GOVERNMENT OF MALAWI

END OF TERM INDEPENDENT EVALUATION OF THE PRIVATE SECTOR DEVELOPMENT PROJECT

FINAL REPORT

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ABBREVIATIONS

AfDB	African Development Bank
ASDP	Agricultural Supplier Development Programme
BMS	Buy Malawi Strategy
DFID	Department for International Development
EIF	Enhanced Integrated Framework
EPZ	Export Processing Zone
EU	European Union
GDP	Gross Domestic Product
GoM	Government of Malawi
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IRS	Industrial Rebate Scheme
JSP	Joint Sector Plan
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MGDS II	Malawi Growth and Development Strategy II
MICF	Malawi Innovation Challenge Fund
MITC	Malawi Investment and Trade Center
MLSYMD	Ministry of Labor, Sports , Youth and Manpower Development.
MoITT	Ministry of Industry, Trade and Tourism
MRA	Malawi Revenue Authority
MSME	Micro, Small and Medium sized Entreprise
NES	National Export Strategy
NIP	National Industrial Policy
NTP	National Trade Policy
OPS	Office of the President and Cabinet
PSDP	Private Sector Development Project
PPDF	Public Private Dialogue Forum
SADC	Southern African Development Community
SWG	Sector Working Group
TIP SWAp	Trade, Industry, Private Sector Development Sector Wide approach
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

The Private Sector Development Project (PSDP) ended on December 31, 2016 after four years of operation (Policy enabling environment component only). A mandatory evaluation was conducted by an independent consultant from March 24 to April 7, 2017 to specifically assess the extent to which Output 1 of the project pertaining to policy work was achieved, to determine UNDP's contribution to output, to identify any lessons learned and make recommendations that could guide future decisions on the design, implementation and management of the PSDP or similar interventions. The assessment was to use the five evaluation criteria of relevance, effectiveness, efficiency, outcome/impacts and sustainability.

After intensive interviews with more than forty people , including officials and technical officers from the Ministry of Industry, Trade and Tourism (MoITT) , UNDP, relevant national public institutions; private sector operators, farmers' associations, smallholder farmers and development partners; after review of pertinent technical, administrative and financial reports, and our own observations, the evaluation findings are summarized below.

<u>Output relevance</u>: Satisfactory

The National Industrial Policy (NIP) is aligned with all national policy objectives and priorities as underscored in the Vision 2020, the Malawi Growth and Development Strategy II (MGDS II) and the National Export Strategy (NES). It is in line with the Southern African Development Community's (SADC) Industrial Policy Framework. It also supports the recommendations on industrial development by the African Union and the United Nations Economic Commission for Africa.

The NIP is consistent with UNDP's pro-poor private sector-led inclusive business model which calls on the Government of Malawi (GoM) to address the failures that prevent a private sector driven economy to grow.

The evaluation mission favorably noted that Output 1 was part of a coherent strategy to promote private sector development and to drive industrialization in Malawi, and promote exports.

However, some inadequacies were observed in the project logical and results framework. For example, the project design did not provide sufficient resources to Output 1 in a manner to facilitate both policy development and implementation since the expected objective was to see the industrial policy and prioritized sectoral policies and strategies not only formulated, but also implemented. In particular, the project support document called for implementation support in favor of the coordination mechanisms under TIP SWAp.

Still on the results framework, the mission found that the output results were formulated in ambiguous terms, with two results included in one output statement (for example: "industrial development policy and prioritized sectoral policies and strategies are developed and implemented"), therefore making more difficult the task of determining their performance status. The right formulation could have been two separate results: industrial policy and prioritized sectoral policies and strategies developed, and industrial policy and prioritized sectoral policies and strategies implemented.

<u>Output effectiveness</u>: Partially Satisfactory

An industrial policy that supports private sector growth and competitiveness was completed, even though its implementation has been slow. The NIP follows a sound approach of newly industrialized countries (China, East Asia, etc.) where governments have played an important interventionist role in promoting and deepening industrialization by strategically targeting and supporting critical industries/sectors that help achieve national ambitions and objectives. The National Trade Policy (NTP) was also completed and is being slowly implemented. Both policies were formulated through participatory processes to facilitate their ownership.

In addition, more than five targeted sectoral policies and strategies under the framework of the NES and the Malawi Innovation Challenge Fund (MICF) were supported to ensure a more receptive policy and institutional environment for prioritized NES sectors. They include among others, besides the policy frameworks above: the Industrial Rebate Scheme, the Buy Malawi Strategy, the Review of Export Processing Zones (EPZ), the Review of Production and Investment Incentives, the Investment Marketing Profiles/Investment Mapping Exercise, the Business Licensing Act and Regulations, the Industrial Database and the Capacity Development Plan for the TIP SWAp.

Even though the overall implementation status of the industrial policy frameworks is slow, the level of execution is not the same for each of the produced deliverables. For example, some of the recommendations made in the study on the Industrial Rebate Scheme were adopted in the 2016/17 fiscal year. Awareness raising workshops have been organized throughout the country on business licensing Act and regulations, requiring all foreign businesses to be licensed at the national level while domestic businesses are licensed at the local level. The Buy Malawi Strategy (BMS) was launched on March 18, 2016 and various promotional materials promoting this strategy have been produced and distributed to the public. At the time of this evaluation, an Amended EPZ Act, passed. Training on agribusiness supplier development program was delivered to fifty Malawian stakeholders.

Actions are certainly slow given the internal and external dynamics to the MoITT discussed in this report (limited human capacity, understaffing, budgetary difficulties, high turnover rate of senior officials, government's standard operating procedures, weak engagement in the reform process, etc.), but some tangible progress has been made in some areas. It is also noteworthy that most deliverables were officially completed in 2016 and time is needed for their full execution.

One of the major concerns expressed by stakeholders was, however, lack of follow-up on the part of the government to make sure that some of the completed outputs were achieving their intended goal. For example, one report indicated that the Malawi Investment and Trade Center (MITC) failed to follow-up whether embassies and potential foreign investors had received 500 copies of the Malawi Project Compendium that were distributed to them. As a result, the investment mapping exercise has not yet produced the anticipated foreign investment at the time of this evaluation.

Meanwhile, some institutional beneficiaries were disputing a number of arguments made in some studies. For example, although the Malawi Revenue Authority (MRA) supported some of the recommendations presented in the Review of the Industrial Rebate Scheme (IRS) study, this institution remains skeptical on the usefulness of the IRS, arguing that the big majority of the exempted manufacturers did not contribute to the required twenty percent local value addition, and this constitutes a waste of revenues for Malawi. This observation suggests that there still exists policy inconsistency between the objective of raising fiscal revenues and widening the tax base of the country, through expanding the productive capacity of the economy.

Another flagship achievement is the Trade, Industry, Private Sector Development Sector Wide approach (TIP SWAp), the coordinating and implementing structure of the NES and the industrial development policy frameworks and strategies, which was created in 2013 with UNDP’s technical and financial support.

UNDP’s assistance to TIP SWAP was anchored in Enhanced Integrated Framework’s (EIF) Tier 1 project in Malawi which sought to strengthen institutional capacities of trade-related institutions, especially of the Ministry of Industry, Trade and Tourism (MoITT), to formulate, implement, review and evaluate sector policies. As a result, the TIP SWAp’s Sector Working Group (SWG) and six Technical Working Groups (TWGs) were formed and supported.

This Report documents the work accomplished by the SWG and each of the six TWGs, in addition to industrial policy frameworks above. Related to the specific concern about the dormancy of TIP SWAp, the data show that these working technical groups have rather maintained an acceptable level of meetings over the last four years, the organization and regularity of meetings constituting one of the main indicators for assessing the functionality of any coordination structure, Indeed, out of the expected 16 quarterly meetings for the four year period, the oil seed TWG has successfully held all of them.

At the same time, the data indicates that no TGW fell under 11 quarterly meetings, therefore suggesting that the decreasing trend in meetings (dormancy), could have started in the last quarter of 2015 to worsen during 2016.The main reason that was given for the suspension of the TWG meetings related to funding constraints.

Although meetings were held, the level of attendance to them became a subject a great concern to stakeholders, suggesting that other factors negatively affected the performance of TIP SWAp, as well. For example, the mission noted that the decreasing level of participation by high level officials from various Ministries, Departments and Agencies, including those from the MoITT and the Ministry of Finance in the TIP SWAp’s work, prevented matters arising at the SWG level to be followed up through adequate formal channels of government so that appropriate decisions could be made.

The poor involvement in TIP SWAp and the inability by theses high level officials to push forward reforms and to show tangible interim results, caused the majority of stakeholders, in particular, the private , to start disengaging from the process, increasingly focusing attention on other dialogue frameworks, such as the Public Private Dialogue Forum attended by Ministers, to air issues high on its agenda.

The composition and organization of the SWGs hampered the performance of some groups, as well. One experience shared with the evaluation mission during the interview was that the large membership of the SWGs, with varying degree of interests, prevented focused and action-oriented discussions. In particular, civil society became irrelevant in meetings by raising questions which were not pertinent for the private sector. This could have discouraged the private sector which might have come to the conclusion that the forum was more of a talk shop.

Apart from lack of financial resources and poor internal organization of some groups, a weak engagement at the leadership level within the MoITT and other key institutions, negatively impacted the TIP SWAp's performance. It made it harder to force changes, expedite and follow up issues so that concrete results could be delivered to reassure stakeholders and enhance credibility.

Notwithstanding these limitations, the evaluation mission believes that the lack of a fully operational TIP SWAp Secretariat hindered the ability of MoITT to fully engage all stakeholders and national counterparts within the Ministry, to effectively coordinate various technical working meetings, to closely monitor implementation and to mobilize domestic and external resources to support TIP SWAp-related policies and activities. This is especially so because one of the preconditions for the success of the TIP SWAp was a capable Secretariat with dedicated full-time staff members, skills and capacity, able to mobilize adequate resources to ensure a smooth implementation of the Joint Sector Strategy, and other activities related to TIP SWAp.

Overall, based on the three performance indicators and targets defined in the project support document, all the planned output results were achieved, even exceeded, though the implementation is lagging behind and its extent varies depending on each output result.

<u>Output efficiency:</u> Unsatisfactory

The implementation efficiency was unsatisfactory since the industrial policy formulation and implementation has registered considerable delays that have threatened the project's ability to achieve the desired results within the prescribed time frame. Duplications were also noted. One case in point was the Study on Production and Investment Incentives, commissioned by UNDP and the MoITT which was in substance the same as the Investment Survey Mapping funded by the World Bank.

In addition, coordination issues within the Ministry restrained synergetic relationships and collaborative efforts necessary to speed up the implementation of activities. Other delays were attributed to UNDP's procurement procedures that were considered long and cumbersome.

However, cost efficiency was partially satisfactory: financial resources were well utilized, with an average delivery rate of 90 %. The main cost drivers were personnel salaries, technical assistance and consulting fees. The evaluator reviewed the only 2015 audit report that was made available to him. It showed that the overall management of project implementation and monitoring was satisfactory. There were appropriate internal control systems and procedures in carrying out the financial and implementation operations of the project.

Nevertheless, mis-procurements were noted in one instance of procurement of equipment without appropriate software, and in another instance of procurement of the Manufacturing Expert who did not perform as expected.

Output Contribution to Outcome and Impacts: Partially Satisfactory

For assessing the output contribution to outcome, the evaluation mission considered the work performed under Output 2 with the MICF where there are economic empowerment indicators. The outcome "Productive poor benefit from decent work, income generation and pro-poor private sector growth by 2016" was satisfactory based on the planned indicator of 90,000 poor people with increased incomes at the project level.

The evaluation mission found that 99,695 poor people have already experienced net positive income or livelihood improvements, and 320 additional jobs were created of which 96 were women. Furthermore, 11,425 low income households were said to have benefitted from access to clean drinking water through low cost water filter technologies.

Almost all the small farmers encountered by the mission were satisfied with the benefits they are receiving from the companies with which they are working, stating that the situation with the projects is far better than their situation beforehand.

The mission could not assess the second outcome indicator related to the number of non-traditional exports because of lack of data. However, the fact that small farmers are today engaged in planting new crops, such as new herbs or specialty tea, means that economic diversification is gradually taking root, thereby pointing to a positive impact of the project.

A qualitative assessment of the potential impacts of policy work on beneficiary sector and on the advancement of the economic transformation agenda in Malawi shows a partially satisfactory performance. The new policy frameworks and legislative instruments have contributed to improving systems at the macroeconomic level, even if their implementation is lagging behind. If they are effectively executed, they will have positive effects on employment and incomes, therefore contributing to the outcome.

Indeed, the policy frameworks set the vision and strategies for the country to move from a consuming to a competitive and exporting economy. They have provided guidance and roadmap for the MoITT to follow with phased plans of actions and monitoring and evaluation plans. They have also provided working and investment tools and policy-relevant information for concerned Ministries and public institutions, including the Ministry of Finance, the Ministry of Labor and the Malawi Investment and Trade Center. They have succeeded in raising awareness about the complexity of the binding constraints to private sector-led growth in Malawi and the need for public-private partnerships.

It is also important to draw attention to the potential impacts of new business regulations and strategies, developed through the project. In the past, private investors had little information on how to establish a business in Malawi and what was expected of them in their dealings and transactions. Today, this guidance is provided through the business licensing Act and business regulations. This information is readily accessible online, or at the MoITT. As entrepreneurs know where to go and what to do when they have a problem, this will potentially contribute to reducing their cost of doing business.

Since new regulations require foreign businesses to be licensed at the national level only, this novel practice will remove the multitude of fees which they used to pay, as they were also licensed at the local level, thereby lessening their business costs, as well.

Also the fact that any foreign business must be registered and licensed allows the government to screen candidates to make sure that only serious entrepreneurs are coming to the country to add values to the economy and not jesters who have declared bankruptcy somewhere else. The registration and licensing requirement is the opportunity for the government of Malawi to ensure that the registered business will file appropriate taxes in due time.

Pro-business regulations and measures, such as the ones singled out in the revised Industrial Rebate Scheme (Public Private Adjudication Committee to improve the governance of the Scheme, revised handbook to allow companies to predict what is expected of them and eligibility criteria for prioritized industries in alignment with the NES) and the reviewed Export Processing Zone regulations, are intended to incentivize the manufacturers. If implemented, they will certainly help achieve long-term objectives in terms of economic competitiveness of the country, and help produce more jobs and increase incomes.

Finally, awareness campaigns through the Buy Malawi Strategy have touched one of the most critical change factors for sustainable economic development in Africa, which is the change of mindsets. No country can develop when it deprecates its own products.

<u>Output sustainability</u>: Unsatisfactory on Output 1 and Satisfactory on Output 2

<u>On Output 1</u>: the policy frameworks were produced. Since their implementation is embedded with existing national structures and institutions, this could have contributed to sustainability.

However, a number of factors make the potential for sustainability of the work done under the business enabling policy environment component even more problematic for at least five reasons: inadequate financial resources, weak engagement by high level officials in the TIP SWAp's work, a weak and not fully dedicated TIP SWAp Secretariat, capacity constraints within the MoITT and a weak support system (inadequate infrastructure services, macroeconomic instability, mal governance, etc.).

The project support document did not define a clearly articulated exit strategy for this project component, other than stating that the Project will leave behind improvements in the policy environment affecting the performance of prioritized sectors. Yet, to ensure the sustainability of these improvements as well as the coordination structure put in place through the project, will require that appropriate capacity for coordinating, managing, mobilizing resources and delivering public and private support interventions in trade, industry and private sector development be further strengthened in ways to bolster ownership by the MoITT.

On Output 2, the evaluation mission found that there are in-built sustainability elements in the MICF's inclusive business model. The profit motive will cause the companies to pursue with the working relations they have developed with smallholder farmers after the MICF support ends.

Factors affecting results achievements

Several factors, positively or negatively, affected the implementation and the achievement of output and its deliverables. On the positive side, in addition to financial resources, furniture, equipment and expertise made available by UNDP, the PSDP Steering Committee played a critical role by providing direction and strategic follow-up, giving concrete guidance on issues identified in the work plans and progress reports submitted by the Project, and ensuring that its recommendations were effectively acted upon.

On the negative side, internal and external factors to MoITT either retarded, or hampered actions. The internal factors to MoITT include human capacity constraints, understaffing, poor inter-departmental cooperation and weak engagement by leadership to spearhead the industrial reform process and agenda , and push for tangible results, as reflected, for example, in their poor involvement in the TIP SWAp's work

Impeding external factors to the MoITT include inadequate budgetary allocations to ministries and agencies as development partners stopped direct budget support to the government in the aftermath of the cash-gate scandal, while also priorities shifted to support toward the 2014 elections and humanitarian aid in response to the 2015 flood crisis, the government's standard operating procedures on matters related to approval and presentation of policies or legislative instruments which create long delays for their final approvals and publication; and high turnover of senior officials, especially at the Permanent Secretary's level (PS) as each PS could have different priorities. Other external constraints and challenges are discussed in the Report.

These impeding factors should be viewed as salient challenges that constrain the ability of the MoITT and the Government of Malawi to assume complete leadership of development projects and agenda. In particular, the negative factors directly imputed to the Ministry contributed to hampering its ownership of the project, in addition to some external issues.

UNDP's role and contribution to output results

On Output 1, UNDP played a catalytic role which enabled the Ministry of Industry, Trade and Tourism to produce all relevant policy papers and to start with their implementation. UNDP's contribution was at four levels: technical assistance, funding, administrative and logistical support and advocacy.

At the technical assistance level, UNPD supported the MoITT by providing the necessary technical expertise to draft all major policy and strategy documents and to guide the institution in ways that was consistent with the achievement of the desired objectives.

UNDP provided technical support for the establishment and the operationalization of the TIP SWAp, (with EIF as stated above) which was subsequently funded by the European Union (EU). UNDP has contributed towards improvements in institutional strengthening, as discussed in the Chapter on Output Contribution to Outcome and Impacts of this report.

At the funding level, UNDP provided the necessary financial resources without which all the policy frameworks and strategies could not have been delivered, let alone partially implemented. UNDP funded for almost two years all TWGs. Through EIF's Tier 1 project, UNDP-Geneva supported resource mobilization for the Joint Sector Program and Capacity Development Plan for TIP SWAp. UNDP supported training costs for two officers from the MoITT, as well.

At the administrative and logistical support level: through its participation in the meetings of the Steering Committee as Co-Chair, UNDP contributed to monitoring progress made in implementing annual work plans and made recommendations for improvements. UNDP used these meeting as opportunities to encourage the Ministry to take leadership for the implementation of new measures. UNDP also provided office supplies and computer equipment to the Ministry, through its procurement office.

Finally UNDP played an important role by advocating for the implementation in Malawi of pro-poor private sector-led inclusive business models as a way to accelerate economic growth, generate employment and increase incomes, particularly for women and youth.

On Output 2, UNDP remains the point of contact and the Responsible Party for this Output, recruited through a competitive process the MICF's Fund Managers who are responsible for the day-to-day operations of the MICF, provides expert advice to support the implementation, coordination and management of the MICF, is responsible for the payment of management fees to MICF Managers, carries out oversight and monitoring functions to ensure that appropriate project management milestones are managed , and facilitates donor coordination to ensure that there is no overlapping of activities between the MICF and other donor funded projects.

Quality of partnerships

Close collaboration with the government, in particular, the MoITT, helped UNDP to attain a strong political commitment for a sustained support to a conducive policy environment for private sector development in Malawi; it facilitated smooth operation of activities and helped surmount challenges during implementation..

The partnership with the private sector was deemed good and was secured through its involvement in the MICF and the TIP SWAp's work.

Other development partners supported the policy and institutional environment as well as business enabling environment. For example, he European Union supported the implementation of a trade capacity within the Ministry under the Enhanced Integrated Framework (EIF). The EU supported the development of resource mobilization and communication strategies for TIP SWAp. A new EU cooperation program on Growth and Jobs is being worked out and will focus on four areas: Entrepreneurship, Business Enabling Environment, Access to Finance and Job Creation.

DFID is supporting the oil seeds sector to facilitate systemic change in the market through a 'Making Markets Work for the Poor' program.The International Fund for Agricultural Development (IFAD) and the KfW provided funding to the MICF which facilitated its extension until December 2019 to ensure the launching of two additional rounds of the projects related to the private sector development.

