners as well as consulted stakeholders.

The PUNOs are already engaging with these same partners in the two macro-areas of intervention of the Joint Programme, at national and subnational level. UNDP supported the drafting of the National Development Plan (MGDS III) and started preparing a Development Finance Assessment to provide MGDSIII with a robust costing and mapping of the financing flows together with the NPC and MoFPED. UNICEF have been supporting the drafting of sector plans (Education, Health, Social Protection, etc.) as well as their costing and are actively involved in improving service delivery at local level by rolling out programme-based budgeting, reviewing the Inter-governmental Fiscal Transfer Strategy and formulae (NLGFC), linking the national budget to the SDGs and supporting the drafting and implementation of the District Development Plans (MoLGRD). The PUNOs are also supporting increased accountability at local and national level, with UNICEF partnering with the Open Budget Partnership to support CSOs in assessing the transparency and accountability level of the budget process. UNDP on its end supports the innovative SDG Hotspots project which equips villages and communities with means to report on the quality of service delivery at local level, in connection to the relative SDGs. This approach will contribute to the assessment of the service delivery gaps at least in the pilot districts and might be scaled up through the Joint Programme continuation.

Furthermore, through the establishment of investment facilities such as the Malawi Innovation Challenge Fund and the Malawi Build Fund, the PUNOs are actively strengthening private sector financing and de-risking activities in the country. By building on already ongoing activities, the Joint Programme will ensure continuity in terms of scope and Government leadership.

2.2 Theory of Change

The Joint Programme aims at improving the capacity of Malawi to deliver on its own development strategy and on its commitments to Agenda 2030 and the SDGs. It does so by targeting two areas that have been identified as key; (i) Malawi's development financing architecture and (ii) Malawi's capacity to deliver services at local level. The two factors are intertwined and interdependent; Malawi is a country where the delivery of most fundamental services such as healthcare, primary education, social support, extension services to name a few, fully depends on the local level. In turn, the local level depends for over 80 percent of its financing from the central level. Malawi's fiscal space and revenue mobilization capacity is however limited, with the country depending strongly on donor support and on the small revenue base a shock prone, rain fed agriculture can offer. Therefore, to enhance the delivery of those services that are the backbone of the SDGs, Malawi's capacity to identify, muster and direct financing flows, both public and private, and opportunities is paramount.

The Joint Programme posits that establishing an Integrated National Financing Framework (INFF), anchored into Malawi's existing governance structure, will contribute to improve the country's development financing architecture. This will result from five key interventions:

- The finalization of the Development Finance Assessment and the implementation of its recommendations in terms of strategies and opportunities to leverage and increase existing and prospective sources of development financing, public and private, national and international;
- The mapping of all the potential investors whose contribution could be mustered and directed to financing the SDGs in Malawi, integrating thus the private sector into the country's development financing framework;
- The elaboration of a Financing Strategy, the core of the Integrated National Financing Framework, to operationalize and pursue the strategies and opportunities highlighted by the Development Finance Assessment;
- The creation of a governance framework, centered on the Economic Governances Sector Working Group, to steer the implementation of the Financing Strategy and provide policy and technical directions conducive to the success of the Integrated National Financing Framework;
- The strengthening and widening of the national Monitoring and Evaluation Framework to integrate it into the INFF structures and provide the country with a holistic monitoring framework;
- The alignment of the national budget to the SDGs, with a focus on gender and child rights.

In parallel, the Joint Programme interventions postulates that service (and thus SDGs) delivery at local level will be strengthened by a three-tiered intervention targeting (i) the financing needs stemming from service delivery obligations and the financing and delivery gaps, (ii) the inter-governmental fiscal transfers system, and (iii) the budget execution and reporting capacity at the local level. These activities will more specifically be articulated as:

- The assessment of the cost of service delivery at local level for the key devolved sectors⁴ (out of the 18), to determine the minimum size of the budgetary allocation necessary to each District to properly deliver its services (complemented by a gap analysis between the "desired" and the "actual" funding levels which can be used as a proxy of an SDGs financing gap analysis);

⁴ These will include healthcare, primary education, social support services and child protection services, gender related services, extension services and agricultural subsidies, water and sanitation services.

- The review of the Inter-governmental Fiscal Transfers System the central level should use to apportion the sector-specific grants to the local level, based on national and sectoral dialogues with the key stakeholders;
- The identification of finance leakages and bottlenecks at local level through a Public Expenditure Tracking Survey focusing on the health, education and social welfare sectors;
- The strengthening of the budget execution capacity at local level, with the production of regular budget execution reports and SGDs citizen budgets;
- The structuring of a reporting framework to feed in the Integrated National Financing Framework monitoring structures the newly available information on budget outturns and performance at district levels.

The activities at national and local level described above will converge towards an overall strengthening of the countries Monitoring and Evaluation Framework, now part of the Integrated National Financing Framework, and bridge the financial information gap between the national level and the local, resting on the results of a sounder planning cycle and of improved information on the actual needs of the Districts in terms of service delivery. The reporting framework thus established will provide the last bit of information needed to assess the capacity of the local level to deliver fundamental services and thus the SDGs by reporting on the outturns and the absorption and implementation rates of the Districts. This will strengthen the national planning capacity and the overall Public Finance Management System, contributing to better quality of spending and use of the fiscal space that the activities related to the setting up of the Integrated National Financing Framework will have liberated and/or generated.

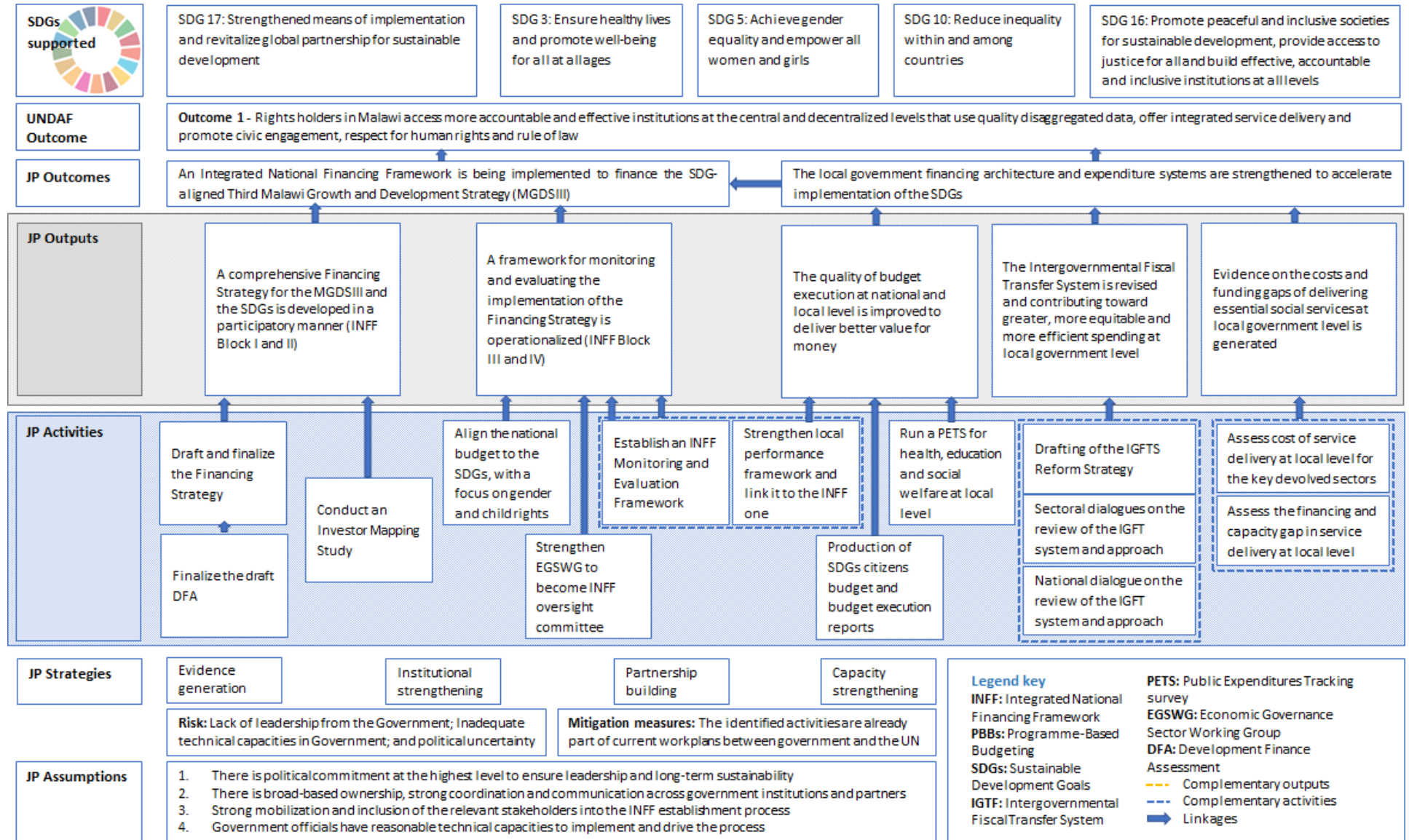
The Joint Programme activities also support gender and child-friendly budgeting and financing, through the alignment of the national budget to the SDGs, the costing and gap assessment of service delivery and the improvements to budget executions reports. These activities all aim at improving the visibility of gender issues and child rights in the current budget structures and the reporting on the planning and budgetary performance of the Government on these issues. They will contribute on improving the authorities' capacity to effectively allocate resources to policies promoting gender equality and the rights of the child.

