



MALAWI

Final Main Report

GOVERNANCE AND CORRUPTION BASELINE SURVEY



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Acronyms

ACB	Anti-Corruption Bureau
AGD	Accountant General's Department
CHRR	Centre for Human Rights Rehabilitation
DFID	Department for International Development
EA	Enumeration Area
EP&D	Ministry of Economic planning and Development
ESCOM	Electricity Supply Corporation of Malawi
EU	European Union
GBST	Governance and Corruption Baseline Team
MASAF	Malawi Social Action Fund
MBC	Malawi Broadcasting Corporation
MCG	Millennium Consulting Group Ltd
MK	Malawi Kwacha
MRA	Malawi Revenue Authority
NSO	National Statistical Office
ODPP	Office of the Director of Public Procurement
OPC	Office of the President and Cabinet
PAC	Public Affairs Committee
RSA	Republic of South Africa
UNDP	United Nations Development Programme
USA	United States of America

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1 SUMMARY OF KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

2 Findings and Conclusions

2.1.1 Service Quality Performance, Honesty and Integrity Ratings of Key Public Agencies

An essential measure of governance in any country must be the quality of services government delivers; whether it be in the form of law enforcement, regulation of markets or social services such as health and education. While service quality is one measure of the strength of governance, the second is integrity/honesty and, inversely, corruption.

Users (comprising households and businesses) in Malawi generally rate the quality of services of key public agencies as generally being below expected standards. In both the household and business responses, **the Traffic Police, the Immigration Department, the Administrator General, and the Road Traffic Directorate** receive fairly low performance evaluations. In both response sets, **MBC, MASAF, the Postal Service, Water Boards, and Malawi Telecommunications** receive fairly high performance evaluations.

Households tend to be more generous in their evaluations of public institutions than do business. Of the 23 institutions rated by households, 16 received positive rating while of the 28 rated by businesses 23 received negative ratings

Most public agencies are rated low in terms of honesty and integrity. In both the business and household responses, **Political Parties** and **Members of Parliament** are seen as being the institutions/personalities with the least integrity or most dishonest. The very poor integrity/honesty rating of Political Parties and Members of Parliament is indicative of the existence of a fairly high incidence and frequency of "Political Corruption" most likely resulting from a malfunctioning political financing regime. The **Traffic police, the Immigration Department, the Administrator General, the Road Traffic Commission, and the Customs Authorities** also receive low ratings. **Water boards, the postal service, and Malawi telecommunications** receive relatively high ratings for integrity/honesty from both households and business.

Ordinary citizens give fairly low ratings to the courts, business enterprises give courts a relatively high rating for integrity. This result is, arguably, a reflection of citizens' relatively limited access to the formal court system.

Overall, the survey results suggest that users (households and businesses) regard public institutions (for which the ranking was performed) as delivering generally inferior quality services or alternatively that none of the public institutions listed is performing exemplary public service in Malawi.

A notable trend that stands out when comparing the performance versus integrity/honesty of institutions is that these factors are highly correlated. When users deem performance delivery in public institution to be high, there are also most likely to regard the institution has having high integrity and honesty and vice versa.

The most bribed institutions, such as the **Directorate of Public Procurement, the Immigration Department, the Traffic Police and the Directorate of Road and Malawi Revenue Authority (Customs Department)**, are the very organizations that users rate low in terms of service quality, honesty and integrity

2.1.2 Corruption and Development

Most Malawians view corruption as being a major constraint to development in Malawi. There is little difference between urban and rural residents in appreciating corruption as a major constraint to development just as there is little difference between urban and rural residents in the recognition that corruption is the most serious problem facing the country.

Malawians overwhelmingly reject the argument that **"Corruption is a natural occurrence and a part of our daily lives, so denouncing it is unnecessary."** Just under three-quarters (72%) of the citizen interviewed disagreed with this argument. This implies that Malawian citizens do not condone or accept corruption as the norm; but does not of itself represent a denial that corruption does not exist.

Corruption is seen as a significant impediment for the general growth and operation of businesses in Malawi. 44% of businesses interviewed regarded corruption (both public and private) as a major impediment to operation and growth of their business; nearly a quarter of businesses (23%) chose public sector corruption while 21% chose private sector corruption, respectively, as the most important factor negatively impacting the operation and growth of business. However, experience from other countries and many experts believe that the issues of crime and public and private sector corruption are often closely linked. If this hypothesis is also true in Malawi then collectively these three issues equal a much significant factor affecting the operation and growth of businesses in Malawi (as much as 76%).

Even though there is a relationship between assessment of integrity/honesty of public institutions and their performance, most ordinary Malawians do not think that various corrupt acts that may prevail in the country have had an impact on their household's well-being. This finding suggests that ordinary citizens have little understanding of how corruption impacts their lives. Thus, more applied research is needed so that the real cost of corruption is revealed and appreciated by them. Only then will the public rise to the occasion to do something about it.

On the other hand, the vast majority of public officials recognize that corrupt acts do have a significant impact on the economy.

2.1.3 Severity of and Trends in Corruption

The survey findings indicate that nearly 9 out of 10 citizens believe corruption is a serious problem in Malawi and approximately 70% of the ordinary citizens believe the corruption problem has gotten much worse over the last ten years while only 2% believe the situation has gotten better. Nearly 60% of citizens believe that it is common for citizens to pay gratification to public officials. Overall, the ordinary citizens are much more wary of the prevalence of corruption than either business or public officials and also tend to be more skeptical about improvements in corruption over past several years.

Nearly one quarter (23%) of businesses believe it is common to pay gratification. Business enterprises, whose firms have made sales to the public sector over the past two years, are more likely to say that it is common to pay gratification (34%) than those firms who have not made sales to the state sector.

55% of businesses cite delayed payments as a major obstacle to doing business with the government in Malawi, one reason why many businesses say that gratification has to be paid to public officials to get invoices paid under state contracts. Gratification itself is cited as a major obstacle by 42% of businesses in the survey. Businesses in the service sector are more likely to cite gratification as a major obstacle than those in the commercial sector (49% versus 36%)

84% of public officials believe that corruption was prevalent in government 10 years ago (compared to 33% now). Thirty percent believe that corruption was prevalent in their organization 10 years ago (compared to 13% today).

On average, public officials say that gratification represents nearly a quarter (23.25%) of salaries for those working in their organization. Public officials working in the legal sector have a higher average estimate for what percentage of salary gratification represents for their colleagues (32%) than do those working in the service ministries such as education and health and those working in the policy ministries (less than 23%)

Gratification is commonly shared among public officials. On average, public officials say that someone obtaining corruption shares 26.88% with their superiors, 20.96% with their colleagues in the organization and 24.61% is shared with politicians or political parties. Taken together this represents nearly 73% of the gratification.

When public officials are asked how often jobs in their organization are obtained through gratification, close to four in ten say that at least some of the jobs in their organizations are obtained through gratification. One implication of this finding is that many jobs in public institutions may not be filled by the most qualified applicants. This conjecture is supported by public officials' responses on another question. When public officials are asked how often in their organization the most qualified applicant gets a job, 45% of public officials say that the most qualified applicant always or usually gets the job.

The fact that many positions in public institutions may be filled through gratification has obvious implications for the professionalism and performance of public officials. Another factor that may

mitigate performance of these officials is the fact that they are not rewarded for their efforts in their professional endeavors.

2.1.4 Sources and Patterns of Corruption

The general public and public officials believe that, in most cases, the public official asks for gratification; business enterprises, on the other hand, believe that, in the most cases, the business offers the gratification to public officials. This finding strongly suggests that the private sector provides fertile ground both for corruption itself to take hold and for the remedies required to address it.

The **Directorate of Public Procurement** is the leading public agency in which the highest proportion of contacts that lead to a request for gratification. More than half the contacts private enterprises had with the agency resulted in a request for gratification. Other public institutions characterized by comparatively high requests for gratification include the **Malawi Housing Corporation, Immigration Department, the Traffic Police, Malawi Revenue Authority (customs), Directorate of Road Traffic, and the regular Police**

Public institutions that are characterized by low levels of request for gratification include the **Postal Service, the Bureau of Standards, Public Health Services, and the Water Boards.**

Overall findings indicate that 17.38% of contacts with Malawian public institutions result in requests for gratifications from a public official working at the public institution. Alternatively, on average, for every 10 contacts a private enterprise has with a public agency approximately two contacts result in a request for gratification.

68% of the firms that have government contracts say that at least some procurement contracts in their industry or sector involve gratification. When asked how much of the contract value must be offered in gratification to secure the contract, the mean estimate is 3.74%.

92% of public officials believe that low salaries and the lack of an effective corruption report system are important factors explaining corruption in the public sector. Eighty-seven percent believe that the lack of incentive mechanisms for public officials is also important

The majority of public official (54%) claim that their organization never rewards professional achievement; 37% say that their organization only does this sometimes, while few say their organization does this often (5%) or always (3%). In none of the organizations represented in the sample do more than 15% of public officials say that their organization often or always rewards excellent professional achievements

2.1.5 Sector Issues

2.1.5.1 The Judicial and Legal System

Many businesses in Malawi are dissatisfied with the level of information on laws and regulations impacting them and the consistency in application of these laws and regulations. More than a third of firms are generally dissatisfied with the legal and regulatory environment in the country. Forty-one percent believe that regulations are inconsistently applied.

A large majority of businesses are not dissatisfied with the transparency and enforcement of laws and regulations

Both the general public and businesses believe that a major obstacle to using the court system is that the courts are influenced by corruption and that using courts entails too high unofficial costs

Many ordinary Malawians and registered businesses report using alternative dispute resolution (ADR) mechanisms to resolve disputes

2.1.5.2 Education and Healthcare

Rural residents suffer from a lack of choice as they are primarily reliant on government facilities for education and health care services.

The survey findings suggest that there is level of gratification that is paid to public officials for those services is not significant

2.1.5.3 Public Utilities

Rural residents have severely limited, or no, access to key public utilities such as electricity, water, and telephone

Three percent or less of rural residents indicated that their residence was connected to the public electric or water supply

Land line telephone service is rare even in urban areas as only 14% indicated they had a telephone line in their house, while in rural areas less than 0.5% had a telephone line

The survey results show that the rarer the public utility, the more likely Malawians are to have used unofficial means to get connected to the service

In the case of electricity supply, 94% of those with public electricity supply say they were connected officially while 5% say they were connected through unofficial means. In the case of water supply, 82% were connected officially while 14% were connected unofficially. Finally, in the case of telephone, 68% were connected officially while 30% were connected unofficially

Most Malawians who have these three utilities are fairly satisfied with the reliability of the service. Ninety-one percent of those with telephone service say that they are very or somewhat satisfied with their service. This figure is 87% for those with water supply and 82% for those with electricity supply

In the case of In the case of electricity supply, 11% say that they sometimes pay their bills unofficially and 29% say that they have paid gratification related to electric supply in the past. These percentages are 19% and 6%, respectively for water supply. In the case of telephone lines, 11% say they sometimes pay their bills unofficially but none admit to having paid gratification in the past for their telephone line

61% of the businesses in the business sample are connected to the public electric supply, with nearly all registered businesses connected but only 35% of unregistered businesses are connected to public electric supply. Nine percent of the businesses report that they own generators to tackle reliability problems with the electric supply. The average amount spent annually by these firms on the generators is MK273342, a cost resulting from the lack of reliability in the electric supply.

Thirty-seven percent of firms report being connected to the public telephone system. But 58% also say that their firm uses mobile phones, primarily because of the unreliability of the public phone system.

2.1.6 Fighting Corruption

2.1.6.1 Political Will

Public officials and the general public generally believe that the current Malawian government has a genuine desire to fight corruption.

Public officials also believe that there is also a genuine desire to fight corruption in their own organization

Three-quarters (75%) agree that the government's anti-corruption strategy is effective, while only 16% believe it is not effective. Confidence in the effectiveness of the government's strategy is an important boost to current anti-corruption efforts in Malawi.

2.1.6.2 Institutional Support

Religious Bodies, the Anti-Corruption Bureau, the Media and NGOs receive a high rating as institutions that have been most effective in combating corruption

But others, such as the **Police, the Courts, Academics, Ombudsman** receive poor ratings, with **Parliament** getting the lowest rating. Fifty-five percent of citizens believe Parliament has not helped in fighting corruption

2.1.6.3 Reporting Mechanism

The vast majority of those who have observed corrupt acts have not reported these acts.

Ordinary citizens were especially concerned with potential harassment, and cited this reason most often to explain why they did not report the corruption.

A significant percentage of both public officials and ordinary citizens say that they did not know where to report the corruption. This finding indicates that many Malawians lack the information needed to report corruption to the proper office or agency

2.2 Recommendations

These findings and conclusions lead us to make the following recommendations:

- (a) Corruption is a complex phenomenon, and so must be the measures designed to fight it. Solutions must be grounded in reality and relate to each part of the country's institutional framework. Indeed fighting corruption is not a straightforward task. Not only must the approach be holistic, but it must also be carried and supported by all stakeholders in the society. The challenge lies not only in devising reforms that if realized would lead to better governance and less corruption but, more importantly, in devising measures that can feasibly be implemented;
- (b) The extent to which political will exists and is maintained throughout the reform process both among representatives of the political and administrative establishment and among civil society and the private sector, will ultimately determine the success or failure of anti-corruption reforms. Political will, however, is difficult to maintain in the light of changing alliances, shifting public preferences, and the lack of the immediate visibility of positive results. A major challenge lies therefore in the creation and strengthening of stakeholder support through means such as awareness-raising, transparency and access to information, and the public backing of reform by leaders from all sectors. This, in addition to a clearly defined and comprehensive set of anti-corruption measures, is a central prerequisite for implementing reform towards a sustainable, well-governed state;
- (c) The control of flows of money into and out of politics should not be ignored when considering implementation of anti-corruption reform. Political finance is a mechanism by which political parties and candidates acquire power and is, therefore, at the root of political corruption. Political corruption undermines democratic and economic well-being and reduces accountability and representation in policy-making. Political corruption leads to corruption in other spheres of life, either by design, by example or by the failure of elected leaders to enact anti-corruption laws and foment transparent practices;
- (d) The majority of public institutions in Malawi need to focus on improving performance in service delivery. One key to ensuring that this happens is to pay special attention strengthening the provision of effective oversight of government spending and public finance management so as to limit opportunities for financial malpractice and the abuse of power. This effort must include developing strong ties with the media as a means of drawing public attention to corruption cases that they are brought to light by audits and other oversight vehicles. This heightens public awareness of audit findings and thus produces an effective deterrent against future corruption. Yet another key is to effectively support and promote integrity, within the public service (enhancing "ethics infrastructure"). Essentially preventive in nature, codes of conduct have the potential to avert corruption and administrative misconduct before they occur;
- (e) From a governance improvement and corruption reduction perspective, it is intuitive that priority needs to be placed on those public institutions that are deemed by users to be inefficient and dishonest. In other words prioritize reforms in important "troubled agencies" such the **Directorate of Public Procurement, Parliament, Political Parties, Traffic Police, Administrator General, Malawi Revenue Authority (customs unit), the Road Traffic Directorate, the Malawi Housing Corporation** and the **Immigration Department** to improve service delivery and accountability. The survey findings indicate that these agencies represent "high risk" areas that foster an environment that favors fraud and corruption. Focusing audit strategies on areas deemed prone to corruption, can be of great value in both deterring and detecting corruption;
- (f) Two areas of government functions need immediate attention:
 - The first is the procurement system. The business surveys show that the procurement process is the chief repository of corruption in business' dealings with the government, and the system should be strengthening and closer scrutiny to avoid corruption in both the granting of contracts and payment of invoices. It is significant that business report paying an average of 7% 'gratification tax' to manage the procurement process;
 - The other area of government functions to be addressed is personnel policy. Given the high percentage of public officials who report that positions are bought in their organization and

who say that the most qualified applicant does not always get the job, the procedures for hiring of employees need to be addressed. The reward system in public institutions also needs to be addressed because a majority of public officials do not think that compensation is related to performance in their organization;