The World Bank is working on strengthening business environment and support systems, including transportation, national customs window, development of Malawi portal, agriculture programs, irrigation, public financial system, telecommunication infrastructure and the analysis of the investment climate. In partnership with USAID and DFID, the World Bank is working on strengthening the Reserve Bank of Malawi's capacities.

USAID's Feed the Future Program supports businesses in key value chains of dairy, soya and groundnuts, with a focus on building market infrastructures to enable value chains to function more efficiently.

Effectiveness of project management and coordination: Steering Committee: partially effective; Operational management: partially effective

The Steering Committee was effective in providing direction, keeping track of progress made, discussing implementation challenges and strategic issues, taking note of lessons learnt, making recommendations for speeding up the achievement of output results, but was less effective in ensuring that its decisions were expeditiously executed.

Some of the decisions taken by the Steering Committee did not resolve into immediate actions from the MoITT at a time a swift intervention was required. The case in point was coordination problems within the Ministry which were hampering the normal functioning of project activities, but took several months before a remedy was found.

The mission also noted that the discussions of the governing body were often little on how the policy work was contributing to outcome and impacts.

Further, the scope of participation to meetings was not as originally intended in the project support document. There was no evidence of involvement in the SC meetings by the Reserve Bank of Malawi, the Ministry of Agriculture, or civil society organizations. The involvement of the Ministry of Finance was very limited. There was no indication that efforts were made by the

SC to reach out to these institutions and to secure their sustained commitment and participation in the SC meetings. The overall performance of the SC was therefore rated as partially effective.

The performance of the project operational management was partially effective, too. Work was well planned and resources organized to achieve planned targets and objectives. To this end, annual work plans for 2013-2016 with yearly planned activities and related budgets were prepared. All quarterly and annual progress reports were available and were prepared in a cooperative manner by UNDP project staff members.

Monthly project management meetings were held on a regular basis and provided the opportunity to discuss technical and implementation-related issues. The responsibility for the preparation of meetings for both the project and the SC was transferred to the Ministry in the last year of the project (2016), but UNDP was reportedly still assisting in organizing them due to capacity constraints in the Ministry. The same applies for the reports.

The project support document expected a number of knowledge products to be completed by the end of the project in December 2016. Yet, the mission did not see any analytical work which documented best practices, in particular, with focus on Output 1.

In addition, there remains scope to improve coordination within the MoITT between the Department of Industry and the Department of Trade. Close collaboration between these two departments can contribute to synergetic working relationships and a speedy implementation of activities.

Conclusion

UNDP has contributed to the production of important policy documents and legislative instruments that are critical for advancing the industrial development and trade promotion agenda in Malawi. However, the impact of the industrial policy frameworks on economic transformation and development is yet to be felt. In reality, the challenge of implementation just began as most key documents were finalized in mid or late 2016.

On the other hand, the Ministry of Industry, Trade and Tourism views UNDP as a partner of choice. As such, UNDP is challenged to now move downstream by providing support to the Ministry to implement these policies and carry forward the national project of industrial development, taking into account the lessons learned during this first phase of project execution.

Major lessons learned

The evaluation mission has identified a number of lessons that can guide future decisions on the design, implementation and management of the PSD project or similar interventions.

1. Putting the private sector in the driver seat of development can have a decisive impact on the transformation of the economy and the expansion of its productive capacity. This requires on the part of the government the enactment and effective execution of a series of policy incentives to create a more receptive business environment.

2. Working with the private sector requires discipline and a results-approach. Otherwise, disengagement will take place. In other words, engaging the private sector in development requires from the government sustained commitment and tangible results.

3. It is important to make sure during project design and formulation that the funding is adequate enough to support both policy development and implementation so that desired impacts could be achieved.

4. There is a need for a well-articulated exit strategy to ensure the sustainability of benefits.

5. To foster ownership, local counterparts must be trained in all aspects of project cycle, including formulation, management, procurement, coordination and evaluation as well as in strategic leadership and change management topics.

6. Having good working relationships with the Implementing Partner facilitates a smooth operation of activities and helps surmount challenges.

7. To achieve sustained results on structural transformations of the Malawian economy will require a great deal of goodwill from the Ministry of Finance, given its powerful and central position in the government.

Recommendations

The following recommendations are proposed to UNDP and the MoITT to guide future decisions on the design, implementation and management of the private sector development project or similar interventions in Malawi.

a) FOR UNDP

Recommendation 1: While UNDP has a strong comparative advantage in upstream work, the institution could consider some targeted interventions to support the implementation of policies and strategies it has helped to develop with a view to facilitating the realization of the desired improvements in institutional strengthening to achieve the needed economic transformation and developmental impacts.

Recommendation 2: UNDP should provide support to enhance the capacity of the TIP SWAp Secretariat to support the implementation of policy frameworks. To ensure its visibility, the revamped Secretariat, rather than being hosted by the Department of Planning of the MoITT, would be attached to the Permanent Secretary and led by a National Coordinator. This support will focus on five areas in which critical capacity gaps were identified: strategic leadership, coordination, resource mobilization, management and communication, and results-based monitoring and evaluation. To this effect, UNDP could facilitate the recruitment of three national consultants/experts who would be responsible for these tasks. It is expected that these national consultants would be later hired as full time staff members by the Ministry as its budgetary situation improves.

Recommendation 3: the MoITT with UNDP's assistance has developed multi -year implementation plans for the NIP and the NTP. UNDP should work with the Ministry to identify priority actions, especially those in need of financing and on which it could provide its support. Some indicative areas are discussed in the report.

Recommendation 4: UNDP could help establish a start-up grant mechanism to support young entrepreneurs in the agribusiness and industrial sector. The grant could be accompanied with business incubation services, such as financial management training, coaching, physical space, and business advisory services.

Recommendation 5: UNDP should facilitate the participation of key national officers and officials in short-term residential and external training programs as well as study visits to strengthen their performance capacities in key areas such as enterprise development and value chains, industrial and trade policy formulation, coordination, implementation and evaluation; international marketing and export promotion, project cycle, international trade negotiations, and leadership and change management.

Recommendation 6: if the future PSDP is executed under the National Implementation Modality and one of the major responsibilities of its Project Manager is to advise the government, it would be preferable that the Project Manager be housed where national counterparts are to facilitate coaching and capacity development.

Recommendation 7: UNDP should invest in analytical work designed to show case best practices in industrial policy coordination involving the private sector, using the example of TIP SWAp.

Recommendation 8: UNDP should plan for the sustainability of benefits by defining specific exit strategies during project design and formulation.

Recommendation 9: If the same private sector development project has to be reformulated, or to design a similar project, UNDP should ensure that:

- all key stakeholders are involved at the design stage, including potential donors to discuss possible co-financing options when UNDP has very limited resources to invest in the project;
- there is no dispersion of efforts by concentrating on a few selected areas where it can achieve a maximum developmental impact;
- the formulation of project results and indicators is based on SMART criteria, and does not lend to multiple interpretations. This will facilitate project monitoring and evaluation within the context of the results-based management approach.

b) FOR THE MoITT

A number of issues were raised during the assessment with regard to the performance of the MoITT in the course of project implementation. The following actions are proposed in response to those issues in order to improve the implementation, management and coordination of the future private sector development project.

Recommendation 1: High visibility and engagement of senior level management: Positioning the industrial development at the heart of Malawi's economic transformations requires that the Minister of the MoITT and all senior level management become more visible and engaged in pushing for reforms and in advocating the need for effective inter organizational collaboration within the government to accelerate these reforms and obtain tangible results. In particular, the Ministry should actively participate in the TIP SWAp's work at the decision-making level necessary to reassure other stakeholders, and to push for concrete changes. Leadership should show commitment to action. By fostering policy implementation, it will contribute to ownership since the diversification of the productive base of the economy will increase tax revenues, thereby lessening the country's dependency on foreign aid.

Recommendation 2: Ownership of development: doubts were casted during interviews about the Ministry's capacity to expeditiously and effectively respond to requests from UNDP and to take responsibility for the tasks entrusted to the institution. In this context, ownership of development requires that the Ministry takes an active and proactive role in every stage of project formulation, management and evaluation. This requires among others, providing in a timely manner substantive feedbacks to drafts of policies and strategies developed by consultants, drafting the terms of reference for consulting missions, ensuring a sustained and active participation of all relevant cadres in project activities where their presence is required, and taking responsibility for the organization of meetings and the preparation of progress reports and minutes of meetings.

Recommendation 3: Internal coordination: coordination should be improved to facilitate close collaboration between various departments which would potentially contribute to synergetic relationships and a speedy implementation of activities.

Recommendation 4: Donor coordination: the Ministry should consider the possibility of establishing a high-level or strategic aid coordination and harmonization mechanism to foster coherence and to avoid overlapping and duplication of efforts, interactions and activities which produce transaction costs and waste of time for the Ministry. The TIP SWAp Secretariat will be responsible for the preparation of meeting as well as the follow-up of decisions and commitments made. The Joint Sector Plan prepared by the Secretariat will provide the basic framework for aid coordination and harmonization.

I. DEVELOPMENT CONTEXT

1. Background

Malawi is a landlocked country with a total population estimated at 15.2 million (2010). Over 85 percent of this population lives in rural areas on agricultural pursuits. The contribution of the agriculture sector to GDP over the years has remained significant, averaging 40 percent. This sector supports roughly 85 percent of the labor force and contributes to approximately 85 percent of export earnings.

About 70 percent of the agriculture labor force is made of smallholder farmers. Yet this sector has been marked by low inputs and productivity, dependency on fluctuating rainfall patterns, and declining soil fertility. This situation has been aggravated by weak links to markets and limited access to agricultural land, credit and business support services. Governmental efforts toward economic transformation and diversification have so far proven less conclusive.

The manufacturing sector has been facing a number of setbacks since the early years of predominantly government-led import substitution industrialization of the 1960s and 1970s. Since then, its contribution to GDP has been falling from an average of 28% in 1990 to 10 % in 2016. This declining trend is attributed to several reasons that constrain the sector expansion: declining investment, heavy import dependence in production, limited access to finance, shortage of foreign exchanges, high interest rates, lack of technical skills, high transportation costs, unreliable power sources and inadequate infrastructure services.

The country's economic performance has been also constrained by inconsistency in policy implementation and macroeconomic instability. While the country sustained real GDP growth rates of above 5% between 2009 and 2014, the real GDP significantly dropped in 2014 at 2, 9% before slightly improving at 4.0% in 2015. The rate of inflation remains high (23,7% in 2014) and fiscal deficits are considerable. Reduced donor inflows have contributed to aggravating this situation. Falling reserves of foreign exchange and the devaluation of the Malawian Kwacha of more than 30% have constituted severe limitations to growth, investment and industrial development.

These challenges have been compounded by the official corruption, which is reportedly high, adding to the perceived high cost of doing business in Malawi (with a corruption perception index of 31 in 2015, Malawi ranked the 112th position out of 167 countries in the world). These issues have negatively affected Malawi's global competitiveness, as shown in the table below.

Table 1: Indicators for competitiveness in Malawi

Indicator/year	2010/11	2011/12	2012/13	2013/14
Ease of doing business	141	145	157	171
Global competitiveness	117	129	136	132
Corruption perception index		30%	37%	37%

Source: BMS

On the other hand, Malawi's trade patterns reveal a widening gap in the trade deficit and limited diversification. Over the period 2009-2013, exports (coffee, tea, oil seeds, sugar and tobacco) and imports (fuels, vehicles and machinery, fertilizers, and medical supplies) increased by 159% and 245% respectively at current prices.

This predicament has been of great concern as there is a pressing need to save scarce foreign earnings to invest in the economic development of the country and to improve the living conditions of its people. A concern that is justifiable since Malawi remains among the least developed countries in the world, with a GDP per capita growth of less US$1000.

In light of these conditions, a reversal in policies and strategies has been observed. In particular, Malawi Growth and Development Strategy II and the National Export Strategy reaffirmed the need to transform Malawi from a consuming country to a producing economy driven by export rather than imports. The NES, which is the Malawian roadmap for economic diversification and expansion of trade, focuses on building the productive base of the economy to help Malawi move into export of higher value goods and services and reduce its reliance on the export of raw or semi-raw commodities.

The NES prioritizes sectors for export development and highlights a critical need for appropriate and concerted efforts to provide an enabling business environment that will allow for the country's productive base to emerge on a scale that can match the growth in imports and at the same time allow for the true economic empowerment of Malawians, through employment, or through better returns for the self-employed, such as smallholder farmers. The realization of these national goals requires a dynamic and innovative private sector to develop new products and services on a competitive basis, while connecting the many smallholder farmers of the country to the market systems.

It is within this context that came about the concept of a private sector development project as an instrument to support the Government of Malawi to leverage the private sector as the engine of economic growth, diversification and export market expansion in ways that create economic opportunities, increase incomes and improve livelihoods, especially for the poor.

2. Objectives of the Private Sector Development Project

An abundant literature views "development" as a process of transforming the productive structure of the economy and accumulating the capabilities necessary to undertake this process.[1]

Sustained economic development is associated with the capacity to diversify domestic production structure: that is, to generate new activities, to strengthen economic linkages within the country and to create domestic technological capabilities. The development of the manufacturing sector was critical to rapid economic transformations in more advanced economies in the Western hemisphere (Britain, USA, Germany, France, etc.) and the newly

[1] Kuznets, S. *Modern Economic Growth*. New Haven: Yale University. 1966. Todaro M. Economics for a Development World, second edition, Harlow: Longman, 1982. Akbar Noman & Joesph Stiglitz, editors, Industrial Policy and Economic Transformation in Africa, Columbia University Press, 2015.

industrialized, or emerging economies (China, South Correa, Brazil, etc.). It was in keeping with these empirical experiences that the private sector development initiative was launched in Malawi.

The Private Sector Development Project (PSDP) was established in 2013. The overall goal of the project was to accelerate economic diversification, innovation and increase the opportunities for the poor to benefit from economic growth through higher incomes and increased job creation.

The project intended to transform the private sector into the engine of growth, economic diversification and job creation, particularly by supporting productive partnerships within the private sector, between the lead firms and poor producers and smallholder entrepreneurs. Specifically, the objective of the project was to establish a more inclusive, innovative and competitive private sector.

To achieve this goal and objective, the PSDP set four outputs:

1. The Industrial development policy and prioritized sectoral policies and strategies developed and implemented.
2. The Malawi Innovation Challenge Fund (MICF) is established and operational to increase inclusiveness and competitiveness of value chains in agriculture and manufacturing.
3. Loan facility provided to smallholder farmers, low income women and youth.
4. Program coordination and management ensured.

The PSDP was contributing to Outcome1.3 of the UNDAF 2012-2016: "Productive poor benefit from decent work, income generation and pro-poor private sector growth by 2016." The expected CPD outputs were: Inclusive finance products expanded and new business-to-business opportunities for Malawi products.

3. Project Organizational Framework

The Ministry of Industry, Trade and Tourism was the Implementing Partner for the project. This Ministry was also the Responsible Party for Output 1 while UNDP is responsible for Output 2.

At the operational level, the project management team was composed of a PSD Advisor (Project Manager-International Staff) who was assisted by a National PSD Specialist and a UNV Volunteer Program Analyst. In the past, there was also a Young Professional acting as Analyst. The National Specialist was actually the National Program Analyst. A Steering Committee, responsible for strategic leadership and governance oversight, constituted the governing body of the project.

4. Project Duration and Budget

The project started in January 2013 and formally ended on December 31, 2016. However, due to unexpected circumstances, the contracts under Round One were extended for one additional year under Output 2. Additional funding was received from the International Fund for Agricultural Development (IFAD) and the KfW which facilitated the extension of the MICF till December

2019. This extension will ensure that two additional rounds are launched and projects completed, making the total number of rounds to three (3), which is in excess of what was initially envisaged (one round of competition).

The initial total project cost was estimated at US $11,995,649 of which US $3,515,649 from UNDP core resources (TRAC) and US $ 8,000,000 from UK DFID. The project had a financing gap of US$480,000. The total budget for Output 1 was US $ 954,796.

II. PURPOSE, OBJECTIVES, SCOPE AND METHOLOGY OF THE EVALUATION

1. Purpose of the evaluation

The major purpose of the evaluation was to assess the extent to which Output 1 of the project pertaining to policy work was achieved, to determine UNDP's contribution to output, and to identify any lessons learned and make recommendations that could guide future decisions on the design, implementation and management of the PSDP or similar interventions.

2. Specific objectives of the evaluation

The specific objectives of the evaluation were as follow:

1. Assess and analyze the progress made by the project to date towards achieving the project outcome, and output and the extent to which these results will be sustained after project closure.
2. Examine and analyze factors which have positively and/or negatively impacted on the achievement of the output.
3. Assess the relevance of the output to the effective achievement of the outcome and goal.
4. Assess the relevance and adequacy of the project outcome and goal to address the challenges in the private sector development arena.
5. Assess the adequacy of the scope of the project interventions relative to the objectives of the project.
6. Assess the extent to which UNDP and the MoITT cooperated and contributed to the successful implementation of the project.
7. Assess the effectiveness of institutional arrangements, sustainability arrangements and partnership strategies.
8. Assess the extent to which existing policies, strategies, regulations and other documents, specifically those developed with UNDP assistance, are implemented and support the creation of a business enabling environment in Malawi.
9. Provide recommendations and document lessons on the design of the project, implementation, sustainability or exit strategies and partnership arrangements to inform future programming.
10. Distil lessons learnt for future programming and improvement in planning for the remainder of the program, if applicable.

To adequately respond to these objectives, the evaluation questions were prepared and incorporated in the Inception Report. They are also included in the terms of reference in Annex 1.

3. Scope and limitations of the evaluation

According to the terms of reference, the evaluation was supposed to focus on Outputs 1, 3 and 4 in order to assess the extent to which the expected results were achieved. Under Output 2 (MICF), the evaluation will only assess the role of UNDP and the sustainability of the project results.

After the submission of the Inception Report, however, UNDP Country Office insisted that the evaluation must focus on Output 1 only and that the exercise should be seen as an output evaluation. This view was inconsistent with the TOR that clearly stipulated that the evaluation is outcome-oriented. The evaluator also argued that the three outputs were conceptually interlinked, and as such, their assessment was necessary to ascertain their contribution to the UNDAF outcome. The duration of the mission (20 working days) was deemed insufficient to undertake this task.

It was finally agreed that the mission will focus on output 1, but for the assessment of the contribution to the outcome, which has economic empowerment indicators, the evaluator will review the annual report produced under the MICF component and will undertake some site visits to interview small farmers to enable him make an informed and calibrated judgement on the status of the outcome. The evaluation mission would also assess the effectiveness of the project management and coordination arrangements and mechanisms.

An Addendum was therefore prepared by the evaluator and attached to the Inception Report to reflect these two aspects.

4. Evaluation methodology

The conceptual approach and the evaluation methodology, including the evaluation matrix were discussed in the Inception Report. This section briefly presents the data collection and analysis methods that were used by the evaluation mission.

a) Data collection methods

To provide answers to the evaluation questions, the evaluation mission triangulated three data collection methods:

- **Desk review of relevant documents**

The mission reviewed key projects documents and reports (project support document, progress reports, administrative and financial reports, work plans, minutes of meetings, audit report, studies, etc.) in an effort to understand the development situation, trends, performance targets and achievements, challenges, underlying themes, and any pertinent issues.

- **Interviews**

Personal and focus group interviews were conducted with key project stakeholders, including, UNDP, Ministry of Industry, Trade and Tourism, Ministry, MICF, Malawi's Confederation of the Chambers of Commerce and Industry, Malawi Investment and Trade Center, beneficiaries and relevant donors. The interviews sought to grasp the project, its achievements and development results, its challenges as well as UNDP's contribution from the points of view of its major actors and beneficiaries. Interviewees were also asked to discuss any lessons they might have drawn from project implementation and the way forward.

To ensure consistency and focus on the evaluation criteria, the interviews were guided by a questionnaire which was part of the Inception Report.