The success of the Joint Programme lasts on several assumptions stemming from the PUNOs' experience in collaborating together with the Malawian authorities. These include:

- The presence of political commitment at the highest level as well as buy in by the technical level, to ensure a broad-based ownership of the Joint Programme activities and overall aim;
- The availability of technical capacity and manpower inside Government to support the implementation of the Joint Plan;
- The relevant stakeholders in and outside Government will be proactive and participate into the process of establishment of the Integrated National Financing Framework.

The lack of the elements described above together with potential political instability rooted into the recent electoral troubles all pose risks to the successful implementation of the Joint Programme. They are however possible to mitigate. Most of the activities grouped under this Joint Programme are already discussed and agreed upon with the relevant counterparts and will not strictly depend by the political commitment of just one gatekeeper. Furthermore, they stem from needs expressed by the Government itself, guaranteeing ownership but also technical support and understanding from the Government side. The Joint Programme is firmly rooted into existing reform processes as its outcomes will be rooted into existing Government structures, still at a technical albeit senior level, shielding them from political whims.

Theory of Change



2.3 Expected results by outcome and outputs

The overarching objective of the Joint Programme is to empower Malawi to deliver on its national development goals and accelerate the implementation of the SDGs. The Joint Programme will target Malawi's overall financing architecture to boost the country's capacity to finance its development plan. Furthermore, the Joint Programme will target the financing architecture at local level, with a focus on the capacity of the local level to deliver services and execute budgets, thus accelerating SDG delivery.

Malawi's financing architecture will be strengthened through the setup of an Integrated National Financing Framework (INFF), centred on a Financing Strategy that targets both the public and private financing flows. The implementation of the Financing Strategy will be overseen by the Economic Governance Sector Working Group (EGSWG), through an improved National Monitoring Framework, thus inbuilding the INFF in existing national structures. Once fully functional, the INFF will improve Malawi's capacity to finance MGDSIII and the SDGs.

Increased financing capacity at central level – through the INFF – will contribute to increased allocations for the local level. Since the local level budgets depend for over 80 percent from the central level transfers, the INFF will have a direct and beneficial impact on the capacity of the local level to deliver essential services. Improved service delivery at local level in the highly decentralized context of Malawi will positively impact the country's capacity to meet its development goals and advance towards the SDGs.

In turn, the local PFM systems will be strengthened by reviewing the inter-governmental fiscal transfer systems, by generating more information on the actual costs and gaps in service delivery and by improving the local level budget execution and reporting capacity. These actions will contribute to maximise the service delivery capacity of the local level. Furthermore, the reporting mechanisms on local level expenditures will directly feed into the INFF monitoring and reporting framework and provide measures of value for money of service delivery at local level.

The key partner in achieving the two outcomes will be the Ministry of Finance, Economic Planning and Development, together with the National Planning Commission for Outcome 1 and the Ministry of Finance, Economic Planning and Development, the Ministry of Local and Rural Development and the National Local Finance Committee for Outcome 2.

Outcome 1: An Integrated National Financing Framework is being implemented to finance the SDG-aligned Third Malawi Growth and Development Strategy (MGDSIII).

Output 1.1: A comprehensive Financing Strategy for the MGDSIII and the SDGs is developed in a participatory manner (INFF Block I and II).

Output 1.2: A framework for monitoring and evaluating the implementation of the Financing Strategy is operationalized (INFF Block III and IV).

Outcome 2: The local government financing architecture and expenditure systems are strengthened to accelerate implementation of the SDGs (INFF Block I, II and III).

Output 2.1: Evidence on the costs and funding gaps of delivering essential social services at local government level is generated.

Output 2.2: The Intergovernmental Fiscal Transfer System is revised and contributing toward greater, more equitable and more efficient spending at local government level.

Output 2.3: The quality of budget execution at national and local level is improved to deliver better value for money.

By the end of the Joint Programme in 2022, Malawi will have set up its INFF. Based on a comprehensive Development Finance Assessment laying out the full range of financing sources – domestic public resources, aid and development cooperation, and domestic and international private finance – the INFF will be structured around a robust Financing Strategy to increase investment, manage risks, and achieve sustainable development priorities, as identified in Malawi’s MGDSIII. The implementation of the Financing Strategy will be overseen by a strengthened National Monitoring Framework, functioning as INFF Monitoring and Evaluation framework. The overall governance mechanism of the INFF will be in place, anchored at the Ministry of Finance, Economic Planning and Development and branching out to other key stakeholders in Government and outside, fostering an inclusive and consensus driven approach.

The INFF will put the SDGs at the centre of the financing and budgeting decisions and will rely heavily on the improved capacity of the local level to deliver services. The Joint Programme will have allowed the Malawian authorities to cost the delivery of essential services in key sectors, track the flows of public expenditures, identifying bottlenecks and leakages, and review the allocation formulas, strengthening the fundamental PFM structures that back SDGs deliver in Malawi. In parallel, it will have helped reviewing the system of inter-governmental fiscal transfers for the main devolved sectors, to ensure the transfers are determined on a more informed and equitable basis. Improved information on the quality, effectiveness and efficiency of spending at local level will contribute to strengthen the PFM systems of the country, contributing to an improved enabling environment for increased investments.

The strengthening of the PFM systems at local level, both in terms of delivery and reporting, will support major interventions carried out by other donors at local level. The World Bank’ GESD that provides performance based grants to the Districts will benefit from a strengthened capacity of the beneficiaries to plan for those grants (through the District Development Plans) and to absorb them through the improved PFM structures (following the PETS and the costing of service delivery). DFID’s TRACTION programme that focuses on improving social accountability at local level will benefit from the strengthening of the budget execution reporting and the running of the PETS. Together, the programmes are worth over \$100 million for the next four years.

The strengthening of PFM systems at local level will pave the way for the roll out at local level of the Integrated Finance Management Information System (IFMIS) currently being designed and piloted at central level. This is identified by the Development Partners as a fundamental step towards the rehabilitation of the country’s PFM systems and financial governance as well as a precondition for the return of budget support. A return to the use of country systems will in turn foster donor coordination and reduce the parallel streams of funding flowing towards projects and not being reported in the Aid Management Systems. This will support the INFF implementation with ODAs becoming more traceable and less dispersed.

2.4 Budget and value for money

With a total allocation of just USD995,100 to invest in a sector where support from Development Partners reaches a cumulative USD 160 million⁵, the Joint Programme targets those activities and areas with the highest catalytic potential in order to make a difference. Furthermore, against the backdrop of uncoordinated Development Partner interventions, addressing structural issues in silos and not avoiding potential overlaps and gaps, the Joint Programme focusses on those activities that have the best chance to foster donor coordination and bridge the gaps. Lastly, the Joint Programme fully responds to needs expressed by the Government of Malawi in its efforts to deliver against MGDSIII as well as against Agenda 2030 and Agenda 2063.

The PUNOs have identified establishing an Integrated National Financing Framework (INFF) and supporting PFM systems for enhanced service delivery at local level as the two key areas where the strongest impact on SDG delivery can be achieved, catalyzing resources and results from other Development Partners' interventions. This assumption is based on the PUNOs competitive advantage at country level and the number of ongoing activities that the PUNOs are or have already carried out, at national and subnational level.

UNDP supported the drafting of the National Development Plan (MGDS III) and started preparing a Development Finance Assessment to provide MGDSIII with a mapping of the financing flows together with the NPC and MoFPED. Furthermore, it has supported the conduct of the SDG Budget Audit and the preparation of the iSDG Model for Malawi, both fundamental tools to strengthen the country's SDG budgeting and forecasting capacity. UNICEF have been supporting the drafting of sector plans (Education, Health, Social Protection, etc.) as well as their costing and are actively involved in improving service delivery at local level by rolling out programme-based budgeting and reporting, reviewing the Inter-governmental Fiscal Transfer Strategy and formulae (NLGFC), and supporting the drafting and implementation of the District Development Plans (MoLGRD). UNICEF is also actively supporting efforts to increase accountability at community-level, reinforcing the capacities of scrutiny of public expenditures by local CSOs, and at the level of Parliament, strengthening the capacity of the Parliamentary Budget Office. Furthermore, through the establishment of investment facilities such as the Malawi Innovation Challenge Fund and the Malawi Build Fund, through UN and development partners funding, the PUNOs are actively strengthening private sector financing and de-risking activities in the country paving the way for focusing on the private sector financing flows after the Joint Programme objectives will be fulfilled.

