

MALAWI:
**Final Evaluation of UNDP
& UNCDF's
Local Development
Programme**
Submitted to:
**United Nations
Capital Development Fund**

Executive Summary

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“The analysis and recommendations of this report do not necessarily reflect the view of the United Nations Capital Development Fund, its Executive Board or the United Nations Member States. This is an independent publication of UNCDF and reflects the views of its authors”

The views of the Government of Malawi (MoLDRD) and the Team Leader’s response are included in Section 11 of the Main Report

LIST OF ACRONYMS

ADB	African Development Bank
ADC	Area Development Committee
ADMARC	Agriculture Development and Marketing Co-operation
AEC	Area Executive Committee
CBO	Community Based Organization
CCF	Country Cooperation Framework
DA	District assembly
DANIDA	Danish Agency for International Development
DC	District Commissioner
DDC	District Development Committee
DDF	District Development Fund
DDP	District development Plan
DDP&FMS	District development plan financial management system
DEC	District Executive Committee
DEM	District Education Manager
DFID	Department For International Development
DPFMS	District Planning and Financial Management System
DS	Decentralization Secretariat
ECI	ECIAfrica Consulting (Pty) Ltd
EPA	Extension Planning Area
EU	European Union
FE	Final evaluation
FGD	Focus group discussion
GoM	Government of Malawi
GRF	Government Resource Fund
GTZ	German Development Cooperation
IEC	Information, Education Communication
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IGFTS	Inter-governmental Fiscal Transfers System
ISD	Infrastructure & service delivery
KII	Key informant interview
LASCOM	Local Authorities Services Commission
LDC	Less developed countries
LDF	Local Development Fund
LDP	Local Development Programme
LED	Local economic development
LGA	Local Government Act
LGDMF	Local Government Development and Management Program
LGFC	Local Government Finance Committee
LIA	Local Impact Area
M&E	Monitoring and evaluation
MALGA	Malawi Local Government Association
MASAF	Malawi Social Action Fund
MFIs	Microfinance Institutions
MoF	Ministry of Finance
MoLGRD	Ministry of Local Government and Rural Development

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MTEF	Medium Term Expenditure Framework
MTR	Mid term review
MU	Management Unit
NAO	National Audit Office
NDP	National Decentralization Program
NEC	National Economic Council
NGO	Non Governmental organisation
NLGFC	National Local Government Finance Committee
NORAD	Norwegian Agency for Development Cooperation
PD	Programme document
PEM	Public expenditure management
SEP	Social Economic Profile
SWAP	Sector Wide Approach
TOR	Terms of Reference
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VAP	Village Action Plan
VDC	Village Development Committee
VHC	Village Health Committee

MALAWI LDP EVALUATION: EXECUTIVE SUMMARY**1. PROJECT SUMMARY**

Country:	Malawi
Programme Number:	MLW/02/CO1; 013619
Programme Title:	Malawi Decentralised Governance Programme (MDGP)
Executing Agency:	Ministry of Finance
Implementing Agencies:	Ministry of Local Government and Rural Development
Programme approval date:	2002
Programme Start Date:	2003
Programme End Date:	2006, extended to September 2007
Total programme cost:	US\$21,274,820
Financing breakdown:	UNDP: US\$6,000,000 UNCDF US\$6,000,000 reduced to approx. US\$1.5m Government of Malawi: US\$7,006,120
Mid-Term Evaluation date:	November to December 2004
Final Evaluation date:	June to July 2007

2. PROGRAMME PROFILE

2.1 Understanding the context

2.1.1 The country context and status of decentralisation in terms of strategy, policy and implementation

Malawi's new constitution of 1994 introduced multi-party democracy after 30 years of centralised, one-party rule. It opened the way for decentralisation by setting down powers and functions of democratically elected local governments.

In 1998, the Government of Malawi (GoM) passed the Local Government Act (1998), which established Local Assemblies (LAs) as the key institutions for delivery of social and economic services. It took an incremental approach to implementation through a 10 year National Decentralisation Programme (NDP) with two phases: NDP 1 from 2000/1 to 2003/4 and NDP II from 2004/5 to 2010/2011.

Although adopted by parliament in 2004, the NDP II had not been implemented by the time of the mission and local government elections were not held in 2005. The effect of this was to stall the decentralisation reform programme, although de-concentrated local development continued at a growing pace with donor support for sector ministries in the form of sector wide programmes.

2.1.2 The Programme Context

The UNCDF and UNDP's support for decentralisation in Malawi closely paralleled and supported the national processes described above. Between 1992 and 1996 the UNCDF piloted decentralised management, participatory planning and the District Development Fund (DDF) in six districts of Malawi. These informed the Local Governance and Development Management Programme (LGDMP) implemented between 1998 and 2001.

