



Republic of Malawi

Good Governance and Accountability to Harness the Demographic Dividend in Malawi

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Introduction

Good governance and accountability are essential for sustainable and inclusive economic growth. They ensure equitable allocation and distribution of public resources and the efficient delivery of public services, which among other things creates a conducive environment for private sector investment and growth. Recognising the magnitude and complexity of the development challenges that Malawi faces, there is widespread consensus among development practitioners, financiers and scholars that the Government of Malawi needs to adopt and operationalise sound public administration institutions and practices.

The Malawi Growth and Development Strategy II (MGDSII) prioritises governance as one of the pillars for transformational socio-economic development, with focus on four themes: economic governance, corporate governance, democratic governance and public sector management. Corruption is identified as crosscutting in nature and affecting all other elements of good governance.¹ If citizens are empowered, if political power-holders and bureaucratic/technocratic authorities are effective, accountable and responsive, if spaces for negotiation are expanded, effective and inclusive, then Malawi will have a high probability of harnessing a significant *demographic dividend* (DD).²

The demographic dividend is the economic benefit that arises from a significant increase in the ratio of working-age adults relative to young dependents that results from rapid decline in fertility and mortality. To earn a significant demographic dividend, investments that help accelerate fertility decline and change in age structure should be accompanied by simultaneous strategic investments in education and skills development, public health, economic reforms that enhance job creation and enhanced governance and accountability measures.

This policy brief highlights key policy and programme opportunities to strengthen governance and accountability in Malawi. The brief is derived from a study that found that Malawi would earn a massive DD and its per capita GDP would increase from USD 397 in 2014 to USD 9,351 by 2054 if the country prioritises integrated investments to fast-track fertility decline, enhance human capital development and job creation, and ensure efficiency and accountability in use of public resources and service delivery.³

- Good governance and accountability are essential for the equitable allocation and distribution of public resources and efficient delivery of public services, and to galvanise investor confidence, which can ignite the socio-economic transformation of the country
- To strengthen measures aimed at enhancing good governance and accountability in the country, Malawi should:
 - Strengthen the economic and corporate governance frameworks to instil confidence and trust among domestic and foreign investors
 - Reinforce public sector management for efficient delivery of public goods and services
 - Empower citizens, civil society, the media, and the private sector to fight and report corruption and strengthen anti-corruption institutions and systems



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Malawi's recent performance on governance indicators

There are several areas in governance in which Malawi needs to improve to realise transition from a low-income country to a middle-income country based on data from the Worldwide Governance Indicators (WGI).⁴ The WGI are a research dataset summarising the views on the quality of governance

provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organisations, international organisations, and private sector firms (Table 1 describes the indicators and further details are available at <http://info.worldbank.org/governance/wgi/index.aspx#home>).