The PUNOs designed the Joint Programme so that it would bridge the gaps existing between major donor projects and strengthen already ongoing reforms and interventions supported by the Government with the PUNOs themselves. This setup is intended to boost the capacity of the Joint Programme to leverage further support for the areas it targets. In particular, the INFF process could concretise the ongoing discussions between the PUNOs and the IMF to carry out an SDG costing exercise for the country. Furthermore, the IMF's current support programmes to the Malawi's Revenue Authority and the country's Domestic Resources Mobilisation (DRM) strategy will also feed in the INFF building blocks, particularly the DFA, the fiscal space analysis and the Financing Strategy for the SDGs. In turn, the INFF will provide a governance and monitoring structure for the DRM strategy, reinforcing the overall financing architecture, and a strong link to the private sector.

The strengthening of the PFM systems at local level, both in terms of allocations, execution and accountability, will support major interventions carried out by other Development

⁵ The budget includes interventions from the World Bank, the European Union, USAID and DfID

Partners at local level. Together, these interventions are worth over \$160 million for the next four years (see Annex 1). The Joint Programme USD400,000 worth of interventions for the local level over the next two years will both build upon already ongoing activities and pave the way for upcoming ones, leveraging on the programme's timelines, the quick capacity of the PUNOs to mobilize the necessary expertise and the results achieved by their earlier interventions.

In particular, the World Bank's GESD, starting in November 2020 but not fully operational before the fiscal year 2021/22, will benefit and learn from the Joint Programme interventions to strengthen the capacity of the beneficiaries to plan, absorb and report on their budgets through improved PFM structures (following the PETS, the costing of service delivery, the gap analysis and the reinforcement of the budget execution and performance reporting). The Joint Programme will build on DFID's TRACTION programme strengthening of the CSOs capacity to track public expenditures at local level, by running PETS for the main devolved sectors and producing budget execution reports and SDG Citizens Budgets. These will in turn contribute to the TRACTION programme's objective of fostering financial and social accountability at local level. The dialogue on the Inter-Governmental Fiscal Transfer System and the drafting of the strategy promoted by the Joint Programme will provide a needed platform for the key players in the Decentralization Sector, thus contributing to reduce the overlaps and to better target programmes such as the GESD which are still being fine-tuned. It will also pave the way for the comprehensive and multi-year Fiscal Decentralization Reform process advocated for by the USAID LGAP. The synergies and interactions between the Joint Programme and the ongoing and planned activities of other Development Partners, Bilaterals, Multilaterals and IFIs is illustrated in Annex 1.

The Joint Programme's budget promotes gender mainstreaming at national level through the alignment of the national budget to the SDGs, thus stressing the allocations and programmes contributing to SDG5, broken down by targets. It brings the current budget structure (program-based) one step further in advocating for gender sensitive budgets. At local level, the costing of service delivery and the assessment of the service delivery gaps will be carried out with a special lens for services promoting gender equality and women empowerment as well as of the rights of the child. Here too, the support provided by UNICEF in rolling out program-based budget structures and women and child-friendly indicators will support the Joint Programme's promotion of gender- and child-sensitive budgets. These focuses will also be reflected in the SDG Citizens Budgets and Budget Execution Reports.

The Joint Programme's value for money comes also from the cost and time effectiveness of its interventions. Where possible, existing institutions (such as the EGSWG) and procedures (such as the programme-based budgeting and reporting framework at local level) will be used and strengthened, in-country capacity in both Government and CSOs will be built and harnessed and the results from other development partners and stakeholders interventions will be leveraged upon. This will reduce the implementation costs and schedule, ensure ownership and avoid duplication.

The PUNOs conceived Malawi's INFF to be a coherent national framework, embedded in already existing national structures and comprising policies, strategies, and institutional arrangements to manage the broad set of financial flows and solidify the financing architecture in the country. Therefore, the EGSWG was identified to act as INFF oversight Committee and guarantee its continuity once the Joint Programme will come to an end. The EGSWG mandate, described in Section 2.5, is aligned to the intervention areas of the Joint Programme. The EGSWG composition needs however to be broadened to include representatives from the private sector and the civil society, in line with the whole-of-society approach.

2.5 Partnerships and stakeholder engagement

The Government of Malawi will lead the implementation of the Joint Programme through the Economic Government Sector Working Group (EGSWG). The EGSWG will function as Joint Programme Steering Committee, avoiding the creation of new and redundant coordination structures and ensuring the Joint Programme is anchored in the most effective way in the existing institutional structure (which will also become the INFF leading body).

The EGSWG's mandate makes it most suitable to this end, as the EGSWG is tasked to ensure the Government develops sustainable economic and financial policies aimed at delivering equitable growth and sustainable development in accordance with the priorities laid out in MGDSIII. Within its monitoring function, the EGSWG ensures that sound practices are adhered to in dealing with public finance, business activities and legal rights in economic activities. The EGSWG also oversees the mainstreaming of the country's regional economic and international commitments such as the 2030 Agenda and Agenda 2063 in the national development plans and strategies. The EGSWG is also mandated to ensure effective coordination and optimization of opportunities for partnerships, networking, and information sharing on economic governance issues including follow up to the sector specific studies and promoting progressively increased alignment to the country systems and use of national systems and procedures. The EGSWG has a direct links to the Public Finance and Economic Management (PFEM) dialogue structures, through the PFEM Steering Committee. The PFEM Steering Committee might notably refer issues that require wider and higher-level consultations with stakeholders to the EGSWG.

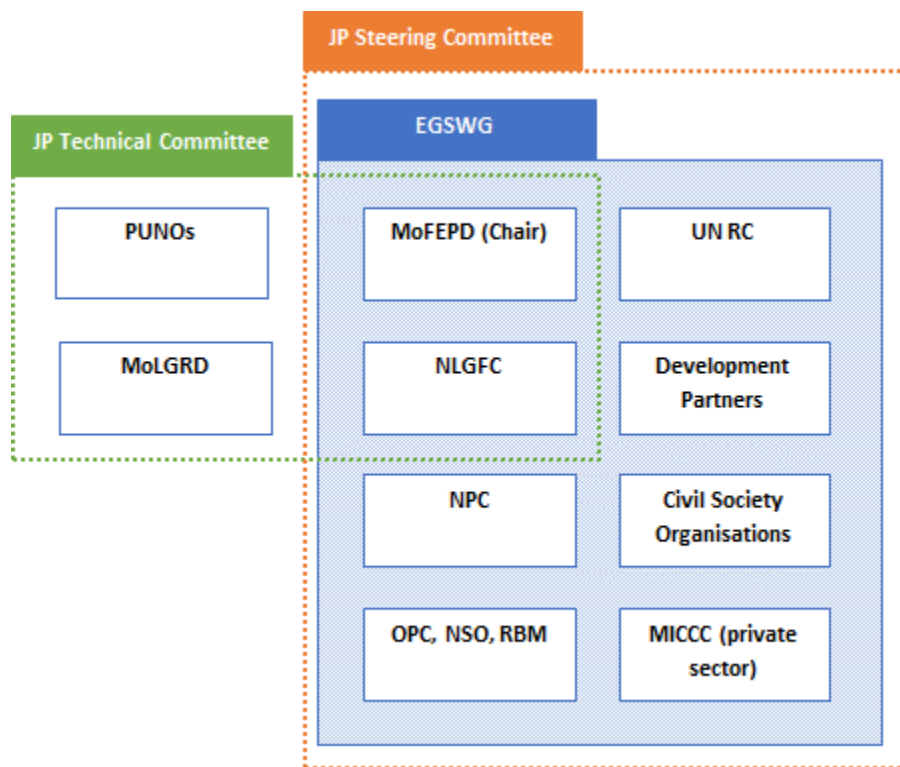
The EGSWG actively convenes major state and non-state actors that are also all involved, directly or indirectly in the Joint Programme activities and their scope. The Ministry of Finance, Economic Planning and Development (MoFEPD) chairs the EGSWG. Other leading bodies include: National Planning Commission (NPC) and the Office of the President and Cabinet (OPC). Other state actors include the Reserve Bank of Malawi (RBM), the National Statistics Office (NSO), and the National Local Government Finance Committee (NLGFC). The EGSWG members also include the United Nations Resident Coordinator, bilateral and multilateral donors, International and Regional Financing Institutions and CSOs. In order to function as INFF Oversight Committee, its membership will be extended to the representatives of the private sector, namely the Malawi Confederation of Chambers of Commerce and Industry.