After these two successful programmes, the UNCDF with the GoM formulated the Malawi Decentralised Governance Programme (MDGP). The new programme was intended to support the NDP II in "consolidating and deepening" decentralisation by focussing on three main aims: 1) institutional development and capacity building, 2) fiscal devolution and financial management, and 3) local development planning and financing mechanisms.

2.2 Programme Summary

2.2.1 Hypothesis

Drawing on its logical framework, the following hypothesis may be imputed to the MDGP:

"Building the capacity of central and local government (to manage public expenditure, planning and management of development and services) and communities (to participate in planning and implementation of projects), will empower communities to gain access to cheaper, and more relevant social and economic services, and thereby reduce levels of poverty".

2.2.2 Intervention strategy

The MDGP is, in practice, implemented through a National Execution modality (NEX). The Ministry of Finance acts as authorising agency. The MOLGRD acts as executing agency, with the support of the Decentralisation Secretariat (DS), which had management responsibility for implementation until its dissolution at the end of 2005, and the oversight of the Inter-Ministerial Technical Committee (IMTC). These roles apply to both the MDGP and the NDP II.

2.2.3 Programme budget and approval

The total budget for the MDGP was estimated at US\$21,274,820, with the UNDP providing US\$6,000,000, the UNCDF providing US\$6,000,000, the Government of Malawi US\$7,006,120, with other donors expected to provide the rest. The UNCDF's contribution fell from the planned US\$6 million to an actual US\$1.5m, after the PD was signed and before implementation. Efforts to make up the shortfall were made and US\$3.2 million was secured from African Development Bank (ADB) and just under US\$1 million from the Norwegian Agency for Development Cooperation (NORAD), important contributions, that fell far short of the programme target.

The UNDP was to provide support for institutional capacity building and operations and maintenance costs for the DS office. The UNCDF was to provide investment capital for the DDFs, funding for external consultants and a regional technical adviser and for administration costs.

2.2.4 Intended results

The intended overall result of the MDGP was “communities empowered for poverty reduction through local government and development management”. The immediate expected results were: “1) strengthened management and technical capacity of central and local government institutions in their roles and responsibilities, 2) strengthened mechanisms for financing local government to increase locally generated revenues for service delivery, 3) Strengthened capacity of central and local government & communities in planning & management of development & services”.

2.2.5 The scope and location of the programme

The MDGP focussed on 12 districts: Nkathabay, Mchini, Dedza, Mangochi, Thyolo, Nsanje, Mzimba, Kasungu, Ntcheu, Machinga, Chiradzulu and Chikwawa. The first six were defined as local impact areas (LIAs), and second six as non-local impact areas (non-LIAs). Impact areas received the bulk of expenditure and technical support, while non impact areas were intended to benefit from the experiences and learning in the impact areas through a twinning arrangement.

2.2.6 The broader context within the programme is located and its scale and scope relative to this broader context

In contrast with the predecessor LGDMP, in which the districts were to act as “pilots” the MDGP was intended to “consolidate and deepen” decentralisation. The twelve MDGP districts represent just under half of the total of twenty eight in Malawi.

MALAWI LDP EVALUATION: EXECUTIVE SUMMARY**2.2.7 Partnerships foreseen in the programme document**

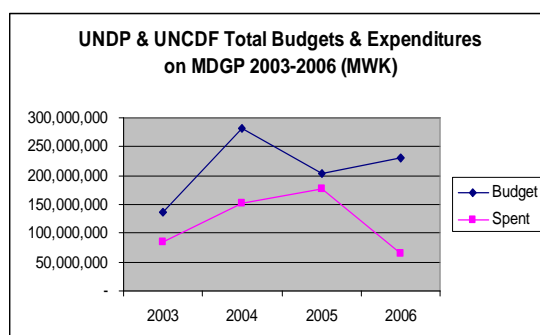
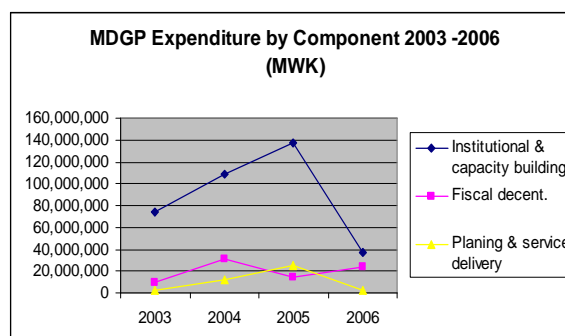
The primary implementation partnership was with the DS, replaced by a Decentralisation Unit in the MoLGRD in 2005. The local partners are the twelve District Assemblies (DAs). The donor partners are NORAD and the African Development Bank (ADB).