- (g) Yet, if real change is to occur, anti-corruption efforts must reach beyond state reform and become engrained in the every-day activities of other significant social actors. The roles and responsibilities of both the private corporate sector and civil society should be clearly recognized in this regard. For though they operate within the regulatory framework set by the state, these sectors provide fertile ground both for corruption itself to take hold and for the remedies required to address it. It is, thus, vital to encourage active involvement of business sector and NGOs, including religious bodies in devising national anti-corruption strategies and programs.
- (h) Users in the business sector have positive evaluations of their experience in the courts, but still many more businesses (including those who have used courts) use ADR to settle disputes. Since length and complexity are the two biggest complaints of businesses with regard to the court system, this should be addressed. The reform of the court system is likely to be a long process. Thus, the ADR system should be supported to provide a viable alternative for resolving disputes, especially for commercial disputes. More than half of businesses report using ADR.
- (i) The regulatory environment for businesses needs to be made more transparent and information about laws and regulations impacting businesses should be easier to obtain. Particular efforts should be made to make information easier to obtain for smaller businesses in the commercial and services sectors.
- (j) One key in reversing a pattern where the vast majority of those who observe corruption do not report it is for the governing authorities to continue to demonstrate by action its firm commitment to fighting and preventing corruption. In order to capitalize on unusually strong stakeholder support this commitment will need to be demonstrated and communicated widely in a timely, concrete manner. This will require a number of initial steps and decisive leadership, particularly by the ACB and the Office of the President., including creating a government wide mechanism, such as a "Blue Ribbon Steering Committee", that can direct, lead and systematically monitor and report on progress in fighting and preventing corruption on an on-going basis. Experience from around the world has taught us that this committee should be chaired by the President and co-chaired by the top leadership of the other two branches and highly reputable figures from civil society and the business community. The ACB has a very important role to play as the committee's primary interlocutor, convener of regular meetings, secretariat and information collection and dissemination mechanism. However, the ACB will need to maintain its independence so as to not make it appear it is under the total control of the President or political regime. The committee should discuss and quickly decide upon next steps, including the development of a clear, holistic short and long-term strategy and action plan through broad stakeholder discussion and a series of local and national workshops
- (k) Another important first step will be to provide incentives to encourage more people to report on corruption. Appropriate and proportional financial awards need to be urgently considered for those who blow the whistle and save government money. The development of a clear policy statement and guidance to all agencies related to what the responsibilities and procedures are for reporting corruption for all government employees and citizens should be developed, implemented and strongly supported. Without these whistleblower and access to information incentives most will continue to fear economic or physical harassment, they will know what their basic responsibilities are and they will not know who to report to (having anonymous reporting mechanisms in place will also be important). Initially many of these issues can be handled through clear policy directives but new laws that can be implemented in practice will likely need to be developed over time. Global experience has, again, taught us that unless comprehensive access to information and whistleblower laws and policies exist, any efforts to address and more importantly prevent corruption will only be piecemeal at best.

2.3 Background to the Study

Governance is the way in which public power and authority is formed and used to control and manage society's resources. Good governance rests on four pillars:

1. **Accountability**:- meaning that public officials can be called to task for their actions;
2. **Transparency**:- meaning that relevant information is accessible at low cost;
3. **Predictability**:- meaning that policies, laws and regulations are clear, known in advance and are uniformly and effectively enforced; and
4. **Participation**:- meaning that the public is consulted on government actions that affect them

Corruption, commonly defined as abuse of public or private office for private gains, is a key symptom of weak governance. Corruption - the misuse of entrusted power for private gain - has a severely debilitating effect on the economic, social and political environment in which it occurs. Corruption hampers economic growth, burdens the poor disproportionately, and undermines the effectiveness of investment and aid. Thus, anti-corruption strategies need to be an integral part of a development framework designed to help the country eradicate poverty and stimulate economic growth. A good governance program needs to focus on in-depth analysis of the institutional factors behind corrupt practices and behavior and should help the nation's understanding of the shortcomings of its policies and institutions and design its own strategies to improve governance.

The Malawi Government, through the Anti-Corruption Bureau (ACB) conducted this "Governance and Corruption Baseline Survey" from June to November, 2005. The actual data collection started on 22nd October, 2005 and was completed on 29th November, 2005. The UK Department for International Development (DFID) provided financial support for the execution of the survey. The study was conducted by a local firm, Millennium Consulting Group Limited (MCG) in association with IFES of the United States of America.

2.4 Purpose of the Study

The survey's principal aim is to attempt to ascertain the locus and extent of corruption in Malawi and to determine how citizens understand and perceive it and how actual "users" of the system, including businesses, citizens and government officials, have actually experienced it in practice.

This report provides the ACB and the Government of Malawi with first-of-its-kind apolitical and empirical information, which can be used, *inter alia*, for multiple objectives by multiple stakeholders, including an anti-corruption workshop with broad participation from all branches of Government, as well as the parliament, the judiciary, the public service, civil society, faith-based organizations and the private sector. We hope the survey results, analysis and ideas for consideration will be widely discussed and debated and that a strategic priority setting workshop will be used to help the Malawi Government, the ACB and its citizens develop informed strategies, priorities and a concrete short and long-term action plan. The survey results:

1. Provide accurate knowledge on the extent of corruption in Malawi
2. Give apolitical data and analyses on some of the empirically describable dimensions of corruption upon which governance and anti-corruption policies, strategies and measures should be formulated
3. Measure perceptions relating to corruption and delivery of public services
4. Provide benchmark data for subsequent surveys of a similar nature

Key features of the diagnostic comprised the following:

1. Multi-pronged, separate surveys of users of public services- households, firms and public officials, which permits the triangulation of results;
2. Use of experience-based (versus 'opinions'/generic) type of questions;
3. A broad governance and service delivery conceptual framework and;
4. Rigorous technical specifications at the implementation stage

The analysis developed with this approach will encourage local stakeholders to make use of the results to promote a constructive debate on institutional reforms and should also lead to a non-political debate on concrete changes. The specific data should help steer a non-political, substantive debate on institutional, processes and participation issues rather than on individuals, which would serve to de-politicize the issue and facilitating consensus and reforms.

Broadly, the survey tools were designed to gather in-depth country data that would provide a key input to the knowledge, action learning and the design of strategies and programs. The data are meant to empower citizens, enterprises, legislators and reformists in government and build momentum for

reform. The survey should assist the country in its preparation of action programs, promoting broad participation and consensus building. The results should be useful to the government, civil society organizations, faith-based organizations and the private sector to jointly design a national strategy and program to fight corruption.

Specifically, the household survey component draws lessons on what citizens think and experience about public services and the level of service they receive when going through required procedures. The enterprise survey component provides a better understanding of the reasons that prevent or limit the development of businesses in Malawi. It specifically looks at the impact of the diverse modalities of corruption in development of the private sector. The study is undertaken in order to make recommendations that allow the elimination – or, at least, significant reduction of – the sources of corruption that limit competition and increase costs, and that, therefore, weaken the possibilities for business growth. The public officials' survey component identifies the practices that have developed within the public institutions related to the distribution of public services. Some of the questions and responses relate to the actual experiences, not perceptions, of these stakeholders and they are highlighted in this report.

2.5 Study Methodology and Sample Design

As in standard international practice, the Malawi Governance and Corruption Baseline survey was conducted as a composite survey involving randomly selected households, public officials and enterprises, who were asked to respond, in a face-to-face interview, to structured and pre-tested questionnaires. The questionnaires were based on those prepared by the World Bank and as refined through consultations with an especially constituted Governance and Corruption Baseline Survey Team (GBST). The questionnaires were further refined and adapted to Malawian conditions through a pilot study conducted before full implementation of the survey.

The diagnostic surveys of household, public officials and business enterprise adopted different sample designs. Altogether, 1,120 households, 539 public officials and 626 business enterprises were selected nationwide for interviewing. The survey samples were designed, subject to important time and financial limitations, to ensure high quality of data. The sample designs were submitted for review and approval to the National Statistics Office (NSO) as required by the NSO Act (1967) (Rev 1985). A full description of the methodology and design protocols adopted in undertaking the study is provided in a Part II of this report – “**Methodology and Instruments**”.

2.6 Limitations of the Study

Ultimately, the surveys provide a reliable representation of the views and quantitative estimates of those that responded – but they can not possibly assess the level of knowledge or honesty of each respondent, nor can they represent information withheld from the interviewer.

3 PERCEPTIONS AND EXPERIENCE OF GOVERNANCE AND CORRUPTION – EVIDENCE FROM CITIZENS AND BUSINESSES

3.1 Users’ Views of Public Agencies’ Performance: Public Service Quality and Efficiency

A central measure of governance must be the quality of services government delivers; whether it be in the form of law enforcement, regulation of markets or social services such as health and education. This section presents the evaluations of users (households and enterprises) of public services with regard to service quality and efficiency.

The surveys asked respondents to rate the performance of a variety of public services in terms of service quality and efficiency. Respondents on both the household and business surveys (together comprising the primary users of the services of public institutions) were asked to rate the performance of a variety of public institutions on a scale of 1 (very poor) to 4 (very good).

The mean rankings for each institution are presented in Figure 1 and Figure 2.

Figure 1: Citizens Evaluation of the Performance of Public Institutions

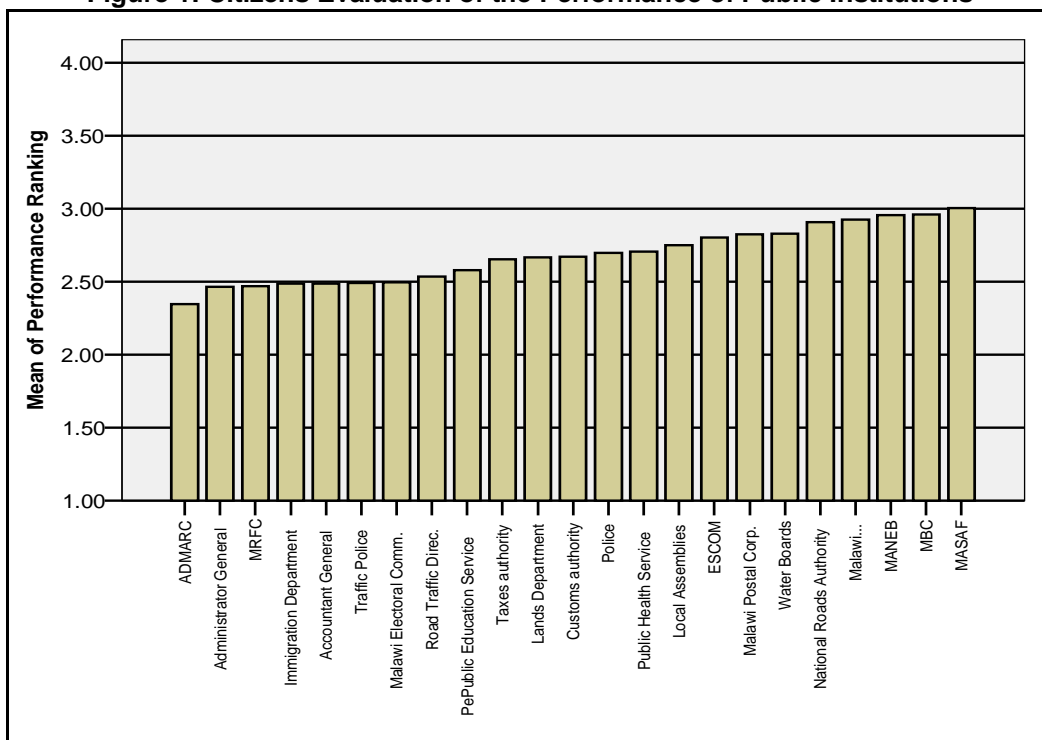
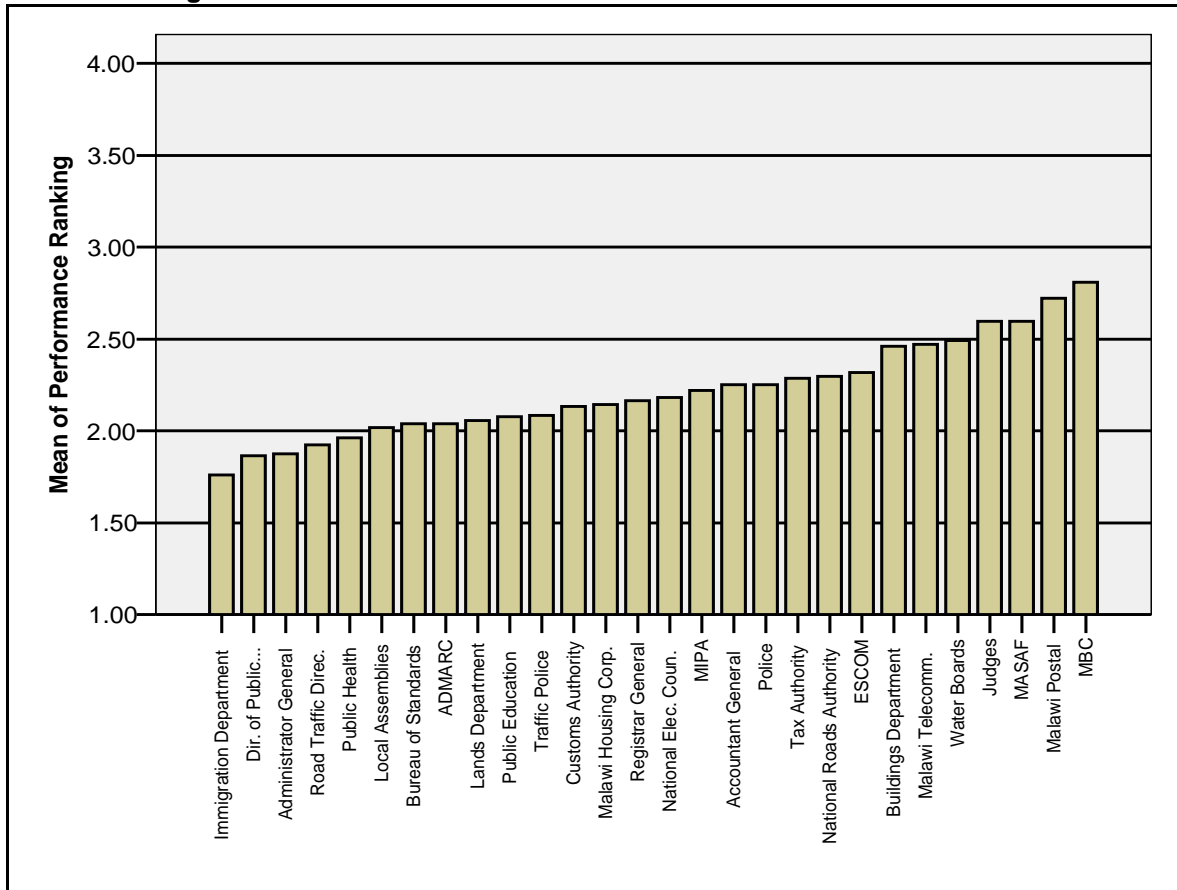


Figure 2: Private Sector’s Evaluation of Public Institution Performance



Firms and households generally rated the quality of services of key public agencies as generally low. In both the household and business responses, **the Traffic Police, the Immigration Department, the Administrator General, and the Road Traffic Directorate** received fairly low performance evaluations. In both response sets, **MBC, MASAF, the Postal Service, Water Boards, and Malawi Telecommunications** received fairly high performance evaluations.