- **In-site visits/personal observations**

The mission conducted site visits at the Sunseed Oil, Ltd in the suburb of Lilongwe and in the Blantyre and Zomba region. The visit in Lilongwe coincided with the official inauguration of a new Margarine and Baking Fat processing plant, to which various officials and beneficiaries were invited. This visit, therefore, provided the opportunity to interact with a broad section of people with varying levels of knowledge about the project, its achievements and impacts.

The visits in the economic capital of Malawi and in Zomba allowed the mission to directly interact with smallholder farmers and to get fresh insights from them about the impacts of the project on their lives.

b) <u>Data Analysis</u>

The mission triangulated the above three sources with a view to obtaining a more balanced picture of the project situation and results through a cross-checking of information and data. Using evidence from different sources of data helped to eliminate, or reduce inconsistencies, thus increasing the validity of the findings. A mix of qualitative and quantitative approaches was used to analyze data and to assess the status of the output and the outcome. These methods were discussed in detail in the Inception Report.

III. EVALUATION FINDINGS

1. FINDINGS ON OUTPUT RELEVANCE, EFFECTIVENESS, IMPACTS, EFFICIENCY AND SUSTAINABILITY

A. FINDINGS ON OUTPUT RELEVANCE

Relevance measures the extent to which the achieved output is consistent with national and regional objectives as well as UNDP's programmatic priorities and values. It also examines the pertinence and coherence of the logical framework and the change strategy.

1. Responsiveness to Malawi's development needs and priorities

The National Industrial Policy (NIP) is aligned with the Vision 2020 and Malawi Growth and Development Strategy II (MGDS II) which recognize that Malawi should be transformed from a predominantly consuming and importing country to a predominantly manufacturing and exporting nation. Malawi being an agriculture-based economy, the policy's emphasis on the development and the expansion of agro-processing industries, is in perfect line with national needs, objectives and strategies.

The NIP is fully consistent with the National Export Strategy (NES) whose primary objective is to promote the exports of the country's prioritized productive sectors with a view to diversifying the productive base of the economy, creating jobs and employment opportunities, increasing incomes, particularly of smallholder farmers, and thereby contributing to poverty reduction. [2]

It is a key strategy to accomplish Malawi's desired move into the exporting of high value-added goods and for reducing the country's over reliance on raw or semi-raw commodities. The National Industrial Policy, therefore, supports the identified target product clusters that have a high potential to generate significant spillovers and structurally transform the economy that is driven, among others, by a conducive business policy environment and improved market access.

The National Industrial Policy is also consistent with the SADC Industrial Policy Framework by prioritizing growth clusters and targeting sectors that have significant knowledge and cost discovery spillovers in the economy.

It is worth noting that the NIP is fully consistent with the recommendations by the African Union and the United Nations Economic Commission for Africa on industrial development. These institutions have called upon all African countries to increase their share of the manufacturing sector in GDP, to diversify their productive base and to locally process their own products in order to eventually join the emerging developing countries that have seriously challenged the traditional comparative advantage theory by moving from being simple producers and exporters

[2] The prioritized sectors for economic transformation are the oilseeds products, the sugarcane and sugarcane products, and manufacturing sector which include subsectors like beverages, agro-processing, plastics and packaging and assembly.

of primary commodities to becoming producers and exporters of a broad range of light and sophisticated manufactured goods. [3]

2. Alignment with UNDP 's programmatic priorities and core values

The National Industrial Policy is in line with UNDP's private sector strategy, in particular, the pro-poor private sector-led inclusive business model that calls for concerted efforts by the Government of Malawi to address the failures that prevent a private sector driven economy, and incentivize businesses to engage, innovate and invest in the expansion of the productive base of the country and export.

The Policy also supports a conducive policy environment to enable pro-poor investments identified in the prioritized clusters of the NES (especially for women and the youth) to flourish.

Hence, an improved policy environment, that effectively put the private sector at the center stage of the economic transformation strategy, is more likely to contribute to the achievement of sustainable human development, as advocated by UNDP.

3. Internal coherence of the logical framework and the change strategy

While focusing on the enabling policy environment for a private sector-led growth in Malawi, it is necessary to understand how this output relates to the overall efforts to establish a more inclusive, innovative and competitive private sector, which was the specific objective of the Private Sector Development Project (PSDP). To this effect, the evaluation mission found that the project's change strategy was clearly articulated, leading to a well-thought out sequence and prioritization of critical interventions.

Indeed, underlying the transformational logic of the project was the inclusive business approach. Since Malawi's business environment remains a key bottleneck to pro-poor private sector development and inclusive economic growth, the PSDP approach was to support the development of inclusive business or market systems in Malawi that integrate low income people, small farmers in their value chains, thereby creating opportunities for them in a more targeted way.

In this sense, the project sought to establish the building blocks which make it possible for inclusive business to bring about systemic change with a greater impact. These building blocks consist of providing the following: [4]

1. **Information** to businesses (knowledge, technology, know-how, innovations) so that they can operate effectively and efficiently.

[3] According to the classical comparative advantage theory, Africa should not emulate broad industrial evolution in 19th century America and Western Europe , or late 20th century East Asia, but should concentrate on the production of mineral and agricultural products (raw commodities for export) in which it has natural comparative advantage. This idea is outmoded in this modern industrial world trade which encourages and recommends increased participation in a broad range of global value chains to create more downstream value added in African countries.

[4] UNDP: Realizing Africa's Wealth: Building Inclusive Businesses for Shared Prosperity, New York, 2013.

2. **Incentives** to businesses with the impetus to engage with low-income communities and small businesses by rewarding positive externalities and reducing the cost of doing business.
3. **Investment,** or financial backing that enables businesses to venture into challenging low-income markets.
4. **Implementation support** in terms of logistics, marketing and communication, and micro-business support services.

Therefore, one set of measures alone cannot be sufficient to trigger the kind of transformational changes that are needed to promote private sector involvement in the economy and to enlarge its productive base with a view to decreasing national deficit, earning more foreign exchanges while generating employment opportunities and increasing incomes of the poor. This is why public-private partnerships and collaboration (government, companies, development partners, civil society, universities, research institutions), are called for to work together to strengthen each of these core functions of the inclusive business model in Malawi.

In this context, Output 1 of the PSDP, which is the focus of this evaluation, concentrated on the creation of policy incentives to enable the private sector to engage and invest in the expansion of the productive capacity of the country and export, in accordance with the National Export Strategy. This component of the project, under the primary responsibility of the Ministry of Industry, Trade and Tourism, had the task of laying out the vision, policies and strategies that would facilitate the industrialization, or the transformation of the country toward a producing and exporting economy.

While this Output 1 focused on the enabling business policy environment for pro-poor private sector-led transformations, Output 2, under the primary responsibility of the private sector, addresses other series of key challenges that have hampered private sector development in Malawi, by among others, establishing an instrument to provide monetary incentives in the form of matching grant funds to businesses that come out with innovative models to include smallholder farmers into their value chains. Given the magnitude of financial constraints for small business development, Output 3 had to establish a soft loan facility in favor of small farmers, taking into account the high cost of capital on the market.

The project was therefore anchored on a coherent change framework articulated around key areas that impact to a certain extent the development and the expansion of a private sector-driven economy. A successful implementation of these interlinked interventions would contribute to economic empowerment, through the creation of employment opportunities and increase in incomes, particularly for the poor, which was the outcome pursued by the project.

Nevertheless, it should be recognized that the outcome to which Output 1 and other outputs of this project contribute, cannot be realistically achieved through these three outputs alone. For example, the increase in the share of non-traditional exports is influenced by demand and supply side factors, the improvements in the national infrastructure systems and macroeconomic conditions, which are not altogether under the control of UNDP or the UN system. It is also unrealistic to presume that transformations in a project environment will necessarily trickle down to the entire country.

While recognizing the coherence of the change strategy, some stakeholders interviewed argued that the project did not have sufficient resources to adequately fund all of its components, leading to one Component (Output 3: Soft Loan) not coming to existence [5]and Output 1, the focus of this evaluation, not having been sufficiently funded. Indeed, weak policy implementation was cited by most people interviewed, and one of the main reasons given was related to funding constraints.

This preoccupation raises questions about the design and allocation of funds among the different components of the project. This is true to the extent that the goal was not just to devise policies, but to implement them so that the expected impacts could be achieved. This problem also raises the question of the extent to which the government was actively involved in the formulation process of the project support document to help ensure that adequate resources were allocated to the policy component, notably to those areas were UNDP was committed to facilitating implementation, such as TIP SWAp. The evidence collected from those interviewed oscillates between “doubts”, “don’t know” and a categorical no. However, the mission believes that the initial Implementing Partner, the Ministry of Finance, could not have paid attention to this issue.[6]

The mission also considers that Output 1 was not properly formulated, making the task of determining its performance status even more challenging. The statement of the output was as follows: ”the industrial development policy and prioritized sectoral policies and strategies are developed and implemented”. This statement is confusing because it refers to two separate actions: (a) the industrial development policy and prioritized sectoral policies developed, and (b) the industrial development policy and prioritized sectoral policies implemented.

The danger here is that the policy may be developed, but not fully implemented, or not implemented at all. Therefore, putting them in one output category could lead the evaluator to conclude that the output was realized. This is especially so since output formulation can influence indicator development. In this case for example: ”number of industrial policies developed and approved by the Cabinet”. The right formulation could have been two indicators: “number of industrial policies developed” and “number of industrial policies approved by the Cabinet”.

Although it is conceptually preferable to formulate two separate outputs, the mission mitigated this issue by adding to the quantitative assessment a qualitative analysis, using a performance rating scale: “ Satisfactory” (fully realized),”Partially Satisfactory” (partially realized),” and Unsatisfactory” (not realized at all).

Finally, the mission found that, to be complete, project work plans and annual reports should have been results-focused, articulating the results chains between activities, outputs and outcome. It is of critical importance to determine on a periodic basis (quarterly and annually) whether activities and outputs are effectively contributing to the expected

[5] However, according to one official comment from UNDP, this output was not delivered because other solutions were provided to find a micro finance institution to manage the fund.

[6] There is no denying that implementation is the primary responsibility of the government.

development outcome and impacts (on beneficiaries or on advancing the economic transformation agenda of the country).

SUMMARY ON OUTPUT RELEVANCE

DESCRIPTION	NARRATIVE	PERFORMANCE SCORE
Responsiveness to the country's development needs and priorities as well as regional recommendations.	The Industrial Policy is aligned with all national policy objectives and priorities as underscored in the Vision 2020, the MGDS II, and the NES. It is also consistent with the SADC Industrial Policy Framework.	**Satisfactory**
Alignment with UNDP's core values and programmatic priorities	The NIT is consistent with UNDP's pro-poor private sector-led inclusive business model which calls on governments to address failures that prevent a private sector driven economy to grow. By insisting on smallholder farmers, small business, women and youth and the welfare needs of the Malawian people, the Policy clearly advocates the values that are central to UNDP's sustainable human development agenda.	**Satisfactory**
Internal coherence of the logical framework and change strategy.	The project was anchored on a coherent change framework articulated around key areas that impact to a certain degree the development and the expansion of a private sector-driven economy. However, the outcome to which Output 1 and other outputs of this project contributes, cannot be realistically achieved through these three outputs alone. Project allocation of resources was not done in a manner to facilitate both policy development and implementation. Finally, output statement and indicators were formulated in ambiguous terms.	**Partially Satisfactory**

<u>Performance Rating Legends</u>:

- **Satisfactory**: totally responsive to national and local needs and priorities as well as UNDP's priorities and core values. A coherent logical framework.
- **Partially satisfactory**: one of the above conditions are not met.
- **Unsatisfactory**: the two conditions are not met.
- **Difficult to rate**: no enough information or data to make a judgment.

B. FINDINGS ON OUTPUT EFFECTIVENESS

Effectiveness measures the extent to which the intended objective (s) was (were) achieved, taking into consideration the performance indicators and targets specified in the project results matrix.

After a careful review of documents and interviews, the evaluation mission has concluded that all key policy frameworks and strategies have been delivered, although their implementation is lagging behind. Above all, **the National Industrial Policy** was completed, approved by the Cabinet and launched in October 2016. This is considered by many as the first ever stand-alone Industrial Policy (NIP) that Malawi has ever had.

An outcome of a long process of consultations including the government, private sector, and development partners, the NIP is well-written and provides strategic guidance and direction on how Malawi can develop the productive base of its economy and industrialize.

The NIP follows the approach of newly industrialized countries (China, East Asia, etc.) where governments have played an important interventionist role in promoting and deepening industrialization by strategically targeting and supporting critical industries that help achieve national ambitions and objectives.

The NIP adopts the clusters that have high value addition and spillover effects that were identified in the NES and adds clusters that Malawi has potential for import substitution. To drive transformations, the industrial policy focuses on eight priority areas: appropriate skills and technology, improved business environment for the manufacturing sector, improved access to key business services, support infrastructures, participation of MSMEs in manufacturing, social and environmental sustainability of industrialization, cluster and sector specific support.

By so doing, the National Industrial Policy integrates all the three industrial policy dimensions recommended by the United Nations Industrial Development Organization (UNIDO): growth dimension (sectors or products with high growth potentials or effects), pro-poor dimension (high employment and income generation effects for the poor) and environmental dimension (material efficiency, by notably calling for appropriate industrial waste management interventions countrywide).[7]

The status of implementation of the NIP is reflected in various deliverables (discussed below) which were produced to promote industrial development, trade and exports.

1. The National Trade Policy

The National Trade Policy (NTP) is another flagship achievement of the project, a well-thought out roadmap to deal with the binding constraints that have hindered Malawi's ability to take full advantage of market and trade opportunities in the domestic, regional and global landscape. The Policy was completed and approved by the Cabinet, and was launched in October 2016.

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[7] UNIDO, Economic Diversification Strategies: A Key Driver in Africa's New Industrial Revolution. Vienna: Austria, 2011, pp.11.

Like the NIP, the NTP was formulated through a consultative process that included stakeholders from the public and private sectors, civil society, academia and development partners. It was developed against the background of the country's widening trade deficits despite numerous trade opportunities in the domestic, regional and global markets. In line with the MGDS II, the NES and the industrial policy framework, the NTP provides the vision and strategies to make Malawi a globally competitive export-oriented economy, generating higher and sustainable livelihoods through trade that recognizes the role of MSMEs and the vulnerable groups.

The Policy covers five major priority areas: market access, business environment, narrow productive base, high entry costs for small scale producers and traders, and implementation gap to develop the trade sector.

Both the NIP and the NTP came with an implementation plan that lays out strategies and actions that must be initiated to operationalize them and to accelerate the needed structural transformation agenda. However, the pace of implementation is widely varying, often partial.

This situation is understandable given the fact that they were officially launched in late 2016, and resources were not yet budgeted to implement priority actions. Nevertheless, important deliverables, by themselves key project achievements, were produced within the broad industrial development framework. All of them constitute solutions that would make the business environment more conducive to private sector development, and growth, and hence making Malawi a producing and exporting country

Below are some of the major support documents that were developed. They essentially relate to policies, strategies and legislation that needed changing under the framework of the NES. Wherever actions have been taken, it will be indicated. Other documents or actions taken are highlighted in the Tables below under the SWG and TWGs of the TIP SWAp, The major contributing and impeding factors are discussed in a separate chapter under the factors affecting results achievements.

2. Review of the Industrial Rebate Scheme (IRS)

The Industrial Rebate Scheme was introduced in the nineties to promote the local industry by exempting manufacturers from paying customs duties and excises on selected materials they import to be used in the production of goods. The companies had to apply for an IRS license from Malawi Revenue Authority, the governance body. The eligible companies must demonstrate that at least 20% of the value of the goods produced is added locally.

The study was conducted by the MoITT with UNDP assistance to find out why the Industrial Rebate Scheme (IRS) was no longer attractive to industries. It concluded by identifying areas where innovations are needed in the legislation and made recommendations to improve transparency in the Scheme governance as well as in its management.

Some of the recommendations were adopted in the 2016/17 fiscal year. For example, to improve on transparency, the Customs and Excise Order was amended to incorporate a new IRS Advisory

Committee, comprising of the private and public sector representatives. This body is equivalent to the South African model of Public-Private Adjudication Committee, recommended in the study. In addition, Malawi Revenue Authority (MRA) will be also accepting IRS applications every month, as opposed to the previous biannual arrangement. There is a reduction of time to claim IRS refunds due to the introduction of Value Added Tax (VAT) on most final products. Input VAT claims to be deducted from Output VAT.

There are still a number of pending questions that are to be addressed, such as the need for the IRS to limit its intervention to priority sectors as defined in the NES, its limited coverage to large industrial companies, and not small and medium-sized industries. It is still also debated whether the IRS should remain an open-ended scheme without time limitation for membership, or to introduce a graduation formula. Still, some believe that the IRS should be applied only when the government intends to support start-up industries.

It should be acknowledged that some of the arguments made in the study are disputed by relevant institutional beneficiaries. For example, although the Malawi Revenue Authority (MRA) supported some of the recommendations made in the study, as stated above, stakeholders indicated that this institution remains skeptical on the usefulness of the scheme, arguing that the big majority of the exempted manufacturers does not contribute to the required twenty percent local value addition, and this, in its view, constitutes a waste of revenues for Malawi.

This observation suggests that there still exists policy inconsistency between the objective of raising fiscal revenues and widening the tax base of the country, through expanding the productive capacity of the economy.

3. Review of the Export Processing Zones (EPZ)

In an effort to stimulate industrialization, this study was commissioned by the MoITT with UNDP assistance in order to review the existing Export Processing Zones (EPZs) regime and to find out why most industries were not taking advantage of the preferential incentives provided to eligible industries. The study supported the relevance of the EPZ model and identified key areas of the legislation that needed to be revisited to stimulate export-oriented industries.

Accordingly, an amended Export Processing Zones Act was prepared by the MoITT, based on the recommendation of the study. The final draft was submitted to the Ministry of Justice and Constitutional Affairs for vetting. During interviews, the evaluation mission was informed that the Amended EPZ Act passed.

4. Comprehensive Analysis and Review of Investment, Production and Export Incentives in Malawi

This study is an exhaustive analysis of fiscal and non-fiscal incentives. It can be used by the MoITT, the MITC and other institutions, in marketing the country’s productive sectors to potential domestic and foreign investors, and promote existing investors.

The study also offers recommendations on strategic investment and export incentives which would make Malawi an attractive place to invest. This portion of the study is of particular interest to the Ministry of Finance. The study recommended that the GoM continues using the current mix of incentive instruments, namely income tax, capital and investment allowances, and customs and excises, taking into account the type of industry or sector.

The final report was officially submitted in mid-December 2016. However, during interview, the MITC declared being aware of the study. It is expected that the inputs from this report will feed into the Comprehensive Tax Reform being undertaken by the Ministry of Finance.

5. **Business Licensing Act (2012) and Business Licensing Regulations 2014**

As part of the reform of economic laws to facilitate the implementation of government's economic transformation strategy, new Business Licensing Regulations were proposed by the MoITT. Afterwards, handouts on new regulations were distributed, press releases prepared and other events (radio programs and TV jingles) organized to sensitize the public and the business community about the new regulations.

Awareness raising workshops were also organized throughout the country on business licensing Act and regulations, which, among others, require all foreign businesses to be licensed at the national level while domestic businesses are licensed at the local level by local authorities. The sensitization campaigns were important, in part, because local authorities were also asking foreign businesses to license at their level in contravention of the statutory requirements.

At the time of this assessment, the mission learned that these practices were diminishing and the new measures were having some positive impacts as discussed in the Chapter on Output contribution on outcome and impacts. However, the mission was informed that funding constraints did not allow the MoITT to pursue with awareness building activities, in particular to address mounting capacity problems shown by local Councils which tended to make bad interpretations of the regulations.

6. **Buy Malawi Strategy**

To encourage the consumption of locally produced goods and services, thereby contributing to increase in employment, income, tax revenues and growth in priority sectors, the Buy Malawi Strategy (BMS) was updated and launched on March 18, 2016, with great attendance from the public and private sectors. The head of state has proclaimed March 18 Malawi Day.

An interim Secretariat in the MoITT is in place. Subsequently, a Marketing & Communication Plan for the BMS has been developed. Various promotional materials promoting BMS have been produced and distributed to the public. Various media houses have now slots on BMS.