2.3 Programme Status**2.3.1 Programme status expected outputs and achievements**

The mission found that the main achievement of the programme was to strengthen the institutions and systems of decentralised governance and service delivery. The actual delivery of infrastructure and services for the poor was minimal measured against the total funds expended, notably after 2005. The reasons for this include weaknesses in programme design, the cut back in the UNCDF's capital investment grant, weak implementation after 2005 and the disproportionate expenditure of capacity building funds on central government relative to the districts and sub-districts. These problems were deepened by suspension of the local government elections and the NDP II in 2005.

2.3.2 Fiscal status and performance

Chart 1, shows that expenditure was substantially below budget for every year, except 2005. After 2005, expenditure dropped off sharply, while the budget allocation continued to rise.

Chart 1: Budgets and Expenditure**Chart 2: Expenditure by component 2003-2006**

Source: Ministry of Local Government and Rural Development

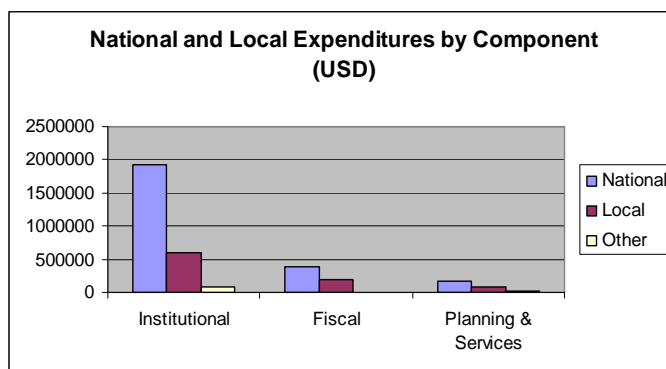
Chart 2 shows that Institutional Development and Capacity Building received the bulk of funding (74%), followed by Fiscal Decentralisation (17%) and Planning and Service Delivery (9%). Under-

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spending of the budgets was much greater in the areas of Fiscal Decentralisation and Planning and Service Delivery than in Institutional Development and Capacity Building, in all years.

Chart 3 shows that 71% of total MDGP expenditure went to national government and only 26% to local government.

Chart 3: National & local expenditure by component



Source: Ministry of Local Government and Rural Development

3. PURPOSE OF THE EVALUATION

3.1 Evaluation Purpose

The objectives of the Final Evaluation (FE) are:

To assist the Government of Malawi (GoM), the UNDP and UNCDF to understand:

- a) the efficiency, effectiveness, relevance and impact of the MDGP,
- b) the sustainability of programme results,
- c) the satisfaction of programme stakeholders and beneficiaries with the results, and
- d) Whether UNDP and UNCDF were effectively positioned and partnered to achieve maximum impact;

And to:

- e) contribute to learning from programme experience,
- f) assess the value and opportunity for broader replication of the programme, and
- g) help determine the need for follow-up on the intervention and its future course.

3.2 Programme Cycle

The MDGP was approved in September 2002, started in May 2003 and was planned to end in December 2006. A Project Document amendment in 2006 extended the MDGP to December 2007, and added two further components: 1) Piloting the DA's improving the environment for inclusive business development and support to micro- and small-scale enterprises, and 2). Documenting and disseminating the activities and results of the programme. The TOR excludes the amendment.

4. KEY FINDINGS: ACHIEVEMENTS AND CHALLENGES

4.1 Results Achievement

Finding 1: Development objective: Empower local communities through local government & development management for poverty reduction

The structures for participatory community planning are in place and some infrastructure and services have been supplied that have improved people's lives, but the benefits to the poor have been small measured against total programme expenditure, and local democracy and associated empowerment have not yet taken root.

Finding 2: Immediate objective (and outputs 1-4): Strengthen management & technical capacity of central & local government institutions in roles & responsibilities

The management and technical capacity of central and local government institutions has improved, but central government has benefited disproportionately from expenditure and major managerial and technical gaps and weaknesses remain at the level of the DAs.

The Cabinet and Inter-ministerial Committees on Decentralisation have not met regularly and have not played either a championship or coordination role in the implementation of the MDGP. The DS was strengthened to implement the NDP I and was quite effective while it existed, but was dissolved in December 2005. The functions of the DS were institutionalised in the MoLGRD and a number of other government organisations, but posts in the ministry's Decentralisation Unit remain vacant and the MDGP has not been effectively driven since the hand over.

The DAs have been strengthened to some degree, but there are major gaps in key posts, capacities of staff in place are often weak and the DA's have difficulties coordinating the activities of officials within the devolved sectors, who are accountable to their ministries.