It is noteworthy that only one institution in the household responses, MASAF, received a rating higher than 3.0, while none of the institutions received this high a rating from businesses. A rating of 3.0 corresponds to a ‘somewhat good’ performance rating. This indicates that none of the major public institutions is performing exemplary public service in Malawi.

A rating of 2.50 corresponds to a neutral rating which indicates that the institution is seen as neither doing a poor or good job, and any value below this would indicate a net negative rating and any value above would indicate a net positive rating. Using this criteria, ordinary citizens tend to be fairly generous in their evaluations with 16 of 23 institutions receiving net positive ratings from the household respondents. On the other hand, 23 of the 28 institutions rated by businesses receive a net negative rating. One would expect that for most of the institutions queried, businesses would tend to have more contact with these institutions than households, and, thus, more information about their activities. This data indicates that the majority of public institutions in Malawi need to focus on improving their performance in service delivery.

3.2 Honesty and Integrity of Public Institutions:

Service quality is one measure of the strength of governance. The second is integrity and, inversely, corruption. Most public agencies are rated low in terms of honesty and integrity.

Respondents on the household and business surveys were also asked to rate the honesty and integrity of public institutions on a scale of 1 (very dishonest) to 4 (very honest). **Figure 3** and **Figure 4** show the mean integrity/honesty score for each institution based on household and business responses.

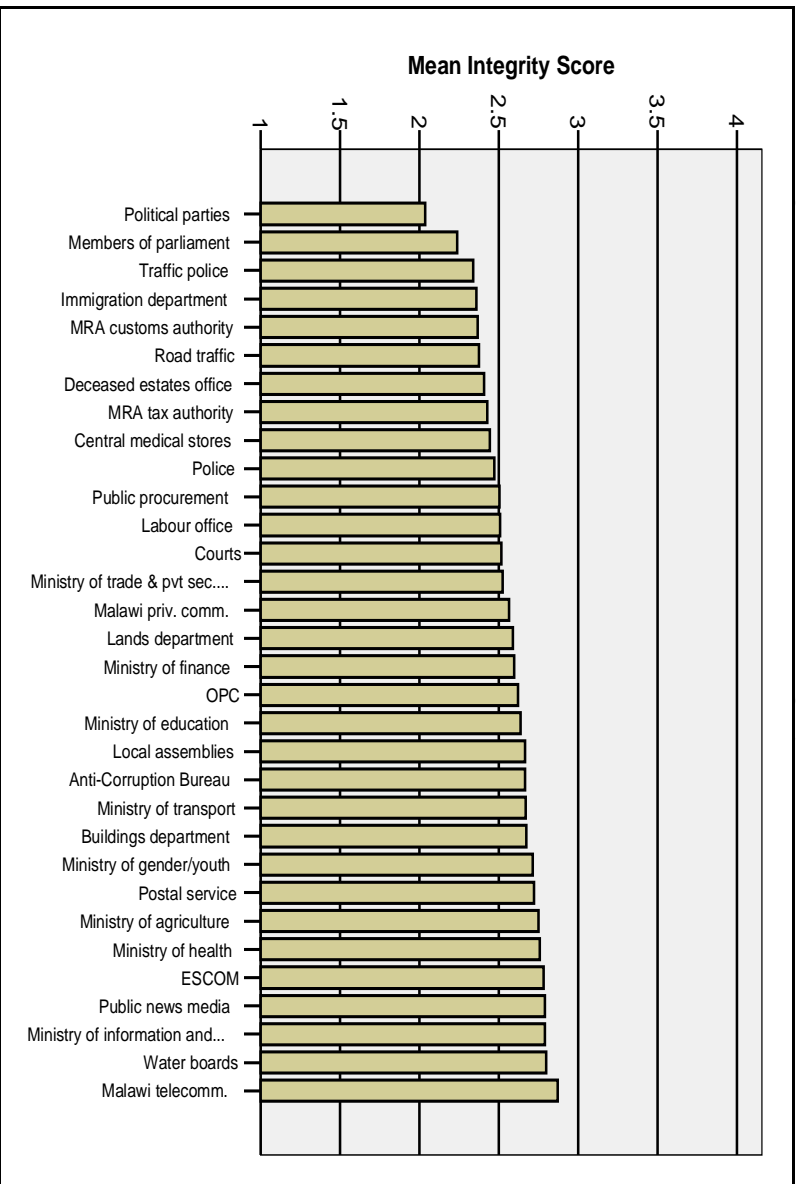


Figure 3: Citizens Assessment of the Integrity of Public Institutions

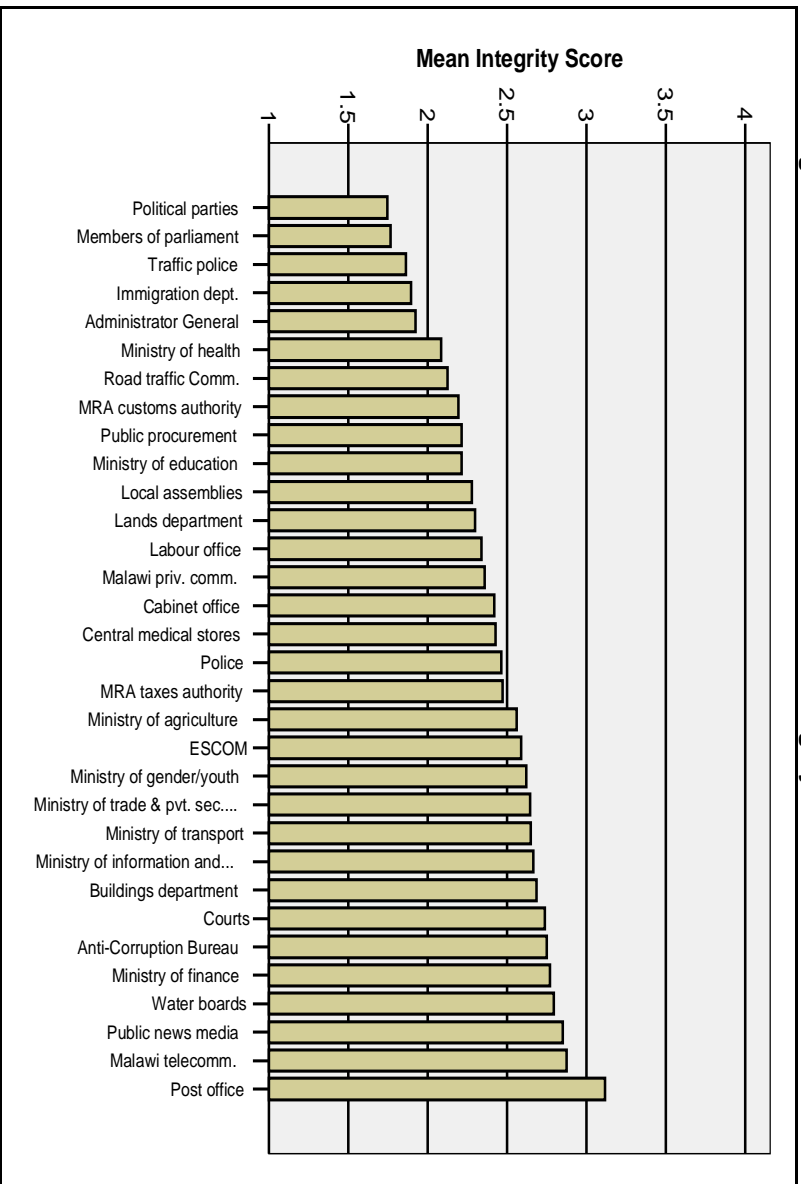


Figure 4: Private Sector Assessment of the Integrity of Public Institutions

In both the business and household responses, *Political Parties* and *Members of Parliament* are seen as being the institutions/personalities having the least integrity or most dishonest. The *Traffic Police*, the *Immigration Department*, the *Administrator General*, the *Road Traffic Commission*, and the *Customs Authorities* also receive low ratings. *Water boards*, the *postal service*, and

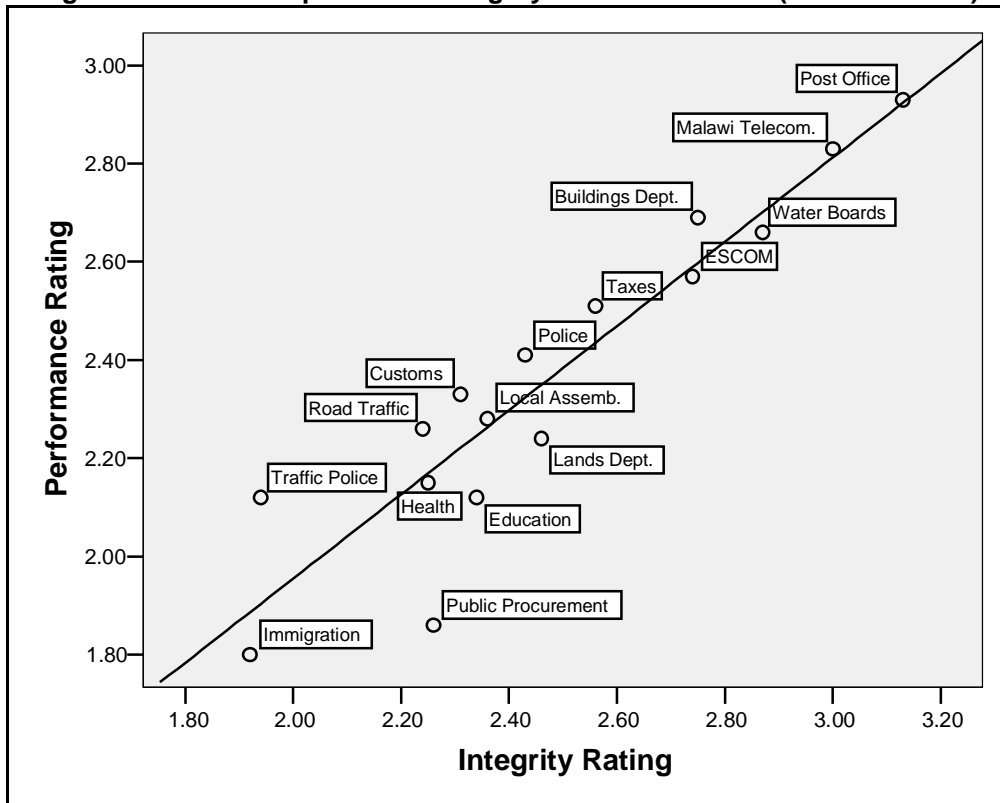
Malawi telecommunications receive relatively high ratings for integrity from both households and business.

It is interesting to note that while ordinary citizens give fairly low ratings to the courts, businesses give courts a relatively high rating for integrity and honesty.

3.3 Institutional Performance and Integrity/Honesty

One trend that stands out when comparing the performance versus integrity for institutions is that they are highly related. If the integrity of an institution is relatively high, then its performance is deemed to be fairly high as well, and vice versa. Figure 5 below depicts this relationship for the business responses and does show a fairly strong relationship between integrity and performance.

Figure 5: Relationship between Integrity and Performance (Business Data)



The most bribed institutions, such as the Directorate of Public Procurement, the Immigration Department, the Traffic Police and the Directorate of Road and Malawi Revenue Authority (Customs Department), are the very organizations that users rate low in terms of service quality, honest and integrity.

3.4 Corruption and Development

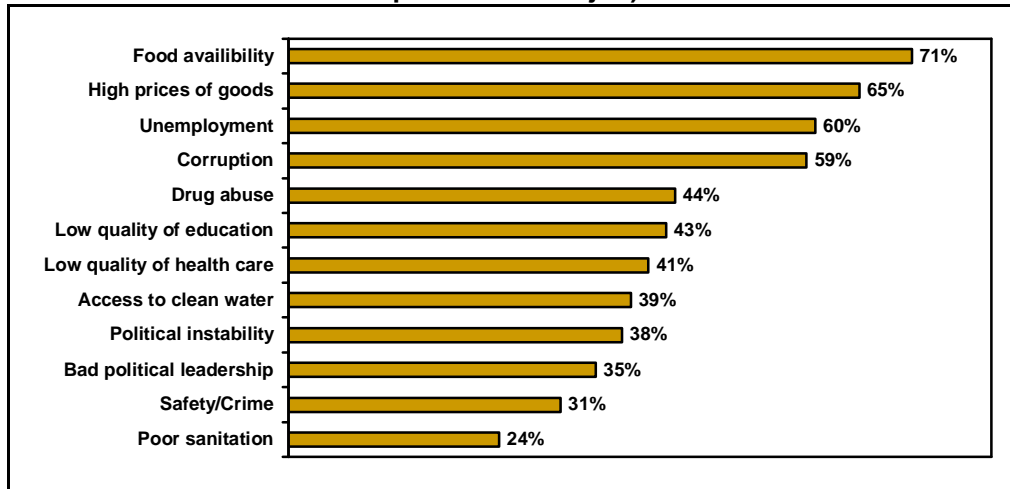
One key finding of the surveys was the perception of households and enterprises on the importance of corruption as a key constraint to development in Malawi.

3.4.1 Views of Citizens

Most Malawians view corruption as being a major constraint to the development of the country. Figure 6 shows that, along with corruption, food availability, inflation, and unemployment are also regarded problems of major concern to Malawians.

The survey was conducted during the period of widespread hunger, resulting from pervasive drought conditions in the previous crop growing season. It is, therefore, not surprising that food availability is regarded, by citizens, as the most serious problem facing the country. The drought has disproportionately impacted rural areas of Malawi, and rural residents are more likely to think of food availability as a major issue than urban residents (74% versus 55%). However, there is little difference between urban and rural residents in recognizing corruption as a major problem facing Malawi.

Figure 6: Key Constraints to Development Recognized by Malawians (% indicating each problem as 'major')



Even though corruption is viewed as a major issue facing the country by most Malawians, it is not considered the single most serious issue by the vast majority. The hunger situation facing most households, at the time of the survey, is a primary reason why food availability is regarded as the most serious issue facing the country. 10% of the citizens interviewed regard unemployment as a major issue while 8% and 5% view inflation and corruption, respectively, as most serious issues.