The EGSWG in its capacity of Steering Committee will receive and approve the progress reports and provide the necessary political guidance when solicited by the Technical Committee. The high-level and wide-ranging platform offered by the EGSWG in and outside Government will foster ownership of the process and results of the Joint Programme and contribute to the Joint Programme objective of improving donor coordination and promoting the use of country systems. A Technical Committee will be established to provide operational level guidance on the Joint Programme's activities, draft and approve the workplans and the monitoring and progress reports as required as well as escalate strategic programmatic decisions to the Steering Committee. The Technical Committee will be formed by MoFEPD, the MoLGRD, the NLGFC and the PUNOs.

In terms of arrangements internal to the UNCT, the Joint Programme will be implemented under the supervision of the UN Resident Coordinator (RC) and the Resident Coordinator's Office (RCO), following the governance pattern established for the Joint Programme on Social Protection. The RC/RCO will coordinate the PUNOs annual monitoring and review reporting, provide general oversight of the Joint Programme activities together with the respective Heads of Agency (HoA) and strategic guidance. The RC will also participate in the Steering Committee (EGSWG) and represent the PUNOs in that forum. The participation of the other UNCT

members (UNWOMEN, ILO, UNFPA, FAO, UNCTAD, UNCDF) to the Joint Programme activities will be overseen by the RCO but managed directly by the relevant PUNO.

Figure 1 Joint Programme Governance Structure and overlaps with EGSWG



The PUNOs will be responsible of the day by day management of the Joint Programme, based on the activities they were assigned to lead. PUNOs will coordinate with and through the Technical Committee to ensure cohesion and buy-in from the Government’s partners, under the guidance from the RC/RCO. PUNOs will each leverage on their respective areas of expertise, available in-country and through the global and regional support structures. PUNOs will build on their existing membership and engagement in sector-specific coordination structures with other Development Partners and with the Government to further ensure the Joint Programme is linked and harmonized to existing and prospective activities. This will complement the high-level engagement of the RC with the Steering Committee.

The PUNOs will also be responsible for the coordination of their intervention with those of the other major donors – the International Monetary Fund, the World Bank, DfID, and USAID – described in the previous sections as well as the mobilization of the international expertise available in the UN System (UNDP Finance Hub, UNICEF’s ESARO and Innocenti Research Facility). Annex 1 details the Joint Programme’s synergies and interactions with the other relevant interventions, both from bilateral and multilateral donors and from the IFIs.

3. Programme implementation

3.1 Governance and implementation arrangements

The joint Programme will be implemented under Direct Implementation (DIM) modality. The RCO will work closely with UNICEF and UNDP as the responsible parties for achieving specific results assigned them. Other UNCT members will be solicited as implementing partners for some of the activities relevant to their mandate.

The Ministry of Finance, Economic Planning and Development (MoFEPD) through the Debt and Aid Division (DAD) will be the lead government partner in the implementation of Outcome 1. The National Local Government Finance Committee (NLGFC) will be the leading party for the implementation of Outcome 2.

As described in Section 2.5, the Joint Programme will be governed by the EGSWG in its function of Steering Committee. The EGSWG will be composed of representatives from MoFEPD, the Ministry of Local Government and Rural Development (MoLGRD), NLGFC, National Planning Commission (NPC), the Reserve Bank of Malawi, the Malawi Consolidated Chambers of Commerce and Industry (MCCCI), the Malawi Bankers Association (MBA), the Malawi National Pension Fund (NPF), Parliament, Development Partners, the CSOs, and the RCO. When acting as Joint Programme's Steering Committee will be co-chaired by the MoFEPD, through the Secretary of the Treasury and the Resident Coordinator (RC).

The RC shall be the voice of the PUNOs at the Steering Committee, to ensure coordinated and systematic support to the government. In addition, the RC shall:

- Provide overall strategic guidance for the JP implementation;
- Participate in the Steering Committee of Programme and share progress with UNCT and the technical team from the PUNOS;
- Provide oversight, in collaboration with HoAs to the technical team of PUNOS
- Coordinates responses across PUNOs during annual reporting (monitoring and review) and any other requests that may arise;

At the operational level, a Technical Committee shall be established to provide operational level guidance on the Joint Programme's activities, draft and approve the workplans and the monitoring and progress reports as required as well as escalate strategic programmatic decisions to the Steering Committee. The Technical Committee will be formed by MoFEPD, the NLGFC and the PUNOs. Other relevant stakeholders will be invited to attend the Technical Committee to discuss activities relevant to them.

At the local level the Joint Programme will utilize the existing coordination structures, including the District Executive Committees (DECs) when needed and through the mediation of the NLGFC.

3.2 Monitoring, reporting, and evaluation

Reporting on the Joint SDG Fund will be results-oriented, and evidence based. Each PUNO will provide the Convening/Lead Agent with the following narrative reports prepared in accordance with instructions and templates developed by the Joint SDG Fund Secretariat:

- *Annual narrative progress reports*, to be provided no later than one (1) month (31 January) after the end of the calendar year, and must include the result matrix, updated risk log, and anticipated expenditures and results for the next 12-month funding period;
- *Mid-term progress review report* to be submitted halfway through the implementation of Joint Programme⁶; and
- *Final consolidated narrative report*, after the completion of the joint programme, to be provided no later than two (2) months after the operational closure of the activities of the joint programme.

The Convening/Lead Agent will compile the narrative reports of PUNOs and submit a consolidated report to the Joint SDG Fund Secretariat, through the Resident Coordinator.

The Resident Coordinator will be required to monitor the implementation of the joint programme, with the involvement of Joint SDG Fund Secretariat to which it must submit data and information when requested. As a minimum, joint programmes will prepare, and submit to the Joint SDG Fund Secretariat, 6-month monitoring updates. Additional insights (such as policy papers, value for money analysis, case studies, infographics, blogs) might need to be provided, per request of the Joint SDG Fund Secretariat. Joint programme will allocate resources for monitoring and evaluation in the budget.

Data for all indicators of the results framework will be shared with the Fund Secretariat on a regular basis, in order to allow the Fund Secretariat to aggregate results at the global level and integrate findings into reporting on progress of the Joint SDG Fund.

PUNOs will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding) for the activities supported by the Fund, including in kind contributions and/or South-South Cooperation initiatives, in the reporting done throughout the year.

PUNOs at Headquarters level shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

- Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and
- A final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities.

In addition, regular updates on financial delivery might need to be provided, per request of the Fund Secretariat.

⁶ This will be the basis for release of funding for the second year of implementation.

After completion of a joint programme, a final, *independent and gender-responsive*⁷ evaluation will be organized by the Resident Coordinator. The cost needs to be budgeted, and in case there are no remaining funds at the end of the joint programme, it will be the responsibility of PUNOs to pay for the final, independent evaluation from their own resources.

The joint programme will be subjected to a joint final independent evaluation. It will be managed jointly by PUNOs as per established process for independent evaluations, including the use of a joint evaluation steering group and dedicated evaluation managers not involved in the implementation of the joint programme. The evaluations will follow the United Nations Evaluation Group's (UNEG) Norms and Standards for Evaluation in the UN System, using the guidance on [Joint Evaluation and relevant UNDG guidance on evaluations](#). The management and implementation of the joint evaluation will have due regard to the evaluation policies of PUNOs to ensure the requirements of those policies are met and the evaluation is conducted with use of appropriate guidance from PUNOs on joint evaluation. The evaluation process will be participative and will involve all relevant programme's stakeholders and partners. Evaluation results will be disseminated amongst government, development partners, civil society, and other stakeholders. A joint management response will be produced upon completion of the evaluation process and made publicly available on the evaluation platforms or similar of PUNOs.

⁷ [How to manage a gender responsive evaluation, Evaluation handbook](#), UN Women, 2015

3.3 Accountability, financial management, and public disclosure

The Joint Programme will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channeled for the Joint Programme through the AA. Each Participating UN Organization receiving funds through the pass-through has signed a standard Memorandum of Understanding with the AA.

Each Participating UN Organization (PUNO) shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each UN Agency, Fund, and Programme in accordance with its own regulations, rules, directives and procedures. Each PUNO shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Participating Organizations recovered through programme support costs will be 7%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

Funding by the Joint SDG Fund will be provided on annual basis, upon successful performance of the joint programme.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund.

PUNOs and partners must comply with Joint SDG Fund brand guidelines, which includes information on donor visibility requirements.

Each PUNO will take appropriate measures to publicize the Joint SDG Fund and give due credit to the other PUNOs. All related publicity material, official notices, reports and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, PUNOs, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each Participating Organization and partners in all external communications related to the Joint SDG Fund.