Table 1: The Worldwide Governance Indicators

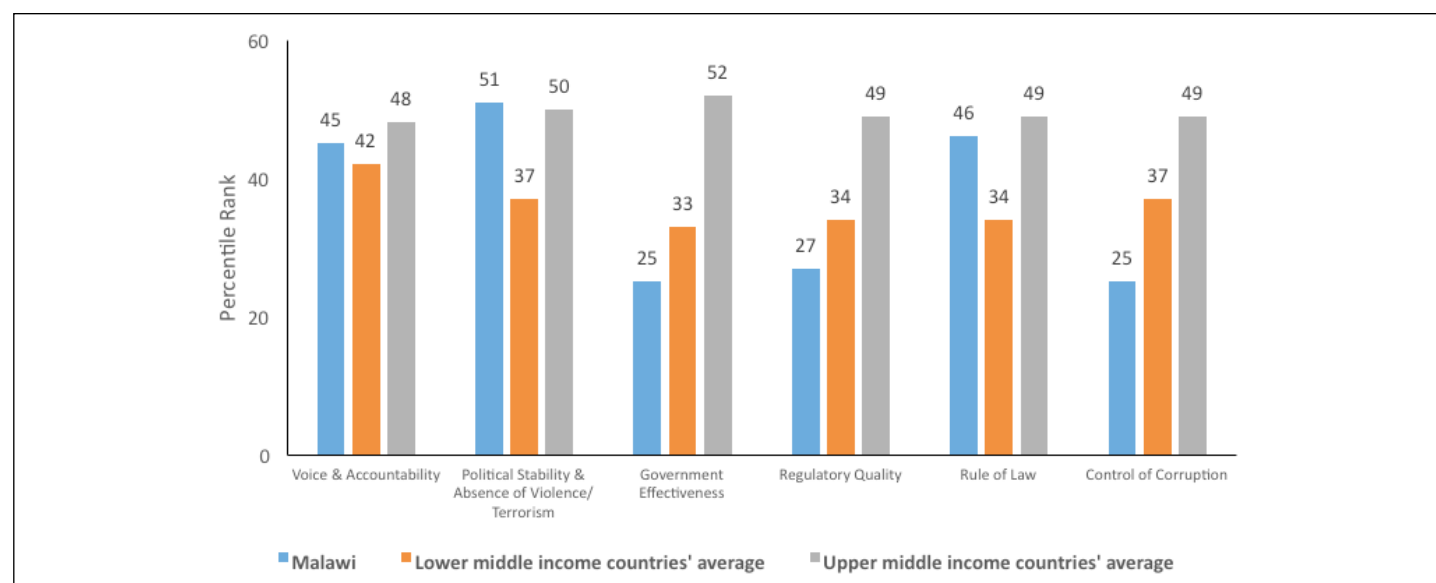
1. <i>Regulatory quality</i> : Capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
2. <i>Political stability and absence of violence</i> : Capturing perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.
3. <i>Government effectiveness</i> : Capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
4. <i>Voice and accountability</i> : Capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.
5. <i>Rule of law</i> : Capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
6. <i>Control of corruption</i> : Capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Source: Worldwide Governance Indicators

Recent data from the WGI 2014 dataset show that Malawi has much room to improve on governance relative to the rest of the world, and even to the average score of the middle-income country group that it aspires to graduate to. Figure 1 shows the country's percentile rank on each of the six governance indicators compared to the group average of lower middle-income countries and upper middle-income countries. Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores. For all the six indicators, it is notable that Malawi ranks

lower than half (50 percent) of the countries. But it is on three variables in particular that Malawi appears to require greatest effort to turn things around. The percentile rank shows that only 25 percent, 27 percent and 25 percent of the countries rank lower than Malawi on government effectiveness, regulatory quality, and control of corruption respectively. It is also on these score that Malawi ranks lower than the average of the lower middle-income countries while it does better than them and compares favourably to the average of upper middle-income countries on the other three indicators.

Figure 1: Performance on Governance Indicators, 2014



Source: Worldwide Governance Indicators, 2014

Good economic and corporate governance are crucial if Malawi is to increase domestic and foreign investments

Economic and corporate governance are central to economic growth and harnessing the demographic dividend. In terms of corporate governance, the 2007 World Bank Report on the Observance of Standards and Codes in Malawi outlined some good practices including a legal framework and traditions that enable the protection of shareholder rights and boards of listed companies that observe international standards of good practice. However the report noted that, “existing laws and regulations (including the Code of Corporate Governance) require harmonisation and updating”.⁵ Strengthening good corporate governance and implementation of the code of best practices will enhance public and private sector performance by reducing corruption and fraud in the country. Furthermore, good corporate governance can improve investors’ perception of the country, leading to increased levels of domestic and foreign direct investment, and therefore accelerate economic growth.⁶

Enforcement of justice and the rule of law to contribute to democracy and human rights entitlement for all citizens

Malawi has made efforts to improve democratic governance. For example, successful presidential and parliamentary elections have been held as scheduled, there has been growth of civil society and non-governmental organisations and a deepening of the culture of constitutionalism. Additionally, an independent election management body was created to run the electoral process in a multi-party environment, and the traditional court system that operated parallel to and often as an alternative to the judiciary during the one-party period was abolished to improve and uphold the discharge of justice in accordance with democratic ethos. A number of oversight and accountability institutions were created with strong mandates in law. These include the Office of the Ombudsman to check and address cases of public sector maladministration, the Anti-Corruption Bureau to lead the fight against corruption, and the Malawi Human Rights Commission to strengthen the respect for human rights.