Finding 3: Immediate objective 2: Strengthen mechanisms for financing local government to increase locally generated revenues for service delivery

An inter-governmental fiscal transfer system is in place and being used, but the planned revised system has not yet been developed. The funds flowing from the General Resource Fund (GRF) to the DDFs have become regular but remain at 0,5% or less of the national budget rather than the agreed 5%. Little of the GRF is being used for provision of development and services, while most goes into salaries and operational costs. Financial capacities in the DAs remain weak, there is little downward accountability to communities, and auditing takes place irregularly, or only at very long intervals, though there are efforts currently under way to correct this.

The UNCDF's donor partners, NORAD and the ADB, have channelled funds to the DDFs, but few other donors and NGOs are using them, while the funding of devolved sectors occurs outside the DDFs, which adds to local development but undermines democratic decentralisation.

Steps have been taken to create business and property registers to strengthen the DAs' local revenue bases, but the necessary legislation to enable the DAs to apply these taxes has not been passed. Local revenues are growing slightly in nominal terms, but shrinking rapidly relative to government and donor sources, which are, by and large, not channelled through the DDFs. Very little of the DAs' local revenues are being used to provide development and services; most is going to support salaries and operational costs.

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Efforts have gone into setting up M&E and accounting systems, but these, are not, by and large, yet operational, which means that accountability processes upwards to national government and downwards to communities have been weak or non-existent. The absence of councillors has removed a key mechanism for holding local officials to account.

Finding 4: Immediate objective 3: Strengthen the capacity of central & local government & communities in planning & management of development & services

Planning manuals have been produced and training has taken place at the community level, but is not regular, broad-based or deeply participatory. Women provide substantial free labour time, but have little voice in decision taking. The infrastructure and services that have been delivered are deeply appreciated by the communities, but the level of expenditure has been low and communities, through the headmen, plead for further funds to meet unaddressed needs.

From what the team could ascertain, a District Development Planning and Financial Management (DDP&FM) training manual was prepared and used for training in a number of pilot districts, but it could not be confirmed whether it has been updated and subsequently implemented again.

The DAs' capacity for service delivery has been enhanced by the systems set in place for district development planning, financial management and service delivery by the MDGP, but the scale of capital investment in infrastructure and services has been too small and occurred too long ago (2003-2005) to ensure that this capacity is maintained.

Finding 5: Gender

Although highlighted in several places in the PD as a cross-cutting issue, activities and budgets in support of gender equity do not feature in the logical framework. Women's representation on council when the councils existed was very low. Women's representation in implementation committees adheres to the 50/50 rule, but they have little say in decision taking.

Finding 6: HIV & AIDS

Although highlighted in the PD as a cross-cutting issue, activities and budgets to address HIV & AIDS do not appear in the logical framework and what progress was reported on HIV & AIDS in the districts cannot be attributed to the MDGP.

Finding 7: Environment

Environmental degradation was also highlighted in the PD as an important cross-cutting issue, but does not appear in the logical framework either in terms of activities or budgets, except indirectly in the context of planning. The physical infrastructure created with DDF funds has had negative impacts on the environment, notably sand-winning and brick making, but no effort has been made within the MDGP to mitigate these negative impacts.

Finding 8: Policy reform

The MDGP's contributions to the Intergovernmental Fiscal Transfer System, the District Development Fund and District Development Planning have influenced the revisions that went into the NDP II. Apart from this, the impact of the MDGP on new policy development has not been substantial, in part due to the fact that the MDGP was conceived as a programme that would "consolidate and deepen decentralisation", not pilot process to inform national policy.

Finding 9: Replication

The MDGP sought to “consolidate and deepen” decentralisation by focussing on twelve districts. While the team found evidence that the institutions created by the predecessor LGDMP are still functional in the sampled districts and were active during the period 2003-2004, these have become largely dormant since then, due to the fact that funding for capacity building and capital investment at the local level has virtually dried up. Sector devolution, backed by growing government and donor funding, has made local development coordination more, rather than less, difficult for the DAs. Under sector-wide approaches (SWAPS), sector devolution is resulting in de-concentrated rather than decentralised local development in Malawi.

4.2 Sustainability of Results

4.2.1 Achievements and challenges

The main achievement of the MDGP has been to help ensure that the institutions and systems of decentralised governance, public expenditure management, local planning and infrastructure provision and service delivery have remained alive. Amongst local respondents, the team found widespread, appreciative reference to the idea of empowerment and its association with decentralisation, but disappointment that empowerment has not materialised in practice.