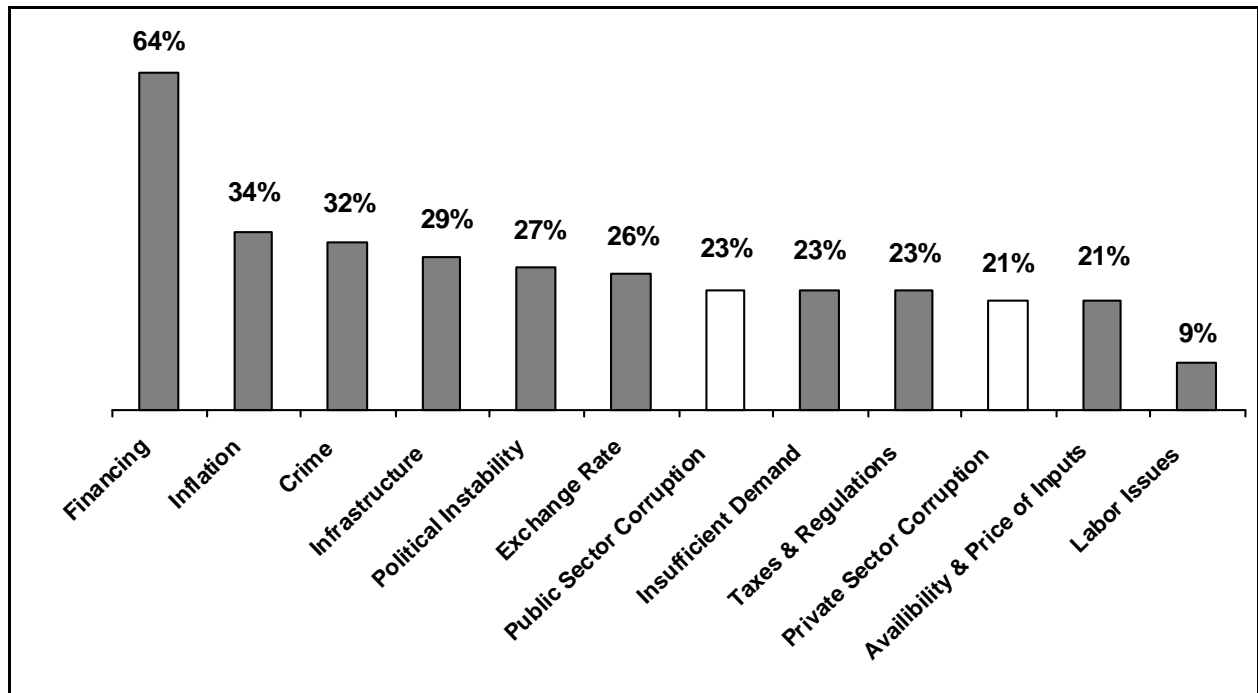
There is a significant difference in emphasis on serious issues by urban and rural residents. Nearly three-quarters of residents of rural areas (72%) list food availability as the most serious problem, compared to 38% of urban residents. Urban residents are more likely than rural residents to regard unemployment (24%) and inflation (14%). There is little difference between urban and rural residents in the recognition of corruption as the most serious problem facing the country (6% and 4%, respectively).

3.4.2 Views of Businesses

Figure 7 shows the overall findings on the most important obstacles affecting the operation and growth of business in Malawi. 64% of enterprises chose financing as the most important obstacle for operation and growth of their business. This was followed by inflation, crime, infrastructure, political instability and exchange rates accounting for 34%, 32%, 29%, 27%, and 26 percent respectively. These factors, largely, reflect concerns with macro-economic consideration.

Corruption is seen as a significant impediment for the general growth and operation of businesses in Malawi. 44% of businesses interviewed regarded corruption (both public and private) as a major impediment to operation and growth of their businesses; nearly a quarter of businesses (23%) chose public sector corruption while 21% chose private sector corruption, respectively, as the most important factor negatively impacting the operation and growth of business. However, experience from other countries suggests that the issues of crime and public and private sector corruption are often closely linked. If this hypothesis is also true in Malawi then collectively these three issues equal a much significant factor affecting the operation and growth of businesses in Malawi (as much as 76%)

Figure 7: Businesses Views on the Leading Constraint to Operations and Growth



3.5 Understanding the Impacts of Corruption

Even though there appears to be a clear relationship between perceived integrity/honesty of public institutions and their performance, most ordinary Malawians do not think that various corrupt acts that may prevail in the country have had an impact on their household's well-being. Respondents, on the household survey were asked whether following corrupt acts had a very significant impact, significant impact, minor impact, or no impact on their household's well-being:

- A. Sale of Parliamentary votes on laws to private interests
- B. Sale of decisions of courts in criminal cases
- C. Bribes to public officials to avoid taxes and regulations
- D. Public officials hiring their friends and relatives into official positions
- E. Contributions by private interests to political parties and election campaigns

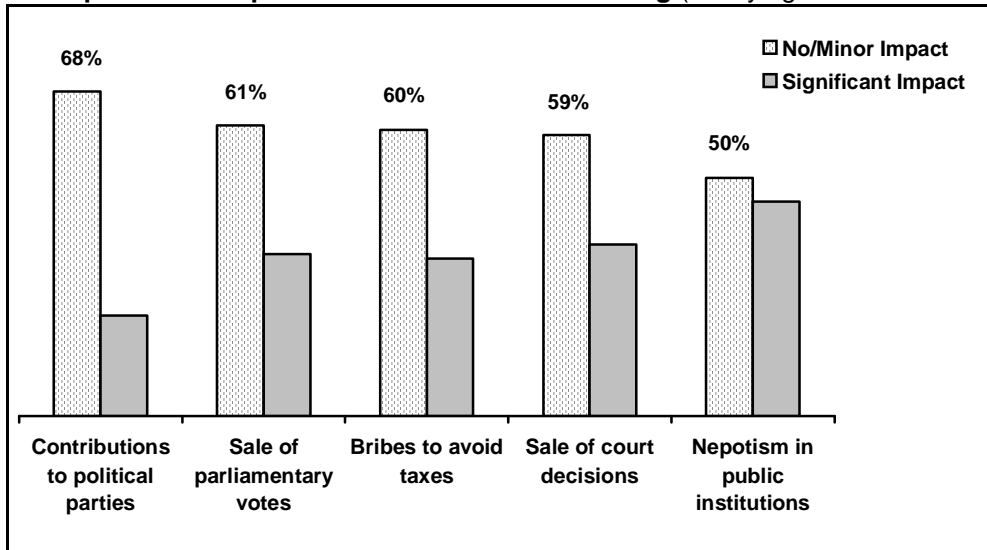
Public officials responding to the public official survey were also asked about the same corrupt acts and asked to comment on their impact. It should be noted that the question differed somewhat for public officials because they were asked for the impact these acts have had on the economy, not on their household's well-being.

3.5.1 Views of Citizens

Figure 8 lists the percentage of ordinary Malawians who believe that these acts either have no impact or only a minor impact on their household's well-being.

The majority, in all but one case, believes that these corrupt acts have had little or no impact on their household's well-being. The acts described in the question are ones that would not result from a direct interaction between those undertaking the act and ordinary citizens in most cases. They would have only an indirect impact on household well-being through inefficiencies introduced into public governance through these corrupt acts. This may be the reason that a majority do not feel that these acts directly impact their household's well-being. Greater education on the consequences of these types of acts may make Malawians more sensitive to the impact of corruption that they may not witness directly.

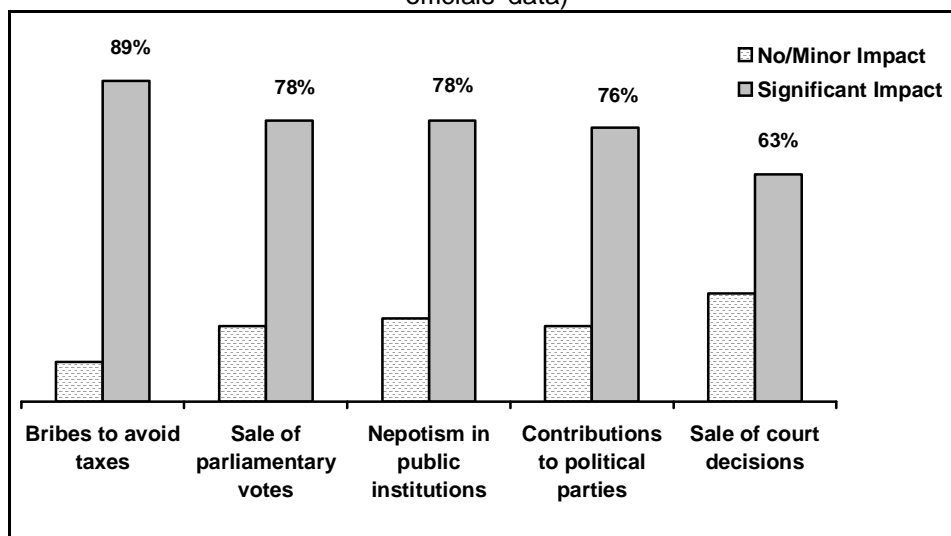
Figure 8: Impact of Corrupt Acts on Household Well-Being (% saying “No” or “Minor Impact”)



3.5.2 Views of Public Officials

Figure 9 lists the percent of public officials who believe that these acts do have a significant impact on the economy.

Figure 9: Impact of Corrupt Acts on Economy (% saying significant/very significant impact, public officials' data)



In all of the cases, the vast majority of public officials say that these acts do have a significant impact on the economy. Because public officials were asked about impact on the economy and household respondents were asked impact on their household's well-being, the responses of public officials and households are not directly comparable. But the comparison of responses for household well-being versus the general economy does seem to suggest that Malawians may sense that corruption of any sort does impact the overall state of the economy, without relating that to the health of their own well-being. This may indicate that the citizens of Malawi do not have enough information concerning the impact of corruption to appreciate the degree to which it impacts their lives on a day-to-day basis.

4 THE PREVALENCE AND TRENDS IN CORRUPTION

4.1 Seriousness and Frequency of Corruption

The survey findings indicate that nearly 9 out of 10 citizens believe corruption is a serious problem in Malawi to day and approximately seventy percent of the ordinary citizens believe the corruption problem has gotten much worse over the last ten years while only 2 percent believe the situation has gotten better. Nearly 60% of citizens believe that it is common for citizens to pay gratification to public officials. Overall, the ordinary citizens are much more wary of the prevalence of corruption than either businesses or public officials and also tend to be more skeptical about improvements in corruption of the past several years.

Nearly one quarter (23%) of businesses believe it is common to pay gratification. Business people, whose firms have made sales to the public sector over the past two years, are more likely to say that it is common to pay gratification (34%) than those firms who have not made sales to the state sector.

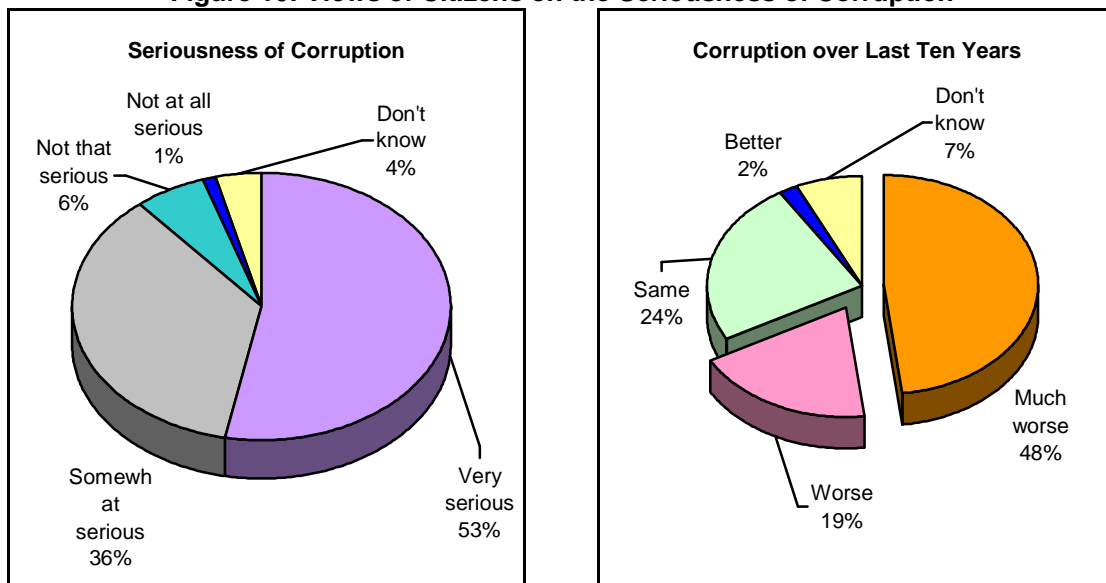
Eighty-four percent of public officials believe that corruption was prevalent in government 10 years ago (compared to 33% now). Thirty percent believe that corruption was prevalent in their organization 10 years ago (compared to 13% today).

4.1.1 Views of Citizens

When respondents on the household survey were asked to rate the seriousness of corruption in Malawi, nearly nine in ten rate it as serious (very serious (53%) and somewhat serious (36%) – (Figure 10).

Further, nearly seven in ten ordinary citizens believe that corruption has gotten worse over the past ten years. Of those who believe corruption has become worsen, over 71% believe the problem has become much worse over the past ten years. Twenty-four percent believe the problem of corruption has stayed at the same level as ten years ago, while only 2% believe it has gotten better.

Figure 10: Views of Citizens on the Seriousness of Corruption



Even though the vast majority of Malawians believe that corruption is a serious problem impacting the country, they are not as likely to cite corruption as being common. When asked whether it is common for citizens to always, frequently, sometimes or never pay gratification to public officials to 'get things done', 15% of respondents say that this always happens, 23% think this frequently happens, 22% say sometimes, and 31% say never. Thus, 38% think gratification to public officials to get things done is at least a frequent occurrence in Malawi, but the majority thinks that this only happens rarely or sometimes. In fact, among those who think that corruption is a very serious problem in Malawi, the majority (56%) think that only rarely or sometimes do citizens pay gratification to public officials to get things done, while 40% think this happens frequently or always.