3.4 Legal context

The Joint Programme contributes to the ongoing Malawi UNDAF, particularly under Outcome 1 "Rights holders in Malawi access more accountable and effective institutions at the central and decentralised levels that use quality disaggregated data, offer integrated service delivery and promote civic engagement, respect for human rights and rule of law".

All PUNOs guide their work in Malawi through the UNDAF (2019-2023). The UNDAF is the only document guiding cooperation between the Government of Malawi and UNDP and UNICEF. The UNDAF was signed by the Honorable Goodall E. Gondwe Minister of Finance, Economic Planning and Development of the Republic of Malawi and by Ms. Maria Jose Torres, United Nations Resident Coordinator. The Resident Representative of the United Nations Development Programme and the Country Representative of UNICEF signed, together with the legal representatives of the agencies part of the UN Country Team. The document is accessible [here](#).

D. ANNEXES OF THE JOINT PROGRAMME TEMPLATE

Annex 1. List of related initiatives

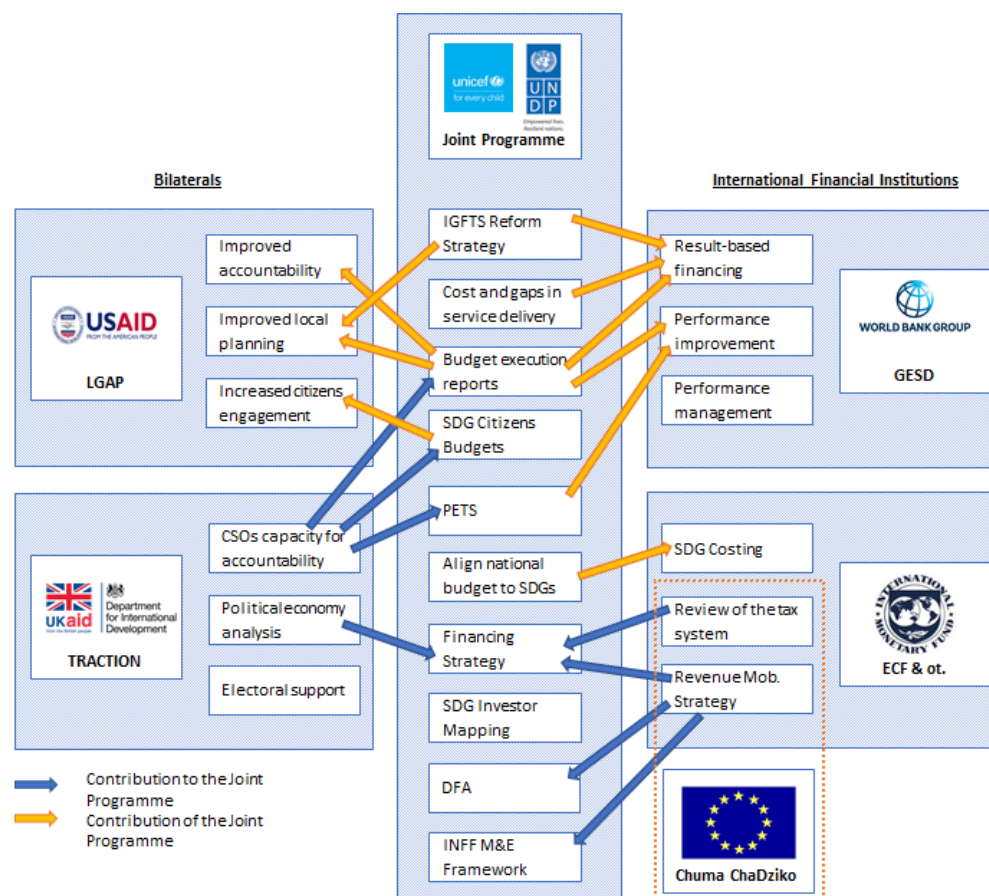
| Name of initiative/project | Key expected results | Links to the joint programme | Lead organization | Other partners | Budget and funding source | Contract person |
|--|---|---|-------------------|----------------|---------------------------|--|
| LGAP | Improved local government performance and transparency, increased citizen engagement, and strengthened enabling environment for decentralization in Malawi. | <p>The key interactions between the LGAP and the Joint Programme are to be found in:</p> <ul style="list-style-type: none"> • The improvement of local planning capacities through the work on the inter-governmental fiscal formulae and the overall system; • The strengthening of the public engagement in budgetary matters. <p>The dialogue on the Inter-Governmental Fiscal Transfer System and the drafting of the strategy promoted by the Joint Programme will provide a needed platform for advancing the fiscal decentralization. The extensive work on PETS, SDG Citizens Budgets and Budget Execution Reports will increase the citizen engagement in budgetary matters.</p> | USAID | DFID | \$40 million, USAID | Several contact persons depending on the component |
| GESD | Strengthened Local Authorities' institutional performance, responsiveness to citizens and management of resources for service delivery | <p>Under GESD, the World Bank targets the performance of local authorities on several levels. The Joint Programme will contribute to the following GESD objectives:</p> <ul style="list-style-type: none"> • Performance-based financing (through the improvement of budget execution and reporting framework) • Intergovernmental performance improvement (through the IGFTS reform strategy and dialogues) <p>The Joint Programme will pave the way to the roll-out of the performance-based financing system having strengthened the local level PFM systems and accountability</p> | World Bank | NA | \$100 million, World Bank | Mike Roscitt |
| TRACTION | Enhanced state accountability and responsiveness to citizens' needs, especially at local level | <p>Among the numerous activities under the TRACTION, the following are relevant:</p> <ul style="list-style-type: none"> • Strengthening the capacity of civil society to keep the Government to account • Targeted Political Economy Analysis studies to address bottlenecks in several areas, amongst which financing <p>The Joint Programme will build on the newly acquired capacity of the CSOs to run PETS, collaborate in the drafting of the budget execution reports and of the citizens budgets. The targeted political economy analysis studies (to be run on needs basis) could be used to explore bottlenecks in financing.</p> | DFID | CARE, ODI | \$20.8 million, DFID | Several contact persons depending on the component |
| Malawi—Public Finance Management Reforms (Chuma Cha Dziko) | Efficient and effective use of public resources to support the growth of the economy and development of Malawi. | <p>The following key objectives of the programme will contribute to the establishment and implementation of the INFF:</p> <ul style="list-style-type: none"> • Strengthen Malawi's tax policy framework and improve internal tax and non-tax policy and planning capabilities. • Develop a policy and governance framework for monitoring of parastatals and other government investments. <p>These are aligned to the interventions of the International Monetary Fund currently reviewing the Tax System and preparing a Revenue Mobilization Strategy</p> | EU | NA | \$24.2 million, EUD | Janet Mortoo |

As described in Section 2.2 to 2.5, the Joint Programme has been designed in order to bridge the gaps between the major donor interventions in the area of Public Finance Management at national and local level. The Joint Programme will both build on results obtained or expected by the other interventions and in turn contribute to other interventions.

The figure on the side shows the main interactions and the level of integration of the Joint Programme into the framework of interventions in the area of Public Finance Management at large. The figure highlights the interactions with bilaterals, multilaterals and IFIs.

The engagement of the IFIs will happen local level, through the World Bank's GESD project. It will ensure that the focus on strengthened performance of local authorities and the roll-out of result-based financing will bear the expected results by targeting both the quality of allocations and of budget executions. The improved performance will in turn contribute to the Joint Programme's objectives, strengthening service (and thus SDG) delivery at local level, in a mutually reinforcing virtuous circle.

Engagement with IFIs at national level will be structured around the contribution of the IMF projects on supporting revenue mobilization to the INFF (DRM strategies are a recognized building block of the INFF under the Addis Ababa Agenda for Action). In turn, the alignment of the budget to the SDGs under the Joint Programme as well as the information on the cost of service deliver will feed in the prospective SDG costing exercise the PUNOs and the IMF are currently considering.



The national and local level interventions and their results are mutually reinforcing and both geared towards the acceleration of the SDGs and such is the engagement with the IFIs.