The sustainability of the model as a set of embedded practices within the districts is currently in doubt, and is unlikely to be ensured without a major further effort over a number of years. This applies across the board from the financial, to the planning, implementation and accountability dimensions, all of which are currently weak. Indeed, the team found strong evidence of a reversion back to traditional forms of decision taking at the village level, and a reversion to consultative decision taking in the DAs, involving MPs and TAs, who, unlike the councillors, do not hold elected positions in local government.

4.3 Factors effecting successful implementation and results achievement

4.3.1 External factors affecting achievement of the MDGP’s results

The main external factors affecting the achievement of the MDGP’s anticipated results are political, namely the suspension of the local government elections and the NDP II in 2005. These have, in effect, brought decentralisation to a standstill, though they have been accompanied by increased devolution of the activities of sector ministries, notably in the areas of education, health and water. Accountability is to the ministries not to locally elected councils.

4.3.2 Programme related factors

Certain design features contributed to the weaknesses in the MDGP. These include the lack of a clear distinction between means (capacity building) and ends (community empowerment), overlapping outputs (notably outputs 4 of immediate objective 1 and 3 of immediate objective 3) and the lack of a clear identification of service delivery in the development objective and its link to poverty reduction.

4.3.3 Institutional and implementation arrangements

The Ministry of Finance as the authorising agency, the MoLGRD and DS as the management body (until it was dissolved in December 2005), the Cabinet Committee on Decentralisation (CCD) as overall coordinator, Inter-Ministerial Technical Committee (IMTC) as overseer of implementation, the NLGFC as the body responsible for the transfers of funds to the DAs and the auditing of their use, and the DAs as local executing agencies were appropriate institutional arrangements in theory. In practice, the CCD and IMTC met only rarely during the period under review, and the MoLGRD has not proved capable of managing decentralisation effectively since the dissolution of the DS. Apart from late auditing of the DAs accounts, the NLGFC performed its functions effectively, while the DAs' roles in promoting local development and service delivery have been undermined by the weak flow of investment capital through the DDFs.

4.3.4 Programme management

Supporting a NEX modality is consistent with the Paris Declaration of 2005, but has severely limited the UNCDF's capacity to ensure effective execution. In practice, the MoLGRD is both the implementation agency and beneficiary, which has impaired results achievement. The PO reports to the head of the Governance Cluster within the UNDP, rather than directly to the Resident Representative, which reduces his authority and room to maneuver. Added to these difficulties, the PO is no longer supported by a resident TA or full time administrator.

4.3.5 Technical backstopping

Technical backstopping for the MDGP has been wanting in certain areas. The failure to review the PD following the UNCDF funding cut back in 2002 seriously compromised the programme. The failure to develop new guidelines for the fiscal transfer system and DDP & FS system and a Gender Strategy are other examples of weaknesses. Technical backstopping to the districts has been wanting. Component 5 was added to the PD in 2006 without an initial assessment of needs within the existing programme, and before undertaking a participatory diagnosis of local conditions to ascertain priorities for local businesses. This has reduced the relevance of the amendment.

4.4 Strategic Positioning and Partnership

4.4.1 Strategic positioning

The main finding of the team is that the UNCDF has lost the strategic position it had during the predecessor LGDMP. The MDGP deliberately eschewed a piloting role, choosing instead to "consolidate and deepen" decentralisation in Malawi. It has not succeeded in consolidating or deepening decentralisation, something that it would have been difficult to expect of the programme given the UNCDF's financial cut back.

4.4.2 Partnership

The position of the UNCDF as a partner has been weakened all round. Its position in the UNDP in Malawi does not enable it to effectively pursue its specific mandate of testing models of local development using investment capital or of providing effective technical advisory to national government. Nor is the UNCDF in a position to play an effective role as a partner in to national government given the NEX modality that prevails in practice and small staff complement. The

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UNCDF has been displaced by other donors as the leading agency advising national government on decentralisation.

4.5 Future UNCDF Role**4.5.1 UNCDF's mandate**

There are a number of issues to consider in defining a future role for the UNCDF in Malawi. Firstly, it should centre this role on its distinctive mandate within the UN as a capital investment organisation focussing on testing models of local development. Secondly, it needs to consider its evolving partnership with the UNDP in the country and globally. Thirdly it needs to establish its competitive niche within the UN and amongst bi-lateral donors. Fourthly, it should work out a future role based on its past experience with the MDGP and predecessor programmes taking into account the evolving context for decentralisation in Malawi. Based on these considerations, the mission has recommended a three-fold approach to its future role in Malawi, discussed in Section 9 below.

5. LESSONS

5.1 Programme level lessons

The key programme lesson arising from the MDGP is that capacity building without the associated capital investment does not work within the framework of the LDP model. The causal connection between capacity building, service delivery and poverty reduction is broken. The problem is accentuated when expenditure on capacity building is focuses on national rather than local actors.