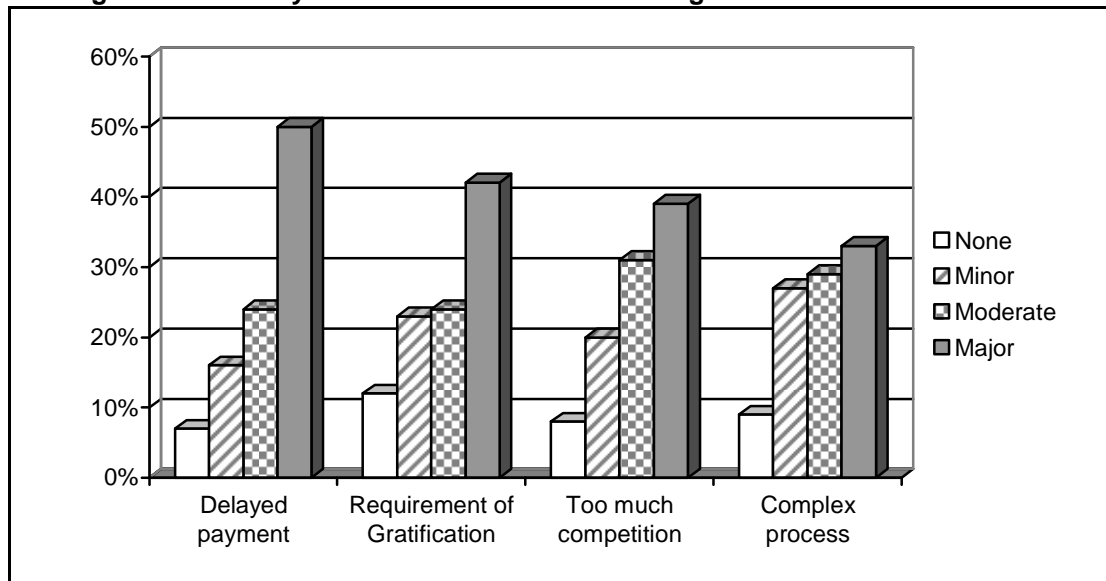
4.1.2 Views of Business Enterprises

In the business sample, entrepreneurs were also asked how common it is for firms in their line of business to pay gratification to get things done. 23% of businesses say that it is common (very common + Somewhat common) for firms in their line of business to pay gratification, 15% say it is somewhat rare and 49% say it is very rare for firms in their line of business to pay gratification. Business people in the industrial sector were most likely to say that it is common to pay gratification (33%) while 23% or less in the services, commercial, and agricultural sector have this opinion. Business people, whose firms have made sales to the public sector over the past two years, are more likely to say that it is common to pay gratification (34%) than those firms who have not made sales to the state sector.

Respondents on the business enterprise survey were also asked to provide their opinions on the incidence of gratification when dealing with the government. Thirty-five percent of all businesses in the sample say that when firms in their industry or sector conduct business with the government, the procurement contracts involve some sort of gratification. This estimate is even higher among those firms that have state contracts. Sixty-eight percent of these firms say that at least some procurement contracts in their industry or sector involve gratification.

Given the experience of businesses in Malawi with corruption, it is not surprising that businesses point to public sector corruption as a key factor inhibiting their activity in the country. When asked to comment on various obstacles to doing business with the government in Malawi, corruption is the second-most likely issue claimed as a major obstacle. However, the corruption issue is often closely linked to the issue of delayed payments (public officials requiring a bribe or payment before payment is released).

Figure 11: Severity of Obstacles when Conducting Business with Government



50% of businesses point to delayed payments as a major obstacle to doing business with the government in Malawi, one reason why many businesses say that gratification has to be paid to public officials to get invoices paid under government contracts. Gratification itself is indicated as a major obstacle by 42% of businesses in the survey. Businesses in the service sector are more likely to regard gratification as a major obstacle than those in the commercial sector (49% versus 36%). Corruption in the services sector is usually more difficult to address because of the complexity, length and subjectivity of the government decision making process.

4.1.3 Views of Public officials

Public officials were also asked their opinions on the prevalence of corruption. They were asked to rate the prevalence of corruption in the government and in their particular organization now and ten years ago. For both the government (33%) and their own organization (13%), less than a majority of public officials say that corruption is prevalent. In the case of the government, 47% of public officials say that corruption is a moderate problem, and 26% say they same for their own organization.

Interestingly, 57% of public officials say that corruption is rare or non-existent in their own organization.

Among public agencies with more than 20 interviews in the sample, employees of service ministries such as health (43%), education (43%), and agriculture (40%) are most likely to say that corruption is a pervasive or moderate problem in their agencies. On the other hand, 71% of employees of the ministry of gender and youth say that corruption is rare or non-existent in their organization.

An even more interesting finding is that a majority of public officials believe that the corruption situation has improved significantly over the past ten years. 84% of public officials believe that corruption was prevalent in government 10 years ago (compared to 33% now). 30% believe that corruption was prevalent in their organization 10 years ago (compared to 13% today).

Respondents on the public official survey were asked to estimate the average percentage of salary that gratification represents for public officials in their organization. On average, public officials say that gratification represents 23.25% of salaries for those working in their organization. There is a great deal of range in the percentages mentioned by public officials, but in the majority of cases, public officials estimate that gratification accounts for between 0 and 30 percent of salaries for public officials in their organizations. Public officials working in the legal sector have a higher average estimate for what percentage of salary gratification represents for their colleagues (32%) than do those working in the service ministries such as education and health and those working in the policy ministries (less than 23%).

The gratification obtained by a public official may not necessarily be for them to keep all to themselves. Respondents on the public official's survey were asked to state whether in the typical situation in their organization, the gratification was shared with others and in what percentage. On average, public official say that someone obtaining corruption shares 26.88% with their superiors, 20.96% with their colleagues in the organization and 24.61% is shared with politicians or political parties. Taken together this represents nearly 73% of the gratification, and most probably does not reflect an accurate portrayal of how gratification is shared within an organization. Nonetheless, the data does point to a common phenomenon, and that is that gratification is commonly pointing to the possibility of the existence of "Gratification cells" within the public sector.

While payment of gratification is the most visible and obvious sign of corruption, it is not the only way in which corruption manifests itself. Corruption does also occur through manipulation of the internal mechanisms and policies in public institutions. Respondents to the public official survey were queried about these different manifestations of corruption in their organizations. One way in which corruption can play a role in an organization is if positions are obtained through gratification. When public officials are asked how often jobs in their organization are obtained through gratification, close to four in ten say that at least some of the jobs in their organizations are obtained through gratification.

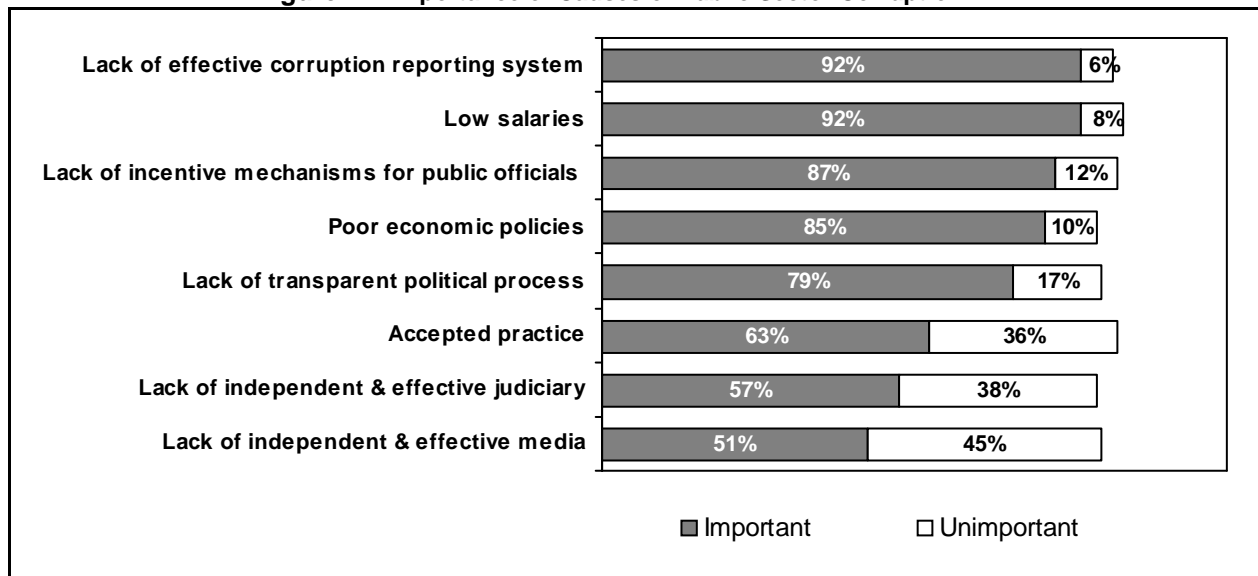
One implication of this finding is that many jobs in public institutions may not be filled by the most qualified applicants. This conjecture is supported by public officials' responses on another question. When public officials are asked how often in their organization the most qualified applicant gets a job, 45% of public officials say that the most qualified applicant always or usually gets the job. However, a significant percentage also says that the most qualified applicant sometimes (34%), rarely (14%), or never (2%) gets the job.

The fact that many positions in public institutions may be filled through gratification has obvious implications for the professionalism and performance of public officials. Another factor that may mitigate performance of these officials is the fact that they are not rewarded for their efforts in their professional endeavors. When public officials are asked about the extent to which their organization rewards excellent professional achievement, a majority (54%) say that their organization never rewards professional achievement. Another 37% say that their organization only does this sometimes, while few say their organization does this often (5%) or always (3%). In none of the organizations represented in the sample do more than 15% of public officials say that their organization often or always rewards excellent professional achievements. As would be expected, senior management disagrees with the majority opinion. Among senior managers of public institutions, only 23% say that their organization never rewards excellent achievement. Still, 55% in this category recognize that their organization only sometimes recognizes professional achievement of staff.

The preceding discussion on public officials' opinions on corruption in their organizations points to various motivations for corrupt behavior. The substantial supplement of officials salaries provided for

by gratification illustrates the role that low salaries may play in the perpetuation of corrupt behavior among public officials. Another factor seems to be personnel policies that do not reward qualifications and professional achievement may lead to a lack of professionalism among public officials that makes corrupt behavior more likely in public institutions. Indeed, when public officials are asked to evaluate various factors that may play an important role in the perpetuation of corruption in public institutions, low salaries and lack of incentives are two factors that are given relatively high importance by public officials. Figure 12 shows the importance attached to various factors that may cause corruption.

Figure 12: Importance of Causes of Public Sector Corruption



Ninety-two percent of public officials believe that low salaries and the lack of an effective corruption report system are important factors explaining corruption in the public sector. Eighty-seven percent believe that the lack of incentive mechanisms for public officials is also important. It is interesting to note that the fact that corruption is an accepted practice is not considered as important a cause for corruption as low salaries, lack of an effective reporting system, or lack of incentives. This pattern of responses suggests that specific policies addressing these concerns could help to ameliorate corruption.

When public officials are given a range reform measures to counter corruption and asked to name the most important measure that could combat corruption, they emphasize the two factors highlighted earlier in this chapter, low salaries and the lack of incentive mechanisms for public officials.

4.2 Measuring the Costs of Corruption

Overall the findings in the survey indicate that corruption is a concern for businesses in Malawi and imposes costs and constraints on the operation of businesses in the country. The perceived cost to business from corruption can crudely be measured by asking businesses how much additional tax they would be willing to pay in order to eliminate corruption.

Among all businesses in the survey, the mean percentage of additional taxes the businesses are willing to pay to eliminate corruption is 5.07%. The vast majority of businesses are willing to pay between 0 and 5% in additional taxes. Registered businesses are likely to say that they will pay more taxes than unregistered businesses (6.69% versus 3.45%). Smaller businesses are also more likely to say they will pay higher taxes than larger businesses. Businesses with 11-50 employees are willing to pay on average 6.82% additional taxes as a percentage of their revenue to eliminate corruption. This compares less than 2.4% among businesses with more than 50 employees. Businesses that have state contracts are likely to pay slightly higher taxes to eliminate corruption than those without state contracts (6.02% versus 4.7%).

Respondents in the public official survey were also asked to estimate the percentage of procurement contracts in their organizations that involve gratification. 44% of public officials say that some level of procurement contracts in their organization involve gratification.

68% of firms that have government contracts say that at least some procurement contracts in their industry or sector involve gratification. When asked how much of the contract value must be offered in gratification to secure the contract, the mean estimate is 3.74%.

Business enterprise respondents were also asked to estimate the proportion of invoice processes in which the firms have to pay gratification in order to secure payment for their services. The estimates are fairly similar to the estimates for the gratification needed to secure contracts. Overall, 33% of businesses say that additional gratification is needed to secure payment for services from the government. However, among those firms that have state contracts, 67% say that additional payment in the form of gratification is needed in order to ensure payment for services. When asked how much of the invoice value must be forfeited in order to secure payment, the overall mean estimate is 3.44% of the invoice.

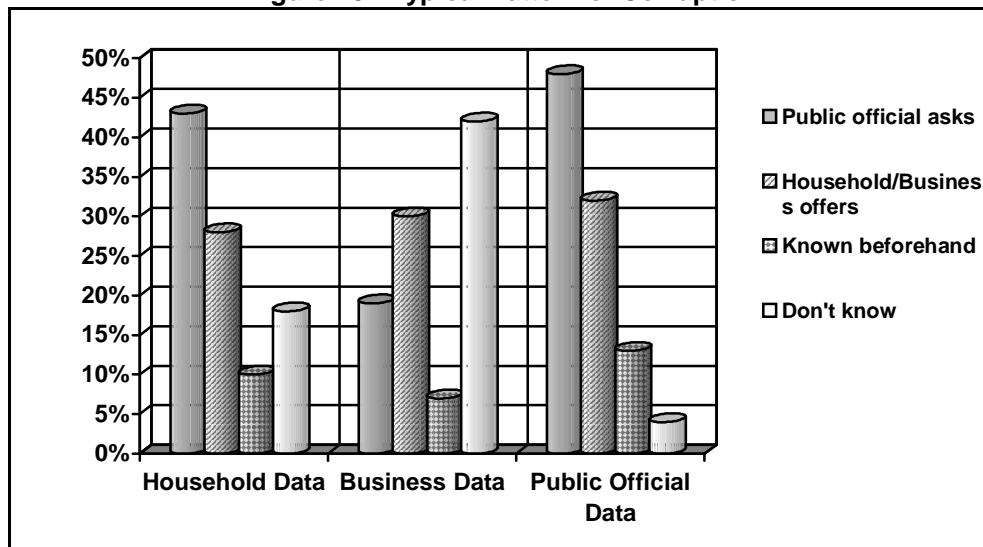
The responses on this series of questions for business enterprises suggests that firms seeking to do business with the government must pay an average 'gratification tax' of about 7% in order to secure the contact and then obtain payment for services. This suggests that businesses that have experience doing business with the government may factor these costs into their pricing, thus increasing the government's cost for services.

4.3 Sources of Corruption

4.3.1 Typical Pattern of Corruption

Respondents on all three survey were asked what typically happens when gratification is paid to public officials, whether the public official asks for gratification, whether the business or citizens offers gratification, or whether it is known beforehand how much gratification should be paid. Figure 13 below indicates that while citizens and public officials believe that in the most cases, the public official asks for gratification, respondents in the business enterprise survey feel that, in most cases, business offers the gratification.