7. **Investment Mapping Profiles-Investment Mapping Exercise for the Manufacturers Sub-Cluster under the NES Manufacturers Strategy**

This is another valuable study on the manufacturing sub sector cluster under the National Export Strategy's Manufacturer Strategy. The study focuses on agro-processing, beverage, plastic and packaging and assembly and provides key information on each product, market and competition, resource requirements (inputs and human resources), risks and opportunities, investment requirements and returns. This information is critical for investment-related decision making on each prioritized product under the NES.

Following the investment mapping exercise, the MITC published a Malawi Projects Compendium (MPC). Subsequently, 500 copies of the MPC were distributed to embassies and potential foreign investors, but there was reportedly no follow-up of them by the MITC. As a result, the exercise seems to not have yet produced the anticipated foreign investment by the time of this evaluation.

8. **Agricultural Supplier Development Program (ASDP)**

This concept note on ASDP was developed following a two day training on the subject. The training was facilitated by UNDP's Africa Facility for Inclusive Markets (AFIM), part of the UNDP Regional Service Centre for Africa. The course was attended by 50 participants from a cross-section of stakeholders, ranging from the private sector, business organizations, farmers associations, mainstream ministries and civil society.

The overall objective of the training workshop was to support Government Partners to develop and establish a "National Agribusiness Supplier Development Program" for Malawi. The Agribusiness Supplier Development Program is aimed at linking smallholders to markets; it is a market-led initiative. It is expected that the program will trigger a sustainable partnership between smallholder farmers and off-takers, with the initial assistance of government and development partners.

9. **Industrial Database Analytical Report**

To support evidence-based decision making on industrial development, the MoITT, with UNDP assistance, launched in 2016 this study with the aim of developing an industrial database for the Ministry. Findings, lessons and recommendations from the industrial data collection survey, which will be conducted annually, are expected to contribute to improvements in future decisions on programming and management of interventions targeting the manufacturing sector in the country.

Although this first report had a limited scope, covering only Lilongwe and surrounding areas, while the industrial and economic capital of the country is Blantyre, it provided valuable information. For example, the survey revealed that the clusters identified under the NES were not exporting as expected of them, and discussed the reasons for this situation.

The Report recommended, among others that the government needs a tool to push companies towards manufacturing for exports and not just for domestic market, provided that the major constraining factors are addressed.

At the time of this evaluation, it was still premature to say whether the findings and recommendations were used in decision-making, given the infancy of the report. However, Ministry's officials spoke highly about it and were reviewing its recommendations.

10. Capacity Development

Two officers, one from the Department of Industry and another from the Department of Trade of the MoITT received a four month online training course with ICT/ILO on Enterprise Development through Value Chains and Business Service Markets: A Market Development approach to Pro-Poor Growth. The participants were satisfied with the training program.

A Manufacture Expert was recruited to assist the Manufacture TWG under TIP SWAp. However, his contract was terminated due to performance issues.

A Capacity Development Plan was prepared for the TIP SWAp Secretariat. Finalized in early 2017 with UNDP assistance, this Plan seeks to strengthen the Secretariat's strategic, management, resource mobilization and monitoring and evaluation capacities. It was approved by the MoITT and needs funding for its implementation.

11. TRADE, INDUSTRY, PRIVATE SECTOR DEVELOPMENT SECTOR WIDE approach (TIP SWAp)

Another flagship achievement under Output1 is the Trade, Industry, Private Sector Development Sector Wide approach (TIP SWAp), the coordinating and implementing structure of the NES and the industrial development policy frameworks and strategies, which was created in 2013 with UNDP's technical and financial support.

UNDP's assistance to TIP SWAP was anchored in Enhanced Integrated Framework's (EIF) Tier 1 project in Malawi which sought to strengthen institutional capacities of trade-related institutions, especially of the Ministry of Industry, Trade and Tourism (MoIT), to formulate, implement, review and evaluate sector policies.

TIP SWAp is actually the structure through which the above policies, strategies, documents and/or the issues related to them were debated and appropriate solutions found in a multi stakeholder context, to make the business environment more conducive for private sector investment and growth, hence making Malawi a producing and exporting country spearheaded by the NES.[8] A TIP SWAp Secretariat was established by the MoITT and is hosted by its Department of Planning.

[8] Support to the TIP SWAp by UNDP is financed through a global facility established as a result of cooperation between the EIF Secretariat and UNDP which seeks to provide customized capacity development support to EIF countries to mainstream trade in national development plans and processes complementing the activities planned under the Tier 1 project in concerned countries.

Critical to the TIP SWAp's effectiveness under Output 1 of the PSDP are its Sector Working Group (SWG) and its Technical Working Groups (TWGs). Based on documentary reviews and interviews, the evaluation mission believes that the overall performance of these two critical working groups was partially satisfactory. [9]

- **SECTOR WORKING GROUP (SWG)**

The SWG is the governance and oversight body of the TIP SWAps with high level representation from each stakeholder group and with the main mission to guide and endorse the recommendations made by TWGs. It is chaired by the Secretary for Industry, Trade and Tourism of the MoITT, and co-chaired by the Executive Director of the MCCCI. Its decisions are channeled to the Cabinet through the Minister of the MoITT. The membership in the SWG comprises of government, private sector, NGOs and development partners.

The Table 2 below shows work done by the SWG under the Access to Market TWG.

Table 2: Work done by the SWG under the access to market TWG

No	Activity/Issue	Description/Results
1	SWG meetings	8 rounds of SWG meetings have been held since its establishment in March 2013. The SWG meetings were supported by UNDP, EU, GoM and the EIF project. Meetings have been suspended due to lack of funds.
2	TWG meetings and issues	The TWGs under TIP SWAp are currently in their 11th round of meetings with the exception of Oil Seed products TWG which has met 16 times.
3	Technical support	The SWAp has had a number of technical assistants (TA) who were assisting in setting up the TIP SWAp structure, both in the SWG and TWGs. The TAs were recruited with support from UNDP, DFID and EU. Currently, the SWAp has only one TA for the Oilseed products TWG.
4	Meetings and Task force meetings.	The SWAp has been conducting missions and task force meetings to follow up on the implementation of activities in the SWG and TWGs. Most of these activities were conducted with the EU funding. The initial funding was provided by UNDP. Meetings are currently suspended for lack of resources.
5	Joint Sector Plan	To guide the implementation of the TIP SWAp, a Joint Sector Plan (JSP) was developed by TIP SWAp Secretariat in 2014 and finalized in 2017. Its full implementation awaits funding. The JSP serves as the underlying comprehensive action plan for public sector player in the productive economy field. Its objective is policy and programmatic consistency to promote the growth of the economy relative

[9] It is worth noting that TIP SWAp is not the onus of UNDP, and thus the work described in the tables below for the SWG and the TWGs is not attributable to the Private Sector Development Project alone.

		to the growing welfare needs of the country.
6	Consultancies	The EU supported a number of consultancies falling under each TWG as follow: <u>Oil Seed Products</u> -Setting up an extension coordination platform for oil seed crops. -Support toward the initial implementation of the diversification plan of the Agricultural Research and Extension Trust (ARET) activities to handle oil seeds and not only tobacco. <u>Sugar cane Products</u> -Support to LUANAR to develop sugar cane specific training program. The consultancy was, however, not completed. <u>Manufacture TWG</u> -Financial Sector Market Structure Assessment for Competition and Fair Trading Commission (CFTC). The consultancy aimed at assessing the state of competition in the market for financial services in Malawi and identifying factors that prevent the attainment of competitive outcomes. <u>Access to Skills TWG</u> -Mapping/directory of BDS providers and of costs for MSMEs, including rating system. This Directory of MSME support providers was developed with the intention to strengthen integration of MSME support offered by government, private sector and NGOs.
7	Capacity Development	-The EU financed short-term trainings for 19 officers from the MoITT and the Ministry of Labor, Youth and Manpower Development. The 19 comprised of a team of technical liaison officers under each TWG and the core secretariat which is housed in the Department of Planning. -An officer from the MoITT was also supported by the project to pursue a Master's Degree in Economics at Chancellor College. -A TIP SWAp Capacity Development Plan was developed in 2015 and finalized in early 2017 with support from EIF which recruited UNDP Geneva to deliver the Plan. The MoITT is looking for ways to raise money to facilitate its implementation.

- **<u>TECHNICAL WORKING GROUPS (TWGs)</u>**

Apart from the SWG, the Technical Working Groups (TWGs) constitute the operational mechanisms through which collaborative efforts among key players (government, private sector, development partners) involved in programming sectoral initiatives towards making Malawi a producing and exporting country took place.

Six TWGs were created under TIP SWAp: Manufacturing TWG (to drive and implement priority NES activities related to manufacturing products), Access to market TWG (to drive and implement priority NES activities related to market access), Access to Finance, Inputs and Information TWG (to drive and implement priority NES activities related to finance, inputs and information), Oil Seed Products TWG (to drive and implement priority NES activities related to oil seed products), Sugarcane Products TWG (to drive and implement priority NES activities related to sugarcane products) and Access to Skills, Labor and BDS TWG (to drive and implement priority NES activities related to these areas).

The work completed by each TWG under the TIP SWAp is summarized in the tables below.

Table 3: Work done under the Manufactures TWG

No	Activity/Issue	Description/Results
1	Establishment of Special Economic Zones (SEZs)	The MoITT has engaged a consultant to carry out a feasibility study and develop a comprehensive and robust roadmap as well as an implementation plan for the development of an Agro-Processing Special Economic Zone in Malawi. The consultant is on the ground undertaking this assignment. A multi-stakeholder task force was to coordinate all activities and to ensure that the right expertise is engaged for the establishment of the SEZs.[10]
2	Establishment of task force on taxation	The task force is chaired by the Ministry of Finance and the MoITT is the Secretariat. The Task force has so far worked on the review of the Industrial Rebate Scheme.
3	Capacity building exercise on SMEDI	Facilitated a tailored-made training of SMEDI officials in the Department of Planning and Research and the Department of Business Training and Coordination to enable the institution provide support and business advisory services to the MSME and the four manufacturing sub-clusters in the NES.
4	Skills Scoping Study	In collaboration with Access to Skills TWG, Manufacturing TWG conducted a skills scoping study on the supply and demand of technical skills in Malawi. The study report highlighted the available technical skills for the manufacturing sector as well as the gaps hindering the development of the sector. This will go along in assisting the GoM and Learning institutions in putting appropriate measures aimed at

[10] After the field mission, the evaluator learnt from UNDP that this consultancy was terminated.

		addressing the skill problem to boost the production and export of manufactured products.
5	Harmonization of duties between Malawi and Zimbabwe.	The issue of harmonizing duties between the two countries was resolved whereby Malawian manufacturers were facing difficulties to export their products to Zimbabwe. It was noted that exports of manufactured goods from Malawi were charged duty while the same was not done for Zimbabwean exports into Malawi. A meeting with Zimbabwean counterparts was organized and resolved that all exporters should register their products under the bilateral agreement for them to benefit from tariff free trade.
6	Development of a robust standardization, quality assurance, accreditation and metrology (SQAM) infrastructure in Malawi.	The Malawi Bureau of Standards (MBS) is currently implementing a Standardization, Quality Assurance, Accreditation and Metrology capacity development program with funding from EU, UNDP and technical assistance from UNIDO with the aim of enhancing the capacity of local industries and the national quality infrastructure towards meeting national and international standards, thereby improving the competiveness and acceptance of Malawian products on the local and international markets. The construction of the laboratory complex is progressing well and the Southern African Development Community Accreditation Service (SADCAS) will be accrediting the institution once the construction project is completed. Consultants from SADCAS have been visiting the country to assess MBS systems and progress on the project.
7	Review of Investment and Production Incentives	See above
8	National Industrial Policy	See above
9	TWG meetings	Eleven quarterly meetings have been held since the establishment of the TWG on 27th March 2013.

Table4: Work done under the Access to Market TWG

1	TWG meetings	Eleven meetings have been held since the establishment of the TWG on 26th March 2013.
2	Trade facilitation	Establishment of a One-Stop Shop for Trade Documentation (Single Window): funding for the National Single Window has been secured and TORs for feasibility study have been developed and submitted to the World Bank for approval. A National Trade Facilitation Committee was formed. A Trade Negotiation and Management Strategy was developed and completed in June 2015. Non-tariff barriers (NTB) being identified and reported to SWG for action. National Trade Policy developed and being implemented.

		Trade Attaché to be based in Tete, Mozambique, was posted in 2016.
3	Transport policy and infrastructure	Sabotage stopped: misunderstandings between transporters and shipping agents reduced. Infrastructure is capital-intensive , the outcome of plans may take time to materialize.
4	Taxation policy and reform, including incentives	Customs Act reviewed to include needs of the private sector. MRA Upgrade from Asycuda++ to Asycuda World. The former was too slow, and is not user friendly as it provided raw materials and needed constant amendments. Several trainings have been done, including Asycuda migration. ASCYYDA World has been rolled out to all 13 automated stations across the country and has a number of advantages: self-policing, easy access to information and easy to make e-payments.
5	Regulations, including business regulations	Online business registration in place. Review of Control of Goods Act is at an advanced stage. Trade Remedies Bill in place and ready for Cabinet approval and then Parliament.
6	Foreign exchange policy	Market forces setting exchange rate as per private sector demands.
7	Macroeconomic policy	Tools are in place to stabilize the economy. However, national disasters and climate change have hampered progress.
8	Export promotion and facilitation	Restrictions on export earnings removed: CDI from threshold shifted from $1000 to $5000. Control of Goods Act undergoing review; SQAM project in progress; foreign demand of local products known with contact details at the MITC; MAPC project dealing with Aflatoxin. The Buy Malawi Strategy to promote internal domestic transactions developed and is being implemented.
9	Investment promotion and facilitation	MITC One service center is operational, Trade Information Portal at the MITC and the MoITT.
10	Transport and infrastructure	Karonga-Chitipa Road, Vale Railway and CEAR Rail line improvements have increased the number and speed of cargo moving along these routes.
	OUTSTANDING ISSUES	
11	Border agencies reduction to 5	A roadmap is in place for implementing this directive. It is being handled by the National Trade Facilitation Committee.
12	Trade Attachés	One for South Africa is still outstanding.
13	SMS based pricing information system	TORs developed for COMESA funding.

Table 5: Work done under the Oil Seed Products TWG

	Activity/Issue	**Description/Results**
1	TGW Meetings	Sixteen quarterly meetings have been held since the establishment of the TWG in 26th March 2013.
2	Making small holder irrigation available for	Two studies carried out. A design for a semi-autonomous Seed

	the production of oil seed crops.	Service Unit has been created, The design has since been approved and the implementation mechanism for setting up the Unit has been agreed upon by all stakeholders. The next step is to find development partners to assist in implementing the proposed reforms.
3	Improving the quality of Extension services offer for oil seed crops.	One study was carried out. It recommended building an Oil Seed Extension Coordination Platform. An Extension Coordination Platform has been built and is housed at the Legumes Development Trust (LDT). The project data base is now online at http://os.aiccafrica.org. In addition, the system enables people to use Google Earth to see who is offering what agricultural services and where in Malawi.
4	Assisting the Agricultural Research and Extension Trust to diversify into oil seed crops.	Two studies were carried out to prepare the work, ARET was assisted to provide extension services on groundnut, soya and sunflower. This is the first time in 20 years that ARET has offered non-tobacco extension services.
5	Helping to overcome the existing skills gaps in the oil seed sector.	More than 60 students have been placed in internships with companies throughout the Oil Seed value chain. In addition, 24 partnership agreements are being worked out on with various institutions of higher learning to provide sustainability for the program. Two partnership agreements have been signed and 22 others are in various stages of completion.
6	Helping to make export procedures simpler for oil seed crops and products.	One study was carried out. The issuing of crop buying licenses was decentralized in May 2016 due to the OSP TWG work. This included training all ADD Program Managers on how to issue licenses.

Table 6: Work done under Sugar Cane Product TWG

	Activity/Issue	Description/Results
1	TGW meetings	Eleven quarterly meetings have been held since the establishment of the TWG on 27th March 2013.
2	Sugar Cane Industry Bill	Facilitated the development of a Malawi Sugar Can Industry Bill. The Bill seeks to put in place a comprehensive legal regime to regulate and control the growing and sale of sugar cane and any other sugar producing crop and the manufacturing, refining, marketing and disposal of sugar and sugar products, including the by-products in Malawi. At present, the draft sugar bill was produced and submitted to the Ministry of Finance.
3	Extension services	The NES identified lack of effective extension services as one of the impediments to the development of the sugar cane product sector. The TWG facilitated the development of the Extension and Advisory Service Strategy for out-growers in Malawi that will act as a guide to all stakeholders, including new sugar millers, ethanol distillers, and out-growers on the provision of extension and advisory services. The strategy was

		handed over to the Ministry of Agriculture, Irrigation and Water Development.
4	Development of Sugar Training Programs	The Sugar Technical Working Group, through the MoITT is initiating the development of sugar training programs at tertiary level in order to build the capacity of the sugar industry in Malawi. Currently, local expertise in the sugar industry is drawn from LUANAR whose experts are trained in general agriculture while some are trained outside the country. Technologies for the industry are mostly developed outside and adapted locally in Malawi. Building capacity of the sugar industry through training, research and outreach will help to reduce costs in training personnel and dependency on technologies developed outside the country. The MoITT has written to the National Authorizing Office (NAO) to consider funding a consultancy to develop the sugar training program at the tertiary level for the sugar industry in Malawi.
5	Land profiling exercise	One of the bottlenecks that need to be addressed in order to jump start investments in the sugar cane product cluster is access to land. An exercise to come up with a digitized land resources database was done by a consultant and the database will contain information regarding land availability and suitability for Malawi's priority crops. The consultant submitted the report to the NAO with recommendations and the NAO is presently working on them.
6	Investor Facilitation Program	MoITT and MITC successfully developed an investor facilitation strategy and a roadmap for the implementation of this strategy. Once the land profiling exercise is completed, the program will be rolled out with ease.

Table 7: Work done under Access to Finance, Inputs and Information TGW

	Activity/Issue	**Description/Results**
1	TWG meetings	Eleven meetings have been held since the establishment of the TWG in 2013.
2	Online Business Registration System	The TWG facilitated the establishment of an online business registration system, which will reduce the costs associated with starting a business and create incentives for formalization, leading to improvement of access to formal sources of finance. The system is now fully operational.
3	Collateral Registry	The TWG led the establishment of the Collateral Registry which facilitates the registration of movable assets that are used as collateral for accessing finance.
4	Establishment of a Basic Uniform Small Loan Application Form by banks, targeted to MSMEs	The TWG is facilitating the development of a basic uniform loan application form by banks targeting MSMEs, The form is now in its final stage of development.
5	The Microfinance Transactions Information Processing Hub (MTIPH).	The Reserve Bank of Malawi has developed the micro-finance transaction information processing hub (MTIPH). The MTIPH is a shared management information system that captures

		records, processes, transforms and stores both client and financial data from multiple sources of microfinance institutions. This system is expected to reduce the cost of recording, processing and storing information by microfinance institutions, and subsequently reduce the cost of doing of borrowing.
6	Financial Literacy Strategy	The Reserve Bank of Malawi developed and launched a financial literacy strategy, which aims at increasing awareness in financial services and products offered by the financial market players.
7	Financial Sector Development Unit at the Ministry of Finance	The TWG facilitated the development of the Financial Sector Development Unit at the Ministry of Finance. The new Unit is expected to drive the implementation of the financial sector development strategy and facilitate the creation of a Development Bank in the country.