The other main programme-level lessons are 1) the importance of a clearly and logically formulated design that places capital investment in development and services and its link with poverty reduction at the centre of the programme, 2) the imperative of programme revision where a large cut-back in funding takes place, 4) the importance of clearly defining, explaining, and connecting the UNCDF's roles in model testing and support to national decentralisation roll-out, 5) the importance of re-defining its execution modality in the wake of the Paris Declaration and 6) that the roll out of a national decentralisation programme is extremely difficult to achieve in practice if it does not have the support and active championing of national government at the highest levels.

5.2 Partner specific lessons

The UNCDF cannot carry out its mandate effectively without a strong partnership with the UNDP that is based on recognition and acceptance of its distinctive mandate. Similarly, the UNCDF cannot carry out its mandate unless this is understood and accepted by its national partner. This includes an understanding of, and support for, an execution modality that enables it to play this role. In terms of partnerships with other donors, the main lesson is that the UNCDF is seriously weakened in its effort to form partnerships if it cannot demonstrate 1) that it is a leading innovator in local development and, 2) it has the influence with government to ensure that funding from its donor partners will be used effectively to support decentralisation.

6. RECOMMENDATIONS

6.1 Programme level recommendations

6.1.1 Programme design

1. The design of an LDP should be clear about its development objective. More, specifically, it should be clear about the role of capacity building and its causal link to capital investment, empowerment and poverty reduction. Is capacity building one of the means of achieving improved public expenditure management, participatory planning, infrastructure and service delivery, which, in turn, reduce poverty, or is it the development goal itself?
2. The UNCDF's capital investment mandate, which is to test local development models and concepts, using capital investment funds, should remain at the centre of its work.
3. In particular, the organisation should reflect carefully on what it does once a pilot programme has come to an end. It should pose the question as to whether to restrict its future support in a country to technical assistance for national government in its efforts to roll-out programme decentralisation, or seek to pilot new concepts and models at the local level.
4. The UNCDF should ensure that it has the funds to carry out this mandate. It should also ensure that its partnership with the UNDP is based on the understanding that this is its specific mandate and *raison d'être* (see below for recommendations on the UNCDF/UNDP partnership).
5. The UNCDF should ensure that its programmes are based on a ratio of national to local expenditure that is more favourable to local development, for example 20/80 rather than 70/30 as in Malawi.
6. If a programme faces a major funding cut back, the UNCDF should thoroughly review the programme design or, if the programme is already being implemented, its logical framework and workplans.
7. The UNCDF should review its approach to piloting and support for national replication in the light of the Paris Declaration and demands for the replacement of DEX with NEX modalities (see recommendations on this under programme management below).
8. Cross-cutting issues should be integrated into the programme design in a conceptually integrated and meaningful way and then be translated into appropriate activities with budgets.

6.1.2 Programme management

1. The full implications of the Paris Declaration for the UNCDF's implementation modality need to be carefully worked out in a way that fully respects these principles while enabling the organisation to effectively play its piloting and national policy and implementation support roles. This modality should be robust enough to enable the local UNCDF team to carry effectively carry out the UNCDF's distinctive mandate as a capital investment and local development model testing organisation and its technical support for the roll-out of the national decentralisation programme.

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2. The UNCDF should position itself nationally as the UN organisation responsible for harmonisation of donor support activities in the area of promotion of local development, based on its local model testing, international experience and relationship of trust with national government.
3. The UNCDF should ensure that its local team in Malawi is adequately resourced in terms of numbers and competencies to perform the functions outlined in 2 and 3 above.
4. The local UNCDF team to be properly partnered with the UNDP to perform these two roles.
5. The local UNCDF team should be properly partnered with national government as the principle executing agency to enable it to perform these two roles. This means defining a clear division of labour between the organisations, with the UNCDF focussing on technical support and advice in the piloting of the LDP model and in decentralisation and policy development and replication and the UNDP providing strategic support in terms of the partnerships with government and donors, financial oversight and technical and financial support in the area of capacity building.
6. The partnership with government should also be based on a clear definition of the roles and responsibilities. In the early stages of a programme, it is likely that to perform its piloting functions, the UNCDF needs to work within some form of DEX modality. However, there should be a clearly laid out schedule for the UNCDF team to build the capacity of the government partner to progressively take over execution functions as these capacities materialise. This implies developing DEX/NEX hybrids that break down the conventional separation between the UNCDF programme unit and the government institutions, at national, regional and local level.
7. It is important for the UNCDF to ensure that the national government has an appropriate implementation vehicle with which it can inter-act on a day to day basis. What is needed in terms of the national government's intervention capacity will change as the decentralisation effort moves from model testing to national roll-out. During the model testing phase it is important for the UNCDF to partner with a level of government that is sufficiently influential to support model testing and able to feed the experience for local pilots into national policy discussion and formulation. During the roll-out phase it is important for national government to establish a vehicle that has the national leadership support, sufficient technical capacity, focus and latitude of action to carry through the implementation of the national reform process.