Annex 2. Results Framework

2.1. Targets for Joint SDG Fund Results Framework

Joint SDG Fund Outcome 2: Additional financing leveraged to accelerate SDG achievement

| Indicators | Targets | |
|--|---------|------|
| | 2020 | 2021 |
| 2.1: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scope ⁸ | NA | NA |
| 2.2: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scale ⁹ | NA | NA |

Joint SDG Fund Output 4: Integrated financing strategies for accelerating SDG progress implemented*

| Indicators | Targets | |
|--|---------|------|
| | 2020 | 2021 |
| 4.1: #of integrated financing strategies that were tested (disaggregated by % successful / unsuccessful) | 0 | 1 |
| 4.2: #of integrated financing strategies that have been implemented with partners in lead ¹⁰ | 0 | 1 |
| 4.3: # of functioning partnership frameworks for integrated financing strategies to accelerate progress on SDGs made operational | 0 | 1 |

*This refers to the implementation of the INFF for Malawi as the first integrated financing strategy

Joint SDG Fund Operational Performance Indicators

- Level of coherence of UN in implementing programme country¹¹
- Reduced transaction costs for the participating UN agencies in interaction with national/regional and local authorities and/or public entities compared to other joint programmes in the country in question
- Annual % of financial delivery
- Joint programme operationally closed within original end date
- Joint programme financially closed 18 months after their operational closure
- Joint programme facilitated engagement with diverse stakeholders (e.g. parliamentarians, civil society, IFIs, bilateral/multilateral actor, private sector)
- Joint programme included addressing inequalities (QCPR) and the principle of “Leaving No One Behind”
- Joint programme featured gender results at the outcome level

⁸Additional resources mobilized for other/ additional sector/s or through new sources/means

⁹Additional resources mobilized for the same multi-sectoral solution.

¹⁰ This will be disaggregated by (1) government/public partners (2) civil society partners and (3) private sector partners

¹¹ Annual survey will provide qualitative information towards this indicator.

- Joint programme undertook or draw upon relevant human rights analysis, and have developed or implemented a strategy to address human rights issues
- Joint programme planned for and can demonstrate positive results/effects for youth
- Joint programme considered the needs of persons with disabilities
- Joint programme made use of risk analysis in programme planning
- Joint programme conducted do-no-harm / due diligence and were designed to take into consideration opportunities in the areas of the environment and climate change

2.2. Joint programme Results framework

| Result / Indicators | Baseline | 2020 Target | 2021 Target* | Means of Verification | Responsible partner |
|--|----------|-------------|--------------|---|---------------------|
| Outcome 1 An Integrated National Financing Framework is being implemented to finance the SDG-aligned Third Malawi Growth and Development Strategy (MGDSIII) | | | | | |
| 1.1 The four INFF blocks are in place | 10% | 30% | 100% | Joint Programme implementation reports Financing Strategy INFF M&E yearly reports | UNDP/UNICEF |
| 1.2 Percentage of total revenues over GDP | 20.4%* | 21% | 23X% | National Budget | UNDP/UNICEF |
| 1.3 Proportion of public resources allocated for gender equality and women empowerment (UNDAF 2.1) | 0.4% | 0.5% | 0.8% | National Budget SDG Budget | UNDP/UNICEF |
| Output 1.1 A comprehensive Financing Strategy for the MGDSIII and the SDGs is developed in a participatory manner (INFF Block I and II) | | | | | |
| 1.1.1 The Financing Strategy is finalized | 0 | 70% | 100% | Financing Strategy | UNDP |
| 1.1.2 SDG Investment Intelligence is finalized | 0 | 20% | 100% | SDG Investment Intelligence study | UNDP |
| Output 1.2 A framework for monitoring and evaluating the implementation of the Financing Strategy is operationalized (INFF Block III and IV) | | | | | |
| 1.2.1 The INFF Monitoring Framework is in place | 0 | 50% | 100% | INFF M&E yearly reports | UNDP |
| 1.2.2 The national budget is aligned to the SDGs, with a | 0 | 50% | 100% | National Budget | UNDP/UNICEF |

| | | | | | |
|---|-------|------|------|------------------------------------|-------------|
| focus on gender and child rights | | | | | |
| Outcome 2 The local government financing architecture and expenditure systems are strengthened to accelerate implementation of the SDGs | | | | | |
| 2.1 Percentage share of Central Government allocations to Local Government over GDP | 4.4%* | 4.6% | 5.5% | National Budget | UNICEF/UNDP |
| 2.2 Total government spending in social protection as a proportion of the national budget** (UNDAF 7.4) | 44%* | 45% | 48% | National Budget | UNDP/UNICEF |
| Output 2.1 Evidence on the costs and funding gaps of delivering essential social services at local government level is generated | | | | | |
| 2.1.1 Number of major devolved sectors for which the cost of service delivery is available | 0 | 0 | 4 | Costing of service delivery report | UNICEF |
| Output 2.2 The Intergovernmental Fiscal Transfer System is revised and contributing toward greater, more equitable and more efficient spending at local government level | | | | | |
| 2.2.1 Number of sectoral dialogues on the IGFTS that produced recommendations | 1 | 2 | 4 | Meeting minutes/ Conference acts | UNICEF |
| 2.2.2 IGFTS Reform Strategy finalized | 0 | 50% | 100% | IGFTS Reform Strategy report | UNICEF |
| Output 2.3 The quality of budget execution at national and local level is improved to deliver better value for money | | | | | |
| 2.3.1 Proportion of annual PBB performance reports received by NLGFC | 0 | 20% | 80% | PBB performance reports | UNICEF |
| 2.3.2 Proportion of Districts publishing Budget Execution Reports | 0 | 25% | 85% | Budget Execution Reports | UNICEF/UNDP |

*average (2016-2019)

**from the UNDAF

Annex 3. Gender marker matrix

| Indicator | | Score | Findings and Explanation | Evidence or Means of Verification |
|-----------|---|-------|--|--|
| N° | Formulation | | | |
| 1.1 | Context analysis integrate gender analysis | 2 | The Joint Programme is based on gender analyses that were carried out for the different sectors, but the UNCT as well as the Government and the Development Partners. The results informed the design of the Joint Programme and further analysis will be carried out during implementation. The Joint Programme is guided by human-rights principles, including gender equality, and closely aligns to several of SDG 5 targets – in particular to the economic and social empowerment of women, fight against discrimination and strengthening legal rights of girls and women. | JP Progress reports Theory of Change |
| 1.2 | Gender Equality mainstreamed in proposed outputs | 1 | The Joint Programme mainstreams gender equality through some output areas. Gender equality is however present all through the programme as a cross-cutting issue, like all of the UN operating principles. | Theory of Change Outcome indicator 1.3 Output indicator 1.2.2 |
| 1.3 | Programme output indicators measure changes on gender equality | 2 | The Joint Programme has 3 out of 10 output indicators that measure changes in gender equality and the empowerment of women. | Output indicator 1.2.2 Output indicator 2.3.1 Output indicator 2.1.1 |
| 2.1 | PUNO collaborate and engage with Government on gender equality and the empowerment of women | 2 | The Joint Programme consulted with the Ministry of Gender in the definition of the activities, particularly the costing of and gap assessment in service delivery at local level as the bulk of the gender related activities are delivered at local level. The Parliamentary Women’s Caucus and the Committee on Community and Social Affairs will be consulted at inception to discuss their involvement and contribution. Usually the PUNOs are received by the Caucus and the Committee to present results of study or advocacy in gender related matters (such as the Study on Child Marriage from UNICEF) | JP Progress reports Theory of Change |
| 2.2 | PUNO collaborate and engages with women’s/gender equality CSOs | 2 | The Joint Programme was elaborated and will be supported by two major CSOs umbrella organizations in Malawi (the Council for Non-Governmental Organizations in Malawi and the Malawi Economic Justice Network) that represent the GEWE CSOs active in Malawi. | JP Progress reports Theory of Change |

| | | | | |
|----------------------|---|-----------|---|--|
| | | | <p>The Joint Programme will involve the two umbrella organizations in the activities targeting service delivery at local level to ensure the gender dimension is considered and mainstreamed.</p> <p>Ad-hoc consultations will be carried out with the GEWE that the umbrella organizations will indicate as best suited to support (depending on their presence at District Level).</p> | |
| 3.1 | Program proposes a gender-responsive budget | 2 | <p>Out of the USD995,100, the JP allocates USD350,000 (or 35.18%) to gender equality/women's empowerment activities. Specifically, under output 1.2, 2.1 and 2.3:</p> <ul style="list-style-type: none"> (i) with the structuring of the budget along the lines of the SDGs, with a specific focus on gender and on child rights. (ii) with the costing of the service delivery in the key sectors (including the allocations to gender, but also maternal health, gender in education, girls' dorms etc.) and the gap analysis. (iii) with the production of the SDG Citizens Budgets (SGD5) and the budget execution reports (the PBBs have programmes geared towards gender equality, reproductive rights etc.) (iv) with the production of the PETS in health, education and social welfare (including the allocations to gender, but also maternal health, gender in education, girls' dorms etc.) | <p>JP Progress reports Theory of Change Outcome indicator 1.3 Output indicator 1.2.2 Output indicator 2.3.1 Output indicator 2.1.1</p> |
| Total scoring | | 2* | | |