Table 8: Work done under Access to Skills, Labor and BDS TWG

	Activity/Issue	Description/Results
1	TWG meetings	Eleven quarterly meetings have been held since the establishment of the TWG on 26th March 2013.
2	National Competence and Skills Plan (NCSP)	The process started through discussions with the Ministry of Labor, Sports , Youth and Manpower Development. So far the NCSP is being developed by a Consultant. The International Labor Organization (ILO) is supporting the process and a first draft has been prepared and is awaiting validation by the THG before it is finalized.
3	Skills Scoping Study	The study was done to examine the skills gaps that are existent in the country. It looked at skills that are being supplied and skills that are being demanded and revealed the existing gap. The TWG and other stakeholders are currently looking for resources to implement some of the recommendations made by the study.
4	Skills for Trade and Economic Diversification (STED) analysis.	ILO supported the study. The NES advocated that this study be aligned with it. The STED analysis was aligned with the NES and focused on oil seeds and horticulture. The analysis was completed and the report was validated on 17th February 2016. ECAM with support from the ILO is also piloting a work integrated learning as a result of the study. The pilot project was launched in July 2016.
5	National Productivity Center	The TWG is supposed to drive the establishment of the NPC. During the validation of the Skills Scoping Study, stakeholders agreed that the NPC should be housed at TEVETA. TEVETA is now doing the ground work to establish the NPC. So far, a task team has been constituted to spearhead the same.
6	Mapping of institutions that support Micro Small and Medium Enterprises (MSMEs)	Institutions that provide business support to MSMEs were mapped and a directory and database were produced and

		circulated to all relevant stakeholders.
7	Labor Market Information System (LMIS)	A consultant was hired to drive the process and the first phase report has been produced.
8	National Labor and Employment Policy	The Policy was approved by full Cabinet on 26th January 2017 and MoLSYMD is currently waiting for official communication from OPC.

Comments

Related to the specific concern raised by some stakeholders during interviews about the dormancy of TIP SWAp, the data show that these working technical groups have rather maintained an acceptable level of meetings over the last four years, the organization and the regularity of meetings constituting one of the main indicators for assessing the functionality of any coordination structure.

Indeed, out of the expected 16 quarterly meetings for the four year period, the oil seed TWG has successfully held all of them. At the same time, the data indicates that no TGW fell under 11 quarterly meetings, therefore suggesting that the decreasing trend in meetings (dormancy), could have started in the last quarter of 2015 to worsen during 2016.The main reason that was given for the suspension of the TWG meetings related to funding constraints. The main reason that was given for the suspension of the TWG meetings relates to funding constraints.

The closure of the EU project on "Improved Trade Statistics and Information System, which came to its statutory end in April 2016, aggravated the financial situation to the extent that it remained, after UNDP, the main source of funding for TWGs (support to Manufactures TWG, Access to Skills TWG, Oil seed TWG, Sugar cane products TWG, Access to Market TWG and Access to Finance TWG). The final implementation report of this project recognized that there was "tremendous progress in implementing the planned activities by the TWGs." The same report attributed sluggish progress that occurred before this project replenished its account to lack of funds.

Although the TIP SWAp's meetings were held regularly till late 2015, stakeholders began to lower their attendance to them, which leads the mission to other reasons that affected the performance of TIP SWAp. TIP SWAp was highly valued by stakeholders as a dialogue and information-sharing forum, but most of them became concerned not only about the irregularity of its meetings, but also the level of participation to TIP SWAP's work that was not at the decision-making level necessary to drive changes and expedite the resolution of the issues presented by stakeholders. [11]This was particularly the case with the decreasing level of participation by high level officials from the Ministry of Industry, Trade and Tourism and the Ministry of Finance in the SWG. Concern was expressed that high-level officials from key ministries and agencies started to relegate their attendance responsibility to more junior level staff members, undermining the quality of information and the substance of inputs provided. [12] In this context, it became more difficult for important decisions to be made on arising policy reform

[11] Some stakeholders explained the drop in attendance to TIP SWAp work by the fact that the participants to the TWGs have over time been able to articulate their interests, and as a result, have limited their attendance to those.
[12] MoITT and UNDP, Capacity Development Plan for the TIPSWAP Secretariat, August 2015, Draft Report

matters. This was even more so with the visible and repeated absence by high officials from the Ministry of Finance.

The poor involvement by high-ranking officials in TIP SWAp work was reportedly compounded with their increasing inability to push forward reforms and to show concrete results. Consequently, the majority of stakeholders, in particular, the private sector started to disengaging from the process, increasingly focusing attention on dialogue frameworks, such as the Public Private Dialogue Forum attended by Ministers, to air issues high on its agenda. One study commissioned by UNDP under this PSD project arrived at the same conclusion by the same conclusion by stating that:

> "Lack of senior level participation, including from MoITT, has led to gradual disengagement with the TIP SWAp, especially from private sector's representatives. The lack of high-level engagement by various Ministries, Departments and Agencies (MDAs) as foreseen in the original TIP SWAp governance mechanism's design, has prevented matters arising at the SWG level to be followed up through adequate formal channels of government: the Cabinet and the Economic Management Committee of Principal Secretaries… These challenges were compounded by the lack of engagement on the TIP SWAp by the MoITT –at the level of the Minister, PS and directors - to push forward reforms and policy initiatives, the relative lower hierarchy of the MoITT in the government structure, and capacity constraints in the TIP SWAp Secretariat which is in principle the entity responsible for following up and tracking action in between SWG meetings".[1]

The composition and organization of the SWGs affected negatively the performance of some groups, as well. One experience shared with the evaluation mission during the interview was that the large membership of the SWGs, with varying degree of interests, prevented focused and action-oriented discussions. In particular, civil society became irrelevant in meetings by raising questions which were not pertinent for the private sector. This could have certainly discouraged the private sector which might have come to the conclusion that the forum was more of a talk shop.

At least three major factors seem to have hindered a smooth implementation of TIP SWAP. Apart from lack of financial resources and poor internal organization of some groups, a weak engagement at the leadership level made it harder to force changes, expedite and follow up issues through the appropriate government channels and deliver tangible results to reassure stakeholders and enhance credibility. Moving forward would require strong political support to TIP SWAp from top management of all relevant ministries and agencies, making sure that they actively take part in its work and are obsessed for results.

Notwithstanding these limitations, the evaluation mission believes that weaknesses in the operating system of the TIP SWAP reside with a weak TIP SWAp Secretariat. One of the preconditions for the success of the TIP SWAp was a capable Secretariat with dedicated full-time staff members, skills and capacity, able to mobilize adequate resources to ensure a smooth implementation of the Joint Sector Strategy, and activities related to TIP SWAp.

The evaluation mission established that this critical success factor was not met, which amplified coordination and resource mobilization problems under TIPS SWAp. The mission did not see a Secretariat, or a team of full time staff members for TIP SWAp Secretariat, and this observation was confirmed during assessment by the Department of Planning of the MoITT, the host of the Secretariat.

During the two first years of the Secretariat, its performance was high and sustained by foreign technical assistants. This period was viewed as the golden area of the TIP SWAp when meetings were held regularly by technical working groups. As technical assistance left, financial resources also dwindled.

Currently, staff members from the Department of Planning of the MoITT are doing their best to carry out some substantive functions of the Secretariat, but in difficult conditions. The assumption to have full-time personnel who are not civil servants for the Secretariat was borne on the notion that departments are very stretched with day-to-day operations, and thus cannot concentrate on demanding tasks related to coordination, monitoring and resource mobilization for the support of the SWG, TWGs, Technical Committee meetings and other actions. Miracles could not happen if these preconditions for success were not satisfied.

The lack of a fully operational TIP SWAp Secretariat restrained the ability of the MoITT to fully engage all stakeholders and national counterparts within the Ministry, to effectively coordinate various technical working meetings, to closely monitor implementation and to mobilize domestic and external resources to support TIP SWAp-related policies and activities.

Overall, the output had three performance indicators which measure the number of industrial policy developed and implemented (the planned target was 1), the number of sector policies and strategies in oil seeds, legumes, sugar and manufacturing, aligned to the National Export Strategy (NES) and Malawi Innovation Challenge Fund (MICF), fast tracked and implemented (planned targets: 5) and the number of Sectoral Working Groups (SWGs) operationalized through the conduit of the NES (the planned target was 1). All the targeted policies and output deliverables were produced, though their implementation is lagging behind, and its extent varies depending on each output results, as discussed in this sector. Major factors affecting their implementation are further taken up in a separate chapter, in addition to what is covered under this section.

SUMMARY ON OUTPUT EFFECTIVENESS

INDICATORS	NARRATIVE	PERFORMANCE SCORE
Number of industrial policies developed and implemented. Baseline :0 Target 1	An industrial policy that supports private sector growth and competitiveness was completed, although its implementation is slow. The trade policy was also completed and is slowly being implemented.	**Partially Satisfactory**
Number of sectoral policies and strategies in oil seeds, sugar and manufacturing aligned to with the NES and MICF, fast tracked and implemented. Baseline: 0 Target: 5	More than 5 sectoral policies and strategies under the framework of the NES and MICF are being supported to ensure a more receptive policy and institutional environment for prioritized NES sectors: oil seeds, sugar and manufacturing. These achievements include among others: -National Industrial Policy -National Trade Policy -Industrial Rebate Scheme -Buy Malawi Strategy -Export Processing Zones -Review of Production and Investment Incentives. -Investment Marketing Profiles -Industrial database -Capacity development plan for the TIP SWAp. The status of implementation varies as discussed in this section.	**Partially Satisfactory**
Number of SGWs operationalized through the conduit of the NES. Baseline: Target: 1	The Trade, Industry and Private Development Sector Wide Approach (TIP SWAp) is in place as the coordinating and implementing structure of the NES and the industrial development policy frameworks and strategies. The Sector Working Group and six Technical Working Groups have been formed and supported. They have initiated a number of actions and provided the framework for the discussion of issues that would make the business environment more conducive to private sector development, and growth. Among its major challenges are lack of resources, weak engagement from leadership to	**Partially Satisfactory**

	push forward reforms and show tangible results, poor internal organization of some groups and a Secretariat that is invisible, powerless and without dedicated full time staff members.	

PERFORMANCE RATING LEGENDS:

- **Satisfactory**: all planned objectives were achieved and output results are fully implemented.
- **Partially satisfactory**: some of the objectives were not achieved and some output results are not fully implemented.
- **Unsatisfactory:** objectives not achieved.
- **Difficult to rate**: no enough information or data to make a judgment.

C. FINDINGS ON OUTPUT EFFICIENCY

Efficiency measures the extent to which processes were optimal and allocated resources were used in the most economical and cost effective manner possible.

Based on documentary analysis, interviews and personal observations, the mission found that the development and delivery of policy frameworks were marred with a myriad of inefficiencies that threatened the ability of the project to achieve its planned activities and results within the required time frame. Considerable delays were experienced throughout the process of policy formulation and execution.

The NIP took some three years of development before it was finalized, approved and launched last year. The NTP was adopted in May 2016, and it took two to four months before it was officially launched. The Buy Malawi Strategy (BMS) was completed in 2015, and its launching did not occur until March 2016. It looks as if no strategic document was delivered and executed on time.

The delays in policy and strategy formulation were said to have been caused by a lengthy validation process that required consultations with a broad range of stakeholders in the public, private, donor community, academia, and non-governmental sectors to ensure policy ownership. They were also attributed to the Government's multiple validation channels and requirements for formal presentations of official policy documents. Notwithstanding these justifications, it is still rare that a policy document takes more than a year to be produced.

Indeed, the delays seemed to have been pervasive, affecting the handling of both substantive and administrative matters. The slow speed with which the Ministry had to respond to the demands from UNDP, even when it was challenged to react as quickly as possible, defined the slow pace at which the implementation of activities had to proceed. The most recurring example was the

MoITT's reaction to the study on Capacity Development Plan for TIP SWAp, which reportedly took more than a year. However, the long waiting time was reportedly not matched by the quality of the feedback received, which was deemed cosmetic rather than substantive.

Moreover, the recommendations made in some studies were either delayed (example: study on Production and Investment Incentives), or executed in a selective manner (example: the Industrial Rebate Scheme).

A weak reactive capacity was the dominant feature of the project administration, as well. The evaluation mission was informed that despite the fact that the MoITT's relevant staff had received training on procurement to enable them to properly write their requests to UNDP in ways to ensure compliance with its corporate rules, policies and procedures, the submission of requests or proposals (example for acquisition of equipment) turned out to be a formidable time consuming task that could take one to two weeks. Another example given was drafts of terms of reference that were said by UNDP's stakeholders, could take three to four weeks before UNDP decided to take over the responsibility for their finalization.

For the Ministry, however, it was rather UNDP's bureaucratic procedures that were to blame, in part, for the long delays in the execution of planned activities inasmuch as it could take several weeks before a solution was found to a request made by the MoITT. The most cited examples involved the recruitment of technical assistance and the procurement of equipment.

Although UNDP and the MoITT used both formal and informal ways to get issues resolved somewhat quickly, the government believes that a strict system of control by UNDP while understandable from an efficiency point of view, showed a lack of trust as government officials were asked to justify in small details every incurred expense (for example: attendance to a seminar or TWG meetings). Hence, this system of control caused frustrations and demotivation, making officers reluctant in supporting project activities, in the fear that they would look as "if they were beggars".

In the final year of the project (January 2016), it was decided to transfer the project's Secretariat to the MoITT. In this context, the Ministry received the responsibility of preparing minutes of the meetings of the project as well as those of the Steering Committee. Here again, the mission was informed that these minutes were never prepared on time by the MoITT, prompting UNDP to intervene for their finalization.

It is worth noting that some UNDP's staff members questioned the usefulness of some meetings that were held on the project, which in their views, constituted another time wasting device. One example that was given concerned some Steering Committee meetings, which were reportedly held for the sake of formality in the absence of high-level officials from UNDP and the MoITT. Such meetings, chaired by people without decision making authority, did not translate into actual decisions being made.

Coordination challenges as well as capacity constraints within the Ministry hampered a speedy implementation of activities and distracted concerned stakeholders from working closely together to mobilize energies and advocate policy change to boost the competitiveness of the agro-industrial sector in Malawi. They prevented relevant actors to find mutually agreeable solutions to administrative issues. In addition, some payment requests could not be processed in due time because none of the two signatories (Deputy Director of Industry and Deputy Director of Trade) was available.

Inefficiencies were also brought about by overlapping responsibilities and duplications. The mission noted that the Ministry got resources from various donor sources, but there was no harmonized framework as called by the 2005 Paris Declaration on Aid Effectiveness, in order to ensure coherence with sector/national objectives and to eventually pool resources together to achieve desired objectives. As a result, some duplication that could have been avoided was noted. One case pointed by stakeholders was the Study on Production and Investment Incentives, commissioned by UNDP and the MoITT which is in substance the same as the Investment Survey Mapping funded by the World Bank.

Despite the foregoing limitations, the resources allocated for the industrial policy formulation and execution were well utilized. The average delivery rate of 90 % was deemed satisfactory (See Table 9 below). The main cost drivers were personnel salaries, technical assistance and consulting fees. The evaluator reviewed the only 2015 audit report that was made available to him. It showed that the overall management of project implementation and monitory was satisfactory. There were appropriate internal control systems and procedures in carrying out the financial and implementation operations of the project.

Table 9: Financial Status of Output 1

Year	Budget (in US$)	Expenditure (in US$)	Utilization rate (%)
2013	345,056	153,770	44
2014	312,123	388,529	124
2015	194,528	143,374	74
2016	103,089	120,525	117
Total	**954,796**	**806,198**	**90% (average)**

The procurement of goods and services was considered to a certain extent inefficient. The Ministry complained having received from UNDP laptops without appropriate software. The equipment was not actually utilized, which was against the value for money principle. Similarly, the Manufacturer Expert, posted in the Ministry was hired to help drive the industrialization agenda of the country, but he turned out to be totally ineffective in the discharge of his terms of reference. It was later discovered that he did not specialize in Manufacturing, leading the Ministry to refer to another case of mis-procurement by UNDP.

SUMMARY OF FINDINGS ON OUTPUT EFFICIENCY

DESCRIPTION	NARRATIVE	PERFORMANCE RATING
Implementation efficiency	The industrial policy formulation and implementation has registered considerable delays that have threatened its ability to achieve the desired results. Overlapping responsibilities and duplications were also noted, creating transaction costs for the Ministry .	**Not Satisfactory**
Cost efficiency	The financial resources were well utilized, with an average delivery rate of 81%. The audit results were good. Mis-procurements were noted in one instance of procurement of equipment, and in another instance of procurement of services (TA).	**Partially Satisfactory**

PERFORMANCE RATING LEGENDS:

- **Satisfactory**: overall, output implementation made a better use of allocated resources.
- **Partially satisfactory**: output implementation made a better use of resources in some areas, but not in others.
- **Unsatisfactory**: no make better use of resources at all.
- **Difficult to rate**: no enough information or data to make a judgment.

D. FINDINGS ON OUTPUT CONTRIBUTION TO OUTCOME AND IMPACTS

Outcome and impacts measure the extent to which output results contributed to changes through improvements in human conditions and institutional strengthening, taking into account the outcome's performance indicators and targets specified in the project results framework.

As indicated in the Inception Report and in the first chapter of this Report, the scope of this evaluation did not allow for a complete assessment of the outcome, the focus being on output evaluation. Since the terms of reference required gauging the contribution of outputs to the planned outcome, which refers to economic empowerment indicators that are covered under Output 2 (MICF), it was agreed that the evaluation mission glimpsed the annual reviews prepared under this output to familiarize with any outcome and impact information. The mission also undertook site visits to meet with beneficiaries and to inquire about their views on the project. While insufficient, the information gathered through these processes was used to appraise any contribution to the UNDAF outcome. In a separate section, the mission will assess the impact of the business enabling policies on beneficiary sector and on achieving the national objective of a competitive private business-led growth that is export-oriented in Malawi.

a. Output Contribution to the outcome: Productive poor benefit from decent work, income generation and pro-poor private sector growth by 2016.

The specific output of the project that closely correlates with the aforementioned outcome corresponds to the establishment of the Malawi Innovation Challenge Fund (MICF) as an operational mechanism to increase inclusiveness and competiveness in the value chains in agriculture and manufacturing in Malawi (Output 2). Suffice here to say that the MICF provides grant finance for innovative business projects that integrate smallholder famers in their supply chains. The goal is to accelerate economic diversification and to increase the opportunities for the poor to benefit from economic growth, through higher incomes and better job creation. The first round of the MICF was launched in 2014, and implementation of the projects commenced in January 2015. The second round was launched in July 2016 and projects were to commence implementation by January 2017.

Overall, ten productive projects are currently being supported by the MICF and are still in full implementation until December 2017. The preliminary outcome results showed that, due to the MICF project operations, 99,695 poor people have already experienced net positive income or livelihood improvements, and 320 additional jobs have been created (of which 96 are women). This figure is far above the originally targeted 90,000 poor people by the end of 2016. Furthermore, 11,425 low income households were said to have benefitted from access to clean drinking water through low cost water filter technologies.

These positive trends were confirmed by almost all smallholder farmers the mission interviewed in Lilongwe, Blantyre and Zomba. Despite some operational issues here and there, the interviewed small farmers from different sectors of activity recognized, by comparing their situation before and with the project, that their present situation was far much better than before.

The following business cases support their positive feelings and outcomes with the MICF projects.

The evaluation mission participated in Lilongwe to the inaugural ceremony of the launching of the new margarine product by Sunseed Oil Limited Company, which is supported by the MICF. Sunseed Oil is implementing a project on manufacturing of fortified and fridge free margarine and baking fat, using a process called "interesification." Besides introducing a new and innovative way of manufacturing margarine and baking fat products in Malawi, the company has also introduced a smallholder-led supply chain by including sunflower farmers who are tracked from production to supply of raw materials using a traceability system. At this inaugural event, the mission interviewed a small farmer who was also representative of the Association of the Smallholder Farmers of his region. Asked about his views on the project, he reacted in the following manner:

> "The project has helped me a lot. I used to grow sunflower for the sake of growing it, without knowing that it was a cash crop. I discovered with the project that I can make more money out of my plantation. The project assisted me with seeds, which increased my yields. The operation is cost-effective because the company comes to my warehouse to collect the produce when it is ready. I made two million Malawian Kwacha and was able to pay school fees for my two girls".
>
> Mr. Komani Gondwe, Farmer, Mchinji, Mkanda, EPA

The National Smallholder Farmers' Association of Malawi (NASFAM) reportedly benefited indirectly from the project through its teaming up with Sunseed Oil to get extension services. An import procedure in favor of the NASFAM was waived because of Sunseed Oil.

The evaluation mission also visited three MICF projects in Blantyre and Zomba. In all of them, small farmer beneficiaries pointed out several value additions of their respective projects, suggesting that the projects are having recognizable economic and social impacts, yet to be fully quantified.