6.1.3 Contextual factors

The UNDP and UNCDF should give their full support to the GoM's inclinations and efforts to hold local government elections and to re-launch the NDP. One useful way of providing this support is to draw together the experiences and lessons of the MDGP to inform future discussions within government on the meaning of decentralisation, on its benefits and on ways of tackling more effectively the weaknesses that have emerged from its piloting through the MDGP. The lessons and recommendations in this report provide a starting point for this.

6.1.4 National and local sources of impetus

1. Any future programme should be strongly focussed on the district and community levels in terms of both capacity building and capital investment.
2. Funding and technical assistance from national government and donors should reward local governments that have initiated a locally-driven development dynamic.

6.1.5 Building the local revenue base through stimulating local economic growth

1. A strategy to increase the revenue base of local government should go hand in hand with a strategy to promote Local Economic Development.
2. Local government's most effective roles in supporting local growth are to promote public/private sector dialogue and action over improvements in the environment for business, infrastructure, the natural environment and the regulatory system. This is a precondition for establishing a feed back loop between taxation and local development. The UNCDF should therefore support a dialogue based approach to building the local revenue base.

6.1.6 Institutions and capacity building

1. Both the nature and focus of institutional and individual capacity building needs to be carefully reviewed by the UNCDF, in the light of the importance attached to it by the Paris Declaration and the actual experience gained in the MDGP. It is critical to ensure that national level capacity building actually translates into improved support for local government and communities in development and service delivery that benefits the poor. It should not be undertaken for its own sake, at least in a programme that seeks to promote decentralised development and service delivery.
2. Within the LDPs, capacity building should be provided to support the core activities of public expenditure management, participatory planning and development and service delivery, based on capital investments, that lead to development and service delivery that demonstrably benefits the poor, rather than as an end in itself.
3. Capacity building at the community level should be linked directly to planning, decision-taking, implementation and management of actual projects based on capital funding provided through the DDFs, rather than undertaken in an investment vacuum.

6.1.7 M&E

1. The UNCDF should carefully review the question of M&E in its programmes and how it provides support in this area.
2. Its organisational need is for a system that enables it to monitor its expenditures on a national basis while also generating information on lessons learned at the local level that can be shared nationally and internationally.
3. Its support for national government M&E systems should focus on the needs of national government, which are likely to be different from the UNCDF's organisational needs given the global scope of the UNCDF's work.
4. The UNCDF should support the development and testing of simple, cost effective, participatory M&E systems adapted to local learning and innovation and to local strategic

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decision taking. It should leave open the possibility that these are either integrated into the national M&E systems or run parallel with them, depending on considerations of cost, compatibility and practicability.

6.2 Partner specific recommendations

1. It is critical for the UNCDF to carefully re-think its partnership with the UNDP and its role in the donor community more widely in a country. The relationship with the UNDP should be redefined as that of a supportive partner specialising in testing models of local development based on capital investments.
2. It should be understood that the UNDP's role in relation to the UNCDF within a country is that of providing support in strategic position within government and in the donor community. The UNDP should also provide financial support and oversight. It should use its wide knowledge of capacity building to provide technical and financial support to the UNCDF team in this area of its work.
3. In relation to other donors, the UNCDF should strive to play the role of harmonising donor support to local development by encouraging budgetary support that promotes both piloting and the national roll-out of decentralisation programmes.
4. In order to do this, the UNCDF national teams should be adequately staffed with people who have deep experience of the pilot local development programmes, a sound knowledge or access to the UNCDF's international experience, and the necessary skills to act as influential advisors to national government.

6.3 Sustainability of results

In order to promote sustainability, the mission recommends the UNDP and UNCDF strongly pursue the following:

1. In terms of national government, based on the experience of the MDGP and findings of this report provide:
 - a. Advocacy support for the holding of local government elections
 - b. Advisory support on the launch and implementation of the NDP
 - c. Technical support on inter-governmental financial flows from the national treasury to the proposed new LDFs
2. In terms of bi-lateral donors to:
 - a. Promote a harmonised approach to donor support for decentralised local development
 - b. Promote donor use of the LDFs for local development support
 - c. Promote donor use of LDFs for devolved sector funding and activities where this is appropriate (i.e. where the sector activities is best carried out through the DAs)
3. In its advisory work with the GoM, the UNCDF to emphasise the importance of promoting effective development management within the DAs in the following areas:

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- a. Coordination of devolved sector activities within the DDPs
- b. Mobilisation of local resources for development, including:
 - i. Local tax revenues
 - ii. More effective use of public and private sector institutional resources
 - iii. More effective use of natural and physical resources.