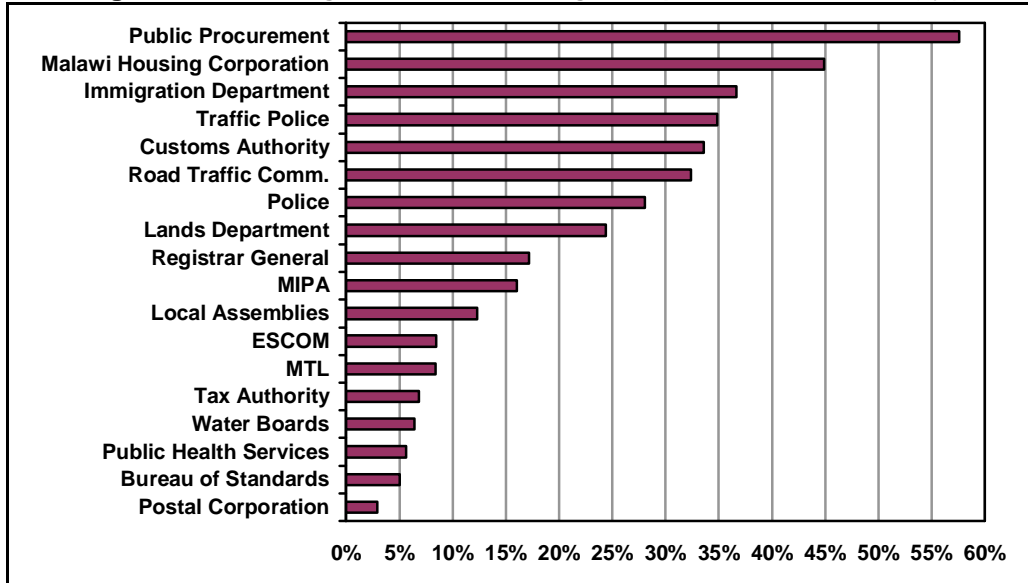
Figure 13: Typical Pattern of Corruption



4.3.2 Users' experiences with Public Institutions

Business respondents were directly asked for their firm's experience with several public institutions, with a focus on corrupt behavior in these institutions. The respondents were first asked for the number of times their firm had contact with each of the public institutions over the past year. They were then asked for the number of times in these interactions that the firm was asked for gratification by a public official at these institutions. Figure 14 lists the percentage of reported contacts at each agency that led to a request for gratification from a public official at that institution.

Figure 14: Percentage of Contacts Leading to Request for Gratification (by public institution)



Given business enterprises' estimates that 35% of procurement contracts involve gratification, it is not surprising to see that the Directorate of Public Procurement is the public institution in which the highest percentage of contacts lead to a request for gratification. According to respondents on the business enterprise survey, more than half the contacts their firms had with this agency resulted in a request for gratification. Other public institutions characterized by comparatively high requests for gratification include the **Malawi Housing Corporation, Immigration Department, the Traffic Police, Malawi Revenue Authority (customs), Directorate of Road Traffic, and the regular Police**. These institutions also received relatively low ratings for honesty from both household and businesses. Public institutions that are characterized by low levels of request for gratification include the postal service, the bureau of standards, public health services, and water boards.

Overall, if all the contacts with public institutions reported by business enterprises are added together and the total number of gratification requests are also added together, the data indicates that 17.38% of contacts with Malawian public institutions result in requests for gratifications from a public official working at the public institution. Of course, this is a rough approximation that does not account for the variability in contacts across public institutions, but it does provide a way to look at the situations business enterprises face when interacting with public institutions in Malawi.

5 GOVERNANCE AND CORRUPTION IN KEY SECTORS

5.1 The Legal and Judicial Sector

The legal and judicial sector in any country is expected to be one of the primary institutions that would be utilized to counter corruption. In many countries, however, the judiciary and legal sector itself is riddled with corruption that makes it difficult to use this tool in the fight against corruption. In order to evaluate perceptions of the judicial system in Malawi, respondents on the household and business enterprise surveys were asked various questions dealing with perceptions and experience with this sector.

5.1.1 Concerns of Business Enterprises over Laws and Regulations

An efficient economic and business climate ensures that information about changes in the legal climate that may impact business be as transparent as possible so that businesses can anticipate these changes and modify their practices to adapt to the change. Besides transparency, a good business environment also entails consistency in the application of laws and regulations impacting business. Many respondents on the business enterprise survey believe that Malawi, still, has some way to go to ensure a transparent and fair legal environment for businesses operating in the country. Many businesses in Malawi are dissatisfied with the level of information on laws and regulations impacting them and the consistency in application of these laws and regulations.

Asked about the ease or difficulty of obtaining information on the laws and regulations affecting their firm, 50% of business enterprises say that this information is very or somewhat difficult to obtain, while 38% say that the information is easy to obtain. Firms in the services sector are especially likely to say that obtaining the information is difficult (56%). Unregistered business enterprises are more likely to say that it is difficult to obtain this information than registered businesses (55% versus 45%).

Firms are split on the predictability of changes in the rules and regulations that impact their business. 42% of business enterprises say that these changes in rules and regulations are completely or somewhat unpredictable, while a similar 39% say that the changes are predictable. On a related topic, 32% of firms believe that over the past three years, laws and regulations affecting their business have become less predictable, while 19% believe they have become more predictable. Twenty-nine percent believe that the predictability of the laws has remained unchanged over the past three years.

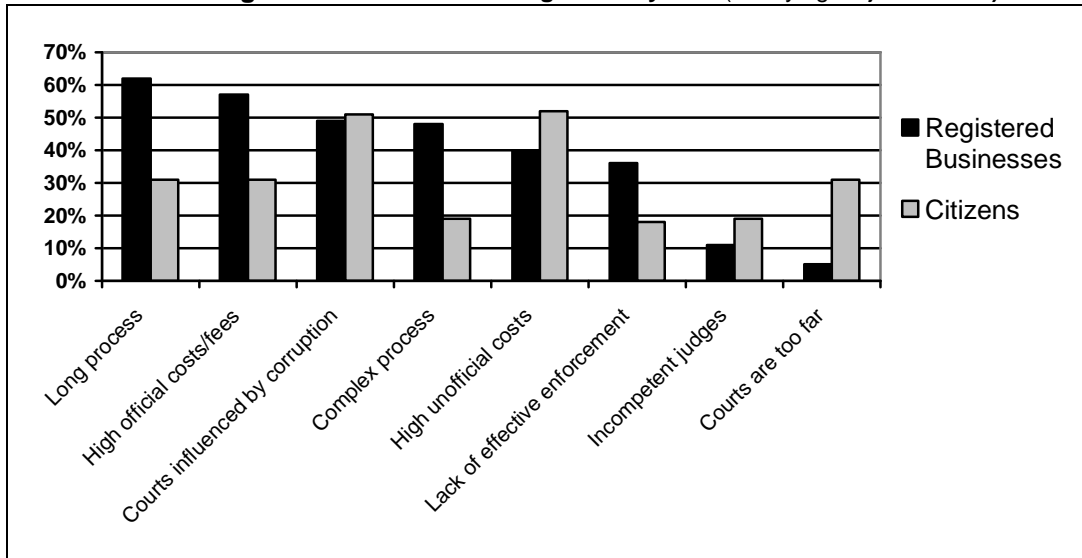
The firms in the business enterprise sample are split on whether laws and regulations impacting businesses are applied on a consistent basis. 41% believe that the regulations are inconsistently applied while an equal percentage believes that they are consistently applied. Whereas 55% of registered business enterprises believe that the laws and regulations are consistently applied, only 27% of unregistered business enterprises have this opinion.

While it is encouraging that a large majority of business enterprises are not dissatisfied with the transparency and enforcement of laws and regulations, the data in the preceding discussion does show that there is significant concern about this issue among businesses in Malawi. In fact, if negative perceptions, on each of these issues are counted for each business enterprise, the data shows that 22% of firms are dissatisfied with every single issue broached on laws and regulations impacting businesses, and another 13% are dissatisfied with three of the four issues. More than a third of firms can be said to be generally dissatisfied with the legal and regulatory environment in the country. This situation must change for Malawi to progress economically in future years.

5.1.2 Access to the Court System

Both household and business enterprise respondents were given a set of statements detailing obstacles to using the court system in Malawi and asked to state whether these obstacles were minor, moderate, or major in nature. In the business enterprise sample, only registered business enterprises were asked questions on the court and judicial system as it would be difficult for unregistered business enterprises to take legal action in the name of the business. Figure 15 details the percentage of household and registered business enterprise respondents who believe that each of the obstacles is major in nature.

Figure 15: Obstacle to Using Court System (% saying major obstacle)



It is interesting to note the similarities and differences between business enterprises and households in their responses. Both believe that a major obstacle to using the court system is that the courts are influenced by corruption and that using courts entails too high unofficial costs. But there are key differences. For businesses, the length and complexity of the court process is a much more pertinent obstacle to using courts than it is for households. Business enterprises are also much more likely to stress the high official costs for using courts than households. Business enterprises are also more likely to be concerned about effective enforcement of court decisions, though this takes lower priority for them than other factors. This is not entirely surprising since businesses are the largest users of courts and have, generally, greater paying capacity. The two areas where households are more likely to be concerned is distance to courts, a more pressing concern for rural rather than urban households (33% versus 21%) and the competency of judges (which may weigh heavily on the public's overall perception of the reliability and accessibility of the courts).

The data in Figure 15 is based on perceptions of the court system among ordinary citizens and registered businesses. However, when respondents on both surveys were asked questions on their experiences with the court system, many of the concerns about corruption and unofficial costs were not evident in their experience. It should be noted that the surveys asked for experiences in civil cases and not criminal cases, and it may be that the instances of corruption are rarer in civil rather than criminal cases. Further research can help to highlight any difference in experiences between the two types of cases.

Respondent to the household survey were asked if anyone in their household had initiated a legal action against anyone in the last three years. Registered businesses were also asked if the firm had initiated a legal case against anyone in the last three years. In the case of citizens, 6% said that someone in their household had initiated a case, while 13% of registered businesses indicated this was the case. Among registered businesses, the likelihood of initiating a case rises with the size of the business. Among businesses with 1 to 10 employees, 6% of businesses have initiated a case in the past three years, compared to 26% of businesses with 11-50 employees, and 46% of businesses with 51 or more employees.

Among those who filed a case, 14% of citizens and 27% of businesses said they received indications that they were expected to pay gratification to court personnel such as judges, lawyers, clerks, messengers, etc., in order to get a favorable decision in the case. In both cases, this is substantially less than the close to half among citizens and registered businesses who believe that courts are influenced by corruption. Additionally, no more than 5% of either citizens or registered businesses involved in cases said that they paid gratification to individual court officers such as judges, lawyers, clerks, etc.

The average length of cases indicated by businesses was 4.95 months, while the average household case lasted 5.07 months. 74% of businesses who initiated legal actions say that their experience with the court system would lead them to sue again, an indication that they were fairly pleased with the operation of the court system. One reason may be because in the vast majority of cases where

registered businesses reported winning a judgment, the judgment was enforced. The sample size for winning judgments is not particularly high so this does not conclusively indicate that there is adequate judicial enforcement in Malawi. Further in-depth research may be needed to study this issue.

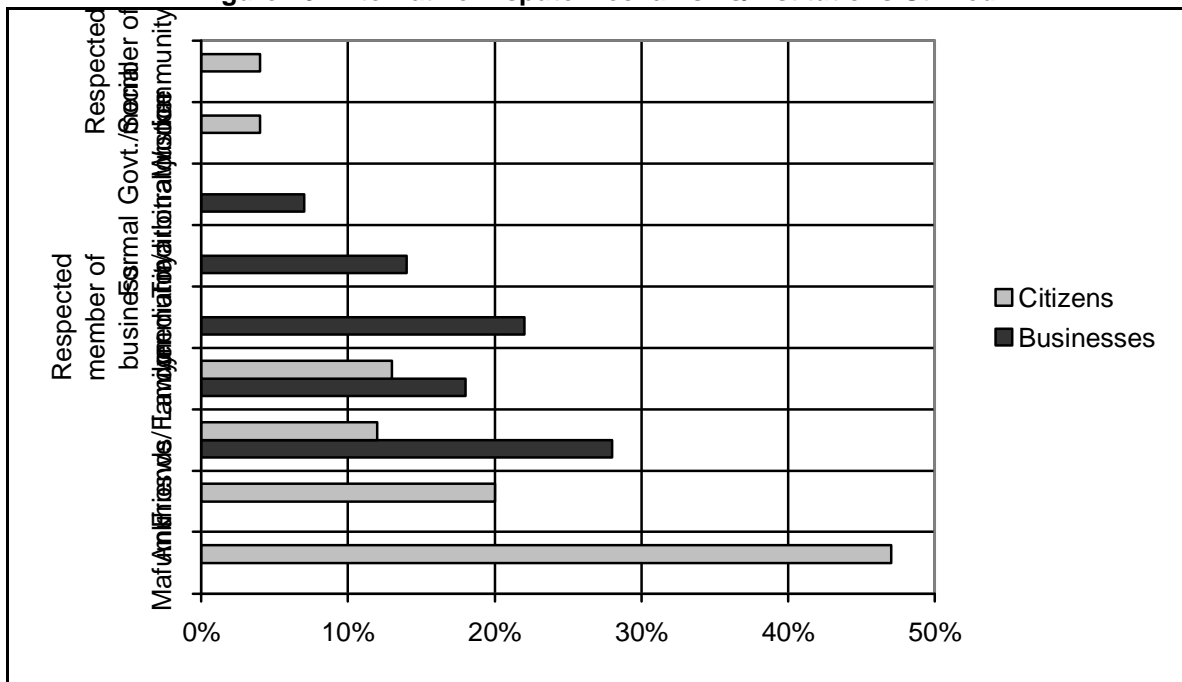
Even with the relatively encouraging experience of household and businesses in using the court system, at least with respect to civil cases and corruption in those court proceedings, many more ordinary Malawians and registered businesses report using alternative dispute resolution (ADR) mechanisms to resolve disputes. This is particularly true for those who have decided not to use courts even though they had a need to do so.

Overall, 13% of ordinary citizens that they or someone in their household felt a need to use the court system to resolve a dispute but did not do so. There is little difference by urban or rural area, income, or region of the country in this observation. Registered businesses were much more likely to forgo courts to resolve disputes (46%). Registered businesses were also more likely to use ADR to resolve disputes than ordinary citizens. Overall, 13% of ordinary citizens say that they have used resolved disputes outside the court system, while a majority of registered businesses (56%) report using ADR.

The use of ADR is widespread through the registered business community, and is especially instrumental for those firms who decided not to use the court system to resolve their disputes. Among those registered businesses who did not use the courts, 83% report using alternative dispute resolution in the past two years to resolve their disputes. Even among those firms that have initiated cases in the past three years, 67% have used ADR in the past two years. It is, thus, apparent that ADR is a vital part of the dispute resolution system for business entities in Malawi and should be further developed. Unregistered businesses were not asked whether they use ADR, but given their status vis-à-vis the legal system, it is probable that their rate of use of ADR is as high or higher than registered businesses.

Those businesses and household that used ADR were asked to name the persons or institutions they used. Figure 16 summarizes the findings.

Figure 16: Alternative Dispute Mechanisms/Institutions Utilized



Households are more likely to use aspects of the traditional justice system such as *ankhoswe* and *mafumu* to help settle disputes, while businesses use more formal mechanisms such as formal mediators or working through others in the business community. A significant percentage in each group uses lawyers to settle disputes out of court.

5.2 Education Sector

Respondents on the household survey were asked to describe their experience with the educational and health system in the country. 84% of those who responded to the question (8% had no response)

stated that at least one person in their household attends some kind of school. 91% of these respondents say that the eldest school-age child in their household attends school.