- Satemwa Tea Estates (STE): is implementing in Blantyre a project that involves establishing a small holder based supply chain for herbs, flowers and fruits to be used for naturally flavoring specialty tea. The project has also established a smallholder tea brand, known as 'Yamba Tea' while at the same time it is working on introducing tea bags on the market.

  A dozen of smallholder farmers interviewed by the mission cited a number of benefits derived from the project: (1) supply of new herbs to enable them earn extra income, in addition to their normal income currently being earned through sales of green tea leaf sales to STE; (2) the company is training them to attain special plucking skills to improve their overall quality standards and the green leaf coming from this stream would be used to produce the "YAMBA" brand of tea which is a 100% smallholder brand of tea for the domestic and regional market; (3) an Out-grower Manager was recruited and is responsible for capacity development and for coordinating all the extension services being provided to the farmers.

As part of this capacity building program, they have received training on Smallholder farmer herb growing, Specialty Tea plucking standards, for Msuwadzi Small Holder farmers, and Specialty Tea plucking standards for internal STE pluckers. The evaluation mission noted that the farmers were at different levels of development and the herb farmers have mastered the cycle of production to the point that they were able to take advantage of the off-season periods for tea to maximize their profitability by working on new crops. [13] The smallholder farmers' general feelings were well captured in the comments made by their representative (lead farmer):

> "This is not the normal tea we used to grow. We see the value of growing new crops that will diversify our production and help us increase our income in the future. We are getting the plants, seeds, harvesting equipment and technical assistance from the company. We did not have all these things before. Our only issue is the price that needs adjustment".

- Charles Stewart Day Old Chicks (CSDOC): is undertaking in Blantyre a project that involves setting up an egg processing facility to come up with "Egg Products" for the domestic market and for the region. Due to the lack of adequate in-house capacity to produce all the eggs that are required for this project, the company is working on increasing its current egg production capacity through the implementation of a backward integration program which incorporates smallholder farmers in the supply chain.

  The evaluation mission met in Zomba with three women small farmers from two groups. Even though the groups seemed less enthusiastic about the project [14], they highlighted three major benefits they were proud of: (1) they have received chicken cages they could not have afforded because of high cost, (2) the company supplied them with chickens and the feed and (3) the company has engaged the services of an Out-Grower Manager who provided the required training, initially starting with the construction of chicken houses, cage management and the business side of things.

  Furthermore, the Out-Grower Manager was providing extension services support through the provision of technical advice on chicken feeding schedule, disease control and treatment and general hygiene of the cages. Through this technical support most of the farmers have ended

[13] The new crops are bringing in additional income over and above the income that the smallholder farmers earn from tea production. Another, added value is that the MSA farmers are able to fill in income gaps when tea is in off season. Tea is mainly plucked in the period December to April thereafter due to lack of adequate water the tea harvests drastically go down by 90% in the period August to November. Ironically, the herbs grow very well during this dry season in the dambo areas. Some lead farmers, the early adopters, attest to the fact that with proper scheduling the growing of herbs have managed to give them income in their lean period.

[14] The farmers complained about that the company does not supply the feed on time, and this affects their productivity and profitability. They also complained about not having received the promotional materials promised by the company. The mission left with the impression that there is a communication gap between the company and the farmers.

up significantly improving their productivity, from as a low as 50% to as high as 80%, edging closer to the 85% production rate achieved by the company at its chicken farms.

- Dairibord Malawi is implementing an innovative project which aims to address the vagaries of the supply and demand cycle in the dairy industry in Malawi. This project was set up in Blantyre and is supporting farmers in the Thyolo, Mulanje and Chiradzulu districts, the leading milk producing districts in Malawi.

  The key problem being addressed by the project emanates from the challenge that during the period July to October, milk demand peaks due to improved consumer disposable incomes following the harvest season and public service annual salary increments in July. At the same time, milk production at bulking group level during this period of high demand is low as the pastures have dried out at the end of the rainy season and the farmers do not have enough to feed the cows due to the high cost.

  Conversely, during the period of seasonal rains, there is enough pasture for the dairy animals and, hence there is a good supply of milk which is not always absorbed by the companies due their lack of processing capacity. This unique situation deters new farmers from entering into dairy farming as during certain periods they have excess milk which companies cannot absorb. This project, therefore, is assuring farmers of a ready market throughout the year and is offering for the first time a premium for quality bonus to farmers.

  The company has now invested in the first three components: 1) milk supply development, 2) farmer traceability system and, 3) individual milk testing system and bonus scheme.

  Among the major benefits, the interviewed small farmers brought to the attention of the evaluation mission, were the following: (1) the company has put in place a farmer engagement program which work closely with these farmers to help increase their milk yields; (2) a quality bonus is provided to 2,700 farmers across the 9 bulking groups. Company has so far managed to revitalize most of the bulking groups and currently is working with 9 bulking groups, with the largest group having over 400 farmers and 428 new farmers have been added so far. 31 farmers have received cross-bred animals and over 50% of these have already started milking with average yields of above 13 liters per day, 45% higher than the current yields. Bonus scheme has been introduced and some farmers have received premium prices for high quality milk supplies. 12 jobs have been created so far out of 20, while more jobs are expected when the UHT packaging section and more marketing activities are introduced.

The mission could not assess the second outcome indicator related to the number of non-traditional exports because of lack of data. However, the fact that small farmers are today engaged in planting new crops, such as new herbs, or specialty tea, means that economic diversification is gradually taking root, thereby pointing to a positive impact of the project.

b. The potential impacts of the industrial policy frameworks on beneficiary sectors and on the advancement of the economic transformation agenda in Malawi

The new policy frameworks and legislative instruments have contributed to improving systems at the macroeconomic level, even if their implementation is still lagging behind. If they are effectively executed, they will have positive effects on employment and incomes, therefore contributing to this outcome.

Indeed, the industrial policy has created an overall framework that would facilitate the industrialization of Malawi around clearly targeted sectors and industries, thereby helping it to become an emerging and exporting economy. By upgrading the agro-industrial sector, the NIP clearly searches for a dynamic comparative advantage of the Malawian economy.

The new policy frameworks set the vision and define the strategies articulating how Malawi can produce high quality and value added products to be able to compete in the domestic and international markets. These policies show how to link small producers to the markets in ways that enable them to connect to new opportunities, increase their incomes and improve livelihoods.

Above all, the policies are anchored on a coordination mechanism that brings together public and private sectors, development partners and non governmental institutions for the purpose of joint decision making and collective implementation. In particular, the Technical Working Groups (TWGs) of the TIP SWAp are useful as fora for jointly addressing key constraints to private sector development in Malawi, identifying matters that arise and require attention as well as for clarifying technical issues with inputs from the private sector. Nothing of this magnitude was done before to enhance the chances of structural and economic transformations in Malawi.

Further, new policy frameworks, it be the National Industrial Policy, the National Trade Policy, or several studies conducted for operationalizing them, provide up-to-date tools and strategies which will assist each participating organization, institution or Ministry in the carrying out of its own mandate. For one, the policy frameworks give the MoITT a clearly prioritized and realistic roadmap that Malawi needs to develop and expand the productive base of its economy. In so doing, they set the direction for the Ministry to follow.

Both the NIP and NTP come with phased plans of action (implementation plans) and monitoring and evaluation plans which provide guidance on priority actions to be undertaken, the time frame as well as the indicators for assessing progress toward achieving desired objectives. This results-orientation engages the Ministry with a new mindset of getting things done, of thinking results so that it becomes more focused on actions flowing toward the results.

The same can be said about the studies on a Comprehensive Analysis and Review of Investment, Production and Export Incentives Production and on Investment Mapping Profiles. They constitute the working tools for national institutions involved in investment and export promotion (MoITT, MITC, etc.) as they provide investment requirements, expected returns, competition level, and business opportunities for each prioritized product or sector (this is more so with the latter study). The Ministry of Finance will find in the first study a series of fiscal and non-fiscal incentives that can be harmoniously combined in the strategic intent to attract businesses and investments in Malawi and promote exports. The findings and recommendations of this study are expected to feed into the Comprehensive Tax Reform undertaken by the Ministry of Finance.

On the other hand, the Ministry of Labor and Manpower Development, through policy frameworks, studies and the technical working group of the TIP SWAp must have understood by now the urgent need to educate and supply the markets with a competent labor force with appropriate technical skills, especially in the prioritized sectors or products. What is needed for concerned national institutions is just to aggressively move into implementing the relevant recommendations.

Moreover, the policy frameworks and the discussions in technical working groups have raised awareness about the complexity of factors that affect the competitiveness of the private sector in Malawi , and have particularly highlighted the need for collaborative efforts and commitment from all relevant Ministries (MoITT, Finance, Agriculture, Energy, Transport, Water, etc), private sector, development partners and non-governmental organizations to work together in order to improve the business operating environment in Malawi. There is a shared understanding that effective changes are needed in areas that constitute the binding constraints to the productive sector of the Malawian economy.

It is also important to draw attention to the potential impacts of new business regulations and strategies, developed through the project. In the past, private investors had little information on how to establish a business in Malawi and what was expected of them in their dealings and transactions.

Today, this guidance is provided through the business licensing Act and business regulations. This information is readily accessible online, or at the MoITT. As entrepreneurs know where to go and what to do when they have a problem, this reduces their cost of doing business. In addition, since new regulations require foreign businesses to be licensed at the national level only, this novel practice will remove the multitude of fees which they used to pay, as they were also licensed at the local level, thereby lessening their business costs.

Also the fact that any foreign business must be registered and licensed allows the government to screen candidates to make sure that only serious entrepreneurs are coming to the country to add values to the economy and not jesters who have declared bankruptcy somewhere else.

Further, it gives not only the right to operate officially, but for the government of Malawi, the opportunity to ensure that the registered business will file appropriate taxes in due time.

Pro-business regulations and measures, such as the ones singled out in the revised Industrial Rebate Scheme (Public Private Adjudication Committee to improve the governance of the Scheme, revised handbook to allow companies to predict what is expected of them and eligibility criteria for prioritized industries in alignment with the NES) and the reviewed Export Processing Zone regulations, are intended to incentivize the manufacturers. If implemented, they will certainly help achieve long-term objectives in terms of economic competitiveness of the country, and help produce more jobs and increase incomes.

Finally, industrialization can be enhanced by promoting locally-produced goods and services, as substantiated by the Buy Malawi Strategy. Yet the widespread consumerism of foreign gadgets militates against every effort to reorient perceptions and preferences in favor of locally-made products and services. Notwithstanding this constraint, the awareness campaigns through the BMS have touched one of the most critical change factors for sustainable economic development in Africa, which is the change of mindsets. No country can develop when it deprecates its own products.

SUMMARY OF FINDINGS ON OUTCOME AND IMPACTS

DESCRIPTION	NARRATIVE	PERFORMANCE RATING
Number of poor people with increased incomes. Baseline: 0 Target: 90,000 (project level)	99,695 poor people have already experienced net positive income or livelihood improvements, and 320 additional jobs were created of which 96 were women.	**Satisfactory**
Percentage of non-traditional exports (national level) Baseline (2012): 15% Target: 32% by 2016	The information was not available to assess this indicator. However, most stakeholders believe that there is no significant change.	**Difficult to rate**
Potential impacts of policy frameworks on beneficiary sectors and the economic transformation agenda.	The new policy frameworks and legislative instruments have contributed to improving the systems at the macroeconomic level. If effectively implemented, they will have positive effects on employment and incomes. They set the vision and strategies for the country to move from a consuming to a competitive and exporting economy. They provide guidance and roadmap for the MoITT to follow with phased plans of actions	**Partially Satisfactory**

	and monitoring and evaluation plans. They also provided working investment tools and policy-relevant information for concerned Ministries and public institutions, including the Ministry of Finance, the Ministry of Labor and the Malawi Investment and Trade Center. They have succeeded in raising awareness about the complexity of constraining factors to private sector-led growth in Malawi and the need for public-private partnerships.	

PERFORMANCE RATING LEGENDS:

- **Satisfactory:** intended development results were fully achieved.
- **Partially satisfactory**: some development results were achieved, others not.
- **Unsatisfactory**: all intended development results were not achieved.
- **Difficult to rate**: no enough information or data to make a judgment.

E. FINDINGS ON OUTPUT SUSTANABILITY

The terms of reference requested that the sustainability assessment be conducted for both Output 1 and Output 2 under the MICF.

a. Sustainability of work under Output 1

The policy frameworks were produced. Since their implementation is embedded with existing national structures and institutions, this could have contributed to sustainability. However, a number of factors make the potential for sustainability of the work done under the business enabling policy environment component even more problematic:

1. Inadequate resources: the policy frameworks are in place, but their implementation is made difficult due to lack of financial resources. The project support document did not define a clearly articulated exit strategy for this project component, other than stating that the Project will leave behind improvements in the policy environment affecting the performance of prioritized sectors. Yet, to ensure the sustainability of these improvements as well as the coordination structure put in place through the project, would require that appropriate capacity for coordinating,

managing, mobilizing resources and delivering public and private support interventions in trade, industry and private sector development be further strengthened in ways to bolster MoITT's ownership.

2. Weak engagement by leadership from key ministries and agencies, including the MoITT and the Ministry of Finance to support TIPS SWAp's work, push for changes and show concrete interim results to reassure stakeholders and enhance credibility.

3. Inexistence of a strong and fully dedicated Secretariat with full time staff to lead the implementation of TIP SWAp, notably through the mobilization of resources, support to the implementation of the Joint Sector Strategy and technical working groups. The effectiveness of the TIP SWAp Secretariat was one of the preconditions for the success and sustainability of the work under Output 1. Therefore, the current fragility of the Secretariat constitutes a major failure of the project and its inability to sustain the activities and results that were achieved.

4. Human capacity constraints within the MoITT.

5. Weak support system for effective implementation of private-led industrial growth policy initiatives: inadequate transportation, telecommunication, power and water supply systems, macroeconomic instability and high cost of capital.

b. Sustainability of work under Output 2

As far as Output 2 is concerned, the evaluation mission found that there are in-built sustainability elements in the MICF's inclusive business model. The concept of matching grant will cause the companies to continue the relationship with smallholder farmers. They have already made big investments by supporting and training these farmers; they know where they are with their tracking system, and would not, therefore, want to waste their investments.

If the companies found that integrating small farmers in their value chains is profitable, they will certainly continue to invest in the inclusive business models when the initial support provided with the MICF ends.

SUMMARY OF FINDINGS ON SUSTAINABILITY

DESCRIPTION	NARRATIVE	PERFORMANCE RATING
Potential for sustainability of Output1.	Inadequate financial resources, leadership's weak engagement in TIP SWAP, a weak and not fully dedicated TIP SWAP Secretariat together with capacity constraints within the MoITT and a weak support system (infrastructure services, macroeconomic conditions) make sustainability problematic.	**Not Satisfactory**
Potential for sustainability of Output 2.	There are in-built sustainability elements in the MICF's inclusive business model. The profit motive will cause the companies to pursue with the working relations they have developed with smallholder farmers after the MICF support ends.	**Satisfactory**

PERFORMANCE RATING LEGENDS:

- **Satisfactory**: output results more likely to be sustained.
- **Partially satisfactory**: some of output results more likely to be sustained, others not.
- **Unsatisfactory:** output results are not more likely to be sustained.
- **Difficult to rate**: no enough information or data to make a judgment.

2. FACTORS AFFECTING RESULTS ACHIEVEMENTS, CONSTRAINTS AND CHALLENGES (OUTPUT 1)

Several factors have affected positively or negatively the implementation and the achievement of the output and its deliverables. The impeding factors should be considered as the salient challenges that constrain the ability of the MoITT and the Government of Malawi to assume complete leadership of development projects and the industrial development agenda. There are, however, negative factors that can be directly imputed to the Ministry (bullets 1, 2 and 3 below under Negative factors) which contributed to hampering its ownership of the project, in addition to external issues.

a. Positive factors

- The financial resources, the expertise and the equipment made available by UNDP facilitated the implementation of the project and the achievement of desired output results.

- The Steering Committee, as the project's governance body, played a critical role by providing direction and strategic follow-up, giving concrete guidance on issues identified in the work plans and progress reports submitted by the Project, and ensuring that its recommendations were effectively acted upon.

b. Negative factors

- The insufficient human capacity within the Ministry of Industry, Trade and Tourism caused staff members to take more time than normal in completing project assignments, thereby leading to delays in meeting deadlines. This predicament (delays) also resulted from the fact that the MoITT is understaffed and its few skilled personnel are often overloaded, fighting to deal with competing priorities.

- Weak engagement by leadership in the Ministry to drive the reform process, force changes and achieve tangible interim results to enhance credibility and reassure stakeholders, in particular, the private sector. High level officials' poor involvement in the TIP SWAp work was an indication of this weak engagement.

- Coordination challenges within the MoITT between the Department of Industry and the Department of Trade made difficult close cooperation needed to spearhead the implementation of activities.

- The total budget allocated to the business enabling environment component of the project was too far inadequate, considering the needs for both effective policy formulation and implementation.

- Inadequate budgetary allocations to ministries, departments and agencies, stifle their ability to support their action plans. This situation results, in part, from the country's budgetary difficulties as development partners stopped direct budget support to the government in the aftermath of the cash-gate scandal, while also priorities shifted to support towards the 2014 elections and humanitarian aid in response to the 2015 flood crisis.

- High turnover of senior officials, in particular, at the Permanent Secretary's level could lead to changing priorities and difficulty to follow-up key activities or to establish a solid organizational memory on the project's work and key issues.

- There exist some misunderstandings within the government about project support which is not seen as part of a regular civil servant's job, but is perceived as an additional work. In this context, the personnel affected to projects seem to display little interest in project activities, and thus adopt "a business as usual attitude" unless proper motivational incentives are granted. Poor service and salary conditions in the public sector have contributed to intensifying this attitude.

- The government's standard operating procedures on matters related to approval and presentation of key public documents and legislative instruments create long delays that affect the duration for the final approval and publication of official documents. This was very much the case for the National Industrial Policy, the National Trade Policy and the Amended Export Processing Zones Act.

- UNDP's administrative and procurement procedures were considered cumbersome, resulting into considerable time loss for the financing of pending activities.

c. Constraints and challenges

- The success of industrial development reforms hangs on the ability to effectively engage the Ministry of Finance in the reform process. This institution and its revenue organizational component, the Malawi Revenue Authority, are mainly concerned with short-term tax payoffs, and not so much with long-term fiscal resource flows which could be generated through the expansion of the industrial base of the country. The fact that this evaluation mission could not be accommodated by the MRA in Blantyre, insisting on bureaucratic procedures, and despite explanations on the relevance of the mission for the country's economic development, goes along well to explain its apparent lack of interest in the change process underway.

- The industrial development requires an effective support system, or an enabling business environment that is actually deficient in Malawi. Inadequacies are particularly overwhelming in the transportation, power, water supply and telecommunication systems. Appropriate investments are needed to drastically improve the standards of and the accessibility to these services. Still, from the perspective of the knowledge economy, the lack of a critical mass of technical and professional skills remains a huge challenge if industrialization hopes have to be translated into concrete actions.[15] Moreover, macroeconomic instability, high cost of capital and periodic currency devaluation create altogether conditions that are not favorable for business competitiveness and expansion. Poor governance remains a greater challenge for private sector development, as well. With a corruption perception index of 31 in 2015, Malawi ranked the 112th position out of 167 countries in the world. This figure put the country among the most corrupted countries. Yet corruption tends to discourage investors as hidden fees increase the cost of doing business.

3. UNDP'S ROLE AND CONTRIBUTION TO OUTPUT ACHIEVEMENT

The terms of reference required that the evaluation mission assesses UNDP's role and contribution for both Output 1 and Output 2.

a. Role and Contribution to Output 1

UNDP has played a catalytic role which has enabled the Ministry of Industry, Trade and Tourism to produce all relevant policy papers and to start with their implementation. While being responsible for the overall planning, coordination and monitoring of project activities, UNDP's specific contributions can be highlighted under four headings, as follow:

Technical Assistance

UNDP assisted the Ministry of Industry, Trade and Tourism by providing the necessary technical expertise to draft all major policy documents and guide the institution in ways that was consistent with the achievement of the desired objectives. Through the policy development work, UNDP demonstrated that the government can create conditions for the private sector to engage in the development and the expansion of the national productive base. At the same time, UNDP showed to the private sector that it could still make profits, and grow by integrating small farmers in their value chains.