*Rounded average

Annex 4. Budget and Work Plan

4.1 Budget per UNSDG categories

The Joint Programme has a total budget of USD1,035,100, of which USD40,000 will directly be provided by the involved PUNOs. The SDG Fund direct contribution to the budget will be of USD995,100. Of these, USD687,475 will be committed on year 1 (July 2020-June2021) whereas the remaining USD307,625 will be committed during year 2. Most activities will be carried out in between the two years and payments spread accordingly, however in order to be able to initiate the procurement for the activities, funds will need to be committed in full.

| UNDG BUDGET CATEGORIES | UNDP | | UNICEF | | TOTAL | |
|--|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) |
| 1. Staff and other personnel | 55,000 | 20,000 | 85,000 | 20,000 | 140,000 | 40,000 |
| 2. Supplies, Commodities, Materials | 10,000 | | 10,000 | | 20,000 | |
| 3. Equipment, Vehicles, and Furniture (including Depreciation) | - | | - | | - | |
| 4. Contractual services | 290,000 | | 250,000 | | 540,000 | |
| 5. Travel | 20,000 | | 20,000 | | 40,000 | |
| 6. Transfers and Grants to Counterparts | 70,000 | | 40,000 | | 110,000 | |
| 7. General Operating and other Direct Costs | 40,000 | | 40,000 | | 80,000 | |
| Total Direct Costs | 485,000 | | | | 445,000 | |
| 8. Indirect Support Costs (Max. 7%) | 33,950 | | 31,150 | | 65,100 | |
| TOTAL Costs | 518,950 | 538,950 | 476,150 | 496,150 | 995,100 | 1,035,100 |
| <i>1st year</i> | 246,100 | 20,000 | 251,450 | 10,000 | 497,550 | 527,550 |
| <i>2nd year</i> | 272,850 | | 224,700 | 10,000 | 497,550 | 507,550 |

The largest budget item is “contractual services” and is connected to the number of activities requiring external expertise, from foreign consulting firms and foreign and local consultants. Transfers to counterparts, UNCT members and CSOs also constitute a sizeable budget item, mirroring the key role to be played by the partners in the implementation of the Joint Programme.

Staff and other personnel and general operating costs allocations reflect the contribution of the PUNOs personnel to the running of the Joint Programme as well as the implementation of the different activities. Supplies, commodities and materials and

allocations under travel reflect the organizational and logistical needs connected to workshops, events and gatherings requiring hiring of venues, payment of DSAs, procurement of stationary, banners and similar.

The yearly budgets of the PUNOs (UNDP: USD300,000 and UNICEF: USD425,000) will not be directly channeled through the Joint Programme but are engaged on activities that are aligned to those of the Joint Programme and that the Joint Programme will contribute to accelerate or support.

4.2 Budget per SDG targets

The resources considered as budget under this section are the USD800,000 that will be spent on the activities. Another USD130,000 will be spent in M&E and Communication activities that will support the implementation of the Joint Programme, but not directly contribute to them.

The programme is wired to support the improvement of the country's financing architecture, thus SDG 17, particularly targets SDG17.1 and 17.3. Together, they are worth USD330,000 coming from the implementation of the INFF and the related building blocks. The second directly impacted SDG is SDG 16, with USD200,000, through target 16.6 as the Joint Programme fosters accountability both at local and national level, via the M&E framework, the reporting on the budget execution and the increased transparency in budget allocations through an improved Fiscal Transfers System. SDG 10 is also markedly benefitting from the Joint Programme as the INFF building blocks, particularly the DFA, the Financing Strategy and the SDG Investor Mapping will contribute to increased financial flows flowing in Malawi. SDG5 benefits from the wiring of the national budget towards the SDGs, the improved information on service delivery costs and gaps and the effect on the allocations, the reporting on the budget execution and especially the SDG Citizens Budgets. The design of the Joint Programme, particularly mindful of the gender aspect, fosters these contributions. SDG3 represents the contribution made by the Joint Programme to the improvement of services by increased capacity and financing towards service delivery. The Joint Programme will impact most of SDGs the delivery of which depends on the capacity of the state to deliver services; however the target on increased health financing makes SDG3 easier to track.

| SDG TARGETS | | % | USD |
|--------------------|--|-------------|----------------|
| 3C | Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States | 9% | 70,000 |
| 5C | Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels | 9% | 75,000 |
| 10B | Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes | 16% | 125,000 |
| 16.6 | Develop effective, accountable and transparent institutions at all levels | 25% | 200,000 |
| 17.1 | Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection | 16% | 125,000 |
| 17.3 | Mobilize additional financial resources for developing countries from multiple sources | 26% | 205,000 |
| TOTAL | | 100% | 800,000 |

4.3 Work plan

| Output | Annual target/s | | | List of activities | 2020 2021 2022 | | | | | | | | PLANNED BUDGET | | | PUNO/s involved | Implementing partner/s involved | | | |
|--|--|---|--|---|----------------|----|----|----|----|----|----|----|----------------------------|----------------------|---|---|---|-------------|-------------|----------------|
| | 2020 | 2021 | 2022 | | Time frame | | | | | | | | Overall budget description | Joint SDG Fund (USD) | Total Cost (USD) | | | | | |
| | | | | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | | | | | | | | |
| Outcome 1 | | | | An Integrated National Financing Framework is being implemented to finance the SDG-aligned Third Malawi Growth and Development Strategy (MGDSIII) | | | | | | | | | | | | | | | | |
| Output 1.1: A comprehensive Financing Strategy for the MGDSIII and the SDGs is developed in a participatory manner (INFF Block I and II) | DFA finalized | Consultations for the Financing Strategies completed | Financing strategy finalized; Investor mapping finalized | Review and finalization of the draft Development Finance Assessment | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 20,000 | | UNDP | | |
| | | | | Drafting and finalization of the Financing Strategy based on the DFA's recommendations | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 100,000 | | UNDP | |
| | | | | Conduct an SDG Investment Intelligence study for Malawi | | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 80,000 | | UNDP |
| Output 1.2: A framework for monitoring and evaluating the implementation of the Financing Strategy is operationalized (INFF Block III and IV) | | Terms of reference for the INFF oversight committee finalized; INFF Monitoring and Evaluation Framework established | Oversight committee operational; National Budget aligned to the SDGs | Establish the Economic Governance SWG to function as INFF oversight committee | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 20,000 | | UNDP | | |
| | | | | Establish an INFF Monitoring and Evaluation Framework by expanding and strengthening the National Monitoring Framework for MGDSIII | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 100,000 | | UNDP/UNICEF | |
| | | | | Align the national budget to the SDGs, with a focus on gender and child rights | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 60,000 | | UNDP/UNICEF | UNWOMEN/ UNFPA |
| Outcome 2 | | | | The local government financing architecture and expenditure systems are strengthened to accelerate implementation of the SDGs | | | | | | | | | | | | | | | | |
| Output 2.1: Evidence on the costs and funding gaps of delivering essential social services at local government level is generated | Data collection completed | Cost of service delivery report finalized | Gap Assessment report finalized | Costing of service delivery at local level for the key devolved sectors | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 120,000 | | UNICEF | | |
| | | | | Assessment of the financing and capacity gap in service delivery at local level | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 60,000 | | UNICEF/UNDP | |
| Output 2.2: The Intergovernmental Fiscal Transfer System is revised and contributing toward greater, more equitable and more efficient spending at local government level | National Fiscal Decentralization Conference held | Sectoral dialogues carried out | IGFTS Reform Strategy financed | National dialogue on the review of the IGFT system and approach (whole-of-society approach) in the framework of the annual Fiscal Decentralization Conference | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 20,000 | | UNICEF | | |
| | | | | Series of sectoral dialogues on the review of the IGFT system and approach | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 20,000 | | UNICEF | |
| | | | | Drafting of the IGFTS Reform Strategy based on the outcomes of the national and sectoral dialogues | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 40,000 | | UNICEF | |
| Output 2.3: The quality of budget execution at national and local level is improved to deliver better value for money | | Local performance framework operational | SDG Citizens Budget and Budget Execution Report produced | Strengthen the PBBs performance framework (expenditures, targets) at local level and link it to the INFF Monitoring and Evaluation Framework | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 50,000 | | UNICEF/UNDP | | |
| | | | | Development, production and dissemination of the SDGs citizens budget and budget execution reports for each Local Council | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 50,000 | | UNICEF | UNWOMEN/CSOs |
| | | | | Run a PETS for health, education and social welfare at local level | | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 60,000 | | UNICEF | ILO/CSOs |
| Cross-cutting | | | | | | | | | | | | | | | | | | | | |
| M&E | | | Impact evaluation finalized | Impact evaluation | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 80,000 | | UNICEF/UNDP | | |
| Comms | Event | Event | Event | Project kick-off and other visibility actions to be undertaken | | | | | | | | | | | Staff, Supplies, Contractual, Travel, Transfers | \$ 50,000 | | UNICEF/UNDP | | |

Annex 5. Risk Management Plan

There are three key elements that will influence the successful acceleration of the SDGs through this Joint Programme, with each element having a set of risks associated with it.