Asked what kind of school is attended by the eldest school-age child, 75% said the child attended primary school or nursery school, 22% said secondary school, and 2% said their eldest school-age child attended college or university. Among those whose eldest school-age child attends an educational institution, most say he or she attends a government school (81%), while fewer say that the child attends a private (14%) or mission schools (5%). As would be expected, the incidence of children going to mission or private school is much higher in urban areas (38%) than in rural areas (13%).

Given the large percentage of household who send their eldest school-age children to government schools in Malawi, the majority of Malawians sending this child to school do not pay for schooling (58%). Among the households that send their eldest school-age child to mission or private school, the average fee for the latest school term was K6,550.

Only slightly more than 1% of those whose households have their eldest school-age child in school say that paid gratification on top of school fees. Almost all who paid gratification send their eldest school-age child to government school, the median gratification paid was K100.

Malawians are split on the quality of the schools their children attend. Just under half consider the quality of their children's school to be good or very good and a similar percentage consider it poor or very poor. A majority of those who send their children to government school consider the school's quality to be poor (55%), while the majority who send their children to mission or private schools consider their quality to be good (74%). Malawians in rural or urban areas who send their children to government school are equally critical of the schools' quality. A plurality does feel, however, that the quality is improving. When asked to compare the quality of their child's school to its quality three years ago, 42% say that it is better or much better, 24% feel it is the same, and 28% feel it is worse. For those whose children are in government school, 39% feel their school is better compared to 30% who feel it is worse.

5.3 Health Care

Respondents on the household survey were also asked to assess their experience in obtaining healthcare. Seventy-five percent of respondents stated that someone in their household had visited a health care facility such as a hospital, clinic, etc. to obtain care. Residents of urban areas are slightly more likely to have visited a health care facility than those in rural areas (84% versus 73%). Rural residents are as likely to have visited hospital as clinics (51% and 49%, respectively), while urban residents are more likely to have visited hospitals than clinics (60% versus 40%). Another area of difference between rural and urban residents is that rural residents are more likely to visit government facilities than urban residents (80% versus 68%). Urban residents are more likely to have visited mission or private hospitals than rural residents (31% versus 20%). Similar to the case for education, there is little reporting of having to pay gratification at health care facilities. Fewer than 1% report paying gratification at government or private facilities.

Table 1 details the evaluations of the medical staff and facilities at each type of facility by the people who used the facilities. Although all three types of facilities receive positive evaluations from their users, private and mission facilities receive much higher evaluations than government facilities.

Table 1: Evaluation of Healthcare, by Facility Used

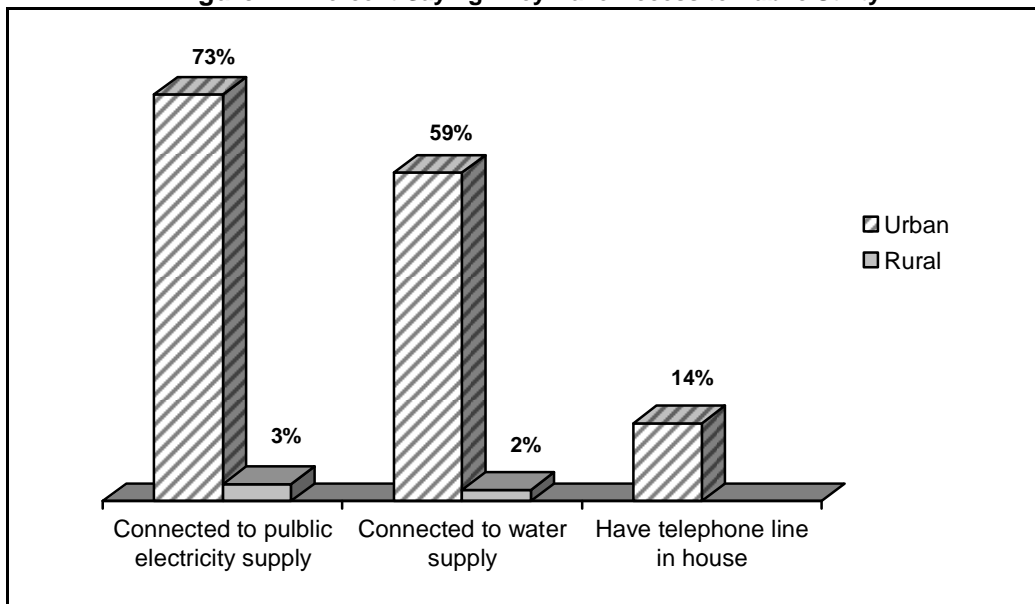
	<i>Quality of Medical Staff</i>			<i>Quality of Facilities</i>		
	<i>Government</i>	<i>Mission</i>	<i>Private</i>	<i>Government</i>	<i>Mission</i>	<i>Private</i>
<i>Good/Very Good</i>	68%	83%	71%	68%	86%	87%
<i>Poor/Very Poor</i>	31%	15%	17%	26%	10%	10%

One area related to performance in which there is a clear difference in evaluation between government and other health care facilities is in the evaluation of the quality of the facility over the past three years. While users of government facilities are slightly more likely to say that the facility has become better rather than worse (43% versus 30%), users of mission and private health facilities overwhelmingly think these facilities have become better (69% and 66%, respectively). Government health facilities seem to be losing ground to private facilities in the provision of health care.

5.4 Public Utilities

In the case of education and healthcare, rural areas seem to suffer from a lack of choice as rural residents are primarily reliant on government facilities for these services. Urban residents have a choice of either government services or, if they can afford it, private facilities. Still, rural residents do have access to these basic services. Such is not the case with public utilities. The survey data reveals that almost all rural residents do not have access to key public utilities such as electricity, water, and telephone (Figure 17).

Figure 17: Percent Saying They Have Access to Public Utility



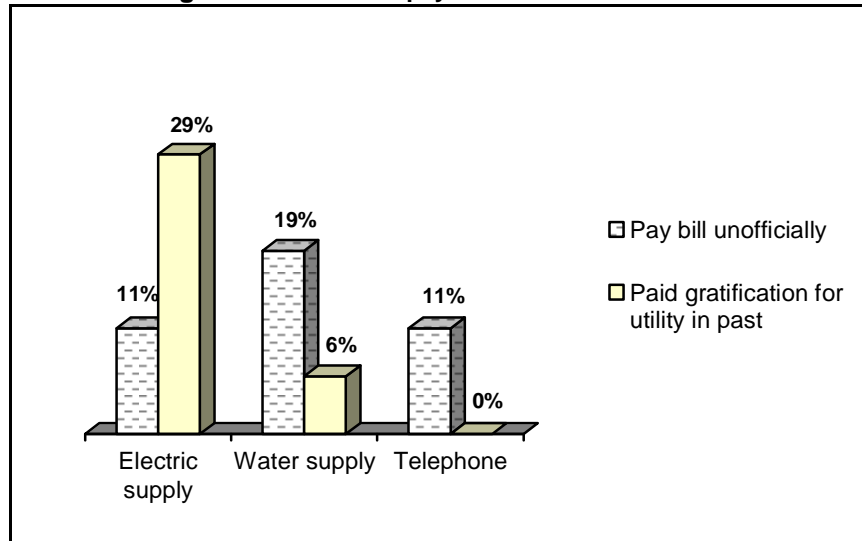
Three percent or less of rural residents say that their residence is connected to the public electric or water supply. Land line telephone service is rare even in urban areas as only 14% say they have a telephone line in their house, while in rural areas less than 0.5% say they have a telephone line. There is also a monetary aspect to access to these utilities as even in urban areas, access to the utilities goes up with household income level.

The data also shows that the rarer the public utility, the more likely Malawians are to have used unofficial means to get connected to the service. In the case of electricity supply, 94% of those with public electricity supply say they were connected officially while 5% say they were connected through unofficial means. In the case of water supply, 82% were connected officially while 14% were connected unofficially. Finally, in the case of telephone, 68% were connected officially while 30% were connected unofficially.

Most Malawians who have these three utilities are fairly satisfied with the reliability of the service. Ninety-one percent of those with telephone service say that they are very or somewhat satisfied with their service. This figure is 87% for those with water supply and 82% for those with electricity supply.

In the case of education and health care, the survey findings suggest that there is not a great deal of gratification that is paid to public officials for those services. This is not the case for public utilities. While the level of unofficial activity and gratification is not at an exorbitant level for these services, the data does suggest a higher level than in education and healthcare. For each of the public utilities, Figure 18 lists the percentage of users who either pay their bills through unofficial channels or say that they have paid gratification in the past.

Figure 18: Unofficial payments for Public Utilities



In the case of In the case of electricity supply, 11% say that they sometimes pay their bills unofficially and 29% say that they have paid gratification related to electric supply in the past. These percentages are 19% and 6%, respectively for water supply. In the case of telephone lines, 11% say they sometimes pay their bills unofficially but none admit to having paid gratification in the past for their telephone line.

While the public electricity supply and the phone system are felt to be generally reliable by ordinary citizens, the level of service delivered by these utilities may not necessarily be sufficient for business enterprises who may bear additional cost to ensure reliable service of utilities. Sixty-one percent of the businesses in the business sample are connected to the public electric supply, with nearly all registered businesses connected but only 35% of unregistered businesses are connected to public electric supply. Nine percent of the businesses report that they own generators to tackle reliability problems with the electric supply. The average amount spent annually by these firms on the generators is K273342, a cost resulting from the lack of reliability in the electric supply.

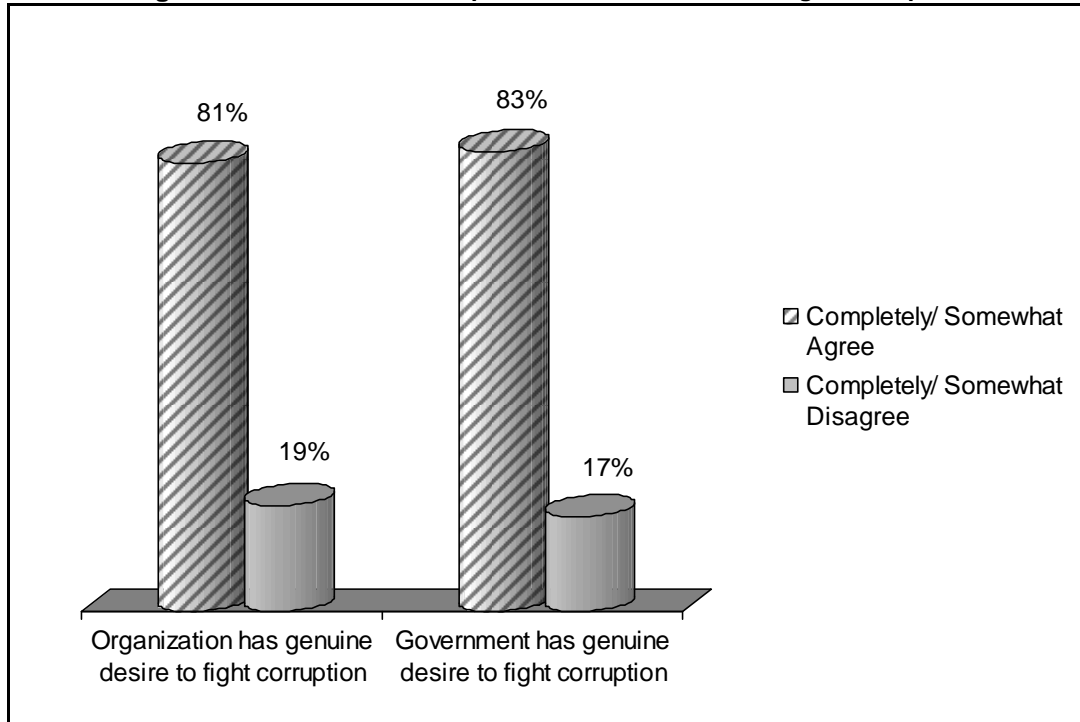
Thirty-seven percent of firms report being connected to the public telephone system. But 58% also say that their firm uses mobile phones, primarily because of the unreliability of the public phone system.

6 FIGHTING CORRUPTION

6.1 Political Will

One very positive finding from the public officials' and household surveys is that both these groups believe that the current Malawian government has a genuine desire to fight corruption. Yet another is that public officials also believe that there is also a genuine desire to fight corruption in their own organization (Figure 19).

Figure 19: Public Officials' Opinions on Political Will to Fight Corruption



Respondents on the household survey are even more convinced of the government's desire to fight corruption. They were given a slightly different statement from the one given to public officials. They were asked to agree or disagree with a statement that said the government has no genuine desire to fight corruption. 86% of household respondents disagree with this statement and only 13% agree.

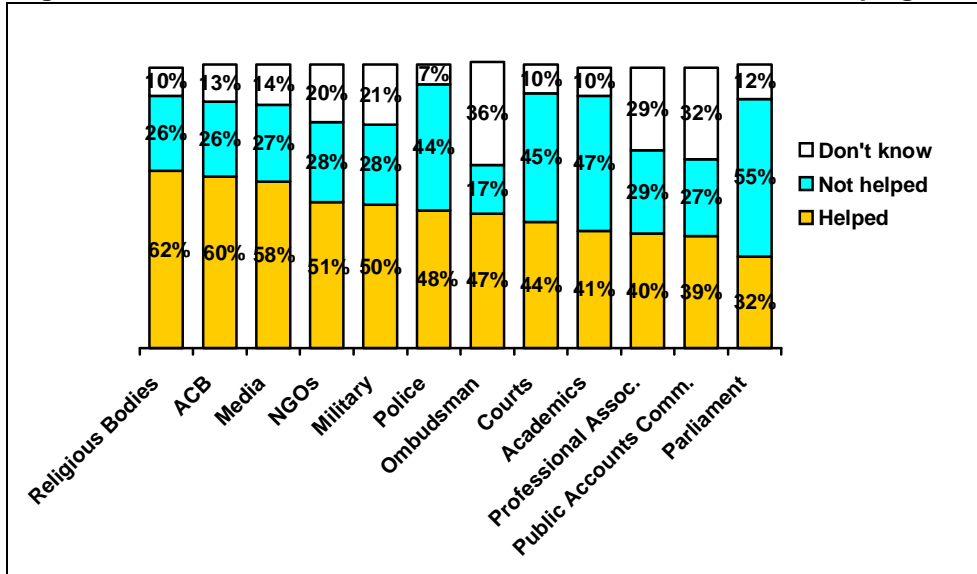
Household respondents were also asked to agree or disagree with the following statement: "Corruption is a natural occurrence and a part of our daily lives, so denouncing it is unnecessary." Malawians overwhelmingly reject this argument. 72% disagree with this statement and 24% agree

Respondents to the household survey were also asked to comment on the effectiveness of the government's anti-corruption strategy. Three-quarters (75%) agree that the government's anti-corruption strategy is effective, while only 16% believe it is not effective. Confidence in the effectiveness of the government's strategy is an important boost to current anti-corruption efforts in Malawi.