6.4 Factors affecting successful implementation and results achievement

The mission recommends that UNCDF & UNDP support for the re-launching of the National decentralisation programme should focus in the following area:

1. Increased attention to investment in infrastructure and services as a means for poverty reduction, as against just capacity building itself
2. Correcting the imbalance between national and district- and community-level institutional development and capacity building support in a way that strongly favours the latter
3. Correcting the imbalance between support for external (i.e. from outside the districts) and district- and community-level resource mobilisation strongly in favour of the latter
4. promoting public entrepreneurship, as against administrative authority, as the motor within local government for local development and service delivery
5. Ensuring that the re-launch of the national decentralisation programme is championed from a level in government that is high enough and has sufficient authority to ensure adherence to policy
6. ensuring that the NDP is managed by an agency within government that has sufficient backing from the highest levels of national government, capacity and latitude of action to drive the decentralisation.

6.5 Strategic positioning and partnerships

1. The mission recommends that the UNCDF in Malawi positions itself within the UN as an organisation working in close partnership with the UNDP focussing specifically on:
 - a. capital investment
 - b. local development
 - c. proving the workability of development concepts and models
 - d. innovating and
 - e. risk-taking.
2. Positioning itself in this way will require thorough discussion between the UNCDF and UNDP in Malawi as partners playing mutually supportive roles within the framework of the UNDP's country programme for 2008-2011.
3. The UNCDF will also need to undertake an assessment of the organisation's niche in the donor community in Malawi, based on the roles it intends to play in the future as an advisor to the GoM on implementation of the NDP.

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4. Ideally, the UNCDF in Malawi could build a role as the focal point for the harmonisation of donor activities in the sphere of decentralisation. To play such a role effectively, the national UNCDF team needs to have adequate capacity, be able to draw on lessons learned from past piloting and future testing of innovative local development models and from the UNCDF's global experience of local development. It would also need to have the communication and facilitation skills to perform this role and the necessary standing in government and amongst donors. (see also the next section on the UNCDF's potential future role)

6.6 Future UNFED Role

The mission recommends that the UNCDF takes a three-pronged approach to its future role in Malawi:

1. Once the necessary pre-conditions have been secured, provide advice and technical support to the NDP II based on its accumulated experience and lessons learnt from the MDGP, predecessor programmes and UNCDF global experience with local development.
2. Build the capacity to play an effective role within the donor community as the focal point for the harmonisation of donor support to decentralisation.
3. If conditions are favourable, launch a new programme to promote Local Economic Development in the country.

6.3.1 Advice and technical support

The UNCDF, in partnership with the UNDP in Malawi remains in a strong position to play a supportive role to national government, particularly in terms of the anticipated revision and re-launching of the NDP II. The amendment to the programme document made in 2006 has as the MDGP's fifth output: "Activities and results of the project are fully assessed, reviewed, documented and disseminated". Our recommendation builds on this amendment. It would be used as the basis for the UNCDF to play a strong role advising and supporting the Government of Malawi in the processes leading up to the re-launch of the NDP II.

6.3.2 Focal point for donor support

The UNCDF in Malawi can, potentially, play the role of focal point for donor support on decentralisation. However this will depend on a number of conditions being met:

1. 1. That the UNCDF team in Malawi is strengthened technically and administratively to undertake this role. This will mean redefinition of its role vis-à-vis the UNDP and donors, as already described above.
2. 2. That the UNCDF decides to continue testing new models of local development in Malawi, for example the LED approach suggested in the next section.
3. 3. That the UNCDF is able to build an effective partnership with national government at the appropriate levels to support its model testing and advisory roles.
4. 4. That an effective delivery vehicle for national roll-out of the decentralisation programme is created within national government, such as an adequately strengthened decentralisation vehicle within the MoLGRD, with which the UNCDF team is able to work on a day-to-day basis.

6.7 Local Economic Development

The team recommends that the UNCDF consider support for a programme to promote local economic development. The rationale for this and a logical framework are provided in the main report.

7. TEAM COMPOSITION

The team was made up of two international consultants, namely Dr. Doug Hindson and Mr Hamish Scott, and two national consultants, namely Dr. Asiyati Chiweza and Mr. Justin Nyondo. Dr. Hindson took responsibility for the overall direction and facilitation of the team's work. Mr. Hamish Scott focussed on component 3, Dr. Asiyati Chiweza focussed on component two and Mr. Justin Nyondo on component one of the programme.