The first is the sustained capacity and interest of government to lead and implement the Joint Programme and build on its results after it is concluded. True ownership and leadership by the Government, at all levels, is essential to ensure delivery of the activities of the Joint Programme and ensure that the results have lasting impacts on Malawi's Financing Architecture. Moreover, broad political support, from within Government, from Parliament and from the Development Partners community is also key for the realization of the Joint Programme's objectives and even more for long term sustainability of its outcomes. The lack of interest or resistance from these stakeholders can delay, or even prevent the successful implementation of the programme.

To mitigate these risks, the Joint Programme was designed by the PUNOs in consultation with the Government counterparts, chiefly the MoFEPD, the NPC, the NLGFC and the MoLGRD. The Joint Programme builds on activities being and having been implemented by the PUNOs with the same partners and with the same objectives in mind and its financing will be used to accelerate their implementation and as an occasion to integrate the PUNOs agendas. The Joint Programme's implementation will follow close engagement with national and district-level government counterparts. Moreover, the programme will continue to actively engage with all major political parties to ensure that improving the country's financing architecture will remain a key political priority throughout the political spectrum. These mitigation strategies will also contribute to reducing the effects of the likely economic downturn connected to the COVID-19 global outbreak that might severely impact on the national budget. Among the activities specific to reduce or mitigate these risks are regular meetings with senior government officials to follow-up on the Joint Programme's progress and results; advocacy and capacity building activities for Members of Parliament and Political Parties; close and regular engagement with local level leadership and stakeholders; and communication activities to raise the general awareness and support for the improvement of the country's financing architecture at national and local level. The Joint Programme team will monitor closely the engagement and support from these stakeholders during these regular meetings.

The second influence element is the relation with the Development Partners involved in the fiscal decentralization sector. The sector is well funded and the programmes put in place by the different donors are comprehensive, wide ranging and solid. Yet they are not developed holistically and in a concerted way. This causes overlaps, duplication and poor coordination and strains the Government's already scarce human resources. The risk to worsen the situation is therefore to be accounted for.

This Joint Programme was designed with a clear picture of the situation in mind. Thus, it aims at bridging the existing gaps in between the major programmes in the sector, LGAP, GESD and TRACTION. In doing so, it also provides building blocks and tools to the GESD programme which is poised to start after the Joint Programme and to leverage on the capacity the TRACTION programme will have built in the CSOs. Furthermore, it addresses several of the shortcomings identified by the LGAP in its reporting as discussed in Section C. In sum, it carefully avoids the risks of duplication and overlaps by focusing on the missing links and acting as a catalyst of resources and interventions from other donors.

The third are environmental and socio-economic factors. The current COVID-19 outbreak did not yet claim cases or victims in the country. Yet the it is highly unlikely that Malawi will be spared as all the neighboring countries already registered cases and victims and the borders are extremely porous. Furthermore, Malawi will be also hit by the forecasted global recession

and see its supply chains disrupted and its export markets shrink. Government staff might be reassigned to work on the emergency measures that are going to be put in place to cope with both the healthcare and the economic emergency and so the UN staff and the personnel of NGOs and Development Partners. People's movement might be restricted, and meetings discouraged. Such scenario of disruption must be accounted for seriously.

The financial nature of the outbreak's effects in its aftermath will keep the attention on the need of a better financing architecture high, yet capacity and activities will be impacted. To decrease the impact, the Joint Programme will prioritize those activities that are more technical and do not require as much engagement from the Government and the stakeholders as well as reprogram the activities at a later stage, frontloading the preparatory work. In case of long-lasting disruptions, capacity building activities and meetings can be organized from a distance and proxies to data collection and fact-finding missions identified. Similar arrangements will be put in place in case of electoral and post-electoral troubles of the like of those experienced by Malawi in 2019. These usually do not allow for movement of UN staff in Lilongwe and around the country, but are usually punctual and of limited length.

Lastly, the programme is grounded in UN principles including the principles of non-discrimination (including the principle of gender equality), transparency, accountability and participation, and are closely aligned to international instruments, such as the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on Elimination of All Forms of Discrimination against Women, the Convention on the Rights of the Child. Moreover, the programme will be managed and implemented according to the highest standards of quality and ethics, to ensure no significant reputational risk to the UN.

| Risks | Risk Level: (Likelihood x Impact) | Likelihood: Certain - 5 Likely - 4 Possible - 3 Unlikely - 2 Rare - 1 | Impact: Essential - 5 Major - 4 Moderate - 3 Minor - 2 Insignificant - 1 | Mitigating measures | Responsible Org./Person |
|--|--------------------------------------|--|---|---|-------------------------|
| Contextual risks | | | | | |
| COVID-19 outbreak in the country (endogenous shock) causes a lockdown | 20 | 4 | 5 | Focus on the technical aspects of the JP, delaying the tasks requiring presence on the field and running meetings and capacity building on distance. Reprogramming validation meetings and task requiring large gatherings 6 months after. Discuss with the counterparts both at technical and managerial level to find alternatives. | RCO and PUNOs |
| COVID-19 global outbreak causes a recession in the country (exogenous shock) deteriorating the security levels | 20 | 5 | 4 | Focus on the technical aspects of the JP, delaying the tasks requiring presence on the field and running meetings and capacity building on distance. Reprogramming validation meetings and task requiring large gatherings 6 months after. Discuss with the counterparts both at technical and managerial level to find alternatives. | RCO and PUNOs |
| COVID-19 global outbreak causes a recession in the country (exogenous shock) causing MoFEPD to focus on more immediate needs | 10 | 5 | 2 | Focus on the technical aspects of the JP, delay engagement of government staff and capacity building activities directed to MoFEPD Identifying one focal point per each institution whose time can be spared to bring forward the activities under the programme. | RCO and PUNOs |
| Delays in implementation connected to the electoral process (which often requires staff in the ministries and local authorities to support the organization, running and aftermath of the elections) | 6 | 3 | 2 | Focus on the technical aspects of the JP, delay engagement of government staff and capacity building activities directed to government staff at central and local level. Identifying one focal point per each institution whose time can be spared to | RCO and PUNOs |

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|---|----|---|---|---|---------------|
| | | | | bring forward the activities under the programme. | |
| Civil unrest connected to the electoral process and/or outcome | 6 | 2 | 3 | Focus on the technical aspects of the JP, delay engagement of government staff and capacity building activities that cannot take place from a distance. Reprogramming validation meetings and task requiring large gatherings 2 months after. | RCO and PUNOs |
| Programmatic risks | | | | | |
| Government does not lead the process and truly own its results and products | 10 | 2 | 5 | Continuous engagement with political actors in Government and Parliament - Leverage in ongoing capacity building efforts for coordination and leadership for government officials involved in financing and fiscal decentralization | RCO and PUNOs |
| Lack of Government commitment during implementation | 8 | 2 | 4 | Identification of key focal points in the leading institutions to champion the JP and the related tasks. Wider group of Government stakeholder engaged to distributed the workload over more Departments and Sections, to reduce the burden and increase the buy-in. | RCO and PUNOs |
| Spoil system connected to the elections removes key focal points among Government officials | 6 | 3 | 2 | Ensure the JP | RCO and PUNOs |
| Development Partners reject the programme and do not support its development | 3 | 1 | 3 | Include Development Partners in the process and activities of the programme | RCO and PUNOs |
| There is insufficient or no cooperation from the many different actors in the sector to provide information and inputs to the different stages of the process | 8 | 2 | 4 | Engage closely with stakeholders to ensure understanding, ownership and support of the process, and plan for delays and challenges in accessing information | RCO and PUNOs |
| Institutional risks | | | | | |
| The JP's implementation brings reputational damage to the UN and/or PUNOs | 3 | 1 | 3 | The JP is grounded in UN principles including the principles of non-discrimination (including the principle of gender equality), transparency, accountability and participation, and | RCO and PUNOs |

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|---|---|---|---|--|-----------------|
| | | | | are closely aligned to international instruments, and with national priorities as expressed in MGDSIII | |
| Fiduciary risks | | | | | |
| Misuse and abuse of funds of cash transfers, by service providers, local stakeholders, or opportunistic individuals | 8 | 2 | 4 | Programme implementation to follow best practices in transparency, accountability and participation; use of robust monitoring mechanisms for delivery of payments; Close cooperation with local authorities and stakeholders to ensure on-the-ground awareness and transparency; Leverage on the ongoing works on payment solutions modelling towards better inclusion of the private sector service providers | UNDP and UNICEF |