6.2 Public Agencies in the Fight against Corruption

When asked to rate how some institutions have helped in combating corruption in Malawi, households give high rating to the Religious Bodies, the Anti-Corruption Bureau, the Media and NGOs. But others, such as the Police, the Courts, Academics, Ombudsman receive poor ratings, with Parliament getting the lowest rating. 55% of citizens believe Parliament has not helped in fighting corruption

Figure 20: Citizens' Assessment of Institutions Performance in Helping to Combat Corruption



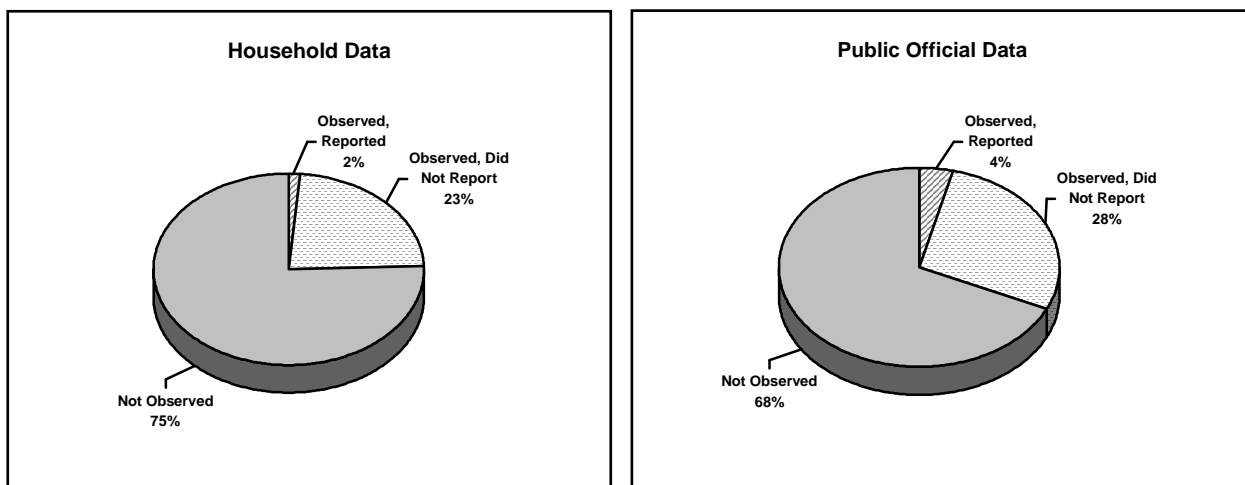
These findings suggest a good number of agencies with direct and indirect anti-corruption functions are not seen by the public as effectively contributing to the fight against corruption. In comparison, generally the public gives thumbs up to agencies outside the Government for their efforts to fight corruption. The most notable exception is the Anti-Corruption Bureau (ACB) which gets an exceptionally high rating with 60% percent of households ranking the agencies as having effectively contributed to fight corruption, coming second to Religious Bodies as being the most effective in corruption (62%). The public's rating of the ACB is, arguably, the highest for any such agency of any country that has undergone these diagnostic assessments

6.3 Reporting Official Corruption

An effective anti-corruption strategy has at its core a system for reporting corruption that encourages citizens and public officials to step forward and report corrupt acts without fear of retribution, and with the confidence that their reporting will be effectively followed up. If this is a criteria for an effective corruption reporting system, then data from the household and public officials survey indicates that the reporting system in Malawi still has to make improvements to be fully effective.

Respondents on the both the household and public officials survey were asked whether they had observed any corrupt acts by public officials. If the citizen or public official had observed a corrupt act, they were asked if had reported the act. Figure 21 shows that the vast majority of those who have observed corrupt acts have not reported these acts.

Figure 21: Observation and Report of Corrupt Acts by a Public Official

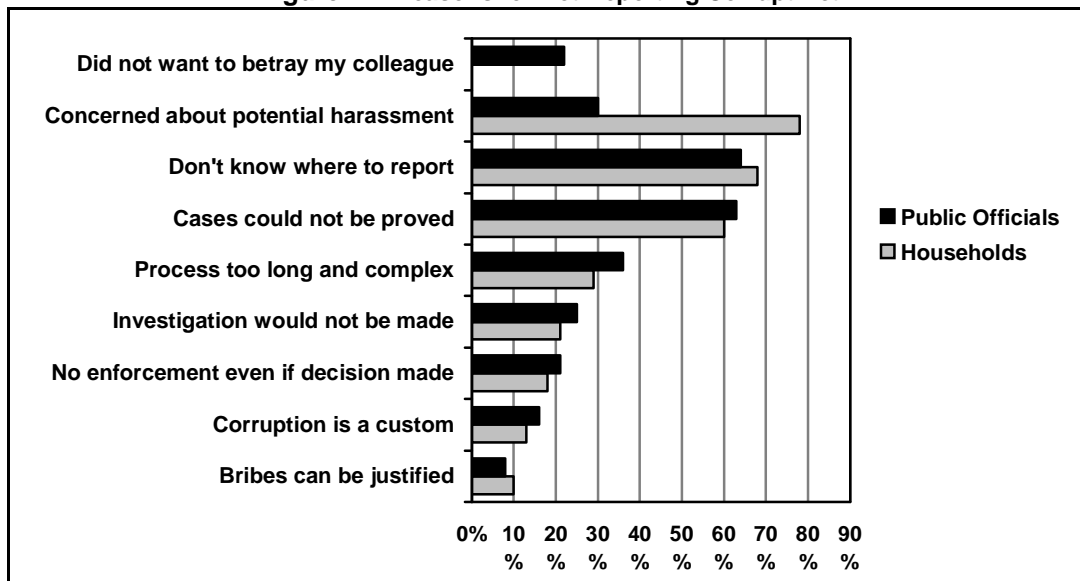


The charts above show that 32% of public officials have observed corrupt acts by their fellow public officials but only 4% have reported these acts. The data is similar among households. Twenty-five percent of Malawians say that they have observed corrupt acts but only 2% have reported these acts. In both cases, no more than 15% of those who observed corrupt acts have actually reported them.

The few citizens and public officials who reported the corruption were asked if the corruption reporting process was effective, simple, and whether it protected the one reporting from harassment. Among ordinary citizens, a majority thought the process was simple (66%) and 55% thought that the system was effective. However, 57% of the citizens did not agree that the reporting process protected the reporter from harassment. Public officials who reported the corrupt acts were uniformly positive about its effectiveness (73%), simplicity (68%), and its protection of the reporter from harassment (73%).

Unfortunately, most of the ordinary citizens and public officials who witnessed corrupt acts are did not report the corrupt acts, and some of the reasons they gave for not reporting the corruption are because of their concerns about the effectiveness of the program and its ability to protect the reporter from harassment (Figure 22).

Figure 22: Reasons for Not Reporting Corrupt Act



A significant percentage of both public officials and ordinary citizens say that they did not know where to report the corruption. This finding indicates that many Malawians lack the information needed to report corruption to the proper office or agency. It also echoes the data on another question on both the household and public official surveys in which respondents were asked if they knew what process to follow in reporting a case of corruption. In the case of ordinary citizens, only 18% said that they knew what process to follow, and in the case of public officials the percentage aware was 36%. A majority in both cases were unaware of the process to follow to report corruption, one of whose chief components would be a description of where one could report corruption.

Both citizens and public officials who did not report observed corruption were also concerned that if they went to the authorities and reported the corruption, the case could not have been proved. Other concerns included the length and complexity of the reporting process, and a concern that there would not have been enforcement of any punishment.

Citizens were especially concerned with potential harassment, and cited this reason most often to explain why they did not report the corruption. Public officials were far less likely to cite this as a reason for not reporting corruption. One reason unique to public officials for not reporting corruption is that they did not want to betray their colleagues.

The key in reversing a pattern where the vast majority of those who observe corruption do not report it is for the authorities to continue to demonstrate by action their firm commitment to fighting and preventing corruption. In order to capitalize on unusually strong stakeholder support, as reflected in the responses, this commitment will need to be demonstrated and communicated widely in a timely, concrete manner. This will require a number of initial steps and decisive leadership, particularly by the ACB and the Office of the President., including creating a government wide mechanism, such as a

Blue Ribbon Steering Committee, that can direct, lead and systematically monitor and report on progress in fighting and preventing corruption on an on-going basis. Experience from around the world has taught us that this committee should be chaired by the President and co-chaired by the top leadership of the other two branches and highly reputable figures from civil society and the business community. The ACB has a very important role to play as the committee's primary interlocutor, convenor of regular meetings, secretariat and information collection and dissemination mechanism. However, the ACB will need to maintain its independence so as to not make it appear it is under the total control of the President or political regime. The committee should discuss and quickly decide upon next steps, including the development of a clear, holistic short and long-term strategy and action plan through broad stakeholder discussion and a series of local and national workshops

Another important first step will be to provide incentives to encourage more people to report on corruption. The development of a clear policy statement and guidance to all agencies related to what the responsibilities and procedures are for reporting corruption for all government employees and citizens should be developed, implemented and strongly supported. Without these whistleblower and access to information incentives most will continue to fear economic or physical harassment, they will know what their basic responsibilities are and they will not know who to report to (having anonymous reporting mechanisms in place will also be important). Initially many of these issues can be handled through clear policy directives but new laws that can be implemented in practice will likely need to be developed over time. Global experience has again taught us that unless comprehensive access to information and whistleblower laws and policies exist that any efforts to address and more importantly prevent corruption will only be piecemeal at best.

7 APPENDICES

7.1 List of the Governance and Corruption Baseline Survey Team (GBST)

LIST OF PARTICIPANTS

Governance and Corruption Baseline
Survey Team Meeting
Malawi Institute of Management (MIM)

Tuesday, 5th July, 2005

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LIST OF PARTICIPANTS

**Governance and Corruption Baseline
Survey Team Meeting
Malawi Institute of Management (MIM)**

25th January, 2006

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7.2 TERMS OF REFERENCE AND SCOPE OF SERVICES FOR THE NATIONAL GOVERNANCE AND CORRUPTION BASELINE SURVEY

The Government of Malawi, through the Anti-Corruption Bureau (ACB), will conduct a National Governance and Corruption Baseline Survey for up to four months starting June, 2005. The British Government, through the Department for International Development (DfID), is providing financial assistance to support the survey as part of its continued efforts to supporting Government's programmes of improving governance through the prevention of corruption.

The survey will ascertain the locus and extent of corruption in Malawi and find out how citizens understand and perceive it. The results, which will be communicated to the public, will provide the ACB with apolitical and empirical information, which will be used, *inter alia*, for the anti-corruption workshop with representation from parliament, public service, civil society and the private sector. The survey results and analysis, plus the consideration of them in the workshop will help the Malawi Government develop its future strategies and policies. The survey results will:

1. Provide accurate knowledge on the extent of corruption in Malawi
2. Give apolitical data and analyses on some of the empirically describable dimensions of corruption upon which governance and anti-corruption policies, strategies and measures shall be formulated
3. Measure perceptions relating to corruption and provision of public services
4. Provide benchmark data for subsequent surveys of a similar nature

A technical Committee, the Governance Baseline Survey Team (GBST), comprising members from various institutions has been put in place to oversee the design, conduct, analysis and dissemination of the results. To this end, the GBST requires the services of the contractor. The specific tasks (TOR) to be undertaken by the contractor are as follows:

1. Be required to draw a timetable for the entire survey, putting various activities such as questionnaire modification, pilot survey, etc, sequentially;
2. At all times, consult with GBST on technical and administrative issues affecting the survey;
3. Submit a technical proposal that will have a comprehensive survey methodology covering, among others, the survey design and sampling techniques;
4. In consultation with GBST, modify the already existing core World Bank questionnaires/survey instruments to suit Malawi conditions. Both the initial and the post-pilot survey modifications will be submitted to the GBST and the DfID for input and approval;
5. Collect high quality data at household, enterprise (business) and public office levels using well-qualified and sufficiently trained interviewers and supervisors. The contractor will ensure that a multi-lingual group of interviewers or field staff have been recruited and thoroughly trained. The consultant shall demonstrate that consultancy staff are experienced in collecting, processing and analyzing data on economic, public policy issues and/or similar assignments;
6. Develop manuals for data collectors as well as separate manuals for coders and editors;
7. Develop mechanisms and strategies to ensure that statistical data collected will be kept strictly confidential at all times and under no circumstance will the contractor use the data for personal gain. The data shall remain the property of the Malawi Government and the DfID;
8. Map out strategies to ensure that the three sub-surveys at household, enterprise and public office levels are conducted efficiently and simultaneously;
9. Pre-test the survey instruments and conduct a pilot survey to test the workability of the various survey logistics and computer programs that will be used in the survey. The contractor will provide a report to GBST and the DfID on the results of the pilot survey. The report will address all of the problems that were encountered with survey questions, survey administration, sample selection during the pilot survey period;
10. Use the Statistical Package for Social Science (SPSS/PC) and/or Microsoft Excel 2000 to process the data, which will be transmitted to the DfID both by e-mail and diskette. In order to maintain high quality data, the contractor will work out strategies to do data entry, verification, validation and tabulations;
11. Produce final tables, do statistical analysis and produce a substantive report on survey findings;
12. Present the draft survey findings to GBST with a copy to DfID before the report is finalized for printing;
13. Present the final report on the results to the Government through the GBST and copy to the DfID. The report will include a thorough analysis of the survey results portraying what they inform one about corruption, service delivery and the performance of the financial management, personnel management and procurement functions in the public sector in Malawi. The report will examine relationships between corruption and delivery of public services, and in turn, their relationship to current practices in the area of public sector financial management, personnel management and management of procurement. The report will also include recommendations emanating from the results, discussion of the difficulties encountered and lessons learned during the administration of the assignment.

7.3 The Consulting Team

Name	Qualifications	Position
Keith Henderson	LLM (1986) J.D. (1978) BA (1975)	Project Director – IFES
Rakesh Sharma	MA Comparative Politics (1997) BA Economics (1991)	Applied Research Officer – IFES
Alimon Mwase	MA Public Finance (1988) B,Soc (econs & stats) (1982)	Senior Research Officer – MCG
Paul Nkhoma	MA Dev Econs (1994) B,Soc (econs & demo) (1989)	Project Coordinator – MCG
Steve Mjuweni	MSc (MIS) (2004) BSc (1997)	Information Systems Specialist – MCG

Others

Name	Qualifications	Position
Dr Tobias Chirwa	PhD (2001) MSc. (1996) BSc (1991)	Statistical advisor
Francis Zhuwao	MA Econs (2002) BA Economics (1992)	Research Officer

Research Assistants

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3	012-Lucy Gondwe	040-Jessie Kasese
4	014-Constance Msowoya	041-Ivy Chauya
5	021-Irene Nzima	042-Tiopenji Gumbo
6	024-Phiko Kavinya	044-Steven Chiyoka
7	027-Lucky Namisengo	046-James Mhango
8	036-Achete Chizonda	047-Patrick Phiri
9		048-Francisco Chizimbi
10		049-Gift Nangwale
11		054-Patrick Msukwa

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2	056-Tije pani Gondwe
3	057-Peter Mariani
4	058-Judith Katuya
5	059-Mercy Sheik
6	060-Mbachi Ngulube
7	061-Loveness Ndazona
8	062-Moses Zgambo