Despite the existence of a progressive constitution and a robust human rights regime that provides a framework for rule of law, other factors constrain the observance of the rule of law. In particular, there is low capacity in institutions that must enforce and uphold rule of law; protection for vulnerable groups like women and children are still inadequate, reflected in incidents of domestic violence, rape, child defilement, and early and forced marriages of young

girls. Furthermore, the costs of legal services are high and there is a shortage of legal experts to help address human rights violations involving ordinary citizens. In addition, the vulnerable and marginalised are not fully empowered to seek and demand their rights. Efforts to enforce justice and the rule of law require robust implementation, monitoring and evaluation mechanisms to ensure that their objectives fully realised.

Accelerating governance and accountability reforms in Malawi

Recent reforms in governance and public service are an opportunity that can help the country to actualise its true potential. In 2015, the government launched the Public Service Reforms Programme as part of its commitment to make the public sector efficient and effective, and to restore trust through increased transparency in the public service. The formulation of the programme is on going and its reform agenda is focused on enhancing four key features of the public service: (i) Professionalism - to improve professionalism in how the public service operates; (ii) Responsiveness – to improve how the public service is geared up to respond to demand for quality service from the public; (iii) Openness and accountability – to ensure the public service openly engages and accounts for what it does; and (iv) Unity – to ensure the public service works in a cohesive and collective manner. Implementing these reforms fully as well as strengthening of the National Decentralisation Policy should be an important area of focus for the country to improve performance in all other pillars of the DD including the critical human capital development.

Governance mechanisms need to be put in place to ensure maintenance of long-term strategic goals that are insulated from political cycles. Effective public sector management is especially critical in the social sectors such as in health and education, which support the development of human capital necessary to harness the demographic dividend. Strengthening governance and accountability in the education sector can unlock bottlenecks to education quality including pervasive teacher absenteeism, lack of accountability by teachers to employers or parents, budget leakages, weak information systems that impede the ability to track effective use of public funds, and the absence of mechanisms to hold officials to account. In the health sector, there is need to design interventions that will expand the reach and quality of health care services with a focus on prevention as well as curative services. Health systems and planning require more transparency and accountability in supply chain management and more responsiveness to the general health needs of Malawians.

Focal governance elements for harnessing the demographic dividend

The governance issues above show that Malawi needs to urgently strengthen its governance and accountability principles, frameworks and practices for the country to address its pervasive development bottlenecks and harness the demographic dividend. Harnessing the demographic dividend will require better governance in the key sectors of health, education and the economy. Overall governance should seek to achieve the outcomes below:

- A developmental political settlement i.e. a system of rules and practices for governance that enables political, technocratic and business elites to shape, pursue and encourage achievement of explicit developmental objectives.⁷
- Social inclusion, i.e. participatory development processes whose positive outcomes are enjoyed by, or reach out to, all social groups.
- Transparency and accountability for decisions, indecisions, actions and inactions and for prudent use of resources in the delivery of policy objectives.
- Performance-based work culture and improved levels of public integrity achieved through spirited measures to control and stamp out corrupt practices that stand in the way of delivery of public goods and services.
- Promoting the spirit of collective action across the political divide and involving government, private sector, civil society and non-governmental organisation in a pursuit of clearly defined development goals.

Key policy recommendations to enhance good governance and accountability in Malawi

The discussion above demonstrates that for Malawi to maximise its potential demographic dividend, good governance and accountability should be central to its strategies in the key sectors of health, education, and the economy. Specifically, Malawi should:

1. Strengthen the economic and corporate governance frameworks to instil confidence and trust among domestic and foreign investors;

2. Adhere to the rule of law in order to attract foreign and local investors and to empower the population to actively participate in development activities;
3. Reinforce public sector management for efficient delivery of public goods and services;
4. Empower citizens, civil society, the media, and the private sector to fight and report corruption and strengthen anti-corruption institutions and systems to bring perpetrators to account.

Acknowledgements

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