UNDP provided technical support for the establishment and the operationalization of the TIP SWAp, (with EIF as stated above) which was subsequently funded by the European Union (EU). UNDP was instrumental during the initial stages of creating the TIP SWAp by facilitating consultation meetings with various stakeholders in the trade, industry and private sector development area; in providing a manufacturing expert to support the Manufacturing Technical Working Group, and in furnishing additional expertise to assist the Ministry in costing the Joint Sector Plan, and in developing a capacity development Plan for the TIP SWAp.

UNDP has contributed towards improvements in institutional strengthening, as discussed in the Chapter on Output Contribution to Outcome and Impacts of this report.

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[15] Education and skills are more important in international competitiveness. Foreign investors make their location decisions partly based on the education and skills of the local workforce. This means that African countries need to make more investments on increasing education and skills, particularly at the technical and tertiary level, focusing on both access and quality of this education.

Funding support

UNDP provided the necessary funding without which all the policy frameworks and strategies could not have been delivered, let alone partially implemented. UNDP funded for almost two years all TWGs. Through EIF's Tier 1 project, UNDP-Geneva supported resource mobilization for the Joint Sector Program and Capacity Development Plan for TIP SWAp, as indicated above. UNDP supported training costs for two officers from the MoITT, as well.

Administrative and Logistical support

Through its participation in the meetings of the Steering Committee as Co-Chair, UNDP contributed to monitoring progress made in implementing annual work plans, and made recommendations for improvements. UNDP often used these opportunities to encourage the Ministry to become more proactive in implementing activities on annual work plans, to take full ownership and to champion the agenda for structural transformations in Malawi.
UNDP also provided office supplies and computer equipment to the Ministry, through its procurement office.

Advocacy

UNDP advocated for the implementation in Malawi of pro-poor private sector-led inclusive business models as a way to accelerate economic growth, generate employment and increase incomes, particularly for women and youth. These concerns for transformational changes that take into account the needs of the poor were very well reflected in various policy and strategic documents.

b. Role and Contribution to Output 2

UNDP's role and contribution to the MICF consist of the following:

- UNDP is the point of contact and the Responsible Party for Output 2.
- UNDP recruited through a competitive process the MICF's Fund Managers who are responsible for the day-to-day operation of the MICF.
- UNDP provides expert advice to support the implementation, coordination and management of the MICF.
- UNDP is responsible for the payment of the management fees to MICF Managers.
- UNDP carries out oversight and monitoring functions to ensure that appropriate project management milestones are managed and completed. UNDP monitors the MICF work and receives its progress reports. Through Steering Committee meetings and bilateral briefings to the Principal Secretary of MoITT, UNDP shares and discusses not only progress made by contracted companies in achieving their milestones, but also emerging risks that could impact the MICF portfolio (fluctuating commodity prices, shortage of skills in the manufacturing sector, currency devaluation), challenges, issues, lessons learnt and the way forward.

- UNDP facilitates donor coordination to ensure that there is no overlapping of activities between MICF and other donor funded projects.

4. QUALITY OF PARTNERSHIPS

The achievement of output results was a combination of efforts through, building of strategic partnerships and alliances with other stakeholders. Close collaboration with the government, in particular, the Ministry of Industry, Trade and Tourism, helped UNDP to attain a strong political commitment for a sustained support to a conducive policy environment for private sector development in Malawi; it facilitated smooth operation of activities and helped surmount challenges during implementation. Indeed, most stakeholders interviewed recognized that the cooperation between the Ministry and UNDP was so cordial that formal and informal means could be used to get issues resolved quickly.

The partnership with the private sector was deemed good. It was secured through their involvement in experimenting with more integrated approach to private sector engagement in economic growth and development that includes smallholder farmers in the supply chains of the lead businesses. To this effect, the private sector actively participated, not only in quarterly meetings of the Steering Committee of the PSDP,(represented by the MCCCI) , but also in all working groups that were put in place to operationalize the National Export Strategy and to support the national industrialization policy frameworks and strategies, notably through the Sector Working Group and Technical Working Groups of the TIP SWAp.

Other development partners supported the policy and institutional environment even though UNDP's efforts to harmonize interventions through a sustained donor coordination mechanism did not bear fruits.[16] In this context, the European Union supported the implementation of a trade capacity within the Ministry under the Enhanced Integrated Framework (EIF). The EU supported the development of resource mobilization and communication strategies for TIP SWAp. The EU was, after UNDP, the main donor which provided support to TIP SWAp and its Technical Working Groups (technical and financial assistance). The assistance was stopped as the project came to its statutory ending in April 2016. A new EU cooperation program on Growth and Jobs is being worked out and will focus on four areas: Entrepreneurship, Business Enabling Environment, Access to Finance and Job Creation.

DFID is also supporting the oil seeds sector, working with a range of public and private sector stakeholders to facilitate systemic change in the market through a 'Making Markets Work for the Poor' program. DFID being the major donor of the MICF, its representative interviewed by the mission, highly commanded UNDP, arguing that it is a very good partner with whom they don't struggle to get progress reports, like other UN agencies. "We do collaborate very well with UNDP".

[16] Support to the TIP SWAp by UNDP is financed through a global facility established as a result of cooperation between the EIF Secretariat and UNDP which seeks to provide customized capacity development support to EIF countries to mainstream trade in national development plans and processes complementing the activities planned under the Tier 1 project in concerned countries.

The International Fund for Agricultural Development (IFAD) and the KfW provided funding to the MICF which facilitated its extension until December 2019 to ensure the launching of two additional rounds of the projects.

The World Bank is working on strengthening business environment and support systems, including transportation, national customs window, development of Malawi portal, agriculture programs, irrigation, public financial system, telecommunication infrastructure and the analysis of the investment climate. In partnership with USAID and DFID, the World Bank is working on strengthening the Reserve Bank of Malawi's supervisory capacity, building financial infrastructure and creating financial sector deepening trust targeting financial inclusion.

The World Bank recognizes the existence of capacity constraints in virtually all Malawian government ministries, but these do not serve as justification for its intervention, or its exit in a sector, since its role is to help improve capacities.

USAID's Feed the Future program supports businesses in key value chains of dairy, soya and groundnuts, with a focus on building market infrastructures to enable value chains to function more efficiently.

5. EFFECTIVENESS OF PROJECT MANAGEMENT, COORDINATION AND MONITORING ARRANGEMENTS AND MECHANISMS

This section focuses on the PSDP Steering Committee and the project operational management structure.

a. The PSDP Steering Committee

The Steering Committee (SC) was the governing body of the PSDP in charge of strategic leadership and governance oversight. The SC was chaired by the Ministry of Industry, Trade and Tourism and Co-chaired by UNDP. In addition to the MoITT and UNDP, its membership was supposed to include one representative from the Reserve Bank of Malawi, the Ministry of Finance and Economic Development, the Ministry of Agriculture, the DFID and a maximum of five representatives from the private sector and civil society organizations.

The SC supervised the project through quarterly meetings. The evaluation mission noted that SC meetings were held in most cases every three months and rightly concentrated on progress made to date, implementation challenges and issues, solutions, discussions around annual work plans and lessons learnt.

To that extent, the SC proved a useful platform to closely follow up implementation, learn from it and avoid accumulating delays. In fact, the urgency to speed up the delivery of the NIP, the NTP and other strategies, or their implementation was persistently underscored in several SC meetings. The SC insisted in its meetings on the need for the government to enforce laws as a way to keep the private sector engaged in the process of economic transformations.

Some of the decisions taken by the Steering Committee did not, nevertheless, resolve into immediate actions from the MoITT at a time a swift intervention was required. The case in point was the coordination challenges within the Ministry which were hampering the normal functioning of the project activities, but took several months before a remedy was found.

The SC's discussions did not give enough attention to how the policy work was contributing to the planned outcome, an area on which there is little information in its proceedings. As demanded by the Paris Declaration on Aid Effectiveness, managing for results requires a focus on how inputs, activities and outputs are gradually contributing to the achievement of higher level development objectives in terms of outcomes and impacts.

The mission noted that the scope of participation to meetings was not as originally intended in the project support document. There was no evidence of involvement in the SC meetings by the Reserve Bank of Malawi, the Ministry of Agriculture, or civil society organizations. The involvement of the Ministry of Finance was very limited. There was no indication that efforts were made by the SC to reach out to these institutions and to secure their sustained commitment and participation in the SC meetings.

Some stakeholders observed that few SC meetings were held for formality sake in the absence of high-level officials from the MoITT and UNDP, who had decision-making authority.

Overall, the PSDP Steering Committee was effective in providing direction, keeping track of progress made, discussing implementation challenges and strategic issues, taking note of lessons learnt, making recommendations for speeding up the achievement of output results, but less effective in ensuring that its decisions were expeditiously executed.

b. Project Operational Management

The project support document provided that the PSDP is managed by the International Advisor and Private Sector Development Specialist under the guidance of the Head of PADU (Policy Advisory and Development Unit) and in liaison with the Assistant Resident Representative responsible for Growth and MDG Achievement Cluster, or currently the Resilience and Sustainable Growth Portfolio Manager. The Project Manager was responsible for overall management of the project, making sure that project implementation proceeded as planned and all relevant reports were produced and on time.

The evaluation mission noted that project work was well planned and resources organized to achieve planned targets and objectives. To this end, annual work plans for 2013-2016 with yearly planned activities and related budgets were prepared. These work plans and their budgets were approved by the Steering Committee before moving into the implementation stage. Quarterly and annual progress reports which presented, in particular, the status of implementation of each activity and challenges, were prepared and discussed with the SC.

Both work plans and progress reports were prepared in the initial stage of the project by the Project Manager alone, and subsequently their preparation was initiated by the UNV Private Sector Development Specialist and the National Program Analyst before being quality assured by the International Advisor. It should be noted that AWPs and progress reports, were supposed to be initiated by the Implementing Partner, the Ministry of Industry, Trade and Tourism, but capacity constraints within the Ministry made it difficult for these reports to be produced on time, resulting into UNDP's intervention, even after a transfer of the secretariat work was concluded in January 2016.

Monthly project management meetings were held on a regular basis and provided the opportunity to discuss technical and implementation-related issues. As in the case of progress reports, UNDP reportedly continued to assist in preparing minutes of the meetings of project management and those of the Steering Committee, following the difficulties by the Ministry to prepare and submit them on time.

The project support document expected a number of knowledge products[17] to be completed by the end of the project in December 2016. Yet, the mission did not see any analytical work which documented best practices, in particular, with focus on Output 1. This was surprising since the TIP SWAp model constitutes an excellent show case of private sector engagement in supporting national development objectives (industrial policy coordination within the context of private sector led-growth) which could have been documented and shared at the national, regional and international levels.

In addition, there remains scope to improve coordination within the MoITT between the Department of Industry and the Department of Trade. Close collaboration between these two departments can contribute to synergetic working relationships and a speedy implementation of activities.

In light of the above mentioned issues, the key question is whether the project national counterparts could pretend its full ownership if they could not effectively perform the basic administrative and coordination functions. This observation challenges UNDP to do more in strengthening leadership, management , coordination and other capacities that will potentially contribute to bolstering the ownership of project management as well as that of the industrial transformation and trade promotion agenda in Malawi.

The MoITT has a vested interest in the project since industrial development and trade sector programming interventions are traditionally led by the ministry in charge of industry and trade, with inputs from various Government agencies and stakeholders.

[17] The project support document gives the number of 8, but this number is disputed by UNDP which considers it as a mistake.

6. CONCLUSION, LESSONS AND RECOMMENDATIONS

A. CONCLUSION

UNDP has contributed to the production of important policy documents and legislative instruments that are critical for advancing the industrial development and trade promotion agenda in Malawi. However, the impact of the industrial policy frameworks on economic transformation and development is yet to be felt given the slow pace of implementation of these policies and strategies. In reality, the challenge of implementation just began as most key documents were finalized in mid or late 2016.

On the other hand, the Ministry of Industry, Trade and Tourism views UNDP as a partner of choice. As such, UNDP is challenged to now move downstream and to provide support to the Ministry of Industry, Trade and Tourism to implement these policies and carry forward the national project of industrial development, taking into account the lessons learned during this first phase of project execution.

B. LESSONS LEARNED

The evaluation mission has identified a number of lessons that can guide future decisions on the design, implementation and management of the PSD project or similar interventions.

1. Putting the private sector in the driver seat of development can have a decisive impact on the transformation of the economy and the expansion of its productive capacity. This requires on the part of the government the enactment and effective execution of a series of policy incentives to create a more receptive business environment.

2. Working with the private sector requires discipline and a results-approach. Otherwise, disengagement will take place. In other words, engaging the private sector in development requires from the government sustained commitment and tangible results.

3. It is important to make sure during project design and formulation that the funding is adequate enough to support both policy development and implementation so that desired impacts could be achieved. This is critical if the stated objective by UNDP is not only to formulate policies, but also to have them implemented. If project execution falls under the total responsibility of the government, as it is usually the case, this should be clearly specified and counterpart funds must be earmarked.

4. There is a need for a well-articulated exit strategy to ensure the sustainability of benefits.

5. To foster ownership, local project counterparts must be trained in all aspects of project cycle, including formulation, management, procurement, coordination and evaluation to ensure that they properly undertake these tasks themselves. Training in leadership and change management is equally important to strengthen, among others, competencies that are necessary to push forward reforms, champion the change project and successfully

guide and implement it (strategic visioning, priority setting, consensus building, strategic communication, conflict resolution and negotiation, results-based leadership, etc) .

6. Having good working relationships with the Implementing Partner facilitates a smooth operation of activities and helps surmount challenges.

7. To achieve sustained results on structural transformations of the Malawian economy will require a great deal of goodwill from the Ministry of Finance, given its powerful and central position in the government.

C. RECOMMENDATIONS

The following recommendations are proposed to UNDP and the MoITT to guide future decisions on the design, implementation and management of the private sector development project or similar interventions in Malawi.

i. FOR UNDP

Recommendation 1: While UNDP has a strong comparative advantage in upstream work, the institution could consider some targeted interventions to support the implementation of policies and strategies it has helped to develop with a view to facilitating the realization of the desired improvements in institutional strengthening to achieve the needed economic transformation and developmental impact.

Indeed, UNDP has delivered a commendable policy work, but the total expected benefits of this work, as discussed in this Report, has not yet been felt due to the slow pace of implementation. This support will go along with increasing the chances of sustainability of benefits given the current institutional fragility and budgetary constraints faced by the MoITT.

One potential area for consideration would be the TIP SWAp Secretariat as further discussed below. It is understood that TIP SWAp is not the onus of UNDP, and, therefore, other development partners, such as the EU which is in the process of preparing its future cooperation program with Malawi, and has provided assistance to TIP SWAp in the past, could be approached to discuss possible areas of collaboration.

Recommendation 2: UNDP should provide support to enhance the capacity of the TIP SWAp Secretariat to support the implementation of policy frameworks and strategies that have been developed with UNDP assistance, through effective functioning of the SWG and the six Technical Working Groups.

The Secretariat is the best entry point for building the capacities of the Ministry of Industry, Trade and Tourism to lead, coordinate and implement reforms. A well-functional and dedicated Secretariat was one of the preconditions for the effective implementation of the National Export Strategy, the Joint Sector Plan and the TIP SWAp as a consultative mechanism for trade, industry and private sector-related policies.

To ensure its visibility, the revamped Secretariat, rather than being hosted by the Department of Planning of the MoITT, would be attached to the Permanent Secretary and led by a National Coordinator.

Critical capacity gaps that hampered a good functioning of TIP SWAp Secretariat were already identified in the MoITT's functional review of 2013/2014 and were taken into consideration in the preparation of the Capacity Development Plan for TIP SWAp, formulated with UNDP's assistance in 2015 and finalized this year.

To this effect, the evaluation proposes support in four areas, the two first of which are in line with the recommendations made in the aforementioned Plan:

1) Support the capacity development of the Secretariat and the MoITT in five critical areas that will help to cement its ability to lead, coordinate and manage the structural transformation process underway: (1) strategic leadership or capacity to build consensus among stakeholders, to push for reforms, to champion TIP SWAp and to produce action-oriented policies; (2) coordination or the ability to organize different stakeholders so that they can effectively work well together , or the ability to synchronize efforts to produce unity of action; (3) resource mobilization or the ability to raise money and mobilize other resources to support the implementation of TIP SWAp work and technical working groups; (4) management or the ability to practice management styles that foster team building and two-way communication; and (5) monitoring and evaluation, or the ability to measure and follow progress, learn from it, account for results and adjust policies.

2) Ensure the visibility of the Secretariat by establishing a direct reporting line from the TIP SWAp Secretariat to the PS- Level Executive Committee of the TIP SWAp through the MoITT's Permanent Secretary.

3) Support the recruitment of three national consultants/experts (chief economist and two economists) for initial duration of at least ten months for the Secretariat to ensure continuity and ownership. They will be responsible for strategic guidance, coordination, management operations, communication and resource mobilization to facilitate the implementation of TIP SWAp-related policies and activities. It is expected that these national consultants would be later hired as full time staff members by the Ministry as its budgetary situation improves.

4) Advocate for the Secretariat to have its own office space and be provided with acceptable working conditions.

Recommendation 3: the MoITT has developed with UNDP's assistance, multi-year implementation plans for the NIP and the NTP. UNDP should work with the Ministry to identify priority actions, especially those in need of financing and on which the institution could provide its support. In particular, interventions could be considered for :

- Strengthening the linkages between domestic and international trade through support for institutional strengthening of the MBS's capacity and the implementation of the National Trade Facilitation Plan.
- Eliminating external and domestic policy barriers to trade (support to negotiations for the elimination of non-tariff barriers prevalence in exports, support for the development and maintenance of a national trade database).
- Supporting a training program to facilitate MSMEs in meeting standards for priority products and markets.
- Mainstreaming trade priorities into sectoral plans and budgets.
- Strengthening the capacity of the Ministry and trade-related institutions in trade negotiations and investment promotion.
- Improving the participation of MSMEs in manufacturing and market linkages.

Recommendation 4: UNDP should consider the possibility of supporting a youth entrepreneurship project. Youth unemployment is one of the major development issues in Malawi given the high proportion of the youth population in the country (more than 60%). UNDP could help establish a start-up grant mechanism to support young entrepreneurs in the agribusiness and industrial sector. The grant could be accompanied with business incubation services (financial management training, coaching, physical space, and business advisory services). The EU has an entrepreneurship program in its next cooperation framework for Malawi, and UNDP could discuss with them the potential areas of cooperation.

Recommendation 5: Human capacity development is critical to ensure ownership and sustainability of benefits in Malawi. The present phase was weak in capacity development interventions. UNDP should facilitate the participation of key national officers and officials in short-term residential and external training programs as well as study visits to strengthen their performance capacities in key areas, such as enterprise development and value chains, industrial and trade policy formulation, coordination, implementation and evaluation; international marketing and export promotion, international trade negotiations, project cycle and leadership and change management within the context of structural economic transformations involving the private sector.

Programs that are designed to help participants acquire specific technical competencies must be privileged as opposed to those intended to raise awareness around some thematic areas.

Recommendation 6: if the future PSDP is executed under the National Implementation Modality and one of the major responsibilities of its Project Manager is to advise the government, it would be preferable that the Project Manager be housed where national counterparts are to facilitate coaching and capacity development.

Recommendation 7: UNDP should invest in analytical work designed to show case best practices in industrial policy coordination involving the private sector, using the example of TIP SWAp. The generated knowledge could be shared with all relevant national stakeholders and could be disseminated at the regional and international level.

<u>Recommendation 8:</u> UNDP should plan for the sustainability of project benefits by defining specific exit strategies during project design and formulation.

<u>Recommendation 9:</u> If the same private sector development project has to be reformulated, or to design a similar project, UNDP should ensure that:

- all key stakeholders are involved at the design stage , including potential donors to discuss possible co-financing options when UNDP has very limited resources to invest in the project;
- there is no dispersion of efforts by concentrating on a few selected capacity building areas where it can achieve a maximum developmental impact, taking into account available resources and potentially to be mobilized;
- the formulation of project results and indicators is based on SMART criteria, and does not lend to multiple interpretations. This will facilitate project monitoring and evaluation within the context of the results-based management approach.

ii. <u>FOR THE MoITT</u>

A number of issues were raised during the assessment with regard to the performance of the MoITT in the course of project implementation. The following actions are proposed in response to those issues in order to improve the implementation, management and coordination of the future private sector development project.

<u>Recommendation 1</u>: <u>High visibility and engagement of senior level management</u>: Positioning the industrial development at the heart of Malawi's economic transformations requires that the Minister of the MoITT and all senior level management become more visible and engaged in pushing for reforms and in advocating the need for effective inter organizational collaboration within the government to accelerate these reforms and obtain tangible results. In particular, an active engagement by the Ministry of Finance must become a priority, given its central position in the government.

The Ministry, as the leading coordinating institution on industrial development and trade promotion, should lead by example by making sure that its representatives effectively participate in TIP SWAp meetings at the decision-making level necessary to reassure other stakeholders, especially the private sector, and to drive changes. Leadership should show commitment to action. By fostering the implementation of policies, it will contribute to ownership since the diversification of the productive base of the economy will increase tax revenues, thereby lessening the country's dependency on foreign aid.

<u>Recommendation 2</u>: <u>Ownership of development</u>: doubts were casted during interviews about the Ministry's capacity to expeditiously and effectively respond to requests from UNDP and to take responsibility for the tasks entrusted to the institution. In this context, ownership of development requires that the Ministry takes an active and proactive role in every stage of project formulation, management and evaluation.

This requires among others providing in a timely manner substantive feedbacks to drafts of policies and strategies developed by consultants, drafting the terms of reference for consulting missions, ensuring a sustained and active participation of all relevant cadres in project activities where their presence is required, and taking responsibility for the organization of meetings and the preparation of progress reports and minutes of meetings.

Being in the driver seat of development implies that key documents from donors receive, when necessary, substantive feedbacks from the Ministry and in a speedy manner.

Recommendation 3: Internal coordination: it was noted that coordination challenges made difficult a quick implementation of project activities and hampered synergetic relationships. This issue should not be of concern if the Ministry adopts the idea of using an almost independent TIP SWAp Secretariat, above departmental politics, as a new coordination structure.

Nevertheless, some African countries have resolved intra organizational conflicts through a rotating coordination mechanism (six month) by which each department is given the chances of managing the project based on a set of commonly agreed governance principles.

Recommendation 4: Donor coordination: the Ministry is dealing with various sources of aid; it will greatly benefit if it takes the lead on aid coordination and harmonization to avoid, among others overlapping and duplication of efforts, interactions and activities which produce transaction costs and waste of time for the Ministry. The risk of fragmentation remains high in the absence of a strong leadership provided by the Ministry on this issue. Therefore, the establishment by the Ministry of a high-level or strategic aid coordination mechanism with concerned donors should be envisaged.

High-level aid coordination work and meetings will be prepared by TIP SWAp Secretariat, which will be also responsible for the follow-up of decisions and commitments made. It is understood that the Joint Sector Plan prepared by the Secretariat will provide the basic framework for aid coordination and harmonization.

ANNEXES

ANNEX 1

TERMS OF REFERENCE OF THE EVALUATION MISSION

Private Sector Development Project
Project ID: 00072218

End of Term Evaluation

Terms of Reference

1. CONTEXT:

1.1 Background

With a GNI per capita of USD 280, Malawi remains one of the least developed countries in the world. The Country`s inability to diversify the structure of its economy and its exports has compromised the opportunity to sustain high rates of economic growth and move towards becoming a middle income country. The slow rate of economic transformation impedes Malawi's potential of moving away from being a consumer and import-oriented country to a manufacturing and export-oriented country. To achieve the latter, Malawi requires concerted efforts to strengthen and increase the capacity and recognition of the private sector.

For now, Malawi lacks a private sector that can increase the low levels of investment and production and transform the economic structure of the country through the diversification of its economy and exports. In view of this, UNDP Malawi and its cooperating partners, namely: the UK Department for International Development (DFID) and KFW, have been supporting the Ministry of Industry, Trade and Tourism to implement a 2013 – 2016 Private Sector Development (PSD) Project. The PSD project is private sector led and private sector driven project which aims at incentivizing the private sector to deliver sustained, rapid and inclusive growth; ensuring that value chains with strong potential, identified by the National Export Strategy (NES), contribute to growth and poverty reduction and are inclusive of the poor; and better aligning business incentives with development objectives to promote innovations and inclusive business models to draw poor communities into markets more efficiently. More specifically, the overall goal of the PSD project is to support productive partnerships within the private sector, particularly between lead firms and poor producers and entrepreneurs, especially smallholders. The project has the ambition of contributing to the transformation of the private sector into the engine of real growth and anchor for economic diversification, job creation and greater economic opportunity for the poor that Malawi requires.

The PSD project operational approach is characterized by the use of two instruments: UNDP's Inclusive Markets Development (IMD) and the Challenge Fund. A Malawi Innovation Challenge Fund (MICF) has been established and pioneered for the first time in Malawi under the PSD project. This provides direct support to lead businesses with grant finance and technical assistance, with a view to supporting agriculture and manufacturing value chains to work better for the poor following the IMD approach.

The PSD project commenced in January 2013 and is expected to close in December 2016, with the exception of the Malawi Innovation Challenge Fund (MICF).

The project is implemented by the Ministry of Industry, Trade and Tourism that is responsible party for Output 1 whilst UNDP is responsible party for Outputs 2 and 3.

1.2 DFID Annual Reviews

DFID commissions annual reviews of its' programmes, including its' Private Sector Development Programme in Malawi, of which the MICF is one part. An Annual Review was carried out in January 2016, and it gives some information on the relevance, effectiveness and efficiency of the MICF operations. UNDP is the implementing partner for the MICF.

1.3 Project Outcome and outputs

The Private Sector Development Project is contributing to the United Nations Development Assistance Framework (UNDAF) (2012-2016) Outcome 1.3: 'Productive poor benefit from decent work, income generation and pro-poor private sector growth by 2016'. UNDAF Output 1.3.3: National Export Strategy clusters are supported through enterprise and skills development, financial services, cooperative development, promotion of structured markets and national quality infrastructure Expected CPD Output(s): Inclusive finance products expanded, new business-to-business opportunities for Malawi products

Expected Project Outputs:

The project has four Outputs, namely:

Output 1 - The Industrial development policy and prioritized sectoral policies and strategies developed and implemented

Output 2 - The MICF is established and operational to increase inclusiveness and competitiveness of value chains in agriculture and manufacturing

Output 3 - Loan facility provided to smallholder farmers, low income women and Youth

Output 4 - Programme Management 3

2. EVALUATION PURPOSE

The purposes of the end of project evaluation are to:

(a) Determine the extent to which the outcome and outputs of the project have been achieved, and the impact the project had on targeted sectors and population groups.;

(b) Assess the contribution of funders, implementing partners and responsible parties to the project outcome, and their cooperation towards success of the project.

(c) Document the achievements and lessons learnt during the course of implementation to inform future decisions in design, implementation and management of similar interventions.

3.THE SCOPE AND OBJECTIVES OF THE EVALUATION

Evaluation Scope

The evaluation should focus on Outputs 1, 3 and 4 to assess the extent to which the expected results have been achieved. Under Output 2 (MICF), the evaluation will only assess the role of UNDP and the sustainability of the project results. The assessment of the relevance, effectiveness and efficiency of Output 2 (MICF) was already concluded since the instrument underwent an annual review in November 2015, commissioned by DFID, and is in the phase of undergoing a second annual review for 2016, which is considered adequate for the purposes of the evaluation.

The objectives of the evaluation are to:

(i) Assess and analyze the progress made by the project to date towards achieving the project outcome, and outputs and the extent to which these results will be sustained after project closure.

(ii) Examine and analyze factors which have positively and negatively impacted on achievement of project outputs and outcome;

(iii) Assess the relevance of the outputs to the effective achievement of the outcome and goal;

(iv) Assess the relevance and adequacy of the project outcomes and goal to address the challenges in the private sector development arena;

(v) Assess the adequacy of the scope of the project interventions relative to the objectives of the project;

(vi) Assess the extent to which UNDP and the MoITT cooperated and contributed to the successful implementation of the project.

(vii) Assess the effectiveness of institutional arrangements, sustainability arrangements and partnership strategies;

(viii) Assess extent to which the existing policies, strategies, regulations and other documents, specifically those developed with UNDP assistance, are implemented and support the creation of a business enabling environment in Malawi;

(ix) Provide recommendations and document lessons on the design of the project, implementation, sustainability or exit strategies and partnership arrangements to inform future programming;

(x) Distil lessons learnt for future programming and improvement in planning for the remainder of the programme, if applicable.

4 EVALUATION CRITERIA AND QUESTIONS

4.1 Evaluation Criteria

The evaluation will use standard evaluation criteria to assess its performance, which includes relevance, effectiveness, efficiency, impact and sustainability.

4.2 Evaluation questions:

In order to meet the objectives and purpose of the evaluation, the evaluators will among other tasks answer the following questions:

4.2.1 Design and Relevance:

(a) Whether the problem the project addressed is clearly identified and the approach soundly conceived;

(b) Whether the target beneficiaries of the project are clearly identified;

(c) Whether there was a participatory needs assessment with intended partners and target beneficiaries prior to the development of the project.

(d) Whether the outcome and outputs of the project were stated explicitly and precisely in verifiable terms with SMART indicators;

(e) Whether the relationship between outcome, outputs, activities and inputs of the project are logically articulated and relevant to address the problem addressed in the project.

(f) Whether the project is relevant in fostering inclusive and sustainable economic growth in Malawi.

4.2.2 Implementation/efficiency

(a) Whether the management arrangements of the project were appropriate and analyze the institutional arrangements put in place including coordination arrangements, financing arrangements and actual implementation;

(b) What major factors affected project delivery and propose appropriate interventions to address them.

(c) The fulfillment of the success criteria as outlined in the project document;

(d) The responsiveness of the project management to significant changes in the environment in which the project functions (both facilitating or impeding project implementation);

(e) The monitoring and backstopping of the project as expected by the Government and UNDP;

(f) The Project’s collaboration with the public and private sector, faith groups and civil society, if relevant;

(g) The role of UNDP CO and its impact (positive and negative) on project delivery.

4.2.3 Efficiency:

(a) Whether the project resources (financial, physical and manpower) were adequate in terms of both quantity and quality;
(b) Whether the project resources are used effectively to produce planned results (Are the disbursements and project expenditures in line with expected budgetary plans) and how the project incorporated value for money principles?

(c) Whether the project is cost-effective compared to similar interventions;

(d) Whether the technologies selected (any innovations adopted, if any) were suitable;

(e) Whether there is evidence to support accountability of the project (to be used by UNDP in fulfilling its accountability obligations to its development partners); and

(f) The delivery of Government counterpart inputs in terms of personnel, premises and equipment.

(g) What were the main cost drivers and how these drivers could be abated?

(h) Assess whether or not the UNDP resource mobilization strategy for the project was appropriate and effective.

4.2.4 Effectiveness:

(a) What are the major achievements of the project vis-à-vis its outcome and outputs, performance indicators and targets?

(b) Whether there is evidence of UNDP contribution to the outcome of the project.

(c) Given the capacity building objectives of the project, how effective were the project's capacity building interventions

(d) Whether there is evidence of other contributions to the outcome of the project.

(e) What are the potential areas for project success? Please explain in detail in terms of impact, sustainability of results and contribution to capacity development.

(f) Given an opportunity, what actions the evaluator(s) would have recommended to ensure that this potential for success translated into actual success.

(g) Any underlying factors, beyond control, that influenced the outcome of the project.

(h) Have there been any unplanned effects/results?

4.2.5 Sustainability

(a) Assess whether or not the project's achievements are sustainable?
(b) Is there an exit strategy for any of the elements of the project?
(c) What should be done to strengthen sustainability of project outcomes?
(d) Are any parts of the project recommended to be continued in future, if yes in which form and context?

5. EVALUATION METHODS

The evaluator should provide details in respect of:

a) **Review of project documentation**. Review of key project documents such as approved project document, recent studies, reviews, project monitoring documents, disbursement reports, progress reports, work plans and other information available with UNDP and implementing partners.
b) **Construct** a theory of change as a tool to understand key development issues and context and to analyze the contribution of UNDP**,** etc.
c) **Data collection**: (i) visits to selected stakeholders to carry out in depth interviews, inspection, and analysis of project activities; (ii) phone interviews and performance data surveys of institutions not visited in person; For each of these interviews, the consultants should first develop and present their ideas for the content and format of the interview 6

6. IMPLEMENTATION ARRANGEMENTS

a) The Resilience and Sustainable Growth (RSG) Portfolio Manager will provide the overall oversight to the project evaluation. The Evaluator will ensure timely delivery and a satisfactory final product.

b) A reference group will be established to assist in key aspects of the evaluation process including reviewing evaluation Terms of Reference, providing documents, providing detailed comments on the inception and draft evaluation reports and dissemination of evaluation findings, lessons learnt and recommendations.

c) The UNDP Private Sector Development Project team will support the Evaluator on a daily basis with respect to providing background information and progress reports and other documentation, setting up stakeholder meetings and interviews, arrange field visits and coordinating with the IP. The Programme Analysts will be supported by the UNDP M&E Specialist to ensure that the evaluation meets the expected UNDP standards.

d) The Evaluator will have the overall responsibility for the conduct of the evaluation exercise as well as quality and timely submission of reports (inception, draft, final etc).

e) The Evaluator will be expected to be fully self-sufficient in terms of office equipment and supplies, communication and accommodation. Furthermore, the evaluator will be expected to familiarise themselves with the United Nations Evaluation Group’s standards and norms for conducting project evaluations.

7. DELIVERABLES

 Inception report – within 5 days of the start of the assignment. The report will include a detailed approach and methodology, schedule, draft data collection protocols and an evaluation matrix. A template of the evaluation matrix will be provided to the evaluator. The evaluator will also propose a rating of the performance in the four evaluation criteria: relevance, effectiveness, efficiency and sustainability.

- **Draft evaluation report** – The Evaluator will present a Draft Report within 2.5 weeks after presentation of the inception report.

- **Final Evaluation Report** - which will include separate sections on lessons learnt and recommendations. The Evaluator will present a Final Evaluation Report 5 days after receiving feedback and comments on the draft report from key stakeholders.

8.1 Qualifications & Experience

The Evaluator must satisfy the following qualifications and experience:

- Master's degree in economics, public administration, law or equivalent and 8 years of professional experience in the areas of economic and private sector development
- OR Bachelor's degree in economics, public administration, law or equivalent and minimum of 15 years of professional experience in the areas of economic and private sector development
- Proven experience in gender mainstreaming or promoting gender equality:
- Experience in conducting evaluations for UN agency, government or international aid agency projects on economic and private sector development;
- Excellent communication skills;

8.2 Evaluator's competencies:

- Strategic thinking
- Strong interpersonal skills
- Result oriented

9. TIME AND DURATION:

The evaluator will be hired for a maximum total of 20 person days within a period of 6 weeks maximum. Contract Start Date: 5 November 2016**.** Contract End Date: 15 December, 2016.

12. EVALUATION ETHICS

Responsibility of the CO to ensure credibility and independence of evaluation; responsibility of Evaluator to provide impartial, evidence-based, report adhering to international evaluation standards, etc.

ANNEX 2

LIST OF PEOPLE ENCOUNTERED

No	NAME	TITLE AND INSTITUTION
1	Mia Seppo	UNDP Resident Representative
2	Claire Medina	UNDP Deputy Resident Representative, Programme
3	Andrew Spezowka	UNDP, RSG Portfolio Manager
4	Cinzia Tecce	UNDP, PSDP Manager, International Advisor
5	Titus Kavalo	UNDP, PSD Program Analyst
6	Mark Mehrlander	UNDP, PSD UNV Program Analyst
7	Cliff Kenneth Chiunda	Principal Secretary, MoITT
8	S.K Chisale	Director of Industry, MoITT
9	Christina Zakeyo	Director of Trade, MoITT
10	Clement Phangaphanga	Deputy Director of Industry, MoITT
11	Charity Priscilla Musonzo	Deputy Director of Trade, MoITT
12	Mphatso Janet Nyekanyeka	Deputy Director of Planning, MoITT
13	Ezron Chilambo	Trade Specialist, MoITT
14	Navin Kumar	Fund Manager, MICF
15	Joshua Nthakomwa	Director, Investment Promotion and Facilitation, MITC
16	Bisa Namarika	Planning and Research Manager, MITC
17	Chancellor Kaferapanjira	CEO, MCCCI
18	Atupele Chilalire	Programme Manager, DFID
19	Richard Record	Senior Country Economist, World Bank
20	Jonathan Banda	Senior Private Sector Officer , AfDB
21	Matilda Palamuleni	Program Manager, Trade and Regional Integration, European Union
22	Beatrice Hazzadine Nasswendo	Head of Policy and Communication, National Smallholder Famers' Association of Malawi, NASFAM
23	Atulele Luwayo	Economist, TIPSWAP, MoITT
24	Joseph Cuimsen Phivi	Statistician, MoITT
25	Tambulani Chunga	MICF
26	Peter Kulemeka	UNDP, Monitoring and Evaluation Specialist
27	George Harawa	Assistant Director (Revenue Policy), Ministry of Finance and Development Planning

	Smallholder farmers **<u>Sunseed Oil</u>** Komani Gondwe, Mchinji, Mkanda, EPA **<u>Satemwa Tea Estate</u>** 1. Limbani Chisseko 2. Fanna Baison 3. W. Kilojere 4. Chris Mazombwe 5. J.E. Jphan 6. Hilda Makokola 7. N.C Hisuko 8. E. Julias 9. R. Kajawo 10. C. Makata 11. S. Clement 12. H. Maulidi **<u>Dairibord Malawi</u>** <u>Chandamale Milk Bulking Group</u> 1. Henry Manyenga 2. Davie Kachikondo 3. Bannert Mawindo 4. Peleman Phiri 5. Thomas Bwanali: Malawi Milk Supply Development Officer **<u>Charles Stewart Day Old Chicks In Zomba</u>** 1. Chiletso Mithi 2. Lilia Wachepa 3. Mai Dowy Chisema	

ANNEX 3

KEY DOCUMENTS CONSULTED

1. Malawi Growth and Development Strategy II.
2. National Export Strategy, Vol, 1,2 and 3.
3. PSD project support document.
4. PSDP : Work plans 2013-2016
5. PSDP: Quarterly Reports, 2013-2016
6. PSDP: Annual Reports, 2013-2016
7. PSDP Expenditures, 2013-2016.
8. PSDP Audit Report 2015.
9. PSDP Steering Committee: minutes of meetings 2013-16.
10. National Industrial Policy.
11. National Industrial Policy Implementation and Monitoring and Evaluation Plan.
12. National Trade Policy
13. National Trade Policy Implementation and Monitoring and Evaluation Plan.
14. Buy Malawi Strategy
15. Buy Malawi Marketing Plan
16. Concept Note of Agriculture Supplier Development Programme.
17. The Decline of Export Processing Firms Under the EPZ Regime in Malawi, 2015.
18. Amended EPZ Act.
19. Review of the Industrial Rebate Scheme.
20. A Comprehensive Analysis and Review of Investment , Production and Export Incentives in Malawi, 2016.
21. MICF Annual Review 2016.
22. MICF Log Frame
23. MICF Inception Report.
24. UNDP-DFID Cost Sharing Agreement.
25. Industrial Data Base Analytical Report.
26. Investment Marketing Profiles.
27. Capacity Development Plan for TIP SWAp.
28. Mid-Term Evaluation Report of Outcome 31 and Gender Mainstreaming Across all Outcomes 2012-2016.
29. Malawi Private Sector Development Strategy, 2009.
30. TIP SWAp Priority Policy Issues.
31. TIP SWAp progress reports.
32. UNDP Country Programme-End of Cycle Evaluation.
33. Youth Empowerment in Malawi.